Terms of Reference: Exploring the individual economic benefits of Fairtrade Premium - Phase 2

Background

The Fairtrade Foundation (FTF) is a registered charity in the United Kingdom and a member of Fairtrade International, the umbrella organization for Fairtrade globally, which brings together 27 national Fairtrade organisations and three continental Producer Networks in Africa (FTA), Latin America (CLAC) and Asia (NAPP). Fairtrade changes the way trade works through better prices, decent working conditions and a fairer deal for farmers and workers in low-income countries.

A decent standard of living – one that covers basic needs and supports an existence worthy of human dignity – is a human right. But small-scale farmers and agricultural workers – despite growing the crops that drive supply chains worth billions on the global market – too often live in poverty.

Fairtrade are committed to working towards living incomes and living wages to contribute to a decent living for farmers and workers. Within both living wage and living income strategies, the affordability of the basic needs of households is imperative. A living income is defined as sufficient income to afford a decent standard of living for all household members – including a nutritious diet, clean water, decent housing, education, health care and other essential needs, plus a little extra for emergencies and savings – once farm costs are covered. A living wage is a wage that covers the basic needs of workers and their families, including food, clothing, shelter, healthcare, education, transport to work and a little extra for unforeseen circumstances. However, decent living conditions are not automatically guaranteed by living incomes and living wages, as in many countries access to decent services such as education and health care is not ensured.

Research Scope

The Fairtrade Premium is a critical component of Fairtrade's Living Wage and Living Income strategies and strategic use of the Premium by producer organisations enables farmers and workers to address contextual challenges they face regarding their standards of living.

In 2022, Fairtrade Foundation undertook a research study to begin to better understand the monetary benefit of the Fairtrade Premium for individual workers, particularly the proportion not used as cash payments. It explored how Fairtrade Premium can play a crucial role in reducing the pressure on wages by supporting the basic needs that are the components in a living wage (food, clothing, shelter, healthcare, education, transport to work and a little extra for unforeseen circumstances) and how the Fairtrade Premium can create the enabling environment for living wages to make living wages useable and effective in improving livelihoods.

This study provided valuable first insights into the role the Fairtrade Premium can play to support economic benefits and basic needs. However, it is an indicative study in a selection of HLOs that is a starting point of addressing this topic at scale, across prouder set-ups, geographies and commodities. Fairtrade are now keen to expand this research to include smallholder banana producers and flower farm workers to better understand the individual economic benefits of the Fairtrade Premium that contribute towards a decent standard of living within supply chains. This will continue to build the body of evidence for the role of

Premium outside of the cash-out component while expanding the research to other geographies and producer set-ups relevant to key Fairtrade market needs – in Colombia and Dominican Republic for bananas, and Kenya for flowers.

Another key consideration within the context of living wage and living income discussions is the current lack of consideration of worker voice. For example, the current salary data collection is primarily based on input from employers and does not consider how workers view the value of other benefits. Therefore, another key focus of this study is to increase direct views on the components of the Premium that generate individual economic benefits and the qualitative value of this, as well as an understanding of how gender impacts workers' experiences of the Fairtrade Premium in the flower sector.

Objectives

The main aims of this research are:

- **To create a robust statistical model that can be applied to existing data sets collected by Fairtrade to act as a proxy for calculating individual economic benefits at scale. This will be validated through primary research.**
- **To gain insights from farmers and workers on their perceptions of cash and non-cash elements of the Premium.**

Specific objectives include:

- Develop a quantifiable approach to articulate the individual economic benefit of Premium not used as direct cash payments (connected to the essential needs that are included in Living Income and Living Wage calculations)
- Explore worker perspectives on the mandatory cash payout from Fairtrade Premium
- Explore farmer and worker perspectives of the importance of benefits through the Premium and/or views on preference and practicalities of these over cash payments
- In-depth exploration of worker perspectives in Kenya flower Hired Labour Organizations through gender analysis, and engagement with trade unions in Colombia to enhance findings on Premium and wages
- Demonstrate value of Premium within living wage and living income discussions as a short-term strategy in addressing gaps and building resilience in the communities and sectors

Research questions

Overarching question: What are the individual economic benefits of Fairtrade Premium, and how can these benefits reduce pressure on incomes and wages to support basic needs, decent living conditions and sustainable livelihoods?

- How can individual benefits from Fairtrade Premium projects be quantified?
- How do these benefits support essential needs that are factored into the components that form a living wage?
- To what extent do these benefits buffer the effects of the high inflation?
- Are there economies of scale for collective investment in Premium projects that mean workers benefit more than they would if paying for services individually?

- What are the perceptions of workers regarding preferences between cash and non-cash benefits? What are their perceptions on the role of Fairtrade Premium in supporting individual benefits? How do workers view the role of the Fairtrade Premium in addressing their needs in the short term (e.g. cash availability, food needs) and long term (e.g. housing, income diversification)?

Geographical scope

At the end of 2021 there were 112 smallholder producer organisations (SPOs) and 145 banana hired labour organizations (HLOs) and 76 flowers hired labour organisations holding a Fairtrade certification across Latin America and the Caribbean and Africa. Based on relevant market supply chains in the UK, the primary countries of interest for this research are Colombia (7 SPOs, 53 HLOs) and Dominican Republic (24 SPOs, 42 HLOs) and for bananas and Kenya for flowers (48 HLOs). A more specific selection will be done on completion of the desk-based research and in consultation with Fairtrade members and stakeholders. This will involve considerations with regards to producer that sell into specific value chains.

Research Phases and Deliverables

The project will fall into four main stages:

- **Stage 1: Inception and modelling –June-July**
  Working with existing data sets available in Fairtrade (particularly FairInsight), the researchers will develop a model for calculating the individual economic benefits that can be applied across regions. This model will work to factor in various assumptions and adjustments for regional cost variations. The research team may wish to explore cost/benefit analysis of Premium investments or social return of investment methodologies to determine this model, to be discussed with Fairtrade.
  Deliverable: robust methodology/model for quantifying individual benefits of the Premium (by region); data validation plan by country
- **Stage 2: Validation data collection – August - September**
  This stage will involve farm visits to gather additional data to test the model's validity and correct any assumptions. This is likely to take the form of surveys and focus group discussions, as well as consultation with trade unions and in-depth gender analysis with flower workers in Kenya.
  Deliverable: Primary data collection in 3 countries that validates model, approximately 3-4 weeks of farm visits
- **Stage 3: Analysis and final report – September - December**
  The research team will triangulate all data into a final report which will provide the completed and verified model, as well as analysis of any secondary Fairtrade datasets
  Deliverable: Final report, model including assumptions and supporting data, clean datasets from primary data collection

Responsibilities of Research Team and Fairtrade

Stage of Research	Responsibilities- Research Team	Responsibilities- Fairtrade
Stage 1 – Inception and Modelling	Developing inception report with detailed research and project management plan Statistical model to determine individual benefits of FT Premium	Sharing datasets and background information on Fairtrade Premium to develop model Feedback on inception report and modelling

Stage 2 – Validation data collection	Development of validation data collection tools Data collection visits on banana and flower farms and with trade union representatives (Colombia)	Facilitating relationships and travel plans with HLOs Review and feedback for validation data collection tools and plans
Stage 3 – Analysis and Final Report	Analysis of validation data and secondary datasets Compiling clean data sets and models to share with Fairtrade Final report	Reviewing and feedback for draft reports Providing additional secondary Fairtrade datasets for analysis

Research Team Selection Criteria

The project will be awarded to an organisation which can propose a research team meeting the following criteria:

Essential:

• Fluency in Spanish and English, both written and spoken, are essential within the team. Competency in Swahili will be considered a significant asset.
• Existing research experience, research networks and partnerships in East Africa (mainly Kenya) and Latin America (mainly Colombia and Dominican Republic). Ideally, the research institution should have networks of local researchers in these regions.
• Proven experience of conducting impact assessments, cost benefit analysis or other types of research preferably related to production of bananas and flowers in low- and middle-income countries
• Proven research experience within relevant thematic contexts such as living wages, hired labour situations, labour and worker rights; or comparable
• Understanding of and experience using feminist and anti-racist research methods
• Demonstrable policy on research ethics
• Ability to present quantitative and qualitative data concisely and clearly for public, commercial, and technical audiences
• Understanding of Fairtrade principles, key tools and approaches, including the Fairtrade theory of Change, pricing & premium regulations, standards and producer support, and Fairtrade structures

Desirable:

• Prior experience working with agricultural workers and farmers in East Africa and Latin American regions are highly advantageous

Project Budget

The total budget allocated for this project is £55,000-£65,000.

Application Process

If you are interested in being considered for this tender, please send an Expression of Interest (EoI) (5-10 pages max) to the email-address below, detailing (1) how your research team meets the selection criteria (including links to past relevant work) (2) describing the approach you would take to the research, (3) a

project timeline, and (4) a budget. Please include your team's CVs as an appendix (not counted towards the page limit).

Call published: **15 May 2023**

Tender Deadline: **30 May 2023**

We aim to have this research started by **June 2023.** All deliverables for the project should be finalized by **December 2023.**

The contact person at Fairtrade for this project is Dr. Carley-Jane Stanton, Senior MEL Manager, Fairtrade Foundation, carley-jane.stanton@fairtrade.org.uk.