

A photograph of a tea plantation in Malawi. The scene shows rolling hills covered in green tea bushes, with a large, spreading tree in the foreground. Several workers are visible, some sitting on the tea plants and others standing. A white speech bubble is overlaid on the image, containing text and a hand icon holding dollar signs.

How we're making  
a difference  
revitalizing the  
Malawian tea  
industry for  
workers to earn  
living wages



the sustainable  
trade initiative





**The Malawi Tea 2020 program, launched in September 2015, aims to address working conditions and the living wage gap as part of a broader agenda of revitalization of the country's tea industry.**



#### To date, Malawi Tea 2020 has been able to:

- ✔ Bring together 35 key organizations collaborating in a supply chain partnership.
- ✔ Sign an MOU committing to the living wage target by 2020.
- ✔ Set (and increase) wages through a collective bargaining agreement (CBA) — a first in the history of the tea sector in Malawi.
- ✔ Ensure 30,000 of the 50,000 Malawian tea pickers improve nutrition, through midday meals prepared with fortified maize and higher nutritional value, and weekly vegetables.

## The challenge

Across the globe, low wages paid to workers on tea estates incite tensions in terms of social and economic responsibilities in both tea production and procurement. Tea-buying companies have attempted to address social and environmental issues in their supply chain by requesting certification from their suppliers. Yet even with certification in place, tea pickers in several tea-growing regions cannot make a decent living at their current wage levels.

Implementing living wages for tea workers in Malawi would imply a rise in cost of production — and likely a reduction of Malawian tea-growers' competitive advantage on the international market, where the country's low production costs have secured buyers through attractive prices.

## Our approach

By bringing together an action-oriented coalition of Malawian tea producers, trade unions, international tea buyers, relevant certification standards, NGOs, and donors, Malawi Tea 2020 aims to unlock orchestrated activities in order to improve productivity, increase quality, and improve the livelihoods of workers. A Roadmap has been developed and is now being implemented to:

- **Revitalize the Malawi tea industry**
- **Empower Malawi Tea workers and improve their livelihoods and create opportunities for women**
- **Improve buyer procurement practices**

As a result, we aim to achieve by 2020 a profitable, competitive Malawi tea industry where workers earn a living wage.



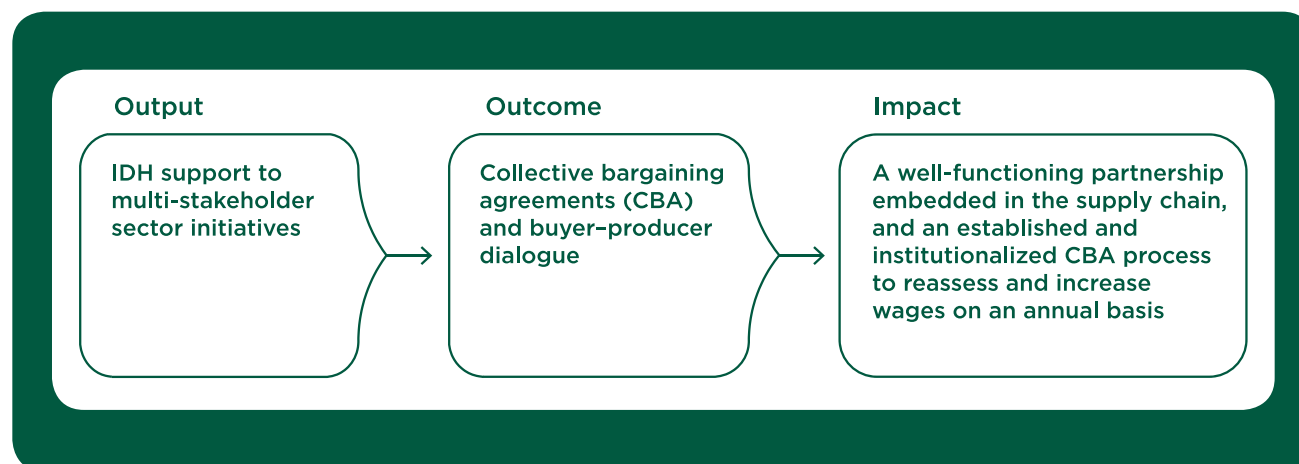
## Improving Sector Governance

The Malawi Tea 2020 program is well on track with regard to changes in sector governance, with the establishment of a strong supply chain partnership and the achievement of the first ever collective bargaining agreement (CBA) in the history of the Malawian tea industry.

As an actively inclusive program, Malawi Tea 2020 encompasses almost all relevant stakeholders – including producers, buyers, and certifier signatories. This multi-stakeholder partnership is key to address the living wage issue in Malawi, and many of the program’s successes to date would not have been achieved without its combined influence. For example, it was mainly because of the pressure provided through this program that the collective

bargaining process was accelerated, achieving negotiated wages for the first time ever in the Malawian tea industry in 2016.

The governance of the Malawi Tea 2020 program is well developed, including a Steering Committee, an Evaluation Committee, and a Wages Committee. Within these governance structures, IDH acts as independent chair and secretariat to the Steering Committee, plays a coordinating role in the Wages Committee, and, after first coordinating this committee, now has a seat in the Evaluation Committee. Furthermore, as a neutral convener, IDH plays an independent role coordinating inputs from the various stakeholders in the program.



**“The first achievement is having everyone signed up to something on an industry level. Because usually supply chain programs or projects just emphasize a single issue. So to have signed up the whole Malawi industry, in a tea industry program, that’s an achievement.”**

Supporting parties (Oxfam, ETP, GIZ)

**“It takes skills to getting the whole group together in one program and keeping it moving, despite the many disagreements and opposing interests that arise [...] We need someone outside the tea industry to challenge the thinking of the industry.”**

Buyer

**“IDH is the convener and overall coordinator of a very complex program and that’s of course a very crucial role, because you have so many stakeholders, and just to keep everything together, keep it in the right flow, the right direction, you know ... is a huge task. A huge role.”**

Supporting parties (Oxfam, ETP, GIZ)



## Advancing Business Practices

For the Malawi Tea 2020 program to succeed, it is important that both producers and buyers change their business practices. Producers are requested to invest in the revitalization of their plantations (irrigation, factory refurbishment, and replanting) as a means to attract higher prices from buyers that will enable producers to increase the wages of tea pluckers. The challenge is that buyers will only increase price if the quality has improved, while producers need additional cash income to be able to invest in the revitalization that enables quality improvement. Several steps have been taken to overcome this challenge, as described below.

Significant progress has been made in several areas from the producers' side. For instance, producers have invested substantially in replanting, irrigation, and refurbishment, as well as in a motivated workforce, through improving the meals provided to the workers and through new policies on gender, sexual harassment, and human resources.

The changes in business practices that are expected from the buyers' side mostly relate to their procurement practices: clarity on their quality requirements, commitment to longer-term contracts, and an increase in the prices for Malawian tea. Several buyers have implemented these changes, and at this moment sustainable procurement mechanisms are being developed and discussed to achieve concrete buyer commitments in the following months. Buyers have also contributed by co-funding of several field-level projects.

Besides the cash investments, it is important to recognize the significant in-kind time investment of both producers and buyers in the Malawi Tea 2020 program.



**“To create a profitable industry is a long-term process. We’re saying we have started moving instead of waiting.”**

Producer

**“The Malawi Tea 2020 program is a really exciting opportunity for the country’s tea industry, which has been going backwards for a long time [...] This is an opportunity for us to tell our story.”**

Producer

**“The push for an ambitious living wage target, while simultaneously acknowledging the fact that, for private sector, it has to make commercial business sense [...] We need this pragmatism, linked with you know, not giving up.”**

Buyer



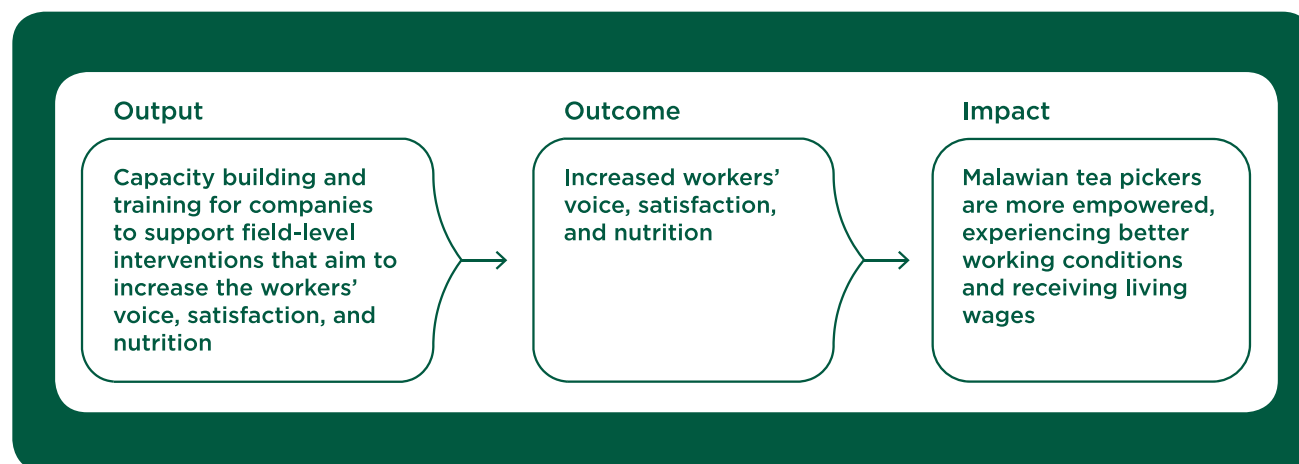


## Increasing Field-level Sustainability

In July 2016, for the first time ever in the history of tea production in Malawi, a collective bargaining agreement (CBA) was signed between producers and workers agreeing a 24 per cent wage increase for workers. This marked considerable progress in closing the gap to a living wage in the Malawi tea industry. However, very high inflation in rural Malawi poses a major problem, hindering progress toward payment of a living wage since inflation continuously reduces the purchasing power of wages.

There have also been significant increases in in-kind benefits that have improved the lives of workers. Examples of such improvements are the nutrition supplements added to the maize meal, the addition of vegetables to meals once a week, and the adoption of a new housing policy.

Moreover, to increase workers' voice and satisfaction, the program has built capacity to strengthen trade unions such that they are now recognized by the tea estates and part of the wage negotiation process. This was a key first step to achieving the establishment of a collective bargaining process between producers and workers in Malawi.



**“I think one of the main achievements is [...] the Collective Bargaining Agreement. Very smooth process, you know. That’s a real success [...] The fact is that it was done. It’s a step, right?”**

Producer

**“IDH has worked with GAIN, and they’ve made quite a lot of progress on nutrition. I think it’s a big achievement. [...] The producers are now fortifying the maize that is used for maize porridge, and they are also working to include vegetables into the meal [...] So yeah, that should make a big difference to the health of workers.”**

Supporting parties (Oxfam, ETP, GIZ)

**“The Unions now feel that they are important [...] That confidence-building is part of the development. So the next time we’ll be able to negotiate better.”**

Supporting parties (Oxfam, ETP, GIZ)

## Next steps

Despite the many successes — including establishing a strong stakeholder coalition, signing the first-ever collective bargaining agreement (CBA) between producers and workers in the Malawian tea sector, and significant improvements in workers' in-kind benefits — there are several challenges ahead.

### Maintaining a well-functioning partnership

To ensure the long-term sustainability of both the supply chain partnership and the CBA-process, IDH in its capacity as neutral convener needs to keep maintaining an open dialogue within the coalition of stakeholders. Moreover, to institutionalize the CBA-process, it is important to further strengthen the capacity of the workers' union, to ensure balanced wage negotiations between the workers and the producers.

### Developing sustainable procurement practices and upscaling producers investments

To achieve the desired impact, it is important to make progress in both the procurement practices of buyers as well as upscaling the producers' investments in increasing quality of product. Although progress is made, it remains a challenge to accelerate change owing to the 'logical loop' in which buyers and producers remain caught: buyers prefer to wait on increasing prices until they are sure of an increase in quality of product, but to achieve this higher quality product producers need more revenue to invest in revitalization.

### Achieving living wages by 2020

Although important steps have been taken, there is still quite a road ahead to achieve living wages. High inflation rates and income tax regulations frustrate the attempts of raising wages and are expected to continue to do so. Moreover, it is key that an increase in quality (by producers) and in prices (by buyers) translates into higher wages paid by producers. Also important is to continue to further empower workers and improve their living conditions through initiatives such as improved nutrition, HR-practices, and improved housing facilities.