Malawi: Towards Living Wages in a Revitalised Tea Industry

The WDI aims to improve the quality of jobs in companies’ operations and supply chains. This case study by WDI partner Oxfam highlights a collaborative initiative to improve wages in the Malawi tea industry.
Sub-Saharan Africa and South Asia are now home to over 80% of the world’s poorest as classified by the World Bank (i.e. those living on under $1.90/day). This matters enormously to us because these regions are home to many of the world’s largest tea growing and exporting countries, so poverty is a depressing part of the current backdrop in which our industry operates... it is clear to all of us who care about this industry that tea must play its part in progress, measurably and unequivocally.

– IAN MIDGLEY
CHAIRMAN, ETHICAL TEAM PARTNERSHIP

The Workforce Disclosure Initiative (WDI) aims to maximise the role of investors to improve the quality of jobs in multinational companies’ operations and supply chains. Through the WDI, more than 100 investment institutions are requesting comparable workforce data from listed companies on an annual basis. Improved transparency will help investors gain crucial insights into how companies are managing their workforce, and how they compare with peers. The data collected will also inform investor engagement with companies to encourage better employment policies and practices. The aim is for this to contribute to the delivery of Sustainable Development Goal 8: Decent Work for all.

As part of the WDI, a series of case studies highlights the experience of workers in global supply chains, drawing attention to some of the systemic challenges to achieving decent working conditions, and pointing to examples of good practice. This case study brings to life the issues faced by workers on the Malawian tea estates that supply multinational companies, including recruitment and retention, wages, and freedom of association and collective bargaining. The WDI survey requests data from companies on these and other issues.

The case study profiles Malawi Tea 2020, an action-oriented multi-stakeholder coalition of Malawian tea producers, large international tea buyers, certification organisations, NGOs and donors. The initiative has brought together a critical mass of stakeholders in the tea value chain, which together have the power and drive to achieve a competitive and profitable Malawian tea industry where workers earn a living wage and smallholders earn a living income. A key finding of the case study is that good practice depends not only on local employers of the workforce, but also the sourcing practices of global tea brands and retailers.

This case study was written to contribute to public debate and to invite feedback on how these systemic issues across sectors and geographies can be resolved. It has been produced as part of the Workforce Disclosure Initiative, which is coordinated by ShareAction in partnership with Oxfam, SHARE and the Responsible Investment Association Australasia (RIAA). The WDI is funded by UK aid from the UK government; however the views expressed do not necessarily reflect the UK government’s official policies.
While we have significant influence in some supply chains, real progress on fair compensation can often only be made through collaboration with others – collaboration that seeks to improve wages while ensuring the market remains competitive and respects anti-trust rules.

– UNILEVER HUMAN RIGHTS REPORT

Context

Tea is the second most consumed beverage in the world (after water), with an estimated 5 million tons consumed annually. Kenya is predicted to continue to be the largest exporter of black tea over the next decade, followed by Sri Lanka, India, China, Vietnam, Indonesia, Uganda, Malawi and Tanzania. Just seven companies are estimated to be responsible for 90 per cent of the tea sold in Europe and North America: Unilever (brands include Lipton, PG Tips, Brooke Bond), Van Rees, James Finlay, Tata Tetley, Twinings, Teekanne and Ostfriesische Tee Gesellschaft.

Malawi is the third largest exporter of tea in Africa after Kenya and Uganda, and its tea features in many blends sold in European, North American, African and Middle Eastern markets. Tea is vital to Malawi’s national economy, and the third highest contributor of agricultural export earnings after sugar and tobacco. But Malawi is one of the world’s poorest countries: 71 percent of Malawians are living in extreme poverty. Half of all children lack access to adequate nutrition and life expectancy is 54 years.

Collaborating to address complex workforce issues

When a workforce issue is systemic in nature – such as low wages across an entire sector – it requires action by companies beyond just their own direct supply chain. Success factors in the case of Malawi Tea 2020 include an evidence-based understanding of the risks that undermine decent jobs for the workforce and what the root causes are. To tackle the issue effectively then requires an ongoing collaboration between a critical mass of stakeholders, which include tea producers, trade unions, international tea buyers, and NGOs. Key features include a good level of communications and trust between them, a willingness to listen to workers’ perspectives, appropriate and explicit corporate commitments, and a level of personal commitment by participants to overcome obstacles and keep driving towards solutions.
Civil society campaigns on poor conditions in the tea industry

In 2010, the main tea buying companies (including Unilever, Tata Global Beverages and Associated British Foods) were concerned about trade union and NGO campaigns focused on poor employment and living conditions of tea workers, particularly in Africa and South Asia. Companies were increasingly aware that many of their customers expect them to go beyond ‘doing no harm’, and ensure they can show positive social and environmental impact. Media exposés about the plight of workers and smallholders in the tea industry are instantly accessible to millions of consumers through social media, as demonstrated when a 2015 episode of the BBC Panorama programme focused on the poor working conditions for Assam tea workers.

The companies were puzzled by the campaigns, as their audits showed that, in general, wages exceed the legal minimum, that in-kind benefits (such as housing and free lunches) were provided, and in many cases the tea carried a certification label. The Ethical Tea Partnership (ETP) asked Oxfam to partner on some research to help its members access a more evidence-based understanding of wage issues. This research, published in 2013, found that wages for tea pickers in two of the three countries studied – although legal – left workers and their households below the extreme international poverty line of $1.25 per person per day. In addition, there was no difference in wages received by workers whether the tea was certified or not: across each sector studied, wages were set at the same level across the entire sector, whether set unilaterally by the industry (as in Malawi) or negotiated with a union (as in Assam, India).

The findings of the 2013 study caused great concern as companies placed a heavy reliance on certification processes for the tea they bought, together with audits that assess compliance with their own codes of conduct. Auditors typically assess wages against the applicable legal minimum wage. The findings were equally concerning for the certification organisations because it meant that their assurance processes were insufficient to prevent in-work poverty. As part of their response to the findings, the certification organisations jointly commissioned, together with IDH the Sustainable Trade Initiative, ETP and Oxfam, a study to establish what a living wage benchmark should be.

In Autumn 2013, an independent study was undertaken in Malawi by Richard and Martha Anker, who are recognised experts in this field. This established that a living wage for Malawi tea was $3.30 a day. The cash wages of Malawi tea workers at the time amounted to just 37 per cent of this, with in-kind benefits bringing the value up to about half the benchmark.

“The living wage is no luxury – it only includes milk for young children, cheap fish and vegetables, no meat, poultry or eggs, and allows for a brick house with beds but no electricity, running water or toilet.”

- RACHEL WILSHAW
ETHICAL TRADE MANAGER, OXFAM GB
Malawi Tea 2020 Revitalization Programme

As a result of the 2013 report a collective commitment was made to tackle the root causes of low wages and created the Malawi Tea 2020 Revitalization Programme. Their goal was to achieve a competitive and profitable tea industry by 2020 – one in which workers earn a living wage and smallholders a living income.

An early priority of the coalition was to understand what was holding back the Malawi tea sector from being profitable and investing in itself, and so able to support better livelihoods. A study of vulnerabilities and risks in the industry was undertaken, which highlighted in particular ageing tea bushes, low prices for Malawi teas, changing and uncertain weather patterns, costly logistics and infrastructure, and difficult access to finance. Workforce-related vulnerabilities included unsustainably low wages, a fast-growing population, food insecurity, poor health, conflict over land, and harsh treatment by ‘capitaos’ (supervisors) including sexual harassment/exploitation and inadequate channels to raise issues.

A second study identified skill shortages as a key issue, linked to high rates of illiteracy (especially amongst women), and a need for working conditions and terms of employment to be improved, with longer contracts, more and better training and better provision of equipment and clothing.

Malawi Tea 2020 commitments

The Malawi Tea 2020 programme agreed to work towards the following objectives by 2020:

1. A more competitive profitable industry that is paying a living wage to workers
2. A healthier and more productive workforce with greater opportunities for women
3. An improved smallholder sector where farmers earn a living income
4. An improved wage setting process with greater worker representation
5. More sustainable energy use and an improved environment in tea growing areas.

Since then, skills training and savings schemes have increased the incomes and resilience of both women and men. For the more than 40,000 workers on plantations, wages have been raised several times and the gap between them and the living wage benchmark has closed by 20 per cent. The nutritional value of the midday meal has improved, and wages of workers on tea estates are now higher than in the tobacco and sugar sectors. These measures have made employment more attractive to the workforce. However, workers must pay tax once they earn $1.60 in a day – well below a living wage – which negatively impacts workers and employers alike.

“We have seen a noteworthy increase in daily wages, which will make a significant difference in the lives of the tea workers in Malawi. To afford a decent standard of living for a tea worker and family, wages will need to increase further but a significant step forward has been made.”

- Richard and Martha Anker
Living Wage Experts
Meeting the challenge of paying a living wage

In Malawi, wages have always been determined by the industry body, the Tea Association of Malawi (TAML) with no wage negotiation. Every tea picker on every estate was on the same pay and received the same meals, even down to how many spoons of sugar were allowed in their one cup of tea every morning.

Following the signing of the Malawi Tea 2020 agreement in March 2016, wages were raised unilaterally by producers. A programme of capacity building for union members was also established. At the same time the first Collective Bargaining Agreement in 80 years of tea growing in Malawi was signed between TAML and the Plantation and Agricultural Workers Union (PAWU). By October 2016, the gap between existing wages and the living wage benchmark had reduced by some 20 per cent.

Living wage experts Richard and Martha Anker said in October 2016: “We have seen a noteworthy increase in daily wages, which will make a significant difference in the lives of the tea workers in Malawi. To afford a decent standard of living for a tea worker and family, wages will need to increase further but a significant step forward has been made.”

Case study: Donatha Muthipa

Donatha Muthipa works at a Malawi tea estate with her husband. “Our wages were very pathetic and despite combining them, the money wouldn’t last until the next pay day,” she explains. “Our wages combined were about MK37 000 [$45] and wasn’t enough for rent, food, clothing and basic school needs for our children. The increase [in wage] from K950/day to MK1178/day means our incomes have slightly increased and this is good for our family,” she says. The wage increases were part of a more positive outlook for women in the tea industry: Donatha also added that more women are being recruited into better positions now, whereas before they were restricted to tea plucking and being office assistants.
The Malawi [Tea] 2020 program has set out a clear and ambitious road map for the creation of a thriving and sustainable tea industry, anchored firmly in commercial reality. This is not an easy task, and one which sometimes unearths difficult and sensitive issues. EPM has taken a leading role in the process, heading up the committees on gender, energy and industrial relations.

Sustainable procurement practices: the role of buyers

Whilst wages increased by 20 per cent in real terms in the year to October 2016, the following year did not see a further rise in real terms, as the nominal 5.2 per cent increase in 2017 was eroded by inflation. The increase in wage costs to date have been borne solely by the tea producers. In 2017 it was agreed that additional measures would be needed if further progress is to be made. Malawi Tea 2020 coalition members recognised from the outset that sourcing companies have a clear responsibility: when signing the Memorandum of Understanding (MOU), tea buyers committed themselves to “implement business practices that support the economic ability of employers to pay a living wage.”

But the question was how to do this in a fair and transparent way, which would be agreed by all stakeholders? At the end of 2016, Oxfam and IDH commissioned consultants to develop an innovative mechanism that quantifies the contribution made by sourcing companies as well as producers to the additional costs of paying a living wage to tea workers. Using data supplied by the tea buyers and growers through extensive stakeholder engagement, a ‘price discovery model’ was created, which has no known precedent anywhere in tea, or indeed other agriculture value chains (see information box).

Prolonged discussions have been underway since Autumn 2017 on how best to distribute the additional funds and ensure they verifiably get through to workers. Even then, it will take time for additional value to work its way through the chain and reach workers.

Malawi Tea 2020 price discovery model

The model has several advantages: [1] It is a voluntary measure and does not involve divulging commercial data to competitors, so it avoids companies falling foul of competition law. [2] It can be used with or without product certification. [3] The tool is adjustable to cover direct buyer-seller transactions or spot purchases via the auction.24
The role for investors

Institutional investors can play a key role in helping to improve jobs in listed companies’ supply chains. They can ask companies in their portfolio to demonstrate that they have identified the greatest risks to their supply chain workforce as well as to the business, and how these are incorporated into their sourcing strategy. Investors can also encourage companies to carry out robust due diligence on their supply chain to ensure workers’ rights are respected, including asking companies about the actions they are taking to improve jobs in their supply chain and the consequences of these actions.

Institutional investors typically hold shares in many companies within a given sector. They are therefore well placed to encourage the kind of pre-competitive collaboration that, through Malawi Tea 2020, is leading to improvements for workers in the local tea sector.

Supply chains are not all about managing workforce risks. There are big opportunities too. As shown by Malawi Tea 2020, these include improving skills and attracting workers, upgrading the security of supply and product quality, allowing an industry invest in its future, and ultimately contributing to achieving the Sustainable Development Goals.

This case study demonstrates that, even in the challenging context of one of the poorest countries in the world, positive change can happen. Investors can play a key role in promoting this kind of progress in a wide range of geographies and sectors.

“We [Twinings] are committed to working with others to create a competitive Malawian tea industry where workers earn a living wage and smallholder farmers are thriving.”

— TWININGS SOCIAL IMPACT REPORT 2016
This ambitious programme [Malawi Tea 2020 project] is delivering real wage increases for plantation workers whilst encouraging the development of best practice across all sectors of the supply chain.

– SEBASTIAN HOBHOUSE
DIRECTOR, LUJERI TEA ESTATES LTD.
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About ShareAction and the Workforce Disclosure Initiative (WDI)

ShareAction (Fairshare Educational Foundation) is a registered charity that promotes responsible investment practices by pension providers and fund managers. ShareAction believes that responsible investment helps to safeguard investments as well as securing environmental and social benefits. ShareAction is coordinating the Workforce Disclosure Initiative (WDI) in partnership with Oxfam and other aligned organisations, including SHARE and the Responsible Investment Association Australasia (RIAA). As of August 2018 the WDI survey is backed by 110 institutional investors representing assets under management of more than $13 trillion.

https://shareaction.org/wdi

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Oxfam is an international confederation of 20 organisations networked together in more than 90 countries, as part of a global movement for change, to build a future free from the injustice of poverty. Oxfam is a global voice on poverty & inequality, women’s rights, humanitarian issues and climate change and has substantial experience of engaging with multinational companies to improve their employment policies and practices, as well as their supply chain transparency.

https://oxfam.org.uk