Oxfam and International Procurement & Logistics Ltd

EXPLORING THE LINKS BETWEEN INTERNATIONAL BUSINESS AND POVERTY REDUCTION

Bouquets and beans from Kenya

IPL

OXFAM

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A study based on Oxfam's Poverty Footprint methodology

Editor: Rachel Wilshaw, with contributions from
Erinch Sahan, Gerry Boyle, Katie Knaggs and Neil McGregor

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ABBREVIATIONS

ADP	Accenture Development Partnership
CBA	Collective bargaining agreement
CBO	Community-based organisation
CSR	Corporate social responsibility
ETI	Ethical Trading Initiative
FLO	Fairtrade Labelling Organisation, Now Fairtrade International.
FPEAK	Fresh Produce Exporters' Association of Kenya
GDP	Gross domestic product
GlobalG.A.P.	Global Good Agricultural Practice
GRASP	GlobalG.A.P. Risk Assessment on Social Practice
IPL	International Procurement & Logistics Ltd.
IPM	Integrated pest management, using natural insect and other predators in place of pesticides
KUCFAW	Kenya Union of Commercial Food and Allied Workers
KES	Kenya shilling
KFC	Kenya Flower Council
KII	Key informant interview
KPAWU	Kenya Plantation and Agricultural Workers' Union
KRA	Kenya Revenue Authority, the national tax authority
LNGG	Lake Naivasha Growers Group (voluntary industry group)
MRL	Maximum residue level
NGO	Non-government organisation
NHIF	National Health Insurance Fund
NSSF	National Social Security Fund
PO	Producer organisation
PPE	Personal protection equipment (against pesticides)
PPP	Purchasing power parity
RUCBIC	Resource Use and Capacity Building Consultants
SACCO	Savings and credit co-operative society
USAID	United States Agency for International Development
VCT	Voluntary counselling and testing, in the context of HIV/AIDS diagnosis and outreach
WIBA	Work Injury Benefits Act

FOREWORD BY NICK SCRASE, GROUP MANAGING DIRECTOR, IPL

IPL was purchased by ASDA in 2009 and has grown rapidly since that point. The company has very recently changed its name from International Produce Limited to International Procurement & Logistics Ltd. During this period of growth we have become increasingly conscious of the impact we might have on communities in the many countries that we import from, and in particular how our business impacts upon the lives of poor people.

On a trip to South Africa I met Barbara Stocking, the CEO of Oxfam GB, and we discussed Oxfam's 'Poverty Footprint' methodology. Further detailed discussions between the Oxfam GB and IPL teams convinced us that the Poverty Footprint's structured approach to investigating company impacts in developing countries was an approach that would help us better understand the impacts of the produce industry.

IPL's aim throughout this project has been to improve how we work with the exporters, growers, and workers with whom we deal in developing countries. IPL has always been convinced that our unique business model, managing the produce supply chain from the grower to the consumer, gives us an opportunity to lead the industry in both social and environmental sustainability. The work carried out with Oxfam has provided the opportunity to focus on how we can change our policies, processes, and incentives to work towards supporting the most responsible growers and exporters, and we are pleased to make a number of commitments on how we will improve the business over the next few years to address the three most important areas of poverty, which we see as:

- Livelihoods of small-scale producers
- Empowerment of women
- Standards of living for workers.

IPL has made a series of commitments to drive a positive impact for small-scale producers and workers through its operating practices and policies (see Executive summary). Oxfam believes that these commitments, which could affect workers and their families and communities directly within the supply chain, are of considerable importance in themselves. However, the publication of this report does not mark the end of the project. IPL will continue to seek the input of Oxfam and other external stakeholders as it develops its approach and implements its commitments. From the outset, both parties have agreed that progress against these commitments will be independently reviewed in three years' time based on a study terms of reference agreed with Oxfam.

We have taken important learnings from this work and are committed to ensuring that the value that we create is shared across our supply chain, especially benefitting standards of living for farm and packhouse workers and livelihoods of smallholders.

I look forward to us making a real difference.

FOREWORD BY BARBARA STOCKING, CEO, OXFAM GB

The world food system is a topic of enormous importance to Oxfam and forms a core piece of our work across our humanitarian, campaigning, advocacy, and development work. A new approach is urgently required because the current food system is not fit for the purpose of feeding the projected nine billion-plus people the planet needs to support by 2050.

Large corporations play an important role in that system, and one that continues to grow. Understanding better how that role can support sustainable and inclusive development, and encouraging companies to do so, are key objectives for Oxfam. I am therefore pleased to introduce this joint report with IPL, the largest produce buyer in the UK and a business unit within ASDA and, ultimately, Walmart, the largest food retailer in the world.

At Oxfam we believe that companies, with the right policies and practices, can be part of sustainable and inclusive development. However, we are also clear that they can get it badly wrong and can inflict substantial damage on the environment and on the rights of workers, farmers, and communities. We have for some time been developing tools to assist companies in better understanding their impacts, including our Poverty Footprint methodology.

This report looks at the influence of UK retailers and consumers on the produce export sector in Kenya. The export of high-value horticulture from developing countries into developed economies is a significant opportunity for economic development, albeit one that has raised concerns about worker exploitation, very low wages, sexual harassment, and lack of freedom of association.

This report is of importance to Oxfam in three respects:

- Firstly, and most importantly, to prompt positive change at the largest produce importer in the UK and, by extension at its peers, competitors, and suppliers;
- Secondly, it is an exercise in corporate transparency which we hope will encourage other companies (indeed industries) to be more open about their operations and the challenges they face; and
- Thirdly, it has provided Oxfam with an opportunity to investigate in practical detail how changes can occur within major players in the world food system.

We hope that readers will learn from this report, and consider how the issues raised affect their own businesses and supply chains. The Poverty Footprint methodology can provide a framework for them to investigate, and improve, their own impacts in developing countries.

We look forward to returning in two to three years' time to report on the progress made by IPL in meeting its commitments.

Executive Summary

This summary provides an overview of the main findings of a study carried out jointly by Oxfam, the international development organisation, and IPL, the biggest importer of fresh produce into the UK, which is owned by ASDA, the UK's second largest supermarket. Much more detail on the study, its context, and its findings is set out in the main report, and this summary signposts these for readers who wish to explore the issues further.

BACKGROUND

A large amount of the fresh produce sold in UK supermarkets is imported from developing countries. Millions of individuals supply into them as small-scale producer/growers or find employment in horticulture farms and packhouses. The workforce is often marginalised and vulnerable, with a high proportion of economic migrants leading a precarious existence.

This study was undertaken to gain an insight into poverty issues in farms that supply most major UK retailers and to identify how best IPL can integrate pro-poor strategies into its business practices. IPL has been looking at how to improve its core business practices with poverty reduction and development goals in mind.

The study and report were joint undertakings, but the report includes separate Oxfam recommendations and IPL learning points and commitments. The report was written by Oxfam with support from Accenture Development Partnerships (ADP), then commented on by IPL with some input from ASDA and Walmart, and the final text was negotiated and approved for publication by all.

What can be said of the export horticulture industry with regards to development? Does it present an opportunity for people to work their way out of poverty? Or does it merely exploit their vulnerability, or even create poverty and insecurity in the communities involved? How does the environmental impact compare with the social value created? This report represents an attempt to answer these and related questions and tease out under what conditions the industry can play a full and positive role in sustainable development.

Poverty from an Oxfam perspective

Poverty is about more than monetary income. In Oxfam's experience it is a 'state of relative powerlessness in which people are denied the ability to control crucial aspects of their lives'.[1]

Poverty has a range of different socio-economic dimensions, including the ability to access services and social networks, and to express opinions and choice; the power to negotiate; and social status, income, and opportunities. People experience poverty when they are denied the right to livelihoods, water, education and health, protection and security, a voice in public life, or freedom from discrimination.

SCOPE AND PURPOSE

This joint study used Oxfam's Poverty Footprint methodology (see section 3) as a framework to look at IPL's influence. This builds on the approach developed in projects undertaken by Oxfam with Unilever in Indonesia (2005) and with The Coca-Cola Company and SABMiller in Zambia and El Salvador (2010).

Conducting a Poverty Footprint study provides a process through which a business can develop an understanding of its current development impact, and how this could be enhanced in the future; it is, therefore, intended to be a learning and improvement process for the company. The transparent approach enables wide stakeholder engagement. From Oxfam's perspective the collaborative process provides an insight into how a business operates and what opportunities exist to promote best practice in a company's supply chain and more widely.

Poverty Footprint overview

Purpose

- Engage companies in integrating pro-poor strategies into sustainable business models;
- Improve the transparency of corporate impacts on workers, small-scale producers, and communities in developing countries;
- Provide lessons for Oxfam, corporations, workers, small scale producers, and communities.

Five business activities

1. Value chain
2. Policies and institutions
3. Macro-economy
4. Local environmental practices
5. Product development and marketing

Five dimensions of poverty

1. Livelihoods
2. Diversity and gender equality
3. Security and stability
4. Empowerment
5. Health and well-being

The purpose of the study was to

- Examine how UK retailer purchases of produce affect workers, small-scale producers and communities in Kenya;
- Highlight areas where, as IPL enters Kenya, there are positive social impact opportunities in the context of its commercial objectives;
- Look at the IPL business, business model and a classic retail value chain.

The parties agreed that the business practices of ASDA's parent company, Walmart, would be outside the research scope of the study. Lessons were nevertheless identified that have wider applications both across the developing countries in which IPL operates and across the other UK retailers and importers which purchase produce from developing countries.

Limitations of the study are

- The country analysed, Kenya, was not part of an active IPL supply chain at the time of the research;
- This report is not intended as an audit of corporate activities;
- Statistical analysis of wages, contract terms, etc. was limited to the study of two supply sectors, so cannot be taken as representative of the horticultural industry as a whole;
- Limited consideration of the role and effect of public policy changes.

Kenya was chosen for a range of reasons. It has an important and well-developed horticulture sector, but almost half the population still lives below the international extreme poverty line, defined as an income of $1.25 (approximately £0.75) per day. The country is urbanising rapidly, but most people are still dependent on agriculture for their livelihoods. There is a substantial volume of existing research on Kenya, particularly in relation to flowers.

The research looked at both green beans and cut flowers in order to study industries which have different structures and which differ in terms of history, capital investment, productivity, product lifespan, and growth infrastructure.

The study looked at the context in which the horticultural supply chains operate and at the associated players involved. It considered the factors that influence the business environment and reviewed the mechanisms for promoting industry standards through product certification and standards, as well as through national regulation. Within Kenya the project team investigated the reality on the ground for workers and small-scale producers and sought to reflect the active input and priorities of community stakeholders.

METHODOLOGY

The diagram below summarises the methodology and approach of the study.

FOCUS	LEVEL	METHOD
Assessment of high-level IPL operations to focus study	GLOBAL LEVEL	Discussions with IPL & ASDA leadership
Review of Kenyan industry against Poverty Footprint to highlight key study areas	NATIONAL CONTEXT	UK-based secondary research; interviews with 21 government staff, 10 industry experts, UK importers and farms, Dutch flower auction and IPL grower
Flowers & green beans industry: overview of past and present suppliers' sourcing processes	KENYA INDUSTRY	Two field research trips; qualitative & quantitative focus groups and individual interviews with 136 farm workers, 51 small-scale producers, 80 management
Review of additional impacts within local communities	KENYA COMMUNITY	Two field research trips; qualitative and quantitative focus groups and individual interviews with 54 community and 26 civil society members
Review of additional existing IPL market with focus on IPL impact on suppliers	MOROCCO CONTEXT	Week in Morocco interviewing IPL and ASDA suppliers
In total, 419 individuals were interviewed during the Poverty Footprint study		

The Kenya-based research was conducted between May and September 2011 with a follow-up visit in March 2012; interview locations included Gatanga, Mount Kenya, Muranga, Nairobi, Naivasha and Thika. IPL was not importing from Kenya when the main part of this research was carried out, but it took on the flower category in January 2012, establishing direct programmes with Kenyan exporters on the same model that it operates in other regions. The vegetable category, however, remains based on the 'traditional' model in which ASDA holds primary supply relationships with UK-based importers. For this reason the study was not an assessment of IPL's current poverty footprint, but rather the footprint of the Kenyan cut flowers and green beans sectors themselves. The recommendations looked at how IPL, and the fresh produce industry more generally, can integrate pro-poor strategies into their sourcing from these sectors in the future.

A visit was also made to Morocco for discussions with horticultural suppliers who have been working with IPL for over a year as part of its 'direct' sourcing model. This enabled the research team to review the company's business model in an existing market.

About IPL and ASDA

ASDA is the UK's second largest grocery retailer, with a 17.6 per cent market share in April 2012 and with 524 stores and 185,000 employees. ASDA was acquired by Walmart in 1999.

IPL was created under the direction of ASDA in 2004 to supply the retailer exclusively with certain categories of fresh produce, and in 2009 it became a wholly owned subsidiary of ASDA. Today, IPL is the largest single importer of fresh produce in the UK grocery industry, handling £935m of goods globally each year. Operating principally within fresh produce, it has recently extended its purchasing model to cheese, fresh pasta, pâté, canned and cooked meats, and wine, as well as houseplants and flowers. It continues to work exclusively for Walmart, with ASDA in the UK as its main focus, but it has growing international sales to other Walmart markets in the USA, Japan, Mexico, and Canada.

The IPL business is designed to improve quality and to lower prices for ASDA and Walmart customers by controlling supply chains and removing unnecessary margin-takers (such as importers), buying as directly as possible and controlling logistics itself. It does not own production or processing facilities in the source countries, but operates a number of 'country offices' around the world, whose role is to source products and provide technical and logistics management.

It should be noted that the ASDA/IPL business model is different from that of almost all other supermarket chains procuring produce, in that IPL manages the whole process, from consumer-facing decisions (such as which products to sell in how much shelf space) to buying from exporters/growers directly and arranging freight. With a few emerging exceptions, almost all other supermarkets buy from importers who source the produce and organise logistics. IPL's 'direct' procurement model therefore has the potential for greater control of the supply chain and more direct influence on conditions for agricultural workers and small-scale producers. Following the study, IPL moved into the flower category in January 2012 in Kenya, establishing direct programmes with Kenyan exporters on the same model it operates in other regions.

ASDA is a member of the Ethical Trading Initiative and IPL uses the ETI Base Code as a baseline requirement for its suppliers and growers. IPL also supports Global Good Agricultural Practice (GlobalG.A.P.) and Global food Safety Initiative (GFSI) standards in its supply chain and sits on GlobalG.A.P.'s governance body.

About Oxfam

Oxfam is an international confederation of 17 organisations networked together in 94 countries, as part of a global movement for change, to build a future free from the injustice of poverty. For over 70 years Oxfam GB has been working globally to overcome poverty, and in the last year alone, reached 17 million people in over 60 countries. Oxfam works in three ways:

- Development: working with local partner organisations, Oxfam helps people to work their way out of poverty – and stay out of it. Oxfam supports people in realising their rights, for example to education and healthcare;
- Emergency response: providing life-saving humanitarian aid during emergencies, and helping people prepare for future crises;
- Campaigning: tackling the underlying policies and practices that keep people in poverty, and putting pressure on leaders to make real and lasting change.

INDUSTRY CONTEXT

The economic and commercial reality governing the horticulture industry cannot be overlooked and must be acknowledged as a major driving force that influences and constrains what is possible. Ultimately it is about money and power. The industry operates in an extremely competitive environment. Consumer price sensitivity leads to extreme competitiveness on price between supermarkets and resistance to increasing retail prices in order not to lose sales and market share.

This price war at retail level has a knock-on effect throughout the supply chain, with ever increasing pressures on profitability and productivity driving competition not only between suppliers within a country or region, but also between countries and regions. 'Lowest cost to operate' is seen as the only way to survive. For producers of agricultural goods, labour represents a significant proportion of costs at farm and packhouse levels, and also one of the few that can be controlled (unlike freight costs, for example), resulting in downward pressure on wages and the increased use of short-term casual employment, while also affecting working conditions in other ways, such as health and safety.

To make a real impact, issues around sustainability, both social and environmental, cannot be looked at outside of the commercial reality. Recommendations need to be realistic and opportunities found within these realities. However, business operators across the supply chain should understand the cost of social and environmental responsibility and sustainability and, together, devise a system that protects these responsibilities from commercial pressures. In other words, no business should gain a competitive advantage by undercutting competitors on social and environmental standards. Bringing about this level playing field may require national and/or global policy change to ensure that companies, as well as governments, fulfil their responsibilities.

'ASDA Mum'

The current ASDA customer segmentation consists of 79% women, and at 49% ASDA has the highest percentage of shoppers within the UK who have dependent children at home. In addition, ASDA has a higher percentage of customers in lower income brackets (demographic groups C2, D and E) than the average of the 'big four' (Tesco, ASDA, Sainsbury's, and Morrisons) with internal company research highlighting the following messages from a consumer perspective:

- 'Budgeting is now a way of life.'
- 'Parents will go without in order to ensure their children receive a proper diet and are properly clothed.'
- 'The family is everything and they feel guilty if they are unable to give their children their time or the occasional treat.'

As such, pricing is of acute relevance to the company's target consumer, with the typical ASDA shopper representing a 'Mum' who has little cash or spare time, but strives to provide for her family within the current economic climate.

FINDINGS AND CONCLUSIONS

The importance of horticulture to Kenya

For Kenya, export horticulture (covering vegetables and flowers) is one of the major earners of foreign exchange and provides up to two million jobs, in a country where unemployment runs at over 25 per cent.

Small-scale producer participation provides livelihoods options and strengthens rural economies. These benefits were found by the study to outweigh the negative impact of the 'food miles' incurred in air-freighting the produce and the concerns about whether a country with significant food insecurity in some regions should be exporting food and indeed, flowers, at all.

Of those workers and community members interviewed, most regarded the industry as beneficial, offering employment and economic opportunities. But this is often against a backdrop of very limited alternatives, and employment provided by the industry is characterised by very low wages and a multitude of other issues around conditions of employment. Similarly, small-scale producers face many challenges to selling consistently into export markets and are very exposed to the volatility and unpredictable demands of markets. They in turn hire farm labour on a casual basis and at low wages.

Industry structures

The production of green beans and of flowers differs in a number of important respects. Due to the relative capital intensity involved, the majority of flower growers are grower-exporters, though many also supply to other export companies as outgrowers.[2] Sales to importers have grown. The majority of flowers still pass through Dutch flower auctions, but these are rarely used now by UK supermarkets. A large proportion of green beans, on the other hand, is grown by small-scale producers who supply into exporter-owned packhouses, either directly as part of an exporter outgrower scheme or through a network of independent agents or 'brokers'.

The study's analysis of the green beans supply chain indicates that, of the final retail price to the consumer in the UK, only 40–55 per cent of the value stays in Kenya. Of this amount, 40 per cent is accounted for by airfreight, very little of which benefits the country. Wages account for around 16 per cent of the green bean exporter's costs, with other major elements being packing materials and either the purchase of raw material green beans from small-scale producers or the costs of own-farm production. In cut flowers, 35–40 per cent of the final retail price is retained in Kenya, but again a high proportion of this (about one-third) is spent on airfreight. Wages account for approximately one-eighth of the exporter's sales revenue, net of airfreight.

LIVELIHOODS

A series of issues was identified from interviews and focus group discussions with workers and small-scale producers, as well as members of their communities. These confirm the findings of previous studies on the agricultural sector, in Kenya and in other countries.

Wages

The level of wages was the most frequently cited poverty issue in our study.

The ETI Base Code, to which ASDA has signed up, states: 'Wages and benefits paid for a standard working week meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher. In any event wages should always be enough to meet basic needs and to provide some discretionary income'.[3]

Wages were found to be low. The minimum wage regulations are defined according to occupation and region and vary from KES 3,765 to KES 9,815 per month in this sector.[4] The median wage paid in the flower industry was found to be KES 6,480, and to be higher than wages paid in the green beans industry.[5] Using the Asia Floor Wage methodology, the research team calculated that KES 12,035 ($120) per month was the minimum needed to meet basic needs and provide some discretionary income within the Nairobi area. The team used this methodology as although based on factory workers in the garment industry, it has the greatest currency among civil society organizations. This is covered in more detail in section 6 of the main report. Eleven per cent of workers interviewed for the study were earning above this amount. Most workers in the supply chain, casual and permanent alike, are not paid enough to deliver their right to a decent living. The inflation of the past few years has worsened this situation, with increases in the legal minimum wage failing to keep pace.

The lowest wages found by the study were those paid to casual labourers working on small-scale producer farms.

The struggle to make ends meet

John, one of the workers interviewed for the study, is married and has a three-year-old child. He works an eight-hour day as a flower worker and earns KES 6,755 ($67) per month, inclusive of a housing allowance. At the end of the year, he sometimes earns a bonus, such as in 2011 when he received KES 3,800 ($38). Despite the combined wages of John and his wife, who herself earns KES 150 ($1.50) a day, the family are not able to save money, and their monthly expenses, such as medical costs (neither John's wife nor their child are covered by the farm's clinic) and monthly school fees of KES 500 ($5), exceed their income. Indeed, John spends approximately KES 5,000 ($50) a month on food alone, and although the couple lease half an acre of land to grow maize, beans, and potatoes for their own consumption, they restrict themselves to two meals a day to ensure that their child is able to eat three times a day.

Source: Primary research from the Kenya research team

The research highlighted that the introduction of ETI standards by retailers as requirements for supply has had a major positive impact on levels of awareness about labour rights and gender issues among local industry representatives, and in clarifying expectations of social standards by international buyers. Daily wages on farms that supply ETI members were found, in interviews with farm management, to be up to 43 per cent higher than elsewhere,[6] and all human resources (HR) managers at farm level reported more professional processes in place for tracking employment.

Some farms and packhouses maintain low unit labour costs to deal with fluctuations in demand, but enhanced standards can lead to lower worker turnover, which reduces the cost of recruitment, training and management.[7] There is increasing interest in what it would take to achieve a virtuous circle, in which improved wages and working hours have a positive reinforcing effect on productivity, quality, worker satisfaction and retention.[8] Employers around the world report that difficulty in attracting and retaining skilled workers is a key business problem; a loyal and productive workforce will help the economic sustainability of businesses in the longer term.[9]

The priority issue emerging from the study was that wages are insufficient to enable a decent standard of living for workers and their dependants. The study therefore concluded that improvements in wage levels can play a key role in improving the poverty impacts of UK retailers in the Kenyan horticulture industry, and that investment in smallholder agriculture can help improve the livelihoods of both smallholders and their workers.

Health and safety

Research confirmed that concern about pesticide exposure remains one of the most important health and safety issues identified, particularly on smaller farms. However, the study found that health and safety standards have significantly improved on many large farms, with progress attributed to standards such as GlobalG.A.P., social auditing processes, and the presence of health and safety committees, which were found on all ten of the large farms visited. The study found a positive cultural shift in attitudes towards pesticides, especially on larger farms, such that careless handling and storage are no longer considered acceptable and more farms are considering alternative control strategies such as integrated pest management.

Smaller farms face greater barriers to achieving the health and safety standards required by retailers which need to be addressed if they are to secure the benefits of international trade.

The study concluded that, given similar priority and investment, the positive changes achieved in health and safety standards could be replicated in improving employment conditions and attitudes to what is acceptable here.

Community green bean field. Photo: Gerry Boyle/Oxfam

Workers

Oxfam recommendations

- Develop an industry-wide approach to calculating a living wage in relevant industries and work with others – especially civil society and Southern governments – to achieve it in practice.
- The industry as a whole needs to step up investment of effort and urgency into ETI processes to address labour issues including low wages.
- Develop a transition plan to buy only from suppliers paying a living wage. Set out clear expectations of suppliers (importers, exporters) that they start planning to pay a living wage, and reward those with the most credible plans with bigger and longer supply commitments.
- Supermarkets, at the end of a lengthy supply chain, must accept their responsibility for ensuring workers can earn a living wage and shoulder a fair share of the cost through business processes and commercial terms, including pricing.
- Commit to continue sourcing from Kenya and other countries where improvement in working conditions is being achieved.
- No business should gain a cost advantage by underpaying small-scale producers or denying workers their human rights.
- Sourcing companies should advocate for effective inspection and enforcement of standards by government.

IPL learning and commitments

While suppliers were largely found to be paying equal to or in excess of Kenya's minimum wage, we acknowledge that in many cases wages are insufficient to enable a decent standard of living for workers and their dependants as the priority issue emerging from this study. IPL will require suppliers to build strategies that achieve improved living standards for workers, and at the same time assist and enable in this.

Commitments:

- Acknowledge the issue within this study of low wages paid to workers and address this as a priority.
- Set the expectations for minimum employment standards, and procure from compliant suppliers or those who have a mapped out a timeframe to achieve the company's minimum ETI base code standards. Devise a system of monitoring compliance.
- Level the playing field, so that suppliers who do not adhere to these minimum standards do not have a competitive advantage over those that do when it comes to price negotiations.
- Create a system where each supplier's positive impact can be measured beyond minimum compliance, and reward those suppliers who out-perform with price premiums and/or programme commitments.
- Choose its sourcing countries and regions as well as individual suppliers with strategic long-term business plans in mind.
- Work on longer term visibilities in demand fluctuations and translate this for suppliers into more stable programmes with commitment to enable better planning.

IPL commitment to community development

IPL understands that the horticultural industry, though not responsible *per se* for socio-economic conditions, can contribute to their exacerbation, for instance by causing an influx of migrants into an area because of perceived employment opportunities, resulting in infrastructure and services that cannot keep up with demand for basic needs, e.g. water and sanitation, healthcare, child care for working mothers, education, training and skills development. The opportunity is there for IPL to contribute through community projects in the areas from which it sources products.

Commitments:

- Create a CSR strategy and support this strategy through business and community activity;
- Work with worker committees and communities to identify their greatest needs, and focus on these;
- Engage with existing effective government, NGO and suppliers' initiatives.

Small-scale producers

The study found that small-scale producers who are engaged in growing for export generally have a higher level of income and therefore higher living standards than most waged workers. However, there are many challenges to selling into export markets: certification requirements, affordability and availability of inputs, the variable and unpredictable demand of markets, and lack of access to finance. Further, it was highlighted that export companies normally expect small-scale producers to be members of a group, to make them easier to deal with.

A group of farmers discuss their green bean crop. Photo: Gerry Boyle/Oxfam

The study concluded that researching opportunities for small-scale producers in new supply chains, and also supporting moves to organise, train and capitalise them better, are vital in the long term. Supermarkets can diversify and secure future supplies by bringing new small-scale producers into appropriate supply chains.

Small-scale producers

Oxfam recommendations

While all commercial relationships carry an element of risk, supermarkets, importers and exporters should aim to:

- Understand where small-scale producers play a role in their current supply chains, and the concerns of these small-scale growers;
- Look for opportunities for supply from small-scale growers;
- Require joint access to support, including finance, inputs and technical services;
- Ensure that any new small-scale producers that enter the supply chain are not entering relationships of risky commercial dependence;
- Develop more equitable sharing of costs and risks. Reconfigure cash flows to reduce small-scale producer risks and improve their ability to invest in crops;
- Develop strategies to enhance and communicate demand forecasts and reduce risks borne by small-scale producers, e.g. bad weather, transport losses, last minute changes in customer demand;
- Increase transparency in relation to criteria for quality-based rejections of products;
- Conduct trading relationship surveys;
- Develop confidential grievance mechanisms;
- Provide technical assistance on local food and subsistence crops;
- Apply ETI standards when reviewing wage labour on smallholdings.

IPL learning and commitments

We recognize the development contribution of small-scale producers to local economies, and actively aim to have them included in the supply chain on the products and regions where it makes commercial sense.

Commitments:

- Carry out a survey of the international supply base and product ranges to identify where small-scale producers have a role to play;
- Create an enabling environment for exporters who aggregate supply from small-scale producers to overcome challenges faced by them e.g. more consistent and regular volume demands and better payment terms;
- Partner with suppliers to create an environment that includes small-scale producers in the supply chain e.g. group organisation, training in certification requirements, input provision etc. to develop their ability to meet export demand (quantity, quality and legality).

DIVERSITY AND GENDER EQUALITY

The study found that women form over 60 per cent of the horticulture industry workforce, as small-scale producers, employees and in some cases unpaid labour; some estimates put the proportion of women labouring on large-scale cut flower farms as high as 75 per cent. The sector provides women with substantial job opportunities and the potential to achieve financial independence, but the roles on offer tend to be strongly demarcated by gender. Horticultural work is also not always compatible with taking care of the family, a burden which in Kenya falls primarily on women. The following were highlighted as the key challenges faced.

Discrimination and sexual harassment

The study found that temporary employment on casual and short-term contracts opens up opportunities for these forms of abuse, particularly during the recruitment process. Preventing and addressing sexual harassment is an area of compliance requiring technical expertise that site managers often do not possess.

Child care

The study found that the horticulture industry employs as waged workers a large number of single women with dependent families. In the settlements that have sprung up around areas of intensive horticulture, the quality of child care available is often very poor, with reliance on informal makeshift child-care providers, resulting in high rates of negligence and abuse of children.

The study concluded that women are highly disempowered, keeping many in poverty, and child care is often poor. However, the horticulture sector in Kenya can empower women by providing them with income and financial security. Improving wages and conditions for horticulture jobs can be the most important way for the industry to empower women. Aside from this, there remain some key areas where exporters as well as IPL and its peers can take steps to empower women.

Diversity and gender equality

Oxfam recommendations

- Understand the position of women workers in the supply chain;
- Reduce and raise awareness of sexual harassment, particularly during hiring of casuals by increasing the percentage of workers on permanent contracts;
- Monitor quantity and quality of child-care provision;
- Provide management opportunities to women;
- Support access to financial services;
- Provide technical support to women small-scale producers;
- Ensure ongoing access to confidential complaint mechanisms.

IPL learning and commitments

It was confirmed through this study that women make up a disproportionate part of the labour force involved in export horticulture, and therefore will benefit from any positive changes that come from IPL's commitments. They do however face gender-specific challenges and tend to bear a disproportionately greater burden of poverty because they have to care for the sick, the elderly, and children as well as find ways of fending for themselves. A specific women's empowerment agenda should be kept in mind to specifically address challenges faced by women.

Commitments:

- Monitor and support progress towards improved gender balance across pay and grades;
- Monitor and support reducing levels of discrimination and harassment women face;
- Monitor and support improving the provision of child care;
- Monitor and support access to bank accounts.

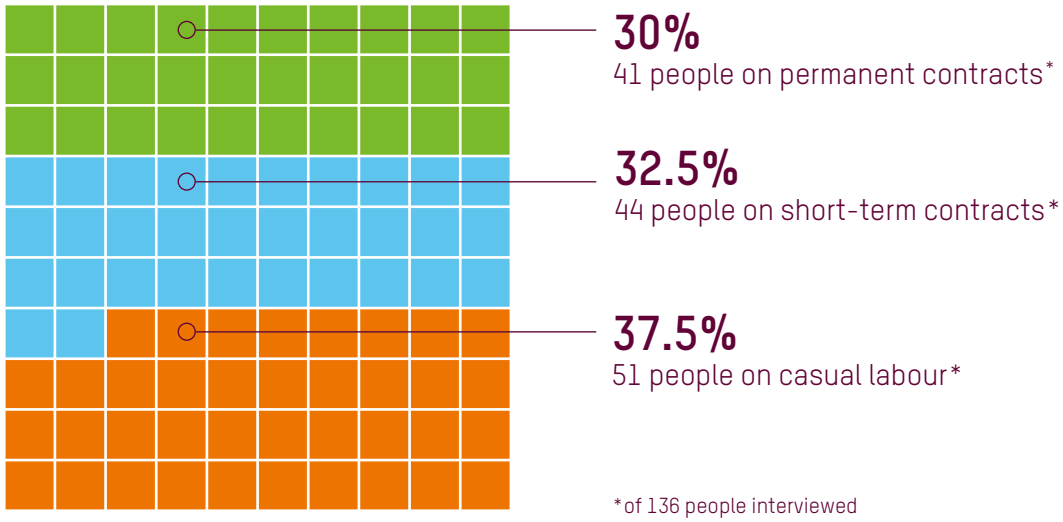
SECURITY AND STABILITY

Stability for small-scale producers

The study confirmed that demand and prices fluctuate a great deal. While some fluctuation is inevitable in a weather-dependent industry, fluctuation due to seasonal events, such as Easter and Mothers' Day, is entirely predictable and need not contribute to livelihood instability of growers or their workers.

Stability for workers

There is a very high prevalence of temporary employment in the horticulture industry. Casual contracts on a daily, three-month, six-month, or twelve-month basis currently result in job insecurity and vulnerability. Of 136 workers interviewed, only 41 (30 per cent) were found to be on permanent contracts, with 51 employed on a casual basis; the rest were on short-term contracts.



Employment contracts in the horticulture sector

The ETI Base Code states that: 'To every extent possible work performed must be on the basis of a recognised employment relationship established through national law and practice. Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour-only contracting, sub-contracting, or home-working arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment, nor shall any such obligations be avoided through the excessive use of fixed-term contracts of employment.'[10]

The study found that packhouse workers are more likely to have a permanent contract than farm labourers because of the higher degree of skill required. Some farm managers recognised that high worker turnover can harm productivity and incur repeat costs for recruitment and training. Every manager interviewed agreed that if demand was more stable, more workers would have permanent jobs.

Conditions of employment

The study found that working hours can be irregular, driven by weather-dependent fluctuations in production, seasonal variations in orders, and calendar events such as Christmas and Valentine's Day. In 11 of the 12 large production and packing sites visited, workers said that overtime was not flexible, negotiable, or properly compensated. Benefits are highly variable across farms.

The study concluded that there is a need to move towards a fairer and more stable supply chain. While it may not be feasible to 'single source' from pre-determined territories, predictable demand across a range of geographical locations should allow retailers to mitigate risks, while providing growers and exporters with more stable demand. The industry therefore should strive to source from specific suppliers for lengthy periods and avoid 'spot' trading practices, which involve selecting producer countries at short notice, based on short-run price differences. Changes to address poor job security will not occur unless there is collective action and acceptance that prices will be higher.

Security and stability

Oxfam recommendations

- Where possible use consumer pricing and special offers to stabilise demand;
- Improve supply chain transparency by publishing retailer programmes and prices;
- Incentivise exporters and growers to employ more staff on permanent contracts and improve social impacts;
- Supermarkets, importers, exporters and growers should work together through the existing channels of the Ethical Trading Initiative to implement the necessary changes to remove the payment of low wages from the sphere of competitive advantage.

IPL learning and commitments

IPL is committed to sustainable development and will:

- Continue to offer a market for produce grown in developing countries to ensure long-term livelihoods for those who are involved in the industry. By continuing to take unnecessary costs out of the supply chain, the business model offers scope to generate funds to be shared more equitably with suppliers and workers;
- Establish preferred relationships with suppliers (exporters, farms and packhouses we deal directly with) who emphasize an economically sustainable approach to their own business, as well as the livelihoods of workers and small-scale producers;
- Demand visibility needed to improve working conditions from our primary suppliers into the conditions of employment at farm and packhouse level and dealings with small-scale producers where applicable;
- Use our influential position in the industry to support and drive industry-wide initiatives for social and environmental sustainability, working with global and local initiatives to support and strengthen attempts at industry improvement.

EMPOWERMENT

Small-scale producers

The study found that small-scale producers often lack the power to bargain collectively with those with the greatest influence over prices: the global buyers. Those at the margins of the value chain may be risk averse to new technologies that could benefit them and sourcing companies. Greater organisation of small-scale producers could increase their bargaining power and make it easier for companies such as IPL to engage with large numbers of individuals, while acting as a channel for provision of technical support.

Joining an outgrower scheme provides a guaranteed income and technical support to growers, but mixed results were experienced with regards to a positive impact for women. Of the ten large export companies visited, between 20 and 30 per cent of packhouse supervisors were women. In addition it was found that small-scale female producers felt empowered by the reliance of companies on them to produce their supplies. However, on five of the farms visited, all technical support was provided solely to men. More could be done to give women growers the same opportunities as men.

Workers

The study found the power of workers was generally weak. Freedom of association is protected in law, but limited in practice. Collective bargaining agreements (CBAs) are becoming more common in the cut flower sector; of 135 farms, 60 have implemented CBAs, but only on farms where both flowers and vegetables are grown do vegetable workers benefit from organisation.

The ETI Base Code states: 'Workers, without distinction, have the right to join or form trade unions of their own choosing and to bargain collectively.'

There was low awareness by workers of the role unions can play in improving pay and conditions and increasing productivity, and concern about lack of choice of union and mandatory union fees.

Women have very low representation in the workplace, despite forming the majority of the workforce. Only one national leader of the Kenya Plantation and Agricultural Workers Union (KPAWU) is female.

The study concluded that, under the right conditions, the horticulture sector in Kenya can empower individuals by providing them with training, income, financial security and voice. Giving a greater voice to women all the way through from hiring practices to promotion would allow their concerns to be represented in decision making, provide women workers with role models and bring new talent into the sector.

Empowerment	
Oxfam recommendations • Where initiatives are taken to organise small-scale producers into co-operatives or producer organisations, provide practical or financial support to this process; • Set targets for the provision of technical support for women farmers; • Support an environment in which industrial relations can develop such that workers' representatives can negotiate wage increases towards a living wage through collective bargaining, and improve job quality; • Increase workers' skills and champion talented women to take technical and management roles; • Ensure training on employment rights is provided to workers and management.	**IPL learning and commitments** In order to encourage empowerment, IPL will encourage an environment in which industrial relations can develop and where possible, support training of local workers. • Provide training to workers and workers' committees to empower them to secure workers' rights and to be full partners in achieving business objectives; • Work with existing small-scale producer exporters to develop mechanisms that improve relationships with small-scale growers; • In reviewing the potential role of small-scale producers, investigate the specific challenges women face in terms of access to land, input and credit, and the role they play; • Develop strategies with each supplier for improvements against the ETI baseline standards; • Provide skills-based training to workers.

MACRO-ECONOMIC ENVIRONMENT

The UK industry has enormous influence over local Kenyan companies. They do not directly set the conditions of employment for workers at farm and packhouse levels, nor the prices received by small-scale producers (or large-scale growers) for their produce. But at the level of local companies, the issues discussed above become apparent. It is therefore important to recognise the difficulties that they face, taking into account that the way these manifest themselves varies across the flower and green bean sectors.

Challenges faced by growers/exporters

- Rising input costs (fuel/transport, chemicals, labour)
- Capital only available at high cost, if at all
- Downward price and margin pressure from international buyers, including ASDA, IPL, and other supermarkets
- Volatility of programmes and orders from these international buyers
- Lack of transparency with intermediaries
- Lack of long-term planning/programmes
- Restrictive UK product specifications
- Cost and complexity of audits and compliance with standards
- Possible double standards of customers when applying certification requirements
- Unreliable supply from outgrowers/small-scale producers
- Sustainability of natural resources, e.g. water
- Intensified competition, including from other African countries and other continents

The clear message from research with local business owners and management was that business pressures result in fewer resources being available to invest in core business sustainability or to meet social or environmental responsibilities, and specifically they create resistance to wage increases. Businesses accept the competitive challenge, but feel that social and environmental responsibility comes at a cost, which should be acknowledged and shared. If greater social and environmental standards are to become market requirements, a greater understanding of the economic benefits of upgrading them is needed.

Taxation is a vital part of the obligations of all businesses, including the companies which are the focus of this study; however it was not chosen as a focus of this study by the research team and therefore no clear findings or conclusions are provided.

Industry challenges and the positive role supermarkets can play

The study found that in all of this, supermarkets and importers have become extremely important and influential players. They are the key links between the producer/supplier and the consumer, controlling whole supply chains through their buying power and exercising enormous influence. Through their action or inaction, their strategies and practices, they shape the environment in which business is conducted, and ultimately influence the lives and conditions of the most vulnerable people in the supply chain: workers, small-scale producers, and their communities.

The study concluded that export horticulture, in its closeness to areas where needs are considerable, has enormous potential to contribute to poverty reduction and the achievement of development goals. However, it is very clear that this potential is not fully being delivered on: many issues and challenges remain, which, when left unresolved, aggravate poverty and constrain development.

Policies and institutions

Key informants with whom the research team spoke in Kenya felt that the labour laws passed in 2007 were generally adequate: horticultural workers are entitled to annual leave, sickness benefits, pension contributions, and other benefits. Further, even 'permanent casuals' who are on the payroll for more than two months are entitled to *pro rata* benefits. However, enforcement of these laws and understanding by farm managers of how to implement them properly appear weak. Other regulatory bodies also came in for criticism with a number of key informants asserting that inadequate child-care centres are escaping sanction and frequent illegal water abstraction is not addressed.

The research also confirmed that the absence of a robust and enforced regulatory environment has resulted in an uneven playing field for producers and exporters, with pressures on productivity and profitability pushing players towards a race to the bottom. To counter this, many private initiatives have sprung up over the years to address issues affecting food safety and quality, labour conditions, and trading. These standards are developed and administered by non-government entities (thus not legally required) that fall under the umbrella of Private Voluntary Standards (PVS) but the fact that they are required by many retailers makes them an unofficial mandatory requirement to gain market access.

The study concluded that in Kenya these standards have played a major role in creating awareness of issues, such as health and safety standards, but they have not solved the issues themselves. The cost and complexity involved in administering some of them were also identified as a major barrier for entry, especially for small-scale producers. There is a lack of evidence that they impact positively on the incomes of waged workers.

Regulatory and private standards requirements to supply markets in the developed world have led to information transfer on good agricultural practices as well as safer and more responsible use of chemicals. These factors are also positively influencing production practices for produce grown for farmers' own consumption or for domestic markets.

Local environmental practices

Fertilisers and pesticide use, water abstraction and irrigation systems, land and waste management practices, and water pollution are all having a direct effect on the immediate environment in horticultural export areas, but the social implications of these are hard to identify. There is evidence of water stress and poor water, sanitation, and hygiene for local communities. While environmental management is improving in the large commercial farms, due to the imposition of international standards and by joint work through industry bodies, the environmental practices of small-scale producers remain a concern. Rapid increases in population in horticultural areas are also having an impact on the environment, particularly water resources, primarily due to inadequate infrastructure.

While export horticulture operates across several regions in Kenya, the environmental situation around Lake Naivasha is the best documented and publicised.[11] There has been less focus on the environmental practices and associated risks of small producers of vegetables, or of large farms in other growing regions such as Mount Kenya and Thika. But there are similar pressures in these horticultural areas in relation to adequate water resources for users and water conservation.

IPL'S APPROACH AND BUSINESS MODEL

IPL operates a more 'direct' business model than other supermarket buyers of produce. Its business model is to remove unnecessary margin-takers and control the supply chain from merchandising to consumers by buying directly from exporters and, where possible, the packhouse and growers, while removing the role of importers.

Findings from the visit to Morocco included that buyers are incentivised on price, availability and quality metrics. UK and in-country technical staff have a set of incentives directed towards food safety, quality and legality including social compliance. Ethical standards are communicated as 'minimum standards' and compliance is tested through social risk assessments carried out by technical staff. There are currently no incentives for buyers on socio-environmental metrics and these do not come into play in price and volume negotiations.

The study found mixed results on the sharing of value of the 'freed up' importers' margin, with two of the four suppliers reporting no improvements on the price they received after the removal of importers, one received a slightly higher

price and one claimed substantially higher prices. Of course, once IPL takes over the importer role it may take some time for them to operate as efficiently as the importers did. For the producers in Morocco who were included in this study, no evidence was found to show that increased benefits have been experienced by small-scale producers or workers following the removal of costs by IPL.

The placement of IPL technical experts in Morocco, who become familiar with farms, was seen as having great value by informants. It has helped alleviate technical and quality issues, seems to have improved stability in demand, and provides an opportunity for IPL to perform more frequent and direct ethical checks on the exporters and growers.

How IPL will build commitments into its operations

IPL has committed to reviewing its existing company processes to incorporate these recommendations into its way of working, and also into its sustainability strategy. IPL will draw up an action plan for how this will be achieved over a specified timeframe.

Seasonal Reviews are of great importance and are highlighted as the key tool for IPL to use to translate high-level recommendations into actions on the ground. This is an existing process to review the performance of every supplier for each product and source country against key performance indicators in the areas of Technical, Commercial, and New Product Development. IPL is committing to strengthen the existing Seasonal Review process to enable strong supplier partnerships and to reward those suppliers who develop social and environmental standards. It will:

- Apply Seasonal Reviews consistently across all products and countries;
- Upgrade the review to include sustainability metrics covering social, environmental, and economic considerations, ensuring that a focus remains on quantifiably measuring impacts on poverty;
- Train in-country technical teams and commercial staff on sustainability metrics and on the revised standards expected of suppliers;
- Improve the reliability of Seasonal Reviews and thus of the programming, forecasting, and ordering that they generate;
- Upgrade the GlobalG.A.P. risk assessment tool 'GRASP' used for each supplier/crop/country to reflect the requirements of progress towards improved standards of living for workers;
- Where it is no longer commercially viable to source from a named country, develop an exit plan that helps growers to tackle the impact of withdrawal;
- Monitor progress on a continuing basis, via in-country technical staff, including regular contacts with workers and small-scale producers, and direct audits;
- Through the Seasonal Review process, reward suppliers who commit to improving their social and environmental performance;
    - Establish baseline data for each supplier/country;
    - Develop strategies with each supplier for improvement against the baseline and towards clear targets on key issues;
    - Set expectations and communicate clearly with suppliers on what it considers to be good practice.

Furthermore, IPL will work closely with suppliers to ensure that workers, small-scale producers, and communities derive a poverty-reduction impact from its involvement in export horticulture.

Delivery of IPL's commitments

To realise these commitments, as well as remodelling company processes, IPL will initiate a first phase of pilot studies in East Africa. The success of this whole project will be measured by improvements in sustainable development and poverty alleviation in the four areas of: standards of living for workers; livelihoods of small-scale producers; community development; and empowerment of women. Following this report, IPL will produce a detailed plan for resolving the key issues highlighted and will implement the defined commitments. IPL will continue to seek the input of Oxfam GB and other external stakeholders as it develops its approach and implements its commitments. Progress against these commitments will be independently reviewed in two to three years' time.

ASDA commits to supporting IPL's obligations under the research collaboration agreement, and commits to the same obligations regarding the ASDA activities covered by the study.

IN CONCLUSION

This report reflects the positive attempts of Oxfam and IPL to provide insights into the impacts of the company's existing and planned future operations in developing countries. It seeks to put the people affected at the centre of this process and to forge a new partnership between the private sector and civil society in order to share expertise and to build a common agenda on these issues, while highlighting critical poverty issues that both business and civil society audiences want to understand better. IPL has reviewed the joint study and has defined a set of commitments that form a plan of action for the next three years.

Oxfam's three key recommendations relating to these impacts

1. Workers: reward suppliers providing decent wages and employment terms with longer supply commitments and work with the industry to remove low wages from the sphere of competitive advantage; ensure effective representation and grievance mechanisms in the workplace.

2. Small-scale producers: invest in collectives that increase the bargaining power of small-scale growers and enable new people to enter the market, including women. Demand should be forecast better; risks from poor weather and late changes should be reduced; and criteria for rejecting products should be more transparent.

3. Women: offer women farmers access to training and technical inputs, enable more effective representation and opportunities in the workplace, tackle sexual harassment and improve child care.

In summary, IPL committed to take the following steps

1. Workers: IPL will partner with committed suppliers to build strategies that achieve improved living standards for workers. To support this we will strengthen the seasonal review process under which IPL rates suppliers' performances and plans future growing programmes.

2. Small-scale producers: IPL will create an enabling environment for exporters who aggregate supply from small-scale producers to overcome challenges faced by them e.g. more consistent and regular volume demands and better payment terms. IPL will also partner with suppliers to create an environment that includes small-scale producers in the supply chain e.g. group organisation, training in certification requirements, input provision etc. to develop their ability to meet export demand (quantity, quality, and legality).

3. Women: empower women by monitoring suppliers' progress towards equal pay, reducing harassment and discrimination, providing access to financial services, and improving child-care provision.

Three interesting statistics

1. Up to two million workers are involved in the export horticulture sector of Kenya, 60 per cent of them women.

2. Oxfam calculated that the addition of 5p to a bouquet of flowers and 2p to a bag of green beans would cover the additional cost of paying workers a living wage in Nairobi, based on the calculation by the research team using Asia Floor Wage methodology:

Living wage calculation	Bouquet of flowers @ £4.00	200g bag of green beans @ £0.99
KES 12,000 ($112) per month	Additional cost: £0.05p	Additional cost: £0.02p

3. The food miles impact of Kenyan fresh produce can be quantified :

- Kenyan-grown flowers air-freighted to the UK are roughly six times less greenhouse gas-intensive than Netherlands-grown flowers shipped to the UK.[12]
- 0.1 per cent of the UK's emissions is attributable to the transportation of fresh fruit and vegetables.[13]

An important unresolved issue is how to measure changes in a company's impact on poverty, whether positive or negative, over time. Oxfam and IPL are well aware that measurement and attribution of impact is difficult and time consuming. There is a need for a set of metrics, agreed by companies and civil society, which can be used in a consistent, efficient and effective way to measure social impacts of business activity.

Metrics suggested by Oxfam

- Percentage of exporters and small-scale producers who have a commercial contract and forecast demand
- Wage level for a standard work week relative to legal minimum wage, the international poverty line and best available estimate of a living wage
- Number of jobs provided and ratio of permanent to temporary jobs
- Percentage of small-scale producers who are women
- Number of women in management roles in packhouses and on farms
- Percentage of small-scale producers and workers with savings or average savings as percentage of income
- Percentage of workers testing positive for e.g. anaemia or other poverty-related illness

NB All data should be disaggregated by gender.

1. Introduction

HOW TO READ THIS REPORT

Given the complex nature of the topic, this report contains a substantial amount of introductory material before the findings of the research, the report recommendations, and IPL's commitments are set out. For example, there are

- Detailed sections that provide context on the UK supermarket sector and on Kenyan agriculture;
- An overview of the green bean and flower value chains;
- Information on how the IPL sourcing model works alongside the more standard sourcing model used within the supermarket sector.

To go straight to the Poverty Footprint findings, recommendations, and commitments, please see the executive summary.

WHY DID OXFAM AND IPL CARRY OUT THIS PROJECT?

Oxfam and IPL have different organisational goals and priorities. However, both are committed to investigating how the global food industry might influence and improve living standards for small-scale producers, workers, and their communities in developing countries. Working together, they intend to improve the transparency of the value chain for all stakeholders and drive positive change throughout the industry.

IPL, and its parent company ASDA, are key actors in supply chains that stretch around the world, from UK supermarket shelves to Kenyan smallholdings. IPL is not only increasing the spread of territories in which they trade, they are also expanding the number of developing countries from which they source fresh produce. IPL are therefore in a direct and accountable relationship[14] with the growers, small-scale producers, and agricultural employees (both on large farms and those working for small-scale-producers) who work to fulfil the expectations of the customer.

Oxfam believes that improving the lives of the agricultural workers and farmers who supply the value chain is crucial in the search for lasting solutions to poverty and injustice. Most of the world's poor people live in rural areas, and 75 per cent of them are in households involved in agriculture. Improvements in agriculture are easily the most effective way to lift people out of poverty: possibly two to four times more effective than other approaches.[15]

Oxfam and IPL both believe that creating better workplaces within the agricultural system can help mitigate agricultural labour shortages and help improve productivity. Ultimately, they believe that creating better workplaces and happier workers is one way of supporting the global food production system to be more productive and sustainable.

In line with the rest of the global food industry, IPL is consolidating in a bid to cut costs and improve efficiency. Its unique business model involves removing unnecessary agents from the supply chain and taking on functions itself. As part of that process, it is committed to understanding its 'Poverty Footprint' and how it can make positive impacts, both within its own organisation and throughout the industry.

Together, Oxfam and IPL hope to understand how a fresh approach to the supply chain can help protect the rights of, and deliver improved outcomes for, workers and growers in Kenya and around the world.

WHAT THE REPORT COVERS

This report examines how purchases of produce by UK retailers affect workers, small-scale producers, and communities in Kenya. Its aim is to identify lessons with wider applications across all the developing countries in which IPL operates and across the other UK retailers that purchase produce from developing countries.

This study was not an assessment of IPL's current poverty footprint, but rather the footprint of the Kenyan cut flowers and green beans sectors themselves. The recommendations looked at how IPL, and the fresh produce industry more generally, can integrate pro-poor strategies in their sourcing from these sectors in the future.

Left: Flower farm worker, Lake Naivasha. Photo: Steve Forrest/Panos

Why Kenya?

Kenya was chosen because

- It plays an important part in the UK fresh produce supply chain;
- Country data is relatively plentiful and robust;
- Oxfam has had a presence in the country since its independence in 1963;
- IPL has recently taken responsibility for supplying ASDA with flowers from Kenya (note: at the time the research was carried out, IPL was not operating in Kenya).

However, the research team also looked at IPL's business in Morocco where, at the time that the field research was being carried out, the company had been sourcing produce for over 18 months. The point of this was to test IPL's own claims on how its business model can deliver benefits to suppliers and therefore, potentially, to their employees and outgrowers.

Why flowers and green beans?

Flowers and green beans are the two largest Kenyan fresh produce crops sold in UK supermarkets, but the sectors differ significantly in their structure and their local impacts. Flowers are a capital-intensive crop, grown on large farms within a highly organised framework, and small-scale producer engagement is limited. Green beans, on the other hand, are a crop with much greater small-scale producer involvement and greater seasonality. The two crops also vary in the margins available within the supply chain, though a significant number of exporters in Kenya deal with both.

Preparing flowers in a packhouse. Photo: Gerry Boyle/Oxfam

Framework: the Poverty Footprint methodology

The report uses the analytical framework of Oxfam's Poverty Footprint Methodology. This is a comprehensive approach to assessing the livelihood impacts, value chain operations, and economic contributions of businesses that operate in developing countries. The framework analyses poverty in five company impact areas through five dimensions of poverty.

Box 1: The dimensions of the Oxfam Poverty Footprint methodology

Business activities	Dimensions of poverty
Macro-economy: How a company's economic contributions, including distribution of profits, shareholder dividends, investments, taxes, and employment, support the countries where it operates.	**Livelihoods:** Good-quality jobs, training, research and development, access to credit, markets that support adequate livelihoods, and a predictable and stable income.
Value chains: How a company's procurement, manufacturing, and distribution practices influence how easily poor people can find good-quality employment, earn a living wage, sustain a business, or participate in the market.	**Health and well-being:** Healthcare, education, and social services are essential to general well-being.
Local environmental practices: How a company's environmental practices affect the livelihoods and health of poor people in communities where it operates. This includes the communities' own access to natural resources and the risks they face from natural disasters.	**Diversity and gender equality:** Equal access to jobs, training, advancement, benefits, and other rights for women and minorities, as well as opportunities to maintain cultural identity.
Policies and institutions: How a company's lobbying and relationships with other institutions (such as trade associations) affect government policies and oversight relevant to poverty issues – trade, finance, labour, essential services, etc.	**Empowerment:** Having a voice in decisions, policies, and practices affecting poverty.
Product development and marketing: How a company's products and services affect the health and well-being of consumers and communities and their overall ability to overcome poverty.	**Security and stability:** Access to resources that help people endure shocks to their livelihoods, personal disasters (such as job loss or illness), weather-related disasters, war crimes, and violence.

Previous reports in this series have looked at the operations of Unilever in Indonesia[17] and the joint operations of The Coca-Cola Company and SABMiller in Zambia and El Salvador.[18]

This report looks at:

- The extent to which produce supply chains deliver access to good-quality employment, a living wage, and an opportunity for participation in the market;
- How economic contributions affect the standard of living of poor people;
- Whether environmental practices affect livelihoods and health;
- How behaviour that influences social and political institutions and policy affects poor people's well-being.

A more detailed description of the approach and methodology is set out in Section 3 and Appendix B.

Who is this report for?

The report is intended for a wide range of stakeholders, all of whom have an interest in better understanding the poverty impacts of IPL and other supermarket purchasing organisations:

- Workers, small-scale producers, and communities in Kenya;
- IPL and ASDA stakeholders;
- IPL suppliers;
- Other retailers and their suppliers;
- Civil society organisations in Kenya, the UK, and elsewhere;
- Development and business practitioners and academics.

Report goals

This report is not intended to be an ethical audit of IPL's policies and practices. Rather, it is an attempt to understand how supermarket supply chains affect the lives of agricultural workers in Africa, and what positive changes are possible.

IPL has made a commitment to drive a positive impact for small-scale producers and workers through its operating practices and policies (see Executive summary). Oxfam believes that this commitment, which could affect workers and their families and communities directly within the supply chain, are of considerable importance in themselves. However, the publication of this report does not mark the end of the project. From the outset, Oxfam and IPL have agreed that progress against these commitments will be reviewed in three years' time.

Furthermore, Oxfam and IPL hope that all of those involved in fresh produce supply chains will read and consider their recommendations (see Executive summary), and that this report will engender further change among IPL's peers, and their suppliers. In providing recommendations, the two organisations remain open to other opportunities to drive positive social and environmental impact for agricultural workers and smallholders.

Further materials from the study

Further supporting materials, including a separate Executive summary, video clips, and presentations can be found online at: www.oxfam.org.uk/policyandpractice

2. Context of the study

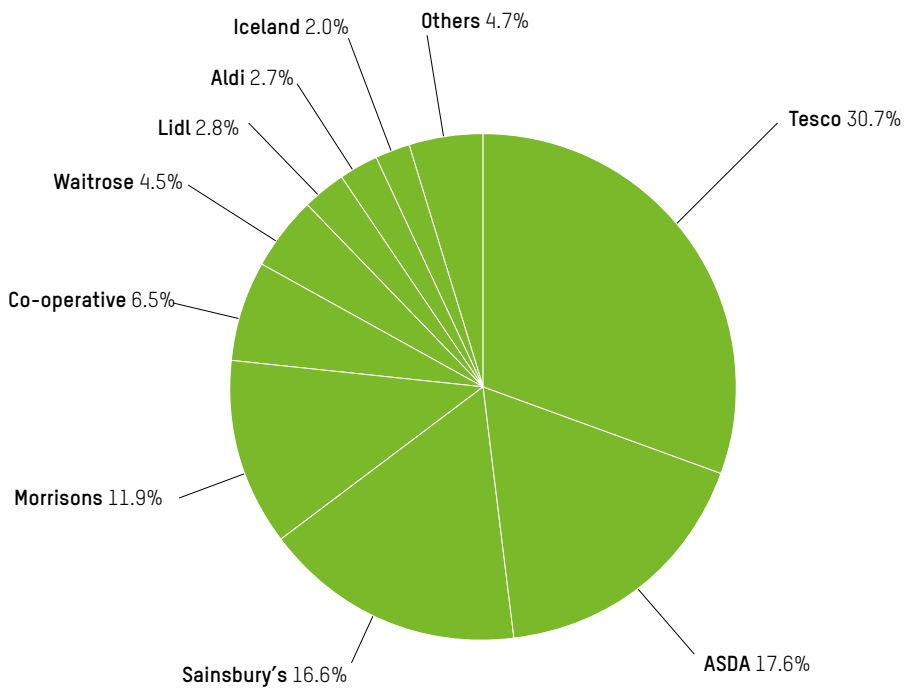
AN OVERVIEW OF UK SUPERMARKETS

Tesco, ASDA, Sainsbury's, and Morrisons ('the big four supermarkets')[19] together account for more than 75 per cent of the UK's grocery spend.[20] Consolidation has long been a feature of the industry. For example, IPL is owned by ASDA, the second largest retailer in the UK, and its parent company Walmart, is the largest retailer in the world.

In the UK, the competition is particularly intense and market conditions remain very tough. Additional desk-based research following the initial study has found that in February 2012, for example, the average UK household had £144 a week of discretionary income, £10 less than 12 months before, according to the ASDA Income Tracker.[21] In January 2012, after poor Christmas sales, Tesco took the almost unprecedented step of warning investors that its profits for 2012/13 would be flat.

The 'big four' supermarkets compete hard for the hearts and wallets of UK consumers, using a range of tactics whose impacts can be felt throughout the supply chain. Crucially, they are prepared to leverage their enormous buying power to source and retail goods affordably and supply them efficiently. Buying is highly centralised, logistics are sophisticated, and fresh produce is a key high-margin category.[22] Some of these strategies can have a profound effect on the lives of poor agricultural workers.

Indeed, so important are concerns about the major UK supermarkets' market dominance and buying power that two Competition Commission reviews[23] have taken place in recent years. The most recent review, published in 2008, looked at whether such market concentration was good for consumers – but it also examined whether it was healthy for suppliers. The review set up a Groceries Supply Code of Practice, which gives suppliers access to independent arbitration and protects them from practices such as being asked to cover the cost of theft.[24] It also called for a supermarket ombudsman – a measure that is still to be introduced – to protect suppliers in their dealings with big chains.



Source: Kantar/Reuters, Public domain (24 April 2012): http://www.reuters.com/article/2012/04/24/tesco-kantar-idUSL5E8FN8IF20120424

Figure 1: Market share among UK supermarkets, 12 weeks to 15 April 2012.

Market competition extends beyond price into areas such as quality, convenience, and, increasingly, the ethical provenance of produce. Today, more consumers make choices based on issues such as Fair Trade and ethical supply chain practices than ever before.[25] Some of the smaller players, such as Marks & Spencer, Waitrose, and The Co-operative, have taken steps to focus on more limited segments of the market via quality, sophistication of product, convenience, or ethical stance.

ASDA and IPL

After Tesco, ASDA is the UK's second largest grocery retailer, with a 17.6 per cent market share in April 2012 and with 524 stores and 185,000 employees. ASDA was acquired by Walmart in 1999.

IPL was created under the direction of ASDA in 2004 to supply the retailer exclusively with certain categories of fresh produce, and in 2009 it became a wholly owned subsidiary of ASDA. Today, IPL is the largest single importer of fresh produce in the UK grocery industry, handling £935m of goods globally each year. Operating principally within fresh produce, it has recently extended its purchasing model to cheese, fresh pasta, pâté, canned and cooked meats, and wine, as well as houseplants and flowers. It continues to work exclusively for Walmart, with ASDA in the UK as its main focus, but it has growing international sales to other Walmart markets in the USA, Japan, Mexico, and Canada.

The IPL business is designed to improve quality and to lower prices for ASDA and Walmart customers by controlling supply chains and removing unnecessary margin-takers (such as importers), buying as directly as possible and controlling logistics itself. It does not own production or processing facilities in the source countries, but operates a number of 'country offices' around the world whose role is to source products and provide technical and logistics management.

It should be noted that the ASDA/IPL business model is different from that of almost all other supermarket chains procuring produce, in that IPL manages the whole process, from consumer-facing decisions (such as which products to sell in how much shelf space) to buying from exporters/growers directly and arranging freight. With a few emerging exceptions, almost all other supermarkets buy from importers who source the produce and organise logistics. IPL's 'direct' procurement model therefore has the potential for greater control of the supply chain and more direct influence on conditions for agricultural workers and small-scale producers.

Box 2: ASDA 'Mum'

The current ASDA customer segmentation consists of 79% women, and at 49% ASDA has the highest percentage of shoppers within the UK who have dependent children at home. In addition, ASDA has a higher percentage of customers in lower income brackets (demographic groups C2, D and E) than the average of the 'big four' (Tesco, ASDA, Sainsbury's, and Morrisons) with internal company research highlighting the following messages from a consumer perspective:

- 'Budgeting is now a way of life.'
- 'Parents will go without in order to ensure their children receive a proper diet and are properly clothed.'
- 'The family is everything and they feel guilty if they are unable to give their children their time or the occasional treat.'

As such, pricing is of acute relevance to the company's target consumer, with the typical ASDA shopper representing a 'Mum' who has little cash or spare time, but strives to provide for her family within the current economic climate.

THE KENYAN CONTEXT

The global food supply chain brings jobs and money into an economy and a society that, while growing rapidly, still faces many challenges. Kenya is the dominant economy in East Africa, with a GDP of $36.1bn in 2011.[26] GDP growth, driven by tourism, telecommunications, construction, and agriculture, stood at 5.6 per cent in 2010, which is above the African average and substantially ahead of most Western economies, including the UK and the USA. Foreign direct investment (FDI) has grown to $186m.[27]

Expansion is supported by a young, relatively well-educated, fast-growing population of 43 million.[28] Some 42 per cent are under 14 years old,[29] while the literacy rate among 15–24 year-olds is over 90 per cent,[30] significantly above the average for sub-Saharan Africa. However, almost half of all Kenyans still live below the poverty line,[31] which is defined as an income of $1.25 (approximately £0.75) a day.[32]

And potential problems lie ahead. Growth forecasts have been dampened not only by global rises in oil and food prices, but also by recurrent drought. As a result, the World Bank estimated that growth for 2011 would slow to 4.3 per cent, with a projected growth of 5.0 per cent for 2012. [33]

Tribal divisions continue, giving rise to tensions that are exacerbated as horticultural workers travel away from their homes to find employment. In 2007–08, ethnic violence during the presidential elections left more than 1,000 people dead and a further 500,000 internally displaced.[34]

Although Kenya is urbanising rapidly, most people are still dependent on agriculture for their livelihoods. However, population growth poses a challenge to land distribution, since only around 20 per cent of the country's total land area is considered suitable for agriculture.

Socially, Kenya is changing too. The new constitution, which came into force in 2010, enshrines equal rights for women and men,[35] including the right to own and inherit land. This reform ends widespread discrimination against unmarried, widowed, and divorced women, which was often upheld by customary law. For example, only approximately three per cent of Kenyan women own land title deeds.[36] The challenge now is to realize the rights in practice; so far its implementation has been slow.

Examples of gains for women under the new constitution:

- Ensures that Kenyan women will be able to pass on citizenship to their children regardless of whether or not they are married to Kenyans; Article 14 (1).
- Assures that parental responsibility shall be shared between parents regardless of marital status; Article 53 (1) (e).
- Maintains a one-third requirement for either gender in elective bodies, giving the women of Kenya at least one-third minimum membership of elective public bodies; Article 81 (b).
- Ensures that women and men will have the right to equal treatment and opportunities in political, economic, cultural and social spheres without discrimination; Article 27 (3).
- Affords adequate and equal opportunities for appointment, training and advancement for women and men at all levels within the Public Service Commission; Article 232 (i).

Table 1 maps key facts about Kenya against Oxfam's Poverty Footprint dimensions of poverty.

Table 1: Kenya – Poverty Footprint indicators

Standard of living

- 45.9 per cent of the population lives below the poverty line[37]
- High inflation – a rate of 18.31 per cent in January 2012[38]
- Unemployment currently stands at 40 per cent[39]
- Unemployment is highest among women, under-30s, and in urban areas
- Only around 20 per cent of the land is considered suitable for agriculture
- 10 million people suffer from chronic food insecurity[40] and around two million people rely on food assistance at any given time[41]
- Around 31 per cent of the entire population is undernourished[42]

Health and well-being

- Infant and under-five mortality rates dropped by more than 50 per cent, from 47 to 22 per 1,000 live births, between 2003 and 2008–09[43]
- The HIV prevalence rate stands at 6.3 per cent,[44] down from 13.4 per cent in 2000[45]

Stability and security

- 'Critically rated for both crime and transnational terrorism'[46]
- Public sector is the 26th most corrupt globally (out of 182 countries), according to Transparency International's Corruption Perceptions Index[47]

Diversity and gender equality

- Equal rights enshrined in 2010 constitution
- Girls 95 per cent as likely as boys to be enrolled in primary education[48]
- Kenya is home to over 40 tribes[49]
- Kenyan Asians and Arabs make up only a small proportion of the population, but possess much commercial power[50]

Empowerment

- Around 40 trade unions represent approximately one million workers[51]
- The Kenya Union of Commercial Food and Allied Workers (KUCFAW) is one registered union for horticultural farm workers
- Casual farm labourers have limited union representation
- Worker welfare and health and environmental/safety committees are required by law

Food insecurity

At roughly the same time as the research team was pursuing interviews and meetings in Kenya, the world community, including Oxfam, declared a food crisis in East Africa.[52] Rains failed in 2010 and 2011, causing the worst drought in 60 years, pushing up food prices, and causing millions of small-scale producers and pastoralists to lose their livelihoods. As a result, 13 million people across the Horn of Africa were facing desperate food and water shortages by July 2011. Of these, approximately four million were in Kenya[53] and, at the time of writing, despite some improvements in the rains, the situation in the north of the country remained extremely difficult. While the geographic focal area of this study was not in regions of Kenya that were directly hit by the food crisis, the export of fresh produce during a food crisis raises questions

about how a country manages food security; this is addressed below. It is worth referencing here the living wage review in the 'Value Chain: Livelihoods' section of this report, given that food insecurity and rising food costs directly affect income levels for both workers and smallholders.

Agriculture in Kenya

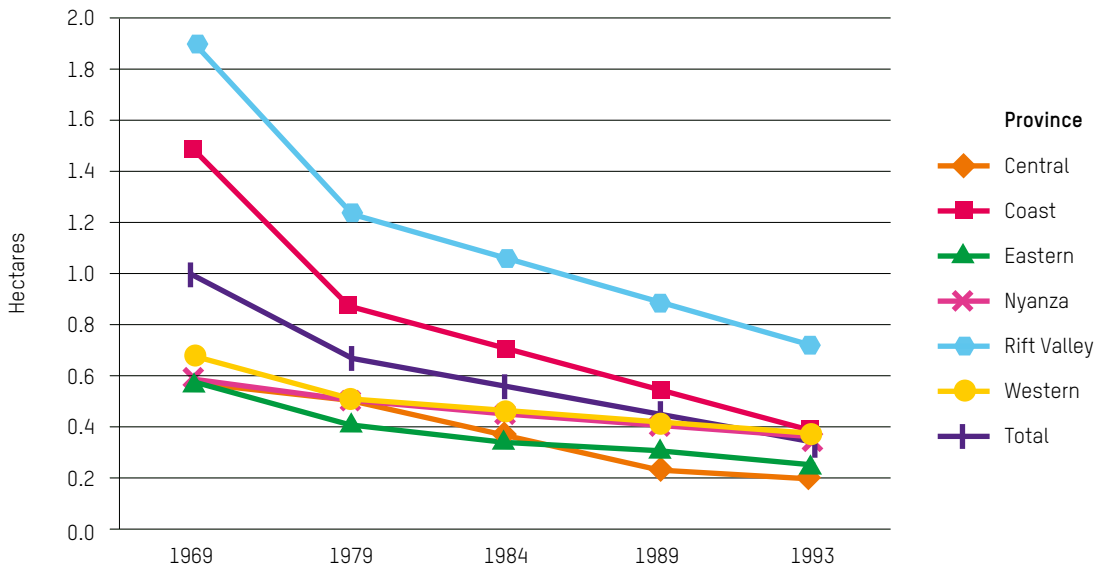
Agriculture – ranging from subsistence small-scale producers to large farms that supply produce to UK supermarkets and other international retailers – plays an overwhelmingly important role in Kenyan society. The sector is by far the country's biggest employer, accounting for 75–80 per cent of total employment, or 8.5 million jobs. Altogether it generates approximately 56 per cent of exports[54] and 25 per cent of GDP.[55]

The way that agriculture evolves in the coming years will have a potentially crucial influence on Kenya's future. Today, farmers face complex choices about what they grow and which markets they target.

An estimated three million small-scale producers are responsible for about 70 per cent of Kenya's general crop production.[56] Subsistence crops such as maize, plus produce for local markets, including cabbage, kale, tomatoes, onions, potatoes, and poultry, dominate. A typical farmer's plot might include a mix of output based on maize and livestock and supplemented by vegetables for domestic consumption.[57]

However, small-scale producers often live precariously because, in many cases, uncertainty surrounds the ownership of the land they farm. Small-scale producers have both customary and statutory rights in Kenya, but enforcing these can be difficult and expensive. Only 6 per cent of the land is registered under individual titles, and the sheer volume and complexity of land laws and policies issued by the government has restricted further registration.[58] Certainly, many small-scale producers fear having their customary rights disregarded.[59]

Furthermore, Kenya's growing population is causing the break-up of farms into smaller and smaller units that are less suitable for large-scale export farming. When land is passed on to the next generation, it has traditionally been divided equally between all sons in the family. Kenya's 2010 constitution enshrines the rights of daughters to inherit land, although its implementation has been slow.



Source: The World Bank, arable land data: http://data.worldbank.org/country/kenya

Figure 2: Availability of arable land in Kenya per person, by province (hectares)[60]

Where land ownership is in doubt, small-scale producers are naturally reluctant to invest time and money to grow crops that take years to fully mature. For example, crops such as coffee or tea, which take perhaps two years (in the case of coffee, at least 3-4 years) before they are ready to yield, and which also have a long production life, are more suitable for farmers who feel their investment is secure.

Even for those who own their land, growing cash crops, including coffee, tea, vegetables, and exotic fruits, is a high-risk, high-reward enterprise, given the absence of large domestic markets to absorb supply and the barriers to achieving high-quality production for export markets.

Most small-scale producers have neither the knowledge nor the equipment to join export supply chains. But for some farmers, producing for overseas markets is an attractive option.

Box 3: The Ethical Trading Initiative (ETI)

The Ethical Trading Initiative (ETI)[61] is a leading alliance of companies, trade unions and NGOs, who are seeking to ensure respect for international labour standards in the global supply chains of member companies. It supports member companies to meet their ethical responsibilities in this regard and works collaboratively to tackle the complex issues that can prevent sustainable change.

This UK-based initiative, including the ETI Base Code formulation of labour standards, has been adopted widely since its introduction.

In recognition of the limitations of the audit approach in improving working conditions, since 2005 the ETI has advocated for its corporate members to work in partnership with their suppliers, to establish long-term relationships with them and to focus on building supplier capacity to meet ethical trade standards.

In the framework of its programmatic activities, the ETI delivers capacity building programmes for suppliers. One of the first examples was the supervisor training programme that has been rolled out in Kenya and South Africa, which helps farms managers and workers to address and deal with discrimination and harassment in the workplace, see Appendix C.

Despite the success of its own programmes, the ETI recognises that the biggest outreach and therefore impact for workers can be achieved only through the work and commitment of its member companies, and therefore it encourages them to apply best practices through their own programmes and activities.

Box 4: GlobalG.A.P.

GlobalG.A.P. is a voluntary production standard for the worldwide food industry.[62]

The standard is designed to assure safe and sustainable agricultural production worldwide. GlobalG.A.P. connects farmers and brand owners worldwide in the production and marketing of safe food to achieve:

- A universal standard;
- Safe and sustainable food for everyone everywhere today and in the future;
- Safe production methods;
- Responsible use of resources;
- Welfare of workers and animals;
- Protection of scarce resources;
- Easier certification and wider markets for producers;
- Reliable sourcing and processing for retailers;
- Valuable reassurance for consumers.

Certification, which is carried out by more than 100 bodies around the world, requires annual inspections and additional unannounced visits. To achieve certification, producers must meet targets that minimise the negative environmental impacts of farming operations, reduce chemical inputs, and ensure a responsible approach to worker health and safety. The GlobalG.A.P. Risk Assessment on Social Practice (GRASP) is a tool that has been developed to help farmers demonstrate how they meet the social standard.

Major supermarkets and importers, including ASDA and IPL, insist that food products meet the GlobalG.A.P. standard, even though the certification is not directly visible to shoppers.

LocalG.A.P.
Consumers worldwide are increasingly demanding quality foods, produced safely and sustainably. Retailers around the world are rising to meet the challenge by demanding certification from their producers. But they face a tricky situation when working with emerging producers, who may not be able to achieve GlobalG.A.P. certification. Producers without certification for their products have difficulties accessing local and regional markets. LocalG.A.P. is a cost-effective solution for emerging markets; it helps producers gain gradual recognition by providing an entry level to GlobalG.A.P. certification. It also helps retailers gain access to quality foods, support their local and regional producers, and promote good agricultural practice (GAP).

Export horticulture

Horticulture – the production of cut flowers, vegetables, fruits, nuts, herbs, and spices for both domestic and overseas consumption – is Kenya's fastest-growing agricultural sub-sector, expanding at a rate of 15–20 per cent per annum.[63] It employs approximately 4.5 million people directly in production, processing, and marketing. Another 3.5 million people benefit indirectly through trade and other activities.[64]

Large commercial horticulture enterprises, largely based on flowers, appear to be the source of direct employment for between 50,000 and 100,000 people and indirectly support the livelihoods of around two million people – or one in 20 Kenyans.[65] In other words, international supermarkets and their suppliers have a direct and accountable relationship with a significant proportion of the Kenyan population. Large commercial flower enterprises provide formal employment opportunities to an estimated 100,000 people, while growing vegetables for export engages around 220,000 small-scale producers.

Box 5: Food security and export horticulture

As noted above, 10 million people in Kenya suffer from chronic food insecurity. Additionally, as the research for this report was being conducted, the world community, including Oxfam, acknowledged a food crisis in East Africa, which affected an estimated four million people in Kenya. This is a particular concern in northern regions of the country, where there is little or no horticulture production for export.

While land used for production for export horticulture could potentially be used to produce food for local Kenyans, the livelihoods generated through export horticulture also allow many Kenyans to purchase food. What the net impact of export horticulture is on food security is outside the scope of this project. We do know, however, that, overall, food insecurity is not primarily a problem of production but one of distribution and access. We also know that food insecurity is driven by marginalisation, deepening inequalities, and social injustice. It is therefore more important to ask whether the export horticulture industry is inclusive of marginalised communities and is addressing inequalities of power and income. Elements of these issues are explored throughout this report.

Export horticulture thrives thanks to Kenya's favourable climate and its reasonable air transport infrastructure. Many products – including flowers and green beans – require rapid airfreight transportation from field to store because they have a short shelf-life. Nairobi's emergence as a central aviation hub[66] gives Kenya a competitive advantage over other countries in the region.

But the sector also faces some substantial barriers to future growth. A lack of land for expansion and growing competition from neighbouring countries are likely to present challenges. The terms of trade imposed by European supermarket retailers also present considerable hurdles. For example, much of the food industry insists that its suppliers adopt the GlobalG.A.P. production standards, which promotes good agricultural practice and is implemented by retailers for food safety.

International trade agreements and tariff barriers also represent potential hurdles (see Appendix C). For example, residual tariffs are charged on high value-added products such as prepared bouquets for which Kenyan producers must import additional materials, such as packaging.[67]

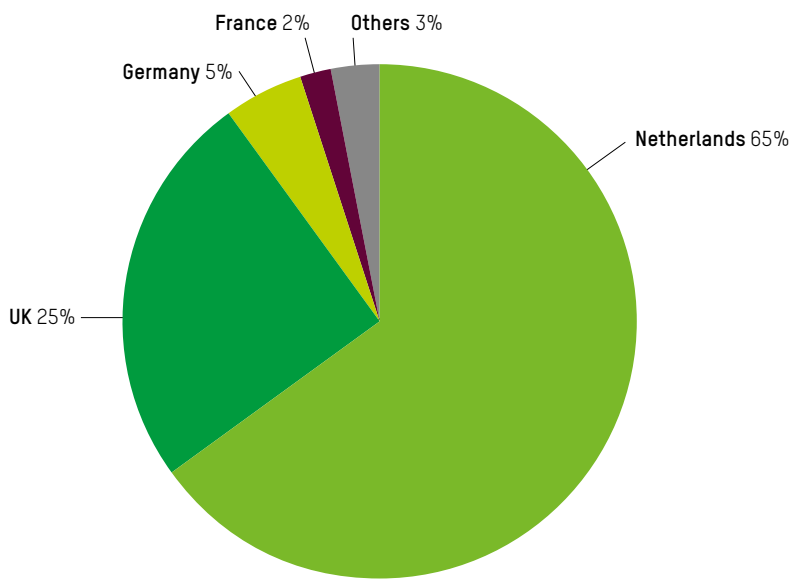
Flowers: a large-farm crop

Flowers are a key part of Kenyan export horticulture. Most of the roses and other flowers grown by Kenya's farmers are destined for the aisles of overseas supermarkets.[68] Retailer demand for these blooms increases significantly around certain calendar events – such as Mothers' Day and Easter – putting pressure on suppliers.

The industry is geographically concentrated around Lake Naivasha and in the south and west of the country in areas such as Nakuru, Thika, and Mount Kenya.[69] The cut blooms grown there are now consistently among Kenya's top three foreign exchange earners, alongside tea and tourism.[70] In the five years to 2007, the value of cut flower exports more than trebled. Flower farming directly employs 50,000–70,000 people and at least another 1.5 million indirectly.[71]

Kenya's primary export flower crop is roses, grown using relatively sophisticated methods that include polytunnels, irrigation channels, and, increasingly, an artificial substrate rather than soil. The infrastructure, which supports year-round harvests but which has potentially damaging environmental consequences (explored later in the report), requires considerable capital expenditure and a plot of around 20–25 hectares to achieve economies of scale. A return on investment can take years to achieve.

As a consequence, small-scale producers rarely grow blooms unless they are 'summer flowers' that act as filler stems in a bouquet and which thrive outdoors. However, overseas demand for greater diversity in cut flowers is increasing, so the sector, although small, is growing.[72]



Source: Kenya Flower Market Data (http://www.kenyarep-jp.com/business/industry/f_market_e.html)

Figure 3: Kenya flower export destinations

Box 6: Dutch flower auctions

Around a third of global flower production – around 12 billion stems a year – is sold through the Dutch flower auctions. Unlike conventional salerooms, these use an 'auction clock', where the price starts high and is lowered until a buyer is willing to accept the figure. The first bidder wins the goods, but if the minimum price is not achieved, the grower has to take the loss and also pay €25 to dispose of the flowers.

For Kenyan flower exporters, the Dutch flower auctions provide a valuable alternative market to UK retailers. Not only do they provide access to a large market for niche products, they also offer rapid payment and an opportunity to sidestep the certification process.

Wilmar, the only Kenyan exporter operating a significant flower outgrowing scheme, makes extensive use of the Dutch flower auctions, and works with approximately 3,000 small-scale producers, each of whom allocates roughly one-eighth of an acre to 'summer flowers' – specialist blooms such as *gypsophila, solidago, hypericum, ornithogalum,* and *veronica,* which are used in bouquets. These are packed at a central packhouse and airlifted daily to the Netherlands.

Very few of the flowers that end up in UK supermarkets come via the Dutch auction route because their provenance is unknown and their production standards, including certification mechanisms around social and environmental sustainability, cannot be guaranteed.

Encouragingly, 50–60 per cent of all flowers destined for overseas markets are grown by members of the Kenya Flower Council (KFC), a trade association comprising 60 growing and exporting companies, which aims to promote responsible production while protecting the natural environment and safeguarding staff welfare.[73] As well as lobbying the government on trade policy, the council administers a code of practice that is accredited to GlobalG.A.P. and other international standards.[74]

Green beans: a crop for large farms and small-scale producers

Green beans, grown in considerable quantities by both large farms and small-scale producers, are an important export crop, and some 70 per cent of all the green beans leaving Kenya end up in the UK.[75] Small volumes are also supplied to domestic hotels, local supermarkets, and the domestic canning industry.[76]

Farms of all sizes can grow green beans for export because the barriers to market entry are relatively low. The crop is less capital-intensive than floriculture, for example, because green beans can be grown outside all year round. Generally, investments are limited to seeds, land preparation, fertilisers, and pesticides, although access to water for irrigation may require significant expenditure.

What is more, green beans provide farmers and small-scale producers with a better cash flow than some other crops, such as tea and coffee, because they are harvested and sold every three to five months. The fast turnaround also makes the crop potentially attractive to non-land-owning agricultural workers, who can temporarily lease a plot with their savings.

Historically, Kenya's green bean export market has been characterised by a large number of small-scale producers[77] but, as in many countries, the response of fresh fruit and vegetable exporting companies to increasing standards has led to consolidation and increased vertical integration throughout the supply chain, as well as a shift away from small-scale producers towards large-scale agro-industrial farming.

However, this has not necessarily negatively affected the smallest and poorest communities, as one might expect. Instead the shift to large-scale farming/production has '[altered] the mechanism through which poor households benefit: through labour markets [where women are more likely to be engaged], instead of product markets [where small-scale producers, primarily men, are engaged]',[78] leading to a different set of risks and impacts on the poor.

Notwithstanding this drive to consolidation, today smaller land owners account for around 40 per cent of the harvest.[79] The balance of large farms and small-scale producers supplying the export market has fluctuated over time – and it may be about to change again following a period of substantial price volatility (see 'bean price volatility', Box 16).

Export companies that source green beans for European supermarkets usually own their own farms, for security of supply and economies of scale. Yet the research team's interviews with exporters also revealed that exporters see small-scale producers as a useful source of additional supply, who can improve diversification and make up shortfalls caused by weather, pests, or unexpected surges in demand.

Typically, export companies find working with large numbers of small suppliers both frustrating and time-consuming. Some also perceive small-scale producers to be unreliable partners, who move in and out of the crop or sell their produce to brokers.

Meanwhile, some small-scale producers have found it impossible to meet the stringent production standards that the international supply chain demands. In response, some have grouped themselves into their own local co-operatives[80] or, more frequently, into producer groups,[81] to collect materials, disseminate agronomic information, and sometimes to organise pesticide spraying. Some have also opted to supply less demanding customers, such as the canning industry.[82]

Green beans are an attractive crop for farms of all sizes as part of a mixed cropping strategy, because they can be grown year-round and they help with good soil maintenance, although they require a lot of water and thrive best in the rainy seasons of October–November and April–June. Irrigation can be costly in terms of water extraction charges, pumping costs, and manual labour. It also has environmental implications, which are discussed in section 11. The project research found that small-scale producers who grow green beans for export typically devote less than half their land area to the crop and the other export crops, such as baby corn, with which it can be rotated. The remainder is usually planted with subsistence crops and vegetables for local markets.[83]

By contrast, small-scale producers who grow other key export commodities, such as coffee and tea, plant most or all of their land with the crop under outgrower contract schemes.[84] The reason, discussions revealed, is that many small farms find growing green beans simply too expensive, even when they belong to outgrower schemes that provide seeds and spraying.

Like flowers, green beans are subject to seasonal spikes in demand, with peaks at Easter and Christmas and demand falling by around 40 per cent during the European summer growing season, when UK consumers tend to buy British. Suppliers need to plan for these fluctuations in demand, which have a direct impact on produce requirements.

THE HORTICULTURAL VALUE CHAIN

The 'traditional' import model

Figure 4 gives an overview of the horticulture value chain, and is organised by key activities. However, not all companies in the value chain fit neatly into these boxes. Any given firm may span several different activities: for instance, export companies will usually own some farms, and some exporters even own UK importers.

The role of growers is largely self-explanatory, but it should be noted that they may have a mix of their own production and outgrower schemes. The exporter will generally source and pack produce and arrange logistics to the UK.

Importers consolidate orders from a range of retailers, food service companies, and food processing firms, and then source from a variety of suppliers, often across multiple countries. Most have well-established relationships with the leading Kenyan exporters.

Importers can supply multiple retailers, so it is important not to discount the market diversification role they play. This is particularly important where small-scale producers are concerned, where it becomes more important for suppliers to diversify markets and customers themselves to manage risks related to demand fluctuations.

However, the industry is consolidating and the traditional model is changing. Cross-border organisations bring economies of scale and help secure a year-round supply of key product categories. ASDA's acquisition of IPL, which deals directly with exporters, is a clear example of this trend. Tesco now uses a similar model to procure some of its food produce. Morrisons has acquired a flower importer,[85] and key players such as Finlays, VP Group (previously VegPro), and East African Growers have operations in both the EU and Kenya.

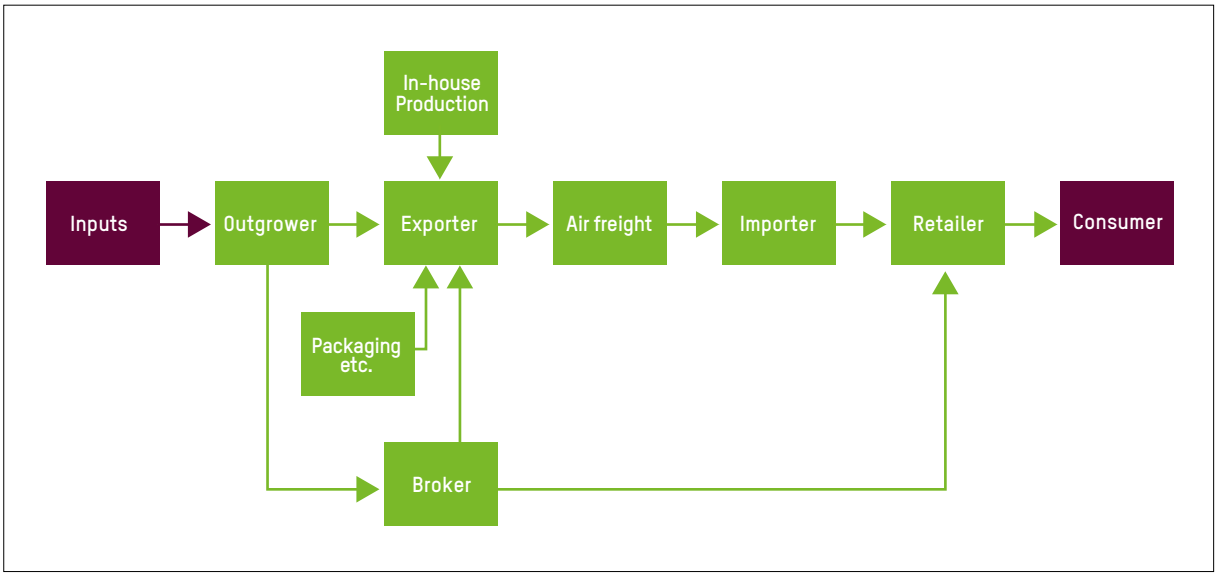


Figure 4: Green bean supply chain overview

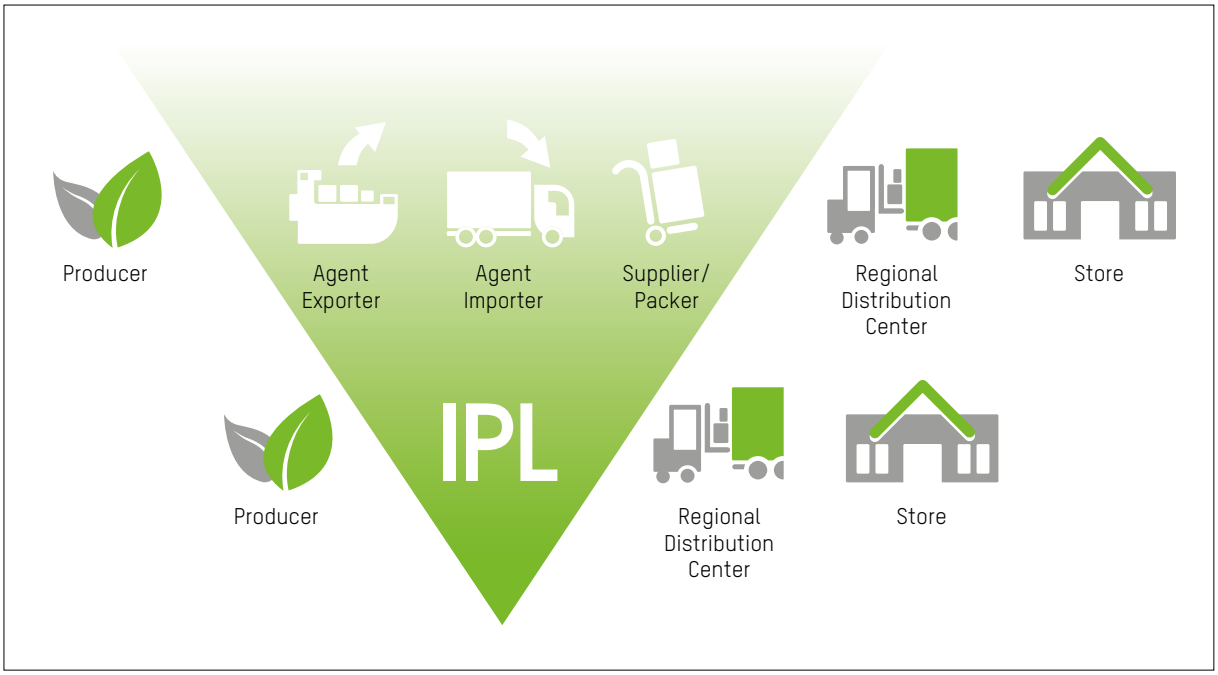


Figure 5: IPL supply chain overview

IPL's operations

IPL manages more of the value chain, as shown in Figure 5, than in the more common approach of importers sitting between export farmers and retailers. The company has operations in ten countries, including Morocco, South Africa, Brazil, Chile, and Costa Rica in the developing world. It employs permanent in-country technical managers who work closely with export farmers. They oversee new product development and visit farms and packhouses regularly – sometimes up to five times a week – to monitor operations, including working practices and quality assurance, and to check that the necessary certifications are in place.

However, all buying decisions that affect farmers are made in the UK, although some commercial staff are being employed alongside suppliers in Spain on a trial basis.

Business practices that have a bearing on IPL's ability to influence pro-poor impacts

As highlighted above, IPL operates a more 'direct' business model than other supermarket buyers of produce. Its business model is to remove unnecessary margin-takers and control the supply chain, from merchandising to consumers to buying directly from exporters and, where possible, the packhouse and growers, while removing the role of importers.

Findings from the visit to Morocco included that buyers are incentivised on price, availability and quality metrics. UK and in-country technical staff have a set of incentives directed towards food safety, quality and legality including social compliance. Ethical standards are communicated as 'minimum standards' and compliance is tested through social risk assessments carried out by technical staff. There are currently no incentives for buyers on socio-environmental metrics and these do not come into play in price and volume negotiations.

ASDA, through the importers it uses, was reported by all exporters and producers interviewed in Kenya and Morocco to be the toughest price negotiator. As the volumes the company sources are so large, it was often able to obtain the lowest price. Suppliers reported that where ASDA negotiated a lower price than its UK competitors, it was nonetheless a relatively small margin.

Importers can supply multiple retailers, so it is important not to discount the market diversification role they play. This is particularly important where small-scale producers are concerned. If these are removed from the value chain, as in IPL's model, it therefore becomes more important for suppliers to diversify markets and for customers themselves to manage the risks related to demand fluctuations.

The study found mixed results on the sharing of value of the 'freed up' importers margin, with two of the four suppliers reporting no improvements on the price they received after the removal of importers; one received a slightly higher price and one claimed substantially higher prices. Of course, once IPL takes over the importer role it may take some time for them to operate as efficiently as the importers did. For the producers in Morocco who were included in this study, no evidence was found that showed increased benefits have been experienced by small-scale producers or workers following removal of costs by IPL.

The placement of IPL technical experts in Morocco, who become familiar with farms, was seen as having great value by informants. It has helped alleviate technical and quality issues, seems to have improved stability in demand and provides an opportunity for IPL to perform more frequent and direct ethical checks on the exporters/growers.

Planning and ordering

IPL reviews each product category at the end of its growing season to assess how suppliers have performed against commercial, quality, and delivery performance benchmarks. Suppliers are then selected for the next season based on availability and past performance. IPL will also consider whether it wishes to develop more 'strategic' relationships with certain high-performing suppliers.

Negotiations about future requirements are held approximately two months in advance of the start of the next growing season. Growing programmes are agreed and a target for accuracy of the crop (for example, 20 per cent for apples and pears) is set for the order prices and quantities throughout the season, taking into account supply- and demand-side fluctuations as the season progresses. This target is used internally for monitoring buyers and growers, not as an external guarantee.

IPL communicates with suppliers frequently – often on a daily basis – but the exact process and timings for orders vary substantially by product category. For example, plans and orders for salad items are revised and confirmed on a daily basis, creating the potential for rapidly fluctuating demand, while most categories of fruit work on weekly cycles because they have a longer shelf-life.

IPL's strategy is to import directly, but occasionally it purchases from importers to make up any product shortfall caused by issues such as supplier problems or unexpected demand. This is classed as an emergency purchase and extra technical checks are necessary.

Contract structures

IPL works to a set of standard terms and conditions, which can be tweaked for each product. The company also specifies technical requirements for a product, such as production certifications, while a purchase order sets out the size of the product, colour, and delivery dates. However, these terms are indicative rather than contractually binding. The timings of issuing purchase orders vary depending on the product, its shipping time, and how much volatility there is in supply. The actual purchase order committing to specific quantities may be issued prior to departure from the source country.

Pricing

IPL's pricing strategy varies significantly by category, but the company tends to agree a price for flowers that lasts for the whole season, while green beans have commanded what is in effect an annual price. ASDA has a commitment to be 10 per cent cheaper than its supermarket rivals, so IPL is reputedly an aggressive price negotiator.

Commitments on prices and volumes depend on the product, its perishability, and the method of transportation. However, depending on transportation method, delivery is set as close as possible to shipment. See Box 16 'bean price volatility' for more details on price volatility.

Quality is monitored upon delivery. When IPL rejects products, either the supplier or IPL itself will find an alternative wholesale buyer, but the cost of disposing of sub-standard products may be charged to suppliers. Typically the company pays its suppliers 30 days after receipt of produce, but this is dependent on the individual terms and conditions agreed in each case.

In-country activities

IPL's goal is for exporters to do as much as possible at source, where appropriate, including preparation and packing. The company prefers suppliers to have British Retail Consortium certification – a safety and quality standard – if they are packing for direct distribution to an ASDA depot. IPL can purchase from suppliers who do not have this certification, but this adds requirements to the process to ensure that it can check the quality of the product before it is released. The product must come to the IPL site in the UK and the source packhouse must have been approved by IPL's in-country technical team.

Independent laboratories conduct residue analysis at source in some countries.[86] Results are known within 48 hours, before any product reaches the UK. Pesticide residue testing results are made available online so that suppliers can see them.

Kenyan exporters and farms

Kenya is home to a large number of fresh produce growers, with wide variations in size and business models. Table 2 gives an overview of example companies in the sector. Many of these firms also export vegetables, grown both in-house and by outgrowers, or purchased from brokers.

Table 2: Leading Kenyan export companies and growers

Company	Key facts
Company A	200 hectares of flowers = 70 per cent horticultural turnover 10,000 employees in Kenya Flowers (many lines), green beans, vegetables, large tea interest Current ASDA flower supplier Largest of Kenya's horticultural exporters, vertically integrated freight, marketing, import/export Extensive CSR and environmental management, including Fairtrade
Company B	Six vegetable and four flower farms, 2,500+ hectares, expanding to Ghana 5,000+ employees in Kenya Green beans, various other exotic vegetables, roses (and top Kenyan seed/graft operation) Current UK supplier, but not to ASDA Extensive small-scale producer outgrower involvement (2,000+ farmers), previously a CARE pilot Value-added integration including packhouse, freight, marketing, seeds Extensive CSR, environmental management, including Fairtrade

Company	Key facts
Company C	Five farms owned, 200+ hectares in Kenya, 500 hectares in Tanzania 1,800 permanent employees; 4,000 on contract Green beans, other vegetables, avocados and exotic fruit, flowers Current ASDA vegetable supplier Works with 1,000+ small-scale producers Value-added integration including freight, packhouse Sells to UK, actively pursuing other markets (Europe, Asia, USA)
Company D	230-hectare flower farm (roses, carnations, fillers, *lisianthus*, and bouquets) 6,000 employees; 10 per cent are seasonal workers Currently supplies Waitrose and Sainsbury's Extensive CSR, environmental management, including Fairtrade Extensive market links. Sells predominantly to Europe (Switzerland and the Netherlands) and to the UK, but also to New York, Dubai, Japan, and Australia Value-added integration including freight, packhouse Key market retailers: Bloom, Teleflower Auction, and World Flowers
Company E	Supplies ASDA direct Also supplies Tesco and various European supermarkets
Company F	Part of the second largest player in the European flower and plant industry, which focuses on the trade and export of flowers, plants, bouquets, and arrangements for nearly all European countries
Company G	Turnover €950m per annum In the UK it supplies ASDA
Company H	Five farms owned, around 400 hectares 1,500 employees throughout Kenya Green beans, various other exotic vegetables, spices, broccoli, carrots Current ASDA vegetable supplier Indigenous management Investing in packhouses, outgrowers outside Nairobi

Source: Primary research from the Kenya research team

Brokers

Brokers collect and buy green beans from large numbers of small-scale producers, parcel them up and resell them to export companies at a profit. They come in for a good deal of criticism and their existence implies a certain element of market dysfunction and profiteering, but they can fulfil an important economic role, providing a market for very small-scale producers and an additional source of supply for export companies.

For small-scale producers, selling to a broker can be a very attractive and a comparatively easier proposition even with the margins taken by the broker, given that they pay the full amount in cash. These payments are generally received on time at the point of exchange, providing another major convenience. But there are risks to selling through a broker:

- Small-scale producers who are caught breaking their outgrower contracts with exporters by selling on the side to brokers are nearly always cut out of the system.
- Where brokers are the only buyers, they tend to compress farmers' income, according to some reports.[87]

The use of informal commitments and promises by brokers to secure supply means that small-scale producers may not get the price or payment they are expecting. For exporters, buying from brokers can help them meet commitments to importers and supermarkets. But the provenance of the green beans is unknown, raising traceability and quality issues.

Brokers are becoming involved in some of the newer export markets in Russia and the Middle East, where produce standards are lower. Here, brokers provide small-scale producers with alternatives to the large UK and European green bean market.

Brokers played a key role in the recent green bean 'crisis' (see Box 16). Large exporters are contracted to buy from farmers and sell to importers at fixed prices. But brokers are not tied into contracts, so when demand exceeds supply they can afford to buy up large supplies of green beans at inflated prices, confident in the knowledge that they can sell them on at a profit.

3. Methodology and governance of the study

The study was based on Oxfam's Poverty Footprint methodology, tailored to meet the specific requirements of retail value chains and to focus on the most relevant business activities and aspects of poverty impact.

The study reviewed impacts at the industry level, rather than at the company level: retailers buy from a number of suppliers, each of whom also serves multiple customers; it is therefore extremely difficult to isolate the impacts of a single retailer, compared with, for instance, the impacts of a factory owner.

Poverty issues raised in initial discussions with stakeholders largely related to the value chain; this was therefore the primary business activity on which the study focused. One business activity, product development and marketing, is not conducted by IPL in Kenya to any significant extent, and where it is, it is aimed at developing products for the UK.

The study focused on a single country, in common with the earlier Unilever study in Indonesia (unlike the Coca Cola study which looked at two countries – Zambia and El Salvador) However, researchers also spent some time in Morocco to gauge the working of the IPL business model in a market from which it has been buying for a longer period. This part of the research was based on interviews with management of supplier companies.

As with previous Poverty Footprint studies, representative products were selected on which to drill down. This enabled industries with different characteristics to be compared and contrasted, with the intention of supporting broader recommendations for IPL's business. Wherever possible, conclusions were drawn and recommendations made with relevance to other supply chains in mind.

The in-country research focused mainly on activities directly controlled by exporter companies rather than by IPL itself, reflecting the nature of retail value chains. The project team relied on exporters to gain access to workers and small-scale producers, and to understand the impacts on them and their position towards issues raised.

Past and current UK-based ASDA suppliers and current IPL suppliers in Morocco were included in the study, and some other exporters which have never supplied either company. This was to gain broader access to the value chain, which is dynamic in that retailers and exporters may contract for a time, break off supply relationships, and then re-introduce them.

The project team agreed to respect the commercially sensitive information provided by the exporters and therefore has not named them unless they have explicitly agreed.

GOVERNANCE

The study was jointly commissioned by IPL and Oxfam; Accenture Development Partnerships was appointed as project manager. A number of groups were involved in directing, managing and advising on the study process.

1. Steering committee

The steering committee agreed the project direction, the workplan, and all major deliverables. It was composed of representatives of Oxfam, IPL, and Accenture Development Partnerships.

2. Independent advisory panel (IAP)

The independent advisory panel reviewed early findings and made suggestions as to the conduct of the research. The group also reviewed report drafts and provided detailed feedback.

3. Oxfam International governance group (OIGG)

Within Oxfam, the context of the study and the terms of reference were reviewed by a group representing interested Oxfam affiliates. The group then reviewed initial findings and report drafts, providing detailed input on key issues and policy questions.

PROCESS OVERVIEW

The project steering committee identified a key overarching report question that the project sponsors wanted answered:

Based on findings in Kenya, how can IPL improve its processes to enhance positive impacts on poverty and business opportunities in countries it sources from?

To answer this key question in relation to a Kenyan case study, the project team identified two key research objectives:

1. What are the main issues and opportunities for (economically disadvantaged) people affected by the export horticulture industry in Kenya?

2. What are the best opportunities for a UK retailer, such as IPL/ASDA, to contribute to overcoming poverty as a buyer of Kenyan horticultural exports?

These two questions were then linked together by an analysis undertaken through the following four key 'lenses' described here and set out visually in Figure 6 below:[88]

- **The UK business context:** How does the UK supermarket context affect the economic and social opportunities and barriers for poor people living in horticultural areas of Kenya? What role does/should IPL play in setting or influencing this business model?
- **Power and vulnerability within the value chain:** Who are the key decision makers within the value chain and where do vulnerable groups sit? How do/can those within vulnerable groups interact with the more powerful actors?
- **Workers:** What drives the terms of employment for workers on farms selling to ASDA/IPL and how do these terms affect people's livelihoods, rights to fair and equal employment opportunities, health and well-being, and stability and security?
- **Small-scale producers:** What drives the contract terms for small-scale producers selling to ASDA/IPL and how do these terms affect people's livelihoods, rights to fair and equal livelihood opportunities, health and well-being, and stability and security?

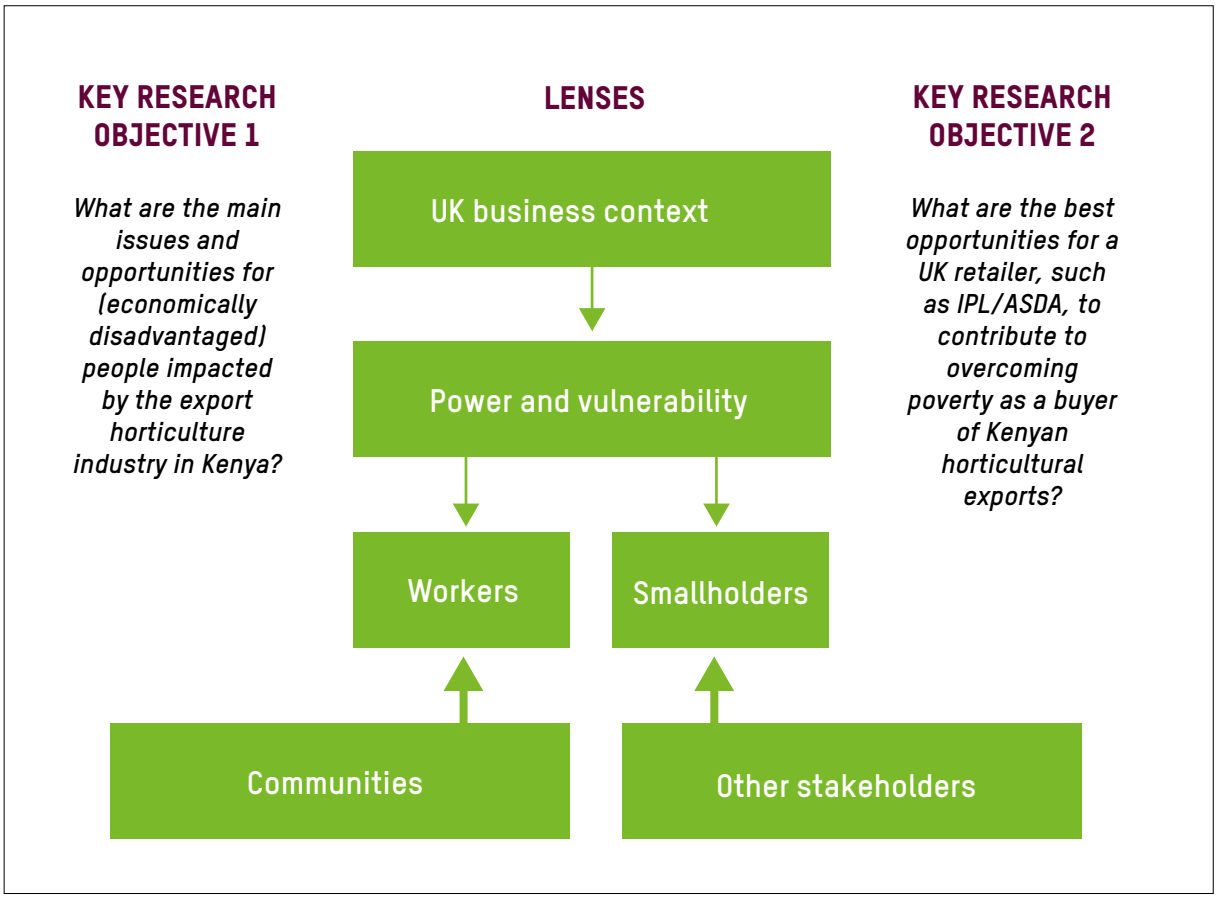


Figure 6: Overview of research framework

UK-based research and interviews

The project commenced with a period of research based largely in the UK. This covered secondary sources, interviews with business informants, and interviews with other stakeholders.

Current conditions were researched for the broader Kenyan context and specifically within the export flower and green bean value chains that are the focus of this study. These issues were compared with the five 'dimensions of poverty' suggested by the Poverty Footprint methodology. At the end of the UK phase of the research and after input from the steering committee, Oxfam International governance group, and intellectual advisory panel, the core team identified priorities for the research in Kenya and developed a research plan and the research instruments required to collect this information.

Kenya-based research and interviews

The Kenyan field research was designed to complement the desk-based literature review and UK interviews. The bulk of the research in Kenya was carried out in a period between late May 2011 and early September 2011. A second two-week follow-up trip was completed in March 2012. It was intended to:

a. Better understand the poverty issues that Kenyan groups see as most important and relevant to them;

b. Verify the key issues raised in the secondary research materials and UK interviews;

c. Enable assessment of how IPL's practices – and those of other retailers – influence the poverty issues selected by participant groups and identified in the desk-based research and UK primary research;

d. Enable assessment of the potential ways that IPL and other retailers can improve their impact on poverty through changes to their practices.

Researchers in discussion with a farmers' group. Photo: Gerry Boyle/Oxfam

To gain some insight into the income, working conditions, and living standards on flower and green bean farms, the research team interviewed and conducted focus group discussions with a gender-balanced group of workers from a variety of farms.[89] The findings in the report are based substantially on these interviews, cross-checked with community interviews, key informant interviews, and reviews of relevant secondary literature.

These interviews were carried out in multiple locations across Kenya including Gatanga, Mt Kenya, Muranga, Nairobi, Naivasha and Thika. Of 176 interviews completed 84 of these were with women to ensure fair representation and gender balance.

An initial two-week research process talking to workers, small-scale producers, communities, management, and other stakeholders (NGOs, government, etc.) addressed a) and b) above and helped the team to focus activities for the remaining research period. This included using a scoring matrix based on the following criteria.

- Issue severity
- Importance in tackling poverty
- Scale/number of people affected
- Vulnerability of people affected
- Trend: getting better or worse

Issues prioritised by core affected stakeholder groups (workers, small-scale producers, and communities) were then developed further in the follow-up research, where detailed interviews were undertaken with the following groups.

- Workers
- Small-scale producers
- Communities
- Key informants
- Management

Discussions were organised as focus group discussions and as individual interviews. Research was primarily qualitative, using relatively unstructured interview templates during this first round. A quantitative survey was also used in interviews with workers, small-scale producers, and community members to help gather relevant statistics to compare and contrast with other research findings.

Upon completion of this round of interviews, an overview of the research was developed, reviewed, and discussed. From this came a number of outstanding issues and information requirements, which the team then addressed during a further brief phase of fieldwork. This phase also included gathering more detailed case studies of workers and small-scale producers in the industry, as well as some video footage.

Table 3: Interview summary

Categories	Total
Farm workers	136
Community	54
Small-scale producers	51
Management	80
Key informants	32
Interviews to understand context	9
Industry experts	10
Government	21
Civil society	26
Total	419

Morocco visit

On completion of the first research phase in Kenya in September 2011, the research team spent a week in Morocco interviewing IPL and previous ASDA suppliers to understand how/whether the switch from ASDA to IPL had had an impact on suppliers.

Project roles

Accenture Development Partnerships, Oxfam, and IPL each had a project manager assigned to the core team and contributed staff to the research activities.

The research phase of the project was managed by Accenture Development Partnerships, who committed two consultants for a six-month period as well as several consultants on a part-time basis as needed. The Accenture Development Partnership consultants were supported by the lead of the IPL in-country technical team, and by various Oxfam staff (from the Kenya office, the regional office, and the UK) at different periods of the research.

At the end of the research phase, Oxfam and IPL took over responsibility for the drafting of the report and engaged an independent support writer to facilitate this process.

Report writing

The study and report were joint undertakings, but the report includes separate Oxfam recommendations and IPL learning points and commitments. The report was written by Oxfam with support from Accenture Development Partnership (ADP), then commented on by IPL with some input from ASDA and Walmart, and the final text was negotiated and approved for publication by all.

LIMITATIONS OF THE STUDY

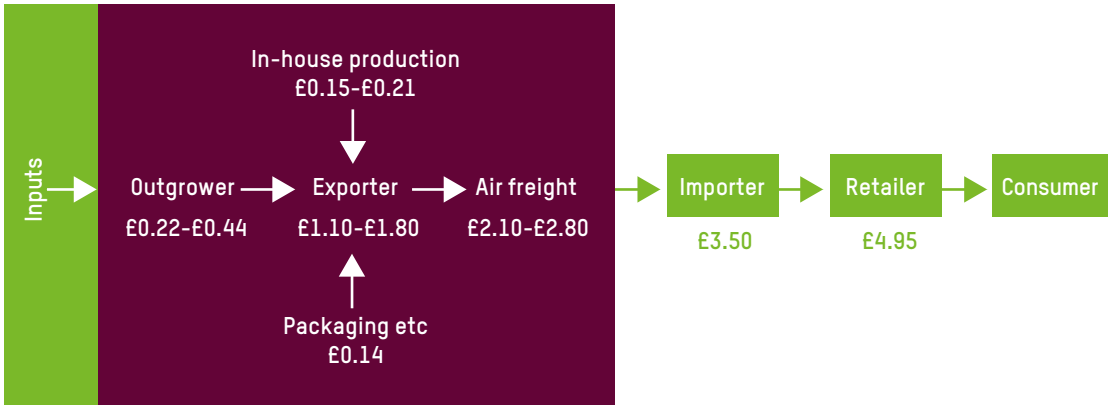
- The country analysed, Kenya, was not part of an active IPL supply chain at the time of the research.
- This report is not intended as an audit of corporate activities.
- Statistical analysis of wages, contract terms, etc. was limited to the study of two supply sectors, so cannot be taken as representative of the horticultural industry as a whole.
- Limited consideration was given to the possible role and effect of public policy changes.

4.The macro-economy

Export horticulture plays a very significant part in Kenya's macro-economy, generating large volumes of income, employment, and foreign investment. But to what extent is the horticultural trade improving living standards – and could fresh produce importers do more to make sure that potential economic benefits reach Kenyan businesses, workers, and their families?

Financial value accruing to Kenya from exports

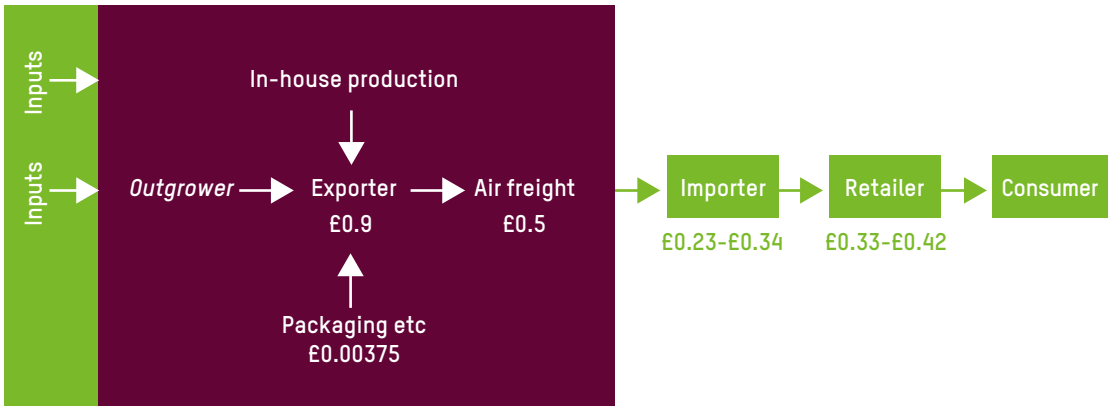
Horticulture brings in approximately KES 100bn ($997m) of foreign exchange earnings each year to Kenya.[90]



Source: Primary research from the Kenya research team, based on interview with industry expert

Figure 7: Green beans value chain – value retained in Kenya

From the pricing along the green beans value chain set out in Figure 7, of the final retail price to the consumer in the UK, only around £2.10–£2.80 (40–55 per cent) of the value goes to Kenya. Of this amount, £1 (40 per cent) goes in airfreight, little of which value will remain in Kenya. Wages account for around £0.20 (16 per cent) of the exporter's costs, with other major elements being packing materials and either the purchase of raw material green beans from small-scale producers, the costs of own-farm production, or the costs of airfreight.



Source: Primary research from the Kenya research team, based on interview with industry expert

Figure 8: Cut flowers value chain – value retained in Kenya (price per stem)

In cut flowers, £0.14 (35–40 per cent) of the final retail price is retained in Kenya, but again a high proportion of this (about one-third) is spent on airfreight. Wages account for approximately one-eighth of the exporter's sales revenue, net of airfreight.

TAXATION

Taxes paid by the horticulture sector represent an important source of government revenue, which will ultimately be used to help provide public services and infrastructure. However, the research team was not able to identify a 'total tax take' figure for the sector.

Structure of IPL's transactions

IPL is a UK-registered company, wholly owned by ASDA Stores Limited, which is also registered in the UK. The principal activities of the company are the procurement of produce for the ASDA supply chain by using in-house specialists to reduce middleman costs, so supporting ASDA's 'Every Day Low Prices' policy for its customers. IPL has a number of branches and entities in other countries, but these carry minimal operating costs, being the vehicles by which the company employs local technical staff.

IPL allocates exact production value costs to individual products wherever possible, but spreads sales, general, and administration (SG&A) costs across all categories. It buys in-country, preferring farm-gate prices, and prefers to pay in local currency or in the stated preference of the supplier.

Corporate taxation

The standard rate of corporation tax in Kenya is 30 per cent.[91] IPL's potential role as a customer of Kenyan exporters means that it would not be liable to pay corporation tax in Kenya. However, the exporters from whom it buys are substantial businesses and would be expected to pay corporation taxes. Most of the businesses are privately owned and therefore tax details were not available to the research team. However, press reports have suggested that the Kenya Revenue Authority (KRA) has been investigating the country's top three flower exporters for tax evasion.[92] This study could not gain access to any further information on the reported investigation.

A growing number of businesses in the sector are vertically integrated, with import operations in end markets such as the UK as well as their Kenyan operations. This means that the companies will inevitably have to deal with international transfer pricing,[93] which many point to as a key mechanism in allowing companies to reduce their tax liabilities in developing countries.[94] The KFC, the flower industry group, has a code of practice that strongly encourages companies to commit to paying their taxes,[95] but it leaves the details of how they meet their tax obligations to the companies and the government.[96]

Government levies on the industry

At a national level, a key driver of the industry's viability is the tax environment. One industry expert[97] suggests that levels of taxation of the industry are high, with different levels of government each demanding revenue. The KFC is currently lobbying the Kenyan government to set out a better, clearer tax policy.

One example of the complex tax rules that regulate the industry is that exporters are assessed as growers (primary producers), so they need to pay a horticulture tax to fund the Horticulture Development Authority, and do not get the tax breaks associated with free economic zones that industry receives. However, when it suits, exporters are also categorised as manufacturers (due to packhouses and the cut flower operations they manage) and can then also be charged for manufacturing activities.

Another problem, according to an industry expert,[98] is the process for Value Added Tax (VAT) payments and reimbursements: exporters and industry bodies pay VAT upfront but can then claim it back on exports. However, the government process of reimbursing VAT payments is slow, creating cash-flow headaches.

Local taxation levied on growers

The Lake Naivasha Growers' Group (LNGG) represents 27 of the 57 horticultural growing sites around Naivasha (overlapping with 23 companies accounting for around 60 per cent of export flower and vegetable production). In domestic taxation, LNGG has negotiated a levy (municipal tax) of KES 24m ($239,294) to Naivasha Municipal Council, based on its members' land area under cultivation, rather than a proposal to levy a fee per flower stem sold, which would be difficult to count and manage.

Under the deal, funds go towards public environmental stewardship efforts at a rate of KES 2 per square metre of production by LNGG members. Community discussions[99] revealed some cynicism about the political representation and transparency of the Naivasha Municipal Council. The LNGG officer acknowledged that this settlement was made partially because of past problems where local politicians spent funding on 'vanity projects', e.g. a new market in a distant part of town that the community did not use.

Employee income taxation

After personal relief of KES 13,944 ($139) per annum, a tax rate of 10 per cent is payable on the first KES 121,968 ($1216) per year of earnings,[100] with the next tax band being set at 20 per cent. Also, levies for government schemes such as the national pension (National Social Security Fund – NSSF) and basic medical coverage (National Health Insurance Fund – NHIF) are deducted from wages. The NSSF contribution is 5 per cent of basic salary up to a maximum of KES 200 ($2) per month. The employer also contributes KES 200 per employee to the pension fund. The NHIF contribution is KES 320 ($3.20) regardless of salary level. This is deducted from the employee's net salary after tax.

Very few employees earn enough to be liable to pay tax to the government. However, most workers pay the NHIF and NSSF contributions, which represent a good social investment but reduce their available income to pay for basic goods such as food and shelter. Hence, it is necessary to include these payments when comparing wages with living wage calculations.

Taxation is a vital part of the obligations of all businesses, including the companies which are the focus of this study, however it was not chosen as a focus of this study by the research team and therefore no clear findings or conclusions are provided.

LIVING STANDARDS

Employment impacts

Export horticulture provides employment for roughly one in 20 Kenyans. The sector's influence on the job market is particularly significant because unemployment is high, at around 40 per cent.[101] This report looks at the quality of these jobs – and casual labouring opportunities – in more detail in sections 6 and 8.

Development of skills

The economic impacts of skills development and transfer are difficult to estimate, but Kenyans working for export companies are expected to learn improved agricultural techniques and general management skills to help firms meet the standards of GlobalG.A.P. Indeed, the development and retention of highly skilled workers, even at the level of the packhouse and greenhouse, are critical for the industry and are therefore a focus for both the government and for exporter companies. The need for a skilled and more educated workforce in turn is helping to improve working conditions at the large farms, which need to ensure that they can attract and retain the right staff.[102]

5. Policies and institutions

While the Poverty Footprint methodology normally provides an opportunity to review the impact of a company's business activities and lobbying practices on local institutions and policy, this was not practical in this case, given that IPL was not operating at the time of the study in Kenya. Instead, an analysis was undertaken, relevant for IPL and the sector, of the political and institutional context for the horticultural sector in 2012.

With IPL moving into the Kenyan market, which institutions and policies have an impact on horticultural workers?

Global trading standards and initiatives, and the international retailers that enforce them, have had a major impact on the lives of workers, growers, and communities connected to the supply chain. They have raised labour and environmental standards, but they are dictated from afar and receive little or no input from local actors.

Do national laws and regulations protect workers and communities?

Key informants the research team spoke with in Kenya felt that the labour laws passed in 2007 are generally adequate: horticultural workers are entitled to annual leave, sickness benefits, pension contributions, and other benefits. Furthermore, even 'permanent casuals' who are on the payroll for more than two months are entitled to *pro rata* benefits. However, enforcement of these laws, and understanding by farm managers of how to implement them properly, are weak. For example, while the corporate HR directors the team spoke to understood that there was no great cost advantage to keeping workers on temporary contracts, many farm managers tend to hire and fire to cover a three-month season, hiring workers for less than two months in order to avoid paying benefits associated with longer contracts.

It was not clear whether managers at farm sites were fully aware that Kenyan law covers permanent casuals. Many of the people spoken to said that organisations responsible for enforcing labour laws were weak.[103] But other regulatory bodies also came in for criticism. One interviewee[104] mentioned that inadequate child-care centres escaped sanctions thanks to weak enforcement capacity and under-resourcing within the Department of Children's Services. Another[105] said that officials from the National Environmental Management Authority in Naivasha – where just ten individuals are responsible for a catchment area of some 47,000 square kilometres – are effectively office-based and unable to address frequent illegal water abstraction and other violations by export farms, small-scale producers, and domestic users.

Industry bodies and private voluntary standards

In the absence of strong leadership from the government on the enforcement of both labour laws and standards, industry bodies at local and international levels have stepped in to respond to international consumer and retailer pressure, and have had a considerable impact in improving industry standards over the past few years. However, a wide range of international standards, initiatives, and certificates – including GlobalG.A.P. and the ETI – now cover the production of green beans and flowers in Kenya. In the case of GlobalG.A.P., compliance is now a prerequisite to maintaining market access to crucial customers in Europe and other international markets. While these organisations have had a large impact, it is worth highlighting that they are not a substitute for regulation.

Box 7: IPL and international standards

ASDA is a member of the Ethical Trading Initiative and IPL uses the ETI Base Code as a baseline requirement for its suppliers and growers. IPL also supports GlobalG.A.P. and Global Food Safety Initiative (GFSI) standards in its supply chain and sits on the organisation's governance body.

The most stringent standards address product quality and safety as well as appropriate management processes, such as keeping paper records of all employees and their pay and benefits. They also include components more specifically related to social issues, such as compliance with labour laws, and, indirectly, address poverty impacts.

Certifications and the imposition of international standards are having a mixed impact in Kenya. Some of the international standards have been built around the structures and activities of large farms in the developed world, and are proving challenging to implement in the very different farming context of the developing world. But for the larger farms that have

the capacity to meet requirements, the regulations have proved positive and have helped them to access export markets. All the larger farms visited by the research team conformed to GlobalG.A.P.

However, exporters talked to by the research team[106] complained about the costs involved in having to demonstrate that they are meeting the wide range of similar standards required by different retailers and other buyers or importers, and that these costs are significant when they are already operating with narrow margins. Local bodies such as the KFC and the Fresh Produce Exporters' Association of Kenya (FPEAK), have responded by developing their own standards. Both bodies work with their members to audit against these standards and to help minimise the need for multiple audits for each of several, slightly different, international standards.

Also, civil society advocates have criticised the difficulty that small-scale producers of green beans face in demonstrating compliance with the standards. FPEAK is now increasingly working with small-scale producers to make EU standards more amenable to local small-scale producer capacity. For example, pesticide storage requirements are being modified so that small-scale producers can use secure containers instead of stand-alone chemical sheds.[107]

Certification was recorded at four out of six small-scale producer groups in Mount Kenya. The remaining two said that they were preparing for certification. But of the 51 small-scale producers participating in the study's household survey, only two[108] indicated awareness of specific certifications or an audit procedure. Some exporters do support their outgrowers by training them in production processes and input applications, and provide dedicated technical support representatives to facilitate meeting the standards. Experts contended, however, that the key difficulty for small-scale producers is not complying with the standards per se, but the expense involved in the certification processes.[109]

Requiring compliance with standards on their own is not sufficient and risks fostering a 'tick-box' perception of what social 'compliance' means, rather than driving continuous improvement. There is also the risk of seeing only cosmetic improvements on the day of an audit, with conditions reverting to a lower standard as soon as the auditors have left. Oxfam and IPL concluded that retailers must go beyond requiring compliance with standards as a prerequisite to supply and should promote, with importers, exporters, and growers themselves, the idea of continuous improvement in standards and of co-operation along the value chain, in order to deliver improvements on some of the more challenging issues, such as meeting the basic needs of workers with some discretionary income.

The research undertaken in Kenya for this study highlighted that the introduction of ETI-generated standards has had a major positive impact on levels of awareness about labour rights and gender issues among local industry representatives, and has had a significant impact in clarifying the expectations of international buyers on social standards. On farms where ETI standards are implemented, there has been a significant impact on working conditions and wages. For example, while the research team did not conduct its own statistical analysis of wages at farms supplying ETI members compared with other farms, it was told that daily wages on farms that do supply ETI member companies were up to 43 per cent higher than elsewhere.[110] All HR representatives at the farm level reported that implementing social standards had compelled management to begin keeping accurate records and to put more professional processes in place for tracking employment.

Box 8: The impact of ETI – an example from Mount Kenya

At one farm in the Mount Kenya area,[111] HR staff reported that in 2006, prior to implementing ETI standards, it experienced approximately 7–8 health incidents each day. Since implementing the ETI Base Code and other standards, that number has been reduced to 2–3 incidents per day (minor cuts, falls, and bruises), on a farm with over 600 workers. This improvement was attributed specifically to the creation of a health and safety committee, which focuses on hazard analysis and tracking on-duty accidents. Management at the same farm reported additional benefits to the business of implementing standards, such as reduced chemical use and lower costs, including a preference for integrated pest management (IPM) rather than riskier pesticide use. At this farm, asking for new personal protection equipment (PPE) was the most common request to management after increased wages.

FAIRTRADE CERTIFICATION

There are several social certification schemes involved in flower production in Kenya including those of the Rainforest Alliance and the Fairtrade Foundation, but only one involved in the production of green beans.[112] While there are notable differences between the two schemes, both contain standards relating to working conditions and community outreach.

Box 9: An example of a Fairtrade system – the FAIRTRADE mark

For a product to display the FAIRTRADE Mark, it must meet international Fairtrade standards, which are set by the international certification body Fairtrade Labelling Organizations International (FLO). These standards are agreed through a process of research and consultation with key participants in the Fairtrade scheme, including producers themselves, traders, NGOs, academic institutions, and labelling organisations such as the Fairtrade Foundation.

Farms are certified by FLO-CERT, a certification company owned by FLO. The certification process includes a physical site visit and audit by FLO-CERT. Once certified, products can display the FAIRTRADE Mark and will carry a premium charge to consumers, which is reinvested in the community from which the produce is sourced. Demand for Fairtrade products in the UK continues to grow. For instance, despite the recession, in February 2012 the Fairtrade Foundation reported a 12 per cent growth in sales of certified products in the UK[113] (following reported growth of 40 per cent in February 2011)[114] which, significantly, means that 'the extra that producers receive for business or social development increased by over 10 per cent in 2011 compared with 2010'.[115]

On the farms researched for this study, Fairtrade premiums directly fund services such as subsidised baby care and a free lunch. Fairtrade-certified farms allow time for workers to participate in group activities such as gender, welfare, and health and safety committees, unions, choirs, post-test clubs (related to HIV testing and awareness), first aid clubs, and women's and men's football clubs. Some people interviewed felt that Fairtrade certification had caused wages to rise and standards to improve.[116]

Fairtrade premiums are directed to projects that provide community-wide access, although some projects are particularly beneficial to workers themselves. For instance, one farm's workers pay a subsidised rate for child care at the centre that their Fairtrade premiums helped to construct.[117] Others benefit from computer training courses. [118]

Yet community members were also critical of how some Fairtrade projects operated. Some felt that the bodies which decide how premiums are spent lacked transparency. These committees were said to be registered in Nairobi and not at the local social services office. They also felt that projects were selected without adequate community participation, and that most of the benefits accrued to workers rather than to the community as a whole.

Some local communities expressed frustration that Fairtrade benefits accrue to migrant workers on local farms. Conversely, migrant workers at one of the farms[119] – which does not have on-site housing – expressed frustration that Fairtrade premiums earned through their own labour and production were invested wholly in the local area. As they put it, they would like to be able to use the premium to help support their communities back home. Elsewhere, another farm provided student bursaries[120] – including in workers' communities of origin rather than just the local community – using Fairtrade premiums, suggesting that there is some flexibility to address this issue.

Land distribution and land grabs

Primary research on the issue of land grabs was beyond the scope of this study and findings were insufficient to support specific conclusions or recommendations. However, relevant concerns and recommendations based on recent research, including by Oxfam, are given below.

Over the last ten years a global 'land grab' has been occurring, with an area eight times the size of the UK bought or leased.[121] Many of these land deals have resulted in dispossession, deception, violation of human rights, and destruction of the livelihoods of affected communities. This global 'land rush' affects control over and access to the natural resources upon which the food security of millions of people living in poverty depends. See Oxfam's land freeze campaign. [122]

Land in Kenya is unequally distributed, with 40 per cent of the population residing on 5 per cent of its arable land and 3 per cent of the population controlling 20 per cent of the land. In addition, land tenure rights are very insecure, including in some of the most fertile areas – such as the Tana River Delta – that are attracting foreign investors.

There is a long history of colonial and then domestic land-grabbing by politically powerful individuals, associated with many different sectors, predominantly staple food crops, oil seeds and biofuels, but also horticulture and green beans production. This has meant that the current allocation of cultivable land within Kenya is contested, and those sourcing green beans and flowers from Kenya need to be diligent to ensure that they are not buying produce from land that has been acquired through violations of land rights and land tenure.

Corruption

Corruption, in dealings with the government and elsewhere, was widely reported. Substantial primary research was not included within the scope of the study, but one interviewee[123] reported a request for a cash bribe for a service provided by a government officer to a community that was theoretically covered by public provision. Such petty corruption is seen by some as 'unfortunately, part of doing business in Kenya'. Corruption is a key factor to consider especially when discussing barriers to entry and local civil society. It is clearly an important subject to be addressed by companies in conjunction with government and civil society. For further detailed information on corruption and its associated impact, please refer to Oxfam's report 'Tackling Corruption'.[124]

Recommendations

Oxfam recommends that all companies with influence or potential influence on government policy and institutions in key sourcing countries:

- Ensure that public policy engagement is in alignment with sustainability objectives;
- Engage with local stakeholders to ensure transparent communication of policy initiatives;
- Collaborate with civil society and government on public policies that align with sustainability goals and local priorities;
- Engage with trade bodies, partners and government agencies around relevant issues, including regulatory and enforcement gaps relating to labour.

Companies sourcing agricultural products should adhere to the following principles on land grabs, and require suppliers and investors to do so too.

- Respect all existing land use rights, and seek the free, prior, and informed consent of local rights-holders and communities before engaging in any land-related activities.
- Avoid the transfer of land rights (including land under customary tenure) away from small-scale food producers, and instead engage small-scale producers by proposing fair contracts.
- Carry out and be guided by comprehensive social and environmental impact assessments, including assessments of impacts on local and national food security, before engaging in any land-related activities.
- Sourcing companies should review the practices of clients/suppliers and remedy cases where there is evidence of irresponsibility.

Right: Working in a bean field. Photo: Gerry Boyle/Oxfam

6. The value chain: livelihoods

Drawing general conclusions about pay and conditions across the industry is difficult. There are considerable variations depending on employer, location, and type of work. In particular, the livelihoods of waged workers and small-scale producers can differ significantly, so they are examined separately below.

While the picture of small-holder agriculture in Kenya is mixed, this report does highlight some interesting findings that in horticulture small-holders are better off than waged workers, and it is important to consider this while reading the detail contained within this section.

WAGED WORKERS

Export horticulture plays a very significant role in Kenya's macro-economy, employing a significant portion of the population. But to what extent is the horticultural trade affecting the livelihoods of workers: are the jobs of sufficient quality and do they provide sufficient wage levels? What is the quality of life for these workers? Why are people talking about the need for a living wage and what does this mean?

This section looks at prevailing pay and conditions across the industry, what constitutes a living wage in Kenya, the barriers to achieving a living wage, and recommendations for change.

Wages

Unemployment in Kenya is high, so there is strong competition for jobs in the horticultural industry. But the research for this study found that the available work does not provide an adequate livelihood for many of the estimated one in 20 Kenyans who are employed across the sector.

Wages tend to be low and jobs casual, thanks in part to intense downward price pressure and fluctuating demand from UK supermarkets. Working conditions are tough and benefits are scarce. At the same time, high inflation is driving up the cost of living.

Box 10: The struggle to make ends meet

John, one of the workers interviewed for the study, is married and has a three-year-old child. He works an eight-hour day as a flower worker and earns KES 6,755 ($67) per month, inclusive of a housing allowance. At the end of the year, he sometimes earns a bonus, such as in 2011 when he received KES 3,800 ($38). Despite the combined wages of John and his wife, who herself earns KES 150 ($1.50) a day, the family are not able to save money, and their monthly expenses, such as medical costs (neither John's wife nor their child are covered by the farm's clinic) and monthly school fees of KES 500 ($5), exceed their income. Indeed, John spends approximately KES 5,000 ($50) a month on food alone, and although the couple lease half an acre of land to grow maize, beans, and potatoes for their own consumption, they restrict themselves to two meals a day to ensure that their child is able to eat three times a day.

Why is a living wage needed?

A statutory minimum wage is established in more than 90 per cent of International Labor Organization (ILO) member states. In Kenya, minimum wages are set by the government and vary by workers' age, location, and qualifications. Workers also have legal rights to pay and compensation under Kenya's 2007 Employment Act. Employers must provide a minimum housing provision as a part of a worker's package, included as part of the minimum wage.[125] 'Probationary' contracts may only last up to 12 months,[126] and workers are entitled to some annual leave and sick leave after working two months with an employer.[127] Employers must also pay social charges to public pension and insurance funds. The 2007 Work Injury Benefits Act (WIBA) made free basic insurance compulsory for all formal sector companies.

The lowest legal wage for unskilled agricultural workers is KES 3,765 per month, equivalent to KES 45,180 per year.[128] The industry collective bargaining agreement, negotiated between employers and trade union, specifies a minimum wage of KES 4,800 per month.[129]

In the ILO conception, a minimum wage should meet the basic needs of workers and their families and therefore, in theory, be a 'living wage'. However, in practice this is not the case, for a range of reasons. So wages can be compliant with national legislation but not meet international (private voluntary) standards.

The ETI Base Code, which forms IPL's minimum requirements, states 'Living wages are paid: Wages and benefits paid for a standard working week meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher. In any event wages should always be enough to meet basic needs and to provide some discretionary income.'[130]

In determining wages and working conditions that reflect these considerations, a company should bargain collectively with its workers or their representatives, in particular trade unions, in accordance with national systems for collective bargaining.[131]

Average horticultural worker wage

The research confirmed that most workers on flower and green bean farms and in packhouses in Kenya do not receive enough for a decent standard of living.

Calculating average wages is extremely difficult. There are large geographical pay variations across the horticulture sector and many workers are on short-term or casual contracts.[132] The research even found significant variations among farms owned by the same export company.[133] The study's approach therefore was to track self-reported wage levels among the workers interviewed; examples of these are included in Table 4, along with benchmarks such as the calculation of a living wage based on the Asia Floor Wage approach, and the UN poverty lines. Additional substance was given to the findings by a separate but contemporary study of the flower industry.[134] Further, the wages reported by workers were checked against managers' reports of wage levels.

Wage figures and benchmarks as a contribution to the debate

Table 4: Average wage level summary

Category	Monthly wage/value (KES)	Approximate monthly wage value (USD)	Approximate monthly wage value (GBP)
INDICATIVE WAGES AT THE TIME OF THE STUDY[135]			
Flower packhouse – with targets	13,480	134	86
Flowers – supervisor	11,000	110	70
Nairobi vegetable worker	10,560	105	67
Flower worker – median income (see note 1)	6,480	65	41
Flowers – packer	6,200	62	40
Beans – supervisor	6,000	60	38
Beans – packer	5,980	60	38
Flowers – harvester	5,800	58	37
Beans – harvester	5,460	54	35
Labourer on small-scale producer's farm	4,800	48	31
Beans – sprayer	4,654	46	30
Nairobi vegetable worker – casual	3,600	36	23
Unskilled agricultural worker (casual) – outside Nairobi	2,536	25	16

Table 4 (contd.): **WAGE BENCHMARKS**			
MP John Mututho minimum wage suggestion	10,050	100	64
Kenya government minimum wage for 2011; Machine attendant / tractor driver (Nairobi)	9,815	98	63
Minimum wage level under discussion in the media at time of study	7,000	70	45
Kenya government minimum wage for 2011; farm foreman or farm clerk	6,792	68	43
Sector collective bargaining agreement (CBA) with accommodation allowance	5,100	51	33
Sector CBA without allowance	4,800	48	31
Kenya government minimum wage for 2011; Unskilled employee	3,765	38	24
Note: The flowers median wage is taken from a forthcoming study by Riisgard & Gibbon[136]			

Source: Primary research from the Kenya research team, based on 176 interviews

Table 5: Wage and poverty benchmarks

Category	Monthly wage/value (KES)	Approximate monthly wage value (USD)	Approximate monthly wage value (GBP)
WAGE AND POVERTY BENCHMARKS: HOUSEHOLD LEVEL[137]			
Living wage for **Nairobi** calculated by Oxfam based on the Asia Floor Wage methodology	12,035	120	77
UN poverty line: $2 per day at PPP (see note 1)	10,742	107	69
UN absolute poverty line: $1.25 per day at PPP (see note 2)	6,713	67	43
Indicative level of expenditure (see figure 15)	8,005	69	44
Note 1: $2/day equates to KES 117.5/day at purchasing power parity (PPP) and the Asia Floor Wage multiple of three consumption units and 30.4 days per month has been used.	6,200	62	40
Note 2: $1.25/day equates to KES 73.6/day at PPP and the Asia Floor Wage multiple of three consumption units and 30.4 days per month has been used.	6,000	60	38

As defined in the Methodology section, the research team gathered wage data and benchmarks and calculated a living wage based on the Asia Floor Wage but did not conduct an audit; the figures are provided to aid understanding and enable discussion.

Box 11: How much is a living wage in Kenya?

Defining a figure for a living wage is difficult, because it must cover many variables, including shelter, food, and clothing, across different regions and economic conditions. However, the research team attempted a calculation using the Asia Floor Wage methodology. This is an initiative of the Asia Floor Wage alliance, a consortium of trade unions, labour rights activists and academics working in the garment industry. The consortium developed a benchmark using the World Bank's Purchasing Power Parity methodology that would allow workers to purchase equivalent baskets of goods and services across garment-producing countries, which is regularly updated to reflect inflation. The formula is based on the cost of a basket of food providing adequate nutrition for an adult. This is then multiplied to take account of dependants and non-food expenditure. See Appendix A and **http://www.asiafloorwage.org**

According to the formula used and the cost of buying produce in Nairobi in April 2012, the research team calculated that a reasonable living wage benchmark would be KES 12,035 per month (approximately $120 or £77 at the time of the research).[138] The Asia Floor Wage methodology has been used because this method for calculating a living wage has the greatest currency among civil society organisations.

The living wage calculation should be used with caution. AFW methodology is based on the needs of mainly urban workers in the garment industry, rather than rural workers in an agricultural industry.

The figure of KES 12,035 relates to the Nairobi region and therefore reflects the higher cost of living there; an adjustment would be required to determine an appropriate level for other locations, which was beyond the remit of the research team.

In addition, a key international principle for effective wage setting is that 'In determining wages and working conditions that reflect these considerations, a company should bargain collectively with its workers or their representatives, in particular trade unions, in accordance with national systems for collective bargaining.[139] A living wage is therefore more than just a number; an independent assessment provides an important reference point, but this should be complemented by negotiation between employer and employees through collective bargaining.

The research team did find some evidence of higher wages in the capital compared with the rest of Kenya, but the cost of living there is higher than elsewhere. The cost of food is likely to be considerably higher in Nairobi than in rural areas and this has not been adjusted within the comparative analysis, which can explain why wages are higher in Nairobi than elsewhere. This does not necessarily imply that real wages are also lower elsewhere, but the team encountered very few workers who were paid this amount anywhere in the country.[140]

While Table 4 highlights that groups of workers in the export horticultural chain earn significantly more than an unskilled agricultural worker outside Nairobi, it is clear that in most cases horticultural workers are paid less than the figure of KES 12,035 per month that the project team calculated. Even supervisors in the flower industry, who typically earn around KES 11,000 per month, do not reach this level, and average monthly incomes in flowers appear substantially lower at KES 6,480.[141] Only the very best paid flower workers in packhouses at one of the most progressive employers reach wage levels higher than this suggested living wage level. Unfortunately, even for these workers, they can only earn this wage by compromising on the security of their income and working on piece rates.[142]

Unsurprisingly, across both flower and green bean production, workers in skilled or relatively risky jobs – such as chemical spraying – tend to be better paid than unskilled labourers. The most significant drivers of higher wage levels were working on a Fairtrade farm and working in a packhouse as opposed to the fields.[143]

The lower wages of green beans workers were found to be around KES 210 per day, equivalent to KES 5,460 per month. This figure equates to the minimum wage plus the statutory requirement for payment in lieu of accommodation. Pay can reach around KES 400 per day in Nairobi, reflecting the higher cost of living in the capital, but only for irregular jobs that offer only two to three days' work a week.

The lowest wages the study found were paid to casual labourers working on small-scale producers' farms. These workers

received just KES 150 per day, plus lunch – or perhaps up to KES 200 without lunch – for casual work lasting a few days.[144] One small-scale producer was employing full-time labour for KES 4,800 per month, or just KES 184 per day.[145]

What is more, the research found that wages are often failing to keep pace with rising living costs. Annual inflation stood at 13 per cent in April 2012,[146] while the cost of maize – the principal staple food in Kenya – has doubled in the past year,[147] putting upward pressure on living wages.

On every farm involved in the research, managers acknowledged continued pressure from workers to increase pay. Wages at flower farms where unions are active have risen by around 10 per cent over the past couple of years. But at least one vegetable exporter had not increased pay at all over the same period.[148]

Income vs. expenditure

Supporting this view of how few workers earn near a living wage, it is clear from the research that agricultural incomes fall short of expenditure. The lowest-paid workers the team spoke to spend over half of their wages on food, leaving very little for essentials such as health, education, and shelter.

The researchers asked workers how much they spent across a number of categories. Tracking such expenditure across time is difficult, but an average monthly income of KES 6,854 ($68) was reported. Average monthly expenditure was KES 8,005 ($80), broken down into the categories shown in Table 6.

Table 6: Average household expenditure

Category	Monthly spend (KES)	Percentage of monthly primary income
Food	KES 3,085 ($31)	45%
Rent	KES 1,343 ($13)	19.6%
School	KES 1,128 ($11)	16.5%
Healthcare	KES 731 ($7)	10.7%
Remittances	KES 911 ($9)	13.3%
Savings	KES 807 ($8)	11.8%
Other	**N/A**	**N/A**
Total	KES 8,005 ($80)	116.9%

Source: Primary research from the Kenya research team, based on 176 interviews.

Of course, what people spend may not be the same as what they need. But as a benchmark, the average annual expenditure on renting a home would pay for a 3m x 3m space in an informal settlement, while food spending is likely to leave people hungry for some of the time.

Workers rely on additional income from other jobs

Around one-quarter[149] of the interviewees said that they had a second source of income to support themselves, of whom almost two-thirds[150] undertake additional non-export farming activities. Some had launched small-scale businesses such as tea shops, cereal retail outlets, beauty care products and shops, general consumer goods outlets, mobile phone shops, greengroceries, boda-boda (bicycle or motorcycle taxis), food hawking, and informal money lending. Other small-scale producers grew and sold staples such as maize, potatoes, and green beans. Close to two-thirds of the workers[151] claimed to save some money each month, suggesting that they rely on additional income not only to meet their monthly expenditure demands but also to secure their livelihoods into the future.

When seasonal work dries up, many low-skilled temps are unable to find alternative employment. Such unstable income flow has broad impacts on the welfare of workers and their families. For instance, workers in temporary employment face barriers to banking services such as access to credit, or even access to basic bank accounts because they cannot prove consistent employment.

Working hours

The study highlighted that farm labourers typically work for six days a week, nine hours a day, including an hour off for lunch. Most spend a good deal of time travelling to and from work: an hour's walk each way is not uncommon.

All the site managers interviewed, at both packhouses and farms, said that they operated shift working systems. Shift patterns vary across farms and between functions, but working hours are typically distributed across the normal daytime hours of 6am to 6pm. At packhouses, labourers work day and night shifts, at the same rate, in monthly rotation.

Workers and community members[152] the research team spoke to said they preferred the shift system to overtime because it created additional employment opportunities locally. At two sites,[153] only a minority of women workers expressed a preference for night shift work, because it enabled them to spend more time with their children or in domestic duties.

Targets and piece rates

The study found that targets and piece rates are widespread in packhouses, and bonuses can make up over half of take-home pay. Targets tend to improve efficiency because individual performances can be tracked and measured. Workers are used to speeding up throughput in this key bottleneck, where there is a significant risk of fresh produce going to waste unless it is packed and despatched quickly.

Flower packers at one farm visited[154] were paid a relatively low 'standard' daily rate of KES 6,480 ($65) per month with a daily target of 2,800 stems per day. They would then receive KES 100 ($1) for every 1,000 stems packed in addition to their daily target, leading to regular bonuses of between KES 4,000 ($40) and 10,000 ($100) per month.

The research found that vegetable packhouses operated similar, but less generous, schemes. Workers were set a daily packing target to be achieved in eight hours. Additional volumes were translated into hours of work and paid at an overtime rate of 1.5 times the standard rate, which equated to the legal minimum wage. Managers[155] claimed that workers could achieve up to 14 'hours' in a day, but the project team found little enthusiasm among workers for the scheme.

Overtime

All the managers the research team spoke to stressed that overtime is an inherent part of the horticultural industry. Extra labour is sometimes required to service peak market demand, and workers often welcome the opportunity to supplement their income.[156]

It is widely accepted that a living wage should be one that can support a decent living standard without overtime. Workers in a focus group discussion said that they did not want extra hours and would prefer to be paid a decent basic wage. Generally, all the 176 workers interviewed felt that compulsory overtime and night shifts disrupted family life.

The study found no consistent approach to overtime compensation across the industry, even with the existence of a legal framework.[157] In 11 of the 12 large production and packing sites visited, workers said that overtime was not flexible, negotiable, or properly compensated.[158] Compensation might include additional leave, a monthly 'miscellaneous' payment of KES 1,500 ($15) in their wage packet or a piece rate for work undertaken after normal hours. Given the variety in the application of overtime, detailed data with regards average overtime values was not collected.

The mechanisms for how workers get paid also varied greatly. At one end of the spectrum, working hours at some farms were dependent upon finishing a defined piece rate, which could be completed as early as midday.[159] Elsewhere, the researchers heard claims that the piece rates allocated were punitive and unachievable, meaning that workers were working longer than standard hours without overtime payments.[160]

Occasionally, supervisors may withhold information on the quality standard required for payment, so that workers have to work for longer and produce higher volumes in order to obtain the amount needed to meet the standard set for payment.[161]

Box 12: ETI guidance on working hours and overtime[162]

- Working hours comply with national laws and benchmark industry standards, whichever affords greater protection.
- In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every seven-day period on average.
- Overtime shall be voluntary, shall not exceed 12 hours per week, shall not be demanded on a regular basis, and shall always be compensated at a premium rate

Benefits are variable

Some farms provide benefits for their workers, including transport, free or subsidised lunches, surplus produce, access to medical care, and, occasionally, subsidised or even free child care.[163] Many farms and packhouses the research team spoke to provide workers with free transport,[164] although given the distances involved this can be essential to attract labour. Transportation is likely to cover only a small number of routes, obliging some workers to travel long distances on foot.

Larger farms offer free lunches,[165] while smaller operations provide subsidised food, at a cost per worker ranging from KES 20–25 ($2) in Mount Kenya to KES 40 ($4) in Nairobi. Some farms also offer free or subsidised accommodation.[166] At one farm visited, approximately one-third of the workers were living on-site.[167] Other farms[168] provide a housing allowance of around KES 1,000–1,500 ($10–15), in compliance with the 2007 Employment Act.[169]

However, the research found several farms which provided either limited benefits or none at all. For example, some restricted extras to management or packhouse workers.[170] In some places, managers have refused to give away surplus produce, in case it encourages theft.[171] Workers said that they continued to labour on farms like these because they lacked alternatives.[172]

On some Fairtrade-certified farms, the premium paid by purchasers contributes to direct benefits such as free lunches, subsidised child care,[173] and, in at least one case, a loan scheme for the purchase of household items.[174]

Medical care

Typically, treatment for acute work-related illness and emergencies is the only medical benefit that workers receive. Many claimed that they were never compensated for occupation-related ailments.[175] The study found that many workers do not understand that the Work Injury Benefit Act provides other forms of compensation, especially for time lost from work through illness.

What keeps wages low?

Pressures on the UK food industry to keep prices low

UK supermarket shoppers are highly price-sensitive, a trend that has been heightened by recession and high unemployment. As a result, price competition among supermarkets, including ASDA, is extremely tough, putting downward pressure on commodity prices.

Power of buyers in the UK to keep prices low, linked to consumer expectations

The green bean farmers the research team spoke to said that they had to operate under tight margins and therefore could not offer higher wages to their workforces and still remain commercially viable. The producers also stressed that a lack of transparency and information sharing on vegetable prices partly drives this power disparity.

The positioning of flowers, with greater scope for added value – for instance, in bouquets – has helped to sustain margins. This is further supported by the wider range of outlets for flowers, and the greater transparency of flower prices, given the ability of exporters to use the Dutch flower auctions as another route to market.

In addition, retailers have responded to stories in the media about poor working conditions on flower farms by putting pressure on farmers to increase wages. Fair Trade certification schemes and unionisation have also helped to improve wages and conditions

Agriculture in Kenya tends to be low value-added

The agriculture sector in general generates a disproportionately low amount of value per capita, hence incomes are low. While a large proportion of the sector focuses on subsistence production and domestic markets, the prevalence of low incomes in agricultural areas has a spill-over effect on wage levels in the export sector.

Competition for jobs

Unemployment is high in horticultural regions such as Naivasha and Mount Kenya, and competition for jobs has been intensified by high levels of worker migration. When UK-harvested green beans are in the shops, casual workers in this sector are unemployed, creating even higher demand for those jobs that are still available.

However, there is some wage competition between firms. Pay can sometime increase in response to higher wages at other nearby farms.

Centralised human resources and pricing policy

Some farm managers expressed concern at wage levels, and frustration that they could not consistently give annual pay rises,[176] saying that they were tied by head office policy. Senior managers set farm-gate prices, which determine the level of wages that farms can pay while remaining profitable. As a result, there can be significant wage disparities even between farms owned by the same company.[177] Such inequalities are apparent to workers and create unrest and dissatisfaction.

Typically, it is company policy for percentage wage increases to mirror increases in the statutory minimum wage rather than the cost of living.

Mechanisation's impact on low-skilled labour

A packhouse manager at one exporter admitted that there was extra pressure to invest in mechanisation, while the packhouse operations manager at another exporter noted that technological advances would lead to job losses.[178]

What is the way forward?

There is, of course, a cost associated with lifting wages to a living wage level. The research team has calculated that the wage bill for farm and packhouse workers accounts for just 7 per cent of the retail price of green beans in the UK and 5 per cent of the price of a bouquet of flowers. It is estimated that the additional cost of moving wages to the KES 12,000 benchmark identified by the research team would be as follows.

Table 7: Living wage calculation

Living wage calculation	Bouquet of flowers @ £4.00	200g bag of green beans @ £0.99
KES 12,000 ($112) per month	Additional cost: £0.05p	Additional cost: £0.02p

There is also pressure on politicians to increase the minimum wage. In late 2011 John Mututho, MP for Naivasha, a major floriculture region, introduced a bill to parliament to raise the agricultural minimum wage to KES 10,050 ($100 or £64 at 30 September 2011 exchange rates). Community focus groups in Naivasha[179] and Thika[180] said that an income of KES 7,000 per month was a 'good' wage, but the discussions held during the course of the study also demonstrate that this would be insufficient.

Conclusions and recommendations

The level of wages was the most frequently cited poverty issue in the study. Of 176 workers interviewed, 35 per cent mentioned low wages as the primary reason why good working conditions were absent. Comparatively the next highest reason related to a heavy workload and was flagged by 8 per cent as the primary reason.

Oxfam and IPL are concerned about labour conditions on farms of all sizes. We believe that public and private investment into smallholder agriculture can improve the livelihoods of both smallholders and their workers. By providing fair prices and stable orders as far as possible, and by investing in their skills and productivity, companies can help ensure that benefits will flow to their labourers through improvements in wages, playing a key role in improving the poverty impacts of UK retailers in the Kenyan horticulture industry.

Develop an industry-wide approach to calculating a living wage

To make real progress in the horticultural industry, a living wage has to be defined and agreed that is appropriate for this industry, taking account of the perspective of key stakeholders including government, civil society organisations including trade unions and companies.

Buy only from companies committed to paying a living wage

Most workers in the supply chain, both casual and non-casual workers, are not paid enough to deliver their right to a decent living. Some progress towards a living wage has been made in the high-profile, and relatively high-margin, flower category. But in the green bean category, pay that was already too low has failed to keep pace with inflation. UK retailers are strong enough players in the Kenyan horticulture market, and in other countries, to make a real difference. This will require them to seek commitments from suppliers along the supply chain (importers, exporters) to make the transition to a living wage.

Support and police the payment of a living wage

It is recommended that supermarkets, which sit at the end of a lengthy supply chain, review their processes to calculate actual costs and to ensure compliance with a commitment on a living wage. Incorporating living wage calculations and compliance assessments into social audits of growers and exporters is crucial. The calculated living wage level should be publicised and communicated to workers. A confidential and secure complaints mechanism should be provided to support policing efforts.

Develop a transition plan to buy only from suppliers paying a living wage

Achieving a commitment to a living wage takes time. However, UK supermarkets should insist that suppliers start planning to pay a living wage, and reward those with the most credible plans with bigger and longer-term supply commitments.

Apply the ETI base code living wage element

The industry as a whole needs to step up investment of effort and urgency into ETI processes to address labour issues including low wages, and adjust audit methodology to assess wages against benchmarks of a living wage as well as the legal minimum wage.

Commit to continue sourcing from Kenya and other countries where improvement in working conditions is being achieved.

SMALL-SCALE PRODUCERS

Exporters, small-scale producers, and the balance of power

Like waged workers, small-scale producers are in a commercial relationship with export companies. But their livelihoods depend not solely on pay and conditions but also on the balance of power that exists between them and the large commercial operations they supply.

Smallholdings are mini-enterprises that invest time and money to grow crops and sell them for a profit, which must usually support a whole family. Earnings, and livelihoods, depend on the costs of production, such as fertilisers, pesticides, and labour, and the price the crop achieves. However, small-scale producers vary greatly in terms of income, size of land plot, skills, access to markets, access to inputs, and market power. They face vastly different challenges, and speaking about their situation collectively runs the risk of over-simplification.

When small-scale producers become contracted outgrowers they receive seeds, technical advice, and, sometimes, a guaranteed market for their crop. But they also agree to meet stringent production standards, and to sell at prices that are fixed by the buyer. Demand and prices can fluctuate dramatically. Taken together, these factors can profoundly affect small growers' livelihoods.

Despite the potential for fluctuations in demand, typically small-scale producers who grow and supply green beans to export companies via outgrower schemes make a better living, and enjoy greater food security, than waged workers and other small-scale producers with less secure relationships with exporters. This is due to the longer-term commitments made and the development of relationships of trust and mutual benefit.

Yet outgrowing is not a choice that is open to everyone. The supply of good-quality agricultural land is limited, and there are legal and cultural constraints on its ownership. Even for those who have suitable land, other factors such as limited market information, restricted access to inputs, and the high production standards required can present significant barriers. Some small-scale producers own fertile land with good access to water, while others are renting small plots of more marginal land in order to grow their crops.

Small-scale producers can earn a living wage – for an extended family

Unlike waged work, smallholding tends to be a family enterprise, where both adults and children work on the land to support an extended group of people. Incomes and standards of living within small-scale producer communities also vary greatly.

Making direct comparisons between the two groups is therefore difficult, but the study interviews revealed that small-scale producer enterprises typically earn more than farm workers and households in the general community. Unsurprisingly, incomes varied widely by location, and most were boosted by sales to secondary sources such as local markets.

Many farmers plant only a small proportion of their land with green beans, and so their income may derive from a variety of sources, including sales to local markets.[181] Also, it is important to note that, in comparison with many workers, these small-scale producers are able largely to feed their own families from home-grown supplies.

Slightly over two-fifths[182] of the small-scale producers for whom income data was collected said that they earned more than KES 120,000 per annum ($1,196, or £766).[183] More than one-fifth[184] earned two or more times that level – although just over a quarter of earnings came from secondary sources.[185]

Around three-quarters of the small-scale producers interviewed during the research were men,[186] who – aged 30–45 – tended to be older than waged workers. Most were married[187] with, on average, two children to support. Typically, families also included other adults providing labour in return for subsistence.

Many small-scale producers and their families have been able to build houses on their land and even extend their plots with the profits they earn from horticulture (see Tables 4 and 6 for a breakdown of income vs. expenditure). The research

also showed that these producers are relatively well insulated from food insecurity by the mix of cash and subsistence crops they are able to grow.

Box 13: Small-scale producer economics

J. is a 35-year-old married father of two children, aged seven and 15. He is a small-scale producer supplying a green beans export company as part of an outgrower scheme, with other small-scale producers. J. owns half an acre of land, but this land has no adequate access to water, so he leases another quarter-acre where he farms French beans, cabbages, spinach, kale, and parsley on a rotational basis. He pays KES 6,000 ($59, £38) annually for the leased land. He has lived in this area since 2004 and started farming French beans in 2007. He grows more French beans between January and May, as these are the peak months. During the off season, besides a small amount of French beans for export, he grows cabbages, parsley, spinach, and kale, which he sells at the local market and also from his farm to community members. He grows maize for his family's own consumption, and they also consume any rejected French beans.

Previously, J. sold his export crop to brokers, but found them unreliable. The outgrower group that he now belongs to used to contract to one company, which they also found unreliable and which only paid every two months. Their current export buyer pays every two weeks and is more reliable. In addition to payment, the export buyer supports growers with seeds and technical advice on a weekly basis.

J. has not signed the contract with his current export buyer as an individual but is contracted as part of a group. Within the contract, he is not allowed to sell to brokers. He receives a range of prices for his beans: from a 'good price' of KES 50 per kg ($0.50, £0.31) to KES 35–40 per kg ($0.34, £0.22) at the lower end. He gets paid between KES 5,000 and 10,000 every two weeks ($49–97, £32–64). In comparison, when he is farming cabbages, J. gets KES 20,000 after three months ($199, £128); however, cabbages are less work than French beans. When he plants parsley, J. earns KES 5,000–6,000 in a month ($49–60, £32–38).

J.'s monthly household expenditure is KES 8,200 ($82, £52). The costs of running his farm are an additional KES 4,500 per month ($45, £29), including fertiliser, water, and labour costs. He thinks that farm labour is expensive, but irrigating his crops is a particularly tiring task as it involves carrying buckets of water from the river. He works on the farm himself and his wife also helps out sometimes, but for no money. He provides his labourers with food at 10am each day and pays them each a wage of KES 180 a day ($1.80, £1.15).

Farming beans, while involving more work, tends to provide him with a higher income, which usually covers his outgoing monthly expenditure and costs. J.'s big concern is the rising prices of inputs (including any labour cost increases), while the price range he is being paid for his crop is not increasing.

What tips the balance of power away from small-scale producers?

An outgrower scheme is a contractual partnership between growers or landholders and a company for the commercial production of crops. Joining an outgrower scheme provides a guaranteed income and technical support – but it also involves meeting stringent production standards and accepting the prevailing price on offer. Some small-scale producers are simply unable to meet the tough trading conditions that export companies and UK supermarkets impose. The study found little evidence of the government or other players in the sector doing much to develop steady and reliable market access for small-scale producers.

Demand and prices fluctuate

Demand and prices fluctuate a great deal, even outside the extreme volatility seen in 2011–12.[188] Many export companies arranging outgrower contracts are not transparent on market prices and only accept crop yields at the final point of a transaction, leaving the price unknown until the last moment.[189] Small-scale producers tend to complain about a lack of transparency regarding quality-based rejections of produce.[190] They also lack access to market prices (two small-scale producer groups the research team spoke to reported not knowing the prices of their produce at any time until the point of payment),[191] and lack power in producer–exporter relationships as well as in the cost of inputs.[192]

High production costs

Commodity price rises, currency depreciation, and the drought of 2011 have eroded some of the financial advantages that come from participating in the export sector. For instance, in the year to March 2012, the price of a litre of petrol rose from KES 70 ($0.70) to KES 110 ($1.10), an increase of 57 per cent. At the same time, crop prices are static or falling.

The chief in one of the communities studied said that he and other community members had quit export farming and switched to growing vegetables for local markets and other small-scale businesses, because the cost of production was too high.

The European Union requires high standards

Many small-scale producers struggle to meet the stringent traceability requirements and pesticide maximum residue limits (MRLs) set by the EU. Some small-scale producer groups have a limited grasp of the required standard of inputs.[195] Several said that they were not audited and were not aware of any ethical or industry standards, apart from those covering chemicals and seeds.[196]

Terms of trade

The research team spoke to two small-scale producer groups that did not know how much they would be paid up until the point of payment.[197] By contrast, another group supplying a canning operation[198] had the security of a fixed-price contract, but at a very low rate of KES 30 per kg (compared with KES 100 ($1) on offer from brokers at the same time).

To mediate the competitive threat posed by brokers, one export company interviewed offers to buy a guaranteed volume, with a price that floats above a fixed minimum, depending on market conditions.[199] But at least one small-scale producer group continued side-selling, which led the company to end their contract.[200]

Box 14: 'Fair relationships' with small-scale producers

While a 'fair relationship' with small-scale producers can be difficult to pin down, it should reflect a number of principles:

1.Chain-wide collaboration

Chain-wide collaboration, with shared goals on developing sustainable commercial trading relationships, with fair returns agreed by all actors, is key. Retailers need to ensure collaboration and transparency across the supply chain. This requires detailed interrogation of importer and exporter sources of supply, with an understanding of how small-scale producers are organised. This enables problems in commercial, environmental, and social performance to be identified and resolved.

2. Market linkages

Intermediaries are required not only to aggregate production from small-scale producers, but also to provide support and services to ensure the quality and consistency of production. Retailers need to recognise and support these services. Intermediaries who deal in multiple products should help small-scale producers spread their risks by diversifying into other markets for different quality grades or rotational crops. If small-scale producers have a stake in the ownership or profitability of these intermediaries, whether as more traditional co-operative structures or new types of intermediary, it can build loyalty and increase impact.

3. Fair and transparent governance

Fair and transparent governance of the supply chain is important in ensuring better quality and consistency of production and more stable benefits for producers. The agreed terms of trade, quality standards, and pricing structure (such as premiums for high quality and penalties for poor quality) must be clear throughout the chain. Contracting with well-organised groups of farmers is one way to bring about transparent governance, as groups are better able to negotiate prices and the terms under which both parties should operate. The existence of formal dispute resolution mechanisms is a hallmark of well-functioning governance structures.

4. Equitable sharing of costs and risks

The conventional pattern is that retailers, who have the market advantage of access to customers, typically take much of the profit, while much of the risk – what crop to grow, when to plant, and the cost of investment – is borne by the small-scale producer and the intermediary. Strategies to share risks (such as bad weather, transport losses, and last-minute changes in customer demand) more equitably throughout the chain include better communication about supply and demand and financial risk management schemes. These include micro-insurance schemes against bad weather, supply chain risk management funds, and shared investments to improve the functioning of the chain. Constant monitoring and reporting ensure that risks are identified early and also avoid unfair buying practices such as late payments, etc.

5. Equitable access to services

Small-scale producers need access to technical expertise, business training, inputs such as fertilisers and high-germinating seed, and appropriate financing. Financing is a particular problem, and a gap that micro-finance has not filled. Small-scale producers need assistance to develop best practices for soil, water, chemical, and labour management for their farms. Buyers cannot be expected to provide all these services, but they must at least identify them. Partnerships with other companies, NGOs, and governments can often provide additional financial and technical resources to support producers. It is essential for long-term success that services are embedded in the day-to-day functioning of the chain through the intermediary, the producer organisation, a service provider, or government provider, and not simply left to NGOs providing temporary solutions through specific projects.

Source: 'Think Big, Go Small', Oxfam Briefings for Business (2010). http://policy-practice.oxfam.org.uk/publications/think-big-go-small-adapting-business-models-to-incorporate-smallholders-into-su-114051

Small-scale producers and added value

A large share of the quality and safety of produce is determined at the farm level, which is essentially value added by the small-scale producer. However, the research found that only around 16 per cent of bean exporters' costs for green beans are paid to the farmers who grow and harvest them. Much of the value is added by preparing and packaging the beans (which generates local employment and income), using sophisticated techniques and equipment that small-scale producers cannot afford. As a result, it is the exporter or processor further down the supply chain, to whom the small-scale producer sells his bulk product, who captures most of the margin.

Limited access to inputs and technical resources

Small-scale producers in outgrowing schemes receive some inputs such as seeds, chemicals, fertilisers, and technical support from contracting companies. But the level of support varies considerably, and the research team heard many complaints about unreliable access to the resources required to grow green beans.[201]

One group felt that the amounts provided were insufficient,[202] and small-scale producers linked to one exporter had to lay off workers when seeds were not made available.[203] Others had fewer complaints. On another outgrower scheme, where the provision of inputs was more generous,[204] production was tracked against the amount of seed provided and the prevailing weather and pest conditions.

Technical support varied considerably, although all the exporters interviewed said that they explained the application of agrochemicals to minimise pesticide MRL risks.

Health risks and misuse of chemicals

Several key informants said that some small-scale producers breached pesticide MRLs.[205] The health implications of this are discussed further below, but exceeding MRL limits is a serious threat to the sustainability of the entire vegetable export industry. Any MRL violations that trigger an issue of legal compliance with EU and UK food safety laws, including banned pesticides, are grounds for immediate suspension and actions toward delisting the supplier by IPL/ASDA.

The researchers spoke to two small-scale producer groups using chemicals outside of company-approved schedules, which poses an MRL risk.[206] They also diluted the chemicals to cover more plants. The team saw chemicals stored in jerry-cans and other non-approved, non-labelled containers that were in clear violation of GlobalG.A.P.

Enforcing environmental practices

The challenges of ensuring strict environmental practices by small-scale producers have resulted in companies taking over some of the functions of the farmer (such as spraying pesticides) in order to control these management practices. This is a form of vertical co-ordination whereby a 'mixed' farm operation is developing between independent smallholders and fully integrated supplier farms.

The way forward

The issues faced by small-scale producers vary greatly, so exporters and others dealing with them need to innovate and explore new ways to empower such producers. For example, the study found one exporter that provided not only generous inputs but also mobile support via technicians on motorbikes.[207] This company's approach grew out of an earlier partnership with an NGO to form an independent social enterprise to support small-scale producers with technical assistance, some organisation of input procurement, and capacity building to establish effective market access and business skills. The export organisation emphasised that fulfilling this market niche had required highly skilled and dedicated management.

The research also identified two successful pilot sites for Fairtrade vegetables where a producer organisation's co-operative store provided a consistent, low-cost supply of inputs. One local branch of a national agricultural supply shop had a schedule specifying which chemicals and fungicides to apply, and a shop attendant who could offer advice. Unfortunately, this is not a widespread practice.

Box 15: Positive engagement with small-scale producers

William operates one of the very few flower outgrower schemes in Kenya. The company's founder and chief executive reported that his positive relationship with small-scale producers includes extensive technical support in the field, with communication at least once a week by various company representatives and at a minimum an annual visit by senior management. He also facilitates small-scale producer procurement, allowing them to use in-kind credit advances from their expected production through an Equity Bank scheme to pay for wholesale-priced seeds, fertiliser, and other physical inputs. The credit for procurement of these inputs is deducted from the producers' eventual sales incomes through the bank. Participating small-scale producers are charged KES 500 ($5) per contract to have such consent forms signed by the company (a similar service by lawyers would cost KES 1,000($10)).

Co-operation is key for export market access

Some managers[208] acknowledged that they work only with small-scale producers who belong to a producer organisation (PO), usually a co-operative, because the complexity and cost of dealing with individual farms were simply too great. However, only a small proportion of small-scale producers in Kenya are organised into any form of co-operative or producer group, and most of these are in the tea, coffee, and dairy sectors.

The research also found that small-scale producers who focus entirely on export horticulture production[209] are better supported by export companies than those who are involved in a wider range of markets (e.g. tea, coffee, sisal). Their inputs are supplied, technical assistance is provided, prices are communicated in advance, and payments are made promptly, whereas famers with a broader spread of customers tend to be provided with seeds only.[210]

Cost-plus pricing

One way to apply the principle of equitable sharing of costs and risks is to use 'cost-plus' pricing, which ensures that buyers in the UK (retailers and importers) are paying prices that cover the costs of growing, packing, and transporting produce to the UK market plus a fair margin to all who play a role in the supply chain. This should be considered against the excess supply often generated by other market players.

Recommendations

Help small-scale producers find a place in the supply chain

Supermarkets should seize the opportunity to diversify and secure future supplies by bringing new small-scale producers into appropriate supply chains. Researching long-term opportunities for small-scale producers in new supply chains, and also supporting moves to better organise, train, and capitalise them, is vital. Supermarkets should do this without creating overdependence by small-scale producers on these market channels, and they should promote diversified cropping and markets.

Small-scale producers are often best placed to help supermarkets expand product lines quickly, diversify risk, and meet fluctuating demand. This is because, with the right commitment, risk management, and technical support, they can take advantage of new market opportunities and start growing crops sought by supermarkets. In some value chains, small suppliers can provide more flexibility than larger growers, and they are also an integral part of the supply equation as global demand for agricultural products grows – as, for example, has already occurred with cocoa. But small-scale suppliers can only meet such requirements with the support of their end customers.

This requires supermarkets, importers, and exporters to:

- Understand where small-scale producers play a role in their current supply chains, and the concerns of these small-scale producers;
- Look for opportunities for supply from small-scale producers;
- Require joint access to support, including finance, inputs, and technical services;
- Ensure that any new small-scale producers who enter the supply chain are not entering relationships of commercial dependence. (This needs to reflect the learnings that all commercial relationships carry an element of risk);
- Develop pricing models that consider cost-plus vs. guaranteed sustainable floor prices;
- Reconfigure cash flows to reduce small-scale producer risks and improve their ability to invest in crops;
- Develop strategies to enhance and communicate demand forecasts and reduce risks borne by small-scale producers e.g. bad weather, transport losses, last minute changes in customer demand;
- Increase transparency in relation to criteria for quality-based rejections of products;
- Conduct trading relationship surveys;
- Develop confidential grievance mechanisms;
- Provide technical assistance on local food and subsistence crops;
- Apply ETI standards when reviewing wage labour on smallholdings.

Throughout this review, it should be noted that imposing more demands on supply chains may make it harder to work with smallholders. While recommendations are provided for measures such as increased transparency, the needs of, and impacts on, small-scale producers should be considered, given that they are an important, active part of the chain.

7. The value chain: diversity and gender equality

The horticulture industry is a major employer of women, providing many with increased independence. However, there are continuing accusations of discrimination and harassment. The Lake Naivasha area was a key centre for the ethnic-related post-election violence in 2007–08. Finally, there are concerns about older workers being pushed out of the workforce.

Within export horticulture, is there equal access to jobs, training, advancement, benefits, and other rights for women and minorities, as well as opportunities to maintain cultural identity?

Gender composition of the workforce

Studies have identified that there is gender inequality in modern agricultural supply chains in developing countries, but that as these supply chains grow, gender inequalities in rural areas do not necessarily increase. Women benefit more, as well as more directly, from large-scale farming and agro-industrial processing and the employment opportunities that these present than from small-scale producer contract farming.[211]

In line with this, horticulture is one of the biggest employers of women in Kenya. Across an industry that provides jobs for around one in 20 of the population, over 60 per cent of the workforce in green bean export farms are female, while some estimates put the proportion of women working on large-scale cut flower farms as high as 75 per cent.[212] On the other hand, Kenya's prevailing legal and cultural systems mean that the vast majority of small-scale producers are men.

The sector provides women with substantial job opportunities and the potential to achieve financial independence. But the roles on offer tend to be strongly demarcated by gender. For example, harvesting, packing, and flower fine-trimming are carried out primarily by women, while irrigating, spraying, and driving roles are typically earmarked for men. Several interviewees[213] reported that men took on the physically demanding jobs, while women were given lighter tasks that require speed and patience. The research also showed that slightly more of the casual workers were men.[214]

Encouragingly, there is surprisingly little difference between the pay on offer for traditionally 'male' and 'female' jobs. The exceptions are sprayers and irrigators, who earn 20–30 per cent more than other manual workers to compensate for the health risks to which they are exposed. Packhouse jobs, typically filled by women, also tend to pay better than basic labouring roles.

Gender and livelihoods

Horticultural work is not always compatible with taking care of the family, a burden which in Kenya falls primarily on women. Employers require staff to work shifts or overtime, which can put significant stress on working mothers, and can limit their job opportunities.[215] Please refer to Box 17 for an example of the pressure on female workers.

The horticultural workers interviewed had relatively small families, with an average of just 1.4 children, although many[216] were also supporting children outside their immediate households. Child-care facilities can be poor, an issue that is explored in more detail in section 8. For many female workers, spending an hour a day taking their children to a crèche, or to the home of a friend or relative, is part of the daily routine. Several women interviewed, especially in Naivasha and Thika, said that they left their children in distant rural areas with their parents or extended families, as they could not afford to take care of them while they worked.

Female horticultural workers spent a higher proportion of their income on family and household items – such as rent, healthcare and school fees – than their male counterparts. Most of these female workers do not have a second income, which leaves their existing employment as their sole source of income.

Left: Workers in the packhouse of a Kenya flower farm. Photo: Steve Forrest/Panos

Empowerment and representation

In an industry where worker representation is relatively poor, women in particular struggle to make their voices heard. For example, only one of the 60 national leaders of the Kenya Plantation and Agricultural Workers' Union (KPAWU) is female.

Gender committees work with employees and managers to raise awareness and attempt to tackle issues relating to, e.g. child care and sexual harassment. Women tend to dominate the membership of gender committees, and of the five committees the research team spoke to, four consisted entirely of women[217] (whereas the majority of members in the health and safety and fire-fighting committees were men).[218] Three of the five gender committees had been trained on women's empowerment, women's participation in community development, women's rights, and working relationships. All reported increased efforts by employers to provide equal employment opportunities for skilled and semi-skilled workers.

However, there was evidence that welfare issues affecting women are still not being comprehensively addressed. For example, senior managers in at least two export companies did not recognise child care as a key requirement, despite regular consultations with welfare committees and, in one case,[219] with unions.

Sexual harassment in the workplace

Sexual harassment in the workplace is a sensitive issue that many workers find difficult and painful to discuss. Suppliers are rarely aware of sexual harassment occurring in their workplace, because, as widely evidenced, victims seldom report cases either to management or in social audit interviews.

Kenya's horticulture industry has a poor record in this area,[220] yet workers ranked it the lowest of all the challenges they face. Both the 2007 Employment Act and GRASP require companies to have policies in place to deal with harassment and discrimination. All the sites visited had welfare or gender committees, and almost all the managers[221] interviewed said that their presence discouraged problem behaviour. It was also noted that all the companies studied had HR policies in place to deal with sexual harassment.

Nevertheless, there were stories from community members[222] about supervisors using sexual harassment to obtain payments of up to KES 5,000 ($50) for an initial hiring, and demanding sex in exchange for higher pay or lighter work, or for promotions. Several communities[223] reported that the prospect of receiving money or sexual favours encouraged supervisors to hire and fire frequently, and worsened job insecurity. In virtually all of these cases, the women involved were said to be poor and disempowered.

So it is unclear whether the measures designed to police harassment and discrimination are effective. Unsurprisingly, members of the five gender committees the research team spoke to said that their presence had reduced the incidence of problem behaviour. Yet workers,[224] and at least one manager,[225] noted that there was a discrepancy between policy – usually set out by staff in Nairobi – and day-to-day farm practices. Senior managers at more than one company[226] conceded that it was possible that harassment and discrimination were still taking place.

Gender-based violence

More generally, female horticulture workers live with the threat of assault. Initial secondary research confirmed around one-third of all Kenyan women experience violence, and one-fifth suffer sexual violence. In the Naivasha flower-farming region, where the incidence of gender-based aggression reflects the national average,[227] the research team heard stories of men attacking their working female spouses, and occasionally of women attacking husbands whom they perceived as being unwilling to work.

Opportunities for advancement

The interviews suggested that female horticultural workers have some genuine opportunities for advancement, although gender representation is still far from equal at the industry's more senior levels. The senior managers interviewed all recognised the need for unbiased opportunities for advancement.

Of the ten large export companies visited, between 20 per cent and 30 per cent of supervisors were women, and at the two companies where the most research was conducted, between 30 per cent and 50 per cent of the senior executive

and technical teams were female, several of whom had been promoted from within the organisation. The female manager at one farm had started as a line supervisor and risen to her current position over a period of ten years.[228]

But on the farms themselves, the management roles and senior technical and production jobs were held almost exclusively by men.[229] None of the export companies interviewed had a female chief executive.

It was also noted that all the technical managers interviewed were Kenyans who had been promoted internally.

Small-scale producers

Most small-scale producer farms are organised around family units. Typically, farms are owned by husbands, while wives provide free labour during ploughing, planting, and harvesting. Wives then benefit from the resulting income. But female household members must manage both farm and family chores, and since they are not engaged in waged work, their access to independent income is restricted.

Very few women describe themselves as independent small-scale producers, although there are signs that this could slowly start to change. Seven out of twelve female small-scale producers interviewed claimed to be the main breadwinner/head of household. Historically, for both cultural and legal reasons, it has been rare for women to inherit the family farm. But the new Kenyan constitution, which became law in 2010, enshrines equal rights for women and men,[230] including the right to own and inherit land. Since then, some women have started to buy land, but independent research suggests that few have land registered in their own names, while a lack of financial resources restricts their entry into the land market.[231]

Nonetheless, female small-scale producers are a comparatively empowered group. Not only do they have independent income, they have uncharacteristically high endowments of land ownership and low rental costs, according to the study's sample data.[232]

Ethnic issues

Ethnic discrimination in employment is a particularly sensitive social issue in Kenya, where more than 40 tribes with distinct languages co-exist. Despite the return of political stability after the post-election violence of 2007–08, many Kenyans believe that ethnic discrimination and favouritism persist in many walks of life, including horticulture, where it is common for workers to leave their own families and local areas in search of work elsewhere. The research indicated that supervisors tend to hire members of the same tribe or people from their native rural areas.[233]

Studying the migration patterns of horticultural workers was beyond the scope of this report. But 67 of the 123 workers at the large export farms for whom relevant data was available were migrants, albeit from relatively close by. Indeed, the study found only one example of a worker who had arrived from an area outside the main southern horticultural growing belt. Almost three-quarters of workers[234] claimed to spend part of their monthly income on outbound remittances.

Race relations between large export companies, local farmers, and workers appeared to be relatively smooth. Management positions are dominated by expatriates and white Kenyans, with the majority of production positions held by ethnic Africans. Several respondents[235] noted that indigenous farmers and small-scale producers appeared to distrust Asian-owned companies.

Age

The age profile of the horticulture industry is broadly in line with that of the national labour force, according to the research. The study did not find any advocacy groups that speak specifically for older workers or elderly people.

Many of the interviewees said that horticultural labour is too demanding for older workers.[236] The researchers heard that farms prefer to hire a young, strong workforce[237] and that some employers dismiss older employees to avoid paying benefits that accrue with seniority.[238] One HR manager said it was hard to retain older workers in packhouses because the youthful behaviour of their colleagues made them feel uncomfortable.[239]

Recommendations

It is initially important to understand the position of women workers in the supply chain to ensure the correct focus can be applied.

Empowerment of women

The horticulture sector in Kenya can empower women by providing them with income and financial security, and improving wages and conditions for horticulture jobs can be the most important way for the industry to do this. Aside from this, there remain some key areas where exporters, as well as IPL and its peers, can take steps to empower women.

Know where women workers are in the supply chain

The first step to empowering women workers is to know where they are and what they do. Players in the supply chain should work with their suppliers to map out how many women work in it, broken down by the roles they perform. Companies need to understand where women are across the supply chain, including employed workers, small-scale producers, and labourers on small farms.

Raise awareness among growers about sexual harassment

Suppliers are rarely aware of sexual harassment occurring in their workplaces, because, as widely evidenced, victims seldom report cases either to management or in social audit interviews. If suppliers are aware of incidents, no incident was discovered during the research that show a positive reaction to a case raised. However, it is important for retailers and importers to ensure that their suppliers know what is expected of them, both in terms of the need to get a clear picture of whether sexual harassment is taking place and their obligations in addressing this sensitive issue. It is also important for suppliers to understand that workplaces that are free from sexual harassment or discrimination are highly likely to be more productive.

Reduce sexual harassment, particularly during the hiring of casual workers

While there has been considerable progress in reducing the level of sexual harassment in the industry, women complain in particular of demands for sexual favours as part of the hiring process. Hiring of casual workers is delegated to poorly paid supervisors, some of whom see this as an opportunity for additional income and/or sexual favours. Exporters need to increase the control of central management over casual hiring to reduce the opportunities for rogue supervisors to breach established harassment and bribery rules during hiring. The complaints process should work effectively and clear standards on hiring criteria should be identified and communicated to job seekers and hirers, with a clear statement that any instances of complaints received will be followed up. (See Appendix C for more detailed recommendations, as provided by the ETI.)

Monitor the quantity and quality of child-care provision

Most workers in horticulture in Kenya are women. Many are migrant workers and are far from their family support structures. This creates a duty for all players in the supply chain to review additional family support, such as providing a secure and healthy environment for workers' children. Depending on the availability and state of local child-care services, companies need to develop strategies to provide decent child care. IPL and UK-based supply chain actors need to monitor their suppliers to make sure that child care is available to workers.

Provide management opportunities for women

While many farms provide opportunities for women to become supervisors and take on lower-level management opportunities, there are very few women in top-level management positions. Championing talented women to take high-level management jobs can allow women's issues to be represented in high-level decision making and can also provide women workers with role models and increased confidence.

Support access to financial services

Having access to a bank account or other financial services can empower women by allowing them to control the flow of funds to the household. Exporters should explore opportunities to work with local banks and organisations such as SACCOs to provide women with access to financial services, provided that women are able to decide their preferred savings approach and that this does not impose costs that may inhibit them from participating. A bank account may not be realistic for all small-scale producers, given the cost implications, but supporting women workers' access to a SACCO or a mobile money service such as M-PESA would enable easy, fast, and secure remittances and payments, as well as savings.

Understand the role of women on small-scale producer farms

IPL and exporters should map out the role that women play on the small-scale producer farms that supply them. This will vary by commodity and by location. When the role that women play on farms and in trading is understood, it is possible to devise interventions that provide them with more empowering opportunities. Women workers should also be provided with training on their trade union rights.

Provide technical support to women small-scale producers

Many exporters already provide technical support to small-scale producers through their outgrower schemes. However, on 5 farms visited all support was provided solely to men and as such much of this support goes to men rather than to women. Exporters should deliberately target female small-scale producers to provide agronomical assistance. While this may require additional effort, empowering and investing in women is critical both to achieving community development and to building agricultural productivity.

Finally it should be ensured that ongoing access to confidential and anonymous complaint mechanisms is available to all women workers.

8. The value chain: security and stability

Stability and security – whether economic, physical, medical, nutritional, or environmental – are essential for development. These issues are covered in other sections of this report, but one area of particular importance that is not touched on elsewhere is the security of workers' children.

Is there sufficient access to resources that help people endure shocks to their livelihoods, personal disasters (such as job loss or illness), weather-related disasters, conflict, and violence?

Short-term contracts and casual work

Farming is a seasonal business and demand from UK supermarkets varies through the year. Many Kenyan farm workers are hired as casual labourers or on short-term contracts to help during the busiest periods. Downward pricing pressure keeps farmers' profit margins low, so employing permanent workers through quiet periods is a cost that most simply cannot afford.

Of the workers interviewed, less than one-third were on permanent contracts[240] and around two-fifths were on casual contracts.[241] Every manager interviewed agreed that if demand was more stable, many more workers would have permanent jobs.

Some areas of work employ more casual workers than others. Demand for green beans is more volatile than for flowers, and industry margins are tighter, so vegetable farms tend to hire more short-term labour. For example, one large green-bean producer the study team visited used casuals for up to 80 per cent of its workforce,[242] while a flower farm had 95 per cent of its workforce on permanent contracts.[243]

Packhouse workers are more likely to have permanent contacts than farm labourers, because the job requires a degree of skill to despatch orders quickly and correctly. Senior staff on large export farms, such as farm managers, HR managers, and financial managers, are nearly always hired on permanent contracts to ensure the quality of resources employed.

Table 8: Current contract terms for workers

Respondents' contract terms	Number of farm workers
Permanent	41
Casual	51
Three-month contract	11
Four-month contract	1
Six-month contract	20
12-month contract	5
24-month contract	1
N/A	6
Total	136

Source: Primary research from the Kenya research team, based on 136 interviews across all regions defined in research approach

The concept of 'permanent casuals' was reported at several farms and packhouses.[244] These labourers have no contract, but they are employed year after year during the high season and laid off again during periods of low production. Like daily casual labour, 'permanent casuals' receive none of the extra employment benefits accruing to contracted staff. Instead, they are informally assured by farm management of re-employment on a daily basis when work picks up. In this situation there are opportunities for such labourers to be offered a better contract: a minimum number of weeks per year of work, for consecutive years, for example.

Left: Crèche and day care centre on a large flower farm in central Kenya. Photo: Steve Forrest/Panos

Seasonal and weather impacts

For farmers, alternative markets are scarce; domestic demand is limited and the canning industry prefers different varieties of bean. The horticultural industry is affected by the seasons and by weather conditions. Some demand is predictable according to the season, with flowers experiencing peaks in demand at Easter and Christmas, while green beans experience a dip during the European summer growing season, when UK consumers tend to buy British. Given that this is a fairly predictable demand cycle, suppliers should be able to plan for these fluctuations to ensure that disruptions for workers are minimised and to focus on permanent contracting.

However, it is important to highlight that certain fluctuations in demand are inherent to the product and cannot be predicted – for example, extreme weather (see Box 16). It is important to differentiate between demand fluctuations, with a focus on providing permanent contracts for workers in the case of those that are predictable and can be planned for. Other, larger challenges are much harder to predict, and create uncertainty and unexpected volatility. This creates challenges for the entire supply chain, but must be considered to ensure that a realistic approach is defined.

Box 16: Bean price volatility, November 2011 to March 2012

Kenya's green bean market generally operates within a relatively narrow price band of around KES 25–60 per kilo. But unusually heavy rains in November 2011 led to severe production problems, and as much as 50 per cent of the expected crops were lost. Exporters struggled to meet supermarket demand and prices started to climb sharply. At one point the price reached KES 270 per kilo, a ten-fold increase on normal levels.

Exporters complained bitterly about the level of 'side-selling' to brokers by their contracted outgrowers, including small-scale producers and even medium-sized farms.[245] One exporter quoted a defection rate of 60 per cent.[246] Brokers were said to have played a parasitical role, moving into the market when prices were high, but withdrawing as prices normalised.

Exporters told the research team that they were reviewing the proportion of beans they buy from outgrowers.[247] They felt that they could not risk repeating a situation where they were contracted to sell to importers at around £2.30 to £2.90 per kilo, but were buying raw materials at an equivalent of £2.08 per kilo, excluding packing costs and airfreight.

Instead, they were considering whether to move more of their production 'in-house' and to reduce their dependence on small-scale producers. One exporter was already engaged in negotiating the lease of additional land.[248] Some even doubted the long-term viability of beans as an export crop.

Exporters also questioned the role that importers played in the crisis, and whether they had passed on to the exporters temporary price increases agreed by the supermarkets.[249]

Security of children and child care

Poor child-care facilities are a particular problem for single mothers, many of whom have left their family networks behind in search of work. This group makes up a substantial minority of the horticultural workforce, accounting for one-fifth[250] of all the farm workers surveyed for the study. At every farm visited by the research team, female workers said that inadequate child-care services were a major concern. Additional challenges are associated with working overtime and the lack of notice for overtime work, leading to further complications when arranging child care.

Child health and safety in Naivasha's flower-growing region was raised as a concern. A local NGO officer claimed that an unusually high occurrence of physical and sexual abuse of local children was driven by high unemployment among Naivasha's male population. The NGO officer, as well as child-care attendants, said that children left unaccompanied, or under the supervision of neighbours, were at high risk of sexual abuse.[251]

The study found that the child-care facilities offered directly by the exporting companies are often oversubscribed. Facilities provided by private enterprises run by local women are often sub-standard and unaffordable, but they are seen nonetheless as providing child care in a manner that is much safer than leaving children alone at home.[252]

For example, when the researchers visited Karagita in Naivasha, they found only one formal child-care centre for a population of over 70,000.[253] The child-care sector as a whole is poorly regulated and there is little business incentive to provide good-quality facilities for unskilled, low-paid workers. However, employers have created demand for young women workers and so should consider the additional associated responsibilities. Encouragingly, one farm visited reported an increase in productivity after providing child-care services.

Box 17: Jane, a flower worker with a young child

Like four-fifths of the female workforce, Jane is both a mother and a worker on a farm. Her children are left at home while she works, with her eldest (a girl) in charge of the younger children. Jane's supervisor gives her permission to rush home during lunch breaks to breastfeed her youngest child. After work, she rushes home again. Jane's situation is common, as on-site child care is not available at a single commercial flower farm in Kenya.

Ethnic violence

Ethnic tensions among Kenya's tribes had their most dramatic and tragic outcomes in the 2007–08 post-election violence.[254] Some of the worst disturbances occurred around the flower farms of the Naivasha region,[255] for example at the Maa Muhiu Internally Displaced Persons camp. The horticulture industry continued to export throughout the period of violence, which, according to the companies involved, kept staff from getting caught up in the fighting.

One company was promoting 'peace committees' to promote good relations between ethnic groups in the run-up to the national elections in March 2013.[256]

Recommendations

All players should work towards creating a fairer and more stable supply chain. The following activities are recommended.

Use improved purchasing practices to smooth demand

Working more closely with exporters, and communicating more effectively with them, could help supermarkets to smooth demand. These improved purchasing practices can in turn, lead to a more steady employment environment for both wage workers and small-scale producers, and eliminate hidden costs and unpredictable deliveries for supermarkets.

Source specific produce categories from defined territories

Seasonal demand and production encourages casual labour. While Oxfam and IPL do not believe that it is feasible to 'single-source' from pre-determined territories, predictable demand across a range of geographical locations allows retailers to mitigate risks, while providing growers and exporters with more stable demand. The industry therefore needs to commit to specific countries for lengthy periods and avoid 'spot' trading practices, which involve selecting producer countries at short notice, based on short-run price differences. This will avoid breaching human rights and ensure a stabilised cost base.

Improve supply chain transparency by publishing retailer programmes and prices

Lengthy supply chains, with several intermediaries between retailer and exporter or grower, tend to obscure transparency of pricing and demand. Retailers should build on any direct relationships they have with growers or exporters to make detailed demand and price expectations available throughout the supply chain.

Encourage exporters/growers to employ more staff on permanent contracts where applicable

With commitments to greater transparency and reduced volatility, retailers should be demanding that players in the supply chain improve the basic working terms of workers, and increase the percentage of staff on longer-term contracts. These commitments should focus in particular on those demand fluctuations that are predictable and can be planned for.

Identify ways to incentivise suppliers to improve social impacts

To support all of the above actions, supply chain players need to commit to identifying improved social and environmental criteria and new models for incentivising inclusive business practices. These criteria, including living wages and investment in community development, should be incorporated into supplier selection as a baseline requirement. The other criteria should be used for influencing the promotion of suppliers to more strategic roles with longer-term and higher-value commitments. Suppliers who allow for trade union rights should be rewarded, and access to justice should be ensured by providing adequate complaints mechanisms for workers and suppliers locally and also with buyers.

Change will not occur unless there is collective action and acceptance that prices will be higher. Supermarkets, importers, exporters, and growers should work together through the existing channels of the ETI to implement the necessary changes to remove payment of low wages from the sphere of competitive advantage. No business should gain a cost advantage by underpaying small-scale producers or denying workers their human rights.

Right: A group of farmers discuss their green bean crop. Photo: Gerry Boyle/Oxfam

9. The value chain: empowerment

Empowerment is a difficult concept to measure, but it is an important dimension of development. Empowered people participate actively in the processes that affect their lives by voicing their views and influencing decision making. One measure of the empowerment of workers is the extent to which they can organise themselves, bargain collectively and use communications channels to make their opinions heard.

Can small-scale producers act collectively?

The study found that the horticulture sector in Kenya can empower individuals by providing them with income and financial security. However, small-scale producers often lack the power to bargain collectively with those with the greatest influence over prices – global buyers. An increase in the collective organisation of small-scale producers could enhance their voice and bargaining power:

> 'There is strength and solidarity in working as a group, which can enable small-scale producers, in particular women or members of other marginalised groups, to take risks and gain confidence in the market.'[257]

Producer organisations can act as a platform for small-scale producers to promote and defend their interests, and act as a channel through which technical support and investment can be provided. This would make it easier for companies such as IPL to engage with large numbers of individuals and increase security of supply.

Joining an outgrower scheme provides a guaranteed income and technical support to growers, but of the five farms visited, all support was provided solely to men. Productivity and community development gains can be increased by targeting this at women farmers who currently miss out on such investments.[258]

Do workers have a voice in decisions, policies, and practices affecting poverty?

Worker power

Kenya's horticultural industry is characterised by powerful employers who set pay and working conditions for a largely unskilled labour force. Staff turnover is rapid, conditions are tough, and for most workers the prospects of promotion into more influential positions are slim. Workers and small-scale producers therefore are open to abuses of their rights. In an industry where labour is plentiful, contracts are casual, and staff turnover is rapid, all workers have limited bargaining power. Quite simply, staff who speak out or threaten to take action against perceived workplace problems such as harassment or nepotism are very easy to replace.[259] One interviewee stated, 'whoever raises issues to the management is chased away'.[260]

The research found that in many areas there are large supplies of unskilled workers who want jobs in horticulture. One farm supervisor explained that there are 'ten people at the gate for every job opening'.[261] Only in one rural location did the research team find farm managers claiming that they were struggling to fill casual positions.

There are also plenty of candidates for skilled technical positions, such as agronomy, although the research found fewer experienced candidates for management positions.

At the same time, staff turnover can be very rapid, which managers attribute to their inability to increase wages in line with inflation,[262] rather than a tendency to replace perceived troublemakers. Some of the farm managers interviewed recognised that high levels of staff turnover can cut productivity and incur repeated recruitment and training costs.[263]

The research team even heard that some export farms[264] now insist on minimum educational qualifications, even for unskilled workers. Communities the team spoke to felt aggrieved that uneducated people were thus being barred from work opportunities.[265]

Against this backdrop, there is some evidence that workers are organising themselves to achieve better representation. ETI, Fairtrade and other industry initiatives are also helping to empower workers.

Harassment in the recruitment process

Almost all farm workers are taken on initially as casual or very short-term labour by 'hiring supervisors', who have considerable discretion within the company human resources policy. Even though these supervisors are directly employed by export companies, the researchers received a number of reports concerning requests for bribes and sexual favours as part of the recruitment process.[266] The justification given for such practices was that supervisors earn low wages themselves.[267]

However, when compared with parts of the horticultural supply chain that use 'gang-masters' or labour brokers to supply workers, demands for money or sex appear relatively limited.[268] Encouragingly, workers reported that the emergence of welfare committees, sexual harassment policies, and trade unions are helping to stamp these practices out.[269]

Career advancement

The study found some evidence that internal promotion from field or factory to a senior office job is possible. The management and welfare committee members interviewed[270] said that their firms fill senior positions via internal recruitment of qualified staff. A number of senior managers reported that they had started as graduate trainees at a technical supervisory level.[271]

However, several community groups[272] said that promotion was decided not on merit but by corruption, nepotism, tribalism, and exchange of favours. It was also mentioned in several interviews that staff who challenged working conditions would be overlooked for promotion and could even lose their jobs.[273] However, this was not a widespread point and should be contextualised as such.

Unionisation and collective bargaining agreements

The Kenya Union of Commercial Food and Allied Workers (KUCFAW) is the only legally registered union for horticultural farm workers, representing labourers in both the flower and vegetable industry, as well as in other key export crops such as tea. Crucially, it does not represent casual labourers.

Unionisation and collective bargaining agreements (CBAs) are becoming more common in the floriculture industry. Out of approximately 135 farms the research team had access to, 60 have now implemented CBAs. But representation is relatively poor among green bean farm workers and CBAs are absent on vegetable-only farms. Only on farms where both flowers and vegetables are grown do vegetable workers benefit from unionisation.[274] It should be noted that only farms producing flowers have unions.

In some areas, KUCFAW has introduced CBAs that have raised wages for horticulture workers. One farm where the union has pressured management to provide workers with higher pay has seen cumulative pay rises of 22 per cent in the past two years for the lowest earners.[275]

Senior management in one company actually expressed the view that the unions were becoming too powerful and that their demands for annual wage increases threaten Kenya's competitiveness in the flower market.[276]

The study found evidence to suggest that a significant proportion of workers[277] do not grasp the role that unions can play in improving pay and conditions. Where unions exist, workers often regard the union representative as part of the grievance process rather than as a unifying voice for workers. Some also doubted their effectiveness[278] – and indeed the representatives[279] the research team spoke to showed no awareness of the union's national policy platform or even the minimum wage level.

Some informants (including but not limited to management)[280] claimed that some workers were discontented about mandatory union fees, which represent a deduction of 2 per cent from already low base wages.

In some cases, the stark contrast in working conditions between farms has prompted labourers themselves to take action. For example, in 2010 workers who had seen better-paid peers at a neighbouring farm receive a wage increase organised their own strike until a small pay rise was agreed.[281]

Grievance and disciplinary mechanisms

Most farms and packhouses have grievance and disciplinary procedures.[282] Grievances are reported to a welfare representative, a shop steward, or, if all else fails, to the farm's HR manager.[283] Where alleged misconduct is involved, three warnings are given, followed by sanctions up to and including dismissal.[284] However, workers contended[285] that punishments, including summary dismissals, could be quick and informal.

Worker committees

Worker welfare and health and safety committees are required by Kenyan law, and they are necessary to meet ETI, GlobalG.A.P., and Fairtrade certification standards. They existed on all the farms visited for the study and are regarded as standard across the industry. Gender, environment, and Fairtrade committees were also evident on some farms.

Box 18: Raising awareness of the benefits of Fairtrade certification

Certification of certain licensed products as 'Fairtrade' has, since the early 1990s, enabled small-scale producers to sell into mainstream markets using the Fairtrade Mark on their products. The scheme guarantees Fairtrade terms to producers and provides a Fairtrade premium to invest in community projects.

The first Fairtrade flowers arrived in the UK shops in 2004 and since then the market has grown rapidly, with 83 million stems sold in 2007. In 2010 Fairtrade standards were extended to vegetables. Green beans from Kenya were the first UK retail product, sold by Marks and Spencer. The new standards allow outgrowers to trade via larger Fairtrade certified farms, as well as supporting small-scale outgrowers to become producer organisations who can be certified in their own right.

Based on the study, the Fairtrade committees (the joint bodies responsible for managing the use of the Fairtrade premium on behalf of workers) were found by researchers to be relatively active. They:

- Create awareness among workers about the existing benefits of Fairtrade;
- Gather views from workers on issues of interest, such as the need for on-site child care;
- Prioritise these interests and decide on their implementation;
- Advise, guide, and facilitate implementation of Fairtrade activities, through Fairtrade funding;
- Hold monthly meetings, with occasional ad hoc meetings in cases of emergencies.

Worker committees raise awareness of health and safety issues and deal with harassment and discrimination complaints. Some workers[286] said that wages had risen and that sexual harassment had decreased since they were introduced. However, the research found mixed reports concerning the committees' effectiveness. Most workers[287] believed that they were controlled by corporate managers. Some of the committee representatives interviewed said that they had trouble raising sensitive issues with management,[288] while others hinted that they were under pressure to suppress workers' grievances.[289]

Savings and credit co-operatives

Some of the large farms have set up savings and credit co-operatives (SACCOs) to help workers manage their finances by promoting a system of credit and a culture of personal savings. Others have created informal banking mechanisms for workers.[290] These include clubs and co-ops that sponsor pay-day advances with a monthly interest rate of 1 per cent, which compares favourably with commercial bank rates.[291]

Education

Export companies recognise the importance of an educated labour force, but most companies believe that teaching and training workers and their communities is not part of their core business operations.[292]

However, the study did find some evidence of philanthropic education-based initiatives, often linked with Fairtrade certification programmes. These included establishing primary and secondary schools, offering bursaries for workers' children to attend school, providing a crèche on-site, upgrading school facilities, and providing education credit schemes and interest-free loans for students.

Farms with Fairtrade certification often teach workers skills such as driving, computing, first aid, and tailoring, as well as discussing health and safety and gender-related issues.[293] Trained packhouse or field employees are then promoted to new positions or given new responsibilities such as driving or fire marshalling.

Other farms and small-scale producer groups typically offer vocational training directly relevant to their core business operations, such as operating farm equipment, packhouse hygiene, and pest identification.[294]

Empowering small-scale producers

Small-scale producers who sign outgrower agreements have limited power in the supply chain, an issue that is explored in more detail in the livelihoods section of this report. However, small-scale producers are empowered by the fact that exporters rely on them to produce their supplies. This in itself gives farms 'power'.

In a few places, small-scale producers have organised themselves into producer groups where a 'hub farm' collects supplies and delivers produce. However, the study found no evidence of more sophisticated activity, such as pooling purchasing costs or collective price negotiation with export farms.

Nevertheless, exporters said that they were keen to organise small-scale producers into groups so that communication could be more effective and planning at head office level could be more accurate. In some places, companies send their agronomists to talk to small-scale producer groups.[295] Typically, they offer advice on practical production matters, such as irrigation methods or ideal plant spacing. They also pass on local information about weather and crop disease outbreaks. Some even provide pesticide spraying as a service to growers to reduce the risk of MRL issues.[296]

Conclusions and recommendations

Supermarkets, importers, exporters, and growers should work together to implement the necessary changes to remove payment of low wages from the sphere of competitive advantage. No business should gain a cost advantage by underpaying small-scale producers or denying workers their human rights. There a number of ways to approach the elimination of this cost advantage, none of them mutually exclusive.

One approach to achieving this is to work through the existing channels of the Ethical Trading Initiative. The ETI programme approach is designed to build alliances among different stakeholders in specific supply chains. As poverty issues cannot be solved by one company or group of companies alone, the objective of these alliances is to build a shared understanding of the root causes of labour rights and small-scale producers' issues in specific sectors and countries, and to enable collective action to address those issues for wide sector change. The ETI is working with companies, trade unions, and NGOs to build alliances in various agricultural supply chains. Companies can approach the ETI either to join existing programmes or to seek support on building such alliances in new supply chains, such as the one analysed in this report.

A second approach is that workers can be empowered through establishing the conditions in which they can bargain collectively. A shared vision by industry and government of a professional union movement would help ensure these conditions are created in ways which meet the needs of workers, businesses and the wider industry. The horticulture sector in Kenya does not at present have a good level of worker organisation, particularly in relation to women workers who form the majority of the workforce.

Stephanie Barrientos, a member of the independent advisory panel for the study, stated that 'The ideal scenario is for unions to be empowered so that farms can have a mixture of effective unions and collective bargaining on site which would result in unions being able to monitor the day-to-day situation without need for external bodies such as Oxfam to have to monitor, which can only make occasional visits. They could also then monitor things like day-to-day changes in food prices.'[297]

- Support an environment in which small-scale farmers enhance their collective voice and bargaining power.
- Set targets for the provision of technical support targeted at women farmers.
- Support an environment in which mature relations can develop between management and workers, such that workers' representatives can negotiate wages and benefits through collective bargaining. Increase workers' skills and champion talented women to take technical and management roles.
- Ensure training on employment rights is provided to workers and management.

A third approach is the implementation of business models which focus not on the cost advantage that can be gained through low wages, but instead on focusing on the workers as an asset. Through the empowerment of workers by multi-skilling, motivation and team working, value can be created for the suppliers and workers. Benefits for the supplier can include

- Increased quality;
- Increased productivity;
- Decrease costs associated with employee turnover.

The benefits for the workers can include

- A significant increase in wages;
- A fresh look at gender roles and their contribution to the business;
- A focus on working in teams, which create more control of workers over production processes;
- Stable employment due to lower turnover and business growth.

As a part of this approach, it is important to clearly identify the social needs and improvements for workers so that they can be maintained as a focus of the effort.

Right: Some large flower farms in Kenya provide HIV testing and counselling services. Photo: Steve Forrest/Panos

10. The value chain: health and well-being

Workers and small-scale producers face considerable health risks, including potential exposure to harmful pesticides. Most large farms appear to comply with health and safety regulations set out by GlobalG.A.P. and other standards, but standards appear to be poorer among small-scale producers. Large farms also offer some form of primary healthcare services, but there is undoubtedly room for improvement. Worker migration has separated families, leading to increased risks of unplanned pregnancy and HIV and AIDS.

Do workers have access to sufficient levels of healthcare, education, and social services essential to their general well-being?

Pesticides

Exposure to pesticides is a serious potential health concern for green bean workers and especially for labourers in the flower fields, where blooms are grown in enclosed polytunnels and sprayed by hand, with the relatively high concentrations of chemicals permitted for non-food products.

Excessive use of pesticides in Kenyan horticultural industry has been reported by Mwanthi and Kimani (1990),[298] Okado (2001)[299] and Jaffee (2003).[300] These studies suggest that many Kenyan fresh export vegetable farmers used pesticides indiscriminately, in some cases, applying pesticides meant for other crops (such as coffee) on fresh vegetables. Subsequently pesticide residue standards have been revised and the International Food Safety Standards (IFSF) have introduced a new order in the use of pesticides in production of fresh vegetables destined for sale in developed countries.[301]

There is great suspicion in communities about the impact of pesticides on maternal health. Some young female participants in focus group discussions[302] cited miscarriages among female farm workers and blamed chemical exposure for increased bronchial infections among all workers.

More encouragingly, the study found that standards governing the management and application of pesticides have improved over the past decade, although as yet there is no definitive scientific research on whether this has led to health improvements.

Most importantly, more producers are adopting GlobalG.A.P. and other certifications that limit the use of chemicals and govern how they are handled and stored. In the 12 months to December 2011 alone, the number of certified farms in Kenya almost tripled to 1,070. The incidence of acute illness on GlobalG.A.P. farms is 78 per cent lower than elsewhere, and expenditure on restoring health post-poisoning is 50 per cent lower, according to the organisation's own research.[303]

What is more, EU regulations and retailers' own standards covering MRLs have effectively banned 'very dangerous' chemicals from use on export farms – and the standard of associated commercial audits has improved. One occupational health officer interviewed said that he had not seen a serious incident of poisoning in over ten years.[304]

Finally, as awareness of the problems has grown, there appears to have been a cultural shift in attitudes towards pesticides. Careless handling and storage are no longer acceptable and more farms are considering alternative control strategies such as integrated pest management (IPM).[305]

Implementation of health and safety standards

Eight of the ten large farms visited by the study team were certified as compliant with Kenyan occupational health and safety regulations. Farm managers said that they employed health professionals twice a year to measure toxicity levels in staff who worked as sprayers and to test food handlers for typhoid. Personal protection equipment (PPE) for sprayers was available on all farms, and on five sites[306] it was a basic requirement for admission to hazardous areas. Health and safety committees were present at all sites.

Every three to six months – depending on the test results – sprayers are rotated into less hazardous farm work, such as maintenance or irrigation, at their usual wage rates. All the spraying teams work shorter hours than standard daily shifts.

Awareness of chemical hazards was high among the workers interviewed, thanks to the work of company health and safety committees. Most understood that they should not spray without PPE. Of those who were aware of GlobalG.A.P. standards and audits,[307] two said that the major welfare outcome was the provision of PPE.

Some farm managers[308] expressed frustration with workers' disregard for pesticide safety policies. They suggested that workers were simply unwilling to wear protective gear that is unsuitable for hot climates, and that they were looking for shortcuts during a long working day.

Standards of protection also appear to be lower among small-scale producers. A significant proportion of those interviewed said that they could not afford PPE and simply sprayed wearing their normal clothes.[309]

One community member suggested that private health service providers may not be reporting incidents to health authorities, and that the health impacts of exposure to chemicals was therefore under-represented. The research team was unable to verify this claim during the study.

Health and hygiene

Export farms have made a positive impact on general health by introducing workers to basic hygiene training.[310] Sanitation and hygiene facilities such as changing rooms, hand-washing points, and toilets are mandatory under GlobalG.A.P. for all large export farms.

One key informant[311] reported that training had sensitised workers about hand-washing and other practices that could be applied in homes and communities as well as at work. This informant also noted that toilet and sanitation facilities at farms and packhouses were typically cleaner and better equipped than those available in the community.

Wider health issues

The horticultural industry has brought profound changes to Kenyan society. Populations are migrating, working hours are changing, and the balance of domestic power associated with earnings is shifting, as more women take on paid horticultural jobs. In turn, these developments are influencing the health and well-being of the broader population.

HIV and AIDS

Around 6.3 per cent of Kenya's adult population has HIV or AIDS, and the frequency of sexual relationships among farm workers is high. HIV-related testing and counselling services are therefore a key health requirement in these communities.

In addition to basic clinic services, several farms[312] visited provide voluntary counselling and testing (VCT) services for workers. A director at one of the companies interviewed[313] said that tackling HIV-related health issues was a company priority, and that VCT was being implemented throughout its sites, including its packhouse.

To improve awareness on HIV and AIDS and related issues, some farms have created 'post-test clubs'.[314] These groups encourage HIV testing, and support the creation of a social support network for workers after the test, regardless of the results. They also help workers to access antiretroviral therapy (ART), explain issues including the prevention of mother-to-child transmission, and offer family planning and relationship counselling.

Most workers do not disclose their HIV status for fear of discrimination. The post-test clubs are also labelled *watu wa virusi, watu wa mipira,* and *watu wa ukimwi* ('people of virus', 'people of condoms', and 'people of AIDS'), which may increase stigma and make disclosure more difficult. The research team heard that only two farms in Naivasha,[315] for example, have supportive environments for people living with HIV. These farms offer cash and food supplements to those who are HIV-positive.

Many local NGO donor programmes, as well as community and faith-based organisations, run VCT and other outreach programmes that educate workers on drug regimes, immunisation, and health education.

Company healthcare provision

Some form of primary healthcare services was available at all the farms visited, serving both permanent and casual workers. These services include a basic facility for emergency cases, a trained first aider for each section of the farm, and company clinicians or visiting doctors to supplement basic services.

Workers are referred to district hospitals in serious cases. Two of the farms visited[316] pay hospital bills when workers are injured or sick while on duty. Kenya's Ministry of Medical Services subsidises public healthcare, but the associated costs can still prove too much for some workers, given their low wages. For example, registration and record creation fees ranged from KES 100 ($1) to KES 300 ($3) at the public healthcare sites the study team visited. Other direct and indirect costs include transport, lost earnings from missed working days, and the risk of job loss. The researchers were told that workers who cannot afford medical care will not get a doctor's sick note, and are therefore unlikely to receive sick pay or time off.[317]

Right: Glasshouses on a flower farm near Lake Naivasha, Kenya. Photo: Steve Forrest/Panos

11. Local environmental practices

Fertilisers and pesticides, water abstraction and irrigation systems, land and waste management practices, and water pollution are all having a direct effect on the immediate environment, but the social implications of these are harder to identify. However, there is evidence of water stress and poor water, sanitation, and hygiene for local communities. While environmental management is improving on the large commercial farms, due to the imposition of international standards and by joint work through industry bodies, the environmental practices of small-scale producers remain a concern. The rapid increases in population in horticultural areas are also having an impact on the environment, particularly water resources, primarily due to inadequate infrastructure.

While export horticulture operates across several regions in Kenya, the environmental situation around Lake Naivasha is the best documented and publicised: the size of the industry around the lake and the importance of the lake itself, both as a water resource and an environmentally important site, have given it prominence. There has been less focus on the environmental practices and associated risks of small producers of vegetables, or of large farms in other growing regions such as Mount Kenya and Thika. But there are similar pressures in these horticultural areas around access to adequate water resources, for all users, and around water conservation.

Box 19: Food miles

Kenyan exporters airfreight flowers and vegetables to markets around the world. This raises concerns over 'food miles': carbon emissions associated with the production and transport of foodstuffs, and their implications for global climate change. Yet one study revealed that airfreighting flowers from Kenya to the UK was roughly six times less greenhouse gas-intensive than shipping them from the Netherlands.[318] Kenyan farmers use natural heat and light sources and they derive energy mainly from geothermal rather than fossil fuel sources. It is worth noting that a lot of the water usage in Naivasha is attributable to the geothermal power plant there. Most of the power generated at that plant is diverted to Nairobi and urban users rather than to the commercial farms, but the energy used by these farms is still generated from the geothermal source. Furthermore, their crop yield is approximately double that of growers in the Netherlands.

For green beans, particularly during the short home-grown UK vegetable season, the situation is rather different. Energy use for green beans sourced from Kenya can be 12–13 times higher than for green beans sourced from the UK itself, mainly due to the use of airfreight.[319] However, as noted earlier, during the UK growing season very few green beans are actually imported into the UK by supermarkets. Generally, green beans are imported outside the UK growing season.

From a social perspective, airfreighted produce provides considerable direct benefits to poor rural economies. In total there are an estimated 1–1.5 million people whose livelihoods depend on the supply chain linking production on African soil and consumption in the UK. Therefore the estimated 0.1 per cent of the UK's emissions from fresh fruit and vegetable transportation helps to support financially one million rural Africans, each of whose own carbon footprint is very approximately one-hundredth that of a UK consumer.[320]

HOW DOES HORTICULTURE AFFECT WATER ACCESS AND QUALITY?

Access to water

The serious droughts of recent years highlight the major challenges related to consistent access to water. In addition, in recent years there has been a good deal of media coverage of how the horticulture industry's use of water is degrading Lake Naivasha, Kenya's second largest freshwater lake and a declared Ramsar wetland site.[321] News stories highlight concerns that the lake is at its lowest level for several decades and that local flower farms are extracting water for irrigation and polluting the lake with pesticides and fertilisers.[322]

Two of the small-scale producer groups interviewed during the research[323] indicated that access to water for irrigation is becoming a problem, as the springs and rivers they use are drying up and competition from large farms is increasing.

Research has shown that there is a natural cycle of changes to the depth of the lake.[324] But there is also strong evidence that today's falling water levels have been exacerbated by human extraction.[325] Farming (both large-scale and by small-scale producers) of products including cut flowers, vegetables, macadamia nuts, and animal fodder, accounts for around 42 per cent of Lake Naivasha's blue water footprint – the volume of water used in the production of goods and services.[326] But large-scale farming is only one aspect of a complex set of biological, physical, and chemical factors interacting with one another over time to affect the local ecology.

Secondary research has confirmed there are other significant users of water from the lake – water supplies to Gilgil and Nakuru towns account for a further 16 per cent, while Olkaria Geothermal Power Plant takes 33 per cent – and other issues such as poor water infrastructure add to the potential for water stress in the area.[327]

More generally in Kenya, the continued development of small-scale producer farming (both for export markets and for Kenyan consumption) is adding to pressure on water resources. In areas of high agricultural potential, land use patterns are changing as land is being cleared of natural vegetation and converted to rain-fed and irrigated crop-growing land. River banks are being turned over to agricultural production for ease of irrigation, avoiding the need for capital-intensive systems requiring pipes and pumps.[328] The study team observed small-scale producers making use of land close to rivers for horticultural production.

Quality of water

Experts, industry players, and communities have all expressed concern over the deterioration of water quality at Lake Naivasha. Farming is one factor responsible for this deterioration. According to one study, approximately 64 per cent of the pesticides used in the area, by quantity, are classed by Pesticide Action Network North America (PAN) as groundwater contaminants and 47 per cent as very harmful to beneficial insects.[329]

In addition, natural vegetation around Lake Naivasha, particularly papyrus, has been declining over the past 40 years due to the fluctuations in water levels and due to exposed bank areas being turned into agricultural land. This has a knock-on effect on fish and other wildlife around the lake, due to a reduction in the food and shelter available to them, and reduces the lake's overall biodiversity. It has also had an impact on the lake's ability to manage the increased nutrients and toxic chemical run-off from fertiliser and pesticide application.[330]

Other issues that have been cited as causing water quality problems include upper catchment area degradation by small-scale producers, human sewage pollution, the introduction of exotic fish and crayfish, destruction of riparian vegetation, and deforestation.

Some of the study's informants[331] claimed that environmental management on the large-scale farms has improved significantly over recent years. However, local services and resources have not been adequately developed to support the large influx of migrant workers required to keep the horticulture industry running, leading to poor sanitation and sewage disposal, and water contamination – including rising levels of nutrients and also human pathogens in the lake itself. Polluted water, and water-borne diseases, have a direct effect on human health, especially on communities dependent on natural sources of water such as rivers, lakes, and shallow pits.

Water of an acceptable quality is already a scarce resource for most of the time, but especially during times of natural drought. Further decreases in quality will increase irrigation costs and limit future production and expansion. Also, if water quality falls below the quality levels the EU sets for water used to irrigate or process edible crops (to prevent pathogen contamination), there would be serious implications for both the industry and those who depend on it for their livelihoods.

Therefore the social implications of a total collapse of Lake Naivasha and, to a lesser extent, other water resources, would be extreme beyond the impacts on human health: without effective water management by all users, including large farms and small-scale producers (both export and non-export), all the economic activity – and all the livelihoods – reliant on access to water would be severely constrained.

HOW ARE GROWERS RESPONDING?

Maintaining access to good-quality water is recognised as a serious challenge by flower farmers, and larger growers have started to adopt more sustainable environmental practices over the past decade, thanks to a combination of regulatory, political, and social pressures.

Today, GlobalG.A.P. and other retail standards include provisions to avoid the contamination of local ecosystems. At least three voluntary certification standards – MPSA, Marks & Spencer's Field to Fork, and the Kenya Flower Council's Silver and Gold Certification Standards[332] – include environmental management requirements, such as water conservation through drip irrigation. Other researchers have confirmed that the adoption of standards works as a catalyst to achieving safer and more sustainable production.[333]

Pressure from the media and from stakeholders such as Naivasha's Member of Parliament[334] has also encouraged the export horticulture industry to adapt its environmental practices in order to mitigate reputational risk. Legal monitoring, limits, and fees for water abstraction have been introduced and adopted by commercial agriculture users in Naivasha.[335]

Steps that some large farms are taking to combat pressures on water and soil include

- Hydroponic growing systems that reduce water use on crops by as much as 60 per cent;
- Rainwater harvesting into earth dams to reduce the use of ground and surface water;
- Using biodegradable materials such as compost instead of artificial fertilisers.

The water management practices of small-scale producers (both export and non-export) tend to be less efficient. Their irrigation systems are usually basic and often make use of hand-built furrows and canals, ferrying buckets of water from rivers, and/or using pumps to extract water from rivers. These sorts of system lead to high levels of water wastage from evaporation and run-off and can lead to waterlogging, which can have an effect on soil quality.[336] While small-scale producers involved in outgrower schemes may have better access to resources and expertise to develop better irrigation techniques, none of the small-scale producer farms visited by the research team were using more sophisticated techniques.

HOW DO AGROCHEMICALS AFFECT THE ENVIRONMENT?

The horticulture sector, and particularly the flower industry, is heavily dependent on pesticides to improve yields, but these pesticides also have significant environmental consequences.[337] Not only do they cause human health problems, but they can also contaminate atmospheric, ground, and surface water. As noted above, over the past decade the standards governing the management and application of pesticides have improved at larger farms.

Box 20: GlobalG.A.P. and the environment

'While encouraging economic activity, GlobalG.A.P.'s programs are designed to promote the very attitudes upon which our future depends and help protect the resources that keep us alive. GlobalG.A.P. certification demands, among other things, greater efficiency in production. Besides improving business performance, it results in less waste of those vital resources in the first place. It also requires a general approach to farming that builds in best practices for generations to come.

'That includes making the most responsible use of chemicals in food production. It means carefully managing pest control through techniques such as observation and monitoring using Integrated Pest Management. It involves using scarce resources such as water with foresight and responsibility.'[338]

For instance, over the past few years more large farms have adopted integrated pest management (IPM), an ecological approach to agricultural pest control that incorporates pesticides into a broader system of prevention and control. This has led to a reduction in pesticide and fertiliser inputs, especially in flower production.[339] Mites, which pose the biggest

threat to flowers, are the target for up to 60 per cent of all pesticides applied to the crop, yet it has been shown that biological mite control is both practical and economical.[340] Some experts suggest that certification standards should be revised to favour IPM.

HOW ARE SMALL-SCALE PRODUCER FARMS RESPONDING?

Small-scale producers in export horticulture tend to use more fertilisers and pesticides than their non-export-growing colleagues.[341] The research team found that small producers, most of whom are not certified to GlobalG.A.P. standards, have only a limited understanding of the dangers of pesticides and of the need for good management of these chemicals. They did not understand the health and safety issues, even though they claimed to have received training.[342] One such interviewee confirmed he had been trained but could not explain the reasons for the safety measures in place.[343] In some outgrower schemes, exporters have taken over pesticide spraying for their contracted small-scale producers.[344] Even if this is partially to minimise the threat of product rejection due to higher than acceptable levels of residues, the higher standards and more exact application also minimise the potential for run-off and leaching into groundwater sources.

HOW DO SOIL PRACTICES AFFECT THE ENVIRONMENT?

Some of the larger farms the research team visited noted decreasing vegetable production, which they attributed to declining soil health.[345] However, on small-scale producer farms, growing an export green bean crop is an important part of the crop rotation practice that helps farmers maintain soil quality, i.e. returning nitrogen to the soil through the fixing properties of legume crops. In addition, small-scale producers frequently make use of organic compost or mulch on their crops, thus reducing the requirement for additional artificial fertilisers. The expense of inputs was also having an impact on the amount of land area under cultivation by the smallholders visited. Most of them were leaving land fallow and cultivating less intensively, as they could not afford further supplies of chemicals.

CLIMATE CHANGE

Overall, Kenya is expected to be affected more by decreases in rainfall than by rising temperatures[346] as part of large-scale climate change. While the literature suggests that changes in precipitation are likely to have less impact than changes in temperature,[347] long-term changes in Kenya 'will have a substantial impact on net revenue'[348] for farmers, an impact that will be more significant in medium- and low-potential zones (i.e. the drier zones). High-potential zones 'are expected to receive some marginal gains from mild temperature increases, holding precipitation constant'.[349]

Small-scale producers told the researchers that climate change was already having an impact on them with later rains and more severe weather, including flooding.[350] Studies have shown that many small-scale producers (both those involved in export- and non-export-related production) have already begun to take adaptive measures to help manage these impacts.[351] Adaptation measures being taken include crop diversification or mixed cropping, tree planting, water conservation, irrigation, and shading/sheltering of crops. But about 60 per cent of households in one study were struggling to take climate change adaptation actions, due to a lack of access to the finance needed to carry out such activities.[352]

Further information and detailed recommendations from Oxfam on this issue can be reviewed in the Oxfam paper 'Climate Change Risks and Supply Chain Responsibility'.[353]

12. Conclusions

Over many months of field research and desk-based study, IPL and Oxfam have sought to understand how supermarket value chains affect the lives of agricultural workers in developing countries. We also set out to identify how retailers, suppliers, and growers can make positive changes to improve the lives of people who live in poverty. The study focused on workers in Kenya's green bean and flower export sectors, but we hope that our findings will be of broad relevance and will inspire other companies and NGOs to consider how they can adapt their own practices in the future.

The exercise has been of tremendous benefit to both our organisations. Oxfam has been given a valuable opportunity to investigate how major food companies organise their supply chains. IPL has seized the chance to review and improve how it works with exporters, growers, and workers in an open and transparent manner. Together, we hope we have come to a better understanding of how large corporations can combine business objectives with more sustainable and inclusive development.

POVERTY IS WIDESPREAD

Our study confirmed that export horticulture creates valuable livelihoods – especially for women – in a country where unemployment is close to 40 per cent. The industry also provides an important market for some of Kenya's estimated three million small-scale producers. But our research also revealed that there is much scope for improvement across all the dimensions of poverty identified by Oxfam's Poverty Footprint methodology.

For the vast majority of workers, wages do not provide a decent standard of living. Fluctuating demand in Western retail markets encourages the use of short-term or casual contracts, which offer few benefits and little job security.

Sexual harassment is evident. It is likely, on smaller farms at least, that workers are being exposed to hazardous pesticides and other chemicals. Quality, affordable child care is all too often absent for a migrant workforce that is around 60 per cent female.

We found that workers feel that they are not empowered to challenge their employers about unacceptable pay and conditions. Some reported that representation – via unions or worker committees, for example – was weak. Many unskilled workers simply feared that they would lose their jobs if they complained.

Our research also confirmed that small-scale producers struggle to gain access to the lucrative export market because they are unable to meet the quality and safety standards demanded by global retailers.

A COMMITMENT TO CHANGE

IPL is in an unparalleled position to make a difference to the lives of agricultural workers in Kenya and beyond. The company is in a unique situation to understand and influence export companies' policies and practices, because it is the only one in the sector that manages the entire supply chain, from grower to consumer. In other words, IPL has a real opportunity to lead the industry in both social and environmental good practice.

Over the next three years, IPL has committed to exploring operational changes designed to improve three key measures of poverty: standards of living for workers, female empowerment, and small-scale producers' livelihoods. To this end, IPL will begin a pilot study in East Africa that will work towards achieving the following goals.

- Strengthening the seasonal review process under which IPL rates suppliers' performances and plans future growing programmes. The company hopes that a more accurate and in-depth discussion with suppliers could improve demand and supply forecasts so that orders are not changed and employment becomes more stable. IPL plans to introduce sustainability metrics into the review process: suppliers will be rewarded for meeting social and environmental standards. IPL will insist that all its suppliers commit to working towards improving living standards among their employees.
- Empowering women by monitoring suppliers' progress towards equal pay, reducing harassment and discrimination, and improving child-care provision. IPL also plans to further investigate the challenges that women small-scale producers face when trying to access land to grow crops.

- Supporting small-scale producers in their efforts to join the international supply chain. IPL will identify the markets where small-scale producers are already active, trace their route to market, and assess how their access could be improved. The company has also committed to a pilot project to provide technical support to help small-scale producers boost the standard of their output to meet international retail benchmarks. When it moves into new territories, the company will consider whether and how it can bring small-scale producers into the supply chain.

TOWARDS A BETTER FUTURE

IPL has made a series of commitments to drive a positive impact for small-scale producers and workers through its operating practices and policies (see Executive summary). Oxfam believes that these commitments, which could affect workers and their families and communities directly within the supply chain, are of considerable importance in themselves. However, the publication of this report does not mark the end of the project. IPL will continue to seek the input of Oxfam and other external stakeholders as it develops its approach and implements its commitments. From the outset, Oxfam and IPL have both agreed that progress against these commitments will be independently reviewed in three years' time, based on a study terms of reference agreed with Oxfam. We hope that other corporations and NGOs will take up the challenge to consider how they can adapt their behaviour to improve the lives of agricultural workers in Africa and beyond.

Appendices

APPENDIX A: CALCULATING THE MINIMUM LIVEABLE WAGE

Using a system developed by the World Food Programme and UNHCR, the research team drew up a notional food basket that fulfils 101 per cent of the minimum adult requirement of 2,125 kcal, 66g of protein, 59g fat, and 373g of calcium. A field worker may require up to 3,000 calories per day.

Table 9: Food basket calculation

Food	g/day	Kg	Kg month	KES	Total KES
Maize flour	1500	1.5	45	55	2475
Beans dried	250	0.25	7.5	120	900
Oil	100	0.1	3	240	720
Sugar	65	0.065	1.95	120	234
Kale (5 bunches per day)			30	5	150
Potatoes (5 per day)			30	10	300
Tomatoes (1-2 per day)		0	30	5	150
Kerosene	500	0.5	15	100	1500
Onions (4 medium size per day)			30	20	600
Water (for cooking and drinking)	20000	20	600	5	3000
Household size of 5					10029

Next, the team calculated the requirements for a family consisting of two adults and two children, who it is assumed equate to one adult in terms of consumption. Thus the cost of family requirements for food is KES 6,017.5 per month. Finally, this number was multiplied by two to take account of non-food costs, giving a total of KES 12,035 per month.

Box 21: Asia Floor Wage

When unions and workers struggle to improve wages and conditions in one country, international retail brands may relocate their manufacturing elsewhere, to a country where wages are lower and conditions less onerous. The Asia Floor Wage – a response to this problem – is one of the best-known attempts to define and implement a living wage. IPL's sister company George, the garment sourcing hub for Walmart, is engaged in discussions on the application of the Asia Floor Wage.

The campaign proposes a 'floor' or living wage that is set at the same level across all Asian garment manufacturing countries. To take into account currency differences, the wage is therefore calculated in terms of the money required to buy enough calories to support workers and their families. A multiple is then used to make provision for other expenditures, and the standard is set at a level which supports three 'consumption units' – an ugly title, but one which is designed to capture the mix of needs within a family e.g. two adults and two children (a child counts as half a consumption unit).

APPENDIX B: OXFAM POVERTY FOOTPRINT METHODOLOGY

Oxfam developed the Poverty Footprint methodology to enable companies to assess and understand the effects they have on society and on people living in poverty. The methodology combines local assessment of livelihood impacts, value chain analysis, and an assessment of economic contributions into one comprehensive approach. It is not intended as a detailed audit of corporate activities, but is more journalistic in focus in order to communicate with a broad external audience. A Poverty Footprint has three main objectives, to

- Engage companies in integrating pro-poor strategies into their business models;
- Improve the transparency of corporate impacts on workers, small-scale producers, and communities in developing countries;
- Provide lessons for Oxfam, corporations, workers, and communities.

Key elements to the methodology include the following:

- Oxfam always takes a rights-based approach to its work to ensure that it is inclusive and participatory. Research is not meant merely as a data-gathering exercise from participants but must reflect the active input, prioritisation, and desired action of community stakeholders.
- Poverty is multi-dimensional in nature, and is summarised in five dimensions: livelihoods, health and well-being, gender and diversity, empowerment, and security and stability.

The approach looks at five key areas of business activity, which attempt to capture the entirety of a company's operations: macro-economic impacts, the value chain, social implications of environmental impacts, institutions and policy, and product development and marketing

APPENDIX C: CONTEXTUAL DETAIL

Trade, tariffs, and the changing global landscape

Kenya, Uganda, Tanzania, Rwanda, and Burundi form the East Africa Community (EAC), a regional trading bloc modelled on the European Union, where duties and trade barriers between members have been eliminated. All of these countries, except Kenya, have 'Least Developed Country' status.[354]

Kenya and the other EAC countries are among the African, Caribbean and Pacific (ACP) countries that have since 1975 been covered by preferential trade agreements allowing them to export to more developed trade partners in Europe and elsewhere on a duty-free basis. These agreements have led to a substantial increase in the value of Kenyan horticultural exports.

But Kenya's trade advantages are gradually being eroded by successive World Trade Organization (WTO) negotiating rounds, which are lowering the barriers between more developed nations. What is more, the EU and the ACP are in the process of negotiating the transition from a preferential trade agreement to a reciprocal Economic Partnership Agreement (EPA).

The new arrangement will create a free trade area between the EU and the ACP that is compatible with WTO rules. But since EPAs are relevant to a wider range of countries – including, for example, those in Asia – the agreement will effectively end ACP countries' status as preferred trading partners.

One Kenyan expert the project team talked with estimated that the move to an EPA will increase the costs of Kenyan exports by 8–12 per cent, which could be enough to price them out of the international market. However, the Overseas Development Institute suggests that the impact of EPAs is likely to be small, as most ACP countries already receive duty- and tariff-free access to markets.[355]

Kenya's government is still considering whether to sign the EPA. At the same time, the EU is weighing proposals to levy import taxes of between 8 per cent and 18 per cent on countries that fail to commit before the January 2014 deadline.

For horticulture exporters, a failure to sign the agreement would add further to the costs involved in reaching the lucrative EU market. Farm producers are already struggling with rising fuel costs and currency fluctuations.

Sexual harassment: recommendations for importers and retailers

(Author: Candida Barbato, ETI)

The most important action that retailers and importers should undertake to address sexual harassment occurring on-site is to raise awareness among growers about the issue.

Raising awareness should include the following key messages:

- A clear explanation of expectations for this area of compliance (requirements are set out in clause 9 of the ETI Base Code) and the importance of checking specific provision in local law that might prescribe specific requirements.
- In practice, cases of sexual harassment can vary widely in nature, and do not – as many people assume – only involve assault or requests for sexual favours in exchange for favouritism. Sexual harassment may involve instances when victims, both men and women, feel threatened and offended, without any act of physical violence actually taking place. It is well documented that the effect of sexual harassment on the well-being of the victim varies depending on the gravity and duration of the abuse, but can be very profound and long-lasting. As such, the impact on productivity, morale, and general workforce well-being is also profound and likely to negatively affect business performance.
- Actions can be taken to ensure that good management systems are in place to prevent issues of harassment occurring and to manage these effectively if they do.
- This area of the ETI Base Code is of increasing concern to international buyers and the international community as a whole and more needs to be done to ensure compliance.

Sexual harassment represents an area of compliance requiring technical expertise that site managers often do not possess. Therefore, retailers and importers should provide information about what to do and where to find support to overcome these sensitive issues. Some examples of best practice are outlined below.

Recommendations for site management

- Develop a full policy stating the company's position on sexual harassment (often in conjunction with a discrimination policy) and setting clear guidelines for staff to report incidences.
- This policy should also include a clear procedure for investigation. The policy should be incorporated into existing manuals (e.g. staff handbook) where possible.
- Enable workers at all levels to fully understand the policy and what it means for them in practice, including their rights and responsibilities around preventing and addressing sexual harassment issues.
- Make sure that staff members who have direct responsibility for managing workers (e.g. supervisors) fully understand the importance of preventing and dealing with sexual harassment, along with the implications for business, and that their role is crucial to success. It is also fundamental to ensure that supervisors are empowered to fulfil such a role by being clear on the expectations of them in implementing the policy.
- Make it clear who the managers in charge of implementing the policy are (contact managers) and recruit and train such managers to undertake these responsibilities with confidence, integrity, and empathy.
- Investigate promptly and fully all formal and informal complaints from workers, taking every action possible to protect all individuals involved.
- Take disciplinary action where necessary as a result of investigations.
- Make sure that senior managers lead by example and that the organisational culture reflects the policies.

The recommendations above draw heavily on ETI's experience of working with companies and other expert stakeholders to develop and implement a supervisor training programme specifically aiming at addressing sexual harassment and discrimination. The in-depth programme is participatory and experiential in nature, and brings together managers and supervisors to jointly look at ways of addressing these issues. The training is proving a valuable tool in both uncovering and challenging attitudes to sexual harassment, as well as bringing about commitment and behaviour change to address it. More information is available on ETI's website at http://www.ethicaltrade.org/training/eti-supervisor-training-programme or from the organisation's training development manager, Jane Collis (jane.collis@eti.org.uk).

NOTES

Note: All URLs last accessed October 2012.

1 D. Green (2008) *From Poverty to Power: How active citizens and effective states can change the world,* Oxfam International.

2 Outgrower scheme: an exporter may make agreements with small-scale producers under which they grow an agreed volume of crops to be sold to the exporter at an agreed price (or range). The exporter may provide certain inputs (e.g. seeds, advice). Detailed arrangements vary widely.

3 http://www.ethicaltrade.org/eti-base-code

4 http://www.labour.go.ke/index.php?view=article&id=111:what-is-minimum-wage&option=com_content&Itemid=44

5 P. Gibbon and L. Riisgaard (forthcoming) 'A new system of labour management in African large-scale agriculture?'

6 Management interviews with farms F1.

7 http://www.oxfam.org/en/policy/better-jobs-better-supply-chains, and http://www.sedexglobal.com/finding-the-sweet-spot-smarter-ethical-trade-that-delivers-more-for-all/

8 For instance see http://www.oxfam.org/en/policy/better-jobs-better-supply-chains and R. Wilshaw, *et al.* (2013) 'Labour Rights in Unilever's Supply Chain', Oxfam.

9 For instance see http://www.impacttlimited.com/wp-content/uploads/2012/01/Impactt-15th-anniversary-report_finding-the-sweet-spot.pdf and http://www.impacttlimited.com/resources/nice-work-are-workers-taking-the-strain-in-the-economic-downturn

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11 For instance see http://www.guardian.co.uk/environment/2011/apr/01/kenya-flower-industry-worker-conditions-water-tax

12 A. Williams (2007), 'Comparative Study of Cut Roses for the British Market Produced in Kenya and the Netherlands', Précis Report for World Flowers, 12 February 2007.

13 UNDP (2011), http://hdr.undp.org/en/statistics/data/climatechange/shares/ (accessed 25/5/12)

14 Where retailers are selling processed and packaged goods, other major corporations, such as Nestlé, Unilever, PepsiCo, and Danone, play a key role in the supply chain, operating between the retailer and the agricultural sector.

15 Bill & Melinda Gates Foundation (2011) 'Agricultural Development: Strategy overview', Seattle: The Bill & Melinda Gates Foundation. http://www.gatesfoundation.org/agriculturaldevelopment/Documents/agricultural-development-strategy-overview.pdf; The World Bank (2011) 'Advancing Food Security in a Changing Climate'. http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/MADAGASCAREXTN/0,,contentMDK:22858132~pagePK:141137~piPK:141127~theSitePK:356352,00.html

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59 *Ibid.*

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82 *Ibid.*

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102 Primary research completed by Kenya research team with Stephanie Barrientos, independent advisory panel.

103 Key Informants, across industry, civil society, and government, as well as company and farm management approached.

104 Primary research completed by the Kenya research team with a local public health administrator.

105 Primary research completed by the Kenya research team with executive officer of a local industry group.

106 Primary research completed by the Kenya research team with exporters A1, B1, C1, E1, and G1.

107 According to KIIs with an academic and an industry expert.

108 Linked to Exporter F1.

109 The Europe-Africa-Caribbean-Pacific Liaison Committee (COLEACP) and the KFC both stated this.

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111 Primary research completed by the Kenya research team with Farm S1.

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115 Fairtrade Foundation (2012) 'Responsible capitalism? New Fairtrade figures show business is changing for good', *op. cit.*

116 According to worker focus group discussions, as well as 11 key informants across civil society, industry groups, and management (the General Manager of Farms I1 and Q1, and a manager from Exporter B1.

117 Primary research completed by the Kenya research team with Farm Q1.

118 E.g. Farms Q1 and R1, as well as Farm W1, according to interviews with the Senior Marketing Manager at Exporter A1 and Key Informant I1.

119 Primary research completed by the Kenya research team with Farm Q1.

120 Primary research completed by the Kenya research team with Farm R1.

121 Between 2001 and 2010, 203 million hectares (ha) were reported to be under consideration or negotiation worldwide. This is equivalent to

55,616 ha every day for ten years, or an area bigger than London, which covers 157,000 ha, every three days. ILC (2011) 'Land Rights and the Rush for Land', http://www.landcoalition.org/cpl/CPL-synthesis-report

122 http://www.oxfam.org.uk/get-involved/campaign-with-us/find-an-action/land-freeze

123 Operations Director at Exporter B1.

124 B. Emmett (2008) 'Tackling Corruption', Oxfam Programme Insights, Oxfam GB. http://policy-practice.oxfam.org.uk/publications/tackling-corruption-lessons-from-oxfams-work-120560

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126 An initial six-month probationary period can be extended by another six months, in accordance with Article 42 (2). *Ibid.*

127 Sick leave as per Article 30(1) and (2). *Ibid.*

128 Federation of Kenya Employers (2011) 'Memorandum by the Federation of Kenya Employers to the Departmental Committee on Labour and Social Welfare on the Labour Institutions (Amendment) Bill, 2011', Nairobi: Federation of Kenya Employers. http://www.fke-kenya.org/components/com_acajoom/upload/Issue%205/MEMORANDUM%20BY%20THE%20FEDERATION%20OF%20KENYA%20EMPLOYERS%20TO%20THE%20DEPARTMENTAL%20COMMITTEE%20ON%20LABOUR%20AND%20SOCIAL%20WELFARE%20ON%20THE%20LABOUR%20INSTITUTIONS%20%20-%20AMENDMENT%20-%20%202011.pdf

129 Industry expert, Key Informant A2.

130 Ethical Trade Initiative Base Code Article 5.1. See: ETI (no date) 'ETI Base Code', London: Ethical Trading Initiative. http://www.ethicaltrade.org/eti-base-code. Oxfam defines a living wage as one which, for a full-time working week without overtime, would allow a family to meet its basic needs – including shelter, clothing, and nutrition – and allow an amount for discretionary spending.

131 ILO Tripartite Declaration, par. 50; ISO 26000 6.4.4 labour practices issue 2; ILO Convention 131

132 Eighty-three out of 136 (or 83 out of 130, if excluding contract lengths listed as N/A).

133 Farms I1 and Q1, both owned by Exporter B1.

134 Peter Gibbon and Lone Riisgaard (Forthcoming) 'A new system of labour management in African large-scale agriculture?'

135 Self-reported by workers or provided by management, during the Primary research completed by Kenya research team.

136 P. Gibbon and L. Riisgaard (Forthcoming) *op. cit.*

137 These values are based on the Asia Floor Wage methodology and therefore relate to a household level

138 Exchange rates as of 30 September 2011. See XE.com's historical currency rate resource. http://www.xe.com/currencytables/?from=KES&date=2011-09-30

139 ILO Tripartite Declaration, par. 50; ISO 26000 6.4.4 labour practices issue 2; ILO Convention 131.

140 Six out of 136.

141 P. Gibbon and L. Riisgaard *op. cit.*

142 They received about KES 8,000 per month as a base wage, with the ability to earn substantially more via bonuses or overtime. They were also given accommodation or a statutory KES 1,500 accommodation allowance per month. In addition, they received lunch, travel to and from work, basic healthcare, and, in some places, use of a free crèche.

143 P. Gibbon and L. Riisgaard, *op. cit.*

144 Primary research completed by Kenya research team with all small-scale producers.

145 Small-scale producer A2.

146 The Central Bank of Kenya (2012). http://www.centralbank.go.ke/index.php/monthly-economic-review

147 The most significant information comes from the World Bank's 'Food Price Watch', where it is claimed that the price of maize in Kenya rose by 117 per cent from December 2010 to December 2011. See Poverty Reduction and Equity (no date) 'Global Price Trends', Washington DC: The World Bank. http://siteresources.worldbank.org/EXTPOVERTY/Resources/336991-1311966520397/FoodPriceWatchJanuary2012.htm

148 As of 2011, according to the Farm Manager at Farm C1, wages had not been increased in five years.

149 Thirty-five out of 136.

150 Twenty-one out of 35.

151 Seventy-nine of the 127 workers for whom information was available.

152 All the workers and community members approached in 2011.

153 Primary research completed by the Kenya research team with Packhouses A1 and B1.

154 Primary research completed by the Kenya research team with Farm T2.

155 The manager and HR manager of Farm F2.

156 Workers and management at Farm C1.

157 Kenya Employment Act 2007. http://www.kenyalaw.org/klr/fileadmin/pdfdownloads/Acts/EmploymentActCAP226.pdf

158 Packhouse B1 being the only exception

159 Primary research completed by the Kenya research team with Farms K1, C1, G1, and F1.

160 Primary research completed by the Kenya research team with Farms K1 and F1.

161 Primary research completed by the Kenya research team with Farms K1 and F1.

162 Ethical Trade Initiative Base Code, Article 6. See: ETI (no date) 'ETI Base Code', *op. cit.*

163 It should be noted that Oxfam and most other advocacy groups believe that in-kind benefits should not be included in living wage calculations, on the basis that workers should be capable of affording, for instance, to bring their own lunch to work.

164 The two packhouses and six of the farms visited during the 2011 research mentioned free transport, as did management at Exporter C2 and Farm F2, as well as several workers – at Farms T2 (three workers), V2 (one), and F2 (seven) and Exporter C2 (seven) – during the follow-up research in 2012.

165 Two of six farms in the 2011 research.

166 Primary research completed by the Kenya research team with Farms E1 and K1.

167 Primary research completed by the Kenya research team with Farm E1.

168 Several workers from Farms U2 (five workers) and T2 (three) and Exporter C2 (two) discussed housing allowances during the second round of research in March 2012.

169 Article 31 of the Kenya Employment Act 2007. See National Council for Law Reporting (2010) 'The Employment Act: Chapter 226', Revised Edition 2010, Nairobi: National Council for Law Reporting. http://www.kenyalaw.org/klr/fileadmin/pdfdownloads/Acts/EmploymentActCAP226.pdf

170 E.g. packhouse workers at Farm F1 and managers belonging to Exporter B1.

171 Primary research completed by the Kenya research team with Farms I1 and K1.

172 Across numerous farms and exporters, e.g. Farms U2, V2, and F2 and Exporters A2 and C2.

173 E.g. Farm Q1.

174 Primary research completed by the Kenya research team with Farm Q1.

175 Primary research completed by the Kenya research team with Communities A1 and B1, as well as several household-level interviews

176 E.g. managers at Farms C1, S1, Q1, and I1.

177 Farms I1 and Q1, both belonging to Exporter B1.

178 Exporter A1, Exporter B1.

179 Primary research completed by the Kenya research team with focus groups in Naivasha.

180 Primary research completed by the Kenya research team with focus groups in Thika.

181 Small-scale Producer Group Z2.

182 Eighteen out of 43.

183 Exchange rates as of 30 September 2011. See XE.com's historical currency rate resource, *op. cit.*

184 Nine out of 43.

185 Of the nine small-scale producers earning two or more times KES 120,000, a total of KES 2,913,000 was earned from agriculture, while a total of KES 1,143,000 was earned from secondary sources.

186 Thirty-nine out of 51 (40 out of 52 including the chairman of an outgrower group supplying Farm F2).

187 Forty-two out of 51.

188 Small-scale producers C2 and D2, CEO of Exporter A1.

189 E.g. Exporter A1.

190 Small-scale producer groups associated with Exporter A1.

191 Small-scale Producer Groups H1 and D1.

192 Small-scale Producer Groups M1, L1, N1, and D1.

193 Primary research completed by the Kenya research team with F2 management.

194 Primary research completed by the Kenya research team with Community D1.

195 Small-scale Producer Groups D1 and H1.

196 *Ibid.*

197 *Ibid.*

198 Linked with Exporter F1.

199 Primary research completed by the Kenya research team with Exporter B1.

200 A small-scale producer group supplying Exporter B1.

201 Especially from Small-scale Producer Group D1 with regard to Exporter A1. Key Informants E, F, D, and G confirmed the high level of complaints.

202 Small-scale Producer Group D1.

203 Technical Manager in charge of outgrowers at Exporter A1.

204 Primary research completed by the Kenya research team with Exporter B1.

205 Senior Technical Manager at Exporter A1 and Operations Director at Exporter B1.

206 Small-scale Producer Groups D1 and H1.

207 Primary research completed by the Kenya research team with Exporter B1.

208 Primary research completed by the Kenya research team with Exporters A1, B1, C1, and D1.

209 E.g. Small-scale Producer Groups L1 and M1.

210 Small-scale Producer Group D1, which focused predominantly on dairy and tea farming.

211 M. Maertens and J.F.M Swinnen (2009) 'Gender and Modern Supply Chains in Developing Countries', LICOS Discussion Paper No. 231/2008. http://dx.doi.org/10.2139/ssrn.1360664

212 C. Dolan, M. Opondo, and S. Smith (2003) 'Gender, Rights and Participation in the Kenya Cut Flower Industry', *op. cit.*; S. Barrientos et al. (2005) 'Gender, Work and Vulnerability in African Horticulture', *IDS Bulletin* 36(2): 74–9. http://www.future-agricultures.org/pdf%20files/9559%20IDS%20P74-79.pdf; M. Opondo (2006) 'Emerging Corporate Social Responsibility in Kenya's Cut Flower Industry', Nairobi: University of Nairobi Press. http://www.unisa.ac.za/contents/colleges/col_econ_man_science/ccc/docs/Opondo.pdf

213 Supervisor and farm manager of Farm Q1 as well as packhouse workers at Farms F1 and J1.

214 Thirty-three per cent of female workers are casual workers, versus 45 per cent of their male colleagues.

215 See, for example, F. Lawrence (2003) 'Growers' market', *The Guardian,* 17 May 2003. http://www.guardian.co.uk/food/focus/story/0,,956536,00.html

216 Multiple participants from the 2011 research round.

217 Farms C1, J1, and Q1 and Pack House B1; the exception was Farm K1.

218 Of those approached, 14 out of 25 members were men (2011).

219 Exporter B1.

220 F. Lawrence (2005) 'Why I won't be giving my mother Fairtrade flowers', *The Guardian,* 5 March 2005. http://www.guardian.co.uk/environment/2005/mar/05/ethicalliving.fairtrade

221 The one exception being the manager of Farm G1.

222 From Community A1.

223 Communities A1, B1, and C1.

224 Primary research completed by the Kenya research team with Farm I1.

225 General Manager of Farms Q1 and I1.

226 Primary research completed by the Kenya research team with Exporters A1 and B1.

227 Kenya National Bureau of Statistics (2010) 'Kenyan Demographic and Health Survey 2008–09', Nairobi: Kenya National Bureau of Statistics. http://www.measuredhs.com/pubs/pdf/fr229/fr229.pdf

228 Primary research completed by the Kenya research team with Farm E1.

229 The only exceptions being a female farm manager and a female technical manager, both at Exporter A1.

230 Available at: http://www.parliament.go.ke/index.php?option=com_docman&task=doc_details&gid=460&Itemid

231 Ministry of Lands, 'Draft National Land Policy', found in FIAN (2010) 'Land Grabbing in Kenya and Mozambique', *op. cit.*

232 Of the 12 female small-scale producers interviewed during the course of this research, 11 own land, with the one exception spending

KES 300 per month on rent (compared with an average of KES 1,343 among all workers interviewed).

233 Approximately two-thirds of the 91 workers interviewed in 2011 were invited to their place of work by supervisors from their native rural areas, or by fellow tribesmen known to the supervisors or their spouses.

234 One hundred out of 136.

235 Managers at Exporters A1 and G1, confirmed by an organisation promoting sustainable agriculture among small-scale producers.

236 Sixteen out of 20 focus group discussions conducted.

237 The chief and two community elders in a flower-growing region.

238 No other diversity issues were raised, such as disability or sexual orientation.

239 HR Manager at Farm F2.

240 Forty-one out of 136.

241 Fifty-one out of 136.

242 Primary research completed by the Kenya research team with Farm E1.

243 Primary research completed by the Kenya research team with Farm U2.

244 Packhouse A1, Farms I1, C1, G1, and E1.

245 Discussion with Exporter B1. Key Informant B1, an academic also remarked how 'briefcase brokers' purchased the beans from under the nose of the canning contractor, leading to major disruption for the company).

246 Chief Executive at Exporter A2

247 Primary research completed by the Kenya research team with Exporters A1 and C1

248 Primary research completed by the Kenya research team with Exporter A2

249 March 2012 interview with the Director and the Director of Sales at Exporter C

250 Twenty-five out of 136.

251 Key Informants R1, S1, and T1.

252 Primary research completed by the Kenya research team

253 The child-care centre at Farm Q1.

254 Human Rights Watch (2008) 'Ballots to Bullets: Organized political violence and Kenya's crisis of governance', *op. cit.*

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256 Key Informant A1, an industry expert.

257 D. Green (2008) *From Poverty to Power, op. cit.*

258 Oxfam (2012) 'Gender Equality: It's your business', Oxfam Briefing for Business, Oxfam, http://policy-practice.oxfam.org.uk/publications/gender-equality-its-your-business-213389

259 Primary research completed by the Kenya research team within general worker interviews

260 Interview with worker on farm N1

261 Primary research completed by the Kenya research team with Farm F1.

262 Primary research completed by the Kenya research team with HR Manager at Farm F2.

263 Primary research completed by the Kenya research team with Farms C1 and S1.

264 E.g. Farm X1, according to four Community A1 members.

265 All communities approached during the initial research phase in 2011.

266 Community A1; this point is discussed further in section 8 on gender and diversity.

267 According to the participants in community discussions.

268 See, for example, S. Barrientos (2011) 'Labour Chains: Analysing the role of labour contractors in global production networks', Brooks World Poverty Institute Working Paper 153, Manchester: University of Manchester. http://www.capturingthegains.org/pdf/bwpi-wp-15311.pdf

269 According to all gender committees approached in 2011.

270 Welfare Committees at Farms C1 and Q1, and HR management at Exporter A1.

271 A total of four senior managers: including a Senior Technical Manager and Senior Marketing Manager at Exporter A1 and two others at Exporter B1.

272 Communities A1 and C1.

273 Welfare committees at Farm I1 and Packhouse A1.

274 E.g. Farm Q1.

275 E.g. Farm Q1.

276 Exporter C.

277 Approximately two-thirds of 20 workers who discussed unions with the research team (2011).

278 Including two senior managers of a workers' union, a private sector specialist, and an academic, as well as several workers on Welfare Committees at Farms I1, K1, and F1 and Packhouse B1.

279 Three representatives of a workers' union at Farm Q1.

280 General Manager at Farm U2 and two union members.

281 Farm I1, with regard to better conditions at Farm Q1.

282 E.g. Farms F1, C1, K1, and I1 have welfare committees through which grievances can be channelled.

283 According to the Welfare Committee at Farm I1 and union shop stewards at Farm Q1.

284 HR Managers at all farms approached (2011).

285 Welfare Committees at Farms I1 and C1.

286 Welfare Committee at Packhouse B1.

287According to focus group discussions with gender and welfare committees, only the committees present at Farms Q1 and J1 are perceived to be free from management manipulation.

288 At Farms F1, C1, K1, and I1, as well as at Packhouse B1.

289 According to gender and welfare committees across several sites, all committees bar those present at Farms Q1 and J1 suppress grievances.

290 E.g. Farms K1 and R1.

291 Indeed, '[l]enders including Equity Bank Ltd. and Kenya Commercial Bank Ltd. increased their loan rates last year, some to as high as 25 percent, after the central bank increased its benchmark rate to a record 18 percent to curb inflation'. P. Richardson (2012) 'World Bank Warns Kenya Against Capping Commercial Bank Rates', Bloomberg, 16 February 2012. http://mobile.bloomberg.com/news/2012-02-16/world-bank-warns-kenya-against-capping-commercial-bank-rates-1-

292 According to corporate management approached (2011).

293 E.g. at Farms Q1 and R1.

294 E.g. Farms F1 and K1, and Small-scale Producer Groups H1 and M1.

295 According to senior management at Exporters A1, B1, C1, E1, and G1.

296 E.g. Exporter F2, according to Small-scale Producer Group A2.

297 Stephanie Barrientos, correspondence.

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303 GlobalG.A.P. independent research. http://www.globalgap.org/

304 Key Informant L.

305 Various farm managers, as well as civil society representatives (Key Informants B, G, M, and C).

306 Packhouses A1 and B1, and Farms F1, J1, and Q1.

307 Thirty-one out of 91 of workers in the 2011 research phase.

308 Primary research completed by the Kenya research team with Farms I1 and C1.

309 Three out of seven small-scale producers in the 2012 research round (two of these seven implied that they could not afford PPE). No numbers are available from the 2011 research.

310 Primary research completed by the Kenya research team; WASUP interview.

311 Programme Officer for a local NGO in the Naivasha region.

312 Primary research completed by the Kenya research team with Farms J1, C1, and Q1.

313 Corporate HR Director at Exporter B1.

314 Primary research completed by the Kenya research team with Farms Q1 and J1.

315 Primary research completed by the Kenya research team with Farms W1 and Y1.

316 Primary research completed by the Kenya research team with Farms C1 and Q1.

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Front cover photo: Preparing roses for export in a Kenyan packhouse. Photo: Gerry Boyle, Oxfam

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Right: Flower farm worker, Lake Naivasha. Photo: Steve Forrest/Panos

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