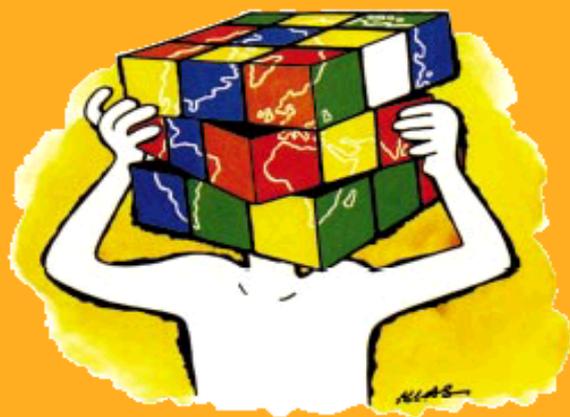


# Fair Trade

Martin Kunz



How does it relate  
to other attempts  
to improve working  
conditions in the  
Global Economy



**WUS**  
World University Service

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## **Martin Kunz**

### **Fair Trade -**

### **How does it relate to other attempts to improve working conditions in the Global Economy?**

Fair Trade – How does it Relate to other Attempts to Improve Working Conditions in the Global Economy?	4
0. Confusion: A Babel of Standards?	4
1. History: How did it evolve	4
1.2. Fair Trade: What does it stand for?	8
1.3. Excursion: When is a composite product a Fair Trade product?	11
2. 'Other' schemes to Improve Social/working Conditions	12
2.1. Official Schemes: The ILO	13
2.2. Private Schemes	17
3. Without Monitoring most standards are (almost) useless	19
4. Categories	20
5. Does it all Work?	20
6. Success Stories of Fair Trade?	23
7. Open Questions:	31
What is WUS?	32
Fair Trade Verein -	33

## **Fair Trade – How does it Relate to other Attempts to Improve Working Conditions in the Global Economy?**

### **0. Confusion: A Babel of Standards?**

According to an article published in March 1999 in the Guardian Weekly<sup>1</sup>, 'as many as two-thirds of people say that companies pay too little attention to their social and environmental responsibilities'. So it is perhaps not very surprising that the same article quotes the chairman of British Telecom, Sir Ian Vallance, as saying "The pursuit of sustainable development is not an option – it is nothing more or less than a necessity for our economic survival".

Such a statement is just the tip of the iceberg of what is becoming an ever increasing Babel of corporate, official, or non-governmental attempts to contribute towards the improvement of working (and living) standards of people involved in production all around the globe. While the sheer increase in schemes is positive in as much as it represents a shifting of these concerns from the niche into the main stream, the negative side is that at present most of these efforts take place in an uncoordinated manner, thereby contributing to consumer confusion. Concepts at times compete on the ground, and more often on the shop shelves: Few consumers are in a position to assess whether what is claimed about a product and how it was produced is trustworthy, and whether the purchase will actually benefit the producer (or just the image of a brand). Indeed, there is still a huge confusion not only about the types of schemes, but also their contents (what is the difference between a code of conduct, a mission statement, Fair Trade, a single issue label, ...).

The following paper aims to offer a few guidelines in this jungle of social schemes, and in particular tries to position the Fair Trade movement within this wider field of official and private (corporate and Non Governmental Organization (NGO) driven) schemes. So first a brief look at the concept of and development of the Fair Trade movement.

### **1. History: How did it evolve**

Looking back over a history of some 30 years, the Fair Trade movement has developed mainly in Europa and mainly in two major stages, which will be briefly described below. However, it is important to point out that between

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<sup>1</sup> Roger Cowe: "Boardrooms discover corporate ethics" in Guardian Weekly March 28<sup>th</sup>, 1999, p. 27.

the two organizational manifestations representing these strands, and even within them, there are plenty of instances of disagreement, including disagreement on basics like criteria. If e.g. a Fair Trade company in Great Britain accepts a producer group overseas as a bona fide supplier for its marketing outlets, this will not mean that the same producer automatically becomes eligible for supplying so called 'World Shops' in Germany (e.g. rice sourced from a loose group of farmers in India, who 'simply' receive a 10% Fair Trade price premium on top of the regular market price, may not satisfy a majority of Fair Trade activists). Or a product sold as 'Fair Trade' in the Netherlands may be scorned in Austria because it only contains one 'Fair Trade' component (e.g. Fairly Traded chocolate in the Netherlands only contains Fairly Traded cocoa, whereas most other European Fair Trade companies insist on Fairly Traded sugar, too).

In other words: the following brief outline can only indicate general trends. It cannot provide a definite definition for Fair Trade.

Although there have been prior instances of the selling of products sourced in the 'Third World' in attempts to help the producers there<sup>2</sup>, the beginning of the Fair Trade movement is best dated at the end of the sixties, when specific organizations were established, which nowadays are called Alternative Trade Organizations (ATOs). These 'classical' Fair Trade companies are mostly set up as non-profit or not-for-profit trading concerns, in some instances with church/donor support or ownership, and usually totally dedicated to the promotion of better trading practices for 'disadvantaged producers in economically disadvantaged countries'. The core of these ATOs are organized in the somewhat unfortunately named umbrella association EFTA, which stands for European Fair Trade Association (easily confused name wise with the acronym-namesake standing for 'Free Trade' – a mistake in concept even more prevalent in the US). EFTA members sell predominantly, but by no means exclusively, through 'World Shops', i.e. shops often run by volunteers, who donate their time in order to help transfer a bigger share of the retail price to the producers. Over the last ten years there has been a tendency to employ (at least part time) shop assistants, which can be seen as positive, because for Fair Trade to succeed, it has to be economically viable and sustainable from source to sale: As long as it depends on volunteers for sales, it will always remain close to charity. Only if the price for a Fair Trade product also includes a share for the seller, can it become a true alternative to 'conventional' trade.

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<sup>2</sup> The World University Service and the donor agency Oxfam both had bazars/sales already in the 1950s, and one can assume that at least some of the missionary societies must have had products from their mission stations for sale already in the last century.

Other traditional marketing channels for the classical Fair Trade companies are catalogues. But the ATOs also increasingly trade via conventional supermarket chains and catering channels: This latter trend is partly independent of (i.e. it started before) the next stage of Fair Trade history, but is partly also closely dependent on it: Fair Trade Labelling. Again it is symptomatic that the expansion into non-traditional marketing is limited mostly to the main Fair Trade commodity products coffee and tea, which are the mainstay of all Fair Trade marketing efforts. It should, however, also be mentioned that ATOs have always placed considerable emphasis on the attempt to market handicrafts sourced from self-help groups, cooperatives etc. Unfortunately these attempts have recently declined in success, probably as a result of a combination of forces: Saturation of the traditional clientele, lack of innovative products/designs, competition with 'ethical lines' by main stream companies, ...

It therefore comes as no surprise, that the '2<sup>nd</sup>-generation' Fair Traders have so far concentrated exclusively on mass volume everyday consumer items: the Fair Trade labelling organizations have to this day established criteria only for coffee, tea, sugar and cocoa (for chocolate), honey, bananas, and most recently orange juice.

Fair Trade labelling, too, started in the Netherlands at the end of the eighties with the Dutch Max Havelaar initiative, but has spread beyond that region and name: Some 17 national Fair Trade labelling initiatives coordinate their work under the umbrella of FLO International (FLO: FairTrade Labelling Organizations), with the TransFair-label being the one most widely in use (Austria, Germany, Italy, Luxembourg, as well as in non-traditional Fair Trade markets like Canada, Japan, and the USA).

Basically Fair Trade labelling 'takes' the standards developed by the ATOs, standardizes them, and then 'offers' these criteria to any company willing to apply them (at least to part of their range), and which also agrees to monitoring procedures. In other words the crucial difference between Fair Trade labelling and 'classical' Fair Trade is that labelling organizations do not trade themselves. Instead they are setting/applying standards and monitor the application of those standards.

Contrary to public perception, the major achievement of the Fair Trade labelling initiatives is not so much a volume increase and spreading of Fair Trade into the supermarkets (and out of the ATO's niche): While it is true that in exceptional cases like in Switzerland, actual Fairly Traded products have become available nationwide in big supermarkets, overall figures suggest that at best Fair Trade labelling has doubled the volume of classical Fair Trade: Around half of all labelled products are traded by ATOs, in their

traditional marketing outlets as well as in formerly non-traditional one. And it will remain an unresolved issue whether the ATO successes in supermarkets in catering were made possible because of Fair Trade labelling, or whether they contributed to the success of the labelling movement. In any case some ATOs at least were selling to supermarkets and catering customers **before** Fair Trade labelling was established. But the concept of Fair Trade (and with it the marketing efforts of the ATOs) definitely benefitted from the major achievement of the labelling initiatives, which is the quantum leap in publicity for Fair Trade. Before the advent of Fair Trade labelling, the concept of Fair Trade was indeed a niche affair, known only to a small group of 'insiders'. Fair Trade labelling changed that, with recognition values and availability in shops of Fairly Traded products shooting up to figures between 35 and 90%. The reason for this success lies probably in the support which the media have provided for the labelling initiatives. Since the labelling initiatives 'sell' a concept rather than products, media people find it much easier to publicize their efforts, since the idea is 'neutral' in the marketplace. In other words: Media coverage on labels is not benefitting any particular company or competitor, but an idea which is open to all. Reporting on an ATO on the other hand, even if it is a non-profit or not-for-profit one, implies being partial to one competitor among many companies. So while Fair Trade labelling has brought the concept of Fair Trade into the mainstream (of trade and politics), it has not succeeded to a comparable degree in doing so for the volumes of products traded in accordance with Fair Trade principles.

Possibly the latest trend in the development of Fair Trade concerns the product range: While ATOs are trading mostly in 'traditional colonial commodities' (coffee etc. probably account for three quarters of ATO turnovers, with handicrafts of more or less utility value making up for the remaining share), Fair Trade labelling organizations so have limited themselves to the labelling of commodities. Which, while being historically understandable and obvious, leaves out a large junk of global trade, i.e. that in processed, industrial products and raw materials. It is only recently, that conscious efforts are underway to apply Fair Trade to these 'non-traditional' products. The first examples are Fairly Traded balls from Pakistan, and stainless steel from India, moves which are not without critics among Fair Traders, too: Not all traditional Fair Trade criteria can be applied in 'pure' form to industrial setups, and whereas some are willing to accept such

adaptations (or compromises), for others such efforts no longer 'qualify' as Fair Trade.<sup>3</sup>

## **1.2. Fair Trade: What does it stand for?**

Having tried to outline the development of Fair Trade in its various structural incarnations, it is time to briefly touch on the ideals of the movement. Once again it has to be pointed out that there is no universal agreement on what does and what does not constitute 'genuine' Fair Trade practice and principles<sup>4</sup>. And even if there were agreement on a 'canon' of Fair Trade principles, their application and interpretation would (and does) still vary from case to individual case.

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<sup>3</sup> Before, however, turning to the criteria of Fair Trade, two more asides: One issue of dissens between and among ATOs and FLO members is the degree of decision making participation of producers: How can it be practical (cost-benefit)? Is it wise: loss of credibility as independent monitoring agents vs. increase in moral credibility? Yet while debating this issue, it is necessary to at least mention the one organization, where Fair Trade producers and traders are under one roof already: Ifat, the International Federation of Alternative Trade, which has global reach and membership from all levels of the trading chain, but 'pays' for its inclusivity with a lack of focus and practical maneuverability. Until today, it has been limited to being a very useful platform for the exchange of information and ideas (including debates on Fair Trade criteria). Incidentally: Beyond its own organizational manifestations, Fair Trade ought to be seen as being part of a wider movement of alternative economic initiatives and ideas, in particular alternative banking and financing: The Ecumenical Development Cooperative Society (EDCS, which recently changed its name to OikoCredit) and Shared Interest are alternative loan suppliers for producers, the German Ökobank (and others) have provided capital for trade expansion, and they all are part of a wider forum for more ethical business behaviour.

<sup>4</sup> At least the members of the FINE group (FLO, Ifat, NEWS, the Network of European World Shops, and EFTA) jointly agreed in early summer 1999, after this manuscript had been finished) on the following joint definition for Fair Trade:  
"Fair Trade is an alternative approach to conventional international trade. It is a trading partnership which aims at sustainable development for excluded and disadvantaged producers. It seeks to do this by providing better trading conditions, by awareness raising and by campaigning.  
The goals of Fair Trade are:

1. To improve the livelihoods and well-being of producers by improving market access, strengthening producer organisations, paying a better price and providing continuity in the trading relationship.
2. To promote development opportunities for disadvantaged producers, especially women and indigenous people, and to protect children from exploitation in the production process.
3. To raise awareness among consumers of the negative effects on producers of international trade so that they exercise their purchasing power positively
4. To set an example of partnership in trade through dialogue, transparency and respect.
5. To campaign for changes in the rules and practice of conventional international trade.
6. To protect human rights by promoting social justice, sound environmental practices and economic security."

Instead of trying to reinvent the wheel, here is a lengthy quote from the self-description of the Fair Trade e.V.<sup>5</sup>, a German based consultancy type NGO, which has been set up to support Fair Trade marketing efforts (and which is mostly financed by Bread for the World and Misereor):

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<sup>5</sup> Dated 2.1999. The author of this article is working for the Fair Trade e.V., and has been closely involved in drawing up this description.

World trade is characterized by considerable injustice between the South and the North, between producer and customer.

This is why Fair Trade wants to grant assistance to producers in disadvantaged economies\*:

The concrete marketing of products, long-term trading relations, advice, quality assurance and various assistance measures contribute to a sustainable improvement of the working conditions and living conditions of producers and their communities.

This also implies the payment of a 'Fair Trade premium' the utilization of which is decided on by the producers themselves. As a rule it is used for the education of the children, the strengthening of the cooperative, the conversion to organic farming, improvements in the production process, advice or other necessary measures.

#### Social minimum standards and more!

The right of organization in trade unions, the right to collective bargaining, no exploitative child labour or forced labour, no discrimination etc. form - wherever possible - the basis for Fair Trade. Furthermore, what counts for Fair Trade is the observation of general human rights and - last but not least - the right to work, adequate payment and humane working conditions.

A sound economic basis is the crucial prerequisite for most 'civil' human rights.

Nevertheless:

Social minimum standards often only apply for formal employee-employer relationships, and even in these relationships they can only be implemented through a Fair Trade Premium. Social standards are to be compellingly aimed at, but they are not an indispensable prerequisite for entering into a fair trading relationship.

#### Priority to the disadvantaged

Fair Trade takes care of producers in weak economies who are particularly disadvantaged and have no access – or encounter great difficulties in getting access – to the international market. This may be producer groups with little experience or groups which encounter additional difficulties due to their social position (women, ethnic minorities,...). In particular for these groups a successful co-operation with Fair Trade often implies that for the first time the income from their own work helps to adequately meet elementary needs like food and housing.

...

#### Process, not statics

It is a special challenge for Fair Trade to achieve the above objectives in each individual case as closely as possible. Consequently criteria are guidelines which are to be aimed for, not cast iron prerequisites for partnership. Fair Trade may claim to have been a success if, after a joint process, people are in a better position for self-determination and if their development may possibly set an example and give hope to others.

\* The 'countries of the South', the former 'Second' and 'Third World'.

### **1.3. Excursion: When is a composite product a Fair Trade product?**

The introduction of Fairly Traded processed, and therefor in many cases 'composite' products (i.e. consisting of more than one ingredient), has given rise among Fair Traders to one debate in particular: what should be the yardstick for calling a product Fairly Traded or not? In certified organic production there is 95% rule, i.e. 95% of all the components have to comply with organic production criteria. But how does this apply to Fair Trade? Percent of volume, percent of value? Based on FOB prices or share of retail price? TransFair International, a part-predecessor of FLO, has come up with the following<sup>6</sup> set of clarifications:

An obvious problem comes up when products do not consist of items sourced overseas alone. Is it imperative to have a minimum content in order to apply a "Third World" label? On the one side is the argument that it should be our aim to have Fair Trade components in as many products as possible, so in order to encourage widespread use of Southern sourced components there should be no minimum limit. Furthermore some products are difficult to sell in "majority" proportions (e.g. cocoa-powder has limited sales-opportunities, so labelling chocolate milk with only 3% powder can be seen as a substantial sales opportunity for a somewhat difficult product).

On the other hand if only a minority share of a product comes from Fair Trade sources, it might "water down" the value/image of a Fair Trade seal in the eyes of the consumers. Being at a fairly young stage, still working towards a more widespread label-recognition among the majority of the population, the members of TransFair decided that for the time being a minimum content-rule was necessary to protect the seal, and after protracted debates on how best to fix such a rule the following was adopted:

In the case of composite products, at least 51% (volume-wise) of a product have to be imported from approved Fair Trade sources, in order to be eligible for carrying the TRANSFAIR seal.

Exceptions are permissible, if they can be explained in terms of market relevance, or for reasons of development related political importance.

In a later meeting, this rule was further specified in two ways:

It was decided that in the case of liquid products the 51% rule applies on the basis of dry components only.

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<sup>6</sup> Quoted from TRANSFAIR INTERNATIONAL: Some Basic Thoughts on the Future of Fair Trade Marking in General, and on the Future Course of TRANSFAIR INTERNATIONAL in Particular. Version: 1.3. (9.96). The decisions quoted were taken at Council of Member meetings in July 1995 and 1996 respectively.

And regarding the declarations of composite products, which consist of less than 100% Fairly traded components, the following decisions were taken:

- No separate (Fair Trade) declaration is needed for minor components, if the major component is 95% or more of the end product.
- For composite products with Fair Trade components of 51-95%, the ingredients have to be listed on the backside with a specification of the total percentage of all Fair Trade components. For secret recipes the formula 'contains more than x%' has proven to be acceptable.

This volume based definition, however, becomes difficult to handle particularly in the case of composite non-agrarian products, and probably has one major defect: The 'content' of Fair Trade is, after all, the condition under which a product has been produced, i.e. the process, and not the product. Which would give weight to the proposal to measure the total labour input (in minutes/hours) which has gone into a particular product, and require that at least 51% of the labour input are covered under Fair Trade conditions.

The concept of measuring the labour content has, apart from being more in line with the 'idealistic aim' of Fair Trade, the practical advantage, that it can be applied to composite, industrially produced or processed food products, too: E.g. Fairly Traded chewing gum, introduced by the Fair Trade e.V. in spring 1999: The most important component of the chewing gum is natural chicle from Mexico as the gum base, but volume wise it accounts for substantially less than 50%. By weight the next biggest product of that prototype gum is sugar, which due to the lack of certified organic refined sugar could not be sources from a Fair Trade producer. However, one chiclero, i.e. one tapper of the Sapodilla tree in the Mexican rainforest, can collect in one year about 300 kg of chicle. By contrast, the Philippine Fair Trade sugar suppliers average approximately three tons of sugar per person per year, in Central America the figure is as high as 30 tons. In other words, when comparing the labour input of these two components, the ratio in favour of chicle is 90% or even higher.

So using the 'labour content' as a yardstick, this first Fairly Traded chewing gum passes as a genuine Fair Trade product, even without Fairly Traded sugar, whereas using a volume based parameter, it would not be acceptable.

## **2. 'Other' schemes to Improve Social/working Conditions**

Neither at present, nor in the past has the Fair Trade movement been the only one attempting to help improve the working and living conditions of

disadvantaged workers in the South. Both in duration of effort as well as scale it is often dwarfed by official as well as (other) private projects trying to change working and living conditions. What follows is not meant as a detailed and complete analysis of other schemes in existence, but rather aims to highlight where such efforts differ from Fair Trade, or if and how Fair Trade is or can be seen as being complementary to them.

## **2.1. Official Schemes: The ILO**

Pride of mention of course has to go to the 'grand old dame' of labour improvement, the International Labour Organization (ILO), based in Geneva. It is probably not even acceptable to compare the tiny Fair Trade movement to the efforts of this global association comprising governments, employers' associations and trade unions (the tripartite structure). For more than 50 years the ILO has come up with literally hundreds of conventions and declarations on broad and specific issues related to the workplace.<sup>7</sup> Despite or because of this proliferation, there is lately a concentration on what are referred to as the five 'core labour standards' (each enshrined in one or more than one convention).

As mentioned before, these five are in brief:

- Right to unionization.
- Right to collective bargaining.
- No child labour.
- No forced labour (prison, slave, etc.).
- No discrimination (for reasons of gender, race, religion, ...)

One problem with ILO standards of course is that so far there is no enforcement mechanism in existence beyond reporting requirements on compliance and non compliance on a rather broad scale and at fairly lengthy intervals. Only last year did the ILO members agree that all ILO member countries have to report on all the areas covered by the core conventions, irrespective of the fact whether they have signed the individual documents or not. And even that small step towards enforcement was bitterly fought over and actually broke the usual consensus type agreements previously typical for the ILO.

However, more important than internal ILO politics is (in the context of this paper) the issue where the ILO standards differ from Fair Trade criteria as

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<sup>7</sup> I am neither qualified to condense the work of the ILO into one paragraph, nor would it do justice to its work, which in any case is readily accessible through the ILO-webpage.

described above, and if Fair Trade can actually help towards the implementation of the standards.

The first obvious observation is that for many of the traditional Fair Trade suppliers (self help group, agrarian cooperatives) many of the conventions simply do not apply. The issue becomes more tricky with piece rate/contract workers (as in the case of footballs). And then of course there are situations where even in formal employee-employer situations the basis for implementing an agreement is not there: Again in the case of Fairly Traded balls (part of the production process takes place in an 'ordinary' factory setting), there are simply no trade unions active in the area where the balls are produced.

Rather than attempting to take on the task of establishing unions, Fair Trade agreements in cases like these specify that the **right** e.g. to unionization has to be upheld and subscribed to. But it remains the job of a trade union movement to utilize any opportunity possibly opened up by Fair Trade, if it wants to and is in a position to do so.

In other words: Fair Trade has a specific role, and it should stick to it. While making sure that it neither duplicates or hinders attempts by others to achieve complementary aims, Fair Trade has to ensure against trying to take on too much and straying beyond its mandate.

The second important point is that the implementation of (core) labour standards usually will cost money and therefore increase the production costs of a product. In many instances overseas' buyers simply insist on the implementation of criteria, without co-shouldering the responsibility by e.g. sharing in the increased cost. For example: Turning casual workers into regular ones and registering them under the Pakistani Factory Act (which legally would make them eligible for certain medical benefits and a provident fund) would raise the labour costs by approx. 12%. Unless a buyer is willing to share in this, the supplier will become less competitive than his neighbour, who carries on as before.

The issue of increased costs becomes even more prominent when addressing one major difference between ILO labour standards and Fair Trade: The latter always aims to ensure that the wages paid are sufficient to satisfy a family's need. In many cases it is therefore necessary to raise workers' wages by as much as 50% in order to achieve this target (with two full time earners per family). Even though such an increase may only add 10-20% to the FOB value of a product (because even Fair Trade wages will in low income countries constitute only a limited part of the product price), even such a modest rise can be sufficient to make a supplier uncompetitive, unless the buyer co-shoulders the burden.

It should in this context also be mentioned that government minimum wages even where they exist, often do not fulfill the Fair Trade criteria of 'two incomes for a family's basic needs'.

In other words: Fair Trade can help to work towards the implementation of minimum social standards **and** acceptable wages, by means of sharing the responsibility for this between the producers and the consumers, rather than putting the whole burden of compliance and implementation on the supplier. In such a supplementary role Fair Trade also has the advantage that it can enter into situations which are deficient when measured against social minimum standards and Fair Trade criteria, and agree on a joint plan of action on how to improve the situation. Support to achieve rather than compliance as a precondition.

This possible supporting function of Fair Trade was further elaborated during a workshop with Indian Fair Trade consultants organized by the Fair Trade e.V. in spring 1997. In order to understand the relevant minutes<sup>8</sup>, it is necessary to point out that the Indian colleagues first of all differentiated between different types of suppliers:

#### **1.1. Types of Suppliers**

- In the discussion it became clear very early on, that due to obvious changes in the product range of Alternative Trade Organizations (ATOs: more processed/manufactured goods) the partner profile is also partly changing: more formal sector suppliers are being drawn into Fair Trade. Looking at the issues on the agenda, it became clear that for many criteria issues it would be helpful (or even imperative) to adopt different approaches and standards for 'traditional' ATO suppliers on the one hand, and this new type of partner on the other.
- Possible distinctions/indicators discussed included: organized/formal vs. joint decision taking/community based, small/disadvantaged vs. big, promoting community growth vs. private profit motive, mechanisms/systems for participation in place, worker participation in decisions on policy issues/strategy, 'selection' process of worker/producer representatives in, profit/premium: how is it shared?
- Based on two in depth rounds of discussion of these the workshop participants jointly agreed on the following 'labels' with which to describe the two 'types' of suppliers:
- **Type I: non/not-for-profit; participatory self help structures.**
- **Type II: for profit; formal employer-employee relationship.**
- Of course in reality the distinctions will not always be very clear (private companies operating as not-for-profit ventures; trading arms of Non Governmental Organizations set up as commercial units, ...), but the two 'labels' should provide a key as to which 'set' of criteria should be applied.

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<sup>8</sup> Unpublished.

- The workshop also confirmed the traditional principle that wherever possible Fair Trade should give **preference** to Type I, provided everything else (including quality) is equal. And given a choice, producer situations providing for a higher level of participation/better chance of spreading benefits into a community should of course also be preferred.

**1.2. Achievement vs. 'on the way' criteria**

The second principle agreed upon concerns the reason for trying to become involved in Fair Trade in the first place: The main aim is not so much to simply measure the achievement of certain standards, but more to become a tool for achieving such standards. For this approach 'on the way criteria' are much more appropriate than fixed benchmarks. Typically one would try to fix time limits for progressing from one to the other, but there was also universal agreement that all situations have to be seen in their relevant contexts: Volume of Fair Trade orders/Fair Trade benefits to be measured against the total production of a supplier; political framework/constraints, comparison with 'rest of the industry' (i.e. relative progress/best practice), ...

When the 'on the way' principle is superimposed on the two types of suppliers, the result is the following four category matrix, which can be seen as a basis for deciding for each specific Fair Trade criteria/parameter as to what is acceptable in a particular supplier situation and what is not (see below):

	<b>Type I</b>	<b>Type II</b>
<b>Fulfillment</b>	<b>(1)</b>	<b>(2)</b>
<b>On the way</b>	<b>(3)</b>	<b>(4)</b>

**1.2.1. Minimum Standards: legal requirements, health&safety, environment**

The lowest level of standards, which in a way are beyond discussing, are of course Basic Human Rights, the principle of 'people before profit', and the attempt to provide good quality for the consumers.

Leaving aside these set basics, the next level of discussion should take into account the discussions on social minimum standards taking place at various international organizations (WTO, ILO, ...). Fair Trade is well advised to take norms agreed upon at these levels into account when defining its own minimum standards - keeping in mind that there will be frequent cases where even such minimum standards will have to come under the 'on the way' categories before they can be fulfilled.

### 1.2.2. ILO Core Standards

- **Child labour:** Categories 3 and 2 (provided a fixed time limit is set)<sup>9</sup>
- **Forced labour:** Categories 1 and 2
- **No discrimination:** Visible/overt discrimination obviously 1 and 2, but we have to accept that in many cases, including in the buying countries, parameters are shifting (what would have been the standards for the emancipation of women 50 years ago?). In other words discrimination issues form an ongoing process, where fixed parameters are not necessarily useful, so more often than not 3 and 4 will apply. The exception, of course, can be positive discrimination (groups specially for women etc.).
- **Right to unionize/right to collective bargaining:** The emphasis here is on the principle, taking into account that often unions do not exist, others are corrupt/'yellow', .... But as far as the **right** is concerned we are talking about categories 1 and 2.
- One proposal was to allow one to two years for 'on the way' issues to fulfill social minimum standards - depending on the context (see above). The standard procedure should be to agree jointly to what is to be achieved in principle, and then try to abide by that agreement.

### 2.2. Private Schemes

This is the point to come back to the confusion about types of schemes: At the lower end of private schemes are probably what in the US are called '**Mission Statements**', which are no more than statements of intent, usually of the type 'Our company is totally committed to providing our customers with the best possible service.'

The next step upwards are **codes of conduct**, which are usually more specific commitments to maintain certain standards. The main distinguishing feature among codes whether they are monitored or not, and if yes, whether externally or not (see 3.).

And of course: From a principled point of view, codes of conduct are simply empty 'containers', referring to the form, not the content, just like a cupboard, which can be entirely empty of full to bursting. In theory a code of conduct could simply state as a target that a company will to anything to maximize returns for shareholders at any cost. Or for the other end of the spectrum one could place a code consisting of or including a total commitment to Fair Trade principles and criteria. Indeed, one could argue

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<sup>9</sup> My personal comment on this proposal (following the attempt to apply it after the workshop) is that even/particularly for formal employment situations 'on the way' should also be acceptable for child labour issues and other legal standard fulfillment criteria at least **initially**. Otherwise e.g. child workers are simply locked out, with no improvement to their situation, and a possible negative impact on the income situation of the family. But of course for such situations very tight plans of action/timetables would have to be agreed upon.

that ATOs, even though they do not call it that way, have codes of conducts which are 100% committed to Fair Trade.

Leaving aside such extremes, codes are increasingly adopted by main stream, often multinational, often high profile (publicity, brand names, e.g. Levies, Otto, ...) companies and/or industry associations (e.g. sporting goods, toy manufacturers, ...). Case by case one has to check what an individual code covers and what it leave out (and then whether it is monitored or not, and how, see below). Not surprisingly, most codes of conducts are conspicuous for not including the trade union related basic standards, but even with respect to the other core standards the situation is far from satisfactory.

In preparation for the ILO governing body meeting at the end of 1998, the ILO secretariat analyzed more than 200 codes of conduct.<sup>10</sup> Only one third of the codes refer to international labour standards. Two thirds contain clauses relating to discrimination issues. About 45% highlighted the issue of child labour. Forced labour was referred to in roughly one quarter of the codes. Only 15% contained references to freedom of association and/or collective bargaining. Whereas roughly three quarters include clauses on occupational health and safety issues, which are of course closely related to quality maintenance and control and therefore often directly beneficial to a manufacturer/buyer. Whereas on the other hand the implementation of the core clauses will not necessarily provide obvious productivity or quality improvements, but instead is more likely to be **cost negative**.

By contrast Fair Trade will aim to **share** those costs along the supply chain, if need be **all** the way to the consumer, and it will aim to cover/promote all core ILO-standards, not just the 'beneficial' or the flashy ones ('guaranteed no child labour'). And if monitoring costs are involved Fair Trade will also share in those (or pay them all) – unlike e.g. the high costs for organic certification, which are frequently beyond the means of small Third World producers.

Nevertheless, there are private schemes, which may fulfill all (ILO/Fair Trade) criteria, and in some cases they may also include provisions for external monitoring. Which can, as in the case of the US NGO-driven SA 8000 standards, as a further complication lead to additional questions about the suitability of commercial (quality etc.) monitoring companies for social monitoring.

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<sup>10</sup> ILO: "Overview of global developments and Office activities concerning codes of conduct, social labelling and other private sector initiatives addressing labour issues." ILO document GB.273/WP/SDL/1, 273<sup>rd</sup> Session, November 1998, pages 19ff.

### **3. Without Monitoring most standards are (almost) useless**

As indicated in the section on the ILO as well as regarding private attempts, all standards remain questionable unless they are monitored. On the issue of monitoring it is helpful to distinguish two types of monitoring: Those, where 'stakeholders' are in charge, and monitoring by outsiders. The 'stakeholder' method will usually be the much safer way: E.g. enabling workers to monitor (and report on) compliance of wage levels means putting those in charge of control, who have an own interest in compliance. On the other hand, monitoring by (outside) agents will always remain random, 'alien' (i.e. carry with it the temptation to 'cheat' by those being monitored), and will at best be complementary to 'stakeholder' monitoring.

The other major distinction in (outside) monitoring is whether monitoring is organized internally, or whether it is entrusted to an external (independent) agent. This is of course a tricky issue, because any company will have a justifiable need for confidentiality, and any outside agent will usually learn more about a company than what is strictly necessary to monitor (e.g. wage levels). There is at least one multinational company, which therefore has established its own monitoring agency, outside the core business, but still under its complete control.

There is of course also the issue briefly referred to above: Which person(s) actually do the monitoring? Who is qualified to do so? In many cases (unlike in quality monitoring) value judgements are necessary (is a trade union a genuine one or not?). Minimum requirements for monitoring agents should be local language knowledge, and Fair Trade usually also tries to prefer local people (rather than expatriates), usually NGO staff with a track record in a given area. But they should also be sensitive to the need of business (confidentiality), understand business needs, and sometimes this can best be done by a foreigner (or a combination of local/foreign).

The last related issue is the question, whether results should be or are publicly accessible or not. This applies basically to all types of monitoring, including Fair Trade and Fair Trade labelling: Obviously if a fault is discovered, it should be more important to concentrate on overcoming it and thus improving the situation, rather than exposing it. On the other hand, consumers have a justified, and competitors a not so puristic, interest in learning about violations of codes. The challenge for all therefore is to strive for a maximum of transparency without endangering a positive process (and the credibility of a scheme).

#### 4. Categories

Having tried to structure the 'Babel' according to content and type of monitoring, it is now possible to place the various schemes into a graph. Obviously this cannot be 100% accurate, because the graph should actually be three dimensional and itself implies value judgements: Is a comprehensive code with internal monitoring 'better' or 'worse' than a single issue code with external monitoring or a company which has had only one of its subsidiaries externally monitored? Still the following might help to illustrate the thoughts outlined above:

*See graph 'Private Models' on the next page.*

Some readers may wonder why e.g. the Care&Fair Scheme of German carpet traders has not been included in the chart. The reason is simple: Care&Fair is an example of what is known as 'cause related marketing'. It is definitely not a trade compatible attempt to help improve working conditions. Consumers are asked (or traders will do so out of their margin) to pay a donation e.g. to a charity which runs projects for children overseas. Such donations are, while possibly being morally acceptable, charity offerings which do not even attempt to change deficits in the production line of the product in question. Taken to extremes (and as an easy parameter to distinguish such practices from genuine Fair Trade and others), one could actually point out: The better a trader is at exploiting his suppliers/workers, the higher can be the charitable donation.

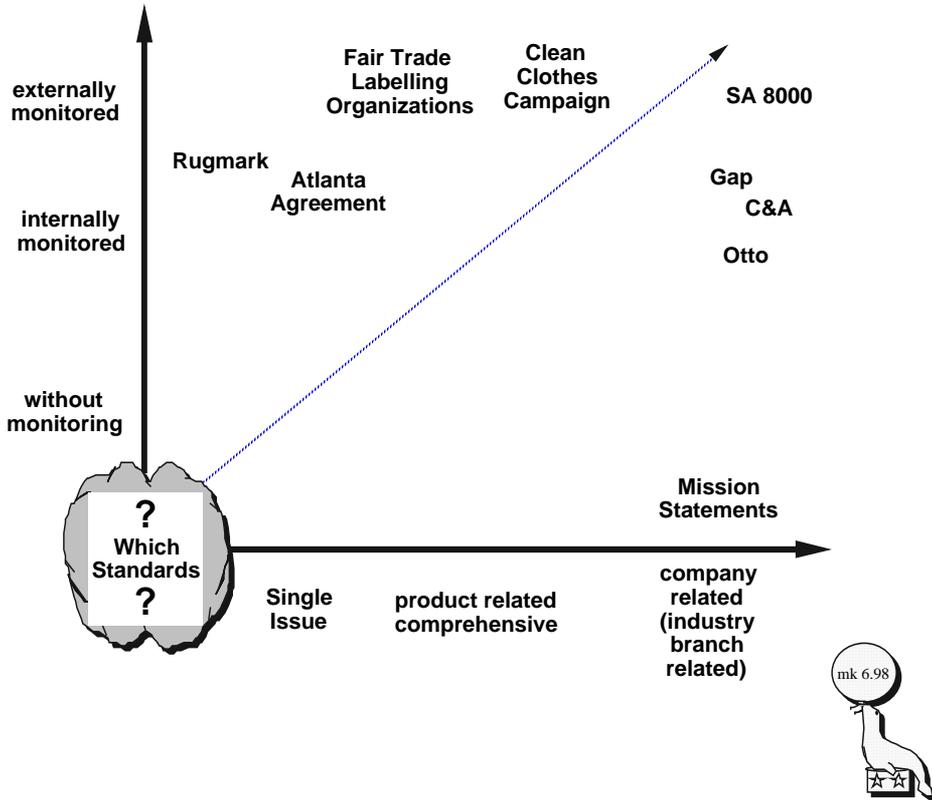
#### 5. Does it all Work?

Experience from the Fair Trade labelling organizations, aiming to promote Fairly Traded products particularly in the 'regular market', consistently points to the following requirements for Fair Trade to function:

The primary requirement above everything else is **quality**. No consumer is willing (and actually should not) compromise on quality. If a Fairly Traded product is faulty, then the fact that it may have been produced under impeccable social conditions simply is irrelevant. Quality, incidentally, also includes matters of personal taste: One person may find a particular blend of coffee 'the best ever', another may find it 'undrinkable', too weak or too strong, too acid or too mild. In such an instance moral persuasion will find it next to impossible to change personal preferences.

This issue is compounded by the next requirement in line: **availability**. Whereas in many instances the overriding concern is that no Fairly Traded product is available at all, it is almost equally bad if the wrong (measured by

# Private Models: Social Standards and Fair Trade Labelling



personal preference) product is within reach. Most people will not be in a position to cross a town simply to buy 'their blend' (leaving ecological arguments aside), and indeed it would once again be a case of asking too much of them.

Included in the 'availability' issue is that of 'information': Unless one knows about the availability of a product or the issues at stake (or is made aware of them), no purchase will follow. Obviously media coverage will help, but what is crucial is information at the point of sale (in the shop, at the shelf). If a consumer does not find the Fairly Traded product among 29 other competing products (bottom row, not filled in, no clearly recognizable brand or label): tough luck. Which is why one crucial component of information is to be provided by the retailers: In cases where they actively support Fair Trade with shelf talkers, posters, special desks, in such instances sales will astound the critics.<sup>11</sup>

The third requirement is **independent monitoring**. After long negative experience and times when even nuclear power providers tried to market themselves as being environmentally friendly, consumers are simply weary of what companies say about themselves. Which is why the credibility of independent (environmental and Fair Trade) labels is so important.

**Price** comes into the picture only at this stage, and then one has to distinguish between two cases: Is a Fairly Traded product more expensive – or not than a conventionally traded one (including the question: does it need to be – or not?). Traditionally the impression is that it is necessary to mark Fairly Traded products up, which is not surprising because agricultural commodities are after all the mainstay of Fair Trade. And in particular coffee is usually so competitively priced (in Germany supermarkets often use it as 'loss leader', i.e. have no margin or even a negative margin on coffee in order to lure customers to their shops), that increasing the FOB price by as little as 10% will have to result in an increase in the retail price. Fair Trade is not a likely candidate for 'special bargain sales'. Nevertheless, experience shows that around 5% of consumers are willing to pay 10-20% over ordinary retail prices in instances like this – provided the other requirements for success are in place.

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<sup>11</sup> Coop Switzerland has achieved 8% of Fairly Traded coffee among its total coffee sales: Quality is acceptable (predictably: according to some it could be better/wider choice); availability and information are very good (particularly due to in store promotion), price difference acceptable. Equally: In a 40-outlet chain of supermarkets in Northern Germany the Fairly Traded coffee blend at least temporarily unseated the market leader with a share of more than 10% as a result of strong support by the shops, the media, and the local solidarity network.

The other, admittedly until today less frequent case is exemplified once again by the footballs: Balls have become a highly fashionable products, with yearly design changes, where brand companies spend more on promotion than on the product. In such an instance a no-brand Fair Trade supplier can pay a higher price for the product (in the case of balls 25% above industry average at FOB level), and still sell balls of comparable technical quality at competitive prices. In other words: Particularly in the case of luxury goods, where margins are high, Fairly Traded products need not be more expensive.

## **6. Success Stories of Fair Trade?**

The thoughts outlined above are, naturally, to a large degree the outcome of personal experience, which includes periods both in 'classical' Fair Trade (local Fair Trade shop started in 1976; chairman of the board of directors for an ATO for five years), as well as in Fair Trade labelling (general secretary of TransFair International/executive secretary of FairTrade Labelling Organizations (FLO); board member of TransFair Germany, spread over more than six years), and of course lately with the Fair Trade e.V., which has somewhat specialized on 'new, non-typical' Fair Trade products. Since the work of the latter is naturally the least well known, following are some case studies from the work of that association by way of illustration of the thoughts outlined above.

Fairly Traded balls from Pakistan have been mentioned more than once. Following is a very preliminary first assessment report following a visit in March 1999.<sup>12</sup>

Half time between World Cup and Euro Cup:

### **Sialkot in Spring 1999 – First Assessment of the Fairly Traded Balls Project**

Approximately one year after the first biggish orders for Fairly Traded balls reached Sialkot, it is possible to draw the following first conclusions:

Via the German ATO gepa and its Fair Trade partners in five other European countries, as well as via three commercial traders in Italy, by May 1999 a total of more than 340.000 balls have been traded (or are on the order books).

This is equivalent to approximately 1% of the ball exports from Pakistan. The Fair Trade premium, which varies between US\$ -.40 and US\$ 2,- depending on ball quality, has added up to almost US\$ 350.000.

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<sup>12</sup> More information on this and other projects of the Fair Trade e.V. is provided on [www.fairtrade.de](http://www.fairtrade.de) (usually in German, English, and Spanish).

In line with the criteria, this money is used to finance the following measures:

### 1. Fair Wages:

One major criteria item of Fair Trade is that the producers of a product should earn enough in order to provide for themselves and their families: If adults can pay for shelter, food, clothing, as well as provide for expenses for educational and medical needs and for emergencies, then children no longer have to contribute to family income.

For balls ordered under Fair Trade conditions, stitchers receive wages which are approximately 50% higher than before. The piece rates have been calculated in such a way that two stitchers can earn Rs. 6.000, enough to provide for an average family. Fair Trade orders have provided about 340 work years under Fair Trade conditions.

### 2. Social Security

The second step was a decision on the issue, whether the stitchers should be registered for the official social security system (since they are being paid piece rate, this is not a legal requirement). Alternatively the criteria for Fairly Traded balls contained a clause to raise after one year of Fair Trade the piece rate for Fairly Traded balls. Following long discussions with all involved parties, in particular the stitchers, another option was adopted: A privately managed social fund, which will pay sickness allowance in case of lost income due to an illness, provide emergency support, and give stipends for school books. Regarding the last issue it is up to the workers to decide, which families are to benefit. The decision on this scheme was taken just in time before the beginning of the new school year in April 1999, and the emergency provision already came into use paying for a kidney operation for one stitcher (approx. DM 1.000). The system is calculated in such a way, that only the interest of the fund will be used, i.e. even in years when no sale-promoting international cup takes place, the social support system remains in place.

### 3. Village Development Fund

Right from the beginning it was the aim of the Fair Trade project that it should not only benefit (at random) individual stitchers, but that it should contribute at least in a small way to the overall development of the region. In cooperation with the Pakistani Non Governmental Organization Rescue a micro credit scheme has been established, which so far has provided almost 70 loans with an average volume of DM 1.000. The ventures for which these loans have been utilized include: horse and cart; horse drawn taxi; irrigational pumps; fruit stall next to a bus stop; small tea shop; pharmacy; small general goods shop; trade in cloth.

Originally the idea had been that these loans should have helped in particular those families, who have lost income as a result of the removal of children from stitching. The evaluation visit brought to light that the loans actually are more important in helping to diversify family income in general: In the years between 'cups', there are in general fewer ball orders and thus less income opportunities (even though Fair Trade buyers so far are more consistent with their repeat orders in those times than 'ordinary' traders). I.e. these small ventures help the village economy and reduce dependence on stitching for export. This is of particular importance in view of the fact that the Pakistani sporting goods industry is getting increasing competition by countries with lower labour costs (India, China).

#### 4. Improvements of the Working Conditions

The remaining share of the Fair Trade premium stays with the exporter, who utilizes it to improve the working conditions: In all stitching centres lighting and ventilation has been improved. Three new centres were custom build. Two of these are exclusively for women stitchers: they include a creche, a tube well, ...

In passing: The Fair Trade supply partner Talon is one of only three companies, which have received 100% approval by the ILO monitoring system (the implementation of the Atlanta Agreement), following 364 inspections in which no child labour was found. Fair Trade fights the **cause** of child labour.

By way of a conclusion: The ball project of the Fair Trade e.V. is no ideal project, which fulfills all ideals of Fair Trade. In particular the participation in decision making by the workers has only just begun in a tentative manner.

However, the Fair Trade premium provides the means to increase the individual wages for stitchers of Fairly Traded balls to an acceptable level. Building onto that a continuous minimum of social benefits are provided for all workers of the company involved, with only a minimum of red tape, direct in application, and with some decision sharing with the workers themselves. And as a result of the loan scheme the Fair Trade in balls does have a positive impact on the communities surrounding the stitching centres: It helps reduce the dependency on the trade in ball which is totally dependent on exports.

Another example demonstrating in particular how a partnership between buyer and seller can help improve and achieve social standards is Fairly Traded stainless steel. The following case study was prepared as background information for the ILO secretariat.

#### Fair Trade and ILO Minimum Social Standards

Following is a new example of how Fair Trade tries to promote the ILO minimum standards. Its attempt to help disadvantaged workers (in this case industrial ones) attain those standards are characterized once again by the willingness of a buyer to accept a share in the financial implications of these efforts: The following components (in italics) are taken from an agreement reached between buyer and seller, which specifies which actions are to be taken at which level of additional income generated as a result from Fair Trade turnover. In this instance the buyer has agreed to pay 10% on top of the regular FOB prices. The 10% were calculated on the basis of the needs analysis at the production unit on the one hand, and the sales' potential of the buyer on the other.

The project implementation begins with 'simple' health and safety measures, but as Fair Trade premium income increases, so do the problems which are being tackled. All identified problem areas are based on an initial assessment report to the industrial unit, which highlighted deficits (measured against ILO standards and national legislation), and made recommendations<sup>13</sup>

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<sup>13</sup> This report, too, was compiled by an Indian consultant.

The issue of forced labour is not specifically mentioned, since in the industry in question this is not a problem. But it is included (together with the other four basic ILO standards) in the more general 'partnership contract', to which the following specific agreements have been fixed by means of an appendix.

Once again it should be pointed out that Fair Trade adds on top of minimum social standards its unique Fair Trade 'special', i.e. a minimum wage (also called 'fair return') for the workers: Two incomes should support a family with basic necessities (food, shelter, clothing), as well as with medical care, education, old age provision.

And on top of everything the agreements allows the the buyer to arrange for independent outside monitoring. The supplier gives the buyer (or the buyer's authorized agent) permission to check on all aspects relevant to the above agreement, be it on site or elsewhere as deemed necessary, and promises access to all relevant documents for this monitoring purpose.

First of all some information on the production unit (from the assessment report):

The supplier has 50 workers out of which 11 are women. All the women are in the cleaning and finishing sections i.e. sections with least hazards and also low skill. Most of the workers in skilled and semi skilled positions have been with the company for around 14 to 15 years - almost from the start of the enterprise. The average age of the workers is estimated around 35 years. Nearly half of the workers are from the outside. The other half are from the villages around the factory.

It is important to mention that general interviews in other factories making utensils indicated that the supplier paid (even before the Fair Trade agreement) higher than industry averages. By asking individuals residing in the area it was established that the average needed for housing, food, clothing and education for a family of four is 3000 Rs. per month. Assuming two individuals work in the family, then one person should earn at least 1500 Rs per month.

Specific issues:

#### **1. Health and Safety Issues (from the assessment report):**

This industry is not categorized as hazardous but the workers are prone to accidents such as cuts, injuries from the sharp edges of steel and heavy machinery. A medical kit was available on site for first aid. There was evidence that the company pays the medical bills for injuries sustained in factory. This was even the case for non registered workers.

There was an accident register for major accidents. This is as required by law and covers only those on roll. There is no other register for accidents.

There is a lot of noise pollution especially for the grinders. Also, there are no guards on any of the machines.

Medical insurance is only for the workers on official roll.

There is adequate lighting and ventilation in the factory. The problem areas are toilets and drinking water. There are no toilets for women. Also the drinking water is of poor quality.

#### **Agreements reached:**

1. The supplier undertakes to maintain an accidents register which records all major and minor accidents to all workers whether registered or unregistered.
2. The supplier undertakes to maintain guards on all machines and ear plugs for the grinders at its own cost.

3. The supplier will provide at its own cost a toilet for women with a cleaner who cleans it everyday.
4. The supplier will provide safe and clean (filtered) drinking water at the site.

The supplier will implement all the items listed immediately (i.e. no later than end of September 1998).

### **2. Child Labour (from the assessment report):**

Two children (below the age of 14 years) work in the cleaning section. Both are girls. They stay in a village situated at a distance which takes 1 and 1/2 hour by walk one way. Both belong to agricultural families. They are paid 30 Rs. per day.

#### **Agreements reached**

1. Fair Trade criteria do not permit the employment of anyone is below 14 years of age. The supplier undertakes not to hire new staff which is younger than 14 years.
2. For the two girls presently employed, the supplier will pay until they reach the age of 14 years a monthly stipend of Rs. 600 to their families on condition that they attend school regularly and that they do not work elsewhere during the time for which they receive a stipend.
3. As soon as the buyer orders goods which generate a Fair Trade premium of Rs.15,000, item 2. will be implemented.
4. The buyer or his appointed agent take on the responsibility of checking that the two underage workers do receive the stipend mentioned under item 2, and that they do not work during the time for which they receive this support from the supplier.

### **3. Medical Coverage/Non wage benefits:**

As the assessment report points out, at face value the overriding issue here is that the majority of the workers are not registered, and therefore not eligible for insurance benefits etc.:

At the outset it must be mentioned that the supplier has a registration of only 18 workers out of the total of 50. Only these 18 workers officially receive Provident Fund and Employee State Insurance Scheme benefits. In the view of law, all the others are temporary workers. The employer states that he has a moral responsibility to all the workers whether they are registered or not. His further reasoning is that the rest of the workers (non registered ) do actually receive the PF and ESIS component but in the form of wages ... Thus in the total wage for a category of worker, ceteris paribus, there is no difference whether one is registered or not. The only difference is that the registered one receives his wage broken up into three parts and the non registered gets a whole wage.

However, the fact is that the non registered workers do not have security of work in the eyes of law and also they do not get medical benefits.

Apart from this: A Bonus of 20 % is given once a year to all workers. This is higher than the industry and Government average. On leave of service for any worker, the supplier provides a gratuity calculated at the rate of 30 days for each year in service. The industry and Government norms is the rate of 15 days for each year in service.

Advances are given when needed by the workers. On interviewing the workers this was clearly seen as a benefit. The supplier has given advances for housing, farming etc.

Several non wage benefits exist also - such as two pairs of clothes distributed each year. Eight holidays a year are paid for. All Sundays and any other leaves are without pay. The workers from far away do take up to two months of leave at a time in the year and this is without pay.

There is no discrimination against women on the matter of remuneration. They get the same as men in the same category of work. However, the category of work in which women dominate is paid less than the minimum prescribed by the government.

**Agreements reached:**

1. While maintaining that it would be ideal to have all workers registered, the buyer accepts that this is not a practical proposition for the time being. As an intermediary measure all non registered workers are to get medical coverage to the level of Rs. 600 p/a for themselves and/or their families.

This will be implemented as soon as the buyer orders goods which generate an additional Fair Trade premium of Rs. 20,000.

The supplier will make arrangements with a doctor and keep a separate record for the medical expenses.

2. As soon as Fair Trade orders make up for 50% of the suppliers total output, all workers will be registered.

**4. Wages/Fair Return (from the assessment report):**

Payments are made on the 7th and 22nd of every month. All the workers except the polishers are paid a daily rate. The polishers are paid piece wages on a contract system.

The supplier rates are higher than the minimum prescribed by the Government for the utensil industry in the region. The exceptions are in cleaning, finishing and helper categories. These also do not meet the desired minimum of 1,500 per month. It is also important to point out here that the cleaning and finishing sections are dominated by women.

There does not appear to be a substantial difference in wage purely on the basis of registration. The difference seems more due to the difference in length of service.

**Agreements reached:**

1. All workers, including those of the cleaners, finishers and helpers have to be brought up to the minimum wages set by the Government.

All Fair Trade premiums not used for dealing with issues outlined above (or small initial sums which are not enough to start either of measures described), will go into a (separate) account for a bonus fund. This fund will initially and with priority be used to supplement the supplier's own efforts to bring the wages of all workers into line with government minimum wages (including the wages of cleaners, helpers, finishers). It will also be used to cover extraordinary medical expenditures for the workers.

Should the money in the separate account accumulate to a bonus of more than 25% of the ordinary pay (after having paid for all other regulations listed above), the supplier and the buyer will renegotiate either the amount of the Fair Trade premium, or will agree on additional schemes.

### **5. Right to Unionize/Right to Collective Bargaining:**

From the assessment report: The managers are responsible for the problems of the workers. Generally, they solve these problems at their level itself. However, there are no official meetings and no record of problems identified/ resolved.

Once again this issue highlights the limitations of what an (isolated) agreement like the one described above can achieve. Fair Trade cannot make up for the (lack) of a union, it can only uphold the right to form a union. Therefore the partnership agreement mentioned before contains specific mentions of the relevant ILO conventions.

The last example is also the most recent one (spring 1999), and one which introduces a new dimension in Fair Trade. Again in an attempt to demonstrate that child labour is best tackled by going to the cause of it, the Fair Trade e.V. cooperated with an Indian NGO to set up Fair Trade in matches (predominantly produced in small cottage industry type settings). The new element in this project was that apart from two initial overseas' orders one Indian buyer became a partner. Fair Trade South-South. Following is an article written for the Bridges-Magazine of the Geneva based International Centre for Sustainable Trade and Development (ICSTD; see also their web-page):

### **Fair Trade Arranges a Match in India**

**(Calcutta/Wuppertal) On March 17th an unusual project was announced at a press conference in Calcutta's Park Hotel: For the first time a product produced in line with Fair Trade criteria, i.e. ensuring an adequate income for the producers as well as incorporating (where feasible) minimum ILO labour standards, was not only sourced in India, but also marketed in the same country, complete with a Fair Trade quality assurance for the customers. Fair Trade South-South, instead of the traditional South-North.**

The concept of Fair Trade has been around, mostly in Europe, for some 30 years. Originally retailing through special 'world shops', and more recently via Fair Trade labels in supermarkets and other outlets, too, consumers in the so called 'industrialized countries' have had access to Fairly Traded commodities like coffee, tea, spices, etc., handicrafts like silk scarves, wooden toys and other utility and decorative items for quite some time. And lately more industrially produced products like stainless steel and footballs have become available under Fair Trade criteria, too. So by comparison the latest addition to the list of Fairly Traded products seems to be rather modest: safety matches, produced in Southern India, in a region called Sivakasi.

For many labour rights activist, Sivakasi is synonymous with child labour, as is indeed the match making industry there. For unlike in Europe, matches in India are mostly produced by hand: outer box, inner box, arranging of the splints in frames for dipping into paraffin and then the head solution, and finally box filling are jobs which are badly paid, piece rate, often subcontracted to workers' homes, and thus often including child labour. E.g. for counting 50 sticks each into 100 boxes, payment varies between 1-2 Rs (approx. 0,04-0,02 US\$). Or: to paste 144 inner box (using veneer wood and paper) the pay is about 0,13 US\$.

So when the Fair Trade e.V., a German based Non Governmental Association specializing in helping disadvantaged producers gain market access under Fair Trade conditions, decided to attempt and demonstrate that things could be different in match making, too, it once again used the method already tried in footballs and other projects which it got off the ground:

Establish not just the government minimum wage, but find out how much an average family actually needs in order to pay for food, shelter, clothing, educational and medical needs, and have some money left over for emergencies. Calculate how the piece rates would need to be adapted (about 50% over previous averages for contract work). And then try to find a producer unit willing to enter into a partnership which allows to implement the necessary changes like higher wages and outside monitoring, which are the basis for finding customers willing to pay, if necessary, a higher price in order to make up for the increase in labour costs.

And as in other projects, most of the field work, e.g. in the case of matches the identification of an NGO which actually had already established three match making units as income generating projects in the Sivakasi area, was done by a local consultant. And, also not untypically, the biggest problem was to ensure quality improvement and maintenance.

What was unusual, however, was that after the first two orders (totalling 650.000 boxes) had gone to two customers in Germany (an Alternative Trade Organization (ATO), and a Non Governmental Organization involved in programmes to combat child labour), the third customer willing to switch to this Fair Trade source of matches was an Indian hotel group: The Apeejay Surrendra group runs three five star hotels, with the flagship being the Park Hotel in Calcutta's Park Street. As with most upper quality hotels in India, guests will find match boxes in their rooms and on the tables in the restaurants, match boxes, which without fail will have been produced in Sivakasi. The Park took the plunge and accepted a new, untried supplier, accepted the Fair Trade price for the matches, supplied its artwork (which incorporates the 'Fair Trade Quality' signet and the slogan 'No child labour. Sustainable Development'), and ordered a year's supply. Until the day of the press conference, technical problems kept all involved on tenterhooks, the last obstacle being that the truck carrying the first consignment was held up at an intra-state border because a missing document. So in order to have some boxes for the press conference at least, a staff member of the Fair Trade shop Calcutta (Sasha) travelled 700 km to where the truck was held up and got a few 100 boxes released.

Enough, in any case, for the owner of the Park hotel, the representative of the Indian Fair Trade federation, and the representative of the German Fair Trade e.V., to not only explain the scheme to some 30 journalists, but at the end to demonstrate that the Fair Trade match strikes as well as its (conventional) predecessor: Fair Trade works, within India, too. And guests at the Park hotels will be told about it in the welcoming folders in their rooms.

But once again it is important to emphasize that Fair Trade is not and cannot be the answer to all problems, it cannot be easily duplicated and multiplied in any given condition, but it can provide some very concrete examples of possible ways forward. Nonetheless a lot of questions remain, not just for Fair Trade, but for social standard issues in general.

## 7. Open Questions:

Some obvious questions for the present and future are:

- Despite the pilot scheme in matches: Does it make sense to **have one standard for North and South**?
- Can voluntary schemes like Fair Trade in balls help counteract the shifting in production to countries with lower wages (and standards), or is it just another form of **protectionism** for an industry which has no production capacity neither in the US nor Europe, and therefore has no job losses to fear?
- Fair Trade and in particular schemes like SA 8.000 can be seen as contributing to **a privatization of human rights issues**. Is this helpful in the long run? Would it not be better to lobby e.g. for an ILO managed register of all those projects which include all five minimum standards (thus providing a basis for global comparability)?
- As with the bulk of this paper, these questions are by no means exhaustive. The debate on social standards – even when including the full 50 years of ILO efforts, is after all a recent one, and in particular it is only recently that it is gaining prominence again. In a newly developing, ongoing debate like this there can be no definitive answers, neither in the shape of projects and schemes, nor in the shape of discussion papers.

## **What is WUS?**

World University Service (WUS) is an international non-governmental organisation that focuses on education, development and human rights. It is made up of a network of national Committees in 40 countries that brings together members from the academic community (with other sectors of civil society in educational programmes).

While WUS has a presence on all continents, most national committees are in the South (Africa, Asia and Latin America).

For more information please contact:

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## **Fair Trade Verein -**

Association for the Promotion of Fairness in World Trade

The Fair Trade Association was founded to promote fairness in world trade. The association wants to create perspectives and opportunities for disadvantaged producers in developing countries in a direct way by granting assistance to producers and in an indirect way by information, education and action.

World trade is characterised by considerable injustice between North and South, consumers and producers. Fair Trade is a concrete action against this injustice. The marketing of products, long-term trade relations, advice, quality assurance, various assistance and prices, which are normally high above world market prices contribute to a sustainable improvement of the working and the living conditions of the producers and their communities. Often Fair Trade is not only pioneering issues of social responsibility, but additionally contributes toward more environmental responsibility in the production process. Our consumption model is not sustainable, which is why Fair Trade wants to show through information, educational work and action programs, that a different lifestyle is possible. The partnership between consumers on the one hand and producers on the other can be an important step towards sustainable development.

The Fair Trade Association is supported by the Catholic development organisation Misereor, the developmental organisation of the Protestant Church (KED), the Christian Youth organisations aej and BDKJ and the umbrella-organisation of the world shops Weltladen-Dachverband. It is based on a two-sided idea: Educational work and concrete assistance for the partners in the South are the basis for the work of the association. But the association does not trade itself: It wants to promote justice in trade through partner advice, product development and marketing. The educational work should lead to a better acceptance and understanding of the Fair Trade concept.

The association publishes various publications on different topics (usually in German). They are either based on products (for example “rice“), on trade related questions (like the WTO) or on Fair Trade in general (for example a “who is who?“). Every two years a Fair Trade Congress, which deals with challenges for the fair trade movement, is organised by the association.

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