

GERMAN DEVELOPMENT INSTITUTE

**Working and Living Conditions in Large-scale Coffee
Production in Central America:**

Approaches to securing minimum social standards, including
cooperation with the private sector

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Preface

The following study came about on the initiative of the German fair-trade organization Transfair Deutschland e.V. Its aim is to provide an analysis of the living and working conditions of workers in the coffee sector, particularly in view of the current crisis in coffee prices. The study centers on workers on coffee plantations; there is very little empirical information available on the life situations of the persons making up this population group. The aim of the analyses presented is, however, not only to depict the present situation. Rather, it is hoped that they will play a role in the ongoing, intensified dialogue with the German coffee industry on innovative approaches to securing minimum standards in producer countries.

Studies were conducted by external consultants in three countries; their objective was to document the living and working conditions on larger-scale plantations (fincas) of the coffee sector. Thanks are due to Liliana Morera (Costa Rica), Felisa Loarca (Guatemala), and Justus Fenner (Mexico) for the detailed results presented. The findings were summarized and evaluated by Eefje Schmid. Ms. Schmid furthermore conducted a number of interviews with representatives of the German and European coffee sector. Andreas Stamm and Klaus Liebig, German Development Institute (GDI), provided conceptual support and were responsible for the final editing of the manuscript. Thanks are due, again, to Liliana Morera for some important conceptual inputs that she contributed, in particular concerning issues associated with agricultural and labor law.

Large parts of the study were funded by the Friedrich Ebert Foundation and the Deutsche Gesellschaft für technische Zusammenarbeit (GTZ). The country case studies on Guatemala and Mexico were funded by the Konrad Adenauer Foundation and the Heinrich Böll Foundation. The three foundations named above are members of the German fair-trade organization Transfair Deutschland e.V. The authors hope that the present study will provide a sound basis for further-reaching substantive discussions and in particular for an intensified dialogue between official development policy, NGOs, and the private sector.

Bonn, April 2002

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Abbreviations

ACPC	Association of Coffee Producing Countries
ANACAFE	Asociación Nacional del Café
ASOTRAN	Asociación de Trabajadores Nicaraguenses
BMZ	(German) Federal Ministry for Economic Cooperation and Development / <i>Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung</i>
CCSS	Caja Costarricense de Seguro Social
CECA	Committee of the European Coffee Associations
CEPAL	Comisión Económica para América Latina y el Caribe
CGTG	Central General de Trabajadores de Guatemala
CTC	Central de Trabajadores del Campo
CTRN	Confederación de Trabajadores Rerum Novarum
CUSG	Confederación de Unidad Sindical de Guatemala
DC	Development Cooperation
DKV	Deutscher Kaffee-Verband
ECF	European Coffee Federation
ETI	Ethical Trading Initiative
EU	European Union
EUCA	European Federation of Associations of Coffee Roasters
FAO	Food and Agriculture Organization
FCG	Federación Campesina de Guatemala
FONECAFE	Fondo Nacional de Estabilización Cafetalera
FT	Financial Times
FUNRURAL	Fundación para el Desarrollo Rural
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
ICA	International Coffee Agreement
ICFTU	International Confederation of Free Trade Unions
ICAFFE	Instituto del Café de Costa Rica
ICO	International Coffee Organization
ICP	International Coffee Partners
IGSS	Instituto Guatemalteco de Seguridad Social
ILO	International Labour Organization
IMSS	Instituto Mexicano del Seguro Social
INS	Instituto Nacional de Seguros
IUF	International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations
KFD	Kraft Foods Deutschland

MSPAS	Ministerio de Salud Pública y Asistencia Social
MTSS	Ministerio de Trabajo y Seguridad Social
NGO	Nongovernmental Organization
PPP	Public Private Partnership
PSCB	Private Sector Consultative Board
UN	United Nations
UNCTAD	United Nations Conference for Trade and Development
UNICEF	United Nations
UNSI TRAGUA	Unidad Sindical de Trabajadores de Guatemala
UTQ	Unidad de Trabajadores de Quetzaltenango
WTO	World Trade Organization

Executive summary

For many years now, the social situation of small coffee producers and the impacts of price fluctuations on them have been the object of measures conducted in the framework of fair and alternative trade initiatives. Thus far, however, little attention has been paid to the living and working conditions of workers on large-scale coffee production. No elaborated concepts have as yet been presented on the possibilities of using trade-flanking measures or inclusion of social standards in international trade relations as means of improving the social situation of farm workers. The present study develops points of departure for strategies of this kind. It was conducted on the initiative of "Transfair Deutschland e.V." and funded by the Friedrich Ebert Foundation, the Konrad Adenauer Foundation, the Heinrich Böll Foundation, and the Gesellschaft für Technische Zusammenarbeit (GTZ).

Current trends in the international coffee market

Coffee is the most important agricultural product in South-North trade; in terms of the value of the goods traded throughout the world, coffee ranks second only to mineral oil. The climatic conditions needed to grow coffee are given almost exclusively in developing countries, some 60 of which actually produce coffee. For decades constant growth in the demand for coffee was the rule. Many developing countries responded by expanding their coffee production, introducing high-yielding varieties, and intensifying their use of machines and chemical inputs to raise their yields per hectare. In many countries coffee exports play a key role in balances of payments and tax revenues. Millions of people earn their livelihood in this sector, growing, harvesting, and processing coffee. This economic and social function of coffee is jeopardized by sharp fluctuations in world market prices, a development that has accelerated alarmingly since the collapse of the last coffee agreement in 1989.

Mainly due to overproduction or intermittent periods of crop failures, the development of coffee prices was long marked by sharp swings. Both producer and consumer countries sought to counter these fluctuations with the aid of quota agreements. The last such agreement failed in 1989.

Since mid-1999 coffee prices in the world market have declined constantly, and since the year 2000 the proceeds from sales have no longer been sufficient to cover production costs. The reason for this persistent and deep price crisis is structural overproduction due to increased coffee production in both traditional and nontraditional producer countries in the face of declining demand in industrialized countries. Efforts by some producer countries to adjust the market by retaining or destroying parts of their coffee crops have thus far failed to achieve any significant effects. Market observers anticipate that it will take several years for a sustainable recovery of coffee prices to materialize.

The coffee sector in the countries under study

Costa Rica, Guatemala, and Mexico are important coffee producers that account for a good share of the high-grade arabica coffee included in the group of "other milds". The economic and social significance of coffee differs substantially from country to country. Costa Rica and Mexico have managed to reduce their dependence on coffee production by diversifying their agricultural sectors and attracting new industries, though coffee production continues to play an important role here as a source of income and as an element in the net domestic product of these countries. Today, Guatemala is still largely an agricultural country, and its agricultural sector continues to be heavily dependent on coffee.

Due to differences in socioeconomic conditions at the point of time when coffee was introduced into the agricultural sectors of the countries under consideration, the structure of their coffee sectors differ substantially today.

When coffee was introduced in **Costa Rica** in the 19th century, the country was settled largely by subsistence-oriented small farmers. Coffee production had to be expanded on a small-farm basis, since there was not enough free labor available for large-scale production. Family-run farms remain an important pillar of coffee production in Costa Rica, even though concentration processes have since altered this picture. Two thirds of the country's overall area under production is presently farmed by small producers, who account for roughly half of the coffee produced there. In Costa Rica both the processing and the export of coffee are marked by high levels of concentration. The Costa Rican government has traditionally intervened heavily in the market; for decades now, the relations between the producers and processors of coffee have been regulated by law and overseen by an originally public, now largely privatized, sectoral organization. Taxes on coffee exports, have in recent years been sharply reduced and pegged to coffee prices in the world market.

In **Guatemala**, beginning in the last third of the 19th century, coffee was at first grown mainly by national elites and financially strong immigrants. Privatization of previously communal land had created large, coherent tracts of land, and at the same time, a great number of landless people were available as a source of labor. It was in this way that a core sector of the coffee industry developed that was based on large landholdings and, in 1991, accounted for nearly 90% of the country's total coffee output. Small farms continue to produce small amounts of coffee. Traditionally, government influence in the coffee sector in Guatemala has been limited. The sector organization, ANACFE, has only limited scopes of action. A foundation affiliated with ANACAFE conducts some programs aimed at improving the quality of life in rural regions, some of them in cooperation with international organizations.

In **Mexico** coffee is grown on private, municipal, and *ejido* landholdings. 92% of all Mexican farms are smallholdings, and these account for 50% of the country's overall coffee output. Until the coffee crisis of 1989, Mexico had a national coffee institute which was responsible for tasks associ-

ated with technology development and transfer as well as marketing activities and regulation of the coffee sector. The successor organization, *Consejo Mexicano de Café*, founded in 1989, is subordinate to the agriculture ministry and represents producers from all of Mexico's coffee-producing states. Its president is appointed by the government. The Council's activities are largely restricted to advising the government and developing strategies aimed at promoting coffee consumption.

The governments of all three countries are providing special credit lines and conducting sociopolitical measures aimed at mitigating the impacts of the price crisis. Both Costa Rica (since 1992) and Mexico (more recently) have been pursuing a complementary approach aimed at shielding producers from price fluctuations. In high-price phases, producers pay a price-related share of their sales proceeds into a stabilization fund. If the world market price declines below production costs, producers are entitled to compensation from the fund. But the funds accumulated in the 2000/2001 coffee harvest in Costa Rica were sufficient only to compensate producers for a small share of their losses. Stabilization funds are not an effective means to counter a persistent price crisis, since such funds cannot be replenished under these conditions.

The legal situation of coffee-sector workers

In principle, we can distinguish between three groups of workers in large-scale coffee production:

- **Regularly employed workers** who are bound to an enterprise by contract. They do work that normally accrues in the course of the annual cycle on coffee fincas, and they usually live with their families on fincas or in their immediate vicinity.
- **Casual workers** are recruited to help out in times of peak work loads or to do unscheduled or unforeseen jobs on coffee plantations. The short periods of time for

which they are employed are not sufficient to constitute a formal employment relationship between them and their employers.

- **Seasonal workers** are mainly hired for the coffee harvest. These are for the most part migrant workers who seek employment in the coffee-growing regions of their own country or a neighboring country. They are not regarded as dependent workers, and only in rare cases is their work recorded in special finca registers.

In all three countries under study, it is customary to conclude contracts with farm workers on an oral basis. In formal terms, oral contracts are no less valid than written ones. Whether and to what extent workers are able to enforce such rights depends mainly on the competition situation in local labor markets, the effectiveness of government oversight authorities, and the support provided to workers by local civil-society organizations. In the coffee-growing regions of the countries under study, there are hardly any labor organizations that would be in a position to collectively enforce the rights of coffee workers.

Regularly employed workers acquire entitlements vis-à-vis their employers and public social insurance agencies that are set out in national legislation. By contrast, the legal entitlements of casual and migrant workers are very limited. As a rule they include the right to payment based on either working hours or performance, and migrant workers are entitled by law to decent housing and basic social services during their stay on a finca.

The three countries under study have signed the most important international agreements on human rights (e.g. the UN human rights conventions) and implemented them in national legislation. Costa Rica and Guatemala have ratified all of the ILO's core labor standards. This means in effect that workers have the right of association and the right to collective bargaining, child labor is permissible only within certain strictly defined limits, and forced labor and discrimination against individual groups of workers is banned. Mexico has yet to ratify two of the ILO's core labor stan-

dards. However, ratification of standards is no guarantee that these standards will be complied with in practice. In recent years numerous complaints have been lodged, mainly against Guatemala, for violations of ILO standards. While similar in kind, the situation in Mexico and Costa Rica is less alarming.

Empirical findings on the working and living conditions of coffee workers

The present study included visits to at least ten large coffee operations in each of the three countries during which interviews were conducted with both managers and workers. Additional interviews were conducted with representatives of government authorities, associations and chambers, and NGOs with an eye to embedding the company surveys in specific national contexts.

Only a small percentage of the persons working on fincas in the coffee sector are employed on a regular basis. In the specific context of each country concerned, the social situation of these workers may be seen as satisfactory. There are a number of reasons for this:

- **Regularly employed workers** acquire formal entitlements under national labor and social legislation. The extent to which these claims can be enforced differs from country to country and in some cases even from region to region. The situation in Costa Rica is distinctly better than that in Mexico and Guatemala.
- Regularly employed workers gain, in the course of their often many years of experience on a finca, a store of knowledge that cannot be readily replaced. Management therefore has a certain self-interest in inducing them to stay on a finca.
- On many plantations in Guatemala the relationships between landowners and regularly employed workers are often still of a quasi-feudal nature. Families of workers have often worked for generations for one finca and for the most part live there as well. This practice leads to a large meas-

ure of dependence, though it may also entail a kind of paternalist protection and care on the part of an employer-landlord.

Many coffee workers in Costa Rica and southern Mexico come from the neighboring countries of Nicaragua and Guatemala. Some of these migrant workers lack valid work and residence permits. Since they are unable to enforce their rights and often shy away from contact with government authorities, some of these workers are employed under terms not consistent with the social standards in effect in their country of employment.

The governments of all three countries set minimum wages for regularly employed workers. Expressed in dollars at the exchange rate current in July 2001, these daily minimum wages were:

- US \$ 8.36 in Costa Rica;
- US \$ 3.91 in Guatemala;
- US \$ 3.79 in Mexico.

The minimum wage is paid as a rule in Costa Rica. In Guatemala and the northern zone of Chiapas/Mexico, however, workers are as a rule paid considerably less than the legal minimum wage. In addition, they are sometimes forced to work overtime without pay. Most regularly employed workers are registered with social insurance agencies and are accordingly entitled to medical care and old-age pensions. While in Costa Rica most workers have access to the basic social services required to meet their basic needs (education, healthcare, housing), this is only partly the case in Mexico, and the situation in Guatemala is marked by severe deficits.

Reports from Costa Rica and Mexico concur in noting that the number of regular workers on coffee fincas has been on the decline for years. One reason for this is the transition from traditional mixed coffee cultures (shade coffee) to coffee monocultures. Mechanized coffee production demands far fewer workers over the course of the annual cycle, and there are more pronounced labor peaks in the harvest season. Moreover, many fincas are successively laying off their regular work-

ers and hiring temporary workers to do routine jobs as well. Employers in this way avoid having to pay for entitlements due to regular workers (overtime pay, social services, accident insurance), cutting their production costs. This trend to cut back on regular workforces has accelerated in the wake of the coffee price crisis. This development means a decline in the percentage of the working agricultural population that is regularly employed and thus insured for the most important life risks (sickness, invalidity) as well as for old age.

Most jobs on fincas are performed by temporary workers. It is difficult to sum up the social situation of **casual workers**, because it depends on whether and how their families are provided for financially and socially when their breadwinners are not working in the coffee sector. These workers are as a rule recruited from the host of the underemployed, and their social situation is for the most part precarious.

The largest group of temporary workers, **seasonal workers**, are as a rule hired for the coffee harvest and usually migrate over large distances in seeking work. We can here distinguish between national and transborder migration.

In the three countries under study, workers are paid a stipulated amount of money for a given quantity of harvested coffee. As a rule, the coffee harvested in the course of a day is measured in the afternoon, and the pickers are then paid out accordingly. In part, workers are paid at longer intervals or even at the end of the harvest season. In some cases, an intermediary is used to hire and deploy workers; this "*contratista*" takes receipt of the coffee his workers have harvested and is also responsible for paying out his workers.

All three countries have legal regulations on quantity-based payment. Payment levels are conditioned on the stipulation that the amount of coffee normally picked on a working day should be sufficient to allow a worker to earn the equivalent of the official minimum wage. However, in practice this often means that such persons have to work excessive hours and rely on the work of additional

(family) helpers, including under-age children. This practice is especially often observed in the early and late phases of the harvest, when there is less ripe coffee to be picked, or in cases in which fincas have overhired. There are also reports of open violations of the legal regulations on minimum payments, above all from Guatemala.

It must be seen as problematic that harvest workers are, either formally or de facto, not covered by any social insurance. In none of the three countries under study are there currently any effective arrangements that provide seasonal workers access to an old-age pension. A high level of old-age poverty is thus foreseeable among the presently active working population. Whether or not harvest workers have access to medical services in cases of accident or sickness is largely a matter of whether there are providers of free services in their region. In Guatemala and Mexico this is only partly the case, while Costa Rica for the most part provides free basic medical services.

In all three countries under study, child labor is a widespread phenomenon in the harvest season. In some cases (Guatemala) obvious violations of relevant ILO conventions are reported. Harvest labor for under-age children outside the school vacations often means that children fail to attend school, and this impairs their development chances.

Worker housing during the coffee harvest is generally unsatisfactory. Under the law, fincas are obliged to provide decent housing for the workers. But there are reports from Mexico and Guatemala of extremely inhumane living conditions that are detrimental to worker health and rule out any private sphere for them. Even in Costa Rica the housing provided for migrant workers is for the most part not in line with the minimum standards otherwise respected in the country.

The coffee price crisis is further aggravating the situation of seasonal and migrant workers, which is precarious in any case. The fact that fincas are abandoning or retaining a share of their crops means fewer jobs in the coffee sector in a period in which the number of job-seekers is on the in-

crease. This is tantamount to an incentive to reduce the performance-based pay of harvest workers or to pay them wages below those set by law. And in the present situation finca operators are considerably less inclined to invest in improved housing for migrant workers than they are in phases marked by high coffee prices.

The coffee sectors of industrialized countries as partners?

The interviews conducted in connection with the present study indicate that both the German coffee industry and the European Coffee Federation see themselves not only as participants in an anonymous commodity market but also as actors who are increasingly willing to assume responsibility for securing high quality levels in coffee production. In this sense we found them to be open to considerations including the introduction of codes of conduct or guidelines on coffee production. Several partnership projects with German development cooperation are already in the process of implementation.

Codes of conduct should be restricted to a limited number of key factors in order to ensure that they are swiftly implemented and to make the monitoring required as simple as possible. Such codes should be based on the ILO's core labor standards, which have been largely ratified by coffee-producing countries, even though there are marked deficits in practice. Further, it would be essential not to lose sight of the core deficits that have been diagnosed in the social and legal protection of coffee workers:

- The pay of coffee workers, including temporary harvest workers, must be sufficient to secure their livelihood. Payment below the official minimum rate should not be accepted.
- It must be ensured that the younger generations have access to basic education. This calls for development of locally adapted solutions, and the fincas concerned should generally be expected to provide their contribution to reaching this goal. Child

labor must not be allowed to interfere with the goal of continuous school attendance.

- Coffee workers must have guaranteed access to medical care. This includes initial emergency treatment on fincas as well as access to further treatment.
- It would be recommendable to examine the possibility of providing social security coverage for at least those seasonal workers who work for a finca repeatedly and/or for protracted periods of time.
- It must be assured that seasonal workers have access to decent and humane housing and related services.

Since the year 2000 some large private coffee companies (Kraft Foods Deutschland, the Neumann Gruppe GmbH) have been cooperating with the GTZ in implementing several **public-private partnership projects**. The aims of these projects include improvement of coffee quality (Peru), ecologically sustainable production of robusta and arabica coffees (Vietnam), introduction of environmental and social standards (Mexico), and certification and marketing of ecologically produced robusta (Uganda). In part directly, in part indirectly, these projects are geared to achieving positive social impacts.

The dialogue between large coffee corporations and development cooperation that has come about in connection with the initiation and implementation of these projects is clearly a positive development. This dialogue brings together the private sector's technical competence and market knowledge with DC's knowledge of and experience with social affairs in the target countries. Seen in terms of the market position of the firms concerned, however, the scope and reach of the projects is modest; most of them have pilot character. Above and beyond selective projects, it would be important here to seek to use public-private partnerships to achieve structure-building effects.

Points of departure for action in development cooperation

Workers in the coffee sector, especially the large number of seasonal harvest laborers, are among the poorest population groups in their countries, and they are therefore one of the immediate target groups of development cooperation. Many traditional DC measures, for instance in basic education and the health sector, contribute to improving their social situation.

It is essential that measures in the areas of rural regional development and promotion of economic development and employment not lose sight of the structural overproduction in the world coffee market. This means, first of all, that *no* projects should be conducted that in effect expand the area under coffee production or systematically raise yields. On the other hand, and with a view to social aspects, efforts aimed at developing more environmentally compatible forms of coffee production make sense. Traditional mixed coffee cultures and biocoffee are far more labor-intensive than mechanized production.

Diversification of both fincas and coffee-growing regions is a reasonable means of creating alternative sources of employment and of moderating labor peaks during the harvest season. Such efforts can contribute to reducing the vulnerability of socioeconomic structures to fluctuations in coffee prices. This, however, would presuppose the existence of functioning sales channels for nontraditional products (e.g. tropical fruits, vegetables, and nuts). In this connection it would be interesting to seek to win over major trading companies in industrialized countries as partners for development projects.

Another field of action in which DC could bring its consulting services to bear to develop new structures would be reform of social insurance systems in producer countries. The problem of the lack of social security for casual and migrant workers should become a focal point of efforts in development cooperation, since such efforts affect the living conditions of large numbers of persons in coffee-producing countries. Government pro-

grams aimed at abolishing socially incompatible forms of child labor should be provided flanking and implementation support.

The level of organization of farm workers is markedly low. This negatively affects their ability to collectively represent their own interests. Wherever movements of this kind are encountered, it would be important to provide support for the development of union representations and other civil-society organizations, e.g. through political foundations or NGOs.

DC should also use its existing contacts with coffee firms to foster a dialogue aimed at developing codes of conduct. Here, DC could also bring its methodological and expert knowledge as well as its specific regional and country-specific expertise to bear. DC could also contribute to building verification competence in producer countries, in this way providing flanking support for the introduction of codes of conduct. A reasonable approach here would be close cooperation with the international fair-trade movement, which has many years of monitoring experience in producer countries.

DC can also play an important role as a neutral intermediary between the private sector on the one hand and the fair-trade movement and NGOs on the other, seeking to break down contact anxieties and prejudices and develop a common base of communication and cooperation.

Future PPP measures should seek to reach higher levels of significance in producer countries. Comprehensive and sustainable effects can only be achieved through a multiactor approach involving various private firms, local chambers and associations, NGOs and labor unions, government agencies, as well as bilateral donors and multilateral organizations. German DC's experience in moderating complex dialogue processes can here prove to be a critical success factor.

1 Introduction

The growing and processing of coffee constitute the basis of the livelihoods of millions of people in developing countries, above all small farmers and regular and seasonal workers on coffee plantations (fincas). In the world market coffee prices have been subject to marked fluctuations for some decades now. As the year 2002 begins, coffee prices have reached a new historic low. The coffee crisis is aggravating the social situation of numerous people who, even prior to the crisis, were among their countries' poorest population groups. Official development assistance, limited and declining as it is, is unable to guarantee a decent standard of living in the coffee-growing regions of developing countries. It is therefore necessary to mobilize additional private resources, for instance in the form of public-private partnership projects. Another approach to action would be to seek to improve the life situation of poor population groups by paying more attention to minimum social standards in international trade relations. This would have prospects of success only if it proves possible to gain the cooperation of some of the central actors in the international coffee trade, e.g. coffee importers in the industrialized countries, for an approach coordinated between development cooperation (DC) and other partners such as NGOs and labor unions. The present study explores some points of departure for an approach of this kind and the chances it might have of being realized. The study is based on empirical investigations of the present social situation in the coffee sector of three important producer countries as well as on interviews with representatives of the German and European coffee sector.

Coffee is the most important agricultural product in South-North trade. Some 5 million tons of coffee are bought and sold every year; seen in terms of the value of the goods traded throughout the world, coffee ranks second only to mineral oil.¹ The climatic conditions needed to cultivate coffee are given almost exclusively in developing countries, some 60 of them actually producing coffee,

according to the International Coffee Organization.² Most of this coffee is consumed in the industrialized countries, with the US and Europe importing some two thirds of the coffee produced worldwide.

For many years, increasing living standards in the industrialized countries led to constant growth in the demand for coffee. Many developing countries responded by expanding their coffee production, introducing high-yielding varieties and stepping up their use of machines and chemical inputs to raise their yields per hectare. Coffee became many countries' most important export product, with their revenues from coffee exports assuming a central role in their balance of payments and the corresponding tax revenues used to finance development projects and government operations.

Coffee is also crucial for the employment and income chances, i.e. for the living conditions, of many people in developing countries. Estimates of the overall number of persons employed in coffee production range between 10 million,³ 25 million,⁴ and a high of up to 100 million.⁵ These include on the one hand small and medium-sized farms, which, at least in Africa and Latin America, account for a large share of the coffee produced. On the other hand, large-scale coffee production offers regular employment to great number of regular, dependent and migrant workers, who find seasonal employment during the coffee harvest. For agroecological reasons, coffee is for the most part grown in the highlands and mountainous regions of developing countries, and here coffee is often one of the most important sources of income outside of urban agglomerations. Seen in terms of environmental and resource protection, coffee is distinctly superior to many other agricultural products.⁶

¹ See Stamm (1999).

² www.ico.org, 15 April 2002.

³ See UNCTAD (1995).

⁴ See Friedrich Ebert Stiftung (1993).

⁵ www.ico.org, 15 April 2002.

⁶ See Stamm (1999).

Since the collapse of the last international coffee agreement in 1989, coffee prices in the world market have been marked by sharp fluctuations, with protracted low-price phases being interrupted by short-term upward price swings. At the end of 1999, however, the exchange price went into a downward spiral; since mid-2000 producers have been unable to cover their costs, and at the end of 2001 the price of a sack of coffee covered only roughly 50 to 60 % of production costs. The producer group hardest hit by the price crisis are small farmers, many of whom are unable to survive the sustained revenue losses with which they have to contend. But even medium-sized coffee farms are increasingly faced with solvency problems, a development which has meant major losses of both regular and temporary jobs. Various producer countries, including e.g. Nicaragua, El Salvador, Guatemala, or Columbia, are reported to be suffering from dramatic impoverization processes in their coffee-growing regions, and this development is in turn leading to increasing migration to urban centers and growing rates of crime and violence.⁷

For many years now, the situation of *small coffee producers* has been the subject of both scholarly studies and measures conducted in the framework of alternative or fair-trade initiatives. The latter have sought to eliminate unnecessary middlemen, guarantee a minimum price for coffee, and levy an additional surcharge on the current world market coffee prices as a means of stabilizing and improving the situation of such small farmers.⁸ Thus far little attention has been paid to the living and working conditions on coffee plantations (*fincas*) and the effects that price fluctuations and crises have had on them. As yet no concepts have been presented that focus the use on trade-flanking measures or on factoring social standards into trade relations to improve the life situation of farm

workers. The present study develops some points of departure for strategies of this kind. The study was conducted on the initiative of the German fair-trade organization Transfair Deutschland e.V. and cofunded by the Friedrich Ebert Foundation, the Konrad Adenauer Foundation, and the Heinrich Böll Foundation as well as the German Gesellschaft für Technische Zusammenarbeit (GTZ). The three above-mentioned foundations are members of Transfair Deutschland e.V. The empirical part of the study is based on country studies carried out by external experts in June and July of 2001 in Costa Rica, Guatemala, and Mexico.⁹ These studies were subsequently summarized and brought into a comparative form, supplemented by interviews with representatives of the German and European coffee industries, and integrated by the authors to produce the comprehensive advisory-oriented study presented here.

Chapter 2, below, takes a look at current trends in the international coffee market. We can note here that even in a historical perspective the ongoing price crisis presents a particularly dramatic picture. Market observers do not anticipate a reversal of this trend. Its causes must be sought in a structural overproduction of coffee. For several years now, worldwide coffee production has been outstripping demand, with inventories constantly growing. One significant reason for this development is the rapid growth in coffee production in countries that in the past were no more than minor players in the market and today are among the world's leading exporters (e.g. Vietnam). Efforts by some producer countries to withhold from the market, or to destroy, some limited amounts of coffee have thus far proven unable to contribute in any significant way to adjusting the market.

Chapter 3 outlines the significance of coffee for the overall economies and the labor markets of Costa Rica, Guatemala, and Mexico. All three countries are traditionally important growers of arabica coffees. While Guatemala's economy is

⁷ See e.g. La Nación (Costa Rica), 13 July 2001; Spiegel 30 March 2002.

⁸ For an in-depth discussion of the concept and an analysis of the development-related impacts of fair trade, see Misereor / Brot für die Welt / Friedrich Ebert Foundation (eds.) (2000).

⁹ The empirical studies were conducted by Liliana Morera in Costa Rica, Felis Loarca in Guatemala, and Justus Fenner in Mexico.

still largely dominated by agriculture, with coffee playing a highly important role in the sector, coffee is of considerably less importance in Costa Rica and Mexico. These two countries have succeeded in recent decades in diversifying their agricultural production while at the same time developing export-oriented industries. A substantial quantity of the coffee produced in all three countries is grown on medium or large fincas, though Costa Rica and Mexico in particular also have significant groups of small producers, some of whom are organized in cooperatives. Direct government intervention in the coffee sector, heavy in the past, has been reduced significantly since the 1980s. The governments of the countries under consideration here are currently deploying various strategies to mitigate the impacts of the price crisis on producers.

Chapter 4 looks into the legal situation of workers in the coffee sectors of the countries under consideration. Here is essential to distinguish between regularly employed farm workers, casual workers, and seasonal workers. In all three countries regularly employed workers acquire entitlements under their countries' social and labor statutes. These are for the most part geared to international social standards, in particular to the International Labour Organization's (ILO's) core labor standards. One problematic factor here is that compliance with these standards is not sufficiently monitored and that they are often circumvented. In all three countries under study, coffee workers are not highly organized and they therefore face practically insurmountable difficulties in collectively negotiating their claims. The situation of casual and seasonal workers is precarious in legal terms, and these workers find it highly difficult to acquire any legal or social security entitlement at all. In Mexico and Costa Rica the situation is aggravated by the fact that many seasonal workers are migrants from neighboring countries, many of them without residence or work permits.

The results of the empirical studies (**Chapter 5**) indicate sizable disparities between the life situations of regularly employed workers and seasonal workers. Aside from the fact that the former are

better off in terms of their status under labor and social statutes, there are other factors involved in this situation. Some employers are of course interested in keeping on experienced and motivated workers. In Guatemala and Mexico many families of coffee workers have been employed on the same finca for generations, a situation that leads on the one hand to marked dependence, though it may on the other hand may also entail forms of paternalist protection and care. The social situation of most seasonal workers and their families is highly precarious and marked by low incomes, low education levels, lack of security in the face of important life risks (sickness, invalidity, death of an income earner), and lack of any provision for old age. In all three countries, child labor is the rule during the harvest season, and there are reports, above all from Guatemala, on systematic violations of fundamental child protection statutes. The coffee price crisis has led to further erosion of social standards, for instance payment below the official minimum wage. Some fincas have begun laying off their regular workers and hiring temporary workers to replace them. In the short term, losses of seasonal jobs are exacerbating poverty in coffee-growing regions, with coffee fincas harvesting only part of their crops.

Chapter 6 is based on interviews conducted with representatives of the German coffee industry and institutions like the European Coffee Federation. Our interview partners see themselves not only as participants in an anonymous mass market but also as actors who are basically willing to assume responsibility for ensuring that the quality of coffee production remains high over the long term. In this sense we found them to be open to considerations including both the social and ecological aspects of coffee production. Implementation of codes of conduct or is under discussion in the sector, and some public-private partnership projects are already in the process of implementation.

The final section, **Chapter 7**, discusses some approaches to action in the field of development cooperation suggested by the study's empirical findings. It is essential that measures in the fields of business promotion and promotion of

employment or rural development seek to avoid any expansion of coffee production that would exacerbate the present price crisis. It would instead be imperative to work toward extensification and diversification, with an eye to developing alternative sources of income. The chapter discusses some points of departure for advisory services for governments and institutions aimed, for instance, at improving the social and legal situation of seasonal workers, who have until now been in a particularly disadvantaged

2 The international coffee market: current trends

In recent decades the development of coffee prices has been marked by sharp fluctuations. Prices slumped when production was expanded in excess of demand, though unfavorable climatic events, especially in Brazil, the most important producer country, have also given rise to short-term price surges. The period between 1963 and 1989 saw the signing of a number of coffee agreements aimed at

Box 1: International coffee agreements

Without operational international regulations, the prices of agricultural commodities tend to fluctuate sharply in the short term, a factor due, among other things, to climate-related supply fluctuations in a situation marked by more or less inelastic demand. Until 1989 the ICO's quota agreements were used to stabilize coffee prices within a corridor acceptable to all market participants. Due to disagreements on both the producer side and the consumer side, the agreement failed in 1989. Since its collapse, price fluctuations in both directions have increased sharply.

The new International Coffee Agreement which came into effect in October of 2001 contains no quota arrangements. Its aim is instead to boost demand, improve quality, and ensure supply stability. The aim is to achieve these objectives through intensified cooperation with the private sector. To this end, a mixed board was set up to discuss issues of interest to the private-sector associations from producer and consumer countries and to present recommendations to the International Coffee Council. This applies in particular for the "World Coffee Conferences" set to be held "at appropriate intervals" (Article 21, International Coffee Agreement, ICA). The first conference was held in 2001 in London. It was attended by over 400 representatives from producer countries and consumer countries. The main issues addressed thus far by the so-called Private Sector Consultative Board (PSCB) have been the ecological and social sustainability of coffee production, stimulation of coffee consumption, and food safety.

The 2001 ICA also contains a new article concerning improvement of the living and working conditions of the population groups employed in the coffee sector. Article 40 of the ICA calls on member countries to "give consideration to improving the standard of living and working conditions of populations engaged in the coffee sector, consistent with their stage of development, bearing in mind internationally recognized principles on these matters." On the other hand, it urges that labor standards not "be used for protectionist trade purposes."

The new coffee agreement leaves open the possibility to continue to organize certain projects via the ICO. What is meant here is the initiation and promotion of projects concerned with issues involved in the growing and marketing of coffee. These projects may be cofinanced by the so-called Common Fund for Commodities. In the year 2000 the ICO's members included 45 producer countries and 18 consumer countries. Germany is represented here by the Federal Ministry of Economics and Technology.

Source: Brandt (1991); ICO, interviews, and internal documents

position. Dialogue with private actors could serve to analyze possible fields of action for public-private partnerships. These, however, should go beyond selective measures and aim to stimulate structure-building effects.

holding coffee prices at levels acceptable for the producer countries and sufficient to ensure an uninterrupted supply for consumers (see Box 1). When the last agreement collapsed in 1989, the outcome was a yearlong price crisis which was interrupted by frost damage in Brazil in 1994 and poor harvests

in several producer countries in 1997 as well as by a number of other factors.¹⁰

than 10 million sacks of coffee (à 60 kg): a total production volume of 114.1 million sacks, and inventories of 4.38 million sacks face an annual demand vol-

	1998/1999	1999/2000	2000/2001
Arabica	78.160	73.955	69.893
Columbian milds	12.522	11.795	13.150
Other milds	29.450	32.749	27.076
Latin America (overall)	23.966	27.007	22.221
Mexico	4.650	6.442	4.600
Guatemala	3.405	5.201	No data
Costa Rica	2.459	2.650	No data
Asia	3.967	4.013	3.460
Africa	1.518	1.729	1.395
Unwashed (mainly Brazil)	36.187	29.410	29.667
Robustas	33.580	40.146	44.115
Latin America	5.911	5.870	7.975
Asia (overall)	18.105	22.428	25.487
Vietnam	6.670	11.010	14.000
Africa	9.564	11.848	10.654
Total production	111.740	114.100	114.008
Source: www.ico.org , 24 April 2002.			

Following some short-term high-price phases, the coffee price has now reached a historic low: in August of 2001 the price for robusta coffee was at the lowest level it had been at for 36 years, and the price for Latin American arabicas reached its lowest level since 1992.¹¹

The data available indicate that this slump was due to a structural oversupply of coffee. In the past five years the coffee supply has risen by 3.6 % p.a., while demand has grown by only 1.5 % (see Tables 1 and 2).¹² At present the coffee market is encumbered by an oversupply of more

ume of 108.3 million sacks. Apart from some good harvests in Brazil, the factor behind this market imbalance is the appearance in the market of new suppliers (see Table 1). In the 1990s Vietnam increased its land under coffee cultivation from 119 000 ha (1990) to 400 000 ha (1999), and in this period Vietnam developed from a relatively insignificant supplier into the world's third largest coffee exporter.¹³

Even the plan to withdraw coffee from the market that was adopted in 2000 by a group of 28 coffee-producing countries (the Association of Coffee Producing Countries, ACPC)¹⁴ proved unable to

¹⁰ See Stamm (1999), pp. 402f.

¹¹ See Handelsblatt, 14 August 2001, p. 26.

¹² See also Financial Times, 17 May 2001.

¹³ www.ico.org, 15 April 2002.

¹⁴ This is the so-called Coffee Retention Plan of 15 May 2000.

stop the price slump because the supply was still in excess of demand. Also, only a limited number of these countries actually retained at least part of the quota of 20 % of exports which they had agreed on. At the bottom of these problems is the fact that no mechanisms are provided for to sanction countries that exceed their export quotas. Moreover, many countries have encountered difficulties in financing retention measures. Important producer countries like Vietnam, Guatemala, and Mexico are, furthermore, not members of the ACPC. Basically, retention of shares of coffee crops would have prospects of success only if the price crisis were of a transitory nature. Retention

the opinion of experts, not lead to any noteworthy rise in world market prices.¹⁵ Vietnam has announced its intention to destroy, in 2001/02, roughly 30 % of the coffee trees in its most important growing regions, reducing its overall coffee output to 10 million sacks.¹⁶ It remains to be seen whether this project will in fact be realized and how the measure will affect the overall coffee supply.

Since the mid-1980s the most important consumer countries (US, Western Europe) have shown signs of market saturation.¹⁷ Between 1997 and 2000, worldwide demand grew by only 1.5 % p.a. (see

Importing countries	1998	1999	2000	2001
North America	21.808	21.924	21.986	22.157
Western Europe	36.224	36.429	36.563	37.123
Eastern Europe	6.983	6.548	7.070	7.525
Asia	7.203	7.570	8.050	8.225
Australia	856	872	888	898
Other	5.400	5.650	5.750	5.950
Total	78.474	78.994	80.307	81.778
Against previous year	1.7 %	0.7 %	1.7 %	1.8 %
Producer countries	24.814	25.239	26.019	26.477
Against previous year	0.6 %	1.7 %	3.1 %	1.8 %
Worldwide	103.288	104.232	106.326	108.255
Against previous year	1.4 %	0.9 %	2.0 %	1.8 %

Source: ACPC, report, May 21 2001; FT, 29 August 2001, p. 20.

is unsuited as a longer-term measure in that it involves accumulation of large quantities of unsold coffee, and this in turn means high storage costs or high costs for the destruction of coffee not marketed.

More recently, Costa Rica, El Salvador, Honduras, Nicaragua, Columbia, and Mexico have adopted plans to destroy 5 % of their lower-grade coffee beans, the aim likewise being to support prices. This, however, would require targeted funding mechanisms in the countries concerned. Even if 5 % of the lower-grade coffee produced in Central America were destroyed, this would, in

Table 2). The once cherished hopes that demand might be boosted significantly in nontraditional consumer countries like China or Russia have, thus far, proven unrealistic.

¹⁵ See Marchés Tropicaux, 31 August 2001, p. 1769.

¹⁶ See Financial Times, 15 August 2001, p. 20.

¹⁷ See Glania (1997), p. 183.

The London Economist Intelligence Unit (EIU) predicts coffee prices declining until 2003.¹⁸ Other observers of the market in turn estimate that overall output will then reach a volume of 120.8 million sacks of coffee, while in the same period demand is likely to rise only to 108.8 million sacks.¹⁹ It is predicted that, output remaining at current levels, it will take up to five years for demand to adjust to supply.²⁰

3 Significance, structure, and regulation of coffee production in the three countries under consideration

The following section will start out by providing an overview of the significance, structure, and government regulation of coffee production in the three countries under consideration. While in Costa Rica and Mexico, thanks to successful efforts toward diversification both inside and outside the coffee sector, the significance of this traditional export product for the overall economy has declined markedly, Guatemala continues to be highly dependent on coffee. Large-scale production plays a major role in all three countries, though in Costa Rica and in some regions of Mexico there are still important groups of small producers. Levels of government intervention in the market differ from country to country. In practice, intervention has in recent years often been curtailed or left up to private agents. At present, governmental and semi-public institutions are mainly focusing their efforts on mitigating the impacts of the decline of coffee prices on producers by providing financial aid, conducting social programs, and setting up stabilization funds.

3.1 The economic significance of coffee in the countries under consideration

Costa Rica, Guatemala, and Mexico are important coffee producers. At present these countries account for some 13 % of the coffee exported worldwide and nearly half of the high-grade arabica coffee included in the group of "other milds." The significance of this product for the economy, the agricultural sector, and the livelihoods of the population differs substantially from country to country. Since the 1980s Costa Rica has pursued a consistent policy of agricultural diversification, entering the world market with a broad array of nontraditional products (e.g. mangos, ornamental plants, palm hearts).²¹ In 1997 the US semiconductor manufacturer INTEL made a substantial investment in Costa Rica which has shifted the significance of the agricultural sector in relation to high-tech industry for both the overall economy and the country's labor markets. In Mexico comparable diversification processes have taken place in connection with the country's accession to the North American Free Trade Association (NAFTA) as well as with a rapid rise in foreign investment, mainly in labor-intensive industries. Although coffee imports have not declined in absolute terms in either country, and indeed have even sharply risen in Mexico, the percentage share of coffee in overall exports is today low in both countries (see Table 3). The aggregate data, though, mask the fact that coffee continues to have a significant economic and social function in wide regions of Costa Rica and Mexico. In the highlands of Costa Rica's southern, eastern, and western regions as well as in Chiapas in Mexico, there are few alternative sources of employment, and these are in part in the midst of profound crisis (e.g. sugarcane). Guatemala, on the other hand, has largely failed to achieve any marked successes in diversification and industrialization. Even today, Guatemala's economy is largely agricultural, and coffee production continues to play a highly significant role within the agricultural sector.

¹⁸ See Handelsblatt, 7 August 2001, p. 26.

¹⁹ See Marchés Tropicaux, 6 July 2001, p. 1398.

²⁰ See Financial Times, 27 July 2001, p. 22.

²¹ See Stamm (1996).

Table 3: Key data on the coffee sector in Costa Rica, Guatemala, and Mexico

	Costa Rica	Guatemala	Mexico
Producers	73 707 (2001)	62 649 (2001)	300 000 (2000)
Production area (1999)	106 000 ha	273 000 ha	720 000 ha
Agricultural acreage as a percentage of overall national territory	17.5 % 1.8 %	19.8 % 2.5 %	3.2 % 0.4 %
Yield per hectare (1999)	1.4 t	0.9 t	0.4 t
Overall output (1999)	147 500 t	236 900 t	297 700 t
Export value	US \$ 278 mio. (2000)	US \$ 380 mio. (2001)	US \$ 669 mio. (1999-2000)
Coffee as share of overall value of exports	4.7 % (2000)	18.8 % (2001)	0.45 % (1999)
Coffee as share of GDP	1.8 % (2000)	4.2 % (2001)	0.14 % (1999)
Source: CEPAL (2000, 2002); www.sagarpa.gob.mx (15 April 2002)			

The above-mentioned process of structural change in recent decades has lessened the relative significance of agriculture for **Costa Rica's labor market**. Some 20 % of Costa Rica's labor force continues to be employed in the agricultural sector. But this figure covers only part of seasonal employment, e.g. in the coffee harvest. There are no exact data available on the number of persons employed in the coffee sector or on the number of persons dependent on the sector for their livelihoods. Figures on the number of persons regularly employed in large-scale coffee production can only be inferred: according to experts interviewed in connection with the present study, in Costa Rica one full-time worker is needed per 4 ha of land under coffee cultivation. On average, the farms involved here differ substantially in terms of their mechanization levels. Roughly one third of the total of 106 000 ha of Costa Rica's coffee acreage (ca. 35 000 ha) is farmed by commercial coffee enterprises.²² It is thus safe to assume that some 8 000 Costa Ricans are regularly employed in large-scale coffee production, i.e. roughly 3.1 % of all farm workers and 0.6 % of the overall working population. There are in addition a hard-to-define number of persons that earn their livelihoods as coffee harvesters. For 1997 the figure

was estimated to be 60 000 persons.²³ Since the 1990s a sizable share of the coffee crop (between 45 and 66 %) has been harvested by workers from Nicaragua and, to a lesser extent, by indigenous migrant workers from Panama.

Guatemala's population structure and labor market continue to be largely agricultural in makeup. In 1999 the rural population accounted for 60 % of the country's overall population, the corresponding figures for Costa Rica and Mexico being 49 and 41 %, respectively.²⁴ Over half of Guatemala's working population (56,8 %) is employed in agriculture.²⁵ There are no exact data available on the number of persons employed in coffee production. According to CEPAL, an average of 221 man-days are needed per hectare of coffee land, a figure considerably higher than the reference figures reported for the other two neighboring countries under consideration here.²⁶ This disparity is due in essence to a lower level of mechanization on coffee-producing farms in Guatemala. If we take the coffee acreage indicated in Table 3 as a base and regard 250 man-days as an equivalent of full-time employment, we find that Guatemala's coffee sector provides a total of

²² See ICAFE (2001).

²³ See Alvarenga (2000), p. 28.

²⁴ See World Bank (2001).

²⁵ See CEPAL (2002), p. 14.

²⁶ See CEPAL (2002), p. 44.

roughly 241 000 job equivalents. In the year 2000, the total number of workers (regularly employed persons, casual workers, and seasonal workers) active in the coffee sector was estimated to be roughly 700 000.²⁷ These persons find employment on some 40 000 family-run farms and roughly 7 000 medium- and large-sized farms and cooperatives.²⁸

In 1999 **Mexico's** working population consisted of a total of 39 million persons, roughly 7.8 million of them (ca. 20 %) employed in agriculture.²⁹ Some 180 000 of the country's 280 000 to 300 000 coffee workers are members of indigenous population groups; the great majority of these persons (90 %) operate farms with fewer than two hectares of land. A total of roughly 115 million man-days p.a. are worked in the Mexican coffee sector.³⁰ This amounts to about 460 000 full-time job equivalents.³¹ If we deduct from this sum the country's small farmers, estimated to be roughly 270 000,³² we find that some 190 000 persons are active in dependent employment, as casual workers or as seasonal workers.³³ There are no more exact data available on how this employment breaks down.

3.2 Structure, internal organization, and government regulation of the coffee sector

Due to differences in socioeconomic conditions at the point of time when coffee was introduced into

the agricultural sectors of the countries under consideration, the structure and internal organization of their coffee sectors differ substantially today.

In **Costa Rica** coffee has been grown since the 19th century. At this point the country was settled largely by subsistence-oriented small farmers. Coffee production had to be expanded on a small-farm basis, since there was not enough free labor available for large-scale production. Family-run farms remain an important pillar of coffee production in Costa Rica, even though concentration processes have since altered this picture. One third of the country's overall area under production is presently farmed by large-scale producers, and in 1997 plantations accounted for 50 % of the coffee produced in Costa Rica. There is a high level of concentration in both the processing and the export of coffee. Looking at the 1999/2000 coffee harvest, we find that a total of 47 companies were involved in exporting this coffee, three of which accounted for nearly 60 % of Costa Rica's coffee exports.³⁴

In 1932, the Costa Rican government started to regulate the relations between farmers and processors at the institutional level, banning intermediate trade in coffee.³⁵ A state coffee bureau that was at that time placed in charge of oversight has in the meantime developed from a semi-public institute into a private-sector organization (ICAFE), subject to little government influence. Thanks to the sustained and regularized relationships this has involved, even many family-run farms have been included in modernization processes. Integration in cooperatives and secondary organizations has made it possible for many producers to gain direct access to the export sector.³⁶

Up to the 1990s coffee was the most heavily taxed good in Costa Rica. In connection with structural adjustment policy and in view of the crises in coffee prices, the coffee tax was sharply reduced

²⁷ See CEPAL (2002), p. 14.

²⁸ See EMA (1999), p. 2.

²⁹ See World Bank (2001).

³⁰ See the paper *El Orbe*, Tapachula, 13 May 2001 and 20 May 2001.

³¹ Figure based on 250 man-days per fully employed person.

³² See CEPAL (2002), p. 14.

³³ Though this figure must be seen as an approximation; on the one hand, the calculation of man-days also includes family members who help out on small farms, on the other hand many owners of microplots earn supplementary income on plantations during the coffee harvest.

³⁴ See Morera (2001).

³⁵ See Morera (1996), pp. 55ff.

³⁶ See Stamm (1998), p. 12, Stamm (1999), pp. 401f.

and pegged to the world market coffee price. If this coffee price exceeds US \$ 92 pr 46-kg sack, the special coffee tax is set at 1 % of export value. Coffee exporters furthermore pay a 20 % income tax.

In **Guatemala**, beginning in the last third of the 19th century, coffee was grown mainly by national elites and financially strong immigrants. Privatization of *ejido* land (previously communal property) had created large, coherent tracts of farmland, and at the same time, a great number of landless people, often members of the indigenous population, were available as a source of cheap labor. It was in this way that a core sector of the coffee industry developed that was based on large landholdings and, in 1991, accounted for nearly 90 % of the country's total coffee output.³⁷ The picture is rounded off by a great number of small farms, each of which produces only small amounts of coffee.

In Guatemala, government influence in the coffee sector has traditionally been limited to a few regulatory and control instruments and a coffee tax. The year 1969 saw the creation of the country's most important public-sector institution, the *Consejo Nacional de Política Cafetera*, which includes representatives of the ministries of agriculture, finance, and foreign affairs, the president of the *Junta Monetaria* (central bank board), and the president of the sector organization ANACAFE.³⁸ The National Council advises the Guatemalan president on issues bound up with coffee policy (international relations, production, exports, consumption). It also monitors ANACAFE's implementation of policy. The latter organization was also set up in 1969; its scope of action is, however, regarded as small, and it also has the reputation of representing mainly the interests of big coffee producers.

Affiliated with ANACAFE is the Foundation for Rural Development, FUNRURAL, which is in charge of activities aimed at improving the quality of life in rural areas, e.g. in the fields of education,

health, and diversification.³⁹ ANACAFE and FUNRURAL cooperate in these areas with international and national organizations, e.g. with the ILO's Program on the Elimination of Child Labor. Since 1985 Guatemala has levied a coffee export tax amounting to 1 % of export value; this tax is mainly used to fund ANACAFE's activities.

In **Mexico** coffee is grown on private, municipal, and *ejido* landholdings. *Ejido* landholdings (39 %) and privately owned land (35 %) account for the greater part of the land under coffee cultivation, followed by municipal landholding (21 %) and share-cropping (5 %).⁴⁰ Article 27 of the Mexican constitution contains a general provision on *ejido* land, banning its sale. The present goal of the government is, however, to privatize collectively owned land or to consolidate such landholdings to create large-scale farming operations. 92 % of all Mexican farms are smallholdings, and these account for 50 % of the country's overall coffee output.

Until the coffee crisis of 1989, Mexico had a national coffee institute, IMMECAFE, which was responsible for tasks associated with technology development and transfer, marketing, and regulation of the coffee sector. Its successor organization, *Consejo Mexicano de Café*, founded in 1989, is subordinate to the agriculture ministry and represents producers from all of Mexico's coffee-producing states. Its president is appointed by the government. The Council's activities are largely restricted to advising the government and developing strategies aimed at promoting coffee consumption.

3.3 Measures designed to mitigate the coffee price crisis

Since 1992 **Costa Rica** has been pursuing an innovative approach aimed at shielding producers from the impacts of sharply fluctuating coffee

³⁷ See Stamm (1998), p. 12.

³⁸ See Stamm (1998), p. 27.

³⁹ See Ensing (2000), p. 9.

⁴⁰ See Moises (2000), n.p.

prices. A stabilization fund (*Fondo Nacional de Estabilización Cafetalera*, FONECAFE) was set up for this purpose. Producers pay a share of their sales proceeds into the fund. These contributions

are staggered in accordance with world market prices, beginning with a minimum price of US \$

costs and to repay debts without having to sell land.⁴³

In July 2001 the government of **Guatemala** approved a total of US \$ 100 million for support to coffee producers. These funds are intended in particular to finance programs designed to convert

World market price	Contributions to FONECAFE
Below US \$ 92 per 46 kg	none
US \$ 92.1 to US \$ 100 per 46 kg	3 %
US \$ 100.1 to US \$ 125 per 46 kg	4 %
US \$ 125.1 to US \$ 150 per 46 kg	6 %
Over US \$ 150 per 46 kg	10 %

Source: Oral communication from FONECAFE, July 2001

92 per 46-kg sack (see Table 4).⁴¹ If, on the other hand, the world market price declines below a given threshold value, producers are entitled to compensation from the fund based on their share of coffee production.

FONECAFE had a total of some US \$ 25 million available to it for the 2000/2001 coffee harvest. In this harvest period the support prices paid out to producers was roughly US \$ 6.25 per 46 kg of coffee. In view of the massive differentials (roughly US \$ 30-40 per sack) between production costs and world market price, this support can help to mitigate negative impacts on coffee producers, though it is not sufficient to fully cover production costs.⁴²

In 2001 the Costa Rican government set up an additional fund endowed with US \$ 50 million. The fund provides special credit lines intended to enable coffee producers to cover their current

coffee land for alternative cultures as well as to restructure debt. Some 50 000 small and micro-producers are to be provided over US \$ 40 million, and 12 000 medium- and large-sized farms are set to receive over US \$ 60 million in compensation payments.⁴⁴

The government of **Mexico** is also currently engaged in setting up a fund to stabilize revenues from coffee production; it is patterned on Costa Rica's FONECAFE fund. For this purpose, the Mexican government is seeking credits amounting to US \$ 150 million from national and international donors, including the World Bank. This fund is to be used to compensate Mexican producers when prices fall below the threshold level of US ¢ 70/lb (the current price is US ¢ 49/lb). When prices rise again to over US ¢ 80/lb, producers are expected to repay at least part of this compensation.⁴⁵

For some years now, the Mexican government has provided support for – mainly – small coffee producers, by making available to them financial aids

⁴¹ Green coffee prices are noted in US cents per pound or, alternatively, in US \$ per 100 pounds (46 kg).

⁴² For a stabilization fund of this kind to work, prices must, in cyclical terms, be distinctly above production costs to ensure that the fund is replenished. In other words, on their own, such funds are not a suitable instrument to counteract a long-term price crisis.

⁴³ See CEPAL (2002), p. 25.

⁴⁴ See CEPAL (2002), p. 26.

⁴⁵ See Financial Times, 29 August 2001, p. 20.

and help in rescheduling loans with an eye to mitigating the worst hardships caused by the current price slump. These programs' impacts must, however, be seen as very limited. The government has further set up a number of social assistance programs that benefit small coffee growers, among other population groups ("*Allianza para el Campo*", "*Solidaridad*", PROCAMPO and "*Progresista*"). In the 2001/2002 harvest season, coffee producers received a total of roughly US \$ 53 million in subsidies aimed at setting an incentive for them to harvest their coffee crops. In addition, the Mexican government has invested US \$ 2 million in a fund designed to stimulate domestic coffee consumption by promoting it in publicity campaigns. The amount of coffee consumed in Mexico is very low compared with the figures for other producer countries.

4 The legal situation of coffee-sector workers in the countries under study

The following chapter discusses the legal situation of dependent workers as well as of casual and migrant workers in the coffee sectors of the three countries under consideration. It notes large disparities between the numerically small group of regularly employed workers and the vast majority of casual and seasonal workers. National legislation, as a rule patterned on international standards, above all those set out by the International Labour Organization (ILO), permits the first-named group to acquire formal entitlements and legal protection. Yet the existence of formal legal rights and entitlements is no guarantee that such arrangements will be complied with in practice, as Chapter 5 of the present studies makes plain. As opposed to the group of regular workers, casual and seasonal workers are for the most part not covered by labor statutes and are therefore unable to acquire any social entitlements.

Section 4.1 looks in depth at the legal arrangements that apply for workers in the coffee sector. Section 4.2 discusses government intervention in labor relations. Section 4.3 points out that all three

countries under study have ratified most of the ILO's basic conventions. There have, however, been many complaints concerning noncompliance with these regulations in actual practice. One issue of key importance for the bargaining position of dependent workers is the existence and scope of labor organizations. Section 4.4 points out that the degree of farm-worker unionization is low.

4.1 Employment relations and types of labor contract in the coffee sector

In principle, we can distinguish between three groups of workers in the countries under study:

- regularly employed workers who are bound to an enterprise by contract and live with their families on large coffee fincas⁴⁶ or in their immediate vicinity;
- casual workers who have no long-term contracts with individual coffee fincas and are instead recruited as required for certain jobs. They, too, as a rule live in the vicinity of coffee fincas;
- seasonal or migrant workers who leave their places of abode for different periods of time to seek employment in coffee regions, mainly in peaks of the coffee harvest. We can here distinguish between national and transborder migration.

Further, children and/or life companions of farm workers are also employed as temporary harvest workers; their earnings help to raise the performance-based earnings of the main breadwinner.

Regularly employed farm workers do work that normally accrues in the course of the annual cycle on coffee fincas, for instance trimming shoots, weeding, applying fertilizer, watch duty, or pruning shade trees. These workers often live with their families on the finca and in many cases have

⁴⁶ The present study uses the term "finca" as a synonym for medium- to large-scale coffee plantations. One coffee company will often have several fincas, some of them at different locations within a given coffee region.

a right there to a plot of land for their own needs (right to housing, the use of water and firewood, and sometimes even a plot of land to grow staple foods and keep farm animals).

Casual workers are recruited to help out with peak work loads or to do unscheduled or unforeseen jobs on coffee plantations. Such jobs include, for instance, replanting coffee acreage or fencing in plots of land. It can be observed that coffee fincas have increasingly begun to lay off their regular workers and hire temporary labor to perform routine jobs. The main reason for this practice is the savings in social contributions that it makes possible.

Seasonal or migrant workers are mainly hired for the coffee harvest. During the few weeks of the harvest period, a great number of temporary workers are needed to pick and prepare the ripe coffee or to transport the crop to processing plants. Since it is not possible to mechanize the harvest of high-grade arabica coffees, the demand for labor is a direct function of the size of the crop to be harvested. This in turn differs from location to location, fluctuating from year to year for reasons bound up with climate or the use of machines and equipment.

In all three countries under study, it is customary to conclude contracts with farm workers on an oral basis. In Costa Rica and Guatemala this practice is based on explicit statutory regulations, which include numerous exemptions, for workers active in the agricultural sector. Mexico's labor code stipulates that working conditions must be set out in writing, though this provision is seldom complied with in practice. In formal terms, oral contracts are no less valid than written ones. Whether and to what extent workers are able to enforce such rights depends to a considerable extent on their specific bargaining position. This in turn is dependent on individual propensities and education levels as well as on contingent conditions such as competition in local labor markets or the support provided to workers by local NGOs. In the coffee-growing regions of the countries under study, there are hardly any labor organiza-

tions active that would be in a position to collectively enforce acquired rights.

One important factor in this connection is whether the competent government oversight or control authorities (e.g. labor ministry, social insurance institutions) are effective and whether the country in question is in possession of a functioning and independent judiciary. Reports indicate that the situation is far better in Costa Rica than in Guatemala and some regions of Mexico.

The oral or written contracts concluded between regularly employed farm workers and their coffee-sector employers constitute formal relationships under labor law and entail worker entitlements under national social legislation. As long as their employment does not exceed a certain minimum period (as a rule three months), casual or temporary workers acquire no claims beyond the remuneration directly agreed on (for the most part payment for stipulated periods of time, sometimes piecework). The social situation of casual workers consequently depends on what population segments they come from. Some such workers are persons who acquire social entitlements through other activities in other places and who work on fincas to earn extra income. But the majority of casual workers are recruited from the host of underemployed persons to be found in all Central American countries, e.g. microfarmers whose plots are not large enough to provide a decent livelihood or persons who seek to earn their livelihood through a combination of different temporary jobs. These groups acquire no entitlements and no legal or social protection from the various jobs for which they are employed.

The case of harvest laborers, by far the largest group of coffee workers, is quite similar to that of casual workers. According to the legal view prevalent in Costa Rica, their work does not constitute dependent employment. The reason given is that temporary harvest workers are paid on a piecework basis exclusively for the produce they harvest in the course of a day, and that the finca does not direct or supervise their work. Furthermore, harvesters often switch fincas during the harvest to take advantage of small differences in

payment or working conditions. It is reported from Guatemala and Mexico that in some cases harvesters (and other casual workers) and the work they do are recorded in finca ledgers, a practice that, at least in formal terms, would qualify them for social security entitlements.

There are also cases in which harvesters have no direct contact to the fincas on which they work. Their services are instead provided by an independent middleman (a so-called *contratista*), to whom they deliver the coffee they have picked and who pays them for it. This middleman in turn delivers the coffee to the finca and is himself paid for the amount of coffee he turns in.⁴⁷

4.2 Government interventions under labor law and social legislation

The **Costa Rican** constitution provides, in Articles 56 to 74, for a minimum wage, a 48-hour working week, a right to work breaks and leave, the right to organize, and the right of workers to strike and of employers to lock out workers. The country's labor code consists of a set of simplified legal regulations. Additional sources of law include the interpretations of the law handed down by the Constitutional Chamber of Costa Rica's Supreme Court. As an example, the court struck down Article 13 of the labor code as unconstitutional in that it permitted unequal treatment of national and foreign workers. The code contains very few provisions that apply specifically to agricultural workers, though in some points it in fact worsens their position by restricting farm workers' right to strike at certain periods of time.

Costa Rican labor legislation and the statutes derived from it stipulate the social contributions that employers are obliged to pay. These include financial safeguards for benefits due in cases of sickness, pregnancy, old age, and death. Contributions are paid to the social insurance agency, CCSS (*Caja Costarricense de Seguro Social*). The agency keeps an employee register for every farm

operation; entry in this register constitutes legally binding proof of an employment contract between employee and employer. There is also insurance for occupational hazards and work-related accidents, and most of these risks are covered collectively by the National Insurance Institute, INS (*Instituto Nacional de Seguros*).

Guatemala's labor code (*Código de Trabajo*) of 1946 regulates labor relations in the country. The code has been amended many times in recent years and now includes provisions on the freedom of association and protective rights for women. Moreover, a legal norm has been abolished that accorded less leave to farm workers than to workers employed in urban-industrial activities. It was not until 2001 that a ban on strikes during the harvest period was abolished. The labor code sets out the following provisions for (formal) employment in the agricultural sector:

- employment contracts may be concluded orally;
- the minimum wage for agricultural employment may differ from that set for nonagricultural sectors;
- employers may pay up to 30 % of farm workers' wages in kind;
- the living quarters of farm workers must be equipped with light, ventilation, and sanitary facilities.

The Guatemalan constitution sets out special protective norms for migrant workers in the areas of health and social legislation and contains a ban on unequal treatment. However, the laws required to implement these norms have yet to be passed, and migrant workers thus continue to be insufficiently protected. Moreover, the country's administrative and judicial systems are in many cases not efficient enough to ensure compliance with these legal provisions.

The constitution also guarantees basic social rights. Every citizen is entitled to the following rights: health, nutrition, education, and social insurance. The Guatemalan social insurance agency (*Instituto Guatemalteco de Seguridad Social*,

⁴⁷ For the example of Guatemala, see Ensing (2000), p. 2.

IGSS) and the Ministry for Public Health and Social Assistance (*Ministerio de Salud Pública y Asistencia Social*, MSPAS) are the main authorities responsible for healthcare. Several other public and private organizations are active in this field as well. The national hospitals are open to all persons in possession of an IGSS social insurance card. The health ministry is formally required to provide free medical care for low-income families. The country's social legislation furthermore requires every employer to provide schools and childcare facilities for the children of employees.

Article 123 of **Mexico's** constitution as well as the national labor code, the *Ley Federal de Trabajo*, regulate labor relations. The labor code also contains specific provisions on farm workers and migrant workers. This is especially important in Mexico, where at present the majority of seasonal workers are from Guatemala.

The Mexican social code (*Ley Federal del Seguro Social*) was reformed in 1998 to include provisions from the International Convention on the Protection of the Rights of all Migrant Workers and Members of their Families (principle of equal treatment for foreign and national migrant workers). In this sense Guatemalan migrant workers are entitled to the same social rights as their fellow Mexican workers. Every coffee-sector employer is obliged to submit to the IMSS a monthly list of contracted workers and the number of man-days they have actually worked. In formal terms, this means that Guatemalan workers are officially registered and thus are entitled to the social services provided by the IMSS. In fact, however, the law is not rigorously enforced and the situation of Guatemalan migrant workers has thus far not improved significantly.

4.3 Ratification of international social standards by the countries under study

When we speak of international social standards, we mainly mean the five core labor standards set out in the ILO's 1998 "Fundamental Principles and Rights at Work". These include

- freedom of association,
- the right to collective bargaining,
- elimination of all forms of forced or compulsory labor,
- elimination of discrimination in respect of employment and occupation,
- the effective elimination of child labor in its worst forms (prostitution, slave labor).

These rights are elements of customary international law, i.e. they are binding law that is applicable whether a given convention has been ratified or not. These standards are concretized in the following eight ILO conventions:

- Conventions 87 and 98 (freedom of association, right to collective bargaining);
- Conventions 29 and 105 (ban on forced labor);
- Conventions 100 and 111 (ban on discrimination);
- Conventions 138 and 182 (minimum-age convention, ban of the worst forms of child labor).

Apart from these ILO core labor standards, there are a number of other systems of norms that are highly relevant to the issue under consideration here; these include in particular

- the 1948 Universal Declaration of Human Rights;
- the UN International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights (1966);
- the UN International Convention on the Protection of the Rights of all Migrant Workers and Members of their Families (1990);
- the ILO Convention concerning Conditions of Employment of Plantation Workers (C110);
- the ILO Convention concerning Organizations of Rural Workers and their Role in

Economic and Social Development (C141);

- the ILO Migration for Employment Convention (C97);
- the ILO Convention concerning Labour Inspection in Agriculture (C129).

At the beginning of the 21st century, the three countries under study have ratified most of the conventions listed above. Since 2001, Guatemala and Costa Rica have ratified all of the ILO's core labor standards, though Mexico has yet to ratify Convention 98 (right of association, right to collective bargaining) and Convention 138 (minimum age for employment). Of the other systems of standards mentioned, Mexico has not yet ratified ILO conventions 97 and 129 and Costa Rica has yet to ratify Conventions 97 and 110 and the International Convention on the Protection of the Rights of all Migrant Workers and Members of their Families. Guatemala has now ratified all of the conventions listed above.⁴⁸

In all three of these countries the question today is not so much the ratification of conventions and their implementation in national laws as it is their effective translation into practice.

The International Confederation of Free Trade Unions and the ILO have, for instance, voiced criticism of persistent disparities in **Costa Rica** in the payment of men and women for equal work, the persistence of child labor in the informal sector, in the household, and in agriculture, and are also critical of the approach often taken here to the right to unionization and collective bargaining. There is furthermore criticism of insufficient efforts in the supervision of working conditions in free export zones as well as of the preferential treatment accorded to anti-union organizations and the efforts undertaken by private-sector employers to suppress unionization efforts.

The complaints lodged against **Guatemala** are numerous and manifold; between 1997 and 2001, ILO monitoring bodies alone received 17 complaints concerning Guatemala. These complaints concern discrimination against labor unions and their members, against members of indigenous minorities, and against women, and note numerous violations of child labor conventions.

Similar charges have been leveled at **Mexico** as well, even though they have not been quite so damning.⁴⁹ There have also been reports of violations of the Convention on the Protection of the Rights of all Migrant Workers and Members of their Families, which Mexico has ratified. There have, for instance, been reports of cases in which, in violation of the express provisions of the convention, residence permits of migrant workers, have been withheld by fincas or labor recruiters as a means of forcing workers to remain on fincas for longer periods of time.⁵⁰

4.4 Organizations representing the interests of coffee workers in the countries under consideration

The degree of organization of farm workers is markedly low in all three countries under study. The farm-worker unions that exist in these countries are weakly organized and not given adequate support by union federations.

In **Costa Rica** the ICFTU has only one affiliated labor union, the *Confederación de Trabajadores Rerum Novarum* (CTRN). In 2001 the CTRN had some 46 000 members. All told, only some 15 % of Costa Rica's workers are unionized, and just about all of these workers are employed in the public sector. The low level of organization of workers in the private sector is attributed by ICFTU and CTRN alike to employer suppression of union activities, which is not prevented by the government, as well as to the preferential legal

⁴⁸ <http://ilolex.ilo.ch:1567/english/convdisp2.htm>, 19 April 2002, <http://www.unhcr.ch/pdf/report.pdf>, 19 April 2002.

⁴⁹ See the ICFTU's country reports to the World Trade Organization, <http://www.icftu.org>, 19 April 2002.

⁵⁰ See Fenner (2001).

treatment enjoyed by *Solidarismo*, an anti-union movement geared to balancing the interests of workers and employers.

The degree of unionization is low in **Guatemala** as well. The *Unión Guatemalteca de Trabajadores* (UGT) is a national federation consisting of four labor unions (CUSG, CTC, FESTRAS, und CGTG). There are also two other unions that belong to Central American union federations (UN-SITRAGUA and UTQ). Two typical features of Guatemala's labor unions are their low membership figures and their structural weakness. In the countryside there are virtually no union representations.

In the coffee sector there is no collective bargaining at the national level. Thanks to the current political situation in Guatemala, the right of assembly is not guaranteed in practice, and persons who organize must fear repression. Efforts aimed at unionizing casual agricultural workers are faced with particular difficulties, since these persons work on a finca only for a short period of time and are easier to fire than permanent workers.⁵¹ In general, it can be said that the labor unions are not especially interested in farm workers and that farm workers provide little support for the labor unions. *Campesino* organizations, associations of the rural population at the regional level, are, on the other hand, more widespread. Their main concern has been and is the land rights movement, though they are also committed to the protection of workers' rights.

In the areas of **Mexico** looked into in connection with the present study, there is no union organization that represents the interests of coffee workers. In the Soconusco region there was until 1983 a coffee workers union (*Sindicato Unico de los Trabajadores del Cafe y Similares*, SUTICS). But the rising numbers of Guatemalan emigrants made it possible for coffee companies to put pressure on Mexican workers and rid their fincas of unions by replacing Mexican workers with Guatemalan migrants. As foreigners, the latter have no right to

found labor unions. Mexico's labor law stipulates a minimum of 20 Mexican union members if a chapter of a labor union is to be established on a finca. Legally, employers are not allowed to use pressure or other means to force workers either to join or to leave a labor union.

In the northern zone of Chiapas (see Chapter 5) there was for a brief period of time a union organization that represented the specific interests of farm workers. At the beginning of the 1980s the *Central Independiente de Obreros Agrícolas y Campesinos* (CIOAC) started organizing farm workers. By 1982 some 900 finca workers had joined the union. There is no information available on the organization's further development, and it must be assumed that it has lost the influence it once had.

The *Sindicato de Trabajadores Indígenas* (STI), which has 1 700 members, is concerned with the interests of Mexican farm workers in the highlands. This union organization negotiates collective agreements with 22 fincas for periods of roughly six weeks, though it is more effective as a placement agency for migrant Indio workers than it is as a union representing the interests of farm workers. The collective agreements it negotiates specify that working conditions must be line with the provisions set out in the country's labor legislation.

Although Mexico has ratified the International Convention on the Protection of the Rights of all Migrant Workers and Members of their Families, which includes a provision of the right of migrant workers to engage in union activities in the country in which they work, there is no organization of Guatemalan workers in Mexico. In cases of conflict, migrant workers mainly approach a human rights commission known as the *Comisión de Derechos Humanos "Fray Matías de Cordova,"* an NGO called the "Migrant Protection Troup Tapachula," or the Guatemalan consulate in their region.

⁵¹ See Ensing (2000), p. 4.

5 Working and living conditions on medium and large-scale plantations: empirical findings

The data discussed in this chapter are based on three separate expertises prepared in June and July of 2001 in Costa Rica, Guatemala, and Mexico. In order to collect information on the working and living conditions in the coffee sector, the experts visited ten large coffee operations in each of the three countries and conducted interviews with both managers and workers, intent on coming up with a picture not clouded by the many particularist interests involved.

The interviews focused on coffee plantations as opposed to family-run farms. The farms included differed considerably in size. In Costa Rica, for instance, farms larger than roughly 12 ha were classified as large-scale operations, while in Mexico the lower boundary was distinctly higher (40 or 60 ha). The experts involved used their own discretion in selecting which farms to include in the study. The procedure was as follows:

In **Costa Rica** the study included farms from various coffee-growing regions. This approach proved to be appropriate in that the main traditional growing region (the highland *Valle Central*) is a core region for many other of the country's economic activities, a factor that influences competition for labor in favor of workers. In the peripheral production areas (Turrialba, Pérez Zeledón, and Coto Brus), on the other hand, coffee is a central source of employment in a region offering few alternatives, a factor that weakens the bargaining power of workers there.

In **Guatemala** fincas were visited in four regions (center, west, northeast, and south) and interviews were conducted there with 30 regularly employed workers and 66 migrant workers.

The data for **Mexico** derive from interviews conducted in the state of Chiapas, Mexico's most important coffee region, where roughly one third of the country's coffee is produced. The experts visited five fincas in the subregion of Soconusco and five in the northern zone of Chiapas (Zona

Norte) as well as in Yajalón. Five further coffee producers were interviewed, though their operations were not visited. Soconusco is the country's most productive and diversified coffee region, and coffee is typically produced there on plantations. Annually, between 70 000 and 80 000 Guatemalan migrant workers move back and forth between Guatemala and the Soconusco in search of work. Plantations are typical for the Zona Norte, and the region is presently in the midst of a severe political and economic crisis.

5.1 The social situation of regularly employed coffee workers

Only a small percentage of the persons working on fincas in the coffee sector are employed year-round. The reason is that the coffee cycle has a marked labor peak in the harvest months. Harvest period and harvest duration are mainly bound up with the altitude of the growing region in question. Regularly employed workers are assigned to do a variety of agricultural and in part forestry work (pruning shade trees).

Compared with the situation of casual and seasonal workers, persons employed on a regular basis are on the whole better off. There are a number of reasons for this:

- In all three countries under study, regularly employed workers acquire, at least formally, entitlements under national labor and social legislation. The extent to which these claims can be enforced differs from country to country and in some cases even from region to region.
- Even though work on coffee plantations is not regarded as a qualified activity, regularly employed workers gain, in the course of their often many years of experience on a plantation, a store of knowledge that cannot be readily replaced. The management of fincas therefore has a certain self-interest in inducing them to stay on a finca.

- On many plantations in Guatemala the relationships between landowners and regularly employed workers are often still of a quasi-feudal nature. Families of workers have often worked for generations for one finca and for the most part live there as well. This practice on the one hand leads to a large measure of dependence, though it may on the other hand also entail a kind of paternalist protection and care on the part of employers, e.g. in cases of sickness or accident.
- On the whole, the degree of unionization here is very low. But where unions are formed, their membership consists almost exclusively of regularly employed workers.

5.1.1 Costa Rica

Our interviews indicate that the social situation of workers regularly employed in the Costa Rican coffee sector is on the whole satisfactory. Generally, the provisions of labor and social legislation are complied with. This is due on the one hand to the country's generally high level of development.⁵² It must also be noted that the traditional coffee-growing regions are in the immediate vicinity of the country's core economic region (the Valle Central). The region offers a variety of alternative sources of employment, and recent years have again and again experienced phases of relative labor scarcity. This has forced coffee producers to provide for acceptable working conditions to induce workers to stay on. Moreover, Costa Rica's government oversight and control institutions are quite effective. Another important factor is that education levels in rural areas are higher than in other countries of the region and schools inform their students about their social rights.

In most of the farms covered by the study, the number of regularly employed workers has been

on the decline for years, the decline in labor demand being substantial in some cases. One reason for this is the transition from relatively labor-intensive growing methods in mixed cultures (shade coffee) to a coffee monoculture that requires fewer regular workers. Another factor is that coffee cultures are being abandoned and re-dedicated, e.g. for building development purposes. This trend is accelerating under the pressure of the ongoing coffee price crisis. Some of the farms interviewed are also laying off regular workers and replacing them with casual workers to avoid having to pay social contributions for them.

Special case: Nicaraguan migrants

Our on the whole positive assessment of the extent to which labor and social regulations are complied with appears in a relatively different light when we look into the situation of the mainly Nicaraguan workers who have migrated to Costa Rica for decades in search of work - a trend that has intensified since the 1990s. A majority of these migrants enter the country either without a work permit or under the terms of a 1993 framework agreement between Nicaragua and Costa Rica on labor migration for restricted periods of time. Many of the migrant workers who enter the country under the terms of the agreement stay on after their work permits have expired. The Costa Rican government has decreed a number of amnesties to allow migrants to legalize their employment status. But only a limited number of the target group have made use of this arrangement. There are a number of reasons for this:

- many Nicaraguan migrant workers do not even have valid papers from their home country and would therefore have to apply for them with their embassy;
- many such migrants live in peripheral rural regions and would have to travel to the capital, San José, to qualify for the amnesty arrangement;
- the costs of formalizing their stay (administrative fees, legal fees, notarization costs) are very high for members of the target

⁵² Costa Rica is one of only four Latin American countries which the UN Development Program credits with having a high level of human development; see UNDP (2001), p. 141.

group, who are for the most part extremely poor.

The fact of the matter is, in other words, that a more or less unknown number of Nicaraguans are living and working illegally in Costa Rica, seeking employment, short- or long-term, in a variety of activities (agriculture, construction, security guard work, household employment). Many of these persons are employed under conditions not in line with labor or social standards, since, thanks

to their uncertain legal status, they are unable to enforce their legal rights. Interview partners indicated that this situation also occurs in the coffee sector. It is impossible to say how widespread this phenomenon is. It must, however, be assumed that employment of Nicaraguans in the coffee sector outside the provisions set out by labor and social legislation is on the increase, since informal migration, and with it the number of persons willing to work under "any conditions," has been rising for some years now. At the same time, in view of the ongoing price crisis, Costa Rican coffee producers are under heavy pressure to cut costs.

Wages and working hours

The Costa Rican constitution provides for payment on the basis of a legally fixed minimum wage. The level of this minimum wage is set every six months by the National Wage Council (*Consejo Nacional de Salarios*) and made public

in a decree of the Ministry for Labor and Social Security (MTSS). At present minimum wages are set for almost 200 occupational groups; these in turn are broken down into qualification levels, for which as a rule certain wages are set per day or shift (i.e. per 8 hours of work). Farm workers (in the coffee sector no less than in other activities) are classified as nonqualified laborers (*trabajador no calificado*). A minimum wage of 2 768 colones was set for them for the second half of the year 2001. At an exchange rate of US \$ 1=colones 331 (July 2001), this amounts to a daily wage of US \$ 8.36. Table 5 compares this figure with the wages set for the different qualification levels of other, selected occupational groups.

As mentioned above, the fincas interviewed comply with the minimum wage for their regularly employed workers. As a rule wages actually paid are in line with the minimum wage. Only two fincas indicated that they sought to motivate their workers by offering them wage incentives, in one case 5 %, in the other up to 50 % of the minimum wage. Farm workers are as a rule paid weekly; in some cases in which this is expressly agreed on, they are paid every two weeks.

There are reports of deviations from normal wage payments in the harvest period. In one case the employer suspends payment of the minimum wage in the harvest season, and his workers here work as harvest helpers. Instead of the legal weekly minimum wage, these workers are in this case paid a daily incentive wage based on per-

Qualification level	Examples of occupations	Minimum wages in colones (daily)	Minimum wage in US \$ (daily)
Nonqualified	Farm workers, waiters, ironers, packers	2 768	8.36
Semi-qualified	Salespersons (meat, vegetables), chauffeurs	3 041	9.18
Qualified	Carpenters, bus drivers, data typists, welders	3 174	9.59
Specialized	Truck drivers, fashion designers, cabinet makers, press photographers, chefs, radio announcers, dental technicians	3 814	11.52
Higher specialization	Printers (rotary press), technicians for orthopedic equipment, audio and video technicians	5 975	18.05

Source: MTSS, Decreto 29633, Salarios Mísimos

formance. Viewed over the entire season, this can lead to situations in which workers earn less than the official minimum wage because, for instance, the amount coffee to be harvested may not be sufficient to justify work for a whole shift. In another case, workers are given the opportunity to take their paid leave during the peak harvest period and then to hire on as harvesters. This gives them a chance to earn additional income, though this arrangement deprives workers of the rest and recuperation provided for under labor legislation.

Social services and healthcare

The representatives of the Costa Rican coffee sector interviewed in connection with the present study (both employers and members of the chamber) were highly critical of Costa Rica's social legislation, pointing out that social contributions account for roughly 21 % of wage costs, a factor which adversely affects the competitiveness of domestic products. Some interview partners demanded that social regulations be standardized internationally, demanding that, until this has been achieved, different national givens should be taken into consideration in international trade relations.

The interviews indicate that, as a rule and despite all criticism, social contributions are paid for regularly employed workers. As in the case of labor legislation, this fact is due in part to competition for labor in the most important growing area in the Valle Central, in part to controls conducted by the oversight authorities and the sanctions imposed for noncompliance.

Two of the ten fincas looked into do not pay social contributions, a fact that is admitted by management representatives themselves. One farm justified this practice with reference to an acute risk of definancing due to the current coffee price crisis. This finca is located in Pérez Zeledón, a region with high unemployment in which workers are largely willing to accept this arrangement in the name of safeguarding their jobs. Another finca laid off 30 regularly employed workers within a few years and has replaced them with casual la-

borers hired on a temporary basis and not covered by the regulations on social contributions.

There are no reliable data available on how widespread evasion of social contributions is on the whole, though it must be assumed that this arrangement is no exception in regions with high unemployment. In other sectors it is known that firms register only their regular core workforce, for fear of losing their acquired farm-related knowledge and skills; while other workers are paid in accordance with official minimum-wage regulations, no social contributions are paid for them.

It is also important to point here to the illegal Nicaraguan migrant workers active in the country (see the section above). Since these persons cannot enter into legally binding employment contracts, and are therefore registered neither with the CCSS nor with the INS, they are not covered by any provisions for sickness or old age, nor are they insured against work-related accidents.

Child labor

As early as 1974, Costa Rica ratified ILO Convention 138 (minimum age for employment). But it was only in the mid-1980s that measures were taken to actually eliminate child labor and effectively protect youths under 18 years of age:

- In 1996 Costa Rica signed a declaration of intent with the ILO aimed at implementing measures to protect children and youths under the age of 18 from any forms of economic exploitation that might jeopardize their education, training, and integral development.
- In 1997 the Ministry for Labor and Social Security (MTSS) set up an internal "National Committee for the Gradual Elimination of Child Labor and Protection of Youth-age Workers."
- The year 1998 saw the adoption of the "Code on Children and Youths" which banned employment for youths under the age of 15 years and set out special protective regulations for youths between the ages of

15 and 18. At the same time, the MTSS sat up an internal office to coordinate the implementation of these legal measures.

- In January of 2001, Articles 83 and 94 of the "Code on Children and Youths" were given concrete form in implementing regulations. These provide for a ban on a number of activities for youths between the ages of 15 and 18 that might constitute specific risks for this age group (e.g. deep mining, exposure to noise levels above 85 decibels, work with agrochemicals or other hazardous substances, work in nightclubs, casinos, and the like). Specific restrictions and conditions were also specified for other activities. Working hours were set at a maximum of six hours/day and 36 hours/week for this group. The regulations otherwise require equal treatment for youths and adults (e.g. as regards protection against unlawful dismissal).

However, as the wording used by the above-mentioned MTSS institution indicates (Committee or Office for the *Gradual Elimination of Child Labor*), there is still a sizable disparity between legal rights and legal realities. In an internal document, the MTSS describes the situation in the coffee sector as follows:

"Employment of persons under 18 years of age in coffee production is a strategy pursued by subsistence-oriented families to earn additional income. This situation reaches its peak during the harvest season, which coincides with the third trimester of the present Costa Rican school year. This leads to negative impacts on school performance, nonparticipation in school lessons, and inability to keep up with school curricula. Even though this situation mainly occurs in the harvest season, this is not the only activity in which children and youths are involved. A smaller number perform work such as weeding, fertilization, and application of pesticides, which brings them

*into high-risk and hazardous situations."*⁵³

In two coffee-growing regions (Guanacaste and Tilarán), the MTSS in 2000 initiated, with the support of the ILO and the "International Program on the Elimination of Child Labour", pilot projects aimed at sensitizing the target group and providing social services as a means of ensuring that child and youth labor does not interfere with the goal of providing these persons with appropriate and continuous schooling. The most important local partners in these endeavors are the consortium of coffee cooperatives COOCAFE and five of its member cooperatives. This indicates that the problem of child and youth labor is virulent especially in small-scale coffee production, at least as far as child labor outside the harvest season is concerned. On the other hand, a study commissioned by ICAFE and conducted by *Fundación Paniamor*, an NGO, found *no* child labor on 237 commercial coffee fincas during current production operations.⁵⁴

Fulfillment of elementary basic needs

In international terms, Costa Rica has a good system of social security and basic education. The country's illiteracy rate is roughly 5 %, its rate of primary school attendance is approximately 100 %, and the differentials between its urban and rural populations are relatively small. It may be assumed that in all relevant coffee regions, including those outside the Valle Central, there are primary schools at an appropriate distance from coffee fincas.⁵⁵ Breadwinners regularly employed on fincas may as a rule be assumed to earn sufficient income to allow their children to attend school (which is free of charge). Furthermore, the Costa Rican government pays a so-called *bono escolar* to all families with school-age children. This is a living-cost allowance which is paid out with Feb-

⁵³ Trans. A. Stamm / P. Knowlton.

⁵⁴ See Fundación Paniamor (2001).

⁵⁵ Some problems in rural areas are due to a high rate of teacher absenteeism.

ruary wages and is the equivalent of one net monthly wage. Legal migrant workers (Nicaraguans) in Costa Rica are also entitled to the *bono escolar*. The percentage of Nicaraguan children attending Costa Rican schools was only 2.8 % in 1999 (as opposed to 1.1 % in 1990), although the figure is rapidly rising. This is reported to be due to the fact that more and more Nicaraguans who have worked in Costa Rica for a number of years bring their families to live in the country.

Regularly employed persons are for the most part registered with the social insurance agency, the CCSS. This allows them free access to the services provided by the public healthcare system, which is on the whole relatively efficient. This social security for workers is endangered by the above-mentioned tendency to eliminate regular employment or to evade payment of CCSS social contributions. Workers not registered with the CCSS still have access to free medical services provided by so-called EBAIS healthcare centers located in rural regions.

Owing to its specific settlement history, Costa Rica did not, like other Latin American countries, develop a system of large-scale landholdings with largely closed socioeconomic production units – although it must be noted that some of the fincas investigated provide housing for some of their regular workers. This housing is as a rule equipped with the most important supply and disposal facilities (drinking water, electricity, latrines). Normally, however, finca workers live off the finca, usually in close proximity to it, though some workers have to commute considerable distances. Some fincas reported that some of their workers have moved out of the housing provided for them and into social housing projects.

5.1.2 Guatemala

Even today, Guatemala is a largely rural society, one marked by widespread poverty. Some 60 % of the population live in the countryside, 90 % of them in relative poverty, 69 % in absolute pov-

erty.⁵⁶ United Nations data on human development indicate that Guatemala is in this respect one of the lowest-ranking countries in Latin America.⁵⁷ This low level of human development was confirmed for the coffee workers interviewed in connection with the study: 11 of 30 workers (37 %) indicated that they had had no school education; only 14 (46 %) had completed elementary school. This low education level is both an expression and a cause of underdevelopment, for it directly impairs the ability of workers to acquire knowledge on their rights as citizens and workers and to enforce these rights. The great majority of the finca workers interviewed in connection with the present study indicated, for instance, that they were unfamiliar with their legal rights and entitlements under Guatemala's labor law. The situation of the workers regularly employed in the coffee sector often resembles that familiar from feudal traditions, with many worker families living for generations on the same finca. This means that these persons are particularly dependent on big landowners. On the other hand, there are also reports of paternalist protection and care for workers, with, for instance, a landowner assuming the costs for medical treatment of family members or continuing to employ workers in times of crisis.

Wages

In the year in which our interviews were conducted, the legal minimum wage for farm work was 25.08 quetzales as a base wage plus some 5.48 quetzales in bonuses, making up an overall minimum daily wage of 30.46 quetzales (which is roughly equivalent to US \$ 3.91). Data for 1998, which are based on figures from Guatemala's office for statistics, indicate that at this juncture the minimum wage was not sufficient to purchase more than 40 % of the typical basic market basket.⁵⁸

⁵⁶ See UNDP (1999).

⁵⁷ Compared with 162 countries worldwide, Guatemala ranks 106th.

⁵⁸ See Huis in't Veld (1998), p. 3.

But the usual case is that not even the legal minimum wage is paid; 16 of 30 workers interviewed (60 %) indicated that they were paid *less* than the legal minimum wage. According to a survey conducted in the diocese of Verapaz during the 1997/89 harvest season, not one single coffee producer out of 33 was paying the minimum wage, indeed the majority of workers took home even less than half of the wage stipulated by law.⁵⁹ 17 of 30 workers interviewed in connection with the present study furthermore indicated that they work more than the legal working day of eight hours, but without being paid for their overtime. Shifts of 10 to 12 working hours a day are not exceptional. Three quarters of the workers interviewed stated that they do not receive the performance-based bonuses stipulated by law. The interviews further indicated disparities between the wages paid to men and women, adults and youths, and girls and boys.

Social services and healthcare

The *Instituto Guatemalteco de Seguridad Social*, IGSS (Guatemalan Social Security Institute), is responsible for the social security of workers. Employers are required to register their employees with the IGSS, and workers and employers each pay a share of social security contributions. 27 of the 30 workers interviewed for the present study indicated that they were registered with the IGSS and were in possession of the institute's user ID. The agency in charge of health services is the *Ministerio de Salud Pública y Asistencia Social*, MSPAS (Ministry of Public Health and Social Assistance). Aside from the agencies named, there are a number of other public, private, church-run, and charitable organizations active in the field of worker healthcare and social security.

Even though the majority of regularly employed workers have a formal right to medical services, this right is impaired *de facto* by a severe crisis in the public healthcare sector; many hospitals are inadequately endowed with personnel and equip-

ment and face serious problems with their power and water supplies. The outcome of this situation is that healthcare facilities are often only able to deal with emergency cases.

Child labor

Guatemala has ratified the ILO Conventions on the Minimum Age for Admission to Employment and Elimination of the Worst Forms of Child Labour and adopted a national law banning work for children under the age of 14 years. In reality, however, these legal regulations are widely violated and child labor continues to be a widespread phenomenon in both the coffee sector and other branches of industry, with children in some cases working long shifts and performing hard physical labor (see the discussion in Section 4.2.2).

Fulfillment of elementary basic needs

In Guatemala fulfillment of the basic needs of regularly employed workers is largely dependent on services provided by their employers; 60 % of farm workers live on the finca on which they are employed. Fincas provide most of their workers with living quarters (two rooms) which house an average of seven persons. These persons have limited access to running water, electricity (often only at night), and sanitary facilities.

A tiny minority of coffee fincas have a primary school for the children of their regular employees. Many rural communities also lack village schools at an appropriate distance from coffee fincas, and thus the younger generation is often without any basic school education.⁶⁰

5.1.3 Mexico

In Mexico, as in Costa Rica, the situation of regularly employed finca workers is relatively good; here, regular workers acquire entitlements under

⁵⁹ See Huis in't Veld (1998), p. 3.

⁶⁰ See Huis in't Veld (1998), p. 4.

labor and social legislation which are as a rule respected. It must, however, be noted that the percentage of finca workers with a long-term employment contract is today close to negligible, the figure being estimated at some 2 % of all workers in the coffee sector. What this development amounts to is a tendency to reduce the number of regularly employed workers to a minimum and to hire casual labor – i.e. workers not covered by social and labor regulations - for all regular work (with the exception of administrative activities).

The differences in the situation of finca workers in the two regions under study can be specified as follows:

Soconusco is a compact and productive coffee-growing region bordering on Guatemala. A sizable share of coffee production here is dominated by fincas between 60 and 100 ha in size. One feature characteristic of coffee production in Soconusco for several decades now is the hiring of migrant workers from Guatemala. Annually, between 60 000 and 70 000 migrant workers from nearby regions in Guatemala travel back and forth across the border in search of work. Some of these persons have moved permanently to Mexico and formalized their residence there. In the past 20 years Guatemalans have largely replaced Mexican workers who have found alternative jobs. Our interviews found that social and labor regulations are largely complied with in Soconusco.

Traditionally, the situation in **Zona Norte de Chiapas** was likewise characterized by large and productive coffee fincas; today, however, some 95 % of coffee production is in the hand of small farmers. There are at present only four medium-sized fincas here, each with somewhat over 100 ha of land. The region is presently suffering from the impacts of a persistent economic and political crisis. Our interviews indicate that some social and labor regulations are not complied with in the Zona Norte de Chiapas (e.g. minimum-wage regulations).

Wages

Mexico's current legal minimum wage is 35.85 pesos (MXP) per day (roughly US \$ 3.67).⁶¹ The daily wage paid in Soconusco ranges between MXP 30 and 40, depending on whether or not meals are provided. Wages are paid out either once a week or (in violation of legal regulations) every two weeks. The wage typical for the Zona Norte is almost everywhere MXP 30 (US \$ 3.07), without meals, which means that earnings here are far below the minimum wage. Only on one finca were workers paid a daily wage of MXP 40, though workers were required to work an additional hour and a half per day to earn it. Traditionally, in the Zona Norte workers are not paid for Sunday, a fact that further aggravates the precarious financial situation of these farm workers.

The minimum wage set for farm workers is not sufficient to feed an average-size family. The following considerations may serve as an example: The region's typical basic foodstuff is the corn tortilla. In 2001 a kilo of cornmeal cost roughly MXP 5 (US \$ 0.5). One adult consumes roughly one kilo of corn per day, and many Mexican rural families have seven or more members. This means that a typical family needs some five kilos of corn per day, which costs roughly MXP 25, over 70 % of the legal minimum wage.

Some regularly employed farm workers, the so-called "*acasillado*", are entitled to a hut to live in, access to water and firewood, and the right to use a plot of land on which they can grow basic foodstuffs and keep domestic animals. This is an important, though not sufficient, supplement to their monetary wages. Other regularly employed workers (the so-called "*permanentes*") have no comparable entitlements.

⁶¹ Exchange rate on 01 August 2001: MXP 100 = US \$ 10.24.

Social services and healthcare

In Mexico the *Instituto Mexicano de Seguro Social*, IMSS, is responsible for healthcare and social security. In practice, the interviews conducted in connection with the present study indicate clear-cut disparities between the two regions under consideration. In Soconusco regularly employed workers are registered with the social insurance agency and can claim the social services provided for under the law. To acquire pension rights, though, workers must have paid contributions for at least 24 years. And even in this case current wage levels mean pensions that are not sufficient to cover the social needs of retired workers.

Contrary to the provisions of the law, the Zona Norte is not covered by the IMSS. Here, there are no IMS-operated medical care units and agricultural employers are not required to insure their workers (and, in fact, not one of the workers interviewed was insured). In this region children are just about the only source of social security in old age.

As far as healthcare is concerned, it is customary in the Zona Norte for finca owners to pay for their workers' medical costs. Typically, a finca owner will have an arrangement with a local clinic or with a doctor practicing in the region. However, workers have no legal right to this service.

Child labor

Due to the low wages paid to adult coffee workers, and in violation of legal regulations, children are typically expected to work not only during the harvest but during normal operations as well. Such work often consists of household work (e.g. laundry work, caring for younger children) that makes it possible for both parents to work for pay. Our study found no child labor on the fincas visited, a fact due, among other things, to the fact that in the regions in question paid employment opportunities are very scarce and the number of persons looking for jobs is very high.

Fulfillment of elementary basic needs

Very few fincas have schools of their own. At best, schools are found on fincas that employ a relatively large number of regular workers. In this case the finca then provides the school building, with government school authorities assuming responsibility for ensuring that lessons actually take place. But even here there are problems due to frequent teacher absenteeism and insufficient quality of instruction. Most children attend school only until they have learned to read and write, and very few of them complete elementary school. Children subsequently do light work for their family or on fincas.

Article 283 of the Mexican labor code requires employers to provide, free of charge, adequate and sanitary housing for their regularly employed farm workers and to properly maintain these housing units. In practice, these dwellings are of a very simple nature. As a rule they have light, cement floors, small windows, and sometimes sleeping spaces with mattresses. But not all fincas have latrines, showers, or washing facilities. In most cases there is a wood-fired cooking place directly behind the hut. The structural quality of the huts differs greatly (cement base, boards, sheet-asbestos or -zinc roofing). Under the law, the employer alone is responsible for hut maintenance, though in practice workers are often required to do this work themselves.

5.2 The social situation of casual and seasonal workers

As already noted, regularly employed workers constitute a minority of all persons active in large-scale coffee production. A major share of work is done by persons who are hired by a given farm on a temporary basis and paid by day, either for jobs agreed on in advance or on a piecework basis. This group of temporary workers can be further broken down into subgroups of casual workers and seasonal or migrant workers.

What is meant by the term **casual worker** are those workers who, in the course of a year, are

hired for such brief periods of time that they acquire no rights from their employer beyond payment of their wages. It is difficult to sum up their social situation, because it depends on whether and how their families are provided for financially and socially when their breadwinners are not working in the coffee sector. It must as a rule be assumed that these persons are recruited from the host of underemployed persons in all of the three countries under study and that these persons' social situation is often precarious.

The discussion that follows addresses the largest group of temporary workers, **seasonal workers**, who are as a rule hired for the coffee harvest and usually migrate over large distances in seeking work. Though their social situations may differ in part, they share enough features to permit their situation to be presented in summary form.

5.2.1 Costa Rica

Since the 1970s seasonal workers have been recruited in Costa Rica for the coffee harvest; many of these persons are brought in from more or less distant areas and given temporary employment in coffee-growing regions. This development was initially associated with the expansion and intensification of coffee production and the process of economic and social change underway in the Valle Central, where the parts of population, increasingly under the influence of urbanization, have been less and less able or willing to work harvesting coffee. A study conducted during the 1990/91 coffee harvest indicated that roughly half of the workers employed in this "late-ripening coffee region" (Valle Central and the surrounding highlands) were migrant workers.⁶²

In the 1980s and 1990s there was a surge in migration from Costa Rica's northern neighbor Nicaragua. This migration of workers has, in varying intensity, continued until today. Some of these migrants are persons who seek permanent residence in Costa Rica, others are seasonal workers

who support their families at home with their earnings from Costa Rica. The inflow of Nicaraguan migrant workers solved the problem posed by labor shortages in peak harvest periods: as late as 1990 24 % of fincas surveyed by ICAFE indicated that they had lost parts of their crops due to shortages of harvest workers; in more recent years there have been no reports of such shortages. While in 1990 some 5.7 % of harvest workers were Nicaraguans, ICAFE estimated for 1993 that they made up some 50 % of the harvest workforce. The southern coffee-growing regions (Coto Brus and Pérez Zeledón) also recruit workers among the indigenous ethnic group of Guaymies, who live in the Panamanian-Costa Rican borderland.

As in the case of regularly employed workers, labor contracts between employers and harvest workers are concluded orally. Often, when a so-called *contratista* is in charge of hiring, the two contracting parties do not even deal directly with one another. This arrangement is expressly provided for in Article 3 of the Costa Rican labor code:

*The contratista is a person whose function is to provide labor for the harvest season; he identifies workers and transports them to the coffee plantation; as a rule, the employer negotiates directly with the contratista, who thus operates as an intermediary.*⁶³

The use of an intermediary reduces the employer's transaction costs and may serve to avoid crop losses by providing sufficient labor resources during peak harvest periods. On the other hand, this procedure entails a lack of transparency, often at the expense of workers. The third example in Box 2 illustrates this practice:

At the same time, the Costa Rican government and some self-help organizations of Nicaraguan migrant workers offer placement services. The first-named case is a role which the Costa Rican

⁶² See Alvarenga (2000), pp. 20f.

⁶³ Código de Trabajo de Costa Rica, Artículo 3; trans. A. Stamm / P. Knowlton.

Box 2: Examples of the "contratista" phenomenon in the coffee harvest

1. One of the fincas interviewed in Alajuele/Valle Central, recruited some of the labor it needed for the four past coffee harvests via a *contratista* from the canton of Turrialba; from case to case, this *contratista* "supplied" 60 to 70 indigenous laborers in the region. A finca representative stated that he negotiated directly with the *contratista*, also handing over to him all of the wages due, which the *contratista* then himself passed on to the workers.
2. Another variant of this practice was encountered in Pérez Zeledón: here, the *contratista* is responsible for transporting his workers to the coffee finca, where he himself and his family work during the coffee harvest. In this case the workers are paid directly by the finca.
3. One Nicaraguan migrant worker interviewed in connection with the study was employed for the 1999/2000 coffee harvest in the region of León Cortés in the southern highlands. He was placed there by a *contratista* who had originally promised him that he would be working together with six other persons. It finally turned out that not six but 11 persons were to work in the same area, a factor detrimental to earnings, since the workers were paid on a piecework basis. In addition, as his placement commission, the *contratista* charged each worker 25 colones of the 300 paid out by the finca per *cajuela*. This is a violation of the regulation requiring labor-seeking employers themselves to pay for placement activities. In fact, the *contratista* had been given 3 000 colones for his placement activities, which meant, in the end, that he was paid double for his work.

government assumed in connection with its framework agreement with Nicaragua on seasonal migratory labor. Here, an employer can turn to the MTSS and the immigration authorities when he has a legitimate need for seasonal labor. These agencies then place foreign workers with coffee fincas. The second case involves Nicaraguan migrant organizations themselves, who seek temporary employment for their members. Since 1980 the *Asociación de Trabajadores Nicaraguenses*, ASOTRAN, which was interviewed for the present study, has been finding jobs for Nicaraguan workers during the harvest season. Aside from placement, the organization supports workers in formalizing their residence and handles complaints lodged by them.

The legal relationships between fincas and harvest workers are of a very limited nature. The employer's only obligation under the law is to pay a stipulated amount of money for a given quantity of harvested coffee. Even though discrimination of foreign workers is banned under the law, there have been reports of such discrimination in Costa Rica. Nicaraguan harvesters complain, for instance, of being assigned systematically to harvest lower-yielding coffee acreage.

Wages

In Costa Rica harvesters are paid only on a piecework basis, and unripe coffee berries, leaves, and other impurities are usually deducted from their

pay. The MTSS decrees the minimum amount of colones to be paid harvest laborers per *cajuela* of harvested coffee. One *cajuela* is equivalent to 20 liters. A decree in effect since July 1, 2001, sets the amount to be paid at 312 colones per *cajuela*, which is about US \$ 0.94 per unit. This figure is the benchmark price for the main phase of the harvest, a period in which good amounts of coffee can be picked relatively quickly. Since the earlier (*granea*) and later (*repela*) phases of the harvest yield fewer ripe berries, appreciably higher prices are paid per unit, between 400 and 500 colones per *cajuela*, according to interview data for the 2000/2001 harvest.

As a rule, the coffee harvested in the course of a day is measured in the afternoon, and the pickers are then paid out accordingly. One of the fincas in question first pays its harvesters in so-called *fichas*, tokens, that are exchanged for money at the end of the week. During the week the *fichas* are accepted as payment in the finca-owned general store or canteen. This practice serves in particular to keep harvest workers on the finca for longer periods of time. Harvest workers are not fond of this mode of payment.

The information available on the amount of coffee that can be harvested per day, i.e. on the amount of pay actually earned by laborers, is patchy. Depending on growing region, the figures vary considerably from one harvest phase to another. Two of the harvest workers interviewed in connection

with the present study indicated their weekly yields as 28 and 45 *cajuelas* respectively, which amounts to weekly earnings of 42 000 and 67 500 colones (US \$ 127 and 204) respectively. Even the lower of these two figures is above the official minimum wage for regularly employed farm workers. A study conducted by the MTSS on the incomes that can be earned over the entire harvest period (on average two months) came up with substantially lower figures and noted sharp fluctuations. Averaged across all farms covered by the study, the ministry arrives at a figure of 229 *cajuelas* per person, which, averaged over the entire harvest period (*granea*, harvest peak, and *pelea*) works out to 80 150 colones per person. This sum is far below the current minimum wage. Actual earnings depend on individual productivity and the manner in which work is organized: if a coffee finca overhires, this means lower yields per person/day, and accordingly less pay.

In view of the current coffee price crisis, the Costa Rican coffee chamber proposed early in the year 2001 that the minimum-wage regulation on payment of harvest workers be rescinded, opening payment up to bargaining. The aim of the proposed measure was to limit labor costs to protect small farmers. It was pointed out that the payments made to harvest workers are the largest item in the cost structure of coffee farms and that wage costs had risen sharply in recent years. This deregulation of quantity-based payment was to remain in force at least until coffee prices had recovered. While the proposal was turned down by the National Wage Council in May of 2001, the council did decide to temporarily freeze the minimum payment per *cajuela* at the present rate, i.e. to suspend the periodic increases that have otherwise been regularly decreed.

Social services and healthcare

The legal social security arrangements stipulated for regularly employed farm workers do not apply for harvest laborers in Costa Rica. None of the farms covered by the present study pays contributions for their harvest workers. Only in one case were harvesters insured against accidents with the

National Insurance Institute, INS (*Instituto Nacional de Seguros*). Sector representatives note in this connection that the employment contracts between coffee fincas and their temporary help is not subject to social insurance, since harvesters are not personally and directly employed by coffee producers and the latter exercise no material control over their workers. It was further noted that harvesters often, sometimes even daily, switch from one finca to another.

This lack of social security for harvest workers is problematic in that, unlike the situation typical a few decades ago, harvest work is, for many people, no longer simply a source of additional income. Many migrant workers move from region to region, following the coffee harvests, and often this work is their only or most important source of income in the course of a year. In other cases, coffee workers link harvest work with other temporary activities that are likewise not subject to social insurance. This means that a large number of workers, Costa Ricans and foreigners alike, are not covered by the country's otherwise relatively generous social security system.

The MTSS is therefore seeking to include national harvesters in the country's system of social security. However, the producer association and ICAFE, the sector institution, regard these efforts as a threat to the very existence of the coffee industry. They point out that even now harvest-season wage costs account for some 40 % of overall production costs and that further cost increases would be untenable in view of current coffee prices in the world market.

The healthcare situation of coffee workers largely depends on their employment status. If, for instance, a regularly employed person is given leave by his employer for the harvest season, this person is as a rule registered with the public social insurance agency and is thus entitled to social security benefits. But this arrangement does not apply for the majority of seasonal workers.

Harvest workers are as a rule not insured against work-related risks, although the accident risk on fincas is reported to be very low.⁶⁴ Typical harvest risks include snakebite and road accidents. One of the fincas interviewed indicated that it had in earlier times had collective insurance for harvest workers, though it had had to cancel the policy for reasons of cost. To reduce their own risks, employers have largely stopped providing harvesters transportation to their fincas. Now they instead hire a bus company to transport their workers at the risk of this third party.

Harvest workers who are injured during their working hours can seek free initial medical treatment at one of the local EBAIS healthcare centers, and some fincas are willing to pay for additional treatment costs as well. In Costa Rica it is unlawful to refuse emergency treatment to indigent persons.

Child labor

In Costa Rica it is customary for children and youths to work during the coffee harvest. This practice long constituted a goal conflict with the aim of having children attend school on an uninterrupted basis. In the Valle Central the peak harvest season is between December and January, and there are school vacations during this period. But there are problems associated with the fact that the harvest season begins earlier or ends later in other regions. Such cases involve problematic situations that can adversely affect the school performance of children who work during the harvest period.

Children work as harvest helpers both on family-run farms and on medium to large-sized fincas. The latter prefer, as they indicated in our interviews, to take on whole families, most of whose members help out during the harvest. The reason given for this is that families tend to remain longer on a finca, while individuals tend to switch fincas more frequently.

The MTSS is aware of this reality. In 1998 two resolutions were adopted that expressly permit employers to take on families with children under 15 years of age during the harvest season, the aim being to allow the members of such families to participate in harvest work. This is permitted under the condition that the work done by under-age persons does not interfere with their school attendance or school performance or endanger their physical, moral, or psychological well-being.

These exemptions from the general ban on child labor are a concession to coffee producers and farm workers' families alike and permit the latter to earn additional income in a particular period of the year. One positive aspect is that child labor is permitted only in the family context. On the other hand, it is difficult to prevent any overuse or indeed abuse of these exemptions that might impair children's development chances. This applies in particular for migrants from Nicaragua and members of the Guaymies ethnic group. These groups often follow the coffee harvest for several months, and this makes it impossible for their children to attend school for any protracted periods of time.

Fulfillment of elementary basic needs

In Costa Rica there are no special education- or health-related measures or services provided specifically for harvest workers and their children. The underlying premise is that parents are themselves responsible for seeing to it that their children attend school. As noted above, a large part of the harvest coincides with school vacations. As a rule, children living in the immediate vicinity of a finca may be assumed to attend school regularly. This group of persons is, however, a minority, at least in the coffee-growing areas of the Valle Central. The children of migrant families active in harvest work outside school vacations have been shown to experience problems with their school performance.

One important issue in the overall context of the living situation of harvest workers is the housing they are provided with during the harvest, which often lasts for several weeks. Since the 1970s,

⁶⁴ See Fundación Paniamor (2001), p. 36.

medium- to large-sized coffee fincas have begun building appropriate living quarters as a means of countering the shortage of harvest workers. In Costa Rica these dwellings are generally referred to as *baches*.

Seven of the ten coffee fincas looked into here provide *baches*, though these facilities differ considerably in terms of their capacities, as the following examples illustrate:

- In normal harvest periods the "Beneficio Sta. Eduvigis" can accommodate up to 80 % of its harvest workers on its fincas. The company has several dozen *baches*, each with space for ten persons.
- The "Hacienda Alsacia" has 25 *baches*, each of which is designed to house four persons.
- The "Hacienda La Esperanza" has two *baches* which can accommodate 30 to 40 persons.

All of these *baches* have electricity and water. The use of these *baches*, including water and electricity, is free of charge. Many workers, and government authorities as well, see the state of these *baches* as a problem. They as a rule offer cramped living quarters that provide no more than limited protection against the elements, are often in a poor sanitary state, and afford their dwellers no protection against mosquitoes and cockroaches. The workers interviewed also pointed to a security problem in *baches*, noting that the (few) personal possessions of harvesters are often stolen, mainly by persons who are only briefly on a finca and then move on.

The MTSS has set out minimum conditions for living quarters on coffee fincas; these include

- an appropriate amount of space per dweller,
- sufficient ventilation,
- a supply of water and disposal of wastewater,
- showers or washing facilities,
- fixed sleeping places (bunk beds),
- provision of food and beverages (*comedor*).

If these minimal conditions are not met, the ministry threatens to stop placing workers with the offending fincas.

The working program of the ICAFE labor commission includes monitoring the living conditions of harvest workers. However, the commission was first set up in the year 2000 and is currently busy taking stock of worker housing. The health ministry also has an inspection program for *baches* that monitors compliance with minimum housing standards prior to and during the harvest. To be sure, the workers interviewed indicated that they had never experienced an inspection by the MTSS or the health ministry. The only government authorities to be seen on the fincas, they note, are immigration officials on the lookout for illegal foreign workers.

5.2.2 Guatemala

The number of migrant workers in Guatemala is estimated to be 300 000. The interviews conducted for the present study were made mainly with male migrant workers who move from job to job either alone or together with their families. The present study as well as other sources clearly indicate that migrant workers in the Guatemalan coffee sector are an extremely poor and marginalized group. Due to their precarious social situation, their low educational levels, and their lack of alternative sources of employment, they are forced to take on employment for extremely low pay and often under very poor conditions. Beyond that, the competent government agencies are evidently lax in the performance of their oversight and control functions, and in practice this means that even existing protective regulations (covering minimum wages, decent housing) are systematically evaded.

Wages

The pay earned by Guatemalan harvesters is based, at least under the law, on the official minimum wage, which amounts somewhat over US \$ 3 per day (see Section 5.1.2). To qualify for this daily

wage, workers must turn in a quantity of coffee beans sufficient to fill a 46-kg sack. This as a rule means a very long day's work. In addition, workers are under considerable pressure to involve their family members in harvest work. But even in this way they for the most part manage to pick the required quantity of coffee only in the peak harvest period, not in other phases.⁶⁵ And this means that workers are in many cases unable to earn the equivalent of the official minimum wage. But even when this is the case, only a few fincas pay the official rate, most pay considerably less.

Child labor

Although under Guatemalan law children under 14 years of age are not allowed to work, child labor is widespread in the coffee harvest. This is true of the children of both regular workers and casual and migrant workers. All available sources report severe violations of the legal provisions on the protection of children; these include the following:

- working shifts of eight to 12 hours a day for six days a week; girls are reported to have to prepare meals for workers early in the morning, before they themselves join in the harvest work;
- children are required to lift heavy loads, at times twice their own body weight, a practice that leads to injury, physical deformity, and impaired development;
- sexual harassment of girls by male workers, including rape.

These working conditions are clearly in violation of the terms of ILO Convention 182 on the worst forms of child labor, which Guatemala has ratified. Another problematic factor is that the coffee harvest in Guatemala lasts for roughly four months, and this period coincides only in part with school vacations. The result is that even children who have the opportunity to attend a school where they live are forced to miss part of the

school year, a fact which impairs their chances of development.

Fulfillment of basic needs

Guatemalan law contains provisions requiring coffee fincas to provide a number of services for their workers; these include in particular schooling, healthcare services, and housing. Both our interviews and other sources clearly indicate that these minimum standards are as a rule not met or that the services provided are of very poor quality.

The lack of schools on fincas or in their immediate vicinity as well as other unfavorable socioeconomic conditions are a cause of persistent and pervasive illiteracy. 21 of the 66 migrant workers interviewed in connection with the present study (32 %) had no schooling whatever and only 12 of them (18 %) had successfully completed primary school.

The typical daily meal of casual workers consists of beans, eggs, tortillas, and coffee, sometimes supplemented by meat or chicken as well. Additional food must as a rule be bought on the finca, where prices are higher than elsewhere. Employers provide food only on working days. Unlike the case of regular workers, who usually live on their own land, migrant workers have no possibility to grow food for their own use.

Migrant workers are housed free of charge in collective living quarters ("*galeras*") which offer shelter to 30 to 90 persons. These dwellings are as a rule simple one-room huts that are seldom furnished with beds. Most of the migrant workers interviewed indicated that they slept on the floor. These sleeping quarters are also used to cook meals. Sanitary conditions are very poor, a fact which negatively affects the health of small children in particular. Only about half of the migrant workers interviewed indicated that they had, at least at times, access to electricity and light.

⁶⁵ See Huis in't Veld (1998), p. 3.

5.2.3 Mexico

The large majority of migrant workers in Mexico's coffee sector are immigrants from Guatemala. The Soconusco region in which the study was conducted traditionally offers employment for 70 000 to 80 000 Guatemalan migrant workers, who have largely replaced Mexican farm workers. Following some reforms at the end of the 1990s, the formal status of migrant workers under Mexican social and labor laws can be seen as considerably improved. In 1999 Mexico ratified the International Convention on the Protection of the Rights of all Migrant Workers and Members of their Families and implemented it in national law. In 1998 the country adopted a new social insurance statute that requires fincas, among other things, to keep monthly lists of contract workers and the jobs they have actually performed. This increases transparency and constitutes a basis for public oversight and control of working and living conditions. Thus far, however, these political stipulations have not been met, since coffee fincas, pointing to the costs they would entail as well as to the ongoing coffee price crisis, have refused their cooperation. Moreover, Guatemalan migrant workers are largely unfamiliar with their rights and are therefore unable to claim them.

Wages, social services, and healthcare

Coffee workers are paid for the coffee they actually pick. The base quantity is the "*caja*," a volume of 100 liters of coffee berries. The sums paid are as a rule above the official minimum wage, an arrangement intended to provide an incentive for workers to stay on a finca and complete the harvest as quickly as possible. This piecework arrangement as a rule induces all family members to participate in harvest work. An average four- to five-member family may pick some two to three *cajas* of coffee a day, which, in the 2000/2001 coffee harvest, meant daily earnings of MXP 70-105 (US \$ 6.80-10.25). If we calculate earnings for individual family members, we come up with incomes per person of only 50 to 80 % of the official minimum wage. For fincas, this type of payment entails two advantages:

- it induces harvesters to work at a fast pace;
- it enables fincas to keep actual labor costs per person below the official minimum wage.

The Mexican labor code stipulates that workers are to be paid on a weekly basis; if agreed upon, biweekly payment is possible for persons in responsible positions. However, the real situation on coffee fincas (as well as on other farms) shares few features with this picture. Instead of weekly payment, the usual practice is to pay workers on a biweekly or monthly basis, indeed workers are often paid only at the end of the harvest season. This unlawful practice is for the most part countenanced, or indeed even called for, by both sides:

- It provides employers with a possibility to restrict the movement of workers between coffee fincas, a frequent practice during the peak harvest phase. Another reason for it is the high rate of crime in coffee-growing regions. The sums of money brought to fincas for their payrolls constitute an incentive to rob money transports. Coffee fincas for this reason hire armored money transporters, even though this means high costs for transports to fincas, which are often remote from towns. Monthly money transports are often hired as a means reducing this cost factor.
- Workers themselves often fall prey to theft when, in the course of the harvest, they are paid sums that go beyond their immediate needs. Furthermore, regular payment is sometimes an inducement to spend money, for instance on alcohol. With an eye to taking home as much money as possible after the harvest, many workers prefer payment only when work has been concluded. Despite the legal stipulations, workers are often not paid out on the finca itself but must instead report to the company office in a town on the way back to Guatemala. This, too, is a precautionary measure against theft or robbery.

Another widespread violation of the labor code is the fact that the pay earned by women harvesters

is often not given to them but to male family members (husband, father).

According to information provided by the Mexican social insurance agency, IMSS, the agency, guided by the idea of social solidarity, makes no distinctions between Mexican and Guatemalan citizens. This means that anyone in need of medical care has a right to it. In practice, however, complaints are heard about the poor and inadequate medical care provided for migrant workers from the neighboring country. Until 1997 coffee fincas were required to pay to the IMSS a fixed contribution of MXP 91.35 (US \$ 9.35) per hectare of cultivated land. The social security law adopted in 1998 links contributions directly to the number of persons working on a finca, and fincas are required to submit monthly lists of the workers they have contracted.

This means that all foreign migrant workers are registered and have a formal entitlement to the social services provided by the IMSS. The insurance quota per worker is roughly 33 % of the minimum wage, though these contributions are set to be publicly subsidized until 2004. Implementation of these new regulations has thus far been blocked by the employers, who regard the insurance contribution as too high and the required monthly submission of lists as too costly and time-consuming. The employers have proposed higher contributions for their (few) Mexican workers and lower contributions for the majority of Guatemalan migrant workers.

In formal terms, migrant workers also acquire social insurance pension entitlements, though the condition required to qualify for a full pension are prohibitive. Applicants are required to provide a Mexican birth certificate, legally valid proof of the time they have worked and/or that they have paid in 1250 weekly contributions, and to document that they are 65 years of age. It is theoretically possible for workers to claim partial entitlements in the form of a lump-sum payment. But in practice this is not done, in part because migrant workers are not informed of their rights and in part because such workers, lacking formalized

residence status, shy away from contact with the authorities.

Child labor

The Mexican labor code sets out a number of protective regulations for children and youths. Children under the age of 14 years are not allowed to work, and there are a number of regulations covering youths between the ages of 14 and 16:

- persons in this age group are required to present medical certification that they are fit for work;
- for this age group the law provides for a six-hour working day which must consist of two phases of three hours each;
- overtime as well as work on Sundays and holidays is banned for them.

Since compliance with these regulations is not effectively monitored, violations are widespread, especially in the harvest season. Here migrant workers are under considerable pressure to have even under-age family members work. Our interviews found that the persons responsible for this practice do not perceive it as wrong and justify it by pointing to tradition, family ties, and improved earning potentials among migrant workers. Any possible abuses are claimed to be a matter of family responsibility.

Fulfillment of basic needs

On most Mexican coffee fincas it is not possible for children to attend school. Primary schools are often located in village communities far from fincas. And since during the harvest period school attendance is not a viable option in any case, it is, if possible at all, restricted to the months which migrant workers spend in their home villages in Guatemala.

As far as medical care is concerned, migrant workers have a right to emergency services but no other treatment beyond that. There are some smaller government-run clinics in the country's

coffee zone. The health authorities also have mobile brigades that, in certain areas, provide a certain measure of medical support in parallel with their activities aimed at combating malaria and river blindness. Some fincas are visited once a month by a medical NGO. Finca owners state that the medical care provided by the IMSS is not always appropriate for Guatemalans. The most frequent diseases occurring are caused by parasitic infections, aggravated by undernourishment and faulty nutrition, factors that are linked with the inadequate sanitary conditions on fincas.

Under the law, every finca is required to provide its workers with adequate and sanitary housing, though actual practice is not in line with these provisions. During the harvest period (October to March), large fincas house up to 1 000 or more workers, the average being around 600 workers per harvest season. Workers are housed in so-called "*galeras*", in part partitioned to accommodate 10 to 15 persons, or in large dormitories (for 40 or more persons). The sleeping space available per person is 80 cm by 2 m in size. These sleeping spaces are bunk structures with two or three tiers, built of either wood or cement. Workers separate off their own sleeping space with plastic sheeting or old sacks to ensure themselves at least a bare minimum of privacy. In many cases these structures are ancient and dilapidated, often unsanitary, poorly ventilated, and without sufficient light. No mattresses are provided, the reason given being the risk of theft or infestation with lice. When fincas are operating at their peak, their sanitary facilities are for the most part insufficient, and few fincas have latrines, showers, or washing facilities.

Families of migrant workers are provided with small living quarters (3 by 4m) that may house up to 12 persons. They are equipped with the same facilities as the *galeras*. Workers also indicate that they are at times forced to share their housing with another family or with single persons wholly unknown to them. Several families share one improvised cooking arrangement.

5.3 Summary assessment of the empirical findings

As noted in Section 4.3, the three countries under study have ratified the relevant conventions setting out the most important international standards on human rights and minimum social and labor standards. The empirical findings presented in this chapter indicate that the reality in these coffee-growing regions is still far removed from any such guarantees of basic social rights. The state of enforcement of basic social and labor regulations and the extent to which elementary basic needs are met is first and foremost a mirror of the general state of human development in both these countries and in the coffee-growing regions under consideration. Some of the important determinant factors involved here are:

- levels of underemployment and the existence or lack of alternative possibilities to earn livelihoods;
- the educational level of the rural population;
- the presence of public institutions dedicated to securing basic needs in coffee-growing regions, schools and healthcare institutions in particular;
- public oversight authorities interested in and able to monitor compliance with social and labor standards and in a position to enforce them, if need be, against the interests of landowners.

In regions with low levels of underemployment, like the Valle Central or Soconusco in Mexico, coffee producers have developed an interest of their own in creating acceptable working and living conditions as a means of ensuring that they will be able to hire a number of motivated workers sufficient to operate their fincas. This is particularly clear in the case of Costa Rica, where not only coffee companies but numerous other sectors as well are in competition for labor, a production factor that is at times scarce there.

The educational level of the rural population is the factor crucial in determining whether workers are aware of the rights they acquire in working on

fincas and able to claim these rights. In this respect, there are grave disparities in the rural regions of Central America that extend from good primary education in Costa Rica to a situation in Guatemala marked by a large and highly persistent level of illiteracy (often affecting entire generations).

As far as their basic needs are concerned, workers in all three countries under study are largely dependent on public services. Despite relevant legal regulations, coffee fincas provide few services for their workers, with the exception of wage payments and simple housing. This applies in particular for education and healthcare. Only if government institutions are available in the immediate living environment of workers is it possible for at least some of these workers to adequately meet their basic needs. In some individual cases, the presence of NGOs, church or charitable institutions may contribute to alleviating social hardships.

In the countries under study, employers are required by law to comply with a number of social and labor standards. These often result directly from the national implementation of international agreements (ILO conventions). Compliance with these standards is a direct function of the effectiveness of government authorities in monitoring and enforcing them. Here we find marked differences between the countries in question, indeed even between the coffee-growing regions in these countries. While in Costa Rica the oversight authorities appear to perform their functions relatively well, there are reports from Mexico and Guatemala on systematic violations of the relevant regulations (minimum wages, child labor).

In Mexico and Costa Rica supervision of employment and working conditions is furthermore made difficult by the fact that a substantial number of workers have immigrated from neighboring countries and have not formalized their residence or employment status. For fear of deportation, these groups of persons shy away from contact with the relevant authorities, a factor which places them in an extremely

weak bargaining position vis-à-vis their employers.

The studies conducted in Costa Rica, Guatemala, and Mexico clearly indicate that the situation of regular workers is quite satisfactory, at least when compared with the living and working conditions generally encountered there. In Costa Rica and in part in Mexico as well, this is bound up with the fact that labor relations have largely been placed on a clearly defined legal footing. Furthermore, some coffee producers, in keeping with modern management principles, not only regard their workers as a cost factor but also see in them an important factor of production that is essential to the efficiency and quality of the operation of their fincas. In Guatemala, on the other hand, paternalist relationships of a quasi-feudal type have survived, and while these may lead to extreme levels of worker dependence, they may also entail a certain measure of paternalist protection and care for workers, some of whom may have worked and lived on a finca for generations.

It must be underlined here, however, that today only very few workers are regularly employed in the coffee sector. Among other factors this is bound up with the transition from labor-intensive shade-coffee production to monocultures. Many manual activities involved in the maintenance of coffee plantations (e.g. the pruning of shade trees) are no longer required here, while others (e.g. manual weeding) have fallen victim to the increased use of machinery (e.g. for applying pesticides). Higher yields per hectare lead to a more pronounced demand for labor in the peak phases of harvests (which are not mechanized).

The great majority of workers in the coffee sector are employed only seasonally during the coffee harvest. This population group is, for three reasons, especially vulnerable to the risk of social marginalization:

- these workers are often members of extremely poor population groups with low levels of education;
- these persons live for protracted periods of time outside of their traditional systems of

social relations, either as individuals or together with their families; expansion of coffee production in regions with different agroecological conditions has in part distinctly prolonged the periods for which seasonal and migrant workers are hired;

- in Costa Rica and Mexico coffee workers are for the most part migrants from Nicaragua and Guatemala, and legal claims resulting from employment in the former countries are, either objectively or in the eyes of their home countries, highly restricted.

Our surveys leave no doubt that seasonal workers are forced to live under precarious social conditions. Their formal claims on their employers are as a rule restricted to payment of a performance-based wage and housing on a coffee finca during the harvest season. As in the case of regularly employed workers, the extent to which these minimum claims are in fact met by employers depends on the one hand on whether fincas are forced to actively compete for harvest workers or whether a large number of persons offer their services and on the other hand on the efficiency of government monitoring and controls. When high coffee yields coincide with good coffee prices, fincas are quite willing to offer both monetary and nonmonetary incentives to secure an adequate harvest workforce and to dissuade harvest workers from moving from finca to finca seeking work. The situation is different when prices are low or crop yields are below average. The social situation of seasonal coffee harvesters is thus defined by sharp fluctuations that are in effect beyond prediction.

Under these conditions, it must be seen as generally positive that all three countries have set out official performance-based pay regulations for harvest workers. In view of the precarious situation of many seasonal workers, unregulated pay negotiations would for the most prove detrimental to the interests of workers. However, pay levels are often not sufficient to permit coffee workers to reach the equivalent of the official time-based minimum wage stipulated for farm workers. This situation in part means very long work shifts, and it puts harvest workers under pressure to involve

their family members, including children, in harvest work. Moreover, only in Costa Rica are official minimum-pay regulations actually complied with; in the other countries under study these standards are systematically undercut.

One problematic aspect is that harvest workers are, formally or de facto, unable to claim their entitlements under social security legislation. At present none of these countries has effective regulations that permit seasonal workers to actually claim old-age pensions. It is thus only a matter of time before the presently active agricultural working population will be faced with high levels of old-age poverty. The extent to which harvest workers have access to medical services in cases of sickness or even accident depends largely on whether or not there are, in a given region, any providers of free medical services. This is not always the case in Guatemala and Mexico, though in Costa Rica at least basic medical care is generally provided.

The housing provided for workers during the coffee harvest is everywhere unsatisfactory. There are reports from Guatemala and Mexico of in part extremely inhumane living conditions that lead to impairments of health and rule out any private sphere for workers. In Costa Rica, too, the housing provided for migrant workers is for the most part not in line with the minimum social standards otherwise in effect in the country.

5.4 Impacts of the coffee price crisis on coffee-sector workers

Fluctuations in coffee prices are not a new development, and since the collapse of the international coffee agreement in 1989, the coffee sector has often experienced such price swings. However, thanks to its duration and the extremely low prices it has entailed, the present crisis is particularly problematic. The crisis is threatening the existence of a growing number of coffee producers in all of the countries under study. Of the coffee producers interviewed, the only ones voicing optimism were those who have already decided to get away from pure commodity exports and

switch to brand names of their own, coffee specialties, and biocoffee, thus moving into coffee niches and developing marketing relationships with coffee importers specialized in particular coffee products. Today, diversification into other product areas is already proving effective as a buffer against the price crisis, although even some nontraditional coffee products are currently affected by sales or price slumps.

The coffee policies of the countries under study have contributed little to protecting coffee producers from massive price fluctuations. Until recently, Mexico and Guatemala were even providing incentives to further expand coffee production, in this way themselves contributing to exacerbating the international coffee price crisis. One innovative approach may be seen in national stabilization funds that producers pay into in high-price phases with an eye to receiving partial compensation in crisis periods. Costa Rica's FONECAFE is the only functioning model in the countries under study, though even here the volume of the funds FONECAFE has accumulated in recent years is not sufficient to effectively cushion the effects of the present crisis. Not even this model is an effective instrument against persistently low coffee prices.

Our studies show that the coffee price crisis is continuing to aggravate the social situation of those employed in the Central American coffee sector. The following mechanisms are involved here:

- A growing number of fincas plan to cut back on coffee production, or even discontinue it, either forced to do so by liquidity problems or in order to invest in products that may prove more profitable in the future. This means losses of both regular jobs and of potential sources of seasonal employment and earnings.
- The number of workers regularly employed in coffee production will continue to decline. Fincas are hiring more and more casual workers for their normal operations. This makes it possible for fincas to avoid having to pay the social and other

contributions required for regular workers (overtime bonuses etc.). And this in turn means a further decline in the number of agricultural workers who are socially insured against sickness and accident as well as for old age.

- Even the fincas that do not altogether abandon production in the short term, instead harvesting a share of their ripe coffee as a means of covering part of their costs, will at the same time be demanding fewer workers. For the year 2001, the CEPAL estimated job losses due to the coffee price crisis to be 6 700 full-time equivalents in Costa Rica and 77 530 in Guatemala.⁶⁶

Pressure to lower the quantity-based wages paid to seasonal workers will continue to grow. This may be formalized, as in the case of Costa Rica, where the rate was frozen at a nominal level. There is at the same time reason to assume that regulations will be more and more frequently dodged, as is already being reported from Guatemala and Mexico. This trend will be exacerbated by increasing transboundary labor migration, since the latter increases competition for the declining number of seasonal jobs still available.

In other words, the effect of the coffee price crisis is not to gradually erode the social standards acquired by regularly employed workers. Rather, this group of workers, which, together with small coffee producers, long constituted an important stabilizing factor in Central America's rural regions, threatens to vanish as a social category. It is being replaced by a class of casual workers who, doing the same work,⁶⁷ but no longer under the conditions ensured by stable labor contracts, are without the social security that regular employment guarantees.

⁶⁶ See CEPAL (2002), p. 24.

⁶⁷ In many cases these are apt to be the same persons, now employed under discontinuous and deteriorated conditions.

In quantitative terms, the most important buffer used by the coffee sector to cushion the effects of the price crisis is the large pool of harvest workers available to it. It is above all their absolute loss of sources of seasonal earnings that is leading to a rapid rise of poverty in Latin America's rural regions, a development accompanied by increasing migration to urban centers and rising crime rates. Those who still manage to find employment as harvest workers are forced to work under increasingly poor conditions. Under the present conditions, there are as good as no prospects e.g. for improved living conditions for harvest workers and coverage of them by existing social security systems. This means that the ongoing coffee price crisis is exacerbating the socioeconomic situation of a population group that is particularly vulnerable and is even today often faced with extreme poverty.

5.5 Local points of departure for securing minimum social standards in the coffee sector

Our three country studies were conducted at a point of time at which international coffee prices had reached an absolute low. The employers and sector institutions interviewed, pointing to the existence-threatening character of the price crisis, were highly reluctant to discuss approaches that might be suited to improving the living and working conditions of coffee workers. In Mexico and Costa Rica the same argument has been used to block national initiatives in this direction. Under these conditions, and for lack of organizations that adequately represent their interests, coffee workers are in an overwhelmingly poor bargaining position. Any attempt by third-party actors to influence this situation will have to bear this state of affairs in mind. To whatever extent this is possible, initiatives aimed at securing minimum social standards should go hand in hand with approaches offering appropriate incentives to cooperative coffee producers.

In view of the persistent coffee price crisis, important actors in Costa Rica, Guatemala, and Mexico are gearing their efforts to a reprofiling of either

individual fincas, regions, or entire countries as consistent suppliers of high-grade coffee. This is linked with efforts to remove low-grade areas (in lower-lying growing regions) from coffee production and to convert such areas for production of nontraditional products. This must be accompanied by an active policy geared to promoting structural change in these regions and developing viable alternatives adequate to mitigating social hardship. Under these conditions it may be possible to use a comprehensive definition of quality (product quality, ecological and social quality) to influence developments on coffee fincas. This, however, would be conceivable only if consumer awareness were enhanced and purchasing behavior were steered in this direction. Efforts by civil-society organizations as well as market partners in consumer countries have an important role to play here.

Some coffee producers have expressed their willingness to invest in improvement of the working and living conditions of coffee workers if this entailed longer-term delivery agreements with coffee importers and roasters. Definition of a price corridor has been proposed within the framework of these supply relationships. This should, on the one hand, involve a definition of minimum prices that at least guarantee that production costs are covered. On the other hand, exporters would also have to be prepared to accept a fixed top price when the commodity exchange prices for coffee are especially high. A model of this kind would ensure planning stability for producers and buyers alike.

One problematic aspect involved in enforcing higher social standards in the coffee sector is that government authorities, at least in Guatemala and Mexico, have an insufficient presence in coffee growing regions. The chambers and associations of the coffee sector mainly see themselves as representatives of big coffee growers, their activities are chiefly geared to overcoming the price crisis, and, in the short term, they will be difficult to win over as partners for the project of improving the living and working conditions of coffee workers. It is therefore essential to find civil-society part-

ners (NGOs, church organizations) to monitor any possible programs at the producer level.

6 The coffee industries of industrialized countries as partners in securing minimum social standards in producer countries

If efforts aimed at improving the living and working conditions of workers in the coffee sector are not to remain limited to selective and patchy measures, it will be necessary to involve the large private-sector actors in consumer countries in the process. The present study included interviews with representatives of both the German coffee industry and the European Coffee Federation.⁶⁸ The following chapter first provides a brief overview of the structure of the German coffee industry. It then presents assessments of the firms and associations interviewed concerning their future role in securing minimum social

standards in coffee production. Referring to two measures of particular importance in the ongoing discussion, Sections 6.3 (codes of conduct) and 6.4 (public-private partnerships) look into and evaluate concrete fields of action.

6.1 Key data of the German coffee industry

In Germany a total of 430 000 tons of roasted coffee and 14 150 tons of instant coffee were sold in the year 2000. This amounts to a figure of some DM 7.7 billion, roughly 5 % short of the figure for the previous year. In 2001 the sales volume rose by 2 %, a development attributed to the sharply declining prices for coffee. Over the long term, however, the trend to be observed is declining per capita consumption; the figure for 1999 was 6.7 kg.⁶⁹ As in other European countries and the US, the coffee market in Germany is marked by sharp competition and is dominated by a limited number of actors. Worldwide, six large coffee importers pres-

Box 3: The leading German coffee roasters			
Roaster	Owner	Products	Market share
Kraft Foods	Philipp Morris Companies, Inc.	Krönung, Night&Day, Meisterröstung, Hag, Onko, El Condor	28 %
Tchibo Frisch-Röst-GmbH	Tchibo Holding AG	Privat-Kaffee, Gala, Gran Café	23 %
Aldi GmbH & Co. KG	Aldi Gruppe	Albrecht	17 %
Melitta Kaffee GmbH	Melitta Unternehmensgruppe Bentz KG	Auslese, Auslese Mild, Harmonie, Samtess	14.5 %
Alois Dallmayr Kaffee oHG	Alois Dallmayr KG und Nestlé Deutschland AG	Prodomo, Entcoffeiniert, Standard, Extra Spezial, Sonderklasse, Guatemala Antigua, Azul, Heimbs	9.3 %
J.J. Darboven	J.J. Darboven Holding AG & Co.	Idee, Mövenpick, Eilles, Bio-Naturmild, Alfredo	5 %
Source: <i>Lebensmittelzeitung</i> , various editions; information provided by the companies interviewed			

⁶⁸ A list of interview partners can be found in the appendix to this study.

⁶⁹ See Deutscher Kaffee-Verband (DKV) (2000), p. 11.

ently control 50 % of the market. The German Neumann Kaffee Gruppe GmbH alone has a 16 % share of the world coffee market and accounts for 30-40 % of German coffee imports. The processing and retailing of coffee is likewise dominated by a limited number of large corporations. Box 3 sums up the present state of affairs in the German roasted coffee market. The market leader is Kraft Foods Deutschland, which has a market share of 28 %. It is followed by Tchibo, which has a market share of 23 %, Aldi (17 %), and Melitta (14.5 %).

Many coffee roasters have in recent years enlarged the range of the products they offer (e.g. specialty coffees, ice coffee, etc.) and modified their sales channels with an eye to increasing their returns and boosting coffee consumption. Aside from retail sales, Italian-style (Segafreddo) and North American-style (Starbucks Coffee Company) coffee bars and outlets have made inroads in the market.⁷⁰ Sales through beverage-vending machines and in gastronomy are also growing in importance.

6.2 The problem from the view of the German and European coffee industry

Coffee roasters and importers as well as their German and European associations generally proved willing to discuss the social situation in producer countries as well as the problems stemming from the current price crisis. Only a few firms turned down our repeated requests for interviews.

Even in the past, the German trade association, the Deutsche Kaffee-Verband (DKV), has declared in principle that the industry is prepared to assume some responsibility for living conditions in coffee-producing countries.⁷¹ Referring directly to

the present low producer prices, the foreword to its *Kaffeebericht 2000* [Coffee Report 2000] notes:

*"In the long run, the worldwide coffee industry will remain sound only if the people who live from it and the environment in which it is set also remain sound. This is not only increasingly called for by our customers, our very own interests demand it as well. Together with producers and producer countries, and in dialogue with various nongovernmental organizations, we shall have to seek for new approaches that make possible a sustainable development of coffee."*⁷²

According to the DKV, the issue of "responsible corporate management" is, alongside food safety and environmental standards, one of the three focal issues of the Association's work. In this connection, the Association is interested in providing assistance in developing and formulating industry guidelines and coordinating materials and information.⁷³ In this context, the DKV in the past year developed a basic position paper on responsible corporate management. The paper formulates the Association's position on production in Germany, on purchasing raw coffee, and on the production of raw coffee (healthy, environmentally friendly, and socially responsible). The preamble states:

*"The most important tasks in the age of globalization include guaranteeing the dignity of all human beings, improvement of social conditions, and environmental protection. Sustainable economic development and the social progress it entails can be achieved only if we deal responsibly with the natural foundations on which life rests."*⁷⁴

⁷⁰ In 2002 some 200 coffee bars were in doing business in Germany. The DKV estimates that this figure had risen to roughly 300 by the end of 2001.

⁷¹ The DKV has represented the interests of the German coffee industry since 1969. It has a total of 98 members,

including 57 coffee roasting establishments and 9 importers of raw coffee.

⁷² A. Wijn, former DKV President, in her foreword to the *Kaffeebericht 2000* trans. P. Knowlton.

⁷³ Unpublished minutes of the DKV's regular general meeting on 09 June 2001, p. 8.

⁷⁴ Unpublished DKV position paper, trans. P. Knowlton.

As far as the securing of social standards is concerned, the paper makes positive reference to the ILO standards, noting that the German coffee industry is interested in contributing to their dissemination, to the extent that this is within its scope of influence. The DKV clearly opposes child labor in coffee production that is not in line with the relevant ILO conventions. The codes of conduct outlined there are welcomed by the German coffee industry as an orientation for its conduct in day-to-day practice. Implementation is envisioned here as a gradual process, conducted in contact with producer countries on the basis of dialogue, cooperation, and consensus, and not losing sight of the responsibility of the producers themselves.

Some representatives of the coffee industry express concern about the ongoing price crisis, though this concern does not focus chiefly on the impacts which the crisis entails for the social situation of workers in producer countries. Providing for adequate living conditions is seen here mainly as a task of the governments of producer countries. The fears expressed here can be summed up as follows:

- Extremely low prices lead to image losses for coffee among consumers. The latter see the product less and less as a luxury good and more and more as a cheap commodity. This development would force coffee roasters into increasingly fierce competition with one other.
- The price crisis constitutes a long-term risk to the supply of the German market with high-grade raw coffee. The countries most severely affected here, it is noted, are the traditional producer countries with their high production costs. On the whole, it is further noted, a shift of coffee production to Asia can be observed.⁷⁵

Representatives of the coffee industry attribute the need for more intensive discussion over the living

and working conditions in producer countries and, possibly, for a formulation of this state of affairs in corporate codes of conduct, to a growing consumer interest in goods produced in compliance with minimum social standards. Industry representatives refer in this connection to the sensitization of consumers achieved by fair-trade initiatives. The fact that the conduct of large corporations is under permanent observation by foreign and domestic NGOs is also affirmed to play a certain role.

6.3 Codes of conduct

Corporate codes of conduct are not a new phenomenon.⁷⁶ As early as the 1970s several multinational corporations adopted codes covering conduct in their headquarters. From the 1990s on, pressure on corporations, generated for example by image-damaging media reports on NGO campaigns, began to grow and led to the definition of comprehensive codes of conduct covering the whole value-chain. This development first included multinational corporations that produce a sizable proportion of their goods in developing countries. More recently, the trend has been for internal corporate codes to make explicit reference to international standards (e.g. ILO conventions) and to provide for external monitoring. Recently, two initiatives have attracted considerable attention: the Ethical Trading Initiative (ETI) in the UK and the SA 800 Code developed by the Council for Economic Priorities in the US. Both initiatives involve cooperation among a broad alliance consisting of NGOs, corporations, and labor unions. Though no impact analyses of codes of conduct have yet been presented, initial experiences indicate that systematic integration of these self-defined standards in day-to-day corporate operations, along with external monitoring, are key factors that really lead to impacts on the ground.

Corporations in the German coffee industry have yet to adopt any codes of conduct. The code of conduct that the US coffee bar chain Starbucks

⁷⁵ Other interview partners do not yet see this situation as given, noting that a possible decline in the supply of high-grade coffees can be countered by altering the composition of coffee types within the roasting process.

⁷⁶ See Liebig/Sautter (2000), Palm (2001).

adopted in 1995 caught widespread attention. Its objective was to improve the living conditions of workers in Guatemala's coffee sector. This code came in for heavy NGO criticism, mainly because the company failed to push for effective implementation. Starbucks itself pointed in this connection to a lack of cooperativeness on the part of local actors, in particular the sector organization ANACAFE, without which, it claimed, the measures could not be implemented.⁷⁷

The fact that they have not yet adopted any codes does not mean that the German and European coffee industries are not open in principle to approaches of this kind. The interviews conducted in connection with the present study found, on the contrary, a relatively marked interest in them.

The European Coffee Federation (ECF) is presently working out a set of Guidelines of Ethical Sourcing that foresees cooperation with NGOs, labor unions, and producer countries.⁷⁸ In June of 1999 the ECF initiated discussions on the ethical responsibility of the European coffee industry. The guiding idea was that a code of ethics might help the coffee industry build a positive image for its product, and do so without being misused by coffee companies for competitive ends. In this connection, the aspect of credibility was emphasized as a highly important factor. In substantive terms, the European Coffee Federation has thus far sought orientation in a catalogue published in 1999 by the Ethical Trading Initiative (ETI). Alongside the ILO's core labor standards, the latter also contains a call for safe and sanitary working conditions as well as payment of an adequate

minimum wage. One of the key issues of the discussion has been child labor, a consideration that must be seen in the light of the publicity potential inherent in the issue.

The Federation is in favor of working out guidelines, which it regards as less stringent than codes of conduct. The Federation is furthermore looking into the possibility of partnerships with development-oriented organizations like UNICEF and the Red Cross in the fields of education, health, and working conditions. As far as implementation and monitoring are concerned, the Federation envisages, in the long term, cooperation with NGOs or labor unions. On the whole, however, these considerations are still vague in their formulation and can at present best be characterized as a cautious and gradualist approach to a touchy issue, the main reason being that many important questions have not yet been addressed and no time frame has as yet been defined.

Our interviews with firms in the German coffee sector indicate that it is in particular the market leaders that are presently concerned with the issue and are planning, or at least considering, the introduction of corporate codes of conduct. Growing consumer awareness is given as the reason for these considerations. Even though at present, as the Federation notes, public calls for action are not especially vociferous, growing pressure by critical consumers must be anticipated over the long term. Yet the firms interviewed also express fears of rendering themselves vulnerable by placing any unduly strong emphasis on corporate social responsibility. This is the reason for the industry's currently more defensive stance as well as its reticence to implement appropriate measures in such a way as to attract public attention.

No detailed information was given on the substance and formulation of the codes of conduct envisaged, although the companies interviewed regarded certification as per SA 8000 as either "unrealistic," insufficiently sector-specific, or simply too costly. As far as possible monitoring mechanisms are concerned, two companies that are considering codes of conduct (Kraft Foods Deutschland, Neumann Gruppe GmbH) are in fa-

⁷⁷ See Starbucks Code Going Nowhere in Guatemala, US/LEA Newsletter, August 2000, <http://www.usleap.org/Coffee/SBcodegoingnowhere.html>; Starbucks Reneges on Code of Conduct, <http://eatthestate.org/01-31/StarbucksRenegeson.htm>, 22 April 2002.

⁷⁸ Interview with the ECF's secretary general, Mr. Vaessen; see Appendix. The European Coffee Federation is the umbrella organization of the Committee of the European Coffee Associations (CECA) and the European Federation of Associations of Coffee Roasters (EUCA). It is furthermore present in the Private Sector Consultative Board of the International Coffee Organization and is one of the eight representatives of the consumer side.

vor of external monitoring, possible by an international NGO.

Two of the smaller coffee roasters interviewed indicated that they have not yet experienced any public pressure, but would reconsider their position if this were demanded by the public. But even then, they noted, it would not be the roasters but the importers of raw coffee who would be responsible for compliance with social standards. They stated, however, that they could imagine inserting a clause of this kind in their coffee contracts with importers.

Possible contents of a code of conduct in the coffee sector

Several interview partners emphasized that the coffee sector, as an agricultural sector, differs from the manufacturing industry in many essential points. On the one hand, it was pointed out, the coffee sector is far more employment-intensive, and on the other hand the number of production units in the sector is far greater than it is in other sectors, for instance in the garment industry. Accordingly, it was further noted, codes of conduct here would have to be formulated differently from codes for the manufacturing sector.

Bearing in mind both the international discussion⁷⁹ and empirical findings on the working and living conditions in the coffee sector, companies that subscribe to a code of conduct should start out by demanding that both their suppliers and their own production units comply with the ILO's core labor standards. With an eye to facilitating rapid implementation and simplified monitoring, any further-reaching, sector-specific arrangements should be restricted to a limited number of key factors, and these in turn should focus on already identified core deficits in the social and labor regulations applicable to coffee workers.

With the **ILO's core labor standards** in mind, it is essential that the following conditions be verifiably met:

- Freedom of association and the right to collective bargaining must be guaranteed (ILO Conventions 87 and 98). In view of the fact that labor unions and other workers organizations are very rare in the coffee sector, this must not be construed to mean that coffee should be purchased only from suppliers that cooperate with organizations of this kind. However, suppliers who verifiably obstruct the work of such organizations should be barred.
- Any and all kinds of forced labor must be banned (ILO Conventions 29 and 105).
- There must be a ban on discrimination against women or members of specific ethnic groups (ILO Conventions 100 and 111).
- Child labor must be permissible only within the limits set out in ILO standards 138 and 182. Coffee producers must accept their responsibility for compliance with these standards and not, as is the usual practice today, seek to evade them by pointing to families as the sole agencies responsible.

We wish to point out here once again that both the countries covered by the present study and most other coffee-producing countries have largely or completely ratified the ILO conventions named above. For the time being, commitment of coffee companies to these standards thus means no more and no less than compliance with the binding national regulations in the countries concerned. In other areas as well (minimum-wage regulations, provision of social services for workers), consistent compliance with national law would already be an important step toward securing minimum social standards in coffee-growing regions.

Further-reaching arrangements that can be derived from the present analysis of the working and living conditions in large-scale coffee production and should be part of any code of conduct for coffee production include the following:

⁷⁹ See Ensing (2000), pp. 12 f.

- The pay of coffee workers must be sufficient to secure their livelihood. Our studies have shown systematic noncompliance with official minimum-wage regulations in Guatemala and Mexico and at least some violations in Costa Rica. Since these official minimum wages are in any case low, any pay arrangements falling below them should not be acceptable. It is important that migrant workers also be paid the minimum wage, even if they are working illegally in the country in question. If this is not the case, these migrants will increasingly be forced into the role of unfair competitors of local workers, and any development of this kind would serve to further obstruct global enforcement of minimum social standards.
- It must be ensured that performance-based payment of harvest workers is sufficient for laborers, working under normal conditions, to pick enough coffee to earn at least the equivalent of the official minimum wage. This should be possible in all phases of the harvest season, and not only in peak phases.⁸⁰ Arrangements of this kind can reduce the pressure on seasonal workers to call on family members, including under-age children, to help out in harvest work.
- It must be ensured that younger and coming generations have access to basic education in order to break the vicious circle forged by illiteracy and poverty. Barriers to access differ considerably from country to country, indeed sometimes even from region to region. It is therefore essential to develop locally adapted solutions. One possibility would be for the local coffee sector to support public educational facilities or provide for schooling on fincas, as legislation in some coffee-producing countries requires. Flexibility is called for here, although fincas should generally be required to show commitment to achieving the goal. Where permissible, child labor must not be allowed to obstruct the goal of making it possible for children to attend school on a continuous basis.
- It is essential to ensure that coffee workers, including seasonal workers, have access to adequate medical care. Initial emergency treatment must be available on fincas. Additional medical care can then be geared to local circumstances, for instance in the framework of contracts between coffee fincas and local doctors and medical care stations that provide for coverage of medical costs, or in the form of contributions to a health insurance agency, assuming that this arrangement provides for medical treatment at a reasonable distance from the workplace. In addition, all workers should be covered by a collective accident insurance plan that provides compensation for families in cases involving rehabilitation measures, invalidity, or death due to work-related accidents.
- Casual and seasonal workers who work repeatedly and for longer periods of time for a given finca should be offered the possibility to join health and pension insurance plans. This would be a first step on the road to remedying the social situation of a great number of farm workers who today have no social security at all. An arrangement of this kind might benefit employers as well, since it would contribute to reducing the fluctuation among harvest workers. This would require the introduction of finca-specific worker registers.
- Finally, it must be ensured that all workers (including seasonal harvest workers) have access to adequate housing and food. The minimum standard should rule out the possibility that housing conditions constitute, as they often do today, an immediate source of health impairment. It would furthermore be imperative to set realistic goals oriented to local givens. Where, as in Costa Rica, minimum standards have

⁸⁰ In Costa Rica payment per unit of coffee picked during the early and late season is distinctly higher than it is in the peak phase of the harvest (see 5.2.1).

been set for humane housing for coffee workers, codes of conduct should be based on these standards.

6.4 Public-Private Partnerships (PPP)

For some years now, development partnerships between public development cooperation and private corporations have been gaining currency as an instrument that can be used to mobilize additional funds for development projects and to deploy these funds efficiently and with a maximum of expertise.

many questions in this field remain to be answered, and thus most such projects still have pilot character. German development cooperation is also undertaking active efforts aimed at bringing about development partnerships involving the private sector. The criteria on which these joint projects are based are listed in Box 4.

The GTZ is already conducting several PPP projects together with Kraft Foods Deutschland and the Neumann Gruppe GmbH aimed in particular at improving and safeguarding the quality of the product coffee. These will be briefly outlined in the following two sections.

Box 4: The PPP model of German development cooperation

The GTZ decides on PPP project proposals in accordance with the following criteria:

1. A project's impacts must be conducive to development: The conduct of the project must be consistent with the development-policy goals set out by the German federal government.
2. **The contributions of the partners must complement each other efficiently: Each partner contributes its part to realizing the project, and does so in such a way as to give rise to synergies. Only in this way can both sides attain their objectives – development-related benefits and commercial success – more quickly, more efficiently, and more cost-effectively.**
3. The principle of subsidiarity: For a project, the GTZ provides only contributions that the participating private-sector partner would not have to provide in any case, for instance due to legal regulations or because such contributions are immediately required for the core activity involved. This means, for instance that no direct support is provided for sales or marketing of products, assuming that the private partner's business purpose is to sell such products. To be sure, qualification of local suppliers to produce such products may be a joint project goal.
4. Cost-splitting: The partners are jointly responsible for mobilizing project funding. The private-sector partner is required to provide a substantial financial and personnel contribution of its own. In general, the anticipated impacts of the project on the goals of the two partners is the key factor determining the volume of funds to be committed by each partner. The GTZ's contribution should not exceed 50% of overall project funding.

Source: GTZ, www.gtz.de/ppp/english/faq/, 02 May 2002

The UN's Global Compact Initiative has met with particular interest in recent years.⁸¹ Apart from this, there are also a variety of other international initia-

tives involving cooperation between development actors and the private sector.⁸²

What is novel in the PPP approach is that it for the first time involves the private sector in tasks that were once the sole terrain of the public sector. Yet

6.4.1 Project examples: Kraft Foods Deutschland (KFD)

Since April 2000, KFD and the GTZ have been conducting a joint project in **Peru** that aims above

all to improve the quality of Peruvian coffee. This involves providing a German expert consultant to the chamber of the Peruvian coffee sector for an initial period of three years. The consultant's task is to work, in coordination with the institutions involved, toward the goal of establishing internationally recognized quality standards, introducing

⁸¹ www.unglobalcompact.org/www.un.org/partners/business, 22 April 2002.

⁸² See Mehra (2001).

certification procedures, and developing an appropriate monitoring system. KFD is assuming the costs for this expert. In parallel, KFD is funding the training and the work of two local experts to advise small farmers as well as the equipment and operating costs of a quality-analysis laboratory and two vehicles.

KFD's interest in this project centers on enlarging and securing the long-term supplier system in Peru, i.e. on commercial concerns. Indirect impacts on the target groups of development policy may be expected if the higher quality standards aimed at making it possible to sell Peruvian coffee in the world market at less discounted prices.

A new PPP project (launch: January 2001) that involves the Dutch coffee roaster Douwe Egberts as well as KFD and GTZ centers on the ecologically sustainable production of high-grade coffee in **Vietnam**. One particular aim here is to promote production of high-grade arabica coffee. At present Vietnam produces almost exclusively the variety robusta. The four project goals include one aimed at improving the living conditions of small coffee producers in the community of Huong Phung. The project centers on improving local infrastructure. The project's financial volume is DM 1.2 million, one third of which is borne by the GTZ.

For the coffee roasters involved, supporting Vietnam in the production of high-grade arabica coffees means developing an alternative to higher-price coffees from traditional growing countries. The development-related goals involved here include a reduction of the environmental degradation due to coffee cultivation as well as the above-mentioned measures in favor of small farmers. In view of the current overproduction of both arabica and robusta coffees, however, it is questionable whether the impacts of the project can be sustainable. Sustainability may be expected only if the outcome is in fact a tangible and lasting decline in the amounts of coffee exported.

6.4.2 Project examples: Neumann Gruppe GmbH

Since April of 2000, the Neumann Gruppe and the GTZ have been jointly conducting a PPP project in **Mexico** on "Introduction of environmental and social standards on the Neumann coffee finca La Puebla." This is a pilot project that, if successful, is planned to be transferred to other fincas as well. The La Puebla finca is 2 500 ha in size and offers regular employment for 500 workers and two to three months of harvest work for several thousand seasonal workers.

The project's objective is development, introduction, and compliance with standard for sustainable and socially compatible coffee production. The project's costs amount to DM 875 000, 59 % from the Neumann Gruppe and 41 % from the GTZ.

The targeted results include:

- preparation of a base report on environmental, social, and growing conditions;
- establishment of a farm management system focusing on sustainability aspects;
- capital replacement investments in waste disposal, sanitation, and housing facilities;
- sensitization of the public to sustainability issues;
- cooperation with the Mexican government's "Program of solidarity with farm workers."

The Neumann Gruppe indicated that its motivation for the project is to use the planned investments to achieve a long-term increase in the number of qualified, motivated, and physically sound workers active on the finca, in this way improving the quality of the coffee produced there. The initial project phase encountered some difficulties in implementation. It was, for instance, noted that it is somewhat difficult to induce farm workers to send their children to school. It was further noted that neighboring fincas attempted to obstruct the project, fearing that a rise in the living standards of laborers there would lead to widespread higher

expectations among the people working in the region as a whole.

The Neumann Gruppe is currently conducting a further PPP project in **Uganda** (October 2000 – October 2003) on certification and marketing of ecologically produced robusta coffee. The goal here, too, is a model farm. Another project is planned for Honduras. The project goals here are improved quality, conversion of individual farms to biocoffee, and improvement of worker incomes. An important client of the Neumann Gruppe, the Starbucks Coffee Company, is set to participate in this project.

In March 2001 the Neumann Gruppe joined the major coffee roasters Lavazza, Tchibo, and Pauling and Loeffberg to form the International Coffee Partners GmbH (ICP), which is headquartered in Hamburg. The motivation for this step was on the one hand the growing interest of consumers in social and ecological aspects of coffee production and on the other hand the interest of the companies concerned in securing their coffee supplies over the long term. The ICP plans to conduct roughly two PPP projects per year with organizations such as the GTZ, the EU, as well as with other international donors. The Neumann Gruppe, which is present in nearly all producer countries, sees itself in a pioneering role in the coffee sector.

6.4.3 Tentative assessment of PPP projects in the coffee sector

The fact that in recent years it has been the largest private companies active in the German coffee market that have initiated PPP measures indicates first of all that these companies do not see themselves exclusively as actors in an anonymous commodity market and are increasingly willing to assume responsibility for quality coffee production, without losing sight of the ecological and social aspects involved. These efforts also include considerations on the possible introduction of company-level codes of conduct.

Bearing these companies' market position in mind, the scope and extent of the projects conducted thus far must be seen as quite limited. One reason for this is that PPP projects are a new field of action for the actors involved, a state of affairs that makes it necessary to start out with pilot projects. The companies involved will want to see project successes that entail positive impacts for their own organizations as well.

In terms of the object of the present study, the Neumann Gruppe's La Puebla project is of particular interest. If it turns out that raising the living standards of farm workers has positive impacts on the efficiency and quality of coffee production, this can entail important spillover and demonstration effects both for other fincas and for other coffee roasters. One important aspect here would be to develop an enlarged understanding of public-private cooperation in order then to harness this approach and the experience made with it for projects with higher levels of significance (see Chapter 7).

The willingness of private-sector actors to work for social progress in coffee regions in the framework of PPP measures will depend mainly on whether and to what extent critical consumer attitudes encourage them to do so. On this point, the assessments and expectations indicated by the companies interviewed were mixed.

7 Points of departure for action in development cooperation

Workers in the coffee sector, especially the large number of seasonal harvest laborers, are among the poorest population groups in the producer countries, and they are therefore one of the immediate target groups of development cooperation. Many traditional measures, for instance in basic education and the health sector, contribute to improving their social situation. The following chapter will set out some additional points of departure and recommendations immediately related to the empirical findings of the present study.

It is essential that measures in the areas of rural regional development and promotion of economic development and employment in coffee-producing countries not lose sight of the structural overproduction in the world coffee market. This means first of all that *no* projects should be conducted that in effect expand the amount of land under coffee production or systematically raise yields. On the other hand, and with a view to social aspects, efforts aimed at developing more environmentally compatible forms of coffee production make sense. In particular, it would be important to promote alternatives to the coffee monocultures currently prevalent throughout the world:

- Traditional coffee production in mixed cultures under shade trees entail a number of ecological advantages.⁸³ However, this approach means yields/ha distinctly lower than with monocultures, and for this reason its is important to provide financial incentives to preserve mixed cultures. A great number of North American consumers are willing to pay more for 'shade coffee' or 'bird-friendly coffee'.⁸⁴ One issue that might be explored in the dialogue with German coffee roasters is whether a strategy of this kind might hold promise for the market here.
- The transition to coffee produced in keeping with the principles of ecological agriculture likewise means declines in the amount of coffee harvested and may thus be seen as a strategy against overproduction. This approach is already being promoted in a number of DC and PPP projects. However, here too, systematic analysis of the market side is called for; the capacity of the German market to absorb biocoffee is at present very limited and the premium prices paid for it are of-

ten not particularly attractive for producers.

- Diversification of the output of coffee fincas involves a number of benefits for coffee-growing regions. Diversification means lower coffee outputs, development of alternative sources of employment, and less marked labor peaks during the harvest period. On the whole, this approach means less vulnerability of socioeconomic structures to fluctuations in coffee prices. An approach of this kind, however, presupposes the existence of functioning sales channels for nontraditional products (e.g. tropical fruits, vegetables, nuts, palm hearts). Here it would be particularly interesting to involve strong trading partners in industrialized countries in relevant development projects.

Another field of action in which DC could bring its government-level and institutional consulting services to bear to develop new structures would be reform of social insurance systems in producer countries. The problem of the lack of social security for casual and migrant workers which the present study has pointed to should become a focal point of efforts in development cooperation, since such efforts affect the living conditions of large numbers of persons in coffee-producing countries. Government programs aimed at abolishing socially incompatible forms of child labor should be provided flanking and implementation support.

The level of organization of farm workers is markedly low in the three countries under study. This impinges on the ability of workers to collectively induce their governments to enforce their rights and entitlements vis-à-vis coffee producers. Wherever movements of this kind are encountered, it would be important to provide support for the development of union representations and other civil-society organizations, e.g. through political foundations or NGOs.

Our interviews indicate that representatives of the German coffee sector are willing to work for the realization of minimum social standards. DC

⁸³ See Stamm (1999).

⁸⁴ Shade cultures provide favorable winter habitats for migrant birds from North America. The Smithsonian Bird Center sees the mechanization of coffee production in Latin America as one reason for the decline in populations of migrant birds; see <http://natzoo.si.edu/smbc/Products/Factsheets/ fxsht1.htm>, 24 April 2002.

should also use the contacts that have come about in connection with the PPP measures described above to foster a continuing dialogue with the coffee industry, e.g. in the framework of the existing "Round Table on Codes of Conduct." In this connection, it would be important to support the plans of companies and federations to adopt codes of conduct aimed at securing social standards both on their own fincas and among their suppliers. The market position of the firms open to discussion would make it possible to achieve some relatively significant impacts in producer countries over the near term. DC can also bring its methodological and expert knowledge and its specific regional and country-specific expertise to bear to contribute to an appropriate formulation of codes of conduct. External structures can be used to initiate and moderate dialogues with local chambers of trade and commerce in the coffee sector.

DC can also play an important role as a neutral intermediary between large private corporations on the one hand and NGOs active in the field of development on the other. Here the situation is still marked by a good measure of contact anxiety, prejudices, and communication problems that could be reduced in a DC-moderated dialogue.

As far as the implementation of codes of conduct is concerned, there is still considerable work to be done as regards the issue of practicable and transparent verification procedures. Our interviews indicated that all parties are interested in external monitoring. The international fair-trade movement could play a central role here, since it has acquired substantial stocks of experience-based knowledge in its many years of work in monitoring social criteria in small-scale coffee production as well as on plantations in other sectors (tea, bananas). The movement is represented in most industrialized countries, there enjoys the confidence of private firms and the interested public, and has on the whole developed a positive image. DC should support the development of local verification competence and appropriate instruments. Whether these will then prove able to be assembled under the roof of the fair-trade movement is a question that depends not least on the willingness and co-

operativeness of both sides of the equation. Here too, dialogue moderated by DC would be helpful.

The experience made with the ongoing PPP measures in the coffee sector should be utilized to initiate future projects aiming to come up with more significant impacts in producer countries. One example here would be efforts to ensure that all children of coffee workers in a region actually receive basic education. More significant impacts of this kind could be achieved only through a multiactor approach involving a larger number of private companies from developing and industrialized countries, local chambers and federations, NGOs, labor unions, government authorities, as well as bilateral donors and multilateral organizations. It would be essential here to focus the funds available, to initiate institutional reforms, and to coordinate the activities of various organizations with an eye to achieving and harnessing synergy effects. The private firms involved would have to be willing to regard such measures as long-term investments in motivated and qualified human resources. It would also be essential to break down barriers between sectors that have little experience in working together and to find a common level of communication and cooperation. German DC has in recent years acquired a wealth of experience in initiating and moderating complex dialogue processes. This experience could prove to be a critical success factor for an enlarged PPP approach of the type outlined here.

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Appendix: List of interview partners in Europe

Hermann Arnold, General Manager, Melitta Kaffee GmbH

Günter Brockhaus, Member of Management Board, Neumann Gruppe GmbH

Céline Charveriat, Policy Department, Oxfam

C.P.R. Dubois, Head of Operations, International Coffee Organization (ICO)

Bart Ensing, Trade Policy, Fair Trade Organisation

Thomas Finkel, Regional Coordination, Asia, Office for Public Private Partnership (PPP), GTZ

Tina Gordon, Deputy Director, Transfair e.V.

Horst W. Hentz, Managing Director, J.J. Darboven GmbH & Co.

Dr. Annette Kahre, Manager of Public Relations Staff, Melitta Beratungs- und Verwaltungs GmbH Co. KG

Peter Kocks, Social Standards Coordinator, Programme Office for Social and Ecostandards, GTZ

Celsius A. Lodder, Executive Director, International Coffee Organization (ICO)

Fiona Mabbott, Pilot Programme Manager, Ethical Trading Initiative (ETI)

Michael R. Neumann, Neumann Gruppe GmbH

Dieter Overath, Managing Director, Transfair e.V.

Reinhard Palm, Division 411, Globalisation, Trade and Investment, BMZ

Klaus Ronning, Department Head, *Rohkaffee-Einkauf*, Melitta Kaffee GmbH

Dr. Frieder Rotzoll, Managing Director, Deutscher Kaffee-Verband e.V.

Dr. Ulrich Sabel-Koschella, OA 45 Rural Development, GTZ

Denis O. Seudieu, Chief Economist, International Coffee Organization (ICO)

Robério Oliviera Silva, Secretary General, Association of Coffee Producing Countries (ACPC)

Reinhard Stoffel, Director, *Rohkaffee-Einkauf*, Melitta Kaffee GmbH

Annemieke Wijn, Director Coffee Public Affairs, Kraft Foods

Peter Williams, Fair Trade Programme, Standards Officer, Oxfam

Helma Zeh-Gasser, Regional Coordination, Andes Countries, Office for Public Private Partnership (PPP), GTZ

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