



# **BCI scoping research on labour and social issues in global cotton cultivation**

*Final report to BCI Steering Committee*

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## **Glossary**

ABRAPA	Brazilian Association of Cotton Producers
ADB	Asian Development Bank
AFZ	African Franc (CFA) Zone
APROCA	African Cotton Producers Association
CCI	Cotton Corporation of India
CFA	West African Franc
CFC	Common Fund for Commodities
CMDT	Malian Cotton Company
CMiA	Cotton Made in Africa
CMT	Cut, Make & Trim (textiles processing)
CONTAG	National Rural Workers' Confederation (Brazil)
DEG	German Development Finance Institution
ECLT	Eliminate Child Labour From Tobacco Foundation
FAO	Food and Agriculture Organization of the United Nations
FLA	Fair Labor Association (USA)
FLO	Fairtrade Labelling Organizations International
FUPRO-B	Beninese cotton producers' association
FWF	Fair Wear Foundation (Netherlands)
SYCOV	Malian cotton and food crop producers' association
IAS	Brazilian Social Cotton Institute ( <i>Instituto Algodão Social</i> )
ICI	International Cocoa Initiative
IFAT	International Fair Trade Association
IFOAM	International Federation of Organic Agriculture Movements
IISD	International Institute for Sustainable Development
ILO	International Labour Organisation (UN)
ILO-IPEC	ILO International Programme on the Elimination of Child Labour
IRFT	International Resources for Fairer Trade (India)
ITF	International Task Force on Commodity Risk Management in Developing Countries
IUF	International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations
MSI	Multi-Stakeholder Initiative
MTE	Brazilian Labour Inspectorate
PILDAT	Pakistan Institute of Legislative Development and Transparency
PILER	Pakistan Institute of Labour Education and Research
RSPO	Roundtable on Sustainable Palm Oil
SAI	Social Accountability International
SAN	Sustainable Agriculture Network
SASA	Social Accountability in Sustainable Agriculture
SOFITEX	Burkinabè Cotton Company
SONAPRA	Beninese Cotton Company
TCP	Trading Corporation of Pakistan
UNICEF	United Nations Children's Fund
UNPCB	Burkinabè cotton producers' association

## ***Executive summary***

This study was commissioned by the Better Cotton Initiative (BCI) to assist in understanding its role in addressing the social and labour impacts in cotton cultivation at farm-level, and in determining the scope of future BCI work. It focuses on three regions – West Africa, South Asia (India and Pakistan) and Brazil.

Cotton is grown in a variety of circumstances and in a variety of regions, whose single common characteristic is a climate conducive to cotton cultivation. Within the regions studied here, there is a breadth of diversity in forms and scale of cultivation: these range from the large-scale cotton farms of Brazil's Mato Grosso region, to family-based smallholdings in South Asia and West Africa. Moreover, within each region, there are notable differences in scale and form of cultivation. There remain a substantial number of smallholders growing in North East Brazil, for instance, while farms and smallholdings in West Africa and South Asia vary in size, and may engage additional non-family labour during key stages of the cultivation cycle, such as harvesting.

This diversity in forms of production entails a broad frame of research, which must be able to capture impacts on livelihoods of people who occupy differing socio-economic positions: in the simplest formulation, these are both smallholder producers – such as in West Africa and South Asia – as well workers employed on larger farms – as in the case of Brazil. Accordingly, where *workers* are concerned, it is proposed that the appropriate framework for assessing the impacts on their livelihoods is to look at *labour* standards. Conversely, when looking at smallholder farmers in a developing country context, many determinants of livelihoods relate to broader *socio-economic* concerns – access to markets, finance and inputs, as well as the ability to organise to promote collective interests. For this reason, the scoping study refers consistently to both ‘social’ *and* ‘labour’ impacts.

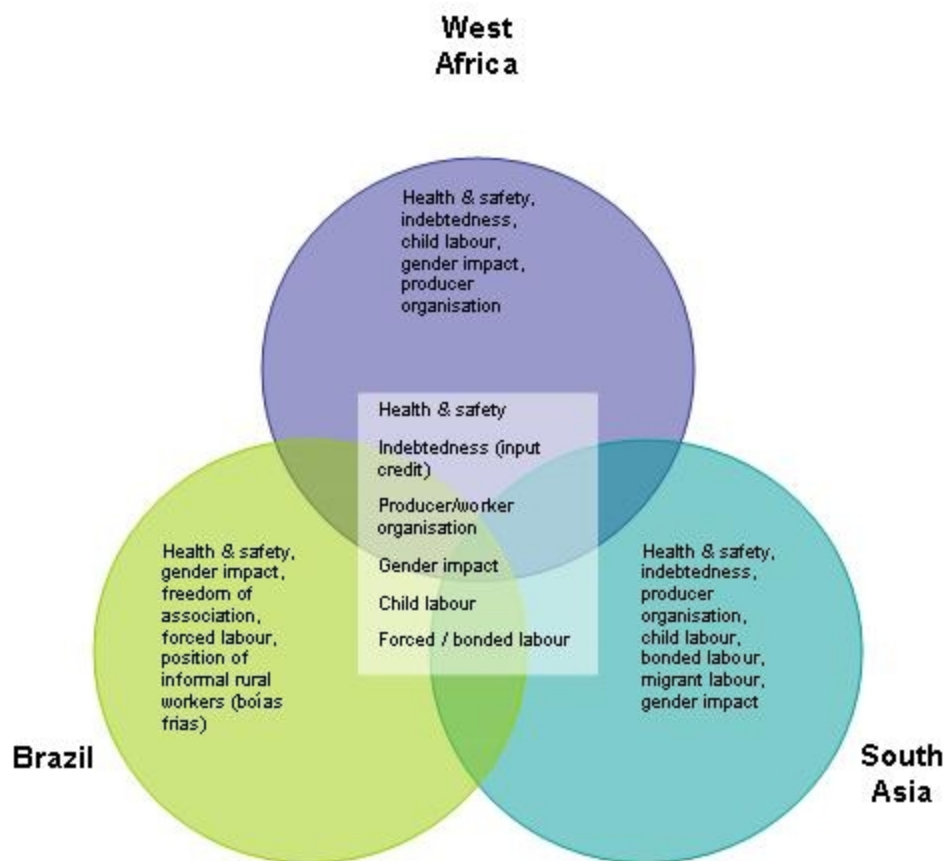
However, this study recognised that there is not a clear regional or categorical distinction between 'workers' and 'producers'. This research looks at the livelihoods of a range of people engaged in cotton cultivation who occupy different places along a continuum which reflects the scale and circumstances of production. This continuum begins with the large-scale producer, who is an employer of hired labour; continues through more established forms of smallholding, which may engage formal or informal labour at parts of the cultivation cycle; to the forms of 'self-employment' characterising smaller-scale producers; then includes tenant farmers; passes to formal employees on larger farms; and then moves toward more informal forms of employment – casual, seasonal, itinerant and, finally, family labour. Moreover, it is recognised that in some contexts ostensibly 'self-employed' smallholders may themselves engage external labour inputs.

Using this broadened frame of analysis, the study suggests that there are a series of challenges to the social sustainability of cotton cultivation which are both serious and widespread enough to constitute ‘significant issues’ under the BCI brief. These are detailed here and summarised in the diagram below:

- **Health and safety:** the key risks are that workers – family or hired, depending on regional context – are exposed to harmful toxins, primarily because they are not provided with – or do not wear – adequate personal protective equipment (PPE) while spraying chemical pesticides and herbicides. Information and training is a key to achieving change in practices and methods – particularly on appropriate, moderate and efficient use of inputs; provision and use of personal protective equipment (although it is recognised that in some hot and humid climates, it may be unfeasible to expect workers to wear PPE, which puts greater onus on input use reduction)
- **Credit and debt relating to input finance:** farmers become unable to repay their debts, on grounds of high input prices, crop failure, delayed or no payment from purchaser, unaffordable rates of interest or because increased use of inputs results in resistance, requiring additional applications and hence increased input debt: this situation is exacerbated by input misuse, itself the result of an information lack
- **Worker and producer organisation:** in the West African and South Asian contexts, the issue is less a lack of freedom to organise and more absence of resources; development of producer organisation can aid in addressing other social impacts – for instance, by establishing producer credit unions. In Brazil, the key challenge is that many workers are irregular (ie unregistered) and therefore fall outside union structures – and do not benefit from either statutory or collectively-agreed protections
- **Gender impact:** women and girls in West Africa and South Asia provide substantial labour input to most aspects of cotton cultivation cycle, frequently as unpaid ‘family labour’ or low-paid day-labourers and commonly performing some of the most arduous tasks. Equally, women face significant difficulties in gaining access to input credit facilities, due principally to men’s ownership of collateral assets
- **Child labour:** in West Africa and South Asia, children contribute labour to cotton growing, primarily in cotton picking. Depending on the age of the child and the nature of the activity – particularly whether it affects the child’s health and schooling – this may not be acceptable under international standards (ILO core conventions).
- **Forced labour / labour coercion:** this is primarily a concern in cotton plantations in Brazil, and – in the form of debt bondage – in Pakistan (and, to a lesser extent, India)

However, aside from health and safety impacts, few of these issues can meaningfully be described as properly ‘global’, as there is a substantial variation between different growing structures in different jurisdictions. Plantation workers in Brazil, while facing significant challenges in realising their employment rights under labour law, are more likely to be employed under paid, contractual terms, even if unregistered informal labour is reportedly common in the Brazilian cotton sector. In these circumstances, an approach based on supply chain labour standards management in other sectors – or further downstream in the textiles sector – is appropriate and useful. Smallholders in West Africa and South Asia, however, commonly use family – and other forms of informal labour – in order to perform the majority of tasks in the cotton cultivation cycle. Where work is undertaken informally in the context of family smallholdings, experience of various projects and initiatives suggests that a different approach – based on needs assessment and capacity-building – is both effective and necessary.

## Summary of key social & labour impacts of cotton cultivation



For this reason, the report outlines a potential broad social definition of Better Cotton, which encompasses the aspirations of the BCI, but which enables the capture of important region-specific issues, which would in principle entail (identified in order of prevalence):

- The implementation of a series of better management practices on worker/farmer health and safety – PPE, understanding of appropriate input use, provision of clean drinking water and washing water
- A system change in the structure and use of inputs – and therefore input credit – in West Africa and South Asia, aiming to reduce producer reliance and indebtedness
- Fostering stronger forms of producer organisation in South Asia (in particular) and West Africa, and rural worker organisation in Brazil

- Enabling women to determine their own participation in cotton cultivation – as farmers and paid workers – with equal access to credit and representation
- Children working only within the ILO-defined strictures of acceptable ‘light work’, over the nationally mandated statutory minimum age, where this work would not be to their physical or education detriment
- The eradication of all forms of forced or bonded labour in cotton produced under BC

The paper recommends devolving concerted action and implementation to sub-regional ‘Social Process’ groups, composed of local farmer/worker and employer representatives (depending on territory), alongside other social and labour experts. Social Process groups would be analogous to environmental Technical Working Groups. The Social Process groups would pursue the key issues relevant to the sub-region, as highlighted in this report but also, and vitally, as perceived by producers and workers in those regions. It is suggested that, only by working from the ground up, will there be created sufficient cooperation and understanding of the issues to begin to effect change.

The paper then considers the meaningfulness of ‘achieving measurable change’ in the context of a hypothetical standard – the Better Cotton definition. It suggests that certain key social impacts in conventional cotton farming – such as indebtedness and weak producer organisation – are the result of lack: of information, of capacity, and of voice. As such, they are not amenable to the application of a standard without at the same time there being assistance and information provided to support the change which is envisaged under the Better Cotton definition. In the most extreme example, where BC becomes an ‘entry-level’ standard and no such support is provided, it could threaten to exclude these most vulnerable producers from international market access, which is itself a key to achieving the improvements in livelihoods characterised by a ‘social’ definition of Better Cotton. In light of this – and recognising that there are few supply chain/trading links that would provide influence for change, and that there are few economic incentives for farmers to participate – it is recommended that BCI give serious consideration to a model which focuses more on capacity building and training than on implementing a certifiable standard in the manner of other models of addressing supply chain sustainability.

This study was undertaken primarily by communication with expert parties and stakeholders worldwide, alongside desk-based research based on secondary literature. For this reason, it makes no claim to be definitive or exhaustive. In particular, there are some issues – such as the use of hired labour in small-scale cultivation, the working conditions of seasonal hired labour in otherwise family-run smallholdings, and the nature of child labour in many circumstances – which require more detailed research. It is hoped that this study will at least point to potential avenues for future work.

## ***Challenges for BCI in working on social/labour impacts***

The report suggests that the challenges for the intended BCI approach to address social/labour impacts are in the following areas:

- The application of a single Better Cotton definition to both plantation and smallholder structures: there is fundamental difference between the issues relevant to plantation workers, which are legally-defined labour issues, and those relevant to smallholder farmers – a combination of social and labour issues, with social impacts revolving around indebtedness and producer organisation held to be the priority, alongside health and safety.
- Assessment and certification under the standard: it is far from clear how assessment and inspection play a part in bringing about the change necessary to achieve more sustainable practices in the areas identified in this report; in several cases, it is precisely the lack of the producer's capacity to achieve change which has brought about the 'impact'. In this context, applying a standard – with which the producer should comply – is seemingly the contrary to what the situation demands: that the producer's capacity to achieve change is developed, in order that they can perform according to the standard expected of them.
- Potential market exclusion for smallholders unable to meet performance criteria: where Better Cotton becomes an 'entry-level' standard, failure to achieve compliance with the standard may effectively preclude international market access for the most vulnerable smallholders – namely those with the least capacity to effect change
- Supply chain agency: in the absence of trading links, or of economic/direct price incentives, the report concludes that the most effective form of BCI activity through Social Process groups is to engage with cotton producers to build their capacity to achieve the change – and move toward the targets proposed above: through provision of information, training, guidance and potentially supporting schemes such as micro-lending and other specific initiatives on the ground
- Cost allocation, incentives and resource implications: in the absence of direct financial incentives for the adoption of Better Cotton, there is a risk that the burden of any associated costs will fall disproportionately on producers, entailing a likely worsening in circumstances which characterise negative social impacts. The closest analogy to the BCI method, the Cotton Made in Africa initiative, has made a strong claim for the positive economic impact of sustainable cotton, on the logic that reduced input use and a committed long-term purchasing pattern will produce tangible economic benefit for the farmer. This rationale is not axiomatic, particularly if input cost savings need to compensate increased hired labour requirements. Moreover, many of the proposed avenues of action identified in this report have significant resource requirements: such as training and information provision, awareness-raising, micro-lending, and partnership working with other actors in technical assistance



## ***Summary of implications for BCI***

- Engage with local and international actors – particularly ILO, IUF and local producer and worker organisations: in any activity that aims to improve the livelihoods of workers and farmers, it is vital that these groups – and their interests and experiences – be represented at the core of the activity
- Implement a ‘Social Process’ for BCI – by establishing regional Social Process groups, BCI can be more effective in identifying and addressing issues relevant to the regions concerned; these groups would be established parallel to the existing TWG structures, bringing together a different constituency focused on producer/worker representatives and labour/social experts. Producer-focused Social Process groups should be established to develop a ‘needs and priorities assessment’ in order to identify *how* producers can develop more socially sustainable farming. Given that training and cooperation work will likely be the touchstone of these groups’ activities, it is suggested that evaluation of tangible change be effected through and during this capacity-building activity, rather than as a discrete ‘verification’ process. This is not only a more resource-effective approach: it is likely that those experts working with farmers will be those with the best understanding of issues and hence the most informed perspective on what change has occurred.
- Integrate key social issues into work of environmental Technical Working Groups (TWGs) – the social aspects of environmental issues (as identified during the report) should be expressly considered by the TWGs – for instance, making the links between ‘technical’ activities on inputs/water and the broader socio-economic implications of the ecology of commercial cotton-growing
- Foster supply chain governance – for instance, where possible, by developing relations with traders, as any gains made in this areas may contribute substantially to BCI’s effectiveness and well as consolidating the sphere of BCI influence
- Engagement with the financial sector – in terms of financial institutions’ interest in promoting sustainability in their investments, their ability to provide micro-finance and as an intermediary to promoting the relevance of the BCI to traders
- Assess resource implications – the scope of the feasibility of change is, in part, determined by the support that BCI is able to provide

## ***Suggested areas of further research***

- Working conditions of seasonal hired labour in otherwise family-run smallholdings (there is some degree of hired labour employed, particularly in harvesting, in both West Africa and South Asia)
- The characteristics and frequency of child labour in West Africa and South Asia
- Improved sector-specific quantitative data on the incidence of social and labour impacts in various jurisdictions
- How the work of Social Process groups might fit with existing extension/advisory services on input use and farming methods
- Which producer organisations and social/labour experts to partner with in developing regional BCI Social Process groups

## **BCI scoping research on labour/social issues in global cotton cultivation**

The sustainability of global cotton cultivation entails not only environmental but also social considerations. Accordingly, alongside its work on environmental impact, BCI is seeking to progress its work on the social impacts of cotton cultivation. The BCI strategy is to focus on key issues – in key regions – where demonstrable change can be effected. This paper has been commissioned to assist the BCI Steering Committee (SC) in determining the scope of labour/social issues to be considered for inclusion within the definition of Better Cotton. Accordingly, the principal objective of the study is to identify and analyse the key drivers of social/labour impacts in cotton cultivation.

### **The choice of regions and countries**

This initial research gives particular consideration to the social, community and labour impacts of cotton cultivation in three key cotton-producing regions: West Africa, South Asia (India and Pakistan) and Brazil.

In West Africa, Benin, Burkina Faso and Mali have been chosen as representative countries, as these three states have the greatest gross output of cotton in the region and their economies are the most heavily dependent on cotton cultivation. In addition, these countries represent well the different stages of market liberalisation and institutional arrangements in the West African cotton sector: from the quasi-monopoly situation of the parastatal CMDT in Mali, to SONAPRA in Benin – which no longer has a monopsony on the purchase of seed cotton from producers but is yet to be fully privatised – to the already (semi-) privatised SOFITEX, co-owned by the Burkinabè state, Dagrès and the producers' association, and operational in only one of the three 'cotton regions' in the country.

While the brief of the study is limited to these three BCI focus regions, and the reasons for this understood, it should be noted from the outset that cotton cultivation in Central Asia, and Uzbekistan in particular, is the scene of complex and serious breaches of good labour practice. These relate to child labour and forced labour, but also to worker health and safety and gender impact. It should be acknowledged that the political governance situation in these areas, particularly in those where there is highest risk of labour rights breaches, poses a real challenge to any attempt to address these issues. However, it is also noted that, alongside the well-documented use of child labour in hybrid cottonseed production in Andhra Pradesh, these issues – which have been the subject of scrutiny and campaigns by several NGOs and media in Europe and the US – perhaps present the most pressing risk to the organisational reputation of BCI private sector members. It is observed that this 'risk by association' exists even where, as will be explored later, there are few if any articulated links in the value chain between primary production and garment retail.

While no direct reference is made in this study to the Central Asian picture, it should be noted that many of the ‘governance chains’ in place in this region are structurally similar to those which have historically characterised cotton cultivation in francophone West Africa – monopoly of inputs (there is only one provider, the state), and monopsony of outputs (namely, there is only a single purchaser of cotton, again the state) – and hence some of the general inferences made about this model may inform subsequent thinking about Central Asia, particularly Tajikistan and Kyrgyzstan, where there is a less problematic governance climate.

## Summary of analysis by pilot region

	<b>West Africa (Benin, Burkina Faso, Mali)</b>	<b>South Asia (India, Pakistan)</b>	<b>Brazil</b>
<b>Structure – farm type, value chain governance</b>	Semi-privatised / parastatal model, vertical integration – no middlemen between producers & ginners, good degree of producer organisation, majority smallholdings	Semi-privatised with state price support, development of contract farming, weak producer organisation, majority smallholdings	Privatised (post-agrarian reforms), majority large-scale plantations, some small-scale cultivation
<b>Typical relation / form of employment</b>	Informal, mostly (extended) family labour and community exchange labour; some seasonal labour, commonly non-local with in-kind remuneration (board and lodging)	Informal, mostly (extended) family labour and community exchange labour; some seasonal labour, commonly non-local	Hired and informal (boias frias), labour contracting
<b>Key labour and social issues</b>	Health and safety, indebtedness, gender impact, lack of capacity in producer organisation, child labour	Health and safety, indebtedness/agrarian distress, child labour, bonded labour, exploitation of migrant labour, gender impact, weak producer organisation	Forced labour, wages, regular/formal employment, low levels of worker organisation, gender impact
<b>Existing initiatives in the cotton sector</b>	Cotton Made in Africa (CMiA), various fair-trade/organic initiatives (Helvetas Mali, Max Havelaar Mali)	Agrocel, Cotton From The Fields (both India), various other fair-trade and organic programmes	IAS (Social Cotton Institute) – Charter For Socially Responsible Cotton
<b>Interlocutors / potential partners</b>	Producer organisations affiliated to APROCA regional umbrella group, government, ILO (including IPEC), IUF national affiliates, Helvetas, SNV/Dutch Gov, CMiA, EU, USAID delivery providers	IRFT (India), Agrocel, ETC Organic Cotton Programme, Pakistan Institute of Labour, Education and Research, ILO (including IPEC and forced labour programmes), IUF national affiliates, government	IAS, Instituto Ethos, Social Observatory Institute, CONTAG (agricultural trade union), ILO (including forced labour programme), government

## **Part 1: Key labour and social impacts**

Within the three regions covered in this report, there exist markedly different scales of production: various forms of smallholding (in West Africa and South Asia) and plantations (in Brazil, although there remain some smallholders in the North East region). By way of example, it is notable that FLO – the international Fairtrade certification body – would in principle apply three different standards to cotton cultivation in these three regions: the smallholder code (with additional standards for seed cotton) to farmers in West Africa; the contract producer standard to cotton producers in India and Pakistan (which recognises that these smallholders do not have the collective organisational structures in place to fulfil FLO requirements on their own, and therefore calls on a third-party ‘promoting body’ to assist in this); and, in principle, a hired labour standard for plantation workers in Brazilian cotton cultivation (although FLO confirms that it does not currently allow the application of its hired labour standard to the cotton sector). The FLO example is illustrative of the degree to which the diversity between these regions implies a differentiated response from bodies with an interest in developing standards.

### **What issues are we talking about – why not simply ‘labour standards’?**

Much work on the impact of retail and commodity supply chains on developing country livelihoods has focused on ‘labour standards’. This entails assessment and corrective action with regard to a range of labour rights and expectations which have become the subject of increasing consensus among multi-stakeholder initiatives and corporate codes of conduct alike. The standards typically involve: no forced labour, no child labour, non-discrimination, freedom of association, health and safety, regular employment, working hours and overtime, prohibition of harsh treatment and the payment of a living wage.

During the research undertaken for this report, it has become evident that a ‘labour standards’ frame is simply not adequate or appropriate to capture the impacts on the lives and livelihoods of the majority of people working in the production of cotton in West Africa and South Asia. As explained below, this is primarily because many of these workers are not employees as such, but rather commonly contribute (unpaid or low-paid) labour, as part of a family or community, to the production of a commodity which is grown expressly as a cash crop. (It is nonetheless acknowledged that there is some degree of hired labour employed, particularly in harvesting, in both West Africa and South Asia, and this aspect needs further research, as there is a dearth of information on this issue.)

Because the frame of labour standards derives from the relationship – and the power relation – between employer and employee, it is difficult to make sense of many of the issues affecting farmers in these regions without expanding the scope of analysis to include a broader range of socio-economic factors, as these are the principal determinants of decent livelihoods, an interest in which, after all, has traditionally motivated the focus on labour standards in formal employment. For this reason, much of the first part of the study looks in detail at the implications of cotton ‘value chain governance’ for farmers, drawing on country-specific research presented at Annex 1.

However, it is also recognised that smallholder systems do not operate entirely outside the scope of hired labour. Given the pronounced seasonality of labour demand in cotton growing, a recurrent pattern in all of the regions covered in this report is the movement of various forms of casual labour toward the harvest: whether in Burkina Faso [Ton], India [IRFT] or Brazil [CONTAG], casual workers are drawn to cotton-picking, often paid at a piece rate or a daily wage and almost always on an informal basis which likely precludes the possibility of asserting any labour rights enshrined in national labour legislation. This work need not give rise to infringements of labour rights, but necessarily constitutes a high risk. Because of its nature, little research data of consequence is available on the conditions of seasonal hired labour in smallholder contexts; more is known about practices in Brazil. It is suggested that BCI could profitably work with producer groups, in the first instance, to find out more about this group of, potentially most vulnerable, workers.

### **‘Globally significant’ labour/social issues**

The BCI mandate is clear in establishing that it aims to identify and address a limited number of issues of global significance in the cotton sector. This mandate was derived in the first instance from a focus on the severe environmental concerns associated with cotton cultivation. However, this broad-based strategy cannot readily be applied to labour and social issues which are often local in nature and reflect the diversity of circumstances and structures of global cotton cultivation. First, while cotton cultivation remains labour-intensive and arduous work throughout the developing world, there are varying degrees of mechanisation and other labour gains. Second, the differences in scale between smallholder production in South Asia and West Africa, as opposed to plantation cultivation in Brazil, entail significant differences in the nature of labour used. Plantation workers in Brazil, while facing significant challenges in realising their employment rights under labour law, are more likely to be employed under paid, contractual terms, even if unregistered informal labour is common in the Brazilian cotton sector. In these circumstances, an approach based on supply chain labour standards management in other sectors – or further downstream in the textiles sector – are appropriate and useful.

Smallholders in West Africa and South Asia, however, commonly use family – and other forms of informal labour – in order to perform the majority of tasks in the cotton cultivation cycle. As indicated below, where work is undertaken informally in the context of family smallholdings, experience of various projects and initiatives has found that there are a number of reasons to believe that a different approach is necessary. Moreover, unlike contracted plantation labour which is determined by the application of the rule of law, labour practices in agricultural smallholdings are primarily determined by broader socio-economic concerns – unacceptable labour practices are to some degree a symptom of rural poverty, and this latter fact is the underlying cause of the former. However, it is also recognised that poor labour practices entrench and perpetuate circumstances of rural poverty, and hence this paper adopts the argument that ‘Decent Work’ – enabling people to work themselves out of poverty in decent conditions, with their internationally-recognised freedoms intact, and for just reward – should be at the heart of the BCI’s activities on labour/social issues.

## ***What are the issues?***

### **Labour issues**

There are labour issues of ‘global significance’ in agriculture as a whole, and the cotton sector is no exception. The issues are identified by the IUF<sup>1</sup>, the global union federation which covers the agricultural sector, as the principal ‘decent work deficits’ in agriculture worldwide:

- Poor health and safety conditions;
- Lack of freedom of association and the right to bargain;
- Extensive use of child labour;
- Increasing use of migrant labour in poor, sometimes even coercive, conditions.

[IUF ‘Deficits in decent work agriculture worldwide’]

Many of these issues appear repeatedly in the regional analysis presented at Annex 1, albeit to differing extents and with different inflections. Namely, the analysis presented here suggests that, while questions of worker health and safety, and freedom of association/producer organisation, are of worldwide consequence, there remains a differentiated picture with regard to other labour/social issues. For instance, bonded labour is a primary concern in Pakistan and – albeit in a different form, as labour coercion – in Brazil. Child labour is significantly less prevalent in Brazilian cotton than it is in West African and South Asian production systems: moreover, as discussed below, not all children’s working constitutes unacceptable child labour (and there are exceptions in the ILO definition for children working on family smallholdings – see ‘Child Labour’).

### **Social issues**

Arguably the most important issue in West Africa and South Asia is debt accrued by the farmers/producers through reliance on unaffordable credit, together with access to market prices (notwithstanding the macro-economic factors determining those market prices). This issue does not have the same significance in Brazil, where crop financing of larger plantations has far less bearing on the livelihoods of workers. The lack of access to capital and the problematic relationship of credit to input raise the subsequent issue of worker/farmer organisation – which again takes on a different connotation in the West African and South Asian context than in Brazil.

### **‘Drivers’ and ‘impacts’**

The following sections give an account of the key social and labour impacts in cotton cultivation in the three selected regions, drawing on the detailed analysis presented at Annex 1, and the ‘drivers’ which give rise to these impacts. It does not make any systematic attempt to differentiate or categorise ‘impacts’ and their respective ‘drivers’.

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<sup>1</sup> International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations

This is because there is a complex, circular relationship between impacts (or symptoms) and drivers (or causes). The existence of 'impacts' – such as unacceptable labour practices – in fact perpetuates and entrenches the circumstances (or drivers) – such as rural poverty – which give rise to the impacts. This is why it is necessary, as contended in this report, for BCI to address both impacts and their drivers and, by implication, to look beyond the traditional remit of supply chain labour standards.

The key impacts and drivers are:

- Credit and debt relating to input finance
- Worker and producer organisation, and producer voice
- Gender impact
- Health and safety
- Child labour
- Forced labour / labour coercion

There is an additional important 'driver' or determinant missing from those described below: the state and implementation of the rule of law, particularly national labour legislation. This is relevant because workers in each jurisdiction receive their rights – and can assert their rights – under national law. The state of national law, and some detail on the extent of its implementation in the cotton cultivation sector, is given in the regional analysis at Annex 1. It should be recognised that agricultural work is characterised by weak coverage by and implementation of labour legislation, exacerbated by low levels of worker organisation and high levels of informal employment. In the most extreme instance, Pakistan, national labour law is deemed not to apply to the agriculture sector. In most other jurisdictions, there is little effective monitoring.

## A. Credit and debt – input finance

### *Summary*

- Significant annual finance requirement for inputs (seeds, fertiliser and, where used, pesticides)
- Smallholder farmers unable to finance inputs themselves and limited options for credit – ginner/parastatal, input retailers/traders; little availability of targeted micro-finance
- Limited access to credit for those without security – property, assets – and women in particular (in context of patrilineal land entitlement)
- Indebtedness accrues due to crop failure; delayed payment/no payment from purchaser; input prices increase relative to stagnation/decrease in seed cotton prices; unaffordable rates of interest
- Repeated indebtedness gives rise to ‘debt trap’ where farmer seeks more credit – commonly from informal sources at higher rates of interest – to continue cultivation in order to service original debt
- In some instances, indebtedness can lead to forms of labour bondage (as in Pakistan)
- Lack of farmer organisation limits ability to procure collectively and to negotiate terms of credit in some regions, particularly India and Pakistan
- In West African context, access to input finance *per se* is not the central issue, but rather the relationship between credit and inputs – credit is frequently only available from sectoral schemes and is closely linked to use of (potentially harmful or inappropriate) inputs procured on finance terms which may be unaffordable
- BCI existing emphasis on improving, and potentially reducing some input requirements (pesticides) may limit need for, and consequences of, credit/debt cycle – and deflate role of ‘artificial economy’ of high-cost chemical inputs whose purchase on credit may precipitate indebtedness
- Real opportunities – and rewards – for microfinance initiatives: furthermore, micro-credit has been successfully used in initiatives to address other social/labour concerns, child labour in particular, and micro-lending is a key to increasing women’s economic participation and independence.

The regional analysis suggests that a key social impact for producers of cotton in francophone West Africa and South Asia relates to the pre-financing of the cotton crop. This issue derives from the evident fact that cotton as conventionally grown in most parts of the world, while potentially a more lucrative cash crop than others, is also more input-intensive. Moreover, cotton is largely grown in semi-arid areas where there is often no alternative cash crop.

Costs for inputs like seed, pesticides and fertilisers make up a significant share in the eventual purchase price of seed cotton, and may be as much as 35-40%, a significant proportional of the total value of the crop which does not accrue to the farmer. Moreover, because cotton is an annual crop, these input requirements are concentrated as a



substantial financing requirement in one part of the year. The primary issue is then how the purchase of these inputs is financed.

Several models have developed in the regions studied. (It should be noted that Brazil is not included in this section, as the larger-scale plantations which have come to dominate the sector's output in recent years create economies of scale and negotiating leverage which entail that access to input finance is not a direct determinant of worker livelihoods in these plantations.) These bear some structural similarities. In South Asia and West Africa alike, farmers frequently have little access to affordable credit from formal financial institutions. Where such credit is available, such as in India, its availability is curtailed when the farmer becomes indebted – namely, banks will only extend lending facilities after repayment of the outstanding loan.

The traditional response in West Africa was for the parastatal structures to provide inputs – particularly seed and fertiliser – on credit, the value of which was then subtracted from the nationally-fixed price paid upon delivery of seed cotton to the ginner. This is still essentially the CMDT model in operation in Mali. In Burkina Faso and Benin – where there has been some degree of liberalisation – it is increasingly private-sector ginners (commonly part-held by international traders) who provide finance on the same recoupable basis. There is a strong mutual incentive for ginners to extend credit to cotton farmers. Prior to ginning, raw cotton is bulky and hence expensive to transport over large distances. High transport costs for raw cotton result in a relationship of mutual interdependence between ginners and farmers – farmers are forced to deliver to a local ginner while ginners need farmers to plant cotton to guarantee a profitable through-put. Therefore, the best way for ginners to assure themselves of a satisfactory purchase quantity is to finance fertiliser purchases.

The situation in India and Pakistan is structurally similar, albeit with different actors. While the formal financial sector plays some role in input finance, most of the small and marginal farmers depend on informal credit (money-lenders) or they receive credit from seed/pesticide retailers ('traders'). This credit is charged at interest and, according to IRFT India, is subject to some degree of discrimination.

The most direct problem associated with these forms of credit is that the farmer is unable to repay their debts, for one of several reasons:

- High input prices (relative to stagnation or decrease in local seed cotton prices)
- Crop failure (as cotton is an annual crop, it is also subject to significant variation in yield)
- Delayed payment or no payment from purchaser/ginner
- Unaffordable rates of interest
- Increased use of pesticides, creating increased resistance, thence requiring additional applications and hence increased input debt

In short, given the credit circumstances described above, when a crop fails, farmers become indebted. In India, there have been many well-documented recent cases where

indebted, desperate farmers have committed suicide, frequently by ingesting pesticides. One example of this ‘debt trap’ – in India – is summarised below:

*Some commentators, economists and agriculturalists render advice to farmers that they, in order to get out of this predicament, should give up growing investment-heavy and ecologically hazardous crops such as cotton. They blame the farmers for the wanton use of pesticides and wasting money on excessive use of inputs like water and fertilisers. Recently, when I visited a village in Andhra Pradesh, I asked a group of farmers: “Why don’t you think of giving up cotton cultivation which anyway is not giving you adequate returns over the years and which is destroying the ecology with disastrous implications to your future agriculture”? They said: “We know that. But we are already neckdeep in debt. How can we repay the debt if we grow light crops, which may be sufficient to feed ourselves but do not give us anything to repay the loans we have already incurred. We have reached a stage where we have to keep afloat or sink with this white gold (a euphemism for cotton)”. Thus, the farmers seem to be caught between the devil and the deep sea.*

[‘Political Economy of Agrarian Distress’, K C Suri]

A second problem revolves around the nature of access to credit. It is frequently the case that a security – in the form of property or assets – is required by the lender in order to establish the credit-worthiness of the borrower. The lack of well-delineated and transferable property rights (land titles) is often put forward to explain the poor functioning of credit markets in Sub-Saharan Africa because land cannot be used as a credit guarantee in such situations.

This has particular implications for the most vulnerable groups – and women in particular. In addition to the ambiguity of actual land ownership, the tradition of patrilineal land inheritance, whereby ‘ownership’ and decision-making control passes down from one male head of the family to the next generation, means that women commonly cannot lay claim to property to use as collateral against a loan. The regional analysis shows that this is equally the case in West Africa and South Asia. This entails that women are frequently used to contribute – commonly unpaid ‘family’ labour in some to the most arduous parts of the cotton cycle – without the capacity to take the initiative to improve their circumstances and that of their family. See ‘Gender Impact’ below for further detail.

(This picture is slightly different in some francophone West Africa where the village frequently accepts a collective responsibility for debt repayment – the so-called *caution solidaire*. Where certain farmers become indebted under this system, this entails a significant and broader negative impact on the social cohesion of producer groups.)

In other scenarios, the economic pressures arising from input loans may result in relationships of indebtedness which give rise to forms of labour bondage. Of the

countries studied in this report, this is most commonly the case in Pakistan, where in the case of cotton, share-tenants traditionally till the land of landowners in exchange for a share of the revenue. The combination of a changing labour-input cycle, the higher cost of inputs and the more lucrative cash-value of crops, means that, as the tenant commonly cannot afford to pay these cash costs upfront, he accepts a loan from the landowner. The ILO confirms that, in Sindh province in particular, share-tenants who are indebted to a landowner are often sold on to other landlords, with or without their consent (see Annex 1).

The central economic role played by cotton in the francophone West African states under consideration gives rise to a further – and confusing – implication of the system of input credit provision. Namely, that – while credit access and terms may be less than ideal – cotton-growing commonly provides the only possible access to the inputs needed for the whole farm enterprise – fertiliser, most importantly. Maize production is commonly supported by inputs procured through the cotton input credit system [Ton]. In Mali, in particular, where the CMDT has an effective monopoly on fertiliser distribution, farmers are drawn to grow cotton precisely in order to be able to access fertiliser which, despite being recoupable against credit via parastatals/input providers, is otherwise not available to farmers [Oxfam US]. Such farmers may grow cotton even if it is not in their economic or environmental interest to do so.

This suggests that, in the CFA context, access to credit per se is not the central issue, but rather the relationship between credit and inputs. A central challenge is the existence of a ‘false economy’ of credit – potentially encouraging farmers to employ (unnecessarily) high levels of (potentially inappropriate) inputs procured on credit, which they may subsequently struggle to repay. As suggested below, the implications of this analysis relate directly to the work of BCI TWGs on ecological aspects of cotton – to deflate the role of this ‘artificial economy’. A key starting point here is providing access to comprehensible and relevant information – on how, when and where to use inputs – in order to reduce the likelihood that expensive inputs prove to be dangerous to producers’ health, wasted as poorly applied, or simply inappropriate to the growing context (see ‘Health and Safety’ below).

### **Potential responses to the ‘credit problem’:**

- Decrease input requirements through BCI environmental work, thereby increasing the proportional crop value which accrues to farmers
- Microfinance: one key factor is that microfinance does not typically require collateral in the form of property or other assets commonly unavailable to women
- Purchasing practices: timely payment reduces need to take loans
- Long-term commitment to buy (BC) cotton increases financial security – and confidence to repay finance loans
- Support development of price risk management instruments? (cf ITF/CCF pilots on price risk management instruments for cotton farmers in other regions)

It is of significance that BCI's existing work on improving pesticide use has direct and vital implications for the socio-economic issues highlighted above, and this complementarity could be explored further by BCI TWGs looking at pesticide use and soil quality (fertiliser). In particular, the introduction of a BCI standard on improved pesticide use should – to some degree – reduce the input finance requirements of small farmers. Moreover, in its work on pesticides and soil quality, the TWGs will most likely be working alongside input providers who also commonly extend credit facilities to farmers. While the vested interests of input providers must be acknowledged, it should also be recognised that these are the key actors in the credit/debt equation.

BCI TWGs should, at a minimum, aim to ascertain with a degree of clarity what the typical terms and conditions of lending in their region are. Where there is scope to influence these actors, BCI could seek to achieve that the credit provider give a clear and transparent account to farmers of: the terms of payment, the provision of credit, including the interest rates, any service charges levied by the credit providers in lieu of extension services and any deductions from the payments to be made by the buyers to the producers before the production cycle begins. Transparency in lending is a cost-free Better Management Practice and should be pursued by pesticide/soil TWGs where feasible.

However, it should be recognised that less pesticide- and fertiliser-intensive forms of farming may entail more labour-intensive cultivation methods. In the context of family smallholdings, where unpaid labour is commonly used out of economic necessity, this increase in labour requirement may act contrary to the desire to improve other labour standards – for instance, the use of unacceptable forms of child labour [see 'Child Labour' below]. There is nonetheless a reasonable argument that one of the major problems in West Africa, for example, is that not enough fertilisers are applied, thereby limiting yield and profitability. It is also important to note that the current iteration of the BC definition refers to improving the use of pesticides and fertilisers on a unit used per unit produced basis: hence increased fertiliser use, if the yield of lint per unit of fertiliser also increases, would be acceptable

BCI may therefore wish to assess the potential role for increased micro-credit activity in the cotton sector. The provision of affordable micro-finance is not only a direct response to the credit/debt issues summarised above but is of relevance as a means to address almost all of the social/labour issues identified in this paper:

- Reducing child labour by enabling farmers to invest in hired labour rather than unpaid family labour, to the extent that instances of child labour are unacceptable under ILO definitions,
- Reducing bonded labour (such as in Pakistan, where the debt cycle giving rise to debt bondage can be broken by the intervention of microfinance),
- Improving gender impact through micro-lending to women, in particular, who would frequently be excluded from access to credit, by dint of collateral requirements,
- Improving producer organisation, for instance by the formation of producer-organised credit unions.

The relevance of micro-finance to these issues is described in greater detail in respective sections.

However, micro-finance is no panacea, and there are questions as to the applicability of regular micro-lending to cotton smallholders, whose requirements are for a larger annual sum to invest in inputs. However, it has proven itself to be an effective means to ease some of the downward economic pressures on smallholders which give rise to circumstances of rural poverty themselves characterised by poor labour practices covered later in these report.

Such schemes have already been successfully employed by various sectoral initiatives aiming to improve labour standards in upstream agricultural labour standards, such as the Eliminate Child Labour in Tobacco (ECLT) initiative [see Annex 2]. What is more, the provision of micro-financing or agri-lending services lends itself more readily to an alliance with the provision on training, information-raising and capacity building, themselves an important step to changing practices and behaviours, as the lender can exercise responsible influence over the borrower.

One example of a successful micro-finance scheme lending to cotton smallholders is the Kafo Jiginew credit union in Mali. A federation of credit unions in Mali, Kafo Jiginew is the largest microfinance institution in the country. Since its inception, Kafo Jiginew has sought financial self-sufficiency while serving the poorest families and specifically the women of Mali. In 1995, Kafo Jiginew began providing loans to cotton farmers, linking their operations to the CMDT cotton parastatal. This relationship allows Kafo Jiginew to lend to cotton producers and guarantee their repayment through CMDT. These ‘Cotton Loans’ constitute 75% of Kafo Jiginew’s loan volume.

However, BCI will acknowledge that any form of intervention beyond the establishment of a ‘standard’ brings with it resource implications. This is discussed in Part 2.

## B. Worker and producer organisation

### *Summary*

- ‘Freedom of association’ is a core labour standard as defined by the ILO: organisation enables farmers and workers better to assert and realise their rights and interests
- Given the predominance of hired labour on Brazilian plantations – and effective limits of rural unions in protecting and representing workers – freedom of association is a concept usefully applied to Brazil: however, many workers in the cotton sector are informal (*boías frias*) and hence fall outside union structures
- In the West African and South Asian contexts, the issue is less a lack of freedom to organise and more absence of resources
- Producer/farmer organisation structures are stronger in francophone West Africa than in South Asia, due to the integrated structure of the sector in the former; however, there are still weaknesses in articulation between grassroots and national level
- Development of producer organisation can aid in addressing other social impacts – for instance, in establishing credit unions
- Local producer and worker organisations should be at the centre of any BCI work to create a Better Cotton which is ostensibly in their interests

This section brings together two concerns: the socio-economic implications of collective organisation – such as the ability to collectively procure inputs, to negotiate on price and potentially to establish producer credit unions – and the ‘labour standard’ of freedom of association and the rights to collective bargaining. These issues are not identical. The latter ‘labour’ question is dealt with under ‘Worker Organisation’ below.

The relevance of producer organisation is far from academic. As the experience of the UK Ethical Trading Initiative (ETI) demonstrates, for instance, farmers and workers who are organised are better protected, and better able to realise their economic and labour rights. This is the reason – alongside the structural requirement for a body to determine how the ‘social’ premium is to be spent – that FLO requires ‘economic strengthening of the (producer) organisation’ under its generic smallholder standard. Indeed, observers have commented that the key impact of the recent introduction of fair-trade standards to the cotton sector, alongside the payment of a premium, is its emphasis on promoting producer organisation. In the CFA context, as indicated below, there are a series of existing producer organisation structures that have developed over the last two decades which fair-trade initiatives are able to work with. In India and Pakistan, FLO has developed a contract farming standard for cotton producers, recognising the development of the outgrowing model and, implicitly, the paucity of organisation amongst farmers.

The recent OECD Sahel Club review of cotton sustainability in West Africa also emphasises the need for the ‘strengthening of cotton producer organisations’, in order to increase participation of producers in international value chains, as well as to promote gender equality and equitable access to services and profits related to cotton cultivation. In the context of BCI activity, the development of forms of worker and farmer organisation suggests itself to be a foundation for the realisation of Better Cotton.

## Worker organisation

Freedom of association and the right to collective bargaining are established in ILO Conventions as ‘core’ labour standards and hence have the status of universal human rights. The key reference points for social standards set in this area are ILO Conventions No. 87 (Freedom of Association and Protection of the Right to Organise Convention, 1948) and No. 98 (Right to Organise and Collective Bargaining Convention 1949), as well as ILO Convention No.141 (Rural Workers’ Organisations 1975). ILO Convention 141 on Rural Workers’ Organisations specifically articulates that member states and other actors involved with rural workers should take steps to assist the development of viable worker’s organisations as a means of enhancing working conditions and the livelihoods for workers.

There is, however, a profound challenge in addressing freedom of association in all the regions analysed in this report. In brief, there is little formal worker organisation in the agricultural sector, particularly in the cotton sector. The ILO states: “trade union organisations are generally weak in rural areas [...] collective bargaining is often limited to large plantations. Seasonal, migratory and casual labour processes, with the added constraints of illiteracy, ignorance of workers’ rights, and isolation render the task of organising among rural workers particularly difficult. ILO tripartite bodies have consistently recalled the need to apply in practice basic labour rights in rural areas and strengthen rural workers’ organisations” [cited in SASA, 2004].

The issue of worker organisation also provides a clear example of why addressing the social impacts of cotton cultivation in developing economies purely from a labour rights perspective is not necessarily a comprehensive approach. From a labour rights point of view, freedom of association means that workers should be free to organise and not hindered in so doing by employer or state. The problem alluded to here is that the constraint on worker or farmer organisation is frequently material, not coercive: it is the lack of resources and capacity to form organisations which commonly prevents such development.

In pragmatic terms, within the cotton sectors of the countries studied here, one can only meaningfully speak of freedom of association and the role of trade unions in the context of Brazilian cotton plantations or *fazendas* and, indeed, forms of worker organisation are a key issue in Brazilian cotton. While under Brazilian law all workers are free to join a trade union, most informal sector workers, such as unregistered agricultural workers, fall outside the official union structure; they therefore do not enjoy union representation and usually are unable to exercise fully their labour rights. In the agricultural sector, the US Department of State estimates that some 70% of workers are unregistered. However, agricultural trade unions are very much in existence in Brazil. Rural union organisations federate to a national coordinating body, the *Confederação Nacional dos Trabalhadores na Agricultura* (CONTAG), which is affiliated to the central labour union, the *Central Unica dos Trabalhadores* (CUT).

Aside from the endemic use of unregistered workers, who do not benefit from the protective provisions of statute law, the main concern with regard to worker organisation in Brazilian cotton is the establishment of collective recruitment practices which may militate against workers' capacity to realise their labour rights. In particular, the development of regional employer groupings – *condomínios de empregadores* – has been promoted by the Labour Ministry in order to curb the use of 'workers' cooperatives', which essentially took the form of associations of workers offering temporary labour at a lower cost (and at the expense of opting out of eventual legal redress). Unlike 'cooperatives', *condomínios* ensure that both employer and employee are covered by legal protections and workers in such groupings are 'regularised' by declaration to the local labour authorities and by being presented with a signed social security card. Moreover, *condomínio* workers are more likely to enjoy trade union representation and to be covered by the terms of collective agreements negotiated between local unions and employers. In practice, though, the *condomínios* have often turned out to be cooperatives of subcontractors, with registered workers, but which are little monitored, often enabling them to not transfer to workers all the labour benefits charged to producers.

## **Potential areas for action**

There are two main aspects to addressing freedom of association in Brazilian cotton, both of which are included in the provisional standard established by the IAS Charter for Socially Responsible Cotton: lifting any restriction on the freedom of workers to form or join trade unions; and employing workers on a regular formal basis so that they benefit from (both statutory and) collectively-agreed protections and benefits.

## **Producer organisation**

In one sense, the forms of producer organisation found in West Africa and South Asia can be understood as fulfilling the mandate of 'freedom of association' as defined in the ILO convention: smallholders are, nominally, employers, and employers – as well as employees – are entitled to freedom of association under the ILO Convention No. 87. However, Convention No. 98 – on the right to collective bargaining – refers to negotiation between two parties linked by a relationship of employment (the 'social partners'). The negotiation undertaken by smallholder organisations is commercial negotiation on price with a trading partner and hence cannot sensibly be understood as 'collective bargaining'. While the Cotton Made in Africa scheme includes freedom of association as a performance indicator, it appears to make little sense to apply the concept to the situation of smallholders.

Some strong forms of farmer/producer organisation have developed in francophone West Africa, where the vertically integrated structure has facilitated the potential for farmers to negotiate prices with the parastatals and their private-sector successors. APROCA - the African Cotton Producers Association – was created in 2004 and represents the interests of producers in the majority of West African cotton-producing countries (including Burkina Faso, Togo, Mali, Benin, Cameroon and Senegal). Members include (for countries targeted in this study) FUPRO-B - Fédération des Unions de Producteurs du



Benin, UNPCB - Union Nationale des Producteurs de Coton du Burkina Faso, GSCVM - Groupement des Syndicats Cotonniers et Vivriers du Mali. These organisations are made up of regional and local federations: at the grassroots are the 'Village Associations' which represent farmers' interests at local level, particularly in their interaction with local ginneries. In Benin producer organisations are represented within the AIC umbrella group which determines the annual cotton price. In Burkina Faso, which has seen the development of perhaps the strongest producer structure in the region, the UNPCB holds a 30% share in SOFITEX, which administers ginning, marketing and distribution in one of the three 'cotton regions'. Observers comment that, while this is a strong position in principle, the UNPCB has neither the capacity nor the information to assume its shareholding responsibilities and exercise influence.

International Resources for Fairer Trade (IRFT) remark that the dominant trade unions in India do not have much say in the agricultural sector (although it should be noted that Indian trade unions have been involved in addressing child labour in the cotton sector in alliance with the MV Foundation). The interests of agricultural workers in India are inadequately protected, in part at least, because of the lack of appropriate representation of workers in decision-making processes and the lack of a forum to advocate or assert workers rights. Similarly, workers in the Pakistani agricultural sector are not officially covered by the provision of national labour legislation and, while forms of organisation exist among rural workers such as day-labourers and share-tenants, they are very much the exception.

Smallholder farmer organisation is a key to the implementation of Better Cotton standards. If small producers are to compete with larger producers in a chronically oversupplied market, and make successful connections with agribusiness through initiatives such as adoption of a Better Cotton standard, the organisation of producers is key to making the necessary articulation of linkages to the market (for instance, through contract farming), as well as links to the providers of research and advice, and with the state. This can be achieved through top-down vertical integration along the lines of the West African model, or through the bottom-up logic of small farmer economic organisations or new-generation cooperatives. Participation in economic organisations can also bring significant benefits when farmers are faced with management and technical requirements, such as the standards and assessments potentially associated with Better Cotton. Vitality, producer and worker organisations should be at the centre of any BCI work to create a Better Cotton which would ostensibly aim to act in their interests.

### **Addressing weak producer organisation**

However, as indicated above, the impediment to stronger organisation – in the West African and South Asian contexts – is less a restriction on the right of 'freedom of association' and more a lack of capacity and of resources. This suggests that, if it is accepted that farmer organisation is important to the success of BCI, it may be necessary to explore the scope for capacity building and needs assessment, rather than apply a standard per se which does not speak to the context.

## C. Gender impact

### *Summary:*

- Rural women in West Africa and South Asia provide substantial labour input to most aspects of cotton cultivation cycle, frequently as unpaid ‘family labour’ or low-paid day-labourers and commonly performing some of the most arduous tasks – with over-representation in manual work such as picking
- Women face significant difficulties in gaining access to input credit facilities, due principally to men’s ownership of land and other assets, and hence struggle to achieve economic independence through cotton farming
- Decision-making within farming families is gender-biased and women are often neglected in decision-making process
- Because of the above, and the increase labour requirements of more ecologically sound farming cultivation methods, the development of such methods by BCI environmental TWGs may risk an increase in the labour burden on rural women workers

The key reference points for labour standards set in this area are ILO Conventions No. 100 (Equal Remuneration Convention, 1951) and No. 111 (Discrimination (Employment and Occupation) Convention, 1958).

Women participating in the cotton sector in all the regions studied here face very similar problems: lack of access to credit, lack of decision-making independence, lack of property entitlement, lack of representation and participation in collective organisation, disproportionate health risks from pesticide use, and lack of coverage by national labour legislation.

At the same time, they are hired on precarious, informal terms – frequently as day-labourers – to undertake some of the most arduous work in the cotton cycle. For instance, the Brazilian National Confederation of Agricultural Workers (CONTAG) contends that women represent nearly a third of the rural labour force in Brazil, but 85% work without any sort of contract and thus do not have the labour rights or social security provided by law. Moreover, where women are paid to work in cotton cultivation they are commonly paid less than male equivalents: FAO Brazil reports that the average rural sector wage is R\$ 257.97 for men and R\$ 144.40 for women.

The regional analysis presented at Annex 1 suggests that women in smallholder contexts are commonly involved in critical cotton cultivation activities such as sowing, fertilising, weeding and harvesting. In addition, where chemical pesticides are used, these bring with them additional dangers for women, whose reproductive health may be put at significant risk. Furthermore, in the regions looked at here, women also assume the vast majority of domestic labour responsibilities: aside from the physical implications, where women are used to spray pesticides before then preparing the household meal, for instance, this may endanger the health of the household.

Vitally, the potential role of women in rural socio-economic development is commonly limited by lack of access to credit: this again turns on the pivotal role played by patrilineal systems of land inheritance, and associated decision-making rights. In both West Africa and South Asia, Women have neither the land to offer as collateral against credit, nor the decision-making independence to make such a request. In Brazil, too, FAO confirms, that women's access to credit remains limited, both because of demand factors (as rural women rarely apply for loans due to cultural factors internalized by them) and because of supply factors (as women can rarely offer land as collateral - the agrarian reform process has seen women generally prevented from holding land titles.).

Moreover, when credit or purchase payment is made, this may commonly be appropriated by the male head of the household. It is for this reason that the FLO seed cotton standard for small farmers requires that, in the case of women farmers, "it has to be ensured that payments are given to the woman growers directly (not to the husband)".

### **Cultural factors**

Moreover, certain traditions militate against a change to bring about equal rights for women. For instance, in most of the regions looked at in this report, women still cannot buy land and they only can inherit land indirectly via their spouse. Social Accountability in Sustainable Agriculture (SASA 2004) also note the complexities of taking adequate consideration of cultural factors determining gender while assessing the implementation of ostensibly gender-blind/non-discriminatory labour conditions. The SASA Burkina Faso Audit noted that women must get authorisation from their husband to obtain employment outside of the farm. This raises difficult questions about the freedom or chosen nature of employment in the context of international labour norms. SASA reports another example raised in a labour standards workshop in Pakistan, where "organisations indicated that they could not promote women because male workers would not respect them. While this is discrimination, cultural realities mean that providing equal opportunities to women will require a long-term process initiated and owned by the certification applicant and its clients".

### **What are the gender implications of ecologically sounder farming?**

There is not a clear consensus on the gender impact of less ecologically harmful farming techniques. Some reports on organic cotton growing (see Benin in detailed country analysis for example) have contended that access to organic techniques have increased women's participation and ownership of cotton fields. Firstly, as organic-specific credits – together with the reduced input requirements of organic methods – have enabled women to access funds independently and to invest these in their own production. (However, and more problematically, it is equally contended by some observers that women may be over-represented in organic initiatives as these are not perceived by men to be 'serious' economic alternatives to conventional farming methods.) Second, organic techniques present less of a threat to women's health through diminished contamination risk.

However, it is contended elsewhere – by FAO India, for instance – that given the increase in mid-cycle labour inputs (weeding etc) necessitated by a shift to IPM, for example, this increase may fall disproportionately on the shoulders of women workers.

Clearly, a good number of the contributory causes to women’s unequal position in cotton cultivation lie outside the scope of a sector-specific initiative, as they are endemic and structurally entrenched: land rights, preponderance of unpaid ‘family labour’ and cultural views, for instance.

### **Potential areas for action**

However, no consideration of what might constitute a socially-defined Better Cotton can ignore the gender impact of cotton cultivation, not least because women workers are so closely and massively involved in the worldwide cultivation of cotton. While it is accepted that the nexus of property rights, access to credit and unpaid or low-paid labour which gives rise to many of the gender impacts of cotton cultivation is complex, BCI can explore the potential for working on some of the issues relating to gender impacts, in particular:

- Microfinance – given that the absence of collateral against loans is a major impediment to women’s access to credit, micro-lending – whereby no such asset collateral is required – represents a vital means to redress this situation; micro-lending also provides the opportunity to input into farmer practices by means of borrower workshops/training days
- Health and safety – as part of the BCI work on pesticides, information and awareness-raising on toxicity, appropriate use and the advantages of less toxic materials could be included in the pesticide TWGs activities
- Ensuring that women farmers and workers are represented in any consultative or participatory structures that BCI establishes in order to implement its BC definition
- Promoting basic understanding of the economic value of women’s work – for instance in making clear the link between manual picking (commonly a feminised task) and the ensuing quality – and hence value – of the crop

## D. Health and safety

### *Summary*

- Given the nature of cotton farming work, worker/farmer health and safety is a critical issue in cotton cultivation
- Children are particularly vulnerable to arduous work on cotton farms; however, there are few reports of children working with toxic materials
- Information and training is a key to achieving change in practices and methods – particularly on appropriate, moderate and efficient use of inputs; provision and use of personal protective equipment
- Existing BCI environmental TWGs are already dealing with aspects of cultivation relevant to addressing health and safety, particularly in terms of input use, and better management practices

The key reference points for labour standards set in this area are ILO convention C184 Safety and Health in Agriculture 2001, Recommendation R 192 Safety and Health in Agriculture, 2001, and Plantations Convention, 1958 ILO 110.

Compounded by the lack of legal and representative protection for workers on farms of all sizes, and the presence of potentially hazardous materials and machinery, worker/farmer health and safety is a critical issue in all agriculture. Cotton is no exception. Moreover, non-mechanised smallholder cotton farming is by definition arduous.

Worker health and safety is in principle rather simpler than many of the more complex developmental issues considered here: a change in practices and methods can be achieved in the existing socio-economic contexts of cotton farming, if supported by training and information. It is also a key to the livelihoods of worker and small farmers in cotton cultivation: unlike in factory or office settings, there is no clear distinction between working and living conditions on smallholder farms.

The key risks for worker health and safety are that workers – family or hired, depending on regional context – are exposed to harmful toxins, primarily because they are not provided with – or do not wear – adequate personal protective equipment (PPE) while spraying pesticides. (However, as noted by FAO India amongst others, in certain hot and humid climates, it may be simply unfeasible to expect workers to wear PPE.)

This has grave implications for women farmers/workers, in particular, in terms of the impact of pesticides on women's reproductive health. There are further serious health implications of overuse or inappropriate use of all other material inputs, in addition to the fact that, in the absence of information on how to use them effectively, such costly – and potentially financially burdensome – inputs may simply be wasted. Again, this relates to earlier discussion of the proportion of value of the crop which accrues to the farmer: where inputs are not put to effective ends, this cost is not reflected in the real income to the farmer's household. However, it should be recognised that, where such inputs are

made available to farmers without advice or information, and where farmers are cautious to safeguard and recoup from their investment, overuse and inappropriate use is likely to occur.

Moreover, children who work – particularly on family farms – are particularly vulnerable to unsafe and unhealthy working practices, resulting in injuries such as cuts and wounds, eye infections, skin problems, and fever and headaches caused by exposure to pesticides (see ‘Child Labour’ below). There are very few reports of children working with toxic materials in smallholder cotton farming, and IRFT indicates that this has not been in its experience in India.

*Example of specialist programme: ILO WIND programme on working conditions for agricultural workers*

The ILO is participating in the development of a voluntary, participatory and action-oriented training programme (Work Improvement in Neighbourhood Development — WIND), promoting practical improvements in agricultural households by the initiatives of village families. The WIND approach relies on improving both working and living conditions as inter-related aspects of rural life, ensuring the equal involvement of village men and women together in planning and implementing improvements, and its close links with community development and empowerment of agricultural workers and farmers. The WIND programme is currently being pilot-tested in Ethiopia, Kyrgyzstan, Moldova and Senegal, in collaboration with national social partners and other local organisations.

## **Assessing and addressing worker health and safety**

As noted above, information and training are key components to effective health and safety protection and logically form part of the better management practices which ecological TWGs (particularly water and pesticides) could work on.

- Bring about reduced and appropriate chemical pesticide/fertiliser use through implementation of BC standard – leading to lower levels of harmful contact (particularly where PPE is provided and used); more effective use and greater returns to the farmer; reduced need for input credit and resulting consequences of indebtedness
- Provision of information in relevant and accessible form – potentially through producer group training and oral advice – on the intended and appropriate use of inputs, as well as recommended extent of use. This form of training is already occurring in through various initiatives in West Africa (such as CIRAD vulgarisation work, as well as state-run extension services – see ICCO) and BCI may wish to explore the potential to contribute/operate in tandem with this work. In the South Asian context, where there is an acknowledged crisis in extension, and many inputs (as well as advice on their use) are provided by ‘traders’, there are perhaps greater immediate needs for information: the Farmer Field School model piloted by FAO has been used with substantial success in India

- Provision of personal protective equipment (PPE) – BCI, as well as pesticide TWGs, may wish to follow a social cost/benefit analysis of PPE provision
- Water – there are key health gains to be derived from the provision of clean drinking water for workers and water for hand-washing; the TWGs looking at water may wish to include these simple but vital aspects within their remit

## E. Child labour

*Summary:*

- In West Africa and South Asia, children – including young children – contribute labour to cotton growing; depending on the age of the child and the nature of the activity – particularly whether it affect the child’s health and schooling – this may or may not be acceptable under international standards
- Children are primarily involved in cotton picking, and to a lesser degree in weeding and nutritional activities
- There is a two-way relationship between child labour and rural poverty: addressing one and not the other is not an effective response and may be counter-productive
- Key issues are children’s health and safety, and access to education (though the latter may depend on factors outside the control of parents, such as availability of local facilities)
- Child labour is difficult to assess and monitor as it is (almost by definition) informal
- There are a number of established multi-agency initiatives operating in the focus regions

The issue of child labour is usually at the forefront of discussions when dealing with labour concerns in the cotton sector and is reported in all the regions covered in this report, particularly in West Africa and South Asia. Given its immediate emotive charge – and the (over)emphasis on child labour by some campaigning organisations – it is useful to clarify what is intended by this term, with reference to the ILO Conventions, the internationally-recognised standards on labour rights.

### **Child labour on family smallholdings**

The majority of child labour reported in the regions looked at here takes place in the context of ‘family labour’ on cotton smallholdings. It is a point of some contention whether this form of children’s economic activity is deemed to constitute child labour at all. Indeed, in agriculture generally, it is very common for children to work as part of the family unit. Parents expect and often need their children to help out in the fields. ILO Convention 138, which sets the universal minimum age for employment, recognises the special circumstances presented by family-based child labour. Article 5 of Convention 138 states:

*“The provisions of the Convention shall be applicable as a minimum to the following: mining and quarrying; manufacturing; construction; electricity, gas and water; sanitary services; transport, storage and communication; and plantations and other agricultural undertakings mainly producing for commercial purposes but excluding family and small-scale holdings producing for local consumption and not regularly employing hired workers.”*



By definition, however, farmers growing cotton as a cash crop in developing countries are doing so in order to sell it outside the sphere of local (ie national) consumption (although there is a distinction here between West Africa – which exports the majority of its lint production – and India and Pakistan which are net importers of lint).

### **Summary - what is child labour?**

It is important to understand what is not meant by the term child labour. Young people's participation in legitimate work that does not affect their health and development, or interfere with their schooling, is generally regarded as being something positive, and may assist in helping them develop skills necessary for subsequent work. Child labour, by contrast, is work that deprives children of their education, their health and their dignity. In reality, however, there is no clear line dividing 'good' children's work from 'bad' child labour. Rather, it is practical to refer to two approaches to defining child labour, as does the ILO in its conventions on child labour (138 and 182). These parameters are age and activity.

- Age: according to the first approach, children under a certain age should not work. ILO convention 138 sets this at 15 (14 in developing countries), or statutory school-leaving age, whichever is higher. The two main exceptions are: a lower minimum age of 13 (12) for 'light work' – which neither harms a young person's development nor prejudices school attendance – and a higher minimum age of 18 for hazardous work.
- Activity: according to the second approach, child labour is defined according to its negative effects on children. 'Hazardous work' is work which jeopardises children's physical or psychological well-being, due to the nature or conditions of the work. Examples include underground work, nightwork, and work with dangerous machinery or in unhealthy environments. Convention 182 also calls for the immediate elimination of 'worst forms of child labour' for all young persons under 18, targeting slavery, trafficking and other forms of forced labour, as well as forced recruitment in armed conflict and sexual exploitation.

### **Child labour and rural poverty**

It is now commonly held that child labour is both a symptom of – and a perpetuating factor in – rural poverty. Child labour has to be seen not only as a consequence, but also as a cause, of poverty and underdevelopment. That is, children subjected to forms of labour exploitation, with little or no basic education, are likely to grow into illiterate adults, who have little prospect of breaking out of the trap of poverty into which they were born or contributing to the development of society. As the IUF states:

“Children work because their parents are poor; they have to supplement the family income or provide unpaid labour. Child labour in agriculture cannot be tackled in isolation from one of its main causes – rural poverty. Trade unions can work to eliminate child labour but the main priority has to be improving the living and working conditions of adult workers and through this eliminating the need for children to work. Cheap child labour undermines or weakens the possibility of negotiating a fair and decent wage for adult workers. We must work to eliminate child labour in order to help break the cycle of rural poverty.” [Ron Oswald, IUF]

An understanding of this link serves to reinforce the relevance of the preceding sections on ‘socio-economic’ factors to labour standards: fair and equal access to markets and affordable credit, the ability to organise and negotiate collectively and the full economic participation of women are all foundations to the economic development which forms the necessary backdrop to the eradication of child labour. At the same time, child labour cannot be relegated to a pure side-effect of all-determining economic circumstance: in the majority of jurisdictions covered here, with the exception of India, ILO Conventions have been ratified and local labour laws proscribe child labour as defined by the ILO.

### ***The immediate impacts of child labour: education and health and safety***

Following from the ILO definition, the two most important impacts of child labour in cotton farming relate to education and health and safety: children’s work should not impair their education nor should it harm them, physically or morally.

### **Education**

One challenge faced by programmes working on child labour is that, in some cases, parents may feel that formal education is not beneficial, especially when they depend on the work of their children for income. Poor or marginalised farmers rarely perceive education as a priority; moreover illiteracy accompanied with poverty perpetuates child labour. Education in rural communities is often inadequate or not affordable; and a lack of access to educational facilities within the vicinity triggers school drop-out.

There are of course several links between child labour and education. A child who is working during school hours is necessarily not in the classroom. However, it should not be assumed that an initiative to curb unacceptable child labour will automatically translated into higher school attendance rates (and indeed there are several studies suggesting that, where a blanket ban of children’s working has come into effect without consideration of the broader economic picture, this has translated into children working in more precarious and less formal roles). Moreover, it may be that the factors determining school attendance are out of the control of farmers, such as availability of nearby schooling facilities.

## **Health and safety**

The principal risks for children working in agriculture are:

- Children's immature physiological systems make the risks of exposure to pesticides, fertilizers, crop dust, toxic chemicals and exhaust fumes even more acute than for adults.
- Farm machinery and motor vehicles are not designed for operation by children and their use requires training. These are the most common sources of accidents.
- Children are more vulnerable to heat-related illnesses and injuries than adults.
- Children are more susceptible to fatigue than adults, putting them at further risk of accidents.
- Heavy lifting, awkward postures (stooping, kneeling, reaching) and repetitive work can injure and damage growing spines and limbs.
- Poor housing and sanitation adds an additional health risk for children

## **Key issues in addressing child labour**

- Incorporate special focus on younger workers in BCI work on health and safety
- Awareness-raising / training
- Microfinance (such as ECLT) – potentially including borrower awareness-raising and information on child labour
- Monitoring – although this is resource-intensive in most of its forms, potentially misleading and best conducted with expertise and local knowledge and understanding of the issue
- Working with existing initiatives - see ILO-IPEC 'Building on strengths and common interests: Sectoral alliances against child labour (1995-2005)' – identifies cotton as potential sector for industry-wide initiative to combat child labour and further recommends strategy and means of addressing issues with ILO-IPEC

As UNICEF (2004) notes, organisations concerned about child labour seem to have little difficulty in finding cases to criticise when they compile reports for publication. In contrast, businesses and initiatives which want to check that child labour is not being used in their supply chain often experience more obstacles. These can be summarised as follows:

- Of particular relevance to cotton cultivation, children working in or near their own homes may work part-time, in which case there may be additional difficulties in assessing whether this constitutes 'light work', acceptable for over-12s under the ILO Convention 138 (and moreover the ILO Convention allows for children's work on family smallholdings)
- Child workers may conceal themselves (or be concealed by relatives or employers) when outsiders visit the farm
- Children may give inaccurate information about their age when questioned, either on entering employment, or by child labour investigators

- Birth certificates and other records of age may be falsified
- Alternative techniques for estimating age (such as measuring physical development) are complicated and imprecise

To overcome these impediments, organisations concerned about the exploitation of children, individual businesses and specialist verification agencies have explored a range of methods. It is generally accepted that these methods, in order to be effective and durable, need to involve and convince local actors. For instance, in West Africa, as a result of concerted efforts relating to the use of child labour in cocoa cultivation in Côte d'Ivoire, the ILO-IPEC WAPAC scheme has developed systems of child labour monitoring at grass-roots level, involving farmer organisations and community-based organisations. In India, the MV Foundation is working with agricultural trade unions on child labour in the Indian cotton sector. And in Brazil, the local rural union affiliates of the CONTAG agricultural union have worked with ILO-IPEC on child labour issues.

Case studies of two established sectoral initiatives on child labour – in the cocoa and tobacco supply chains – are given at Annex 2. In both cases, private sector actors have found it essential to work with ILO-IPEC and international and local worker organisations. Of particular interest, the tobacco initiative (ECLT) operates a model whereby micro-lending to smallholder farmers is allied to a training and awareness-raising programme on child labour delivered by local specialists. BCI may wish to explore this model further.

## F. Forced labour / labour coercion

### *Summary:*

- Forced labour constitutes a violation of a fundamental international human right – freedom of employment: there are few cultural relativities in the debate surrounding its continued use
- Forced labour is primarily a concern in cotton plantations in Brazil, and – in the form of debt bondage – in Pakistan (and, to a lesser extent, India)
- In May 2005, the Brazilian Government, ILO and private sector companies signed the National Pact Against Slave-like Labour, in which it pledged not to purchase items produced with the employment of slave-like labour: cotton plantations have been named in the Labour Ministry 'blacklist' of users of forced labour
- The National Steering Committee on Bonded Labour comprises stakeholders and civil society organisations along with the government to control and abolish bonded labour in Pakistan
- There are also reports of some instances of forced child labour in India and parts of West Africa

The main international reference documents on forced labour include the ILO Forced Labour Convention 29 (1930) and Abolition of Forced Labour Convention (1957), ILO 105. The Conventions define forced or compulsory labour as ‘all work or service, which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily’. A worker’s right to freely enter into employment and terminate employment when they desire is widely recognised as a human right. The term forced labour may conjure images of physically bonded workers treated as slaves. While this form of forced labour still exists in some countries, the more prevalent form is that of indebting an employee to a third party which exacts labour from the worker, such as a landlord, as in the Pakistani context indicated at Annex 1.

The underlying factors that contribute to forced labour and bonded labour include:

- The use of labour intermediaries – such as the *gatos* (recruiters or gangmasters) in Brazil – who provide casual labour to employers, commonly under conditions which compromise the workers’ rights; recruitment agencies with unreasonable service fees which can be repaid only by continued work
- Social exclusion, often connected to caste or tribe – as evidenced in the Pakistani context
- Asymmetric information, whereby illiterate workers are not aware of their rights and can be taken advantage of
- Labour migration – particularly the situation of (irregular) migrant workers, who are commonly unaware but also unable to assert their legal labour rights, as non-registered workers
- Financial and labour market monopolies, which limits the workers’ employment and credit options; inequitable loan or credit schemes managed by the employer

- In-kind remuneration, which allows employers to exacerbate dependent relations and hide low wages

Forced labour is an ongoing challenge in various sectors in Brazil, including cotton. The private sector made a significant advance in May 2005, with the signing of the National Pact Against Slave-like Labour, in which it pledged not to purchase items produced with the employment of slave-like labour. The pact received the immediate support of the Brazilian Textile Industry Association and other enterprises related to cotton. However, the recently-formed IAS 'Social Cotton' institute has not signed the Pact, on the grounds that forced labour is not a problem in the sector. This is at odds with ILO's contention that around 10% of the firms on the Labour Ministry black-list are linked to the cotton/textile sector (see Annex 1).

Pakistan is also still the subject of much international concern regarding forced (bonded) labour, particularly in Sindh province, one of the key cotton-producing provinces (see Annex 1). In its most typical manifestation, a worker – usually an adult man – takes a loan or salary advance from an employer, labour contractor or landlord. Then the debtor – and often family members as well – is obliged to work for that person for reduced wages until the debt is repaid. The terms of the unwritten, interlinked labour-credit contract are strongly biased in favour of the lender. To meet family needs, the worker is forced to borrow additional cash and the debt burden mounts. The victims of bonded labour tend to be the poorest and least educated segments of the population, from low castes and religious minorities.

There are also reports of some instances of forced child labour in South Asia and parts of West Africa. In particular, ILO-IPEC reports that in the north of Benin, around Banikoara, children are forced to work seasonally in the cotton fields, and are commonly trafficked by third parties from neighbouring Burkina Faso. A NGO working on the issue - the Africa Third Millennium Group – indicates that in this region, a farmer may have on average 10 children working on his farm: the children, aged between six and 17, live on the farm, under harsh conditions. On average, they work ten hours a day, and are poorly nourished. Supported by ILO-IPEC, Africa Third Millennium Group has developed a project – the 'Support Project to Care for and Rehabilitate Children Victimised by the Worst Forms of Labour and Trafficking in Banikoara's Agricultural Sector' – which aims at educational rehabilitation and awareness-raising on forced child labour.

## How to address forced labour?

Where there is a potential risk of forced labour – or coercive labour practices – in the context of hired labour, such as in the Brazilian context, a typical due diligence and remediation strategy would require a series of commitments of actions from the employer or labour provider, such as:

- Employer has clear understanding of legislation on – and issues surrounding – forced labour
- Workers have an employment contract and social security coverage (eg signing social security card in Brazil)
- Workers are not obliged to leave ‘deposits’ or identity papers with their employer
- Workers are free to leave their employer after reasonable notice (a key issue in Brazil is the remoteness of plantations and the lack of available means to leave the vicinity)
- Workers are not procured as a result of debt bondage, criminal convictions or other involuntary circumstances
- Employer has transparent procedures for decisions concerning work hours, overtime and deductions from wages
- Employment terms are those to which the worker has voluntarily agreed

It is not clear the extent to which the work of the IAS in Brazil – which has commenced inspections of member farms/plantations to assess compliance with labour law (see Annex 1) incorporates this sort of due diligence practice. It is suggested that, within the broader scope of engaging with IAS, BCI should find out more information about its assessment practices and corrective action policies.

Where labour bondage occurs through the exploitation of owner relations – such as between landowner and tenant farmer, as may be the case in Pakistan – there exist few simple or immediate due diligence procedures. (Moreover, it should be noted that, while micro-credit programmes are relevant to tackling the circumstances that give rise to labour coercion, the practice of ‘buying’ bonded labourers is undesirable in its consequences, not least the unwitting creation of a market.) In these specific instances, there are specialist agencies established to address the issue in the round – through direct intervention, capacity-building, awareness-raising and policy dialogue. BCI may consider engaging with the work of initiatives working on Pakistani bonded labour:

- National Steering Committee on Bonded Labour
- ILO (programme on ‘Preventing and Eliminating Bonded Labour in South Asia’ (PEBLISA) – joint initiative of the ILO Social Finance Programme and the ILO Special Action Programme on Forced Labour)
- Anti-Slavery International
- Trocaire (Irish NGO) and local partners.

## **Part 2 – BCI strategy on social/labour issues**

This section discusses the main challenges to addressing the social and labour impacts of the cotton value chain, looking at the lack of supply chain articulation and the implications of a non-traceable value for BCI activity on these issues. Given that BCI has commenced work with an ecological focus, it then continues by considering how social/labour activities relate to these existing environmental concerns but – importantly – also how a labour/social strategy differs from an approach focusing on environmental impacts. Subsequently, consideration is given to the mission statement of BCI and how it may be interpreted and applied with regard to social and labour concerns, suggesting approaches that could be adopted to this end.

### ***Why cotton is different: the fractured value chain***

Through its existing work on environmental aspects of cotton cultivation and close familiarity with the mainstream cotton value chain, BCI is well aware that this chain is long, complex, and fundamentally fractured. By this latter term, it is meant that there is little or no traceability between the cotton farm gate and end-users, such as the brands and retailers which constitute the majority of the private sector caucus in BCI.

This lack of articulation through the links in the supply chain is primarily a function of the nature of global commodity markets. Traders buy seed, lint or spun cotton from state or private actors and sell on to textile processing/manufacturing clients, who themselves represent part of the supply base of brands of retailers. Retailers are unlikely to know the provenance of the cotton sourced by their suppliers, as the suppliers themselves are also unlikely to be given this information by traders, or at least not to a level of specificity necessary to assure traceability to an individual region or farm. This situation is further complicated by the fact that most garment products are made with a cotton blend for the purposes of quality, consistency, economy and reliability of supply.

From this rudimentary analysis emerges a fact well known to BCI: raw cotton merchants are the lynchpin in creating some greater degree of traceability through the supply chain. This is especially the case where, either as a supply-control investment or as a consequence of market liberalisation, traders have invested in ginnery facilities, as has occurred in some of the countries covered in this report. The fact that traders are neither directly ‘consumer-facing’, nor generally publicly quoted companies means that they are not subject to a degree of stakeholder scrutiny – from consumers or investors – which would motivate action to explore the potential for greater traceability in supply. It is also noted that none of the BCI private sector members are cotton trading organisations.

This lack of articulation – what is referred to as ‘value chain governance’ – has several consequences both for the work of BCI and for the sustainability of the cotton sector in general. A sustainable supply chain is generally characterised by a high degree of transparency and traceability. Moreover, and importantly for BCI, most of the models of



supply chain social sustainability rely on a degree of linkage between chain actors, as follows:

- The ‘ethical trade’ model (such as UK ETI, US Fair Labor Association, Social Accountability International, Dutch Fair Wear Foundation, as well as most company codes of conduct): a non-premium paying, non-certification, mainstream model aimed at incremental improvements in supply chain labour standards through the use of influence derived from trading relationships: accordingly, Northern retailers and suppliers ‘scope’ (define the parts of) their supply chain to which they agree to apply a labour standards code – and there is increasing consensus around the necessary content of such codes – by means of risk assessing the supply chain, then monitoring and, where code breaches are identified, addressing these breaches by means of agreed and supported remedial action plans.
- The ‘fair trade’ model (such as FLO, IFAT): a premium-paying, niche market model of certification, commonly working with smallholders in developing countries, whereby two premia are paid – a fixed and regularly updated commodity price and a ‘social premium’ which is invested by collective agreement of the producers – provided that standards (including labour standards very similar to the above ethical trade model, plus requirements on producer organisation and environmental requirements) are met: approved auditors regularly inspect producers on the basis of these standards
- The ‘single issue intervention’ model (such as International Cocoa Initiative, Eliminate Child Labour From Tobacco – see Annex 2 for more details): a mainstream, interventionist model, generally established in response to civil scrutiny of an unsustainable aspect of supply chain practices which can be directly traced to end-user retailers and brands – typically, in the examples given here, child labour. Rather than using trading relationships per se, these private sector models seek to engage with a broader range of actors – commonly international trade unions and the ILO – in order to address an endemic or intractable issue through the provision of capacity-building, information and resources, such as micro-finance.

The absence of direct trading linkages between BCI member brands and cotton cultivation suggests that none of the models cited above are a good fit for BCI and also raises a further question: what influence does BCI have to effect change ‘upstream’ in the cotton value chain?

As is discussed below, the creation of a market standard – regardless of its implementation mechanism – functions only where farmers adopt the standard. In the absence of the influence derived from trading relationship, or some form of premium incentive, the onus is on BCI to make a case to farmers as to why it is in their interest to comply with a standard (or to implement the management practices which constitute compliance). Here, the experience of the Cotton Made in Africa (CMiA) project will be invaluable, as this is likely the model closest to the BCI: CMiA is a mainstream, non-premium-paying initiative which predicates its sustainability on the improved profit

returns to be derived from implementing more ecologically sound, productive growing systems, and from the security of a reliable purchaser committed for the long term.

CMiA is also instructive in another regard: in its structure, it emphasises that there does exist a degree of top-down traceability – from parastatal through ginner to farmer – in the West African context, where cotton cultivation is vertically integrated through parastatal/semi-privatised structures. Indeed, it could be claimed that a similar degree of (albeit ‘bottom-up’) traceability is also present in South Asian contract farming – this is a developing model, supported by the Government of India, in particular. This suggests that, with the inclusion of the pivotal trader actors, there is scope to create some form of ‘chain of custody’.

### **‘Book and claim’**

In the current absence of any such traceability, however, it is recognised that the ‘book and claim’ model – as proposed in the palm oil sector (RSPO) – may constitute the most feasible option for linking tangible improvements in the upstream supply base with retailer activity. In brief, this system proposes – in the manner of carbon trading – that purchasers (retailers’ suppliers) ‘book’ a certain amount of cotton produced under an agreed standard with traders, and the trader then ensures that this amount of certified cotton from agreed producers enters the supply chain, albeit not directly supplying this to the purchaser. It is noted that, even with this model, there is a need for some degree of traceability from farmer to trader, in order that certified product can be identified.

There has been much discussion of ‘book and claim’ as it applies to palm oil (see ProForest 2005). The following observations relate solely to the potential application of such a mechanism in the cotton sector:

- Book and claim relies on certification of product – as discussed below, in the context of social and labour impacts, which rely on dynamic processes (incremental improvement) and complex human/power relationships, there is some scepticism as to the meaningfulness of certification
- Book and claim is arguably not sufficiently transparent to answer the stakeholder demands which, to some degree, motivate the work of the BCI; moreover, because it breaks the direct link between producer and end-user, it is not easy to communicate to stakeholders
- The key actors in book and claim systems remain the commodity traders: it is unclear what the views of this constituency are on the feasibility of such a model

## ***The role of the financial sector?***

There may be significant scope for BCI – given that its membership includes UNEP (whose financial sector partnership programme UNEP-FI is a key institution in promoting sustainable finance) – to consider an area of governance linkages other than those between suppliers and purchasers: namely, financing. There are arguably closer ties in the finance chain – between financial institutions, investee traders and ginners (and thence farmers) – than there are in the supply chain.

- trade finance, which commonly takes the form of (price) risk management instruments
- traders (cotton merchants) may themselves hold a stake in ginneries
- ginners – alongside informal ‘traders’ (input retailers), pesticide companies and seed companies – may frequently offer input finance to farmer

It is of note that the banks lending to traders (merchants) – of whom a small number control a high proportion of global trade – are for the most part international commercial institutions with public commitments to sustainable investing, not least through adoption of the revised Equator Principles<sup>2</sup>, in several cases. While the Equator Principles apply only to project finance over \$10m, these financial institutions – along with investment institutions, such as the Dutch VDBO pension fund (see Guedes Pinto and Broer, 2005) – have an increasing understanding and interest in promoting sustainability in their investments. For this reason, it is suggested that there may be scope to promote the relevance of the BCI to traders (merchants) through the intermediary of the financial sector

Financial institutions are also key actors – in terms of expertise and capacity – in the development of microfinance which, as indicated in Part 1, is of direct relevance to addressing the social and labour impacts of cotton cultivation, as well as price risk/volatility management instruments, which are currently being piloted by the Common Fund for Commodities (CFC – see [www.common-fund.org](http://www.common-fund.org)) and International Task Force on Commodity Risk Management in Developing Countries (ITF – see [www.itf-commrisk.org](http://www.itf-commrisk.org)) with cotton farmers in various developing economies.

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<sup>2</sup> The Equator Principles (EPs) are a voluntary industry framework for addressing social and environmental risks associated with project finance and have been backed by 33 private sector banks and other financial institutions (EPFIs) representing a majority of global project finance funds. The new EPs, adopted in July 2006, require signatory institutions to follow the International Finance Corporation’s (IFC) Performance Standards, which require borrowers to comply with various social and environmental policies and practices. A key new area relates to internationally recognised labour rights. Borrowers are expected to follow standards on issues such as terms and conditions, wages, non-discrimination, freedom of association, retrenchment, child labour, forced labour and health and safety. The new Principles also have important new requirements protecting sub-contracted workers and those in supply chains.

## ***How do social concerns relate to environmental questions?***

Given that the BCI has commenced with an environmental orientation, and that this has influenced its strategy and ways of working, it necessary to give some consideration to the ways in which social concerns relate to the environmental questions that BCI is already looking at.

There is a strong relationship between environmental and social issues in cotton cultivation – more so than in many other supply chain sectors. This is in part because there is less of a clear division between living and working standards in agriculture generally, and on cotton smallholdings in particular. Hence the working ‘environment’ determines to a significant degree the physical working and living conditions for producers and for workers, particularly in terms of occupational health and safety. This linkage is covered in some detail in Part 1.

Second, in the context of smallholder farming, there are a series of links between physical inputs (fertiliser and pesticide) which are the subject of BCI environment work, the financing of these inputs and the livelihoods of producers. The most immediate and challenging example, described in Part 1, is where input credit gives rise to debt, and thence to economic circumstances which may themselves perpetuate other social impacts, such as unacceptable labour practices.

Third, a broad concern which encompasses both environmental and social questions is that of the relation between cotton cultivation and food security, again in the context of smallholder systems. It can be argued that ‘conventional’ cotton growing may reduce food security in several ways: less food may be grown for example due to fear of contamination; there may be an economic pressure to maximise the area planted with cotton to be sure of servicing debts; food crops may be lost through contamination. Also, the debt problem described in Part 1 reduces the amount of liquid capital available to supplement the producers’ diet through buying in food.

Conversely, more ecologically sound farming systems can increase food security, it is argued. Farmers are able to grow more crops in rotation, to intercrop more food crops safely within cotton fields and are able to prioritise food crops over cotton crops to ensure food security.

At the same time, it should be understood that, where inputs such as fertiliser – and associated pre-financing – are available only through a cotton-based infrastructure, it may be that cotton cultivation de facto supports food security, albeit not sustainably, in as much as it offers access to the inputs necessary for food production – this is commonly the case, for example, with maize production in West Africa [Ton].

BCI work on environmental aspects of cotton cultivation is also relevant to social concerns in a different sense. It establishes that the definition of Better Cotton may exceed the minimum standards set out under national law, while recognising that realising compliance with national law may be a considerable achievement in some

instances. This is particularly important to any attempt to grapple with the issues described in Part 1, for two main reasons: the role of national law and the legitimacy of an initiative seeking to create change beyond compliance with law.

## **The role of law**

With regard to labour standards: in the majority of instances, national law proscribes the breaches of labour rights described in Part 1 – such as forced labour or (worst forms of) child labour – as well as setting out a series of statutory minimum standards on working hours, pay, rest time etc. However, this law is frequently either: not effectively implemented; coverage is not extended to the agricultural sector; or informal workers are unable to assert – and potentially unaware of – their rights under law. Therefore, simply reaching compliance with national law, where it applies, is the goal, rather than the starting point of much potential work on labour standards. (Historically, it has been the absence of implementation of labour law in developing country supply sources, rather than the absence of law *per se*, which has precipitated the development of voluntary codes of conduct on supply chain labour standards.)

Equally, where labour legislation does not officially apply to agriculture, as in Pakistan, the BCI must recognise that any attempt to act on labour standards will involve establishing requirements above and beyond legal minima.

## **Legitimacy**

It is important to acknowledge that, in recognising that the impacts of cotton cultivation exceed the scope of ‘labour standards’ alone, the Better Cotton definition must address a challenge in legitimacy.

That is, work on ‘labour standards’ is generally based on compliance with national law and international standards encapsulated in ILO conventions. However, some of the highest priority impacts identified here take place in the socio-economic sphere, where the grounding is not usually legal compliance – or not solely legal compliance. Instead, the rationale for addressing these broader social impacts is based on the broader-reaching concept of ‘sustainability’: consistent with the ICAC (2006) definition<sup>3</sup>, sustainable production is understood as ‘*the ability to produce cotton today without diminishing the ability of future generations to produce cotton*’.

BCI work on the environment sets an important precedent that the definition of Better Cotton can – and may need to – be established beyond the scope of compliance with national and international law.

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<sup>3</sup> Report Of The Executive Director Terry P. Townsend To The 65th Plenary Meeting Of The International Cotton Advisory Committee Goiânia, Brazil September 11-15, 2006

## How to address labour and social impacts?

This section takes as its starting point the mission statement of BCI:

*The BCI will engage with interested stakeholders to:*

- 1. Define Better Cotton (environmentally, socially, and economically)*
- 2. Develop corresponding performance-based and verifiable targets; and*
- 3. Promote their implementation in order to reduce key social and environmental impacts.*

### **1. Defining Better Cotton in social/labour terms**

#### **‘Globally significant’ labour and social issues**

The BCI mandate is clear in establishing that it aims to identify and address a limited number of issues of global significance in the cotton sector. The BCI mission statement also recognises “the wide range of, and geographically different, issues connected with cotton cultivation [...] in order to work globally, the Better Cotton Initiative will focus on a few highly significant issues in cotton cultivation”. As noted above, there are a range of labour and social issues affecting cotton regions in different ways. The key ones are:

- Health & safety
- Indebtedness (input credit)
- Producer organisation
- Gender impact (including working conditions of seasonal women workers)
- Child labour
- Forced / bonded labour

From these only two can meaningfully be said to be generic to all regions studied in the report, and this relates directly to the nature of the work involved in cotton picking and to broader societal pressures at play in the countries studied, respectively: worker/farmer health and safety, and gender impact.

A further issue – the ability and capacity of producers or workers to organise – is common to all regions, but in different forms: in Brazil, the challenges revolved around the lack of organisation and organised protection for informal rural workers; in South Asia and West Africa, the issue is the ability of producers to organise and negotiate collectively. The weakness of producer organisation is at its most acute in South Asia.

Other impacts are common to two regions, or several sub-regions:

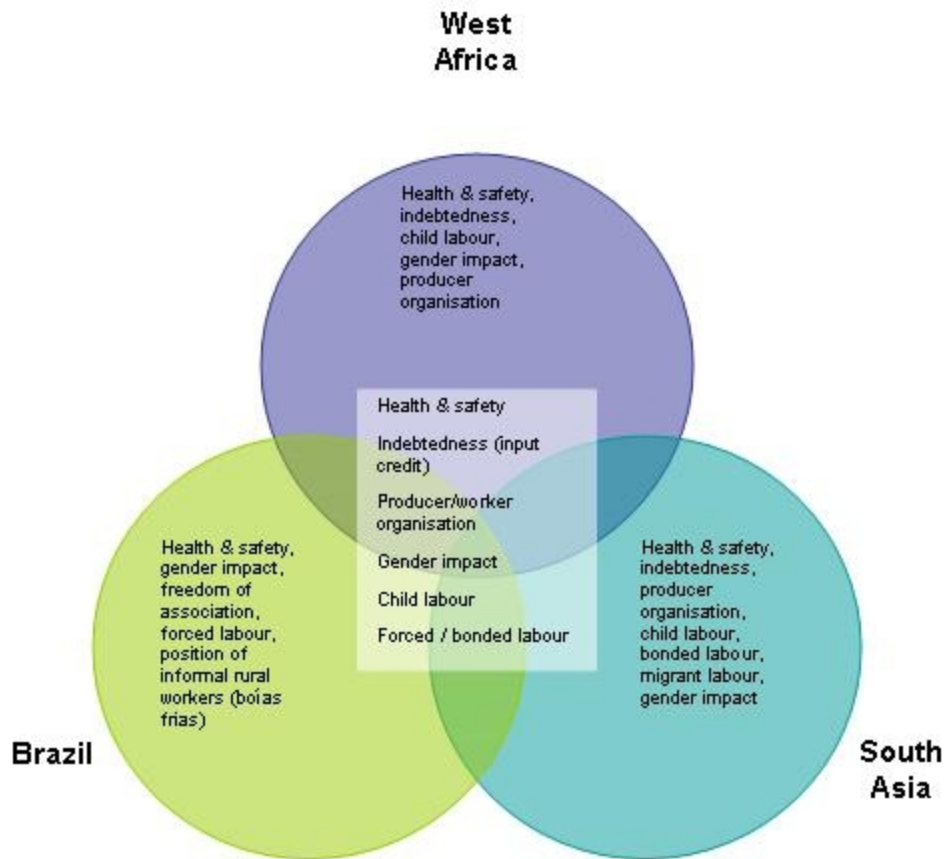
- Indebtedness relating to input gender: alongside health and safety, this is perhaps the key impact in South Asia and West Africa
- Child labour – South Asia, West Africa (and potentially an issue on some remaining smallholdings in Brazil, though not common to plantations)

- Forced/bonded labour – Pakistan, Brazil (with some forced child labour reported in some parts of West African cotton belt, and some bonded labour probable in Indian cotton farming, due to indebtedness)
- Exploitation of migrant labour, informal labour – this is potentially common to all regions, but occurs in different forms in different territories

Certain issues are specific to individual regions or sub-regions:

- The implementation and realisation of a range of statutory labour rights for workers on Brazilian cotton plantations including formality of employment, wages, hours, and discrimination – this issue is tacitly acknowledged by the establishment of the IAS ‘Socially Responsible Cotton’ Charter, which seeks to address this broad range of statutory labour rights
- The lack of even formal legal protection for agricultural workers, including cotton workers, in Pakistan

**Figure 1: Key social and labour impacts of cotton cultivation – an overview**





## **2. *Developing performance-based and verifiable targets for social and labour impacts***

In the light of identifying these issues, it follows that a socially-defined Better Cotton would in principle entail (identified in order of prevalence):

- The implementation of a series of better management practices on worker/farmer health and safety – PPE, understanding of appropriate input use, provision of clean drinking water and washing water
- A system change in the structure, use and consequences of inputs – and therefore input credit – in West Africa and South Asia, diminishing producer reliance and indebtedness
- Fostering stronger forms of producer organisation in South Asia (in particular) and West Africa, and rural worker organisation in Brazil
- Enabling women farmers and workers to determine their own participation in cotton cultivation – as farmers and paid workers – with equal access to credit and representation
- Children working only within the ILO-defined strictures of acceptable ‘light work’, over the nationally mandated statutory minimum age, where this work would not be to their physical or education detriment
- The eradication of all forms of forced or bonded labour in cotton produced under BC
- In Brazil, the development and implementation of the IAS Charter for Socially Responsible Cotton, incorporating worker organisations and key stakeholder groups

The development of benchmarks or targets according to these thematic areas will depend on BCI agreement on areas of activity and hence is not developed in detail here. Moreover, the suggestion of indicators assumes an unproblematic mode of implementation for the social component of the definition of Better Cotton. This fundamental issue is discussed in the following section.

### **3. Promoting the implementation of targets in order to reduce key social impacts**

In looking to identify and address the key social impacts of cotton cultivation, the Better Cotton Initiative enters an area of activity where there has been much development in the past decades – namely, managing the labour and social impacts of supply chains. Because much work precedes that of the BCI – in other sectors with agricultural supply bases (such as coffee, tea, cocoa and tobacco) and further downstream in the textile processing sections of the cotton value chain – there is already much experience in how to address these issues, emanating from initiatives such as the UK Ethical Trading Initiative (ETI) – a consultee in the drafting of this report – as well from sectoral initiatives such as ICI and ECLT. There are also sophisticated and demanding expectations among stakeholders as to what the issues are and how they should be addressed. For this reason, a summary overview is presented of the environment in which BCI sits.

The BCI stated approach does not fit easily into any of the three principle modes of existing work in the area of supply chain labour/social impacts, described in the value chain analysis above and summarised here:

- The ‘ethical trade’ model (such as UK ETI, US Fair Labor Association, SAI, Dutch Fair Wear Foundation, as well as most company codes of conduct): a non-premium paying, principally non-certification, mainstream model aimed at incremental improvements in supply chain labour standards through the use of influence derived from trading relationships.

This model is relevant to BCI as it is a mainstream, market-driven system and does not involve price-setting (although initiatives such as ETI are increasingly looking at ‘purchasing practices’ such as transparency, regularity and reliability of orders, as well as developing durable trading relationships). However, this model is generally restricted to labour standards only, rather than broader social concerns, as it is based on compliance with national law and international norms. This model typically encompasses a broad general code of conduct based on ILO core conventions and a range of other consensus standards which encompasses more than ‘key impacts’, as is the focus for BCI. Moreover, the general model is derived from managing labour standards within manufacturing and processing suppliers: work on ‘ethical trade’ with smallholders – as constitute the majority of cotton producers in two of the three regions covered here – is still relatively new, and present significant challenges, which are discussed below.

- The ‘fair trade’ model (such as FLO, IFAT): a premium-paying, niche market model of certification, commonly working with smallholders whereby premia are paid provided that labour and social standards are met.

This model is evidently very different to the BCI approach as it is a niche-market, premium price-setting model, whereas BCI aims to effect change throughout the mainstream, without price intervention. It is of the utmost relevance, however, as this model was developed partly as a means of improving the livelihoods of smallholder

commodity producers and has the greatest exposure to this form of production – which characterises two of the regions studied in this report. It is also relevant as fair-trade (along with some forms of ‘ethical trade’ labour standards management systems, such as SA8000) aims to certify producers and therefore products, as is the intention of BCI. A further important aspect of the fair-trade model for BCI is that its scope is broader than labour standards – it includes components on economic and social development – particularly producer organisation – as well as environmental concerns.

- The ‘single issue intervention’ model (such as International Cocoa Initiative, Eliminate Child Labour From Tobacco – see Annex 2 for more details): a mainstream, interventionist model, which seeks to engage with a broader range of actors in order to address an endemic or intractable issue – such as child labour – through the provision of capacity-building, information and resources, such as micro-finance.

This model is of relevance to BCI as it is the structure that several analogous commodity sector initiatives have assumed – amongst others, cocoa and tobacco. It differs from the BCI mandate as such ‘intervention’ approaches have usually focused on a single social/labour impact – child labour being the most prevalent. Of relevance is the fact that such initiatives have a) found it necessary to work with a range of other organisations with expertise in the social/labour area, and b) this model requires significant resources, as it assumes that difficult – potentially endemic – social issues require substantial capacity-building, alongside technical assistance.

From this overview of existing initiatives, it is apparent that the challenges for the intended BCI approach are in the following areas:

- the application of a single Better Cotton definition to both plantation and smallholder structures
- assessment and certification under the standard
- potential market exclusion for smallholders unable to meet performance criteria
- supply chain agency: who are the agents of change and how – materially – will change occur?
- cost allocation, incentives and resource implications
- partnership working – with local and international organisations

## ***One size fits all?***

The initial challenge concerns the feasibility of applying a single definition of (socially) Better Cotton to divergent production structures. In the first instance, this depends on the nature of the definition. Understanding that impacts vary by region, it is clear that the definition should be general enough to enable it to capture – and to promote action on – the key regional issues, while being concise enough to reflect a feasibility-based approach, without too many provisions which are redundant in as much as they are not relevant to the region.

Nonetheless, as repeatedly identified, there is fundamental difference in scope between the issues relevant to workers – legally-defined labour issues – and those relevant to smallholders – a combination of social and labour issues, with social impacts revolving around indebtedness and producer organisation held to be the priority, alongside health and safety.

At this point, it is useful to refer to the experience of other organisations in attempting to applying social standards to plantation hired labour and smallholder producers:

### **ETI – UK Ethical Trading Initiative<sup>4</sup>**

In consultation with the author, the ETI Secretariat was clear that real caution should be exercised before approaching smallholder production with a ‘labour standards’ code, such as the ETI code. This view, which is echoed in the ETI Smallholder Guidelines (ETI 2005), is based on the following rationale:

- smallholders typically do not have the means to implement changes in labour practices without assistance – this may take the form of training and guidance, provision of materials such as personal protective equipment, or may relate more broadly to their economic circumstances.
- labour standards – which derive from a relationship of employment – cannot easily be applied where family labour, characterised by a lack of a formal employment relationship, is the prevalent labour input
- there is a significant risk of unintended consequences, most markedly market exclusion: as the ETI states in its Smallholder Guidelines:

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<sup>4</sup> There is an important caveat to any reference made to the ETI’s experience of working with smallholders, with regard to potential BCI ways of working. ETI work with smallholders relies on direct trading links – in areas such as horticulture and cut flowers – between smallholders and purchasers, such as supermarkets, or produce suppliers to supermarkets. As observed elsewhere, BCI cannot lay claim to this degree of articulation in the value chain, and hence cannot seek to exert influence in the same way, or to the same degree, as retailers/purchasers in the ETI model.

*“When working with potentially vulnerable groups, such as smallholders and their workers, the margin for error is small. The livelihood of smallholders and workers may be at risk from unintended impacts of any compliance work, further undermining their ability to benefit from their involvement in the supply chain, or even removing them from it. Suppliers, and especially retailers and consumers who buy from them, need a much greater understanding of smallholders’ situations and working contexts. A normal inspection/audit system does not provide opportunities to increase this understanding.”*

However, the ETI does clearly suggest that certain core labour rights – forced labour, child labour (in its close definition as per the ILO convention), and the ability to organise, alongside health and safety concerns – are vital foundations for ‘Decent Work’ as a pathway to economic development, and should be promoted among smallholders

## **FLO – Fairtrade Labelling Organisation**

In its standard-setting on cotton, FLO implements a series of different standards according to the mode of production: the smallholder code (with additional standards for seed cotton) to farmers in West Africa; the contract producer standard to cotton producers in India and Pakistan (which recognises that these smallholders do not have the collective organisational structures in place to fulfil FLO requirements on their own, and therefore calls on a third-party ‘promoting body’ to assist in this); and – in theory - a hired labour standard for plantation workers in Brazilian cotton cultivation (although FLO confirms that it does not currently allow its hired labour standard to be used to certify plantations in the cotton sector).

Moreover, the generic FLO Smallholder Standard states that the labour standards provisions of the standard do not apply directly, but rather, “where a smaller number are employed and where workers are casually hired by farmers themselves, the organisations should take steps to improve working conditions and to ensure that such workers share the benefits of Fairtrade. This should be part of the development plan and be reported to FLO.”

## **SASA – Social Accountability in Sustainable Agriculture**

Social Accountability in Sustainable Agriculture (SASA) was a collaborative project of Social Accountability International (SAI), the Sustainable Agriculture Network (SAN), the Fairtrade Labelling Organizations International (FLO) and the International Federation of Organic Agriculture Movements (IFOAM), four principal social and environmental verification systems in sustainable agriculture. The SASA objectives were to improve social auditing processes in agriculture and to foster closer cooperation and shared learning between the participating initiatives. Vitality, for the BCI, a key sub-objective of the SASA project was to address the particular needs of smallholder producers in the development of social guidelines for sustainable agriculture. SASA looked at the following issues:

- Documentation burden of ‘auditing’ smallholders – who necessarily will be less able to provide documentation than larger, industrial employers
- Certification systems 'piggy-backing' on each others' foundations – seeking harmonisation of code requirements
- Definition of relevant social issues – looking at the applicability and relevance of many social issues in the smallholder context, such as labour rights, given that many smallholder producers mainly use family labour and are not structurally dependent on hired labour.

SASA registered real concerns as to the applicability of and means of addressing ‘labour’ issues in the smallholder context, as these structures commonly rely on labour inputs which are not characterised by formal employment relationships.

## **Certification and monitoring**

*“Our experience indicates that smallholders cannot be expected to simply ‘comply’ with provisions of given standards following a formal inspection process. There is unlikely to be any structure in place to explain the process effectively or to build their capacity to meet standards. Furthermore, they may not see such requirements as having any benefit to them or their workers. Smallholders are usually at the end of a supply chain and often without the skills, capacity or leverage to garner support in aid of meeting standards. As an alternative to standard inspections/audits ETI recommends considering a ‘needs and priorities assessment’ approach.”*

[ETI Smallholder Guidelines, 2005]

The standard method developed by ‘ethical trade’ systems to assess labour standards is an inspection (audit) visit to assess farmers against a standard or code. The citation above suggests that the direct application of a methodology developed for formal, non-agricultural settings is fraught with difficulty, not least because the effectiveness of its application in formal settings is in doubt. A recent report looking at the effectiveness of Nike’s extensive global labour monitoring programme, commissioned by UN Secretary General’s Special Representative for Business and Human Rights, John Ruggie, suggests that

*“monitoring alone appears to produce only limited results. Instead, our research indicates that when monitoring efforts are combined with other interventions focused on tackling some of the root causes of poor working conditions – by improving the ability of suppliers to better schedule their work and improve their quality and efficiency – working conditions appear to significantly improve. This suggests that the current (highly polarized) debates over monitoring and labour standards need to be recast and new, more systemic approaches towards tackling these problems need to be pursued.”*

In short – monitoring helps to identify problems. It does not automatically assist in resolving them. Inspections may provide useful information but they may not provide information on how to make sustainable improvements for smallholders and workers without harming them in the process. This is of particular relevance if we are to remind ourselves what the ‘problems’ are which are under consideration here, as they lie in part considerably beyond the scope of legal or code compliance: the indebtedness of farmers due to inability to repay input credit, the lack of information and materials to implement better management of worker health and safety, the weakness of producer organisations, for instance. How does inspection play a part in bringing about the change necessary to achieve more sustainable practices in these areas?

It is suggested that – in the examples given above of indebtedness, poor health and safety and weak organisation – it is precisely the lack of the producer’s capacity to achieve change which has brought about the ‘impact’. In this context, applying a standard – with which the producer should comply – is seemingly the contrary to what the situation demands: that the producer’s capacity to achieve change is developed, in order that they

can perform according to the standard expected of them. Concretely – in the examples cited previously – this might entail provision of guidance on use of inputs, training on PPE (and potentially even contribution toward the costs of PPE), together with guidance on how to reduce input use and therefore curb the debt cycle which can ensue from input finance arrangements. It may even entail assessing the potential to support alternative forms of credit not related to the cotton infrastructure, such as microfinance. Similarly, the failure of worker organisation – particularly in the South Asian context – is precisely relative to lack of resources, exacerbated by geographical dispersal and a weak position within the value chain.

Moreover, consultation with BCI retailer members suggests little appetite for this resource-intensive, potentially low-yield course of action. For this reason, and following the best practice of organisations such as ETI in working with smallholders to improve (living and) working conditions, it is suggested that BCI consider following a ‘needs and priorities assessment’ approach. Producer-focused Social Process groups should be established to develop this work. Given that training and cooperation work will likely be the touchstone of these groups’ activities, it is suggested that evaluation of tangible change be effected through and during this capacity building activity, rather than as a discrete ‘verification’ process. This is not only a more resource-effective approach: it is likely that those experts working with farmers will be those with the best understanding of issues and hence the most informed perspective on what change has occurred.

### ***Supply chain agency***

The monitoring and measuring performance is of less material consequence than how performance – changes in behaviour and circumstance – is achieved. This is a central question in BCI work on social and labour impacts: who are the agents of change and how – materially – will change be effected to create a Better Cotton? This question can be formulated more concisely: why will farmers want to participate?

The discussion above has established that the supply chain ‘ratcheting standards’ model – or ‘ethical trade’ model – is not immediately useful to BCI because: a) there are no direct trading linkages between BCI members and cotton farmers and b) there are risks in applying a standard to smallholders which they do not have the capacity to achieve. It has also established that smallholder social certification systems such as FLO derive their logic from niche-trading on the basis above-market prices and the payment of a ‘social premium’: this is well outside the BCI’s expressly mainstream mandate.

Furthermore, it is suggested that any work undertaken to ensure that social and labour conditions among smallholders meet the Better Cotton definition should not marginalise or disadvantage them and thus undermine their ability to meet those very definition. This is a risk in the following ways:

- Where Better Cotton becomes an ‘entry-level’ standard, then failure to achieve compliance with the standard may effectively preclude international market access for



the most vulnerable smallholders – namely those with the least capacity to effect change

- Where Better Cotton social standards require a restructuring or formalisation of processes within smallholdings – such as formalising labour inputs – without providing support to do so, this may increase production costs and therefore precipitate the indebtedness of the smallholder
- At a global trading level, where a certification process surrounding Better Cotton becomes too onerous with regard to a high number of scattered smallholders, then one response is simply to source from other plantation sources, where certification is likely less onerous

It is therefore concluded that the most effective form of BCI activity through Social Process groups is to engage with cotton producers to build their capacity to achieve the change – and move toward the targets proposed above: through provision of information, training, guidance and potentially supporting schemes such as micro-lending and other specific initiatives on the ground. This is not only strategically the most effective means to promote change; it also reflects most aptly the needs of smallholders as presented in this study. For instance, targeted and relevant training and information on input use and broader health and safety concerns represent effective inroads to begin to tackle two of the key issues identified in this report: health and safety and indebtedness relating to input credit default.

An assessment of the economic implications of implementing a Better Cotton definition among smallholder producers without accompanying support and information is important here. As the IIED-ProForest-Rabobank report on Better Management Practices in the cotton sector asserts, “given few, if any, financial incentives for the adoption of BMPs, there is a risk that the burden of any associated costs will fall disproportionately on producers, with little if any compensatory financial return” (IIED 2004). The consequence of this outcome is likely a worsening in circumstances which characterise – and which give rise to – the negative social impacts which are analysed in this report.

The nature of the economic incentive for farmers constituted by the adoption of Better Cotton aims and methods is open to debate. The closest analogy to the BCI method, the Cotton Made in Africa initiative, has made a strong claim for the positive economic impact of a cotton produced under more ecologically and socially sound conditions, and the principal indicator of economic development for CMiA farmers is that they will boast higher returns than non-CMiA farmers. The rationale for this argument is derived from the hypothesis that reduced input use and a committed long-term purchasing pattern will produce tangible economic benefit for the farmer.

## **Annex 1 – Analysis by region**

### **West Africa (Benin, Burkina Faso and Mali)**

For the West Africa region, Benin, Burkina Faso and Mali have been chosen as representative countries, as these three states have the greatest gross output of cotton in the region and their economies are the most heavily dependent on cotton cultivation. In addition, these countries represent well the different stages of market liberalisation and institutional arrangements in the West African cotton sector.

#### **1. *Production structure***

The majority of cotton grown in West Africa is cultivated by smallholders. However, the definition of ‘smallholding’ is relative and relatively flexible: in Benin, for instance, cotton growers tend to have farms that are, on average, twice as large as those of non-growers (5.3 hectares compared to 2.3 hectares). All three of these West-African economies are small and heavily dependent on a few commodities, of which the most important is cotton. Cotton exports constitute more than one-third of Benin’s total exports and nearly one-third of Burkina Faso’s.

Oxfam report that more than two million households are directly involved in cotton cultivation in West Africa, with most farms averaging between 0.5-1.5 ha. They employ large amounts of labour during planting, picking, and in other key seasons. West African cotton cultivation costs are among the lowest in the world: cost-competitiveness is derived primarily from the use of the whole family working on the fields without receiving any payment (Oxfam 2004). About two thirds of the labour in cotton cultivation is performed by family members. However, most cotton farmers in West Africa are not ‘pure’ cotton farmers but only cultivate cotton in addition to food crops.

Cotton is a very labour-intensive crop and, in the West African context where all cotton is hand-picked, it requires 186 person-days per hectare (compared to maize with only 121 person-days) and on average 23% more hired labour per hectare than other crops (Minot and Daniels 2002). There are also conflicts of assignment of labour between cotton and food crops. In Benin, for example, the cotton harvest coincides with the mounding-up of yams. There is also competition between cotton and sorghum (Williamson 2003). Cotton farmers therefore are often prevented from harvesting their food crops on time.

ICAC confirms that cotton cultivation in the AFZ is labour-intensive, using manual or ox-drawn implements and relatively few purchased inputs per ton of production, whereas it is capital intensive in the U.S. Cotton cultivation requires about 150 man days per hectare (60 man days per acre), including 50 man days for hand picking. On average, a grower harvests about one ton of seed cotton per season, equivalent to only 2 bales after ginning, compared with some 950 bales per farm in the U.S. in 2004/05. For most cotton

farmers, the net income from seed cotton (about 120,000 CFA francs or \$240) is the only money they receive during the entire season, for a family of 6 to 8 people.

## **2. Value chain governance**

Sales/distribution structure: the semi-privatised, parastatal model entails a significant degree of vertical integration (*filière intégrée*) and hence there are generally no middlemen between producers and ginners.

The competitive conditions and institutional arrangements in the three West African countries selected for this study differ markedly. Mali's cotton company, the CMDT, benefits from a quasi-monopoly situation and from a de facto monopsony on the purchase of seed cotton from producers. The Malian state and Dagrís (the ex-CFDT French state concern) jointly own the company (60% and 40%, respectively). Burkina Faso's cotton company, SOFITEX, benefits from rather similar competitive conditions but is owned on an approximately equal footing by the Burkinabè state, Dagrís and the producers' association. Finally, the cotton sector in Benin has been recently deregulated. The state enterprise, SONAPRA, has lost its monopsony on the purchase of seed cotton from producers and the government has initiated a strategy for its privatisation which has, however, stalled somewhat.

### **Benin**

Of the 18 ginneries in Benin, eight of them are now privately held. Each ginnery is assigned a distinct amount of seed cotton according to their ginning capacity at the beginning of the season. This means that there is no competition between the ginneries for seed cotton, but only the three oldest private ginneries and the 10 state-owned companies can run on full capacity with these amounts. Ginners finance input purchase and the private sector, led by producer organisations, has established an innovative mechanism to recover input credit and manage payment to producers, after severe failure of the state payment mechanism in recent years.

### **Burkina Faso**

Privatisation has resulted in three cotton zones with three ginners – two private and one mixed, each acting as a regional monopsony. The three ginners are the ex-parastatal monopsonist SOFITEX and local associates of Dagrís and Reinhart who purchased gins as part of the privatisation process. SOFITEX is privately managed, with the State continuing to hold a 13% stake in the company. Each ginner acts as monopsonist in its defined area of operations. Initial prices are negotiated between ginners, producers and the government: the three ginners set a uniform price. In the past weak market conditions sometimes resulted in prices set at levels which are unrealistically high. A new mechanism has been recently adopted linking the initial price to world market levels.

SOFITEX provides some support for producers through its regional monitors (*correspondants coton* – CC) and its network of extension advisors (*agents techniques*

*cotton* – ATC), but this is not enough (1 CC for over 1,500 farm holdings and 1 ATC for over 500 farm holdings). With the help of AFD and EU, SOFITEX has set up a technical team that has already trained 28 management advisers who have counselled close to 1,450 producers. A team of financial management advisers has also been created at UNPCB and needs to be strengthened.

## **Mali**

In Mali, the state-owned ginning company, CMDT (Compagnie Malienne pour le Développement des Fibres Textiles) is exposed neither to competition from other (private) ginning operators as in Benin nor under the control of farmer associations in their capacity of shareholders as in Burkina Faso. Discussions are underway to restructure the national cotton company and possibly move toward its privatisation. Dagrís, formerly known as the Compagnie Française de Développement des Textiles (CFDT) managed Mali's cotton sector until 1974 and still retains 40% ownership in the CMDT. The CMDT uses an extensive network of field agents to closely monitor all phases of production

### **3. Credit**

In all the West African countries looked at here, the pre-finance of inputs is secured by means of credits from the cotton purchaser, the cost of which is deducted from seed cotton sales. Accordingly, this finance is then provided by the state structure responsible for governing the supply chain or, where this chain has been liberalised, by the private sector successor – such as private ginners. In principle, the West African vertically-integrated model offers one of the very few available for providing sustainable input credits to smallholders. It addresses the issues of aggregation and organisation, thereby helping smallholders gain access to international markets. Nonetheless, the model depends critically on some form of farmer organisation, equal access to credit for men and women, competition among buyers, or countervailing political power to ensure that farmers get fair treatment from large exporters.

ICAC (2005) states that “African cotton growers rely on unpaid family labour and have almost no fixed costs. Purchased inputs costs account for most of their cash costs. Average cash costs amount to 75,000 CFA/ha (\$ 63/ac) or 16 cents/lb, about 40% of gross income, significantly less than in the U.S. The cost of inputs is not paid up front by farmers, and is deducted from the sales of seed cotton. As there are very few other opportunities for labour in the rural areas, farmers are likely to grow cotton as long as they can cover their cash costs.”

There are various reports about delayed payments to the farmers for their seed cotton, which is linked to debts accumulated by the supply of input credits. This leads to frustration of farmers who have paid back their credits in time and puts further social pressure on those who were not able to pay back their credits, in most of the cases the poorest of the poor. This ‘debt trap’ has serious implications on both the cotton producer and the institutions supplying inputs and buying seed cotton.

Moreover, it should be noted that cotton farmers in West Africa frequently grow cotton precisely in order to be able to access fertiliser which, despite being recoupable against credit via parastatals/input providers, is otherwise not available to farmers. In addition, the lack of well-delineated and transferable property rights (land titles) is often put forward to explain the poor functioning of credit markets in Sub-Saharan Africa because land cannot be used as a credit guarantee in such situations.

## **Benin**

Since 1998 the management of cotton inputs has transferred to CAGIA (Coopérative d'Approvisionnement et de Gestion des Intrants Agricoles). This organisation has to evaluate the input needs and the allocation of licenses to distributors. An autonomous agency CSPR (Centrale de Sécurisation des Paiements et des Recouvrements) is now responsible for providing input credits: CSPR is a clearing-house in charge of all financial aspects concerning the sale of inputs and seed cotton (SIDA 2004). CSPR has to register every input sale by the providers to the producer groups and every credit granted. It must also register the cotton sales of each producer group to the cotton companies (Goreux 2003).

## **Mali**

The Malian cotton model exemplifies the common vertical support system for smallholder agriculture, in which a single entity supplies inputs (usually on credit) in return for guaranteed marketing of the output, from which input costs can be deducted. The CMDT supplies inputs, extension support, and a guaranteed market for smallholder cotton cultivation in Mali. In addition to supplying inputs (seeds, fertilizer, and pesticides) on credit and facilitating the acquisition of animal traction equipment, the CMDT uses an extensive network of field agents to closely monitor all phases of production. A monopolist, the CMDT guarantees the purchase of farmers' seed cotton at pan-territorial prices (announced before planting) and assures credit reimbursement. It controls collection, ginning, baling, and export.

### *Micro-credit - example*

There are several examples of innovative micro-finance initiatives aiming to short-circuit the 'debt trap' of input pre-finance, particularly the gender impact of male-privileged access to credit (itself related to land entitlement traditions – see 'Gender' below). Kafo Jiginew, for example, is a federation of credit unions in Mali and is the largest microfinance institution in the country. Since its inception, Kafo Jiginew has sought financial self-sufficiency while serving the poorest families and specifically the women of Mali. In 1995, Kafo Jiginew began providing loans to cotton farmers, linking their operations to those of the CMDT. This relationship allows Kafo Jiginew to lend to cotton producers and guarantee their repayment through the CMDT. These 'Cotton Loans' constitute 75% of Kafo Jiginew's loan volume.

#### **4. Price determination**

Pricing mechanisms are similar throughout the CFA zone. For seed cotton, in general, a minimum procurement price is announced before planting taking into account the cost of production and the world price. This pan-seasonal and pan-territorial pricing is countered by stabilisation mechanisms in some countries, and the floor price may potentially be supplemented (by means of a rebate or 'ristourne' paid during the following season). For lint cotton, sales (mostly at a fixed price) are based on the Cotlook A Index & African franc zone quote, incorporating quality premiums and discounts – although almost all cotton produced in the areas of study is of the highest quality (ICCO).

ICAC (Istur, 2005) confirms that for most cotton farmers in the CFA zone, the net income from seed cotton (about 120,000 CFA francs or \$240) is the only money they receive during the entire season, for a family of 6 to 8 people.

ICAC (idem) also indicates producers and ginners in the CFA zone lack technical expertise and market knowledge. Smallholders are not able to benefit from tools of price risk management to provide protection against the inevitable price fluctuations. Know-how of price risk management tools is almost non-existent.

#### **Benin**

Since 2002, negotiations for the seasonal seed cotton price are coordinated by AIC (*Association Interprofessionnelle du Coton* – representing cotton farmers as well as ginners) with the participation of producers, input suppliers, ginners and the government.

#### **Burkina Faso**

In Burkina Faso, seed- and fibre-cotton producers receive a fixed price from SOFITEX (AFD, 2004).

#### **Mali**

The CMDT guarantees the purchase of farmers' seed cotton at pan-territorial prices (announced before planting).

#### *Linkages between cotton and poverty in the West African context*

The high dependence on cotton in West Africa has important ramifications for poverty, especially when prices change suddenly. In a study of Benin, Minot and Daniels (2002) estimated that a 40% reduction in farm-gate cotton prices – equivalent to the price decline that occurred between December 2000 and May 2002 – implied a 7% reduction in rural per capita income in the short run and a 5–6% reduction in the long run. They also estimated that the incidence of poverty among cotton growers will rise in the short run

from 37% to 59%, while the average incidence of rural poverty (among cotton growers and other farmers) will increase from 40% to 48%.

However, it should be noted that (Tefft) most smallholders in Mali's cotton zones earn higher incomes and invest more in agriculture than smallholders in other zones. These additional resources enable cotton farmers to produce up to 70% more cereals per capita than non-cotton farmers. The OECD Sahel Club observes that the successes related to cotton have led to cotton producers being considered as better-off, having more access to services and more capable of emerging from poverty. While incomes from cotton cultivation have not always been equitably distributed, there is evidence that cotton cultivation and related multipliers produced positive social change in rural areas.

## **5. *Typical relation / form of employment***

Most vitally, it should be noted that many – probably the majority of – smallholder producers mainly use family labour and are not structurally dependent on hired labour. Local labour exchange systems within a given community may also be common. This is fundamental in approaching 'labour standards' in such smallholdings, where labour standards to some degree depend on the notion of a remunerated employment relationship formalised by verbal or written contract.

### **Conceptions of extended family and property rights**

A further complicating factor in the West African context is the reality of extended family relationships and related difficulties in defining operators and units of production: 'family' labour may entail a broader range of individuals than biological relatives. SASA reports that some confusion surfaced in the course of their producer interviews in Burkina Faso regarding traditional norms of patrilineal land ownership and ideas of what constitutes 'family' in family labour.

## **6. *Child labour***

Child labour is widespread in West Africa, alongside forms of (acceptable) children's work. According to the ILO (2006), with 26%, or close to 50 million child workers, the proportion of children engaged in economic activities in sub-Saharan Africa is currently the highest of any region in the world. Child labour is particularly concentrated in informal sector activities – such as family agriculture, including cotton. Details are given by country below.

There are a number of existing initiatives, established by or with the collaboration of ILO-IPEC (the ILO's programme to combat child labour), UNICEF, NGOs and the private sector. Perhaps the most high-profile of these initiatives is the ICI initiative on child labour in the Cote d'Ivoire cocoa sector. A full analysis of the ICI – and potential lessons to be drawn from it – is presented at Annex 2. The West African trade union movement is also active in addressing the issue: child labour – alongside the harmful implications for the children involved – also undermines the existence of a functioning

adult labour market. ILO reports that in Benin and Burkina Faso, in particular, all the trade union centres are working together on child labour.

## **Benin**

The Labour Code sets the minimum age for work at 14, except for domestic work and light work on farms, where this age is set at 12. In addition, the Labour Code requires employers to maintain a register, including the birth date, of all employees under the age of 18 years. However, many sources, including the U.S. Department of State, report that due to a lack of resources, enforcement of the Labour Code by the Ministry of Labour is limited, and minimum age laws are not enforced in the informal sector, such as family agriculture. ILO-IPEC reports that some 480,000 children aged 6-14 are economically active in Benin, of whom 70% work in rural occupations: this does not correlate to the rate of child labour, which is the subject of broad variance in speculation.

The rate of economically active children is, however, a direct corollary of poor school attendance. Education in Benin is free for primary school children ages 6 to 11 years; primary school education is compulsory, but there is no mechanism for enforcement. In addition, families are required to pay additional expenses associated with schooling, such as uniforms, transportation, and school stationery, which can be prohibitive for poorer families.

There are defined and critical problems of child labour in the cotton sector in Benin and, accordingly, ILO-IPEC has established various programmes of action in Benin to reach out to children at special risk. These include: a plan of action for the protection of children using pesticides in agriculture in Banikoara; a plan of action to ascertain the impact of the use of pesticides on the health of children working in cotton fields in Aplahoué in Mono; and a programme to abolish the use of pesticides by children in cotton fields through the production of a documentary on child rural workers.

The nature of children's work on family cotton farms varies significantly from 'light work' outside school hours – which is entirely acceptable under the ILO definition, and is considered a valuable means of vocational training – to full-time employment on the farm – which is not acceptable where it occurs to the detriment of the child's schooling, health and well-being.

ILO-IPEC also reports a different, and more serious, form of child labour in Benin tantamount to a 'worst form' under Convention 182: in the north of the country, around Banikoara, children are forced to work seasonally in the cotton fields, and are commonly trafficked by third parties from neighbouring Burkina Faso. About 60,000 of the 350,000 metric tons of cotton produced in Benin are grown in Banikoara. The Africa Third Millennium Group reports that, in this region, a farmer may have, on average, 10 children working on his farm: the children, aged between six and 17, live on the farm, under harsh conditions. On average, they work ten hours a day, and are poorly nourished. Supported by ILO-IPEC, Africa Third Millennium Group has developed a project – the 'Support Project to Care for and Rehabilitate Children Victimised by the Worst Forms of Labour



and Trafficking in Banikoara's Agricultural Sector' – which aims to enrol the freed children in school or in vocational training centres, and also to provide awareness-raising on the harm caused by child trafficking and child labour in Banikoara.

## **Burkina Faso**

The Labour Code sets the minimum age for employment at 14 years, but children under 14 years may perform light work for up to 4.5 hours per day in the domestic and agricultural sectors; other light work is permitted for children under the age of 12. Children may start working full-time at age 14, but are required to remain in school until the age of 16. In provinces where child labour and child trafficking are problems, the government is establishing watch committees, which include representatives of industries where child labour is found, the police, NGOs, and social welfare agencies.

The Education Act made schooling compulsory from age 6 to 16. In 2002, the gross primary enrolment rate was 47.5%. In 2001, the net primary enrolment rate was 35.0% (41.0% for boys and 28.9% for girls). School enrolment and literacy rates for girls are lower in rural regions than in urban areas.

## **Mali**

The Malian Labour Code of 1992 sets the minimum age for work at 14 in all sectors except family undertakings and non-commercial work: accordingly, children aged 12 and above may do 'light work' in agriculture, including cotton cultivation. However, they may not be employed for more than 4.5 hours per day (2 hours a day, if they are in school), or without the authorization of a parent or guardian. The decree also prohibits children under 16 from working in certain strenuous occupations, including those in the agricultural sector.

The ILO reports that child labour surveys carried out by employers' organisations in Mali have found children working, particularly in the agricultural sector. US Department of Labour observes that Mali is a source of trafficked children, most of who are sold into forced labour in Côte d'Ivoire to work on coffee, cotton, and cocoa farms, or in domestic labour. Organized networks of traffickers promise parents that they will provide paid employment for their children, but then sell the children to commercial farm owners for a profit. Mali is also reported to be a transit country for children trafficked to and from neighbouring countries.

Primary education is compulsory and free through the age of 12. However, students must pay for their own uniforms and school supplies to attend public schools. The Malian education system is marked by extremely low rates of enrolment, attendance, and completion, particularly among girls. In 2001, the gross primary enrolment rate was 57.1%.

## **7. Forced labour**

Benin ratified Convention No. 29, the Forced Labour Convention in 1960 and Convention No. 105, the Abolition of Forced Labour in 1961. Burkina Faso ratified Convention No. 29 in 1960 and Convention No. 105 in 1997. Mali ratified Convention No. 29 in 1960 and No. 105 in 1962. Forced labour is prohibited by law in all three countries. In practice however forced labour of children is a serious problem, and there are many reports of children forced into plantation work within the countries and in neighbouring countries. Many of them are sold to traffickers.

### **Benin**

Forced labour is prohibited, but forced child labour is a serious problem. Some children are indentured to agents for farm work or domestic work, often due to the extreme poverty of their parents. Benin is a source, transit and destination country for trafficking of people, in particular children. Children are trafficked to Ghana, Nigeria and Gabon for domestic servitude, farm labour and prostitution. Children were also taken to Togo and Ivory Coast to work on plantations. Working hours are long, wages are low or non-existent and they are exposed to dangerous chemicals and use dangerous tools. According to a 1999 Government, World Bank and National Statistics Survey, 8% of the rural child population between 6 and 12 years work abroad, primarily as agricultural workers in Ivory Coast and as domestic workers in Gabon. In some villages up to 51% of the children were trafficked. Increasingly, measures are being taken in order to stop the practice of forced child labour with the support of trade unions and of civil society.

### **Burkina Faso**

The law prohibits forced labour, however there have been reports of employment of children in other families without status or remuneration, and the exploitation of immigrant girls. Trafficking of women and children is a problem, and the government only has limited resources to combat trafficking. Burkina Faso is a source, transit and destination country for trafficked people. Malian children were trafficked through Burkina Faso to Ivory Coast, and Burkinabe children are trafficked to Benin, Ivory Coast, Ghana and Nigeria. The children are often forced to work on agricultural holdings (mainly cotton) under harsh circumstances for very low wages.

### **Mali**

Forced labour is prohibited, but there has been a long-standing hereditary servitude problem in the northern areas. An estimated 15,000 children between 9 and 12 have been sold into forced labour on cotton, coffee and cocoa plantations in Côte-d'Ivoire, although recently Mali has signed conventions with the neighbouring countries of Burkina Faso, Côte-d'Ivoire and Senegal in order to prevent such trafficking. Many children are also forced into domestic service. They can be forced to work 12 hours a day without pay and are often physically abused.

## **8. Health and safety**

The main issues for worker health and safety are the damaging effects of improper use of chemical pesticides and banned fertiliser products and other inputs. Provision of drinking and washing water is also a problem – and relates to BCI TWGs work on water.

SNV Netherlands confirms that extensive pesticide use has resulted in water pollution and poisoning of people (in cases such as the fatal ‘Endosulfan case’ in Benin in 1998/99). Phyto-sanitary treatment remains problematic.

## **9. Freedom of association – organisation of workers/farmers**

APROCA - the African Cotton Producers Association was created in 2004 and represents the interests of the cotton producers of six countries (Burkina Faso, Togo, Mali, Benin, Cameroon and Senegal). Members include (for countries targeted here):

- FUPRO-B - Fédération des Unions de Producteurs du Benin
- UNPCB - Union Nationale des Producteurs de Coton du Burkina Faso
- GSCVM - Groupement des Syndicats Cotonniers et Vivriers du Mali

There are various initiatives aiming at the strengthening of producer organizations [cited by SNV Netherlands]. Several Dutch development organisations have taken their empowerment as entry point for support; Agriterra, SNV, ICCO, KIT have partnerships with farmers’ organisations. They are also a member of the AgriProFocus platform (see [www.agri-profoc.us.nl](http://www.agri-profoc.us.nl)). Some examples of capacity building activities by Dutch partners:

- Preparation and participation of AProCA, ROPPA and national farmers’ organisations to the World Trade Organisation meeting in Hong Kong 2005 (supported by ICCO)
- Influencing of new agricultural legislation, the *loi d’orientation agricole*, in Mali by national farmers’ platform CNOP (supported by SNV & NOVIB)
- Development and application by local FO of planning tools, as the *conseil de gestion de l’exploitation*, for farmers’ households (support by KIT & SNV)
- Self-assessment, strategic planning and better structuring of FO (support by Agriterra, KIT, SNV)
- Leadership training, as well as exchanges and forums between farmers’ organisations within West Africa, between Europe and Africa or on global level (support by all Agri-Pro-Focus partners)

### **Benin**

An important organisation in Benin’s cotton sector is the Association Interprofessionnelle du Coton (AIC). AIC represents the cotton farmers as well as the ginneries. Its field of activities is broad (for example to promote cotton research, to solve conflicts between the various stakeholders, to manage the cotton transport sector and to coordinate the work of

CSPR and CAGIA). At the beginning of each marketing season, AIC assigns each ginnery a maximum amount of seed cotton and also determines in which region the seed cotton has to be purchased. The grassroots associations are the Village Associations (Groupements Villageois, GV), which are grouped in regional unions (Union Sous Préfectorale des Producteurs and Union Départementale des Producteurs). At the national level, farmers are represented by FUPRO (Fédération Nationale des Unions Producteurs) and ANPC-Benin (based on the model of UNPCB in Burkina Faso – see immediately below). FUPRO has also been involved in the bargaining process that determines the price of inputs and seed cotton since 2002 (SIDA 2004).

## **Burkina Faso**

Burkina Faso has seen the development of perhaps the strongest producer structure in the region, the UNPCB. UNPCB holds a 30% share in SOFITEX, which administers ginning, marketing and distribution. Observers comment that, while this is a strong position in principle, the UNPCB has neither the capacity nor the information to assume its shareholding responsibilities and exercise influence.

## **Mali**

The rise of the cotton producers' union (Syndicat des Producteurs de Coton et Vivriers, SYCOV) has helped to broker fairer negotiations between farmers and the CMDT, providing small farmers with a collective means of expressing their views. At local level, Associations Villageoises (AV) – village-based farmer organisations – deal with farmer complaints of unfair cotton grading and weighing practices. Growing farmer involvement in managing village-level cotton activities (inputs, seed cotton assembly) laid the groundwork for greater farmer participation in the operational management of the sector (such as farmer representatives being signatory to performance contracts with the government and CMDT).

Besides the GSCVM, the 'Group of 38' is an influential, informal farmers' platform which brings together the four Cotton Syndicates, the AOPP (*associations des organisations paysannes professionnelles*) and five URCGR (*unions régionales de centres de gestion rural*).

## **10. Gender impact of cotton cultivation**

Cotton cultivation in West Africa is dominated by men; women are used as labour. Women are most involved, at household level, in critical cotton cultivation activities such as sowing, fertilising, weeding and harvesting, whereas men are more involved in activities such as land clearing, ploughing and spraying pesticides. Vitaly, the potential role of women in rural socio-economic development is commonly limited by lack of access to credit: this again turns on the pivotal role played by patrilineal systems of land inheritance, and associated decision-making rights. Women have neither the land to offer as collateral against credit, nor the decision-making to make such a request.

FAO suggests that this limited access to credit for women in West Africa is also caused by high illiteracy rates, limited access to formal employment, fear of indebtedness, lack of information, cumbersome procedures, and exclusion from cooperatives through which credit is provided, and transport costs (FAO, 1995 and 1996). In several countries, progress has been made through the provision of women-targeted credit, particularly through donor-supported credit and microcredit. Microcredit schemes based on group loans overcome one of the major obstacles that women encounter in obtaining access to credit, namely their lack of land titles to be used as collateral (FAO, 1995; Gopal and Salim, 1998).

Reports on organic cotton growing in Benin [Tovignan, D S and Nuppenau, E-A, 2004] contend that access to organic techniques have increased women's participation and ownership of cotton fields. Firstly, as organic-specific credits – together with the reduced input requirements of organic methods – have enabled women to access funds independently and to invest these in their own production. This is touted as a strong social argument for the creation of such premium-paying 'niche' markets. Second, organic techniques present less of a threat to women's health. That is, modern inputs (synthetic pesticides and fertilisers) and particularly the manipulation of pesticides are themselves major constraints for women in cotton cultivation, as they can be the victims of abortion or contaminate easily family food.

In Burkina Faso [Grimm & Gunter, 2004], women typically cultivate niébé, shea nuts and other oil seeds, but the more important cash crops are typically in the hand of the male household head. This has often negative implications for the intra-household allocation of cash-income, in the sense that investments into children's health and education are lower than if the woman decided on the allocation of resources.

Moreover, certain traditions militate against a change to bring about equal rights for women. For instance, women still cannot buy land and they only can inherit land indirectly via their spouse [Diallo, 2002]. Women can also be expropriated of their cultivated land, a fact which exerts most likely negative effects on their propensity to invest. Women have often no access to fertilizers, because the money necessary to buy them is under the control of the male household head who besides the family plots, also possesses his own individual plots for which he usually prefers to use the financial resources. Customary law also contains labour obligations for women. In Comoé Province in Burkina Faso, for example, young wives have the duty to provide labour for their husbands' fields, in addition to cultivating their own fields. Women are liberated from these obligations usually in their mid-forties, when their children are old enough to provide labour [van Koppen, 1998].

FAO highlights that women's participation in cooperatives and farmers unions in West Africa is very limited, mainly due to socio-economic factors (women's limited land ownership) and to cultural stereotypes. The percentage of women members of cooperatives ranges from 6% in Burkina Faso to 11% in Benin.

# India & Pakistan

## 1. *Production structure*

Cotton cultivation in both India and Pakistan is dominated by smallholder production. 60 million people derive income from cotton directly and indirectly in India, and there are 1.3 million cotton farms in Pakistan, half with less than 2 hectares. Systems of contract farming are well developed, particularly in India, whereby the production and supply of seed cotton is undertaken under forward contracts between producers/suppliers and buyers. This entails a commitment from the producer/seller to provide cotton of a specified standard, at a time and a price, and in the quantity required by the buyer.

### **India**

The majority of cotton is grown in the states of Maharashtra, Andhra Pradesh, Gujarat, Madhya Pradesh, Karnataka, Punjab, Haryana and Tamil Nadu. Labour practices in these states are more or less similar and all categories of labour - casual and long-term – are involved in cotton cultivation. Labour practice is determined by the land holding (large, medium or small) pattern of the cultivator. IRFT confirms that these labours practices do not betray major variations between cotton growing states. In the context of hazardous labour practices, two major issues prevail: poor worker health and safety, and child labour. In addition, in the states of Punjab and Haryana, there are concerns relating to the working terms and conditions of migrant workers.

### **Pakistan**

Cotton is produced in Pakistan on large as well as small farms with significant differences in farming methods and access to technology. It is grown on 3 million hectares mainly in the provinces of Punjab and Sindh. More than half of the farms are less than 2 hectares in area, although they cover only 11 per cent of the area. However, less than 2 per cent of the farms covering 24 per cent of the area are larger than 20 hectares in size.

## 2. *Value chain governance*

Until recently, neither Pakistan nor India have had significant export market share. However, in 2005 India exported over 500,000 tonnes of cotton – the first year it has been an exporter of any significance, so it remains to be seen whether the surplus production continues. Historically, the majority of cotton produced in these countries has been processed domestically, and they occasionally import cotton. On the ground, it is the pesticide company representatives and pesticide dealers who provide the majority of advice, and input pre-finance. There are low levels of collective farmer organisation. The Indian Government is increasingly promoting integrated cotton cultivation – on the model of contract farming – whereby inputs and pre-finance are guaranteed by a purchaser who commits to buying a certain quantity and quality of cotton, at a specified time and price.

## **India**

In India, contract farming between farmers and mills is being explored as a means of securing the availability of certified seed, quality fertilisers and pesticides. This is being tested on an experimental basis in Gujarat, Madhya Pradesh, Andhra Pradesh and Orissa in 103 villages with an area of 3000 ha involving over 3,000 farmers, coordinated by the CCI. A case study of a cotton contract farming venture – ACC – is included at Annex 2, in which the contractor supplies all the inputs required for cultivation, while the farmer supplies land and labour.

## **Pakistan**

Key actors in this segment of the chain are the 1.3 million farmers, 20 pesticide companies, 114 seed companies, government seed corporations, government seed certification department, the agricultural extension system, the cotton crop research institutes, the irrigation department, commission agents, ginners, and agricultural credit companies. While some of these are more organised than others (eg the pesticide companies), it is not clear whether there is a governance structure to influence inputs and outputs. It is noted, however that Pakistani farmers come into contact with three groups of actors who can influence them in making their production decisions. These are input suppliers (especially pesticide suppliers), purchasers (mainly commission agents), and government extension agents. Of these, only the government extension agents and input suppliers make an explicit effort to influence farmers' decisions.

IISD characterises Pakistani cotton as a 'government-driven' commodity chain, whereby the flow of financial, material and human resources through a chain is influenced strongly by the policies and actions of government agencies. The combination of agricultural research, extension, policy, credit, and input provision is used to influence the allocation decisions of farmers. However, this system has deteriorated over time, and has also become somewhat captive to the actions of input suppliers.

### **3. Credit**

#### **India**

Most financing in India is done through chemical and seed companies, though the government (Cotton Corporation of India – CCI) annually establishes minimum support prices for cotton. Middlemen (known locally as 'traders') commonly serve as technical advisors for cotton cultivation. They provide seeds, chemical fertilisers, and insecticides on credit while guaranteeing purchase of the crop. The traders provide essential services, but they have a vested interest in selling their products, and ensuring their (over)use. Their knowledge for giving technical advice may be limited to information provided by pesticide companies and other suppliers of their products. The farmers are thence dependent on traders for advice, credit, and marketing because no alternatives are available. Moreover, because cotton cultivation requires heavy investment and borrowed

capital, smallholders are often highly indebted and are therefore very risk-averse and likely to apply excessive amounts of pesticides to protect their investment.

IRFT confirms the detail of this situation. Farmers need more money during the sowing period to purchase seed, fertilizer and for agricultural equipments. Very few farmers get crop loans from banks. The majority of large farmers enjoy this loan facility. Most of the small and marginal farmers depend on the moneylenders or they get credit from seed / pesticide retailer with interest and, according to IRFT, subject to some degree of discrimination. Seed or pesticide companies offer credit to retail agents but the further offer of credit by the trader to the farmer is determined on personal rapport and farmer's credibility within vicinity. At times, retailers charge interest at their own discretion.

There has been sharp increase in the dependence on loans to enable cultivation. The tendency to take loans increased in the nineties. Farmers took a first loan from banks (banks only lending once, with a further loan possible only after repayment of the outstanding loan). Subsequent loans were from private parties in order to repay the bank loan (default on which would result in repossession of land or house under mortgage). Even for those able to get a loan from the formal sector, access to informal sector loans was indispensable. Thus, the majority of the cotton farmers developed loan commitments to non- formal sources. Those farmers who faced repeated crop failures accumulated loans beyond their capacity to repay. IRFT states that most of the farmers subject to these circumstances have turned defaulters over the last four years.

This points to a serious crisis as reflected in the absence of the support system to bail the farmers out, in the form of relatives, neighbours, banks and even the moneylenders who have stopped lending. Many farmers tried to diversify their employment opportunities with new loans. Some have purchased tractors in order to create rental income. Medium- and large-sized landholders followed these strategies, but many did not succeed in their efforts, resulting in higher debt burdens.

The States' and Central government's response to increase credit flows to the agricultural sector and reduce interest rates on farm loans has had minimal impact, it is contended. Most small farmers are ineligible for fresh bank loans as they are treated as defaulters due to their inability to repay the earlier loans. Frequently, these farmers have no option but to borrow from local moneylenders and traders at higher rates. Considering this dependence on precarious inputs, credit facilities, insurance and marketing, the Indian Government has also recognised the need to promote 'integrated cotton cultivation' through linkages amongst all concerned, primarily by means of introducing contract production systems. Integrated cotton cultivation involve corporate sector participation, not only in extension services, but also in making available quality inputs like seed, fertiliser to farmers to improve the productivity and quality of Indian cotton.



## **Pakistan**

In Pakistan, there are two levels of credit/loan relations, both of which are liable to exploitation: that between the landowner and the share-tenant; and that between the trader and the landowner.

Share-tenants (*haris* or *buzgars*) traditionally till the land of land-owners in exchange for a share of the revenue, in the case of cotton. The combination of a changing labour-input cycle, the higher cost of inputs and the more lucrative cash-value of crops, coupled with closer supervision, has undermined traditional *hari*-based agriculture. The *hari* is now expected to pay the market rate for hiring tractors for ploughing. As the *hari* cannot afford to pay these cash costs upfront, he accepts a loan from the landowner. Thus, a relationship that was initially premised on equality has gradually been converted to a relationship of inequality, prone to economic and social exploitation.

In Pakistan, general agricultural traders provide seasonal production credit in kind (fertiliser, chemicals) and cash, plus some consumption credit, to cotton-producing, land-owning farmers. The loans are repaid at harvest through deductions from sales revenue. Under the unwritten contract, a landowner agrees to sell his seed cotton to the trader who provides him with seasonal credit, but the price of the seed cotton is not negotiated until harvest, when it is based on prevailing market rates. Traders provide credit to landlords to maximise the volume of seed cotton that they handle at harvest time.

Since 1992, easing of government controls on the cotton sector has encouraged significant new investment in ginning capacity in Sindh. Some ginners thus provide credit to traders in return for seed cotton deliveries, so that they in turn can guarantee viable levels of capacity utilisation at their ginneries. Reputation plays a vital role in access to credit at all levels. Traders share information about defaulting landowners and are thereby able to prevent them from obtaining future credit, not just for cotton cultivation, but also for production of other profitable crops such as sugarcane and mangoes. Meanwhile, a landowner applying for a loan from a particular trader for the first time is expected to provide a referee or guarantor, who either loses his own reputation or has to pay off the outstanding debt in the case of default by the borrower. This model of "competitive interlocking", which guarantees farmers both access to seasonal credit and competitive prices for the resulting seed cotton, is potentially transferable to other areas. However, preconditions for its successful implementation include good market information, to enable farmers to bargain over the price of output and sufficient trust amongst lenders to permit exchange of information about borrowers.

### **4. Price determination**

## **India**

In India, seed cotton price is commonly the subject of negotiation between farmer and trader/ginner. However, the Cotton Corporation of India (CCI), a government agency, is responsible for providing price support in all states except in Maharashtra, where there is

state monopoly procurement (although it should be noted that Maharashtra state government has recently started to incentivise farmers to grow sugar cane instead of cotton as cotton cultivation has become unprofitable). The CCI is a profit-making public sector undertaking under the Ministry of Textiles engaged in commercial trading of cotton. To protect the interests of the cotton growing farmers, the Government announces a Minimum Support Price (MSP) for seed cotton whenever the market price falls below / touches the MSP. In such situations, the CCI undertakes support price operations and purchases seed cotton at MSP without any quantitative limit. The loss, if any, incurred on account of support price operations is reimbursed to the CCI by the Government.

## **Pakistan**

Since the 1980s, the government has fixed seed cotton and lint prices to protect the interest of the growers and to bring about stability in the market. In 1981 the Agricultural Prices Commission was instituted to secure an objective basis for recommendations to Government on prices and related “non-price” matters. The government determines a support price, based to cover the average production cost per unit of area and to compensate for the increase in the prices of inputs, particularly labour, fertilizers and pesticides. This has, however, been a notional price as the market price of both seed cotton and lint by and large remained much above the support level. The mechanism envisages government intervention – by the intermediary of the Trading Corporation of Pakistan (TCP) - the only if market prices fall below the support level. The TCP undertakes lint cotton procurement operation on Government direction in order to stabilise cotton prices. Accordingly, the TCP has several cotton procurement centres in Sindh, Punjab and Balochstan.

## **5. State of national labour legislation / enforcement**

### **India**

Several measures have been taken to protect the interests and improve the conditions of agricultural workers. The very first legislation, the Minimum Wages Act, 1948 was applied to the agricultural sector also. Subsequently, the Plantation Labour Act, 1951 was enacted to provide certain basic facilities to plantation workers. Many other existing labour laws such as Bonded Labour System (Abolition) Act, 1976, Protection of Human Rights Act, 1993, Equal Remuneration Act, 1976, are applicable or have direct bearing on agricultural labour.

Institutional mechanisms in the form of Vigilance Committees at the district and sub-divisional levels under the Chairmanship of District and Sub-Divisional Magistrates are provided for by Statute. For instance, anyone who wants to file a complaint under the law about existence of bonded/forced labour in any part of the territory of India should file it before the Vigilance Committee under the Act. Executive Magistrates have been empowered under the Act to conduct summary trial of offences, to release the bonded labourers(s) and to issue release certificates. The Act also lays down stringent penal provisions against offending employers. The penalties include imprisonment for a term

which may extend to 3 years and also with a fine which may extend to Rs.2,000. In order to assist the State Governments in their task of rehabilitation of released bonded labourers, the Ministry of Labour has launched a Centrally Sponsored Scheme since May 1978 for rehabilitation of freed bonded labourers. Under the scheme, the Government of India extends rehabilitation assistance at Rs. 10,000/- per freed bonded labourer.

Keeping in view this broad perspective, the Ministry of Labour is contemplating to introduce comprehensive legislation to safe guard the interests of agricultural workers. The proposed legislation would provide for regulation of the service conditions of agricultural workers and provides for certain welfare measures which include financial assistance in case of death and injury, payment of group insurance premium, health, maternity benefits, old age pension, housing assistance and educational assistance to the children of agricultural workers. Special provision/welfare schemes for women workers prohibiting their employment after sunset, rest shelter with employment of 20 and above female agricultural workers for use of children under the age of six, ensuring payment of equal wages to men and women for same and similar nature of work as required under Equal Remuneration Act, maternity benefits etc. are also provided in the proposed legislation. To meet the expenditure for various welfare measures there is provision for constitution of an Agricultural Workers' Welfare Fund at the district level to be financed by employers' contribution and contribution by the workers. The proposal is at the stage of consideration at various levels in the Government.

## **Pakistan**

Agriculture is not included in the sectors covered under Pakistani labour legislation. PILDAT/PILAR confirm that "agricultural workers have remained outside the ambit of labour rights and laws" [PILDAT 2005].

## **6. *Typical relation / form of employment: family, informal, contract***

### **India**

The following are the prevalent forms of employment relationship in Indian cotton cultivation:

- Long-term (hired on yearly or monthly wages basis): Traditionally large farmers employ one or two locals as long term labourers. The major responsibilities of these labourers include supervision and monitoring of all ongoing agricultural activities involved cotton cultivation and other crops, taking care of cattle and monitoring the activities of casual labourers engaged on daily basis. In many regions and places the long term labourers are treated as member of the employer's family. Their wages are fixed on a yearly or monthly basis, and they are entitled to facilities such as housing, food, occasionally clothes, minor medical expenses and holidays during festivals. There is no formal contract but the terms of reference and engagement are based on mutual understanding and trust.

- Casual (daily wages basis): These labourers are hired on a daily basis to implement the ongoing activities of cotton cultivation. The wages are determined on the basis of current market rate. The majority of women workers are employed on this basis: moreover, wages are held back till a task is completed.
- Casual (contract basis): In many regions labourers are hired on unwritten contract basis to carry out specific activities of cotton cultivation such as spraying of chemicals and uprooting of cotton stalk after picking of cotton is over. The terms and conditions of engagement are mutually understood and committed on a basis of trust.

## **Pakistan**

Various types of labour contracts prevail for different operations in Pakistani cotton cultivation processes, including both skilled and unskilled workers employed on regular and casual terms, similar to the Indian case. Unskilled labour is employed on a regular basis, particularly for the application of fertilisers, sowing and irrigation. Sometimes regular waged labourer is used to supervise casual and seasonal labourers employed on the farm in harvesting, picking, threshing, loading, etc. The salary for such labourers is Rs.1000-1500 per month. There is a slight variation in wages from farm to farm. In addition, male and female casual labour is also employed on a regular basis during peak seasons. Some of the arrangements are fairly complex and tenants often engage in a combination of labour and tenancy arrangements to maximize their earnings. The cost of cotton-picking has traditionally always been shared between the landlord and the tenant.

## **7. Child labour**

### **India**

India has not ratified either Convention No 138 on the minimum age for entry into employment or Convention No 182 on the worst forms of child labour, and does not have a national minimum age for employment. India's main legislation on child labour is The Child Labour (Prohibition and Regulation) Act, 1986 (amended in 1999). This Act prohibits children's employment – namely employment of under-18s – in a series of occupations and processes. The implications of this legislation are not always clear to businesses or employers: household enterprises in particular are exempt from prohibitions on employing children under the terms of the 1986 Act. As a consequence, there are no legislative limits on young children working for their own parents. Employment of children (under 14) in non-domestic occupations is subject to regulations regarding hours of work and rest periods - under the Plantation Labour Act, 1951, children/adolescents are allowed to work 27 hours a week.

The extent and forms of child labour in cotton cultivation is complex. In the Indian context, agriculture is a 'family' occupation and not an 'individual' farmer's. This holds true especially in the case of small and medium farmers, where all the family members including women and children are engaged in farming activities. Each member of the

family contributes or works on their own farm as per their ability and time available with them and share work among the family members. School children also work on the farm whenever they are at leisure or during holidays and vacations. However, it does not imply that all children work in order to earn a livelihood. The children of landless labour or marginalized farmers work during cotton picking season, as it is a labour intensive activity.

Poor or marginalised farmers rarely perceive education as a priority; moreover illiteracy accompanied with poverty perpetuates child labour. Secondly, lack of access to qualitative educational facility within vicinity triggers school drop out. The extent of child labour is difficult to gauge as some of the children work in agriculture sector through out year to support livelihood.

In the cotton sector, children are primarily involved in cotton picking. Since boll picking does not require close monitoring, employers tend to be less concerned about the type of labour which they engage. Child labour is also an issue in plant protection and nutrient management activities such as weeding, inter-cropping and applying fertilizers. IRFT experience and observation suggests that children are kept away from activities involving spraying of pesticides. Generally children start working on the farm from the age of six.

IRFT summarises the principal causes of child labour in Indian cotton as the following:

- Child labour serves the interest of employers as the employer can pay lower wages to children, extract more work and remain free of labour unrest.
- Lack of education facilities in villages result in children losing interest in education due to pathetic infrastructure and adverse ratio of student to teacher.
- Little relation between formal education and livelihood needs as the curriculum and syllabus are not employment oriented and fail to address livelihood issues
- Illiteracy among elders leads to inherent apathy to education leading to increasing number of illiterate children.
- In case of migrant workers even if the child is registered in a school, migration leads to drop-out. Such children invariably end up in situations of child labour.

Recent research has focused on new forms of labour exploitation in hybrid cottonseed production, involving the employment of female children labour and forms of indebtedness linked to labour bondage. 450,000 children in the age group of 6-14 years are employed in cotton seed fields in India, out of which 55 per cent of children [i.e. 247, 800] are employed in Andhra Pradesh. Girls are employed for carrying out cross-pollination activity – and are preferred for their ‘nimble fingers’ and obedience – as well as for sowing, intercultivation and harvesting. Given that an assured supply of labour is needed for carrying out cross pollination, producers engage labourers with advance payments. A new system of bonded labour is thus emerging, as children are employed on a long-term contract basis by paying advances/loans to their parents. UNDP has commissioned a study to probe into existence of the female child labour practices in cotton seed production.

Major hybrid cotton seed companies have responded to the reports of child labour. For instance, Syngenta, active in Andhra Pradesh, became a Participating Company of the US Fair Labor Association (FLA) in 2004. FLA membership commits the company to addressing the ‘consensus range’ of labour standards, including child and bonded labour. Syngenta reports that its Indian hybrid cotton seed programme was suspended in 2005, while a multi-stakeholder meeting was convened in Hyderabad. The company is continuing ongoing support for industry associations, with FLA training and collaboration underway.

## **Pakistan**

The Employment of Children Act of 1991 prohibits the employment of children in specified occupations and processes deemed dangerous or hazardous to their health but not from working in family-run farms. The ILO estimated that 14.4% of children ages 10 to 14 years in Pakistan were working in 2002. Most working children are found in agriculture. In Pakistan, child bondage, under the system of advances known as *peshgi*, is common in agriculture, particularly in Sindh and Punjab provinces. Bonded labourers are known in certain districts as *gehna makloq*, or mortgaged creatures. According to a Government of Pakistan/UNICEF report, in some parts of the country, the feudal system is still going strong and whole families are in bondage, including the children who de facto ‘belong’ to the landlord to whom the families are indebted. Bonded child labourers are reportedly used extensively as labourers on cotton farms.

## **8. Forced labour**

### **India**

Bonded labour is banned by law in India. IRFT experiences and observations suggest that ‘bonded’ labour practices may be prevalent in disguise. Presently there is no empirical study substantiating the existence of ‘bonded labour’ practices in the cotton sector. Bonded child labour is especially widespread in certain areas of central India such as Bihar, Orissa and Andhra Pradesh. In some villages, landlords have been found to rely almost exclusively on child bonded labour.

Debt bondage in farming is the most widespread form of forced labour in India. There is a startling variation among estimates of bonded child labour in the Indian farm sector. Official Government of India figures put the total number of bonded workers (children and adults) at 353,000, while NGO estimates range from 2.6 million (child and adult) bonded workers to 15 million bonded child farm workers.

### **Pakistan**

Pakistan is still the subject of much international concern regarding forced (bonded) labour, as suggested above, and particularly in Sindh province. While the situation has changed to a great extent due to serious and concerted efforts by the State, there remain serious and widespread challenges to changing the labour and lending practices which

give rise to labour bondage, where this term is understood as the ‘unfreedom’ of a worker to leave their employment due to the need to continue working in order to repay a debt liable either to the employer or to a third party, which can in itself only be repaid by this waged work.

Slavery and forced labour are prohibited under the Pakistan Constitution. In 1988, the Supreme Court of Pakistan, recognising the incidence of bonded labour practices in brick kilns directed the Federal Government to codify the spirit of the Constitution in the Bonded Labour System (Abolition) Act, promulgated in 1992.

In Sindh province, share-tenants who are indebted to the landowner are often sold on to other landlords, with or without their consent. In some cases, indebted tenants themselves contact potential buyers and arrange their own sale. They secure an advance from the buyer, in addition to the amount that they owe to the landowner. Thus, their indebtedness multiplies. Once they are sold, they cannot be free until they repay the debt or again arrange their sale to another landowner. This cycle can continue interminably.

Labour contractors who arrange for labour for landlords have also developed as a recognized intermediary institution in the agricultural sector in Sindh. The labour contractor, or *jamedar*, fills the landlord’s seasonal requirements for labour for such crops as cotton. The *jamedar* charges the landlord a finder’s fee per labourer, usually in advance. Some agents also charge landowners a specific share of the crop, for example, a share of the cotton picked would be paid to the labour contractor. In some arrangements, part of the labour payment is paid upfront as a cash advance and the rest is paid later, either in cash or as a share of the crop. In order to ensure the supply of labour at critical times in the agriculture cycle, landlords extend advances to the *jamedar* as well as directly to the labourers, thereby binding both.

The National Steering Committee on Bonded Labour comprises stakeholders and civil society organizations along with the government to control and abolish bonded labour in Pakistan.

## **9. Health and safety**

### **India**

The key risks for worker health and safety are that labour hired for the periodical spraying of pesticides and chemicals to the cotton crop do not wear adequate personnel protective equipment (PPE) while spraying the chemicals, and nor is PPE commonly made available by the company or farmer. However, as FAO India note (Mancini, presentation to ICAC 2006 Plenary), the key question is frequently that the hot and humid climate simply makes wearing PPE unfeasible, even where it is provided.

## **Pakistan**

Under the Factories Act, 1934, an adult worker shall work no more than fifty hours in any week and no more than ten hours in any day in a ‘seasonal factory’ a category which includes cotton ginning.

### **10. *Freedom of association – organisation of workers/farmers***

## **India**

IRFT asserts that the dominant trade unions in India do not have much say in the agricultural sector. The problems of agricultural labourers have been sought to be tackled through a multi-dimensional course of action viz., improvement of infrastructural facilities, diversification to non-farm activities, skill improvement programmes, financial assistance to promote self-employment, optimizing the use of land resources etc., through a variety of rural development, employment generation and poverty alleviation programmes. All these efforts have not been able to adequately protect the interests of agricultural workers. This is at least in part on account of the lack of appropriate representation of workers in decision-making processes and the lack of a forum to advocate or assert workers rights.

## **Pakistan**

Agricultural workers have remained outside the ambit of labour rights and laws: this has not been altered by the introduction of new law – the Industrial Relations Ordinance of 2002 – which reformed the role of trade unions and the right to strike. PILDAT observes that a number of important issues confront the trade union movement in Pakistan; foremost among these is the structure of economic activity in the country. The fact that the informal sector extends well beyond family has an impact on the national economy. There is a trend among employers to redirect as much work as possible to subcontractors and daily wage earners. This both limits the application of existing legal welfare provisions and makes it difficult to register unions, as non-permanent workers can simply be disowned by the employer. This leads to a dichotomy in the labour force. Within the existing formal sector, unions have a certain degree of collective bargaining power and have been able to protect the wages and conditions of workers. Permanent workers also have a large degree of job security. Many traditional labour problems exist outside the formal sector. As indicated above, the use of child labour is common in the informal sector. (The actual total number of working children in Pakistan is estimated at anywhere between 2 and 19 million: the Pakistan Labour Force Survey (1990-1991) put the number of child workers in the age group 10 to 14 at two million. The Pakistan Institute of Development Economics maintains that two million is a gross underestimate because a) of serious under-reporting due to the fact that child labour is illegal, and b) working children below 10 years are not included.) Working conditions are virtually non-regulated and terms of employment are generally oppressive. Union activity on the whole is remote from the realities facing the overwhelming majority of the labour force.



## **11. Gender impact of cotton cultivation**

### **India**

IRFT reports that the role of women in the cotton sector is clearly pronounced among the small and medium farmers. Activities such as seed treatment, sowing, sprinkling fertilizer and manure, harvesting and winnowing of the crop are essentially designated as the work of women. The cotton crop is harvested (picking of cotton boll) three to five times in a season. So the physical demands made of women working in cotton cultivation are greater than that required by other crops. FAO also makes the relevant observation that, 'as integrated pest management practices are introduced, it could be expected that women's work will increase due to more labour-intensive activities'.

IRFT characterises the work of women in the agriculture sector in the following ways:

- Rural women are commonly engaged as labourers in agriculture, frequently as casual labour
- Women's labour is cheaper than men's
- Women face significant difficulties in gaining access to agricultural credit facilities, due principally to patriarchal ownership of land and other assets.
- Decision-making within farming families is gender biased and women are often neglected in the decision making process

FAO observes that the nature and extent of rural Indian women's involvement in agricultural activities differs with the variations in agro-production systems. The mode of female participation in agricultural production varies with the land-owning status of farm households. Their roles range from managers to landless labourers. In overall farm production, women's average contribution is estimated at 55% to 66% of the total labour with percentages much higher in certain regions (Venkateswaran, 1992). Depending on the region and crops, women's contributions vary but they provide pivotal labour from planting to harvesting and post-harvest operations. Traditionally, women had usufruct rights to the community land. But after the land reforms, land titles were given to men, denying women's access to land. In general, women in tribal households enjoy more decision-making power than women in many other Indian households because of their greater contribution to household income (Yadama, Pragada and Pragada, 1997).

### **Pakistan**

Pakistani women play a major role in agricultural production: FAO indicates that women often devote more time to these tasks than men do. They participate in all operations related to crop production, as well as in post-harvest operations. Rural women in Pakistan carry out these tasks in addition to their normal domestic chores of cooking, taking care of children, elderly and disabled, fetching water and fuel, cleaning and maintaining the house as well as some of its construction. Evidently, these women work longer than men do. Surveys have revealed that a woman works 12 to 15 hours a day on various economic activities and household chores (ESCAP, 1997).

ADB confirms that the cotton crop is heavily dependent on female labour, claiming that ‘women exclusively do the cotton picking’ and that women are usually not aware of the health hazards related to the use of pesticides [ADB Country Briefing on Pakistan].

Dramatic growth rates in cotton cultivation have generated tremendous demand for female labour. Such production-labour interactions have led to the increasing feminisation of agriculture (GOP, 1995). Though Islamic laws do not deny equality between the sexes, women receive differential treatment due to misinterpretations of religious teaching. Due to various social beliefs and cultural bias, women's access to property, education, employment, etc. remain considerably lower compared to men's.

ILO Pakistan reports that, at present, in most places in Sindh, female labour is engaged in almost all agricultural operations. The gender composition of the work groups depends upon the crop. For picking cotton, groups of women are hired. In the Tharparkar district of Sindh, the seasonal migration of female labour to pick cotton and harvest wheat was reported.

Women in Pakistan face very similar problems to those elsewhere in the regions covered in this report: lack of access to credit, lack of executive independence, lack of property entitlement. At the same time, they are hired on precarious terms – frequently as day-labourers – to undertake some of the most arduous work in the cotton cycle.

# Brazil

## 1. *Production structure*

Brazil has developed a majority of larger-scale, plantation structures for its cotton cultivation. For the last decade at least, cotton cultivation in Brazil has been in the hands of a relatively small number of large, mechanised farmers, linked to soya rotation in the state of Mato Grosso. The large farms are usually organised in cooperatives (such as Unicotton) and produce significant economies of scale. Mato Grosso has around 200 dryland (un-irrigated) cotton farmers, accounting for 50% of Brazil's cotton cultivation, with an average 2,000 ha of cotton and three times as much in soybeans. The direct link to soybean cultivation is not irrelevant to the activities of BCI in the context of concurrent WWF-led initiatives, such as that focusing on soy.

As the World Bank notes, there is a high degree of correspondence between income level and farm size among farmers. The vast majority of small farmers are poor, while farmers owning large land areas are generally not poor.

However, it should be noted that, according to the latest statistical data collected by the IBGE (Instituto Brasileiro de Geografia e Estatística) in the farming census of 1996 and in the INCRA (National Institute for Colonisation and Land Reform) register of 2003, export cotton cultivation was undertaken in a variety of structures: small / family holdings 55%; medium sized properties 30%; large property / agribusiness 15%.

## 2. *Sales/distribution structure – financing*

In Brazil, production is financed by different schemes:

- Public funds: these are not strictly relevant to large-scale production, as loans are limited to US\$ 60,000-70,000 per farm, which is not a substantial value in the context of large-scale producers in Mato Grosso.
- Private banks, both national and international, are important, but mainly in an indirect way. Private banks play a very important role by financing traders and agribusiness suppliers, mainly fertiliser companies.
- Agribusiness companies (seeds, machineries, pesticides and fertilizers) play the major role in financing cotton cultivation in Brazil. Basically these companies provide all that is necessary for production.
- Traders finance large producers, who may guarantee the quality of the cotton, but this is still limited in Brazil.
- The textile industry finances a few large producers, with contracts defining price at harvest time, decreasing risks for producers. However, both sides have not always followed the contracts and this type of financing is still of limited importance.

Presently, international and national traders are the main actors to finance production and ginning. Fertilisers and pesticides companies also play an important role, especially for

large producers and cooperatives of small producers. National and international banks are important in the sector. For BCI/WWF, it is important to highlight that in Mato Grosso cotton is cultivated in the same areas as soybeans. Therefore, cotton is somehow indirectly financed by the few very large soy traders, if you consider investments in land, machineries, workers and other resources shared by producers to cultivate soy and cotton on the same land. Banks finance fertilizers companies, and their indirect importance grows if considered alongside indirect investments along the chain.

## **Marketing**

Growers usually sell their cotton to a local buyer or trader after it has been ginned and baled, but if they decide against immediate sale they can store it and borrow money against it. Since it is a non-perishable crop, cotton stored in a government-approved warehouse provides a secure basis for a monetary loan. Both cotton trading and processing is concentrated within a few key companies. The four largest industries (including spinning and CMT in the same phase) buy 60% of the national cotton crop. There still are some small traders that buy from small producers, but these are the exception. Important cooperatives remain in the State of Paraná, where there still is some small-scale production; even in the State of São Paulo, the 10 largest producers are responsible for more than 60% of the State's yield.

### **3. Price determination / wage determination**

In the Brazilian context, where the subject of social and labour assessment is predominantly the conditions of workers, rather than those of large-scale producers, it is relevant to look at wage-setting and payment, rather than the composition of farm incomes as was the case for West Africa and South Asia.

The statutory national minimum wage from April 2006 is set at R\$ 350 (c €125) monthly. However, in order to receive their rights under employment law and the Constitution, workers must be registered by their employers. Given the seasonality of cotton-harvesting – the main labour requirement in the cotton cycle – temporary labour is required in large volumes during harvesting but not during the rest of the cycle. This has been a traditional disincentive for farmers not to register their workers.

Unions in the 1990s pressured for the creation of *condomínios de produtores* ('employer grouping' arrangements where producers would jointly hire temporary workers). These were made possible by a 1994 alteration to the CLT (Consolidation of Labour Laws) and expanded rapidly in the second half of the decade. In practice, the condominiums turned out to be cooperatives of subcontractors, with registered workers, but were little monitored, often enabling them to not transfer to workers all the labour benefits charged to producers. *Condomínios* are now being used even by large employers that use labour all year round, as a way of reducing labour costs.

Workers are frequently organised in so-called *boias frias* within the *condomínios* that maintain daily control of production and divide the earnings among the workers

belonging to those *boias frias*. *Bóias-frias* are temporary agricultural workers, who migrate following the harvest-cycle and are hired for day labour.

These arrangements – aside from their broader labour standards implications – can cause problems in assessing fair and just remuneration – as is stipulated by the IAS charter for socially responsible cotton. As SASA observes, for instance, if a farmer subcontracts workers, the verification of compliance with payment of minimum wages can become quite difficult. The role of the *condomínio* as intermediary between workers and producers and the lack of documentation makes verification of compliance with payment of minimum wages complex. In cases where the farm uses a pay by production (piecework) system, there is the additional question of how to verify that the farm ensures that production quota is reasonable.

#### **4. State of national labour legislation / enforcement**

The 1988 Constitution granted – for the first time – equal labour rights to both urban and rural workers. Hence the conditions of employment for cotton farm/plantation workers are, in principle, the same as those for urban workers, in particular:

- The national minimum wage from April 2006 is set at R\$ 350 (c €125) monthly
- A ‘13th-month’ payment is made, equivalent to an additional month's salary paid annually or proportionally to number of months worked in the year
- Employees are entitled to at least thirty days’ paid leave after working for one year for the same employer
- Statutory working week is set at 44 hours with overtime pay required for additional time worked. Overtime pay shall be at least 50 percent more than regular hourly rate
- Where the employer wishes to dismiss an employee, they are obliged to give a prior notice of at least thirty days to the worker.
- Employer contributions must be made to the state employment severance fund (FGTS) at a rate of 8% of the employee's salary, deposited every month by the employer in a blocked FGTS bank account in the name of the employee. In case of dismissal without cause the employer has to pay a 40% penalty of the FGTS over the entire amount deposited in the FGTS bank account. Withdrawals, are however, authorised only under circumstances established by law.

However, only a minority of the labour force actually enjoys the various benefits to which workers are entitled. This excludes casual labour and all other workers without formal contracts (those without signed social security cards). For instance, sharecroppers and workers who are paid by the day lack basic wage protection or access to the most basic social benefits. Furthermore, there are still significant disparities in employment conditions between rural and urban areas.

## **5. Typical relation / form of employment**

Employment in the Brazilian cotton encompasses a wide variation of employment relationships: formal, contracted (through cooperatives, *condominia* or intermediary *gato*), informal seasonal/migrant (*boías fritas*).

Data available about people working on cotton farms was published in 2001 (IBGE, 2001), but collected in 1995/96, when the crop was still in crisis and with lower importance than today. The data are also underestimated, as there is significant proportion of informal labour in Brazilian agriculture. IBGE (2001) found that cotton was cultivated in 83,294 of the 4,859,865 farms of Brazil, occupying 150,394 people. It is also important to highlight that at the time of the survey, harvesting of the crop was in the main part done manually. Today, although the number of farms where cotton is cultivated has significantly increased, mechanisation has increased at the same time, with a concomitant fall in labour requirements. The World Bank (2001) confirms that in the North East region, for example, the share of salaried workers in agriculture fell from 41% in 1981 to 32% in 1997, while during the same period there was a significant increase in 20 ‘unpaid’ (family) workers from 22% to 30%. Throughout the 1980s and 1990s, only 28% of the agricultural labour force was engaged in formal employment and earning a regular wage.

Two types of recruitment arrangements, cooperatives and *condomínios*, offer advantages to employers for hiring temporary workers, but do not address the issue of hiring under longer term contracts. Cooperatives act as contractors and thus there is no formal link between workers and farmers as employers. While cash wages are about 30% higher than cash wages under traditional arrangements, workers forego several benefits such as severance payment, paid vacations, weekly rest, and the 13th salary. *Condomínios* are employer groupings whereby workers do have access to benefits extended in the formal sector, although cash wages are lower than under cooperatives. However, as the World Bank notes (2001), in labour-intensive cultures like cotton, which have shorter harvests and where workers are less organized (usually family workers who become wage earners only during harvest time), very few farmers register their labour and the only attractiveness in doing so through cooperatives is to avoid any judicial claims – such as the right to severance pay – in the future.

## **6. Child labour**

Under the Consolidation of Labour Laws, the basic minimum age for general employment is 16 and the minimum age for apprenticeships is 14 years. The 1990 Statute on Children and Adolescents prohibits employees under the age of 18 from working in unhealthy, dangerous, and arduous conditions; for long hours that impede school attendance; at night; or in settings where their physical, moral, or social well-being is adversely affected.

The US Department of Labour reports that children work in numerous rural activities, including the harvesting of cotton. In the 1990s, the CONTAG national trade union for agricultural workers worked with ILO-IPEC on several projects on child labour.

## **7. Forced labour**

Forced labour remains a central concern in Brazil. Although the law prohibits forced or compulsory labour, including by children, forced labour and trafficking of workers occurred in many states, including workers in the cotton sector. Forced labour typically involved young men drawn from the impoverished northeast to work in the north and central west of the country. The ILO's most recent annual report on forced labour in Brazil estimates that there are 25,000 forced labourers in the country, concentrated mainly in the states of Para and Mato Grosso.

Labour intermediaries (*gatos*) traffic most forced labourers to the estates where they work. The key concerns are: the obligation on workers to work in harsh conditions until repayment of debts related to costs of travel, tools, clothing, or food; the occasional use of armed guards to retain workers; confiscation of documents; and threats of legal action or physical harm. The Brazilian Labour Inspectorate (MTE) states with the highest incidence of slave-like labour are Pará, Mato Grosso, and Tocantins, the 'Amazon development crescent' where the agricultural frontier is expanding. According to MTE data, 1,411 workers were freed from forced labour last year in the state of Mato Grosso alone.

The problem persists in various sectors, including cotton. The private sector made a significant advance in May 2005, with the signing of the National Pact Against Slave-like Labour, in which it pledged not to purchase items produced with the employment of slave-like labour. The pact received the immediate support of the Brazilian Textile Industry Association and other enterprises related to cotton. The ILO has undertaken dialogue with cotton textile companies interested in eliminating this type of labour, using of information based on the Ministry of Labour and Employment's black-list (*lista suja*) of firms that acquire inputs derived from slave-like labour. According to the ILO, around 10% of the firms on the list are linked to the cotton/textile sector.

The ILO, the Ethos Institute, and the Repórter Brasil NGO have since developed a research system based on the 'blacklist':

[www.reporterbrasil.com.br/listasuja/index.php?lingua=en](http://www.reporterbrasil.com.br/listasuja/index.php?lingua=en)

Using this tool, the companies that have signed the National Pact can search to see if a certain estate/farm figures on this list. The database access is free, and the content is constantly updated according to information on the Labour Inspection Secretary of the Labour Ministry.

## **8. Health and safety**

Cultivation, as elsewhere.

## **9. Freedom of association – organisation of workers/farmers**

Under Brazilian law, each worker is free to join a trade union. However, while Brazil has ratified ILO Convention 98 on collective bargaining, it has not ratified Convention 87 on freedom of association.

Trade unions for rural workers are organised on a regional basis, centred on each municipality. Once a year unions conduct collective wage bargaining on behalf of their members. Non-unionised workers are afforded the same rights and benefits as union members. The national coordinating body for agricultural workers' union at national level is the National Rural Workers' Confederation (Confederação Nacional dos Trabalhadores na Agricultura – CONTAG), which is affiliated to the central labour union, the Central Unica dos Trabalhadores (CUT). CONTAG brings together 24 state federations and 3,200 trade unions which represent 9 million farm workers who belong to the Rural Workers Trade Union Movement (MSTR).

However, most informal sector workers, including self-employed workers and those not formally registered with the Labour Ministry, fall outside the official union structure; they therefore do not enjoy union representation and usually are unable to exercise fully their labour rights. In the agricultural sector, the US Department of State estimates that some 70% of workers are unregistered.

As described above, the 1990s saw a trend in the agricultural sector toward the establishment 'workers cooperatives'. This term is somewhat misleading, as these cooperatives tend to act as contractors mediating the hiring of labour between farmers and farm workers. The appearance of cooperatives was encouraged by a change in the law in 1994, which established that there are no formal labour links between farmers and cooperative workers. In practice, cooperative workers receive a wage that is, in average, 30% higher, while farmers hire cheaper labour and are freed of any eventual judicial claims in the future by farm workers. As a quid pro quo, workers hired under this scheme give up benefits like paid leave entitlement, the '13th month' salary, weekly rest, and severance pay (FGTS). However, the World Bank (2001) notes that in labour-intensive cultures like cotton, which have shorter harvests and where workers are less organised (usually family workers who become wage earners only during harvest time), very few farmers register their labour and the only attractiveness in doing so through cooperatives is to avoid any judicial claims in the future.

Recognizing the precarious situation of cooperative workers who have to give up a number of labour rights when joining a cooperative to work in temporary crops, the government now seeks to encourage a new way of hiring formalised temporary labour in agriculture, allowing rural farmers to form a pool of employers, the so-called *condomínio de empregadores*, to hire temporary rural workers. While cooperatives are associations



of workers offering temporary labour at a lower cost (and at the expense of legal rights), *condomínios* are associations of employers hiring rural labour for temporary work for different farmers. Under this modality of employment, a *condomínio* is responsible for all legal obligations in terms of labour rights. This means that each worker hired by a *condomínio* should – in theory – have a signed social security card and access to all of the benefits extended to workers in the formal sector. Farmers alternate the use of labour in their temporary crops and the workers are paid for the number of days of work used by the *condomínio*, maintaining their statutory labour rights, which will be shared by all employers affiliated to the *condomínio*. There are potentially several positive points regarding the use of *condomínios*:

- Avoiding Intermediaries - employers do not need to hire temporary labour through intermediary agents (the so-called *gatos*) and the subsequent risk of forms of labour coercion through indebtedness tantamount to bonded labour
- *Condomínios* are also preferable to cooperatives, since both employers and employees are covered by legislation
- From the point of view of employees, the most favourable result is the guarantee that all legal rights will be respected, including health insurance, which tends to be neglected in other modalities of temporary employment. From the point of view of society as a whole, the main benefit is the reduction in informality and the improvement in labour relations and conditions of work in rural areas with consequent positive outcomes in terms of poverty alleviation.

In practice, however, SASA (2004) reports that the condominiums have often turned out to be cooperatives of subcontractors, with registered workers, but are little monitored, often enabling them to not transfer to workers all the labour benefits charged to producers. *Condomínios* are now being used even by large employers that use labour all year round, as a way of reducing labour costs.

## **10. Gender impact of cotton cultivation / discrimination**

The National Confederation of Agricultural Workers (Raimunda de Mascena – CONTAG) contends that women represent nearly a third of the rural labour force in Brazil, but 85% work without any sort of contract and thus do not have the labour rights or social security provided by law. They do not have access to pensions or paid maternity leave. Established in 1986, the autonomous rural women's movement, Movimento das Mulheres Trabalhadoras Rurais (MMTR) organises both wage labourers and small producers and has close relations with CONTAG. CONTAG has a separate structure with a quota system for women's participation in the rural unions.

Moreover, in the agrarian reform process women have been generally prevented from holding land titles or from obtaining credits, which are given to the husband instead of being granted to the couple jointly. In land reform implementation, criteria for beneficiary selection included household labour force size, age and farming experience; while these criteria did not directly discriminate against women, in practice they tended to favour male applicants, as female-headed households are usually smaller and women

farmers are not considered as professional full-time farmers because of cultural stereotyping (Barsted, 2002).

In addition, women face sexual discrimination at work. Both the Constitution the Labour Law Consolidation prohibit discrimination on the basis of sex, pregnancy and marital status in training, promotion and dismissal (except in case of incompatibility with the nature of the employment), as well as in remuneration. Work of the same function, productivity and technical sophistication must be paid with equal remuneration. However, in practice, a substantial gender pay gap exists (FAO, 2002). Barsted (2002) reports that the average rural sector wage is R\$ 257.97 for men and R\$ 144.40 for women. Moreover, working conditions and wages differ considerably among women belonging to different racial groups; within each group, there is a considerable gender pay gap. Women make up most of the informal sector, and are therefore often not protected by formal legislation.

Brazilian agricultural credit laws do not discriminate against women, but do not specifically consider them either. As a result, FAO confirms, women's access to credit remains limited, both because of demand factors (as rural women rarely apply for loans due to cultural factors internalized by them) and because of supply factors (as women can rarely offer land as collateral).

## **Annex 2: Learning from other sectors and initiatives**

### **1. SASA (*Social Accountability in Sustainable Agriculture*)**

Social Accountability in Sustainable Agriculture (SASA) was a collaborative project of FLO, SAI, SAN and IFOAM, four main social and environmental verification systems in sustainable agriculture. The SASA objectives were to improve social auditing processes in agriculture and to foster closer cooperation and shared learning between the participating initiatives. Vitally, for the BCI, a key sub-objective of the SASA project was to address the particular needs of smallholder producers in the development of social guidelines for sustainable agriculture. SASA looked at the following issues:

- Documentation burden of ‘auditing’ smallholders – who necessarily will be less able to provide documentation than larger, industrial employers
- Certification systems ‘piggy-backing’ on each others’ foundations – seeking harmonisation of code requirements
- Definition of relevant social issues – looking at the applicability and relevance of many social issues in the smallholder context, such as labour rights, given that many smallholder producers mainly use family labour and are not structurally dependent on hired labour.

### **2. ICI (*International Cocoa Initiative*)**

After intense media and NGO scrutiny, initially in the UK, the Protocol for the Growing and Processing of Cocoa Beans was signed in September 2001 by the presidents of the US Chocolate Manufacturers Association and the US-based World Cocoa Foundation. It was a pledge that child labour and forced labour would not be allowed in cocoa growing, and an outline of the process that was to be followed over four years to make the pledge a reality. The early recognition that child workers could not be made to vanish overnight was important. The Protocol was, in effect, an outline plan of action between 2001 and July 2005. The Protocol announced five principles and outlined how its objective would be reached:

- It used ILO Convention No 182 (on the worst forms of child labour) as its yardstick, stating its main objective as “Cocoa beans and their derivative products should be grown and processed in a manner that complies with” Convention 182
- It recognised that the objective could only be reached “through partnership among the major stakeholders: governments, global industry (comprised of major manufacturers of cocoa and chocolate products as well as other cocoa users), cocoa producers, organized labour, non-governmental organisations, and consumers”
- It made a commitment to “credible, effective problem solving” and a long-term solution
- It also made a commitment to sustainability and “a multi-sectoral infrastructure” (to help remove child labour)

- It recognises the ILO’s “unique expertise” and assured it an active role in dealing with the worst forms of child labour “in the growing and processing of cocoa beans and their derivative products”

Within two months of the Protocol being signed, its protagonists convened what they called a “Broad Consultative Group”, composed of those who had signed the Protocol and others. The Group was expected to provide advice to the joint foundation that was to be established, the International Cocoa Initiative. A formal memorandum of cooperation was signed by members of the Group in May 2002. The establishment of the International Cocoa Initiative was announced jointly by all involved at the beginning of July 2002. This was said to have three objectives, to:

- Support field projects and act as a clearinghouse for best practices that help eliminate abusive child and forced labour in the growing of cocoa
- Develop a joint action programme of research, information exchange and action against abusive child and forced labour practices through the enforcement of internationally recognized standards in the growing of cocoa
- Help determine the most appropriate, practical and independent means of monitoring and public reporting in compliance with these labour standards.

An initial survey confirmed that large numbers of children were working on cocoa farms: an estimated 284,000 in the four countries covered (Côte d’Ivoire, Cameroon, Ghana and Nigeria.). Of these, 64% were estimated to be below the age of 14. About 59 per cent of all the children involved were boys, and 41 per cent girls. Most of the young workers were the children or relatives of farm owners.

On the basis of the survey, the IITA concluded that a total of 284,000 children were working in “hazardous conditions”, 200,000 of whom were in Côte d’Ivoire alone. All 284,000 – half of them under 15 – were believed to be involved in clearing bush for farms with machetes: routine practice and a hazardous task for young children. Some 153,000 children were believed also to be using pesticides without appropriate protective clothing (again, routine practice in most forms of commercial agriculture in West Africa; the pesticides evidently have a more serious effect on children’s health than adults).

In the light of the concerns about child trafficking that had originally set in train the Cocoa Protocol and the subsequent survey, some of the more specific findings reported by the IITA were important:

- In Côte d’Ivoire, approximately one-third of school-age children (aged 6 to 17) living in cocoa-producing households had never attended school; children engaged in tasks on cocoa farms were statistically much less likely to attend school than non-working children, and the children of immigrant cocoa farmers (from neighbouring countries) were much less likely to attend school than the children of local farmers.
- Slightly fewer than 12,000 of the child workers in Côte d’Ivoire “had no family relations to the cocoa farmer or local farm workers”, that is to say, were part of a floating work force.

- An estimated 2,500 working children were recruited through intermediaries for cocoa farming in Côte d’Ivoire and Nigeria, and might have been trafficked.
- A total of just 6,341 out of all the children were believed to be paid workers.
- 29 per cent of the child workers surveyed in Côte d’Ivoire (1,485) reported that they were not free to leave their place of employment should they so wish. A further 18 per cent (922) indicated that they would require either the permission of one of their parents or the intermediary representing their parents to leave.
- An intermediary was involved in the recruitment process for an estimated 41 per cent (2,100) of the 5,120 child workers found in Côte d’Ivoire and for an estimated 29 per cent (350) of the 220 child workers found in Nigeria.

More generally, those responsible for the survey concluded: “Because of the weakness in commodity markets since the late 1980s, farmers have been forced to cut costs by reducing expenditures and increasing the use of household labour including children. This in turn is compromising the human development and future productivity of this rising generation of workers.” [IITA, *Child Labour in the Cocoa Sector of West Africa: synthesis of findings in Cameroon, Côte d’Ivoire, Ghana, and Nigeria*, Ibadan, August 2002.]

ILO-IPEC has played an important role in supporting the International Cocoa Initiative with advice, resources and statistical surveys. In addition, the mobilisation of so many different organisations around a single goal, has acted as a springboard for programmes of direct ILO assistance to get children in the cocoa industry back to school, often giving their parents the chance to work and earn a living. This programme, known as WACAP, (West Africa Cocoa and Commercial Agriculture Project to Combat Hazardous and Exploitative Child Labour), has a budget of over \$6 million, funded largely by the US Department of Labour with a contribution from ICI, and has the following elements:

- awareness-raising across families and communities
- capacity enhancement of farmers/producers, inspectors and workers
- pilot interventions to remove children from work and get them into education or training
- projects to boost the income-generating capacities of families
- child labour monitoring systems

ILO/IPEC has underlined from the outset the importance of building long-term sustainability into projects to fight child labour. For the ILO, “the intense scrutiny brought to bear by the media spotlight is crucial in getting the issue of child labour onto the agenda of decision-takers and policy-makers. But then the real work has to continue once the media circus has left town. In the cocoa industry, a solid foundation has been built for the elimination of child labour through global partnership.”

### **3. ECLT (Eliminate Child Labour in Tobacco Foundation)**

The Eliminate Child Labour in Tobacco Foundation was founded in April 2002 and the ECLT Foundation served as model in the creation the ICI in the cocoa sector. In much the same way that Côte d'Ivoire was the focus of attention leading to the International Cocoa Initiative, so it was children cultivating tobacco in Malawi which was at the start of this initiative. The Eliminate Child Labour in Tobacco Foundation has involved the International Tobacco Growers' Association (ITGA) and companies such as British American Tobacco (BAT) as well as the IUF global union federation. The work of the Foundation focuses on: developing independent research to produce an objective picture of the conditions and level of child labour in tobacco growing; supporting and funding local and community-based projects; establishing and sharing best practice and lessons learnt. The ECLT Foundation supports and funds several projects, which commonly include:

- supportive measures which provide an incentive (financial or material) for parents to send their children to school
- supportive measures to develop the education system
- awareness-raising projects on education and schooling
- specific programs to support AIDS orphans working in tobacco growing
- other initiatives, which may not be directly linked with education but relevant to tackle child labour issues

As social and economic conditions vary from one country to the other, the ECLT Foundation attempts to identify the projects that are the most appropriate to the specific local context. Beside the local affiliates of the ECLT Foundation Board Members who will retain a central role, project stakeholders and partners might include NGO's (international and/or local), government representatives (Ministries of Education, Labour and Agriculture), local and community leaders (religious, traditional chiefs, elderly) and ILO/IPEC representatives. These projects need to be impact-based in order to provide parents and children with a concrete improvement of their conditions.

## **Annex 3: Summary of relevant ILO Conventions**

### ***Core Conventions***

The ILO has declared eight conventions as fundamental to workers' rights worldwide: these are summarised below. The eight conventions basically come down to four international labour standards:

- Workers everywhere should have the right to organise in trade unions and negotiate their working conditions collectively.
- Workers should be free from any form of forced labour, such as slavery, servitude, compulsory labour for political re-education, or debt indenture.
- Children, meaning persons below the age of 15 (or as defined by national law), should not work so that they have the opportunity to learn and develop freely.
- Discrimination on the grounds of gender, race, nationality, religion, political opinion or social origin is banned, as is discrimination in remuneration on the grounds of gender.

The eight ILO core conventions are international standards that apply to industrial countries as much as to developing countries (but are addressed to member states, not private sector actors). Because the ILO core conventions are essential labour standards, they have been integrated in a range of guidelines for companies, such as the UN Global Compact and the OECD Guidelines for Multinational Enterprises.

### **Freedom of association**

*Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87)*

This fundamental convention sets forth the right for workers and employers to establish and join organizations of their own choosing without previous authorization. Workers' and employers' organizations shall organize freely and not be liable to be dissolved or suspended by administrative authority, and they shall have the right to establish and join federations and confederations, which may in turn affiliate with international organizations of workers and employers.

*Right to Organize and Collective Bargaining Convention, 1949 (No. 98)*

This fundamental convention provides that measures appropriate to national conditions shall be taken, where necessary, to encourage and promote the full development and utilization of machinery for voluntary negotiation between employers or employers' organizations and workers' organizations, with a view to the regulation of terms and conditions of employment by means of collective agreements.

## **The abolition of forced labour**

### *Forced Labour Convention, 1930 (No. 29)*

This fundamental convention prohibits all forms of forced or compulsory labour, which is defined as 'all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily'. Exceptions are provided for work required by compulsory military service, normal civic obligations, as a consequence of a conviction in a court of law (provided that the work or service in question is carried out under the supervision and control of a public authority and that the person carrying it out is not hired to or placed at the disposal of private individuals, companies or associations), in cases of emergency, and for minor communal services performed by the members of a community in the direct interest of the community. The convention also requires that the illegal extraction of forced or compulsory labour be punishable as a penal offence, and that ratifying states ensure that the relevant penalties imposed by law are adequate and strictly enforced.

### *Abolition of Forced Labour Convention, 1957 (No. 105)*

This fundamental convention prohibits forced or compulsory labour as a means of political coercion or education or as a punishment for holding or expressing political views or views ideologically opposed to the established political, social or economic system; as a method of mobilizing and using labour for purposes of economic development; as a means of labour discipline; as a punishment for having participated in strikes; and as a means of racial, social, national or religious discrimination.

Additionally, forced or compulsory labour is considered as one of the worst forms of child labour in the Worst Forms of Child Labour Convention, 1999 (No. 182).

## **Equality**

### *Equal Remuneration Convention, 1951 (No. 100)*

This fundamental convention requires ratifying countries to ensure the application to all workers of the principle of equal remuneration for men and women workers for work of equal value. The term "remuneration" is broadly defined to include the ordinary, basic or minimum wage or salary and any additional emoluments payable directly or indirectly, whether in cash or in kind, by the employer to the worker and arising out of the worker's employment.

### *Discrimination (Employment and Occupation) Convention, 1958 (No. 111)*

This fundamental convention defines discrimination as any distinction, exclusion or preference made on the basis of race, colour, sex, religion, political opinion, national extraction or social origin, which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation. It requires ratifying states to



declare and pursue a national policy designed to promote, by methods appropriate to national conditions and practice, equality of opportunity and treatment in respect of employment and occupation, with a view to eliminating any discrimination in these fields. This includes discrimination in relation to access to vocational training, access to employment and to particular occupations, and terms and conditions of employment.

## **The elimination of child labour**

### *Minimum Age Convention, 1973 (No. 138)*

This fundamental convention sets the general minimum age for admission to employment or work at 15 years (13 for light work) and the minimum age for hazardous work at 18 (16 under certain strict conditions). It provides for the possibility of initially setting the general minimum age at 14 (12 for light work) where the economy and educational facilities are insufficiently developed.

### *Worst Forms of Child Labour Convention, 1999 (No. 182)*

This fundamental convention defines as a 'child' a person under 18 years of age. It requires ratifying states to eliminate the worst forms of child labour, including all forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labour, including forced or compulsory recruitment of children for use in armed conflict; child prostitution and pornography; using children for illicit activities, in particular for the production and trafficking of drugs; and work which is likely to harm the health, safety or morals of children. The convention requires ratifying states to provide the necessary and appropriate direct assistance for the removal of children from the worst forms of child labour and for their rehabilitation and social integration. It also requires states to ensure access to free basic education and, wherever possible and appropriate, vocational training for children removed from the worst forms of child labour.

## ***ILO Conventions applicable solely to agriculture***

In addition to the core conventions cited above, there are some conventions which relate only to agricultural work.

### *Plantations Convention, 1958 (No.110)*

This convention covers the recruitment and engagement of migrant workers and affords protection to plantation workers in respect of employment contracts, wages, working time, medical care, maternity protection, employment accident compensation, freedom of association, labour inspection, and housing.

### *Rural Workers' Organisations Convention, 1975 (No.141)*

All categories of rural workers, whether they are wage earners or self-employed, shall have the right to establish and, subject only to the rules of the organization concerned, to

join organizations, of their own choosing without previous authorization. The principles of freedom of association shall be fully respected; rural workers' organizations shall be independent and voluntary in character and shall remain free from all interference, coercion or repression. National policy shall facilitate the establishment and growth, on a voluntary basis, of strong and independent organizations of rural workers as an effective means of ensuring the participation of these workers in economic and social development.

*Safety and Health in Agriculture Convention, 2001 (No. 184)*

This convention has the objective of preventing accidents and injury to health arising out of, linked with, or occurring in the course of agricultural and forestry work. To this end, the Convention includes measures relating to machinery safety and ergonomics, handling and transport of materials, sound management of chemicals, animal handling, protection against biological risks, and welfare and accommodation facilities.

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