



# AgCLIR LESSONS FROM THE FIELD: EMPLOYING WORKERS



The business of agriculture occupies a critical space in most economies. Distinct and special among industries, agriculture is the dominant source of employment for a large share, even a majority, of the population in developing nations.

Accordingly, governments treat the regulation of agriculture and food differently than any other sector. Unlike the output of other sectors, many agricultural products are basic necessities: agriculture provides the food, fiber, fuel, and construction materials necessary to sustain human existence. Governments everywhere assume responsibility for assuring that the distribution of agricultural commodities is great enough and equitable enough to provide a reasonable quality of life for its citizens.

*Agriculture and Agribusiness: Employing Workers* is a briefer that mirrors the analytical framework used by the World Bank Group's *Doing Business* series ([www.doingbusiness.com](http://www.doingbusiness.com)) and adopted by USAID's *Business Climate Legal and Institutional Reform Project* ([www.bizclir.com](http://www.bizclir.com)). Divided into four sections (Legal Framework, Implementing Institutions, Supporting Institutions, and Social Dynamics), this briefer highlights the specific issues that must be addressed in local legal, regulatory, and institutional environments if agribusiness is to be economically productive, contribute to environmental sustainability, and assure a safe and reliable food supply.

## **EMPLOYING WORKERS: KEY CONCEPTS**

Significant employment in agriculture is seasonal and informal. Employment laws and policies are often misinterpreted as irrelevant in much of the sector; however, for seasonal agricultural labor markets to operate efficiently, workers must have the ability to move among agricultural jobs and/or to pursue non-farm employment or entrepreneurial activities intermittently or simultaneously with their agricultural employment. Given these challenges, and the fact that such large percentages of the adult labor force are engaged in agriculture in many developing countries, employment issues—access to jobs, pay rates, working conditions, provision of health care and housing, migration—are important in virtually all agriculture-dependent developing countries.

**Seasonality of employment.** Agricultural production is, by its nature, a seasonal business and the peak labor needs of many enterprises are highly correlated; i.e., when one farm needs more labor, all farms need more labor. Three to five months of intensive work in crop production is followed by a one-time harvest—rice, wheat, corn, or cotton—that must be carried out in a relatively short period to maximize output value.

In some countries, or in some ecological zones, it is possible to get another crop or two each year; but in many developing countries the agricultural work demands are highly uneven. Peak seasonal work demands draw-in labor to what are otherwise family farm enterprises; in low seasons, family farm workers migrate elsewhere to find jobs and incomes. Seasonal unemployment or underemployment is, for many, a critical issue.

Ultimately, few countries have employment policies well tailored to the specific needs of the agricultural sector and its highly seasonal labor demands.

Successful farm enterprises are able to manage the seasonality of their businesses by developing, sometimes on a cooperative basis, more capital-intensive and complex farm enterprises that smooth out their production and income streams. On-farm investments in irrigation facilities permit double- or triple-cropping of staple crops each year or nearly continuous production of tropical flowers, fruits, and vegetables. Diversification of production enterprises, such as poultry and dairy production as well as the growth of annual crops, also tends to occupy labor more fully and generate a steadier stream of income for agribusinesses. Construction of storage facilities can further help to even out the sales over time. While many of these enterprises continue to rely on family labor, most of these commercial agricultural enterprises hire labor either full time or on a seasonal basis. Gradually, capital both substitutes for, and increases the productivity of, labor employed.

**Off-farm employment.** Other farm owners/operators, while not in a position to address the seasonality of their production outcomes, are able to pursue off-farm entrepreneurial or employment opportunities on a flexible basis—often in a related agribusiness such as trading in crops, operating or working in local processing facilities, making crafts, working in tourism—in order to smooth out their income streams. Where there is ease of entry and exit into small business, this situation can provide the kind of employment appropriate to sustain a more seasonal agricultural operation. Empirical evidence shows that while off-farm employment can be important as a source of income for very poor rural households, the higher-income farm household operations often are also most successful in pursuing off-farm employment.<sup>1</sup>

**Migration.** Some farm enterprises, however, are so small and unprofitable that, to ensure survival, workers from these household enterprises must rent out their labor to better-off neighbors, even where doing so reduces the productivity of their own agricultural production enterprises. These workers are the most likely to be exploited as they work for others (e.g., low pay, hazardous working conditions). When such workers move cross-border, there is the possibility of even fewer worker protections. In some developing countries, seasonal employment on public works has been provided, sometimes using food for work, to ensure that the truly needy respond to such offers of employment.

**Permanent employment.** Non-farm agribusinesses that purchase and store raw product and transform or process it for sale throughout the year are critical for managing the seasonality of agricultural production, as they bridge the gap between the periodic flood of raw product into the market and the continuous, daily needs of consumers. In low-income developing countries, agricultural trading operations and storage and processing facilities are likely to be less sophisticated and less capable of market stabilization than in higher-income developing countries. They are likely to be an important source of employment for significant numbers of people, although relatively few efforts have been made to quantify this employment as a share of the total agricultural labor force.

Most developing countries, however, envision an expanding share of agricultural employment going into the visible “value added” agribusiness segment of the economy—processing of raw commodities into diverse food, feed, and fiber products for local consumption and export, expansion of market outlets, and the like. Growth of such value-adding jobs depends, inter alia, on:

- local consumers' purchasing power and demand for more highly processed products;
- export markets' willingness to buy processed or semi-processed products rather than raw materials that can be refined for diverse consumer tastes and market standards;
- the quality of the local labor force; and
- the availability of capital and technology for the local production facilities.

Agribusiness firms that process commodities year-round compete for labor with other manufacturing and service firms of comparable size and are likely to be subject to the same labor costs, labor force rigidities, and firing costs as other firms.

**Gender.** Finally, in many agribusinesses, there is a tendency to allocate specific jobs to women and others to men. Gender disparities are an important aspect of agricultural employment, as pay, treatment, and working conditions are not equal.

## LEGAL FRAMEWORK

Business environment assessments most frequently focus on medium- to large-scale enterprises located in urban and peri-urban areas. Several areas of legislation and regulation, however, are likely to be relevant to even small-scale agribusinesses.

**Basic workers' rights** are broadly agreed to include freedom of association, the right to organize, collective bargaining, abolition of forced labor and slavery, and equality of opportunity and treatment.<sup>2</sup> Workers' rights have been an important issue in the negotiation of international trade agreements; therefore, many developing countries have, in principle, recognized these in their own labor law. Discussions, however, in many international forums have often gone beyond basic rights to focus on other labor standards and regulations as well. The sensitivities of consumers in developed countries to working conditions in developing countries have also been raised through the concerted action of human rights non-governmental organizations.

Agribusinesses that engage in global trade are typically aware of the impact that workers' conditions have on their markets. Stories of chocolate produced from cocoa harvested by child labor and forced or “slave” labor, for example, were immediately perceived as a major threat to the multibillion-dollar chocolate market. Large companies such as Mars and Hershey took action quickly to assure that all participants in the cocoa supply chain realized the importance of such labor practices on their long-term economic interests. Supplier countries such as Ghana have followed up with actions intended to lead to enforcement of child labor laws and to eliminate the worst forms of child labor.<sup>3</sup> With civil war ongoing in Cote d'Ivoire (an important cocoa-producing country),

1 Andre Coppenstadt looked at this phenomenon in Egypt, for example, in “Household Income Structure and Determinants in Rural Egypt” (January 2006), available at <ftp://ftp.fao.org/docrep/fao/008/af840e/af840e00.pdf>, and Thomas Reardon et al. considered household income diversification into rural non-farm activities from a broader perspective in “Household Income Diversification into Rural Nonfarm Activities,” in *Transforming the Rural Nonfarm Economy* (Steven Haggblade et al. eds) (Baltimore: Johns Hopkins University Press, 2006), available at [www.aem.cornell.edu/faculty\\_sites/cbb2/Papers/IFPRIbookchapter2006Final.pdf](http://www.aem.cornell.edu/faculty_sites/cbb2/Papers/IFPRIbookchapter2006Final.pdf)

2 See, e.g., FAO-ILO-IUF “Agricultural workers and their contribution to sustainable development and agriculture” (October 2005), available at <http://www.ilo.int/public/english/dialogue/actrav/new/061005.pdf>

3 See, e.g. [http://www.worldcocoafoundation.org/about/documents/ROwusu-Amankwah\\_laborupdate.pdf](http://www.worldcocoafoundation.org/about/documents/ROwusu-Amankwah_laborupdate.pdf).

however, it is not clear that commitments to improve labor law and practice are being implemented everywhere.<sup>4</sup>

Workers' rights are also part of the broader global movement toward "fair trade" standards. As agribusinesses in developing countries seek access to global markets, such business and trading standards achieve the same relevance as local laws regarding workers' rights. The Kenya Flower Council and the Zambian Export Growers' Association, for example, have drafted industry codes that have "well developed social sections covering labor rights, working conditions, and issues such as worker housing."<sup>5</sup>

**Minimum wage laws** are an important element of labor law in most countries but apply only to workers in the formal economy (generally urban, medium to large-scale). Non-wage labor costs (retirement fund, sickness, maternity, injury, etc.) are generally also associated with employment only in this sector. Most agribusinesses, which tend toward the informal micro size, are unlikely to be covered by minimum wage regulations.

There are, however, a number of agribusinesses that are neither urban nor exceptionally large but are likely to be organized on a scale large enough to come under minimum wage law as well as laws requiring employer payments for non-wage labor benefits:

- plantation agriculture (e.g., tea, palm oil, timber);
- capital-intensive horticultural production (e.g., roses, other greenhouse crops); and
- agri- or eco-tourism operations that involve management of wildlife and forest or coastal land.

**Migration law and related labor regulations** (e.g., work permits, visas) have an important impact on the ability of commercial farms to hire labor on a seasonal basis and of farm workers (whether hired or self-employed) to move about in search of employment. Laws or regulations that prohibit or constrain internal migration within large countries often reflect a fear of excessive urban growth. Laws that restrict migrant workers from entering the country reflect an unwillingness of countries to risk such workers overstaying (as undocumented workers) and competing for jobs with citizens who are unemployed. Both sets of laws create inefficiencies in the labor market and affect wages and overall employment.

**Laws pertaining to the health and safety of working conditions** generally, and specifically to agriculture and agribusiness, are often related to the availability and use of pesticides and herbicides. The National Ag Law Center Web site provides a number of excellent examples of the laws and regulations needed to improve worker safety.<sup>6</sup> Health and sanitary standards also lie behind laws governing the production and processing of horticultural products, especially those moving into international trade. The U.S. Department of Agriculture's HACCP (Hazard Analysis and Critical Control Point) approach has been adopted both legally and voluntarily around the world.

There are other approaches to addressing health and worker safety as well. The government of China has pointed to its approval of genetically modified cotton varieties as a mechanism for

improving health and safety of agricultural workers.<sup>7</sup> The Chinese experience has driven a search for transgenic solutions for other agricultural commodities that are now subjected to excessive spraying for pests and pose a danger to both workers and consumers.<sup>8</sup> Both China and India have had to develop new legal and regulatory frameworks to permit research on genetically modified crops. These cases illustrate, however, the breadth and variety of legal paths that may accomplish the same worker-related outcome.

## IMPLEMENTING INSTITUTIONS

Ministries of trade and industry and/or commerce are likely to have principal jurisdiction over agribusinesses that are covered under the company and cooperative laws. Ministries of labor or social welfare are, however, more generally responsible for the articulation of labor policy and workers' rights and protections, and managing the nuts and bolts of the system. In some cases, separate agencies manage state-required pension contributions and social security or pension payments. And, as in the Ghana cocoa case, countries may establish special agencies or programs to address particular labor issues, e.g., eliminating the worst forms of child labor.

Ministries of agriculture and/or environment and, to a lesser extent, ministries of health, are likely to be involved in issues of agricultural worker safety, especially regarding the use of pesticides and herbicides. Agricultural extension services, both public and private, are key to training in safe use of these chemicals to protect workers' health. International labor standards are, of course, the focus of the International Labour Organization (ILO). The ILO has little capacity to enforce any particular standards but plays an important role in clarifying countries' labor issues in the course of international negotiations.

Implementing institutions have to balance their core role as regulators and providers of public service with the need of businesses to operate on a profit-maximization basis. Generally speaking, where governments recognize that documentary and procedural requirements in hiring and firing workers should be minimized, growth in the agriculture sector has been strongest. Where governments have been able to do this, they have relied, at a minimum, on three of the following points:

- Feedback is collected from the private sector early and often and taken into consideration in the drafting and enforcing of regulations relating to the employment of agricultural workers.
- Government agencies cooperate and coordinate on an inter-agency basis in order to minimize the procedural burdens associated with the hiring and firing of agricultural workers.
- Documentary and procedural requirements are enforced in a consistent and transparent manner.

## SUPPORTING INSTITUTIONS

Better conditions for workers are generally supported by the community of international non-governmental organizations and the media, especially when a globally traded crop is involved. Third-party certification of working conditions is an important

4 Whether adequate progress has been made in other countries is still being debated. Global Exchange says no. See Global Exchange, "The News on Chocolate is Bittersweet: No Progress on Child Labor but Fair Trade. Chocolate in on the Rise" (June 2005), available at [www.globalexchange.org/campaigns/fairtrade/cocoa/chocolatereport05.pdf](http://www.globalexchange.org/campaigns/fairtrade/cocoa/chocolatereport05.pdf).

5 Anne Tallontire and Peter Greenhalgh "Establishing CSR Drivers in Agribusiness: Final Report for Foreign Investment Advisory Service, International Finance Corporation, and World Bank," *Natural Resources Institute* (August 2005), at 11.

6 See <http://www.nationalaglawcenter.org/bibliography/results/?id=58>.

7 Jikun Huang et al., "Bt Cotton Benefits, Costs, and Impacts in China," *AgBioForum* 10(3) (Chinese Academy of Sciences; Rutgers University; University of California, Davis 2007).

8 See <http://www.cimbaa.org/downloads/1877a.pdf>, which includes a story of AVRDC and ICAR collaboration regarding research on transgenic vegetables to reduce pesticide use in India.

## About AgCLIR:

AgCLIR is a unique agribusiness enabling environment diagnostic that provides a comprehensive method to diagnose the root causes and inefficiencies of an underperforming agricultural sector. AgCLIR is one of a series of sector specific diagnostics produced under the USAID BizCLIR project. BizCLIR, or the Business Climate Legal & Institutional Reform Project, is a multi-year initiative of the United States Agency for International Development (USAID) with the goal of improving the business enabling environments through sound analysis and strategic interventions. This series, Briefings on the Agribusiness Enabling Environment is intended to shed light on some of the most important, and least understood, components at the intersection of agribusiness and commercial law and institutional reform. All issues are available at [www.bizclir.com](http://www.bizclir.com).

feature of “fair trade” and “sustainable” ratings. The positive pressure that such external actors bring to improving workers’ conditions is counter-balanced, though, by the forces of competition. These exert downward pressure on wages and the provision of social protections for workers.

Local institutions that must function well to support workers’ employability, productivity, health, and security include:

**Financial institutions.** Insurance and investment firms provide worker services, either directly or through employers, that help to reduce workers’ injuries, protect pensions, and safeguard income streams in the event of crisis. Availability of credit for entrepreneurial activities in the off-season for agriculture enables workers whose primary employment is in agriculture to sustain income flows throughout the year.

**Land administration.** Land development, the granting of private land tenure, and public investments that increase the productivity of labor also contribute to improving the status of workers in agribusiness, especially where markets operate efficiently and rising productivity translates into rising incomes.

**Educational institutions and training programs** are critical for improving worker skills, safety, productivity, and, ultimately, wages. Educational institutions also facilitate the movement of some workers out of independent, small-scale agribusiness and into larger-scale agribusiness or other economic areas altogether. This enables remaining

agribusinesses to expand and, potentially, to become more efficient. Donors and non-governmental organizations are likely to be important sources of support for such interventions.

## SOCIAL DYNAMICS

The World Bank’s *Doing Business* section on Employing Workers emphasizes formal, permanent employment. Countries rank better in terms of *Doing Business* if the business owners have more flexibility and less regulation. The presumption is that workers benefit through increased employment opportunities when this is the case.

An analysis of the elements of labor law and regulation that most affect workers in the seasonal and competitive agribusiness sector should include analysis of workers’ rights to bargain for fair treatment in terms of wages and working hours, rights to protection on health and safety issues, and their ability to self-initiate change in employment. Such an analysis should also look at the willingness of villages and customary organizations to make accommodations to incorporate migrant and temporary workers.

So long as employment is hard to find, and incomes are low, agricultural employees or potential employees are less apt to organize and press for changes in laws and regulations that may affect them, e.g., controls on toxic pesticides and herbicides. Cooperatives can help in this regard. As discussed above, foreign buyers of products are also important in increasing pressure on governments to provide adequate, but not excessive, protection of labor.

Lawrence Paulson  
EGAT/AG  
202.712.0506  
[lpaulson@usaid.gov](mailto:lpaulson@usaid.gov)

Kenneth Baum  
EGAT/AG  
202.712.0532  
[kbaum@usaid.gov](mailto:kbaum@usaid.gov)

Anastasia Liu  
USAID/EGAT  
202.712.5837  
[aliu@usaid.gov](mailto:aliu@usaid.gov)

Wade Channell  
USAID/EGAT  
202.712.1909  
[wchannell@usaid.gov](mailto:wchannell@usaid.gov)

Russell Brott  
Booz Allen Hamilton  
703.377.7719  
[brott\\_russell@bah.com](mailto:brott_russell@bah.com)