CREATING SHARED VALUE IN THE DOMINICAN REPUBLIC BANANA INDUSTRY

A MARKET SYSTEMS ANALYSIS OF PLANTATION BUSINESS PERFORMANCE AND WORKER WAGES

FEBRUARY 2017
EXECUTIVE SUMMARY

This study provides insight into business models for banana plantations in the Dominican Republic, with the aim of identifying concrete opportunities to improve commercial performance in a way that drives wage growth.

In the market system - a network of interconnected, interdependent players whose actions determine whether or not business models succeed – plantations face an array of constraints to improving their performance. This includes vulnerability to crop disease and drought, insufficient R&D and technological innovation, lack of value addition, volatile market demand and – most importantly – the low retail price of bananas. However, the most feasible constraint to address to create value for workers is low labour productivity.

Transforming productivity, however, will be no easy task. With a majority migrant labour force and with the industry still in relative infancy compared to regional competitors, plantation bottom lines are being squeezed by downwards pressure on prices, and a changing regulatory environment. Some plantations operate a low-input-low-output model, maximising profits by keeping costs to a minimum and limiting investment in longterm human resource development. While labour supply is plentiful, sub-optimal task completion, inefficient production and export rejections can result in lost revenues reaching high six-figures.

Addressing these challenges requires a portfolio approach to overcome multiple, connected constraints:

• Workers lack the necessary soft skills - especially teamwork and communications - to be more productive.

• Current plantation performance-incentive schemes are not fully understood by workers and are not effective motivating factors.

• Plantation management and supervision systems are not maximising worker potential.

The Dominican Republic is the world’s second largest producer of Fairtrade bananas. There is potential to further leverage the Fairtrade Premium – a vital contributor to the wealth and welfare of plantation workers – alongside testing out new performance-incentive schemes, improving supervision systems and training workers on soft skill development, in order to unlock ‘shared value’ solutions that create real business value for plantations as well as for workers.
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The Dominican Republic is the world’s second largest producer of Fairtrade bananas\(^1\). However, workers’ wages in the sector are below benchmarks for both a ‘living wage’ – which would provide for a basic but decent standard of living for workers and their families\(^2\).

The determinants of wage levels are complex and multi-faceted, resulting from the interplay of market structures, public agencies, laws and negotiations. While recognising that the ability of any single actor to influence the price of labour is limited, Fairtrade International has set a goal that by 2020, wages paid to workers on Fairtrade certified plantations will move closer to national living wage benchmarks.

In this context, the present study sets out to better understand the business models for banana plantations in the Dominican Republic, with the aim of identifying opportunities for ‘shared value’ solutions that can improve commercial performance in a way that unlocks wage growth\(^3\).

The study’s primary objective is to conduct a market systems analysis of plantation business performance and its connection worker wages. This was prompted by a multi-stakeholder working group as part of a UK retailer’s commitment to tackling salient human rights issues in their supply chain. The microeconomic perspective in this business performance analysis is designed to provide insight into what interventions may be feasible, appropriate and right-sized given the current business environment challenges facing plantations. While the immediate focus is on one retailer and their supplier plantations, the study looks to identify solutions that can be replicated across the industry, potentially benefitting all plantations and driving stakeholder value up and down the supply chain.

1. After Colombia
2. The estimated living wage in the Dominican Republic is RD$13,869 per month. Source: Anker and Anker (2013)
3. Plantations – or ‘hired labour organisations’ in Fairtrade International terminology - were the focus of this study as these are the focus of Fairtrade’s living wage initiative. It is worth noting that the
Plantation business performance was analysed using a market systems lens. A market systems analysis looks beyond the individual problems facing individual firms (which may vary according to firm-specific operations and culture) to identify shared problems that affect large numbers of similar firms (and so constrain industry growth). Simply put, it involves:

- Identifying the systemic barriers to plantation performance that need to be tackled by a combination of the private sector, government and civil society.
- Understanding the ‘pull factors’ which motivate internal plantation business decision-making, as opposed to the external ‘push’ factors dictating behaviour.
- Asking why the market has not innovated solutions already – before outside actors rush in to provide them.
- Looking for ‘win-win’ or ‘positive-sum’ solutions that generate higher wages through higher profits - as opposed to at the expense of profits.

The aim is to gradually build a business case for better wages that has three qualities:

- **Sustainability.** Focusing on catalysing lasting change in plantations by playing on solid commercial incentives to uphold new ways of working;
- **Scale.** Removing barriers to industry growth, so solutions can be replicated and mainstreamed across the sector – rather than being confined to just a few plantations.
- **Value.** Creating real business value for plantations – such as revenue growth, operational efficiency and reputation building – as well as for work-

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4. Market systems, or ‘Making Markets Work for the Poor’ (M4P), is an approach to poverty reduction that has been widely adopted by the British, Swedish and Swiss development agencies.
ers in terms of better remuneration.

A research plan is set out in Annex 2. In short, the research process involved:

- Meeting with market enablers such as development projects, government ministries and associations to understand the business environment;
- A series of key informant interviews with plantation owners, managers and supervisors to understand their challenges;
- The use of business performance analysis tools such as process mapping, SWOT analysis and the ‘5 Whys’.
- Snowball sampling with key informants to pursue interesting - and un-anticipated - lines of enquiry;
- Interviews with Fairtrade Premium Committees and individual packhouse and field workers.

- Secondary source and desk reviews to draw on existing data and triangulate findings5
- Real-time data analysis to allow new questions to be integrated into the research as it progressed.

The research took place over August to November 2016, with two rounds of field work in Monte Cristi and Valverde provinces. A validation workshop took place on 23rd November 2016.

The study was commissioned by the Fairtrade Foundation, in partnership with the International Labour Organization’s ‘Lab’ project, which promotes the use of a market systems approach to advance aspects of decent work6. It was conducted by a team of consultants led by Steve Hartrich (ILO) and Laura Flores (Grupo Minerva7), and coordinated by Matt Ripley (ImpactManagement8).

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5. All secondary sources are cited. Where facts and figures are not cited, they are derived from the primary research undertaken during this study.
6. See www.ilo.org/thelab
7. www.minervalatam.com
8. www.impact-management.org
The unit of analysis for this study was Fairtrade Certified banana plantations operating in the Dominican Republic. Of the 14 Fairtrade-certified plantations, 9 were purposively sampled based on willingness to participate. Of these, all 4 plantations part of the UK retailer’s supply chain were covered. 7 of the 9 plantations produced organic bananas.

A full list of interviewees is included in Annex 1.

The research faced a number of limitations, the most pressing of which was the available time to fully understand the operations of a near half-dozen medium-sized enterprises. The volume of attention currently on the sector means that much research has already been produced, with a lot of it contradictory and presenting conflicting data points on plantation production and cost structures. Language barriers were also a constraint when interacting with workers, since none of the research team spoke Creole.
A market system is the network of interconnected, interdependent players whose actions determine whether or not business models succeed. At the centre of the system are the plantations, and around them are the many suppliers, buyers, intermediaries, associations, civil society, standard-setting organisations and the government who influence banana supply and demand.

The starting point for any analysis is to understand the dynamism of the system - recognising that markets are often in flux rather than static, and that current market performance is shaped as much by historical and cultural trends as it is by economic fundamentals.

4.1 MARKET STRUCTURE

- Banana production is fragmented. There are around 1,950 small-scale producers and approximately 22 plantations - directly employing an estimated 31,800 workers and indirectly employing an estimated 30,000 workers. Production is concentrated in three provinces: Azua in the southwest is almost exclusively small-scale production while Valverde and Monte Cristi are home to both small-scale producers and plantations.

- Small-scale producers are characterised as producers with less than 7.5 hectares of land, are generally grouped together through associations.

9. Extrapolated form information from the CLAC and the BAM project document. CLAC indicates that 18 are Fairtrade certified.
10. As identified by Censo Bananero (2015) and published by Sistema de Informacion Bananera (SIBA).
12. As defined by the Ministry of Agriculture (2016).
which coordinate input, trainings and sales/export of bananas. Small-holders generally employ between one and three staff on a temporary (often ‘day’) basis. Smallholders are a key supplier to Fairtrade, supplying an estimated 70 per cent of the bananas from the Dominican Republic. Small-scale producers almost exclusively produce organic production - partially because the export price for organic is higher but also because they often cannot afford the inputs, whether conventional or organic, and thus farm with few if any inputs defaulting to organic production.

By nature of the size, plantations are much more structured, generally operating with pumped irrigation, cableways that bring bunches from the field to a dedicated packhouse, management staff offices and general staff kitchen/canteen. Plantations mostly structure planting for harvest to continuously and consistently arrive at the packhouse, such that labours work constantly and do not sit idle. At the plantations researched for this study, management indicated that all workers are employed on full-time contracts. Plantations within the Dominican Republic are relatively small when compared to those in the region such as Colombia, Ecuador and Costa Rica, where the big five banana companies are active market players, unlike in the Dominican Republic13.

The production market, particularly for plantations, is oriented toward organic exports given the prices to relative domestic and conventional export markets. According to the Dominican Agro-Business Council (JAD), 67 per cent of production is organic and another 13 per cent is in transition from conventional to organic. In 2014, Banana exports were the second largest consumable export, and were valued at USD 430 million. 93 per cent of the exports were sent to Europe14. Exports are predominately destined for Europe as a result of the African, Caribbean and Pacific (ACP) trade agreement with the EU which sets lower tariffs on imports from former colonies, such as the Dominican Republic. Within the European export market, purchase prices vary – for example, the UK purchases at a lower price end and Switzerland on the higher end.

The overall market structure most resembles an oligopoly, since while there are 22 plantations, almost all production and export is controlled through a limited number of coordination channels15.

### 4.2 HISTORY AND TRENDS

- The Dominican Republic’s banana sector is still in relative export infancy. The sector was once oriented to exports until this ceased in 1963. Through the creation of ADOBANANO, the main association which represents both plantations and smallholders, bananas started to be commercially exported once again in 1989, and since then the growth has been rapid. In 1992, exports totalled 93,000 metric tonnes (MT) and it is currently estimated at more than 1 million MT – an average growth of 11 per cent per annum.
- Due to this 10-fold increase in export production in just 20 over years, the business landscape is quickly transforming. Supporting services and rules have been slow to catch up. The sector has

13. These include: Dole, Chiquita, Fyffes, Noboa and Fresh del Monte.
15. This contrasts to other agriexport sectors in the Dominican Republic, such as sugar, which is more of a monopoly
a general dearth of experienced local management capacity and organic input suppliers, while for a long time, government turned a blind eye to the thousands of undocumented migrant workers in the sector. The sector now appears to be accelerating with new regulations and local innovation around input supply, reflecting the importance of the sector to the national economy.

- A variety of political and cultural factors meant the Dominican Republic historically lacked a strong or centralised labour movement, with the post-Trujillo period characterised by the organizational fragmentation of labour. Unions largely lack reach into the agriculture sector and the bargaining power of rural labourers is weak. This, however, may be gradually changing through organisations such as the Federación de Ligas Agrarias Cristianas (FEDELAC), and with growing interesting in the successful models for plantation worker organisation used in other countries.

- The retail price of bananas in the UK – the largest destination market for Dominican Republic’s Fairtrade produce – has fallen further and faster than in other countries. The last decade has seen a 40 per cent drop in the price of loose bananas, from £1.08 per kilo in March 2002 to only 68p per kilo in the biggest UK retailers for most of 2016. Some retailers may be selling below cost price as bananas are seen as a ‘canary’ commodity - an early warning sign that quickly reveals how one super-market’s prices compared to the others. This pressure on prices affects operations and incentives down the entire supply chain, and appears to have a particularly strong effect on putting downward pressure on worker wages.

- Market demand is uneven. Plantations cite having little understanding of the major trends in consumer demand for Fairtrade-certified bananas, and, according to the opinion of one plantation owner, “a major issue is ensuring commitments to volume. Volumes are not guaranteed but can go up and down quickly from 6,000 to 30,000 boxes per week which is unworkable. Supermarkets run tenders every year, but for stability we need five-year contracts.”

- Global banana production is vulnerable to long run risks resulting from monoculture farming practices. For decades, the world’s most-exported banana was the Gros Michel, but in the 1950s it was almost wiped out by ‘Panama disease’, a fungus causing banana leaf wilt. A new strain of the Panama disease is now threatening its successor breed, the Cavendish, which currently accounts for all commercially cultivated bananas, including those produced in the Dominican Republic.

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16. See Labour, Politics and Industrialisation in the Dominican Republic (Rosario Espinal, The Kellogg Institute)
17. Primarily Colombia
19. Britain’s Bruising Banana Wars (2013). It should, however, be noted that despite the so-called ‘price-war’, some UK retailers, at a cost to themselves, are doing more than others to deliver better returns to producer organisations (e.g. by certifying as Fairtrade paying the premium on every box of bananas bought).
20. Ibid. This is the opinion of one producer, and may not be indicative of a wider issue for producers as other producers did not quantify demand variations but nonetheless flagged concerns with demand stability.
4.3 SOCIAL NORMS

- The growing importance of Dominican Republic’s banana sector is making it increasingly visible to both national public agencies and civil society, as well as to external support organisations. A number of international actors, including the United Nations Development Programme (UNDP) and the International Labour Organisation (ILO) are active in the sector, along with NGOs. International media reports in recent years have focused on wages and working conditions in plantations\[21\]. This external attention on a sector that has been largely internally-focused to-date and is leading to natural degree of defensiveness and scepticism about the value added by ‘outsiders’.

- The so-called ‘Caribbean culture’ of the Hispaniola island – shared by Haiti and the Dominican Republic – was repeatedly referenced as an important factor in understanding attitudes towards work in banana plantations. Whilst avoiding generalisations, this social norm – as explained in more detail in Section 8 – leads to workers placing life quality considerations (socialising, free time and camaraderie) as a higher priority than pure financial rewards.

\[21\] For example https://www.theguardian.com/environment/2012/may/28/fair-trade-food
Plantation personnel can be divided into two categories: ‘Management, administrative and supervisory staff’, and ‘field and packhouse workers’. Apart from a few general managers who come from nearby banana producing countries, most of the managerial, administration and supervision positions are filled by Dominicans. Survey data indicates that foreign nationals, predominantly from Haiti, represent around 80 per cent of the remaining workforce on plantations. As 87 per cent of Haitian born workers have all or some of their family in Haiti, many send whatever savings they have back home.

Since the field and packhouse workers comprise the majority of workers and are the lowest-paid, they are the focus of this study.

Fairtrade has a considerable impact on the sector. Of the plantations surveyed for this study, 92 per cent of the bananas exported were Fairtrade certified bananas. For each box (18.14 kg.), a premium of one US dollar is paid to the plantation to be distributed among the workers through community development projects. Committees made up of workers decide how to distribute the money and they must spend at least 80 per cent on ‘social’ programmes that benefit the workers and/or community through investment into housing, training, health and education, as well as a recommended maximum of 20 per cent on a cash payment.

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22. This, as well as figures in the box title “plantation workers” to the left have been extracted from the LEI Wageningen worker survey data (2015). Figures in the “Monthly Wages Benchmarks” box sourced from Anker and Anker (2013). Note living wage benchmarks in this box have been developed from research into the cost of living for households and are not legally binding.

23. LEI Wageningen 2015

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**PLANTATION WORKERS**

- 80% foreign born
- 9 years average time in country
- 25% in country less than 3 years
- 63% migrated for this job
- 13% live with their families

**MONTHLY WAGES BENCHMARKS**

- RD$ 6,244 Minimum agriculture wage
- RD$ 9,774 Government poverty line
- RD$ 11,292 Minimum wage, large enterprises
- RD$ 11,966 Living wage with in-kind benefits
- RD$ 13,896 Living wage without in-kind benefits

“With this dollar (per box), the workers can do a lot.” Plantation manager
to workers\textsuperscript{24}. In addition to the pay and community development benefits, workers in Fairtrade plantations are more likely to feel secure in their job, feel comfortable to express ideas and opinions, and feel part of the company (LEI Wageningen 2015).

The agriculture sector is regulated by a minimum wage of RD$ 267 (USD 5.75) per 10-hour work day\textsuperscript{25}. Field research indicates that plantations pay workers around RD$ 300 (USD 6.50) per 8-hour day, or approximately 40 per cent per hour higher than the mandated wage. Market actors also indicated that workers in the banana sector also receive slightly higher remuneration than those in other agriculture sectors.

In addition to base wages, plantation workers receive a mandatory 13\textsuperscript{th}-month payment in December, as stipulated by national legislation, and the Fairtrade premium payment which can be worth the equivalent of an extra 0.8 to 1.5 months of pay per year. Plantation workers also perceive wages to be rising (even if they are actually static)\textsuperscript{26}. Inkind benefits include breakfast, lunch and often transport\textsuperscript{27}. Some plantations also provide low- or non-interest loans.

Data collected for this study indicates that in summing base wages and the 13\textsuperscript{th}-month bonus, the estimated total average monthly wage in plantations ranges from RD$6,200 to RD$7,700 per month (USD 135 to USD 165). In looking at how plantation wages stack up against various benchmarks, cash wages alone do not exceed any of the monthly wage benchmarks apart from the agriculture minimum wage. Even when the in-kind benefit of food provided on site (worth RD$ 1,653 per month\textsuperscript{28}) is added to wages, none of the basic benchmarks are met. However, if the Fairtrade Premium pay-out is considered as an income source alongside the in-kind benefits, the average total plantation “income” is RD$ 10,420 per month (USD 225 per month).

5.1 VALUE CAPTURE

According to global figures from Banana Link, €0.61 of every kilogram of bananas imported to the European Union goes to the retailer and €0.10 to the worker\textsuperscript{29}. The combined value captured by plantations (producers) and workers represents less than half (at 20%) of the value capture of the retailer buying the bananas (41%). And with downward pressure on prices, plantation owners have expressed that they have little ability to increase fixed labour costs when the price for their product and perceived revenue has been falling.

\begin{footnotesize}
\begin{enumerate}
\item It is noted that there is a provision for plantations with a majority foreign workers, that a cash payout of 50% is permitted such that foreign workers can send money for development projects in their home country, however, none of the plantations paid the more than the 20% payout.
\item As identified in Article 2, d) of the “Resolución 1/2015 del Ministerio de Trabajo”.
\item Source: LEI Fairtrade study
\item Field observations coupled with information from Anker and Anker (2013)
\item Minimum wage calculated includes 13\textsuperscript{th} month and 5 day weeks. All other benchmarks extracted from Anker and Anker (2012). In-kind benefits include breakfast 6 days a week, lunch 5 days a week, and transport.
\item Data extracted from data and information from Bananalink (2014), http://www.bananalink.org.uk/banana-value-chains-eu.
\end{enumerate}
\end{footnotesize}
6.1 PLANTATION OPERATIONS

The general production process, from planting to packing boxed bananas into containers, is broadly similar across all observed plantations. The majority of labourers are designated as field staff, with around 30 per cent working in the packhouse and between two per cent and eight per cent supervisors and managers. Interviewed plantations ranged in area-under-cultivation from around 31.4 hectares (ha) to 336 ha, and from 45 workers to 312. The average plantation size was 125 ha, with 139 workers and 12 management, administration and supervision staff.

Figure 2: Plantation production process
Several smaller plantations only had packhouse operations for three days per week, as there were not enough bananas ready in the packhouse to operate for the remainder of the week. The general production process which was observed on site follows the general flow identified on the previous page.

Managers perceive tasks in the packhouse to have considerable implications on productivity and end-product quality control and for about a third of the surveyed companies, these positions were paid better than those in the field. In the field, most tasks are perceived as being low-skilled as most managers feel that workers can pick up the tasks with little to no training. The most important field position is that of the person who identifies which “child” plants are of the right size, spacing from other plants and in location for optimum sunlight, to increase the probability of higher yields for next banana producing plant.

Product losses can have a considerable impact on revenues. Plantations factor in a five per cent loss in the field due to felled trees or trees not maturing properly. Beyond this five per cent, between 2 and 16 per cent of bananas that arrive at the packhouse are rejected due to minor defects which render them unfit for export. The rejected bananas are often sold on the local market for about 20 per cent of the organic export price, though some plantations choose to donate them to the police, hospitals or educational institutions. As one manager indicated, while the rejections are identified at the packhouse, they are often caused by a lack of care by those in the field.

In monetary terms, this represents lost revenues for plantations of between US$5,000 and US$800,000 per year. This wide variance reflects markedly difference plantation performance in controlling product quality and wastage as well as end-buyer specifications. Around a third of plantations face a major issue with a rejection rate greater than 10 per cent, while a further third have moderate rejections of between 4 and 10 per cent. The remaining third have minimal rejections, where there is likely no further room for improvement.

6.2 KEY FINANCIALS

Given plantations vary in size from small to large, gross revenues also vary considerably from US$270,000 to over $6 million. The average yearly sales of surveyed plantations was US$1.9 million.

Plantation profit margins were harder to calculate, given the lack of reliable data on both direct (costs of production) and indirect costs (such as utilities and expenses). However, estimated net profit margins are 14 per cent against a total production cost per organic box of US$8.9; estimated gross profit margins (taking into account cost of goods sold only) for non-organic plantations varies between 9 and 25 per cent.

6.3 PLANTATION BUSINESS MODELS

Based on an analysis of business outcomes (production, sales and revenue) and inputs (land, labour and capital), plantations can be grouped into two different types of business model: a low-input/low-
output model; and a higher-input/higher-output model.

The plantations are evenly split between type 1 and type 2. There is no link between the size of plantation and the business model they have chosen to adopt.

**BUSINESS MODEL 1: LOW INPUT-LOW OUTPUT**

The principal objective of this model is to maximise profit by keeping operating costs to a minimum with a view to maintaining short-term (year-on-year) profitability. These costs are minimised through maintaining a skeleton supervisory and management staff, paying lower wages and limiting investment into human resource training and/or development. This basis for this model comes as a response to the downward trajectory of prices, in which plantations feel that they have little margin for resource investment. Plantations also keep costs down as a mechanism to hedge against risk of further market price decreases or a potential large-scale crop failure. The direct consequences of minimal resource investment into inputs are numerous when looking at productivity, production, rejections and potentially lost revenue. Staff turnover is higher relative to other plantations. However, as management consider labour supply to be high and required skilled levels low, finding replacement staff is not viewed as being problematic. Poor labour productivity and high rejections are perceived to be rooted in poor work ethic. Uptake of training – even those trainings offered free of charge – is low, as the opportunity cost of using staff time is not considered to yield a sufficient return on investment since the skills required, for example, to cut bananas or put belts around bunches, are not perceived to demand substantial training.

A light-touch management and supervision structure appears to have a negative impact on productivity. Field staff are often left to their own devices in large fields under the coverage of dense banana trees, with limited to no monitoring systems to keep track or hold staff accountable for performance.

It should be noted that one plantation grouped into this model type reported higher labour productivity, lower rejections and lower staff turnover, in large part due to management taking a personal, or family-like, interest in staff - often responding to workers’ personal needs such as providing non-interest loans with loose payback agreements. In this case, staff considered the manager as well as other workers part of the plantation ‘family’ and thus appeared to be incentivised to perform better.

**BUSINESS MODEL 2: HIGHER INPUT-HIGHER OUTPUT**

The second model takes a longer-term view of the business planning process – investing more heavily in workers and their development, in plantation monitoring systems, and in supervision and management resources - with the objective of creating a more stable and productive plantation over time. In the short-term, this creates a more positive work environment with more productive workers and fewer rejections. Wages for field and packhouse staff within this business model were surveyed to be 18% higher than in the plantations in the low input/output model. The model also has stratified pay levels, rewarding workers for longevity, performance, or increased responsibility. One plantation had 20 internal staff trainings scheduled for this year, availing of both free trainings offered by the Instituto de Formación Técnica Profesional (Infotep) as well as commissioning external trainings or hosting in-house trainings. Most trainings are not designed to improve work-related tasks, but rather improve food sanitation or worker health and safety, which may serve as both a
staff motivator while reducing some absenteeism due to health issues.

Field monitoring systems are more developed – often recording data on a sub-area basis and ensuring that the same teams of field staff work in these areas are reviewed by the same supervisor, such that production problems can be isolated to specific areas and inform individual feedback. Data is collected using some form of computer software, is neatly presented and sometimes re-viewed.

The benefits of such a model are clear for both workers and business – the labour productivity in this model is approximately 50 per cent higher than the low-input/low-output model, and rejection rate about 25 per cent less\(^3\). However, as data has not been collected on the marginal production and operating cost differences between models 1 and 2, it is not possible to draw conclusions on the relative marginal profitability differences between the two models.

\(^3\) Given the small sample size, these comparisons should be used for illustrative purposes only.
This section identifies which important ‘functions’ (shaping the supply or demand for bananas) and ‘rules’ (laws, regulations, standards and social norms) are constraining the business performance of plantations.

It then analyses each under-performing function/rule to determine whether the business growth constraint could be addressed in a way that leads to wage growth. The three criteria used to make this assessment are:

- **Relevance** to the issue of worker wages;
- **Feasibility** to overcome the business constraint;
- **Opportunity** to pass on value to workers.

On the following page, Figure 3, conceptualises the ‘market system’ – consisting of the core transaction (supply of and demand for plantation bananas) and surrounding functions and rules.

**CONSTRAINT: INCREASING COSTS OF COMPLIANCE**

Plantations identified that compliance to various certification schemes can be a costly in both financial and human resources terms. One plantation manager identified six different certifications that his plantation complies with, including Fairtrade and Global Gap, among others. The compliance criteria for some certifications reportedly changes on an annual basis and thus becomes a resourcing issue to manage both the compliance as well as the auditing processes. To tackle this resourcing issue, some exporters and plantations have dedicated compliance staff. Compliance also bears a financial cost; for example, an annual audit for a Fairtrade certification costs USD 1,500. This cost should theoretically be prebuilt into plantation production costs which is later offset by the Fairtrade minimum price, however, managers still perceive compliance as costly.

In addition to the resourcing challenges, plantations expressed some general grievances about compliance to such certifications, indicating that
compliance criteria are often developed on a regional level and thus, some criteria are not applicable to plantations in the Dominican Republic and adhering to them can be restrictive operationally. Plantation owners further cited that each year more requirements are added for compliance incurring a larger resource cost for plantations.

**Relevance:**
*Medium: Fairtrade Premium impact on net worker income is between 7 and 13 per cent*

**Feasibility:**
*Low: Despite rising costs, the market access benefits of certification are clear and plantations know that they greatly outweigh the costs*

**Opportunity:**
*Low: If plantations were no longer certified, it would likely erode value for workers and inevitably for plantations as Fairtrade certified plantations are more desirable for workers, indirectly reducing turnover and absenteeism*

**CONSTRAINT:**
**INSUFFICIENT R&D AND TECHNOLOGICAL INNOVATION**

The Dominican Republic banana sector is markedly low-tech, with little in the way of technological innovation. The systems that some more technologically advanced and larger banana plantations use in competing countries – such as barcodes for inventory management, and UAV drones that survey and track plant mortality34 - are not yet in use in the Dominican Republic.

A limited amount of domestic innovation is taking place in the input supply chain – for example Plasticos Multiform, a Dominican company, is the only national manufacturer of plastics for the banana industry, such as polythene insecticide-treated bags that are put over banana hands. This is leading to cost-savings as all plantations previously had to import these bags from abroad35.

At the national-level, there is no known R&D or agricultural research institute working to counter major disease risks, or to hedge against future risks to widespread Cavendish crop failure.

35. Primarily the USA
Opportunity:
Low: Would lead to business performance improvements only in the longer-term and for plantations which are generally of larger scale

CONSTRAINT:
VULNERABILITY TO DISEASE/ DROUGHT/SHOCKS

Drought has been a major problem for plantations in recent years. Reviewing historical precipitation records at one plantation, rain in the first nine months of 2016 was 150% of the combined rainfall of 2013, 2014 and 2015. Drought is a considerable cost to plantations in two ways. Firstly, as rural access to the volatile electricity grid is rare, plantations operate with pumped irrigation systems that run on diesel generators. At one plantation, the costs of running these generators in 2016 (a year which is not experiencing drought) is estimated to be equivalent to 70% of the labour cost for all field and packhouse staff36. Additionally, drought has negative consequences on the quantity of production as well as the percentage that meet international size standards. A further consequence is that through drought comes more agricultural dependence on irrigation channels, which is a risk to some plantations that border agriculture lands that use non-organic chemicals for production that can contaminate the water source.

Plantations are also sensitive to rain for two principle reasons. Prolonged intense rainfall, such as the type that occurred during November 2016, can incur severe plantation-flooding which in turn, causes crop failure. The most recent rainfall has reportedly wiped out the entirety of some plantation’s crops and may be the most considerable negative shock for the industry within the last five years37. Sigatoka, a black fungus which can be lethal for banana plants, is also a production risk during periods of excessive rainfall. In general, the Dominican Republic has been minimally impacted by the Sigatoka compared to other banana producing countries and none of the plantations interviewed identified any recent issues with Sigatoka. However, the disease has been detrimental to plantations regionally and has on occasion, appeared at a localised level in plantations. Because Sigatoka requires a non-organic spray to limit crop damage, if it did become a problem, it would considerably threaten organic production and with it, the already narrow margins experienced on plantations (as well as the organic competitive advantage of the Dominican Republic).

Relevance:
Medium: Increased and consistent production would permit more human resource investment

Feasibility:
Low: Investment into better irrigation or drainage systems is costly and beyond the scope of this programme, and plantations already use available pest control

Opportunity:
Low: There may be some scope to improve plantation insurance coverage during catastrophe, however, any additional coverage will likely be perceived as an increased operating cost, constraining plantations’ ability to pay higher wages

CONSTRAINT:
NO VALUE ADDITION

Domestically, the sector has little opportunity for value addition or agro-processing to make more processed products like banana chips or jam. This is a problem as busi-

36. Using plantation fuel/labour estimations and a gas price of RD$70/gallon.
37. Total sectoral damages due to flooding have not been fully assessed, through early estimates indicated that USD 45 million dollars of losses.
nences cannot diversify the markets for which their products are sold and thus are completely dependent on the price and demand stability of the export market (see following sub-sections).

**Relevance:**
**Low:** Improved product diversity has little to no direct link with worker wages

**Feasibility:**
**Low:** Developing an understanding for other niche products as well as the markets which demand these products is costly in its own right, however, implementing to develop such new products will require substantial further investment

**Opportunity:**
**Low:** Although this would be a risk diversification strategy, it is presumed that it will take considerable time before any value addition innovation matures and becomes a core market for plantations – also recognising that such a market would likely never offer prices above export market price

**CONSTRAINT:**
**DOWNWARD PRESSURE ON PRICES**

The single biggest factor constraining both plantation performance and wage growth is the low retail price of bananas. A direct consequence of low prices is that plantation business models try to keep costs as low as possible. Plantations express a desire to pay workers more, but with relatively slim operating margins (while figures vary considerably by business, sector and country, around 25% is considered a ‘healthy’ margin – well under what plantations currently realise), it makes more business sense to adjust in-kind, discretionary or performance-based pay. Cheap labour, along with the niche of organic production, remain the greatest competitive advantages of the Dominican Republic’s export bananas. Downward pressure on prices is being transferred to a down-ward pressure on costs of production, especially labour38 – since there is a plentiful supply of it.

Domestically, prices for bananas do not compete with those in the international market as they are sold for an average of 20% (USD 2.00 per box equivalent) of the export organic price39. As a result of the price differential, “rejections” or those not meeting international quality standards are sold locally.

**Relevance:**
**High:** Prices have a direct and considerable impact on worker wages

**Feasibility:**
**Low:** Lobbying for change in global commodity prices is not effective against macro-economic supply-demand forces nor is intervening in retail price wars which effect core business operations to multiple large retailers

**Opportunity:**
**High:** This constraint greatly affects both wages and business performance as increased revenue generated through better prices could be used to invest back in the business, some of which would most likely go into its workers

**CONSTRAINT:**
**VOLATILE MARKET DEMAND**

Plantation owners and managers expressed concern over the unpredictability of future export market/buyer demand. However, when asked for examples when export

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38. Data indicates that the prices for British imports have remained stable between 2013 and November 2016. Despite the recent price stability, plantations are reluctant to invest in the business given the relatively longer (and recent) trajectory that has been experienced since 2002.

39. Note that domestic consumers do not prefer organic to conventional bananas and thus the price for both sold locally is the same.
quality produce could not reach a market, plantation managers did not indicate that they had lost product because they could not find a market for sale. Although not an issue that hinders operations at the moment, stability and predictability of future demand is a consideration for plantations when making investment decisions, particularly about whether to improve or scale-up production and for human resource development.

**Relevance:**

*Medium:* Market demand will impact investment decisions into human resource development and levels of base wages, as well as variable pay schemes

**Feasibility:**

*Low:* This would require engagement with multiple large-scale retailers to move to multi-year contracts which is a long and slow process

**Opportunity:**

*Medium:* Although there is no guarantee that less volatility would translate into higher wages unless other constraints were addressed, it is presumed that consistent future demand allows for better medium- to long-term business planning, which could translate into more human resource investment)

**CONSTRAINT:**

**HIGH OPERATING EXPENSES**

Labour costs for field and packhouse staff are estimated to comprise 15 to 20 percent of total costs (cost of goods sold, and operating expenses) in organic, high-value production plantation models and around 30 to 35 percent in low cost, conventional production models. In the high-value models, management and overheads are considerably higher. The figure to the below and left provides a rough estimate of the operating costs at one interviewed plantation.

Given that most plantations are not connected to the national electricity grid, on-site operations (packhouse, offices, staff kitchen, irrigation pumps) are powered through on-site generation. At most plantations, this is done through an on-site diesel generator which, as mentioned previously, can add considerable operating costs in periods of drought. In an effort to minimise the considerable operating costs associated with power generation, one plantation had recently invested in full solar power generation and another mentioned plans to invest in partial solar power generation.

**Relevance:**

*High:* Payroll is a key component of operating expenses

**Feasibility:**

*Low:* Overcoming the energy issue would require large capital/public infrastructure expenditure

**Opportunity:**

*Medium:* Reduced operating utility expenditures could open up the possibility for plantations to shift operating expenditures toward better wages

**CONSTRAINT:**

**NEW REGULATION**

To reduce the number of informal workers, the government had a two-year push to “regularise” undocumented workers through a temporary identification (ID). The temporary ID costs approximately USD 20 per employee per month (USD 240 per year) and until October 2016, workers with temporary identification could not be permitted to join the national social security scheme (TSS) and thus plantations funded private health insurance. However, due to new legislation, foreign workers with a temporary identification or a passport are now eligible to enrol in TSS.

Since 2012 and for USD 900, employers can sponsor employees to get the NM1 to be more formally regularised as well as have more permanent access to TSS. However,
one of the challenges in this regularisation process is that workers must have a passport or birth certificate to apply to be regularised. As 92 per cent of foreign born workers do not have a passport and in consideration that the local Haitian embassy does not issue passports effectively and that workers have to go through an extensive process in Haiti to get a birth certificate issued, the number that can actually go through a more formal regularisation process is limited.

In addition to the challenges related to regularising workers, national labour laws stipulate (for all sectors) that an employer should have no more than 20 per cent foreign staff employed. Exceptions can be made, though require and extensive process that no plantations have gone through.

The Ministry of Labour is in charge of inspecting both plantations and small producers with respect to compliance for legal workers and not exceeding the 20 per cent foreign employee quota. Plantations can be subject to a fine of between USD 1,300 to USD 6,500 per illegal employee, however, in practice, various market actors identified that Ministry of Labour inspectors do not levy these fines. At the directive of the head of labour inspection, inspectors generally assume a role of helping producers understand how to be compliant. However, ministry positions in the Dominican Republic may be replaced due to cyclical government reshuffling, and such instability to the current director of inspection coupled with political pressures to comply with regulations are perceived as looming threats potentially limiting investment incentives at the plantation level.

**CONSTRAINT:**

**LOW LABOUR PRODUCTIVITY**

Without scientific data, it is not possible to separate out the two principle factors of production, i.e. the relative contribution that labour, capital (land and technology) make to productivity. One observation for capital is that machinery and technology appears to be fairly consistent between plantations and serves neither as a major inhibitor nor accelerator to productivity and production, while land, and in specific the environment that the plantation is situated on can affect production. When looking at land and labour, it may be that land is as important as labour - and perhaps even more so – relative to plantation productivity. However, as a) plantations are already working on improving land productivity through better inputs and irrigation; and b) there is a more indirect relationship between land productivity and worker remuneration; then the productivity factor to focus on for this study is labour.

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40. Plantations can ask the president for an exception to this requirement, though only after advertising for the position for 30 and documenting that the position cannot be filled.

41. Fine amounts identified by JAD and are between RD$ 60k-300k.
To better understand if plantation labour productivity is poor, a comparative analysis in Table 2 has been performed between the Dominican Republic and historical plantation producing countries Ecuador and Costa Rica. It could be argued that labour productivity between the Dominican Republic (predominantly organic plantations) and others that produce conventional bananas on larger-scale and perhaps more efficient plantations is not comparable. In consideration of this as well as differences in land conditions and light hours, the comparative analysis should be interpreted with caution.

In the Dominican Republic, workers produce between three to six boxes per person per day, or 25.4 MT/worker/year, whereas in Costa Rica, the average is 63 MT/worker/year, approximately 150% more production per worker than in Costa Rica. Although the data is not completely comparable, it is evident that the Dominican plantations operate with a high-input-low-output cycle.

Levels of labour productivity vary significantly across plantations, as is the relative contribution each employee makes to the top-line sales. However, all plantation managers interviewed identified labour productivity as a problem, and highlighted considerable room for improvement.

There is a direct relationship between total cash wage and labour productivity levels: the plantations with the highest productivity measures (boxes per worker per pay) are also the highest paying, as per Figure 5.

Table 2: International productivity comparison

<table>
<thead>
<tr>
<th>Productivity Measures</th>
<th>Dominican Republic*</th>
<th>Ecuador**</th>
<th>Costa Rica***</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boxes per Ha per year</td>
<td>1,419</td>
<td>2,213</td>
<td>2,594</td>
</tr>
<tr>
<td>Tonnes per Ha per Year</td>
<td>28.5</td>
<td>40.1</td>
<td>47.1</td>
</tr>
<tr>
<td>Boxes per worker per day</td>
<td>4.96</td>
<td>-</td>
<td>11.09</td>
</tr>
<tr>
<td>Workers per Ha</td>
<td>1.11</td>
<td>-</td>
<td>0.75</td>
</tr>
<tr>
<td>Tonnes per worker per year</td>
<td>25.4</td>
<td>-</td>
<td>62.8</td>
</tr>
<tr>
<td>Boxes per bunch</td>
<td>0.91</td>
<td>1.24</td>
<td>-</td>
</tr>
<tr>
<td>Average worker salary per day</td>
<td>$6.48</td>
<td>$16.18</td>
<td>$21.92</td>
</tr>
</tbody>
</table>

* Averages cited in this report are weighted, that is, those plantations with larger production impact the “average” figures more than plantation with lower production.
** Data for plantations larger than 50 employees and extracted from: Análisis de estructura salarial en la industria bananera del Ecuador, (2012)
*** Data extracted from UNDP report: Estudio comparativo regional sobre productividad, ingresos y condiciones laborales del trabajador del sector bananero de Republica Dominicana, (2016)

50% more per hectare than in Costa Rica. Although the data is not completely comparable, it is evident that the Dominican plantations operate with a high-input-low-output cycle.

Levels of labour productivity vary significantly across plantations, as is the relative contribution each employee makes to the top-line sales. However, all plantation managers interviewed identified labour productivity as a problem, and highlighted considerable room for improvement.

There is a direct relationship between total cash wage and labour productivity levels: the plantations with the highest productivity measures (boxes per worker per pay) are also the highest paying, as per Figure 5.

Relevance:
High: Worker output is directly related to base wages and variable pay with a positive correlation between wages and productivity – as shown in Figure 5

Feasibility:
Medium: Given the migrant labour situation in the sector, improving worker productivity presents particular contextual challenges related to soft skills and language, among others which are discussed in further detail in the following section

Opportunity:
High: Certain productivity improvement schemes, such as those that incentivise workers with increased pay for increased labour output, would put cash directly in the pocket of workers, improving their overall wage

42. FAO data incorporates small-scale producers and shows production values which does not relate to productivity observed in the Dominican Republic. A plantation survey was conducted as a part of the BAM project however, this data was of poor quality and not fit for use.
43. Productivity has been based on quantity of workers in the packhouse and field, and is not inclusive of those that work in plantation management or administrative positions.
Figure 5: Wages (incl. FT Premium payout) against labour productivity
Low labour productivity is limiting both business growth and better wages. In this section, the functions and rules shaping ‘labour productivity’ are analysed. After a short summary of constraints that were considered non-significant, three functions are explored in-depth: skills, performance-incentive schemes and supervision systems.

8.1 ELIMINATED CONSTRAINTS

**Absenteeism** was screened as a potential factor inhibiting labour productivity, however, in the minds of the plantation owners, it is not an issue. Each plantation provides its employees meals and, until recently when insurance legislation changed such that all employees on temporary visas could be covered under TSS, health insurance coverage. This mitigated against some of the health issues and avoiding excessive days lost due to sickness.

**Technology** was also reviewed as a potential constraint, however, basic technology which is adequate for operations is already being used at each observed plantation. Technology commonly used in larger regional plantations may not be appropriate for this investment scope, considering the relative cost to impact on labour productivity as well as the investment’s potential to create a dis-tinct market advantage for the few market actors receiving such new technology.

When probed on **worker turnover**, plantation managers identified that it was an issue, with those using the low input/output model experiencing higher turnover than in other plantations. Workers

*If you demand too much from the workers, they leave!*

Plantation manager
generally left on their own accord, not satisfied with the reward relative to the demands of the job. Management did not view this as a problem as they felt that replacement workers with similar skills are relatively easy to find. Other plantations experienced minor turnover, some caused by the availability of better paid opportunities such as a call for workers in Brazil in 2014/2015 or that some newly regularised workers left the plantation to seek higher paid employment in the construction sector. One plantation structured higher pay for longer tenured employees.

Workers need a certain amount of knowledge to carry out their field and pack-house tasks. However, these

**BOX 1: WHAT IS LABOUR PRODUCTIVITY?**

Labour productivity defined as output per unit of labour input (persons engaged or hours worked). Labour productivity measures the efficiency with which inputs are used to produce goods and services — and in agriculture is often captured through MT per worker per year. In banana plantations, a useful measure of labour productivity is standardised 18.14kg boxes per worker per day. There are two cautionary notes on interpreting labour productivity.

While figure 5 shows a positive correlation between labour productivity and wages, this does not imply automatic causation. Workers paid too much can produce very little, and workers who produce lots — in terms of labour dollars per product — have no guarantee of capturing their share of value addition.

The concept of multi-factor (or total) productivity also guards against a single-minded attention to any one aspect of productivity (e.g. labour over land). While productivity improvements can focus on individual aspects, overall measures of agricultural productivity should be total factor, capturing land, labour and inputs and not just one set of costs.

Sources: Key Indicators of the Labour Market (ILO); ‘No nonsense guide to measuring productivity’ (W. Bruce Chew, Harvard Business Re-view) and ‘Can better working conditions improve the performance of SMEs: An international literature review’ (ILO)
**technical skills** are generally learnt on-the-job, rather through formal training. The type of skills that plantations value – for example the selector who knows when a banana hand is ready for cutting – are difficult to teach, and have to be learnt through repetition over time. Field and packhouse labour is low- to semi-skilled.

### 8.2 CONSTRAINT: WORKERS LACK THE NECESSARY SOFT SKILLS TO BE MORE PRODUCTIVE

Many plantations already offer training to workers, covering technical topics such as irrigation and phytosanitary control, as well as working conditions issues like occupational safety and conflict management.

These are either provided in-house or through Infotep. While all plantations pay a mandatory levy for Infotep services of 1% on their payroll; many plantations do not access these services that they have already paid for. The plantation attitude towards worker training varies significantly: those in the low-input/low-output model tended to see training as low value-add, running a small number of trainings – if any – per year. Those in the high-input/high-output model ran up to 20 trainings per year.

Plantation owners and managers frequently cited a lack of soft skills on the part of workers, especially in the majority who migrate from Haiti with low levels of education and often little Spanish. Sub-optimal task completion is an issue in the sector: as evidence by high rejection rates at the packhouse. As much as technical experience – soft skills like com-

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**BOX 2: SCORE TRAINING**

SCORE is an ILO training and workplace improvement programme to increase the productivity of small to medium sized enterprises (SMEs) while promoting recognition of, and respect for workers’ rights. The objective is to demonstrate best international practice and develop mature relations in the workplace that increase productivity and enhance wages and conditions for workers. The programme focuses on workplace cooperation, quality management, cleaner production, occupational safety and health, and human resource management.

In the Dominican Republic, the SCORE programme, through using Infotep as a trainer, has commenced working with a mix of 10 small producers and plantations in November 2016 with further producers to be included in the programme in the near future. The programme will start training with module 1 and follow-up with module 4. Module 1 lays the foundation for SCORE. It establishes the core principles underpinning workplace cooperation, including social dialogue, collective bargaining and freedom of association, which are essential in building and maintaining sustainable enterprises. Module 4 covers the key components of human resource management. Practical exercises include:

- Your organizational structure
- The gaps – job and skills analysis
- Impact of internal factors on the HR strategy
- Non-discrimination and productivity
- HIV AIDS in the workplace
- Recruitment procedures
- Calculating the costs of staff turnover
- Performance appraisal
- Induction package
- Developing staff
- Managing poor performance
- Dismissal procedures – two perspectives

Source: Module Four, Workforce Management for Cooperation and Business Success, a training manual for managers and workers (ILO)
munication and teamwork are vital to ensure effective task completion, from cutting to cleaning.

Soft skills are frequently misunderstood and harder to teach than ‘hard’ skills – though they tend to be much more valued by employers (see Box 3). Much of the current course offerings aimed at plantation workers fails on a number of counts:

- They do not adequately address soft skills deficiencies in the sector
- Training is designed by Dominicans for Dominicans and is in Spanish – making it inappropriate for the majority of the workforce.
- Not differentiating between the training needs of younger and older workers, both of whom has different levels of motivation for learning new skills and career progression.

The manager of Plantaciones del Norte is currently working with Infotep and a Catholic college to develop a training course focused on soft skills. An ILO programme on ‘Sustaining Competitive and Responsible Enterprises (SCORE)’ will shortly be introduced in the sector, initially targeting 10 plantations and rolling out modules 1 and 4 in their core curriculum (see Box 2)44. Beyond bananas, the Ministry of Labour’s Juventud y Empleo programme has been leading on introducing soft skills into youth employability training in the Dominican Republic.


BOX 3: WHAT ARE SOFT SKILLS?

- **Dependability** – Being dependable means that you do what you say you will, when you say you will. You can be trusted to complete any task, and you will do it well.
- **Motivation** – You should be able to motivate yourself to get tasks done, and take the initiative to find new ways to improve upon not only yourself and your work, but also your organization.
- **Communication** – This is one of those skills you hear about all the time, and that’s for a reason. Communication is the key to any human interaction, especially in the workplace.
- **Commitment** – Employers want to know that you’re not only committed to the company and your job, but to turning out the best work you can, every time.
- **Creativity** – Can you think about problems in a new and interesting way? Show your employer how.
- **Problem Solving** – If you’re confronted with a problem, employers want to know that you will do everything you can to fix it. Your creative skills will come in handy here.
- **Flexibility** – Sometimes, your job is going to be a little like a roller coaster. Can you adjust to the chaos?
- **Teamwork** – You’re not done with group work after graduate school. Working in a team is an essential part of almost every job.
- **Leadership** – You may not be a natural born leader, but can you step up and guide either a group of people or a process if necessary?
- **Time Management** – Life gets busy, both in and out of the workplace. You need to be able to balance your work-load and prioritize what gets done.

Source: National Soft Skills Association
8.3 CONSTRAINT: PLANTATION MANAGEMENT AND SUPERVISION SYSTEMS ARE NOT MAXIMISING THEIR POTENTIAL

In order to assess the quality of worker supervision in plantations, a simple scoring methodology was used. This found a range of strengths – from two plantations scoring ‘excellent’ through to three scoring very ‘weak’. Overall plantations had reasonable systems in place (average score of 1.78 out of a maximum of 3 points).

The effectiveness of employee supervision was a strong determinant of overall productivity levels. As in figure 7, the plantations with the strongest supervision systems recorded the highest levels of worker productivity.

Banana plantations are extremely labour intensive, so the management of workers has always been a central issue for banana production. Plantations operate small specialised management teams supervising a large labour force. Most supervisors and managers had undergone some form of either in-house or external training.

About half the plantation’s supervision teams had a good level of technical knowledge of banana production.

However, while most plantations collect data on production volumes (disaggregated by plantation subsections) and wastage/rejection rates, there is relatively little use of this data to assess worker performance. Data is therefore not systematically fed back into operational decision-making. Less than half of plantations had done a management review of individual worker performance in the last 12 months.

These is sparse literature on what constitutes best practice for setting up effective worker supervision systems in plantations. The little that exists suggests two key factors in worker supervision that drives productivity improvements: a common language for communication, and previous management experience in the sector45.

In the Dominican Republic, the banana industry is relatively nascent, and middle management experience varies. In some plantations, supervisors had never worked in the banana sector before. And the high migrant workforce from Haiti creates language, communication and instructional barriers to the predominantly Dominican management and supervision teams.

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45. “Bananas and Labour: A Comparative Perspective on Banana Production in Central America and the Windward Islands” (University of the West Indies), and “Development, Transnational Power and Environmental Degradation: a Case Study of the Costa Rican Banana Industry” (McGill University).
8.4 CONSTRAINT: CURRENT PLANTATION PERFORMANCE-INCENTIVE SCHEMES ARE NOT FULLY UNDERSTOOD BY WORKERS AND ARE NOT EFFECTIVE MOTIVATING FACTORS

Many businesses use performance pay, incentive or bonus systems in order to encourage further productivity gains from workers (see Box 4). In effect, and although not branded as such, the ‘cash bonus’ element of the Fairtrade Premium – which was introduced in 2012 - can be understood as a performance-incentive mechanism. Since the distributable premium pot is tied to the volume of sales (US$1 per 18.14kg box), then if workers produce more boxes, they will receive a greater bonus.

However, the link between the Fairtrade Premium and production/productivity was not fully understood by workers. During interviews, many thought that Fairtrade was something that benefited the owner or was a legal requirement. When probed over the cash pay-out, they indicated that they thought that was part of the 13th month pay-out (Christmas bonus) and didn’t understand the connection to productivity.

In practice, the Fairtrade bonus operates more as a grant than a performance-related pay scheme. Changing this would require changing worker perceptions – as well as potentially the frequency and size of the bonus.

In the Dominican Republic, workers can receive up to 50 per cent of the Fairtrade premium in cash, reflecting that most workers are of migrant origin and do not always directly benefit from premium projects which take place in the local community. However, the cash pay-out in all interviewed plantations was capped at 20 per cent, largely due to guidance that is issued by the CLAC which identifies 20 per cent as being the maximum pay-out unless a plantation applies for an exception, which is possible for plantations with a majority of foreign staff.

A Premium Committee decision to move to a 50 per cent pay-out would

**Figure 7:** Management supervision against labour productivity

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“Workers don’t see that if they produce more, they earn more.”
Plantation manager

“The field workers don’t care about moving the irrigation hoses [to more efficiently water the plants], even though it could benefit them financially.”
Plantation manager
dramatically increase the percentage share of bonus, and help make a stronger link to productivity. However, it would also serve to remove funds from projects – which, as below, may be more valued by workers than the cash element.

In terms of periodicity, the Premium Committee draws up annual premium plans and budgets, showing how they plan to spend the Fairtrade premium money. While the decision about how to spend this money needs to take place once a year, the pay-out could still – in theory – take place on a quarterly or monthly basis. More frequent variable pay-outs would also allow for stronger links to productivity.

Beyond the Premium, a small number of plantations offer additional performance-incentive schemes. One plantation provided a bonus of 0.33 pesos/box to be split among the supervisors – but the scheme was abandoned when drought hit, and not restarted due to the difficulties in administering the payments. Another plantation offered packhouse workers a piece rate bonus - resulting in significant reductions in wastage and leading to wages of 500 pesos per day (over an average daily base rate of 270 pesos). Piece rate schemes, however, comes with considerable risk (see Box 5).

One reason that incentive schemes are currently neither effective nor wide-spread may be because of intrinsic motivations on the part of workers. Performance-incentive schemes only work if employees are sufficiently motivated by financial rewards (relative to the extra effort required). During research, two questions posed to a sample of 34 workers revealed much stronger incentives relating to “wellbeing” and “work environment” over “money” and “financial rewards”. When probed, they said that a better community (improved school, a bed, a house, loans, etc.) is part of wellbeing.

As such, the ‘welfare’ element of the Fairtrade Premium, where a larger communal fund used for social economic or environmental projects, could therefore be equally – if not more – important as any cash bonus in motivating workers to improve their productivity.

BOX 4: PERFORMANCE-BASED PAY

Performance-based pay systems work by setting targets and then providing rewards for employees who meet the targets.

Performance pay, bonus and incentive schemes are founded on the general belief that workers will be motivated to achieve higher productivity and greater output when they receive additional benefits for this. However, this is not always the case and in some cases these schemes can undermine productivity and the general feeling of well-being within the enterprise when schemes are seen as unfair or discriminatory.

There are a number of elements that should be addressed when considering the introduction of this type of scheme:

- These schemes should only be considered when the enterprise has its general wages system in place and operating effectively;
- Performance pay, incentive or bonus schemes should not be considered to calculate base salary and entitlements. It is also important to ensure that the scheme does not interfere with ensuring that the legislative minimum standards and requirements in collective agreements or contracts are met;
- The schemes should not be used as a mechanism to raise the expectations
of the general productivity or output requirements. There are examples where factories have continuously raised the target required once they have been achieved. In these examples workers become dissatisfied and overall productivity is reduced;

▪ Schemes are more likely to be successful when workers and their representatives are actively involved in designing the scheme including the setting of standards, performance measures and assessment procedures. This helps to increase confidence that the schemes are being introduced appropriately and will be implemented fairly;

▪ Where teamwork is important schemes that offer rewards to individuals, may breakdown team dynamics and create competition between workers that may lead to dissatisfaction, lower morale and low productivity;

▪ It is important that the setting of targets and offering rewards for the achievement of these does not lead to workers overworking or adopting unsafe work practices in order achieve the targets.

Source: ILO

BOX 5: PAYING PIECE RATE

In some producer countries, the price pressure generated by banana value chains has pushed plantations to transform permanent jobs into casual work or outsource them in order to decrease labour costs.

The decreasing unit value of exports to the UK is likely to strengthen this trend. One symptom of this is replacing guaranteed hourly wage rates with piece work rates, which enables employers to transfer productivity risks to their employees: workers have to work whatever time it takes to earn the minimum wage (rather than the specified eight-hour period), and in cases where there is no work to do, they are not paid at all.

Plantations are also increasingly hiring workers for limited (and repeated) periods of three months, thereby reducing the number of permanent workers. A notable example has been documented by Sindicato de Trabajadores Plantaciones Agrícolas (SITRAP) in Costa Rica, where the numbers of permanent contracts fell from approximately 80 per cent in 2000 to around 40 per cent in 2006.

Adapted from Britain’s Bruising Banana Wars (Fairtrade Foundation)
With the UK retail price of bananas at - or even below - cost price and with uneven buyer demand, plantations are operating under increasing external pressures and face ever-squeezed margins as the costs of compliance, regularisation and inputs rise. Since low-cost labour - along with organic production - remains the key competitive advantage of Dominican Republic’s banana sector, there is little scope for plantations to increase base wages without negatively affecting their commercial standing.

While wages for plantation workers are well below the cash requirement for a living wage - with an average 35% shortfall across plantations, and up to 43% in some cases - pay packages are broadly in-line with agrisector standards, and workers in Fairtrade certified plantations generally receive better overall remuneration particularly once non-wage elements are taken into account. The Dominican Republic operates a low-wage economy, and real wages have fallen by seven per cent over the last decade\textsuperscript{46}. The inconvenient truth is that there is a limit to how much pressure can be put on upstream producers, in the absence of downstream price rises. Plantations, rationally, therefore fear a living wage and see it as a negative to be strongly resisted.

There are, however, opportunities to move total incomes closer to national living wage benchmarks by redefining plantation productivity in a way that directly passes on value to workers. The Dominican Republic lags behind all regional productivity averages, even taking into account the larger share of organic plantations which require time-consuming activities such as manual weeding. Of the factors driving productivity – there are limited opportunities for

\textsuperscript{46} Source: Anker and Anker (2013)

“\textit{The corporate social responsibly solution is…let’s make sure the farmers get paid enough. And the creating shared value solution is transforming the productivity of the farmers and raising the quality so we can pay them a higher price because they have higher quality, and they can have higher incomes because they produce more}”

Michael E. Porter
Creating shared value in the Dominican Republic banana industry

Techno-logical improvements, and land productivity is already being addressed through better irrigation. Labour productivity is widely recognised as a problem – albeit a challenging one to address given the high proportion of migrant labourers from Haiti and perceived problems of language, education and motivation. Plantations, to-date, have not made significant headway or investments in labour productivity, largely choosing instead to accept poor labour productivity as a fait accompli, and factoring this into their low input-low output business models.

Transforming labour productivity could result in a ‘win-win’ shared valued solution for both plantations and workers where increased output, as a result of both avoiding loss (in field and export rejections) and faster and more accurate task-execution, could be passed straight into the pockets of workers. Our analysis of existing data reported by plantations shows a positive correlation between wages and labour productivity47. In a simplistic linear regression analysis, each salary increase of RD$1,000 per month per worker is correlated with improved productivity amounting to plantation revenue increases of RD$15,000. This is not to say that increasing wages by RD$1,000 per month per employee causes plantations to increase revenue by RD$15,000 per month, rather it simply indicates that of the plantations surveyed, these production increases and resulting revenue gains were observed.

Such a transformation requires overcoming three key constraints to labour productivity:

- Workers lack the necessary soft skills - especially teamwork and communications - to be more productive.
- Current plantation performance-incentive schemes are not fully understood by workers and are not effective motivating factors.
- Plantation management and supervision systems are not maximising their potential.

The risks to business case fulfilment include the possibility that increasing total salary packages would serve to further the already-pronounced gap between wages for workers in plantations and hired labourers in smallholder plantations, where wages are lower and contracts shorter. While there is a paucity of academic studies in emerging and frontier markets contexts, the available evidence there is shows weak links between increased productivity and higher salaries. A recent ILO literature review, for example, found that firms did not reward employees’ skills according to their contribution to productivity48.

It should be noted, therefore, that there should be no assumed and automatic link between more productive employees and better pay.

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47. The regression analysis shows a 99% probability that wages and labour productivity are positively correlated.

48. Can better working conditions improve the performance of SMES? (ILO, 2013)
Addressing the complex issue of labour productivity requires a portfolio approach to implementation. This entails a certain risk appetite – since activities cannot be guaranteed to work – and a diversified strategy that spreads resources across the three ‘baskets’ of skills, performance-incentives and supervision.

To aid the investment allocation decision, this section sets out a series of eight intervention options against their likely risk levels (upside likelihood of success and downside unintended negative consequences), along with the anticipated impact ‘return’ in terms of sustainability, scale and derived value for both plantations and workers. Additionally, these interventions with input from sector stakeholders in November 2016. During validation, stakeholder priority for the interventions was identified and has also been included below.

10.1 IMPROVING SOFT SKILLS

INTERVENTION 1

ILO to work with Infotep to integrate a new ‘soft skills’ modules into the forthcoming SCORE training, which will target 10 banana plantations.

**Stakeholder priority: LOW**

**Impact return: LOW.** While this has the benefit of being a relatively ‘quick win’ - as plans for SCORE roll-out are already in motion. The SCORE model means that only two management representative and two worker representative per plantation will be invited to the training – they are then tasked with forming an “Improvement team” that often has eight to 12 employees at the plantation who pass learnings further down to other employees. The training, however, will likely be in Spanish, and therefore inappropriate for the majority of workers.
**Risks:** LOW. There may be a high time and effort transaction cost in engaging with and influencing SCORE, which has relatively fixed modules as a multi-country programme.

**Cost of investment:** LOW. Covering module development

**INTERVENTION 2**

CLAC to work with Infotep or Instituto Politécnico Loyola to engage innovators in the space – such as Plantaciones del Norte; and Ministry of Labour’s Juventud y Empleo programme – to develop a stand-alone soft skills course in Creole aimed at plantation workers.

**Stakeholder priority:** HIGH

**Impact return:** MEDIUM. This has the potential to reach all 510 workers in the four retailer-targeted plantations, and can also be offered to the estimated 1,500 workers in other plantations in the wider market, since it will be a public course offering.

**Risks:** MEDIUM. Soft skills are harder to teach than hard technical skills, so the training will need to be innovative (i.e. roleplay rather than classroom based). Many plantations have to-date been reluctant to let their workers attend training due to opportunity costs, so the appetite for uptake needs to be tested. Also, institutional capacity and willingness to design innovative worker specific training in Creole need to be assessed when evaluating a partnership institution.

**Cost of investment:** MEDIUM. To cover training development and delivery⁴⁹, though ADOBANANO has expressed support toward this intervention and potential for cofinancing should be explored.

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**10.2 MORE EFFECTIVE PERFORMANCE-INCENTIVE SCHEMES**

**INTERVENTION 3**

CLAC to work with each plantation’s Fairtrade Premium Committees to develop an awareness-raising campaign about the link between the Premium pay-out and production/productivity targeting workers (so avoid the 13th month confusion).

**Stakeholder priority:** LOW

**Impact return:** MEDIUM. The Fairtrade Premium is in effect a performance-incentive scheme where the ‘bonus’ per worker is related to the plantation’s business performance. This link between performance and pay-out is, however, not commonly understood by workers; addressing this through awareness raising activities would be a low-cost way to incentivise higher productivity. This complements interventions 4 and 7, and could reach all 2,000 workers in all retailer-targeted plantations.

**Risks:** LOW. There are no identified risks associated with this intervention.

**Cost of investment:** LOW. To cover staff time and travel.

**INTERVENTION 4**

Test different timings for the Premium pay-out – moving from once a year to once a month/once a quarter – after engaging with the Premium Committees and General Assembly. There is potential test linking more these more regular pay-outs to some form of savings account such that worker link productivity to savings.

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⁴⁹ As a benchmark, the cost of delivering SCORE modules 1 and 4 to 10 plantations is US$20,000
Stakeholder priority: LOW

Impact return: HIGH. In Fairtrade plantations, the premium pay-out (currently at 20%, with the potential to rise to 50%) makes up between 8% to 20% of a worker’s monthly income. This translates to $10-30 dollars per month per worker. If the logic holds and more regular payments incentivise workers to raise their productivity levels by 20%, then workers would receive an extra US$2-6 a month, translating into total income gains for the 510 retailer-targeted plantation workers of US$12,240-36,720 a year, in addition to generating a 20% growth in plantation revenue.

Risks: MEDIUM. The annual premium pay-out (along with the mandatory 13th month payment) is often used by Haitian workers to return home and see their families. If the pay-out moves from annual to monthly/quarterly, workers will need to be trained on financial literacy/management to ensure some cash is put aside for this purpose, particularly if a savings account is linked to the payments. One plantation flagged a concern that the payment may seem too small and could potentially discourage production; this should clearly be monitored.

Cost of investment: MEDIUM. Aside from staff time required to set this up, the bulk of the costs should be dedicated to rigorous monitoring of the effects of the change – both in terms of worker consumption/expenditure and plantation productivity. It is recommended that a local research organisation/university (such as INTEC) be engaged to conduct a longitudinal evaluation.

INTERVENTION 5

Buy-down the risks of, and cover the administration costs for, (re)introducing performance-incentive schemes such that plantations provide an additional piece rate payment - over and above the base rate - for a reduction in wastage levels or for surpassing a given production target. Administrative activities required for the set-up of such a scheme, include defining clear performance indicators, measurement instruments, and mechanisms for transparency and payment.

Stakeholder priority: MEDIUM

Impact return: HIGH. This would provide a direct financial incentive to workers above and beyond the base wage and Premium. There are examples of successful performance-incentives schemes working in the Dominican Republic, however, these have rarely been sustained, scaled or replicated.

Risks: MEDIUM. Our research has shown that workers are not motivated by financial rewards as much as they are by camaraderie/work environment. There is a danger that, if successful, plantations would move to a fully piecerate payment scheme which would transfer all productivity risks to employees.

Cost of investment: MEDIUM/HIGH. Since this would need to be carefully set up (to ensure appropriate performance-incentive targets are set), a fund would be used to guarantee a portion of any losses resulting from plantations who will have to commit fixed financial rewards to workers in a context where market prices fluctuate (see Box 6).
BOX 6: HOW WOULD A RISK BUY-DOWN MECHANISM WORK IN THIS CONTEXT? A QUICK EXPLANATION

When workers produce more and the market price holds, plantation management will increase profits as labour costs remain fixed while revenue increases. These new profits can fund an incentive scheme which motivates workers for increased production. When production increases though market prices fall considerably, plantation management may feel that they’ve committed to rewarding increased production from reduced profits. This puts plantations in a difficult situation – choosing between rewarding workers (as agreed) which could hurt their bottom line or offering to pay workers less than the agreed amount which will preserve the bottom line but will likely incur worker distrust and disincentivise them to perform in the future. This perceived risk of declining prices may limit plantation interest in such a scheme. To reduce this risk and increase plantation participation, the buy-down mechanism works as a safety valve for plantations, in that, under circumstances when the market price falls and the plantations feel that they could not commit to rewarding improved worker productivity, the programme can help co-finance worker incentives (with the plantation). If the market prices hold, there will be no need to use funds reserved for this.

10.3 BETTER SUPERVISION SYSTEMS

INTERVENTION 6
Engage a technical expert to develop a targeted capacity building plan aimed at plantation managers and supervisors

Stakeholder priority: HIGH

Impact return: MEDIUM. There is a strong positive correlation between the quality of plantation management/supervision systems and labour productivity, and in turn, between labour productivity and wages. While some plantations have sophisticated systems in place, many struggle with inexperienced supervisors and middle management who have not been formally trained and have difficulties communicating with their (predominantly Haitian) workforce.

Risk: MEDIUM. There is less certainty that – even if management and supervisory skills improve and result in higher productivity – benefits will be passed on to workers.

Cost of investment: MEDIUM. One-off cost to engage international/regional expert and for tailored trainings.

INTERVENTION 7
Develop and implement a management information system in plantations to collect and use sub-area production data. Simple productivity metrics – such as boxes per day or kg of rejection - should be shared with workers in real-time so performance is transparently understood.

Stakeholder priority: MEDIUM

Impact return: MEDIUM. This strongly complements interventions 4 and 5 by making explicit the link between performance and wages. Even where data currently collected on a sub-area basis by ‘type 1’ business model plantations, it is rarely used to make performance management decisions.

Risks: MEDIUM. There are real costs associated with development and implementing productivity systems, and a risk that the systems become too complex and unwieldy.

Cost of investment: MEDIUM/HIGH. For a consultant to be embedded in a number of firms to support system development.
productivity rates are changing over time. As noted in this report, there is no guaranteed or ‘automatic’ relationship between productivity and wages - beyond the cash-in-pocket for workers due to performance-incentive schemes - so reliable data would be required to strengthen the business case for wage increases; based on objectively verifiable information about improvements to plantation performance. Beyond business case advocacy, the MEL will need to dialogue with workers as a ‘do no harm’ check that intervention-supported innovations are not leading to any unintended or negative effects on overall satisfaction levels and quality of life considerations.

Impact return: HIGH. This strongly complements all interventions and is critical to the long-term success of the strategy.

Risks: LOW. The only risk is that MEL is seen as a ‘burden’ by plantation, but if MEL is folded into interventions (e.g. intervention 7) – and if performance data is fed back to plantations and seen as provided value-added insight – then this risk should be mitigated.

Cost of investment: MEDIUM/HIGH. For an MEL focal point to coordinate all research and data activities, and engage a local research organisation/university to capture credible panel data on business performance (possibly tied to intervention 4).
LIST OF INTERVIEWS

Junta Agroempresarial Dominicana
Ministerio de Agricultura
CLAC
ADOBANANO
Fairtrade Foundation
ILO San Jose
ILO Lima
PROYECTO BAM
Ministerio del Trabajo
FEDELANC
Banafem
Los Robles
BANAMEK
Momibanana
La Española
Villa Copa
Banera los Rios
Santa Maria
Quinta Pasadena
Banamiel Group
## RESEARCH PLAN

<table>
<thead>
<tr>
<th>TOPIC</th>
<th>THE CONSTRAINTS AT THE NEXUS OF LOW WAGES AND PLANTATION BUSINESS PERFORMANCE IN THE DOMINICAN REPUBLIC</th>
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</thead>
<tbody>
<tr>
<td><strong>RESEARCH QUESTIONS</strong></td>
<td><strong>Wages</strong></td>
</tr>
<tr>
<td></td>
<td>• How do wages vary by role/skill type?</td>
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<tr>
<td></td>
<td>• What in-kind benefits are provided (food, housing, transport, out of pocket)</td>
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<td></td>
<td>• Are wages growing year-on-year (above inflation/comparable sectors)?</td>
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<td></td>
<td>• Do workers have performance based pay mechanisms?</td>
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<td></td>
<td>• Do workers feel that their wages are sufficient?</td>
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<td></td>
<td><strong>Inputs</strong></td>
</tr>
<tr>
<td></td>
<td>• What are the main inputs (fertiliser, chemicals and water, packaging), the quantity purchased, and their share of costs?</td>
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<td></td>
<td>• Who are the main suppliers; are they regular? How are prices changing?</td>
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<tr>
<td></td>
<td>• Are costs for each of these elements rising/falling? Why?</td>
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<td></td>
<td>• What are the costs associated with FT compliance?</td>
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<td></td>
<td><strong>Machinery/technology</strong></td>
</tr>
<tr>
<td></td>
<td>• What equipment is used? Is it owned or hired? Covering irrigation, sleeving, cable way transportation, cleaning, packaging etc.)</td>
</tr>
<tr>
<td></td>
<td>• How much are maintenance costs?</td>
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<td></td>
<td>• What capital investments have been made in the past 5 years: and what are planned in the next 24 months?</td>
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<tr>
<td></td>
<td>• Do you know of equipment/machinery on the market that could improve business operations? Why/why not accessing it?</td>
</tr>
</tbody>
</table>
Buyers
- Plantation perception of buyer expectations
- What do they have to do to maintain a good relationship
- Expectation of price movement?

Labourers – plantation perspective
- How many days a week does an average employee work?
- Proportion of full time/part time?
- If part-time, average and range of days per week
- Do part/time workers also sell their labour to SPOs, or work outside of the banana sector?
- Average length of contract?
- How many workers were ‘regularised’ over the last year?
- What training is provided: and in what area? When was the last training? Who paid for this?
- Are social dialogue mechanisms in place? Any disputes with workers?
- How does the plantation make decisions about hiring new labour?
- How does the plantation find labourers? Is it easy or hard to replace staff?
- What is the labour turnover? Do you know what workers go to afterwards? Do you expect turnover to be a problem in the future?
- How is worker productivity currently assessed?
- What are the obligatory social security contributions the plantation needs to make; and how has this changed recently?

Working conditions
- Do workers feel like they have a ‘stake’ in or ‘ownership’ of the company?
- Has there ever been any example of collective bargaining around wage or non-wage issues, like working conditions?

Cashflow and operations
- What kind of taxation and trade (property, land, sales)
- When is payment received for boxes, how does this influence operations, delays? Ability to reinvest?
- How much working capital do they have? Access to credit/current debt/interest on debt?

Production
- What are the overall levels of production (area under cultivation, kg harvested, boxes produced per plantation)?
- What proportion was sold (for export/locally)?
- Which diseases has the plantation faced over the past year (viruses, pests, fungi)?
- How much crop was wasted due to disease/damage?
- How much did not pass internal quality control measures?
- Risks v reward of organic production? (where applicable)

Supply chain risks and trends
- Who has the (perceived) power in the supply chain?
- What are the main threats to the business model (water shortage, weather, diseases like leaf spot)
- Does the plantation have any kind of crop insurance? Risk mitigation strategies?
- Who are the main competitors?
- Are there new entrants?

Fairtrade premium
- Plantation awareness of what premium is spent on?
- Perception of premium (if it wasn’t there, what would happen)?
- Views on recent lifting of ban for ‘cash payments’?
- What is inhibiting the use of the premium for activities in Haiti?
## Proposed Methods

- Key informant (semi-structured) interviews with CLAC, Adobanano, FEDELAC, Ministries of Labour and Agriculture, UNDP, FAO
- In-depth (semi-structured) interviews with all 4 banana plantations (owners/managers) part of the Fairtrade scope of study
- Focus group (semi-structured) discussions with a sample of workers (and/or the Premium Committee)

## Ethical Issues

Clear explanation of visit provided to all members and oral consent required from all participants prior to interviewing. Potential for participant bias, particularly in presence of management or if research team (esp. ILO) is seen as having a hidden agenda.

## Interview Probes

The three core groups to be interviewed include:

1. Ecosystem actors (such as CLAC, trade unions, MoL,)
2. Plantations
3. Workers

Interviews will be semi-structured, and therefore indicative/example probes only have been included below (this is not a comprehensive list of survey-style questions). Probes are open and we will be cautious to avoid leading questions. These probes are different for each of the three target groups, and are designed to stimulate discussion designed to respond to the research questions (above):

### Ecosystem Actors

<table>
<thead>
<tr>
<th>CLAC</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Can you provide some background on the CLAC DR operations, what is the mandate, how is it being carried out (probe: how many producers, workers, sales)?</td>
</tr>
<tr>
<td>2. Can you tell us about the workers’ network and its effect on workers for small producers and in larger plantations (probe: sector coordination, voice, ability to address labour issues)?</td>
</tr>
<tr>
<td>3. Can you highlight some of the operational challenges in the small scale producers and how those differ from the larger plantations (probe: production limitation and opportunities)?</td>
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<tr>
<td>4. Can you identify how small scale producers find and employ workers?</td>
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<tr>
<td>5. In general, how do worker’s feel about their wages relative to their legal working status, contract status and position within a producer?</td>
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<tr>
<td>6. Can you provide any insight into how the Fairtrade Premium is being used and what issues have been highlighted by producers and workers (probe: sending premium to Haiti)?</td>
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<tr>
<td>7. What are the demands for capacity development for workers and management in small producers and plantations?</td>
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<tr>
<td>8. Do you feel the trainings that CLAC provides addresses these demands or that producers have interest in accessing such training?</td>
</tr>
<tr>
<td>9. Do you have any data that you would be willing to share on producer sales, productivity, wages that we might be able to obtain for research purposes?</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Adobanano</th>
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</thead>
<tbody>
<tr>
<td>1. Can you provide some background on ADOBANO, what is the mandate, how is it being carried out (probe: how many producers, workers, sales)?</td>
</tr>
<tr>
<td>2. Do you have any data that you would be willing to share on producer sales, productivity, wages that we might be able to obtain for research purposes?</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Ministerio de Trabajo</th>
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<tbody>
<tr>
<td>1. Can you provide some background on what Ministerio de Trabajo</td>
</tr>
<tr>
<td>2. Can you explain a little about the plans and challenges associated with inspecting plantations?</td>
</tr>
<tr>
<td>3. Can you explain a little about the plans and challenges associated with registering foreign workers?</td>
</tr>
<tr>
<td>4. Do you have any data that you would be willing to share on sector trends, wages, numbers of workers, formality that we might be able to obtain for research purposes?</td>
</tr>
</tbody>
</table>
**MINISTERIO DE AGRICULTURA**
1. Can you provide some background on the ministerio de agricultura activities in the sector, what is the mandate, how is it being carried out in the banana sector?
2. Can you talk about some of the trends that you see in the plantations and small producers?
3. What do you feel are the largest challenges to producers and the sector?
4. Do you have any data that you would be willing to share on sector trends, numbers of workers, plantation production and productivity that we might be able to obtain for research purposes?

**FEDELAC**
1. Can you provide some background on the FEDELAC operations, what is the mandate, how is it being carried out (probe: how many are in the union, what is the representation to the sector)?
2. Can you please tell us about the current programme about the unionisation within the sector?
3. What do you feel that the unionisation will add to the sector and how do you think it will address the largest challenges for plantations workers?

**JUNTA AGRO-EMPRESARIAL DOMINICANA**
1. Can you provide some background on the JAD operations, what is the mandate, how is it being carried out in the banana sector?
2. What do you consider to be the largest challenges to banana production (probe: small scale vs plantations)?
3. In what ways do you feel that producers could be more efficient or productive (probe: machinery, inputs)?
4. Where do you feel that is the largest constraint to plantation business models and business growth?
5. Where do you feel the largest opportunities are within the sector?
6. Which links in the supply chain do you feel have the power relative to others?
7. Can you explain a little about competition in the sector and what trends you see (probe: in terms of new entrants, growth, and consolidation)?
8. Do you have any data that you would be willing to share on producer sales, productivity, wages that we might be able to obtain for research purposes?

**UNDP**
1. Can you please explain a little about the BAM programme and the progress it has made to date with respect to “regularising” workers and capacity building workers/producers to comply with legislation?
2. Can you talk about the involvement that you have had with the producers to date?
3. What do you feel are the most considerable challenges to plantations?
4. What is the perception of Fairtrade in the sector and with the producers?
5. Where do you see the power in the supply chain?
6. What are the most severe challenges to working conditions on plantations?
7. Do you feel that there is any type of training that producers demand or need?

**PLANTATION MANAGEMENT**

**PRODUCTION**
1. Can you tell us a little about the plantation in terms of the history, size (cultivation/employees), annual/monthly production including organic?
2. What do you feel have been the largest production challenges and threats for your plantation over the past year (probe: diseases, lost product, poor quality)?
3. Do you feel like your business would benefit from any type of training opportunity?

**INPUTS**
4. Can you identify the typical inputs that you use and the quantity needed?
5. Do you feel that the inputs are always available and the prices remain constant over time?

**MACHINERY / TECHNOLOGY**
6. Can you tell us about the equipment that you use on the plantation and whether you have the right equipment for your business?
7. Can you how the plantation decides to invest in buying new equipment or maintaining existing equipment?

**BUYERS**
8. Can you explain a little about the transaction or contract with the buyer; how is a price agreed and is the buyer is reliable?
### SUPPLY CHAIN RISKS AND TRENDS
9. Can you talk a little bit about some of the business risks (probe: inputs, disease, price, competition, etc.) and how the business tries to mitigate against some of these risks (probe: insurances, changes to crop production)?

### CASHFLOW AND OPERATIONS
10. What do you feel are the main financial considerations that influence cash-flow and investment for the company (probe: land/sales taxes, access to credit, interest payments, available capital)?

### LABOURERS – PLANTATION PERSPECTIVE
11. What is the process in finding new employees (probe: about contracting process)?
12. Can you talk a little about employee turnover (probe: how and often why)?
13. Does the plantation “regularise” staff? If so, what is the process and what happens after regularisation?
14. Does the plantation use part-time or seasonal workers? Can you tell how many there are and how often they work?
15. Can you tell us about the typical work week for both full-time and part-time employees?
16. Does the business evaluate worker performance or productivity?
17. Do you feel like the workers would benefit from any type of training? Can you tell us about training the plantation provides?

### WAGES
18. Can you identify any ways that the plantation incentivises workers?

### FAIRTRADE PREMIUM
19. Can you tell us about the certification process for Fairtrade – is it costly to achieve or maintain compliance?
20. Can you talk about how the premium is used and what it has done for the workers, community and plantation?

### PLANTATION WORKERS

#### LABOURERS – WORKER PERSPECTIVE
1. Can you tell us a bit about your job? (probe: what they do, working hours, full-time contracted)
2. How did you find this position and why did you decide to work at this plantation?
3. Can you tell us about your working arrangement or contract?
4. Do you work outside of this plantation?
5. Can you tell us about any training that you have received?

#### FAIRTRADE PREMIUM
6. What do you know about the Fairtrade Premium and what effect has it had on your family or for the community (probe: what it would be like without it)?

#### WORKING CONDITIONS
7. Do you feel that you and your coworkers have an opportunity to be promoted?
8. Do you feel a sense of pride for your work and/or the plantation?
9. Do you feel that you have the right equipment to do your best at your job?
10. What do you feel is important to motivate you at work?
11. Do you have a way raise any working concerns like safety or wages, with the business?

#### WAGES
12. Would we be able to ask how much you are paid?
13. Do you receive any other benefits (probe: value of health, transport, food)?