



Global Position on Living Income



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Introduction

ETP's vision is for a thriving tea industry that is socially just and environmentally sustainable. In this context, 'thriving' refers to the economics of tea and describes a financially sustainable tea industry where farmers have decent livelihoods and are able to earn a living income. However, many farmers in the tea industry experience poverty and struggle to earn enough to meet their own basic needs or support their families. There are many factors that contribute to this including volatile market prices, inadequate value distribution and climate change, to name a few.

This paper outlines ETP's position on living incomes in the tea industry. It describes some of the causes of low incomes and ETP's approach to catalyse change.



Terms and Definitions

What is a living income and how is it measured?

As defined by the [Living Income Community of Practice](#), a living income is “the net annual income required for a household in a particular place to afford a decent standard of living for all members of that household.” Living income goes beyond lifting people out of poverty; it aims to ensure they have a decent quality of life, not just the bare minimum to survive. However, it is important to note that a living income still represents a minimum standard and those earning a living income are not wealthy. A decent standard of living includes having access to nutritious food, clean water, decent housing, education, healthcare, and other essential needs. It also allows for some savings to help pay for unexpected events.

Living income is a concept that applies to individuals who are self-employed income earners, such as smallholder tea farmers. It is different from a living wage, which is applicable to hired workers, such as those working on tea estates and in factories. Living income takes into account multiple income streams and earning sources within a household. For instance, tea farmers can generate income not only from growing tea but also from alternative crops and off-farm business opportunities.

The [Anker methodology](#) is the leading methodology used to measure a living wage and a living income. It uses local prices of essentials to determine whether people are earning enough. Food, housing, education, and other components of a decent standard of living are assessed and costed in accordance with international standards, such as those developed by the World Health Organisation (WHO), the International Labour Organisation (ILO) and the United Nations (UN). The Anker Methodology also consults and validates findings with local stakeholders, including workers, employers, and trade unions.

Human rights and frameworks

We recognise that living income is a human rights issue. The right to an adequate standard of living is embedded in several human rights treaties, most notably in Article 25 [United Nations Universal Declaration on Human Rights](#) (UDHR) and Article 11 of the [International Covenant on Economic, Social and Cultural Rights](#). The UDHR states:

“Everyone has the right to a standard of living adequate for the health and well-being of [themselves] and of [their] family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.”

Earning enough to achieve a decent standard of living is not only a human right itself, but it also impacts the fulfilment of other human rights. For instance, high poverty levels among farmers have been shown to lead to an increased risk of child labour, heightened vulnerability to the impacts of climate change, and a rise in gender-based violence and discrimination.

Businesses, therefore, have a responsibility to respect human rights and should work to ensure farmers in their supply chains are paid a living income. This is explained in [United Nations’ Guiding Principles on Business and Human Rights](#) (UNGPs) and the Organisation for Economic Co-operation and Development (OECD) [Guidelines for Multinational Enterprises](#). It is further reflected in the international rollout of mandatory business and human rights legislation. Additionally, achieving a living income contributes directly towards achieving many of the Sustainable Development Goals.

Beyond a living income

We believe that achieving a living income is just one outcome of a thriving tea industry, rather than an end goal. Living incomes alone do not necessarily guarantee an adequate standard of living, particularly in rural areas with limited infrastructure and access to good quality services such as education, healthcare, and housing. Sustained government investment in these services must happen alongside private sector and civil society initiatives to achieve decent living standards throughout the value chain and ensure the needs of rural communities are properly met.

Challenges

Achieving a living income in the tea sector is a highly complex issue, with low-income levels stemming from a broad range of systemic factors that go beyond the farm level. Due to their complexity, these challenges cannot be addressed in isolation or by any one stakeholder alone. Some of the barriers to tea farmers earning a living income are highlighted below.

Value distribution

Farmers in the tea supply chain, as is the case with many agricultural commodities, typically receive just a small share of the value created from their work. This is partially due to an imbalanced distribution of market power between farmers and other participants in the value chain. Negotiating favourable terms of trade (such as order volumes, contract lengths and a fair price) can be difficult for tea farmers who often depend on just one or two buyers and are not directly linked to downstream buyers. This ultimately results in farmers being price takers with limited bargaining ability.

While there is a clear need to distribute value more equitably to achieve a living income, it is important to note that relying on the payment of higher prices as a standalone intervention can have unintended negative consequences in the long term. This creates a risk of oversupply which can put downward pressure on prices and incomes in the long term. Ultimately, income levels are dependent on an optimal balance of multiple factors, including fair prices, production costs, income diversification, and managing local risks that can impact yields.

Low and volatile prices

Globally, low and volatile market prices for tea stand as a significant barrier to farmers earning a living income. Tea prices at the farm gate, wholesale, and retail stages are notably low when compared to other commodities and often fail to reflect the effort and costs that go into its production. Market forces, where supply and demand determine the price of commodities,

tend to be the leading price-setting mechanism in the tea sector and result in price fluctuations without considering farm realities, such as rising production costs or living income gaps. Smallholder tea farmers, many of whom already live in poverty, are particularly ill-equipped to deal with price volatility but are often impacted the most by changes. The distribution of bargaining power in supply chains means that dips in commodity prices are passed on more directly to farmers than price increases. Price volatility also affects farmers' ability to plan and invest in their businesses.

Production costs

The cost of tea production has been consistently rising, with recent global inflation meaning even higher costs for labour, fertilisers, and other essential inputs that enable farmers to earn an income. High production costs, coupled with low tea prices dictated by the market, make it incredibly difficult for tea farmers to secure a living income. The rising cost of production also means that attempts to increase tea farmers' productivity (and subsequently, their incomes) can have the opposite effect by leaving them with unsustainable operating costs.

Land

Tea farmers' incomes are influenced by land size, quality, and status of ownership, all of which affect the amount and quality of the tea they produce. While small farms have the potential to be more productive than larger farms as they require fewer resources, the advantage often leans towards larger producers due to economies of scale and better access to markets. Smallholder tea farmers are less able to meet criteria set by buyers than large producer companies, including quality standards and minimum volume requirements for orders. Additionally, without formal land ownership tea farmers are less likely to make long-term investments to improve yields and are less able to access financial credit and government support that can lead to higher incomes.

Access to inputs, information, and finance

Affordable, high-quality inputs (such as fertilizers and pesticides) and training in good agricultural practices are critical in enabling tea farmers to increase efficiency and produce tea that meets quality standards. Nevertheless, many tea farmers lack sufficient access to these essential inputs and services, affecting their ability to secure a decent income. High costs, limited availability, a lack of public information, and poor infrastructure and distribution networks are often part of the problem. Again, those without formal land ownership have poorer access to finance, which means they are less likely to be able to afford inputs. The problem is more pronounced for women due to gender disparity in land access and being disproportionately impacted by poverty, among other factors.

Certification

While certification can improve farmers' incomes through higher prices and premiums, the process of obtaining certification can be complicated and expensive for the producer. Meeting these standards often requires capital-intensive farm investments which small-scale farmers are not always able to afford and which are not always rewarded in the price paid for the tea. This places them at a competitive disadvantage as they are unable to participate in certified markets, restricting their customer base and limiting the prices they can demand.

Climate change

Tea's reliance on stable temperatures and consistent rainfall makes it highly vulnerable to the effects of climate change, which threatens tea farmers' livelihoods. Shifts in precipitation patterns, changes in seasonal timing, and increasing temperatures are negatively impacting the quality and quantity of tea farmers can produce. The inevitability of climate change means that without implementing adaptation measures, tea farmers' yields will continue to decrease as impacts worsen. Investing in farm improvements to mitigate these impacts will increase production costs further, adding even more pressure to farmers' income levels.

Our Approach

At ETP, we take a systems change approach in all our work, including our efforts to enable tea farmers to earn a living income. This approach, reflected in our [Strategy2030 and Theory of Change](#), involves working holistically to address the underlying systemic causes of a problem rather than just addressing its symptoms. We put this into practice through our projects, policy work, and collaboration with the private sector. As part of this, we are committed to the following actions:

Building financial resilience

Through our projects, we work with tea farmers to improve their financial resilience and make their businesses more viable. To increase resilience, we support farmers in establishing additional ways to make a living, diversifying their income sources beyond producing tea. Income diversification is critical in lowering vulnerability to fluctuating tea prices and crop losses caused by climate change. We also improve access to finance and savings, enabling farmers to make investments, and we provide training and resources to boost farmers' on-farm productivity. We also recognise that while individual interventions like these are useful, to achieve lasting change, they must be part of a broader mix of solutions that encompasses supportive policies and private sector engagement.

Stragic Alliance - Improving Lives Programme

Working in partnership through our Strategic Alliance Programme, we helped improve smallholder farmers' livelihoods in Rwanda and Malawi through a combination of training and community-led savings groups, known as Village Savings and Loans Associations (VSLAs). As a result, participants reported higher incomes as they were empowered to overcome financial barriers, strengthen their tea businesses, and explore various other income-generating activities.

Engaging in multistakeholder collaboration

Achieving a living income requires a coordinated effort from multiple companies and stakeholders across the tea industry. Each stakeholder group brings distinct influence, skills, and perspectives that can help narrow the living income gap, while the more companies committed to addressing income levels, the greater the collective leverage for achieving systemic change. We view this as an opportunity and believe that low incomes must be tackled through a sector-wide and collaborative approach involving a diverse range of stakeholders. Our strategy involves playing a convening role and forming partnerships with tea companies, producers, farmer cooperatives, governments, and others to conduct research, implement projects, and ensure efforts to improve incomes are aligned.

We work closely with several organisations that have expertise in closing living income gaps in supply chains. These include the German Society for International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit, GIZ), the Food and Agriculture Organization of the UN (FAO), and IDH – The Sustainable Trade Initiative, who coordinate cross-sector dialogue and efforts to bridge income gaps.



Promoting due diligence and transparency

Recognising that living income is a human rights issue, tea companies have a duty to integrate farmer incomes into their human rights due diligence process. Effective supply chain due diligence should be the first step buyers take to understand their responsibilities, the risks in their supply chains, and the actions required to ensure they are not negatively impacting farmers' livelihoods. Importantly, human rights due diligence should be about identifying risks for farmers, not companies.

Being transparent with the data and insights gathered from due diligence and living income projects is equally important, especially when considering the complexities involved in closing living income gaps. Transparency not only demonstrates private sector accountability, but it also helps drive sector-wide progress on living income as it can lead to opportunities for collaboration and a better understanding of solutions.

ETP supports the development of mandatory human rights due diligence (HRDD) measures and the recognition of the right to a living income as a key component of due diligence. We encourage our members to prepare for forthcoming legislation, and collaborate with them, to help improve transparency in the tea sector. In addition, we offer support and guidance to help members better understand supply chain risks and what steps they can take to improve transparency and address farmer poverty, including adopting responsible purchasing practices, engaging with suppliers, and sharing data and learnings on living income.



Encouraging responsible procurement practices

Purchasing practices describe the trading terms and actions of buyers when sourcing goods. The types of practices used influence the likelihood of farmers being paid a living income. For example, responsible practices such as long-term contracts and pricing strategies that consider the costs associated with sustainable production allow producer organisations to plan their business effectively and pay farmers in a way that enables farm investments and better productivity.

We urge our members to evaluate their purchasing practices and engage in dialogue with their producers to understand how they affect the distribution of value in their supply chains, and we offer support to our member's procurement teams to identify areas where they can adapt or implement new practices that can benefit farmers' incomes.

We ask our members to commit to helping close the living income gap in their supply chains and to establish fair, long term, and mutually beneficial trading relationships with farmers and producer groups. Instead of relying on volatile market-based pricing, we also encourage our members to factor in the cost of sustainable production and existing data on living incomes.

Knowledge building and influencing

Achieving better incomes for tea farmers requires behaviour change from various individuals and groups, ranging from government ministers to sourcing managers. Change can only be achieved if there is a shared goal and collective understanding of what needs to be done and why. Progress towards living incomes also depends on an enabling policy environment (e.g., policies that support higher incomes rather than inhibit them). We are committed to developing evidence-based resources, convening industry stakeholders, and sharing insights and learnings from our activities to build the sector's understanding of the challenges and solutions needed to achieve living incomes. We also monitor and analyse policies and legislation at the national and international levels and seek to influence a policy landscape that is conducive to better incomes.

Tackling issues holistically

Closing the living income gap requires addressing multiple social and environmental issues, as well as economic factors. For instance, women farmers face gender-specific barriers that affect their ability to earn higher incomes, such as limited access to and control over resources. Additionally, the worsening impacts of climate change on weather patterns are negatively impacting crop yields and household incomes for tea farmers. Given the interconnectedness of these challenges, many of our programmes tackle issues holistically. Our initiatives include equipping farmers to adapt to climate change and improve their income through Payments for Ecosystem Services (PES) and supporting women's rights and decision-making so they can access training and make investments on their farms.



Conclusion

Achieving a living income for tea farmers is a human rights issue that requires a carefully balanced mix of interventions involving a range of stakeholders, including companies, civil society, and governments. ETP supports the drive for living incomes through a combination of supporting communities directly and addressing broader structural barriers that prevent farmers from enjoying a decent standard of living. This involves working with the private sector to adapt business practices, influencing policy, and enhancing farmers' ability to optimise their businesses and build resilience to income shocks. We also leverage our ability to bring together a diverse range of stakeholders, including influential tea companies, to ensure that efforts are coordinated and have maximum impact.



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