FIFTH ITEM ON THE AGENDA

An integrated ILO strategy to address decent work deficits in the tobacco sector

Purpose of the document

This document presents an overview of the tobacco sector and challenges in promoting decent work in it; an integrated strategy to address decent work deficits in the sector; and information on resources and implementation modalities in support of the integrated strategy.

The Governing Body is invited to consider the integrated strategy and to request that the Director-General implement it, taking into account the discussion by the Governing Body (see the draft decision in paragraph 42).

Relevant strategic objective: All strategic objectives.

Main relevant outcome/cross-cutting policy driver: Outcome 8: Protecting workers from unacceptable forms of work and Outcome 5: Decent work in the rural economy.

Policy implications: None.

Legal implications: None.

Financial implications: Extra-budgetary resource mobilization is required for the implementation of this strategy.

Follow-up action required: Implementation of the strategy.

Author unit: Governance and Tripartism Department (GOVERNANCE).

Related documents: GB.329/POL/6; GB.331/POL/5.
Background

1. The Governing Body at its 331st Session (October–November 2017) discussed a document entitled “ILO cooperation with the tobacco industry in the pursuit of the Organization’s social mandate”. Having failed to reach consensus on the matter of accepting funding from the tobacco industry for ILO work, the Governing Body requested the Director-General to submit an integrated strategy to address decent work deficits in the tobacco sector for consideration at its next session.

2. This followed an earlier discussion of the issue in March 2017 in light of the draft Model Policy for Agencies of the United Nations System on Preventing Tobacco Industry Interference developed by the United Nations Inter Agency Task Force (UNIATF) on Prevention and Control of Non-communicable Diseases of which the ILO is a member. Because the draft policy had implications for the ILO’s work on child labour funded by the tobacco industry since 2011 in several member States, the ILO had reserved its position on it pending Governing Body guidance. The Economic and Social Council (ECOSOC) adopted a resolution in July 2017 that “encourages” UNIATF members, “as appropriate and in line with their respective mandates, to develop and implement their own policies on preventing tobacco industry interference, bearing in mind the Model Policy”.

3. The purpose of the Model Policy is to “ensure that efforts to protect tobacco control from commercial and other vested interests of the tobacco industry are comprehensive, effective and consistent across the United Nations system”. It contains a non-exhaustive list of non-binding measures aimed at limiting interactions and avoiding any real or perceived partnership with the tobacco industry. Based on the premise that “engagement with the tobacco industry is contrary to the United Nations system’s objectives, fundamental principles and values”, the Model Policy calls on all entities of the United Nations system to “work as One, ensuring a consistent and effective separation between its activities and those of the tobacco industry, to preserve its integrity and reputation and in promoting development”.

Characteristics of the tobacco sector

4. The global cigarette market is valued at US$683 billion. Between 2016 and 2021 total tobacco value sales are forecast to grow by 1 per cent. The global tobacco value chain comprises: growing and processing of tobacco leaf; manufacturing of tobacco products and related home industries; and finally marketing and distribution which falls outside the scope of this document. Tobacco is produced in 124 countries. Growing and processing employs some 40 million workers, located primarily in Asia, sub-Saharan Africa, Brazil and the United States. Manufacturing employs 1.2 million workers, almost 70 per cent of whom are located in China, India and Indonesia. Related home industries employ an additional 20 million workers, principally Indonesia’s 10 million kretek cigarette workers and India’s 4.5 million hand-rolling bidi workers. The sector, parts of which are marked by low barriers

---

1 GB.331/POL/5.
2 GB.329/POL/6.
to entry, provides income and work opportunities for numerous marginalized groups, and has been an important source of employment for women.  

5. Approximately 20 per cent of adults smoke. Recent declines of cigarette purchases in China, the world’s biggest tobacco producer and consumer, have been ascribed to increased taxes and control of production, and account for most of the global cigarette consumption decline of 3 per cent in 2016. Cigarette consumption is falling in Europe and North America and rising in the Middle East and Africa. The use of vapour products continues to grow.  

6. As a legal industry, tobacco contributes significant sums to national treasuries through taxation. Some countries rely on tobacco for a substantial share of foreign exchange earnings. It is widely acknowledged, however that tobacco consumption and exposure to tobacco smoke have adverse health, social, environmental and economic consequences.  

7. There is a high incidence of household poverty among farmers and workers engaged in tobacco growing. The sector is marked by the prevalence of smallholder and family farms and in some countries, land rental and tenant farming is common. Research in Malawi shows, for example, that 63 per cent of the workforce on tobacco farms are tenants, 28 per cent are casual labourers, and 9 per cent are permanent labourers. Research in Indonesia reveals that 63 per cent of farmers own the land they cultivate, 24 per cent rent it, and 12 per cent are tenant farmers, supplying labour and sharing the proceeds of the harvest with landowners.  

8. Tobacco production is labour- and input-intensive. An estimate for Zambia shows that the cost of labour in tobacco production amounts to almost 40 per cent of total production costs, against 10 per cent for maize. World Bank research in Indonesia shows that tobacco farmers were more likely than former tobacco farmers to need credit, and that a certain  


7 This point was emphasized during the Governing Body’s discussion in October–November 2017 and during informal tripartite consultations in January 2018.

8 WHO Framework Convention on Tobacco Control, Article 3.

9 ILO research in the United Republic of Tanzania found that 84 per cent of the parents working in tobacco farming were poor or very poor, with average earning just over US$100 per annum. Both parents and child labourers cited destitution as the main cause for engaging in economic activities (ILO: Child labour in the Tanzania tobacco industry: An analysis of the value chain, Geneva, 2010).

10 Much of the information presented in this strategy comes from research in Malawi, United Republic of Tanzania and Zambia. The efforts of these countries to tackle child labour with ILO support enabled the development of a relatively large body of research on the sector in this region. However, decent work deficits in the tobacco sector exist in all regions.


12 World Bank: The Economics of Tobacco Farming in Indonesia, 2017.

number of farmers used credit to pay for education and daily expenses, in addition to inputs to production. 14

9. Tenancy systems may foster and maintain the conditions for poverty. In Malawi, tenant farmers are primarily internal migrants, and high rates of illiteracy limit their capacity to negotiate effectively with landowners who determine the price of crop inputs and deduct the related costs as well as the cost of other goods and services from their pay at the end of the season. 15

10. It is not uncommon that deductions are higher than the tenant’s share of the proceeds from the harvest, resulting in a state of indebtedness. About 40 per cent of tenant farmers interviewed in Malawi stated that they would have to pay off such debts from the previous season. Other tenants were left with less than US$50 for a year’s work. Moreover, debt or lack of transport keeps internal migrants on the farms. 16

11. As is characteristic of small-holder farming in many developing countries, productivity is limited by the lack of economies of scale; inadequate access to inputs and technology; high production costs; poor agribusiness management skills; poor infrastructure and environmental factors. In many cases, inadequate returns on tobacco farming lead farmers and workers to sell their labour in secondary occupations. 17

12. Given these characteristics of tobacco production, unpaid family labour, including child labour, is common in tobacco growing, as a means to lower production costs. 18

13. Some countries including Zimbabwe, Malawi and the United States have introduced in recent years Integrated Production Systems (IPS), in which “contract farmers” enter into legal agreements with leaf-buying companies, the latter providing agricultural inputs on credit and sometimes cash loans.

14. According to the limited research available, entering into contracts does not necessarily result in better outcomes for farmers. In Malawi some contract farmers make a profit but 15 per cent of contract farmers surveyed reported being in debt after the end of season tobacco sale. Similarly, in Indonesia contract farmers failed to make a profit. 19 In Malawi, companies retain control over tobacco grading and pricing, and research indicates that farmers are charged well over the market price for inputs. Illiteracy and lack of market information also affects incomes: 25 per cent of farmers who entered into contracts to sell their tobacco did so without adequate information about the terms of the agreement. 20 In Indonesia more than 20 per cent of farmers are engaged in contract farming, and nearly 90 per cent of all farmers miscalculated their costs by more than 25 per cent, with the average

14 World Bank (2017), op. cit.
15 ILO: A Rapid Assessment of the Tobacco Sector in Malawi (forthcoming).
16 ibid.
18 ibid.
19 World Bank (2017), op. cit.
20 Lilongwe University of Agriculture and Natural Resources, op. cit.
miscalculation being more than 50 per cent. On independent and contract farms in Malawi, approximately 90 per cent of the total labour cost is met with unpaid family labour.

**Challenges in promoting decent work in the tobacco sector**

15. Violations of fundamental principles and rights at work, poor occupational health and safety standards, low wages as well as the need to upgrade skills and promote employability of workers in the sector are among the decent work deficits to be addressed.

16. Although global estimates are not available, ILO research is generally consistent across countries and indicates that child labour is widespread in the tobacco sector. The HIV and AIDS pandemic has exacerbated child labour in some tobacco-growing regions.

17. Children of both sexes are involved in stringing, reaping, weeding, ridging, grading, watering nurseries, transplanting, applying fertilizers and harvesting. Weeding accounts for more than half of the labour required and is done predominantly by women and children. Children are often engaged in hazardous work, including the application of pesticides and carrying heavy loads. They also are engaged in night work and are exposed to various other hazards.

18. Education infrastructure and quality is often inadequate in tobacco-growing communities, a further factor pushing parents to send their children to work and not to school. While many children are enrolled in schools, there is mass absenteeism during peak growing times. Schoolgoing children are often tired by the work they do and their performance suffers. Girls are more likely than boys to be over age in relation to their grade due to absenteeism.

19. Workers involved in tobacco growing and processing are also at risk of forced labour, which may be linked to internal or cross-border migration and to debt.

---

21 World Bank (2017), op. cit.

22 Lilongwe University of Agriculture and Natural Resources (2016), op. cit.

23 ILO research found that children comprise 45 per cent of the labour force in Tanzanian tobacco cultivation (ILO, 2010, op. cit.). On farms growing tobacco in Zambia, 34 per cent of which rely solely on family labour, the majority of children work as unpaid family labour. On the 66 per cent of farms that use hired labour, children account for a quarter of the workforce. Eight per cent of children engaged in child labour are between 6 and 10 years old; 58 per cent are between 11 and 15; and 34 per cent are 16–17 (ILO, 2014, op. cit.).

24 In Malawi, unpublished ILO research from 2015 documented a literacy rate of just 54 per cent among tenant farmers.


26 For example, migrant workers in the tobacco sector in Kazakhstan have had their passports confiscated and have been obliged by their employers to perform work without compensation, see the direct request of the Committee of Experts on the Application of Conventions and Recommendations adopted in July 2016 and published at the 106th Session (2017) of the International Labour Conference.
20. Bonded labour has been documented among bidi workers who depend on advances paid by their bidi agents, as well as in countries with tenancy systems.

21. ILO research indicates that in some countries gender-based discrimination in tobacco growing is widespread. Women work alongside men, but agreements are made between owners and the husband or male partner, and payments at the end of the season are made to the man. Women and children, particularly girls, are also responsible for most unpaid care work, fetching water and other household tasks.

22. In addition, women and children are susceptible to physical and sexual abuse from their landlords or managers.

23. Workers, tenants and farmers face challenges in exercising their freedom of association rights, and in joining or creating organizations through which they could bargain collectively with their employers, landowners or contractors. This may be caused by lack of awareness, lack of capacity or even legal restrictions. The research in Malawi showed that many workers in tobacco production are unfamiliar with the purpose and nature of trade unions, suggesting that a lack of information may prevent them from fully exercising these rights. Some tenant farmers report that they do not join trade unions because they fear that the land owner will terminate their services.

24. Tobacco workers’ unions have reported a lack of effective recognition of the right to collective bargaining, and the failure by governments to ensure implementation of ILO Convention No. 87 on Freedom of Association and Protection of the Right to Organise Convention, 1948, and ILO Convention No. 98 on the Right to Organise and Collective Bargaining Convention, 1949. The ILO has documented legislative restrictions on the right of rural workers to form and join organizations of their own choosing in tobacco-producing countries, including in those that have ratified the Right of Association (Agriculture) Convention, 1921 (No. 11). These restrictions range from a denial of the right to organize for all workers in agriculture to limits on freedom of association and the effective recognition of the right to collective bargaining for various categories of rural workers, such as the self-employed, migrant workers, workers on small farms and temporary workers.

27 ILO: Bonded labor in India: Its Incidence and Pattern, Geneva, 2005. More recent studies have confirmed the continued existence of bondage among bidi workers. About 40 per cent of tenant farmers interviewed in a forthcoming ILO study in Malawi stated that they would have to pay off the previous season’s debts in the present season. Many tenants who do not end up in debt are left with less than US$50 for a year’s work after deductions are made.

28 Women contribute over 50 per cent of labour input into crop production in Malawi, United Republic of Tanzania and Uganda. A. Palacios-López, L. Christiansen, T. Kilic: How much of the labor in African agriculture is provided by women? Food Policy. 2017; 67:52–63.

29 ILO: A Rapid Assessment of the Tobacco Sector in Malawi (forthcoming).

30 Ibid.

31 Ibid.


33 Ibid.
25. Tobacco-producer cooperatives in some countries are limited in their capacity to support their members to effectively negotiate in both input and output markets, resulting in low returns. In their efforts to increase their membership among smallholder farms, producers’ associations are faced with practical challenges, notably the geographical isolation of tobacco farms.

26. With respect to occupational safety and health (OSH), adults and child labourers engaged in tobacco growing are exposed to multiple OSH hazards with short- and long-term consequences. Nicotine exposure may result in Green Tobacco Sickness, a type of poisoning specific to work in this sector.

27. Wages for workers on tobacco farms are generally low and in some areas are not sufficient to meet basic needs of workers and their families. In some countries, wage workers earn less than the prevailing minimum wage. Piece rate systems have been documented in tobacco growing, which may exacerbate child labour as their work can add significantly to family income, even if they are less productive than adults.

28. The low skill levels of tobacco workers present an obstacle to securing jobs in new industries and services. High levels of youth unemployment in major tobacco-producing countries with few opportunities for productive employment compounds the problem.

An integrated strategy to promote decent work in the tobacco sector

29. An integrated strategy recognizes that decent work in tobacco-growing areas can be an important contribution to achieving the sustainable development goals (SDGs), and meeting the ambitions of the Buenos Aires Declaration. It should also take account of the obligations of member States who are State Parties to the Framework Convention on Tobacco Control (FCTC). Given the current importance of the tobacco sector as a source of employment and income in the immediate future in many countries it is urgent to tackle the marked deficits of decent work that characterize the sector through action on all strategic objectives of the Decent Work Agenda while pursuing the longer term goals that member States have also embraced with respect to the industry.

30. The proposed strategy has three prongs: (1) promote an enabling policy environment for decent work in tobacco-growing countries; (2) strengthen social dialogue; and (3) assist tobacco-growing communities to address decent work deficits, including child labour, and to transition to alternative livelihoods. Guided by the established needs and priorities of the tripartite constituents, the strategy focuses on the global, national, sectoral and community level for action in these areas.


Enabling policy environment

31. The development of new and improved policies to promote decent work in tobacco-growing areas in the context of country strategies for employment and for rural development is the first building block. It would involve:

■ working with tobacco-producing countries to develop national employment plans in which there would be a clear focus on building the evidence base for economic diversification strategies out of the tobacco sector and for policies that facilitate improved labour and enterprise productivity as well as improved labour conditions including OSH and wages in the sector; 38

■ developing linkages with other relevant policy areas, such as OSH, social protection and education;

■ advocating for a greater focus on decent work in the tobacco sector in other frameworks such as poverty reduction programmes, United Nations Development Assistance Frameworks, national action plans on child labour, forced labour and youth employment, and national action plans on business and human rights, in line with the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration); and

■ promoting and facilitating stronger inter-ministerial coordination and policy coherence at the national level, for example between ministries of labour, agriculture, planning and education.

Strengthened social dialogue

32. Developing an enabling policy environment and addressing decent work deficits in the sector, particularly in critical areas such as wages and working conditions, requires robust social dialogue among employers’ and workers’ organizations, and governments. The longer term transition to alternative livelihoods and quality jobs would also need to be underpinned by such dialogue. Strengthening social dialogue and the institutions for social dialogue would therefore be the second block of the strategy and this would involve:

■ capacity building of employers’ and workers’ organizations as well as ministries of labour to engage in and promote dialogue covering the key decent work deficits in the sector identified in the strategy;

■ support for government measures to encourage and promote effective recognition of collective bargaining rights and utilization of machinery for voluntary negotiation between employers’ and workers’ organizations;

■ supporting relevant workers’ and employers’ organizations’ efforts to strengthen their membership and capacities and to promote positive change in tobacco-growing communities; 39 and

38 Policies should ensure that as labour demand rises with the development of such value chains, child labour and other unacceptable forms of work do not increase.

39 One example of effective organization is the Self-Employed Women’s Association (SEWA), a trade union of women informal workers in India, including of agricultural day labourers and industrial outworkers who produce bidis (cigarettes) at home. SEWA has effectively negotiated with
the promotion of systems for responsible business conduct and due diligence in the tobacco industry, in line with the MNE Declaration and the UN Guiding Principles on Business and Human Rights.

33. A tripartite global meeting to discuss the development and implementation of a renewed, integrated effort to promote decent work in tobacco-growing communities could be considered in order to provide a forum for the actors in the tobacco sector to exchange ideas and good practices in addressing decent work deficits.

Promoting decent work in tobacco-growing communities and transition to alternative livelihoods

34. Given the characteristics of the sector it is essential for action to target decent work deficits at the community level. This would involve:

- strengthening action on child labour in the communities where the ILO is currently engaged, identifying opportunities to scale up successful interventions. The aim would be to consolidate the gains made, ensuring that children do not fall back into child labour and that new cohorts do not replace them including through support for community-based child labour-monitoring systems;

- promoting local economic development with sustainable enterprises and support for alternative livelihoods for producers, workers and their families;

- focusing on quality skills and training programmes which are key to a successful transition. National institutions would need to be encouraged to deliver technical and vocational education and training in target communities, based on an analysis of local labour market needs and opportunities, with an emphasis on “portable” skills; 40

- enhancing communities’ capacity to identify alternative crops and higher value sectors, such as rural tourism, that have a potential for job creation and skills development supported by small business development services and training on risk management and prevention;

- supporting the formation of producer cooperatives, an approach that has proved successful in tackling root causes of child labour in agriculture helping to improve household income by permitting economies of scale in purchasing and facilitating pooling of labour, transport and warehousing; and

- promoting awareness on OSH and providing relevant training underpinned by OSH risk assessments and corrective action plans and working in collaboration with rural workers’ and employers’ organisations.

the government and employers/contractors to obtain wage increases, annual bonuses, health benefits, and/or pension contributions for informal workers.

40 For example, agronomy skills that will facilitate a transition from tobacco production to alternative crop production.
Resources and implementation modalities

35. The strategy outlined above follows the integrated approach of the Decent Work Agenda set out in the ILO Declaration on Social Justice for a Fair Globalization (2008) but would entail a major reorientation of the ILO’s current work in the tobacco sector. It will require strong constituent support to effect the shift from a project focus targeting just child labour to a broader programme approach set within and driven by national policies for sustainable development and related financing strategies as well as other broader frameworks for development.

36. Implementation of the integrated strategy for decent work would imply transition from a project funding base of mainly industry donors to one supported by a broad coalition of development partners supportive of the wider objectives of the integrated strategy and international development goals.

37. While preparing for the longer term shift, in consultation with constituents and development partners the following shorter term actions are proposed.

38. On expiry of the current public–private partnerships in 2018, the ILO will use funds from its Regular Budget Supplementary Account and regular budget technical cooperation to continue working in tobacco-growing areas in Brazil, Malawi, United Republic of Tanzania, Uganda and Zambia.

39. During this period, a targeted resource mobilization effort will be pursued to attract the support of a wide array of development partners for the integrated strategy, to assure decent work in the tobacco sector, quality education for children and the development of alternative sources of income. Contacts so far undertaken make it reasonable to expect that the integrated strategy will attract support given the international community’s commitment to international development goals, to decent work for all and with respect to tobacco control.

40. Partnerships with UN agencies, and international development banks, notably the World Bank, will be pursued subject to the priorities and policies of ILO and those organizations, including with respect to working with the tobacco industry and the sector.

41. A number of UN agencies have explicitly prohibited receipt of funding from the tobacco industry. These include the International Atomic Energy Agency, the United Nations Development Programme, the United Nations Educational, Scientific and Cultural Organization (UNESCO), the World Health Organization (WHO) and the United Nations Children’s Fund (UNICEF). The UN Global Compact has excluded tobacco companies from participating in the initiative in line with the FCTC. The World Bank does not lend directly for, invest in, or guarantee investments or loans for tobacco production, processing or marketing. 41 The Food and Agriculture Organization of the United Nations, while not explicitly excluding the tobacco industry as a potential partner, considers tobacco to be a “highly controversial” sector, together with the alcohol, gambling, pornography and weapons industries. 42 Finally, national commitment of domestic public resources,

41 WHO: UN agencies and tobacco industry interference: Examples of good practice from UN agencies, 2015.

42 The agencies mentioned are also members of the UN Interagency Task Force on Non-communicable Diseases (UNIATF). Several agencies’ policies refer to the UN-wide “Guidelines on Cooperation between the United Nations and the Business Sector”, which do not exclude the tobacco sector.
supplemented by international assistance as appropriate, will be critical to realizing decent work in tobacco-growing areas.  

43

Draft decision

42. The Governing Body welcomes the integrated strategy for decent work in the tobacco sector and requests the Director-General to:

(a) implement the strategy, including the strategy for short-term funding and long-term partnership development, taking into account the discussion by the Governing Body; and

(b) report on its implementation at the October–November 2019 session of the Governing Body.

43 The need for these resources is reflected, with regard sustainable development more widely, in the Addis Ababa Action Agenda on Financing for Development.