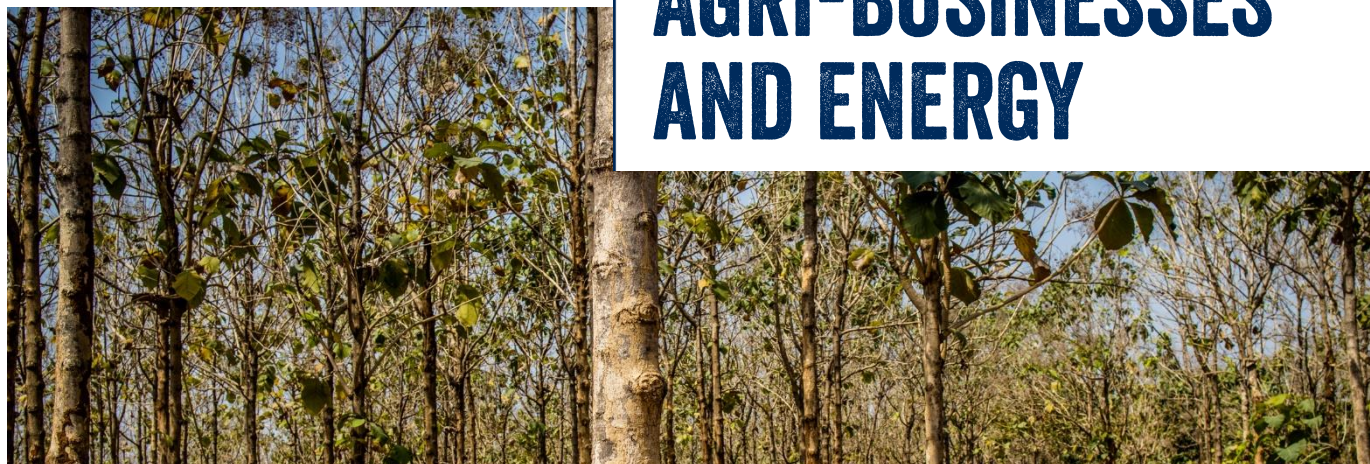


DECENT WORK IN AGRI-BUSINESSES AND ENERGY



CONSULTANT

Ergon Associates

COUNTRIES

AGRI-BUSINESSES

- BANGLADESH
- COTE D'IVOIRE
- GHANA
- MOROCCO
- NICARAGUA
- PERU
- SOUTH AFRICA
- TANZANIA

ENERGY

- BURKINA FASO
- COTE D'IVOIRE
- EGYPT
- GEORGIA
- JORDAN
- KENYA
- NEPAL
- PERU
- UGANDA

CASE STUDIES:

BANGLADESH; GHANA; NEPAL; PAKISTAN

INTRODUCTION

SDG 8 sets up an overarching goal of sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all. FMO recently reiterated its focus on SDG 8, including decent work and job quality in its updated Strategy 2030. Furthermore, finding ways to improve the quality of jobs is of key interest to the Access to Energy Fund (AEF) and Building Prospects fund managed by FMO as they invest in companies that operate in countries with frequent exposure to high (labor) risk.

Through E&S risk management, FMO identifies risks and works with customers to support improvements to working conditions per IFC Performance Standard 2 (PS2) requirements.

A previous study on decent work commissioned by FMO ([Decent Work and Development Finance, 2019](#)) concluded that labour risks and opportunities can be highly context-specific, and that the business case for investing in job quality still requires a better substantiated evidence base. Therefore, FMO commissioned this assignment to explore those two topics further.

THE STUDY

This study is meant to support FMO staff in identifying key country and sector specific contextual risks and to inform future developments on FMO's approach to decent work and job quality. Specifically, this report has two main objectives:

- (1) to identify country-specific labor risks and enablers/opportunities
- (2) to construct a business case for investing in job quality based in four case studies

First, by providing sector-specific labor risk matrices for 15 countries (see left panel). These were selected based on FMO exposure, risk, and focus of the funds. The study also includes an overview of opportunities for FMO to add value 'beyond compliance' to PS2. Second, by conducting case studies to illustrate the business case for investing in job quality.

Customers from FMO's portfolio included in the case studies were Dutch-Bangla Packaging (DBPL) in Bangladesh, an FMO-A investment; Miro Forestry in Ghana, a BP investment; Dolma Impact Fund, a MASSIF investment; Lakeside Energy in Pakistan, an AEF investment.

Throughout the report, [job decency](#) refers to working conditions sufficient to comply to PS2, and [job quality](#) refers to conditions that go beyond initial compliance.

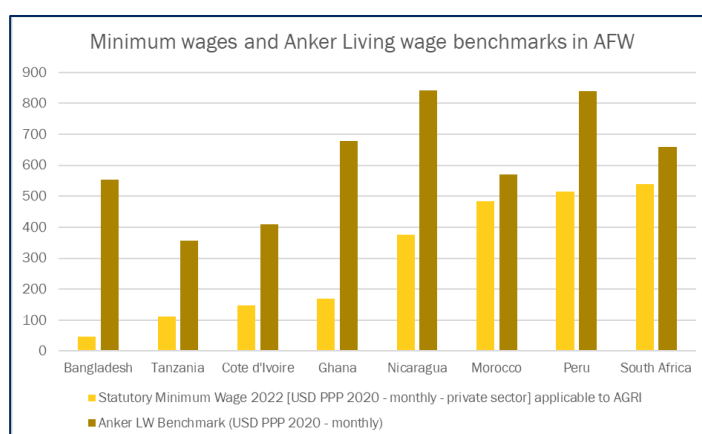
FINDINGS ON JOB DECENCY AND RISKS

Country risk matrices highlight the most salient sectoral contextual risks. Highlights of these include:

Agriculture	Energy
<ul style="list-style-type: none"> Most countries had ratified all eight ILO core conventions. However, the regulation of employment is partially excluded from national labor law in some countries, e.g., in Bangladesh for farms with fewer than 5 employees. Enforcement and inspection of agricultural labor practices is still a challenge across all countries assessed. Child labour remains a deep-rooted problem in rural sectors, especially in cocoa (Cote d'Ivoire and Ghana), bananas (Nicaragua), tea (Tanzania) and coffee (Cote d'Ivoire, Nicaragua) and fish processing (Bangladesh, Ghana). Low wages are an endemic challenge with significant wage disparities between men and women. For example, in Cote d'Ivoire, the agricultural minimum wage has not been updated since 1994 and is about 1/3 of the 2020 Anker Living Wage and just 60% of the minimum wage for all other sectors. 	<ul style="list-style-type: none"> Majority of countries have ratified all eight ILO core conventions. Jordan, Kenya, and Nepal have not ratified the Freedom of Association and Protection of the Right to Organize Convention (no. 87). Enforcement of law to workers engaged in construction phases of energy projects is a challenge mainly due to: <ul style="list-style-type: none"> Informal and transitory nature of work (e.g., in Burkina Faso, 94% of jobs in construction are informal) Operators can benefit from cutting back on safety and health expenditures, or management systems to ensure full compliance. Many construction workers are migrants. For example, in Jordan the construction sector is heavily reliant on informal migrant workers and Syrian refugees. Differential minimum wage rates apply to Jordanian and non-Jordanian workers. Several countries showed challenges with full and timely payment to construction workers. Given the risks of injury, insurance coverage and compensation are a key risk area.

The report provides a detailed analysis of red flags/mitigants for both sectors. In EN projects, these focus on construction-related risks (particularly those linked with contractor management). Key **red flags in EN** relate to poor contractor performance on labor and Occupational Safety and Health (OSH); lack of adequate management systems/buy-in on E&S performance by developer or contractor; Informal recruitment practices, including significant reliance on day/week labor; contractor already appointed/work already begun. **Appropriate mitigants** include having contractor management systems and labor management plan with clear safety management systems (aligned with international standards), zero tolerance for forced labor, and provide written contracts and clear information to workers. The requirements and checks cover subcontractors.

The report also provides a detailed analysis of **red flags and mitigants in AFW and EN investments/customers**. For AFW, it distinguishes between the scale of the employing enterprise - MSMEs and smallholders, and larger operators. The report also highlights the **gaps between minimum wage applicable based on national laws (as defined by IFC PS 2) to AFW and the Anker Living Wage benchmark¹** (see figure). Wages in supply chains reflect a range of factors from the creation and distribution of value within the value chain, local labor market dynamics and skills supply, as well as enterprise cost competitiveness. As the determinants of low wages may be systemic or structural in nature, any intervention seeking to promote improved wages should seek to address these broader systemic considerations, and to link up potential areas for collaborative progress at all three levels – the global, the national and the (supplier) enterprise.








¹ Living Wage benchmarks developed by the Ankers for the Global Living Wage Coalition are recognized as the most credible benchmarks for living wage. Typical wage data take from Anker research (2021).






FINDINGS ON JOB QUALITY AND OPPORTUNITIES

Many issues addressed under job quality (skills development, progression opportunities, productive work, labour market inclusion) are outside the scope of PS2 compliance and represent important opportunities for FMO to collaborate with customers to create significant impact on a core goal – SDG 8. The report found areas where FMO can consider acting with customers and their business partners to further promote and enhance job quality across both agri-business and energy investments, categorised by IRIS+ ‘Quality Jobs’ themes:



-  **Earnings and wealth**, e.g., explore scope for customers and contractors to digitise wage payment, to increase transparency, reliability, and timeliness of wage payment.
-  **Job skills for the future**, e.g., support customers’ – and their suppliers’ or contractors’ - targeted outreach to young and underserved communities, particularly women, to broaden talent pool, and keep skills within the locale.
-  **Job security and stability**, e.g., work with customers (and their key suppliers and contractors) to modernize and professionalize employment and HR practices, including equal opportunities – also to enable access to higher-value markets and investors with ESG expectations.
-  **Health and well-being**, e.g., find scope for customers to set up employer-provided childcare for workers.
-  **Rights, respect, and cooperation in the workplace**, e.g., work with customer and relevant third parties (contractors / suppliers) to a) develop systems for certification and recognition of responsible labor intermediaries and b) support regularization of legal status for vulnerable workers (e.g., refugees, migrants).

Through the case studies, concrete examples of how FMO customers are currently contributing to improving job quality along the IRIS + 5 dimensions were found:

-  An AFW customer in Bangladesh successfully implemented a digital payroll system for all factory employees. Alongside enhanced process efficiency, this has improved women employees’ financial independence.
-  Based on a supervisor skill ‘needs assessment’ and gap analysis of an AFW customer in Ghana found a need to ensure that women have equal access to training. Initiatives have included coaching and mentoring for newly recruited female.
-  Improving accommodation was a priority for investors of an EN project in Pakistan. The EPC, which had multiple projects and accommodation sites in the region, and ultimately developed separate and improved accommodations for the project. Another EN customer in Nepal also worked on improving worker accommodation.
-  An AFW customer in Bangladesh provides employees with free healthcare support and health insurance. These benefits are seen as improving employee attendance and retention while also contributing to workforce welfare and motivation.
-  Following a gender assessment, an AFW customer in Ghana found a lack of gender-specific policies as a gap. Policies, including those on female staff involvement in decisions and harassment, are being implemented.

FINDINGS FROM THE BUSINESS CASE

Through the cases studies, the consultants identified concrete business benefits associated with promotion of job quality across three categories (see figure): i) value creation; ii) business growth and resilience; and iii) enhanced compliance and risk management. These can be disaggregated further into the following:

- **Improved attendance and retention:** In contexts where workforces are highly mobile and opportunities are plentiful, improving worksite accommodation and safety was linked to improved worker retention.
- **Increased productivity:** Workers that were better trained, better motivated, and with longer tenure, were more productive and made fewer errors during production.
- **Social license to operate:** Businesses that relied on the community for assets and workers solidified their social license to operate by establishing a reputation as a good and fair employer.



- **Securing access to skills:** Where the right skills are not available in local labor markets, internal training as well as partnerships with external skills providers helped to secure access to skilled workers.
- **Employee commitment and motivation:** Providing training, along with clear career progression opportunities and demonstrable examples of upward mobility was associated with improved workforce morale (and retention).
- **Improving access to higher value markets and international capital:** For export-oriented businesses, demonstrable commitment to labour standards can be a requirement of buyers (particularly those from developed, higher value markets).

Based on these findings, FMO and other investors can use this information to engage with customers on this topic by providing concrete examples of customers' experiences improving job quality and associated business benefits.

CONCLUSIONS

On job decency

- This research captures country- and sector-specific contextual labor risks, understanding of which can enhance the quality of FMO due diligence and risk management.
- There are often big gaps between national practice and the PS2 standard.
- Several the labor risks found – such as child labor - pertain to broader, structural, or endemic factors, including the development and governance status of the country, socio-cultural norms, and demographics.
- Significant gaps were identified between statutory minimum wages and living wage benchmarks.
- If international or investor standards exceed local requirements and entail added costs, the “business case” for reaching these standards becomes even more important. Access to DFI funding by adopting harmonized requirements is also part of the business case.
- In sectors such as EN, construction phase of projects is short-term and involve contractors which presents additional challenges overseeing and cascading implementation of international labor standards (e.g., when contracts have already been let when a DFI joins the project).

On job quality and the business case

- Often, working with clients to uphold PS2 is itself an important development impact given the local context. In sectors with high informality, the formalization of HR management systems as required by PS2 can contribute to positive outcomes for workers as it improves access to and transparency of information for workers.
- Identifying skills gaps and working to address them offers real potential for FMO customers to add value to the jobs quality agenda.
- Initiatives to promote gender equality need to understand and engage local attitudes.
- Efforts to engage and employ local people from communities surrounding the projects needs to be carefully managed as this often affects the license to operate of the companies that FMO invests in.
- Successful interventions link improvements to working conditions to operational and business outcomes.
- Customers give clear testimony to the strength of the business case. However, data to substantiate it is sparse and difficult to collect.

RECOMMENDATIONS AND NEXT STEPS

The report provided recommendations to FMO to leverage the information generated by this study to enhance its approach towards its SDG 8 strategic goal.

FMO will use the insights from this study together with the recommendations of its earlier SDG 8 Corporate Evaluation, as well as its experience working with customers on PS2 to increase the focus on decent work and job quality towards 2030.

ALSO READ

- The [report on Decent Work from 2019](#) by Ergon can be found in FMO's website.
- In 2022, FMO also completed a complementary evaluation into FMO's contribution to SDG 8. Find the executive summary in [FMO's Reporting Center](#).