

Corporate Responsibility and Women's Employment: The Cashew Nut Case

Nazneen Kanji IIED

This paper uses research carried out in the cashew nut processing industries in Mozambique and India to firstly, illustrate the generally negative results of economic liberalisation on wages and working conditions; secondly, to discuss examples of better practice; and thirdly, to suggest ways in which business can better contribute to positive changes for women and for sustainable development, including the policies and interventions which may be necessary to encourage business to do so. It highlights the challenges of encouraging corporate responsibility in a sector in which there is currently little consumer or buyer pressure for higher labour standards. It also emphasises that attempts to exert such pressure should be based on an understanding of the entire supply chain.

Women have long campaigned for equal rights in employment to men – for opportunities to participate in a wider range of occupations, equal pay and equal opportunities for training and promotion. Over the last two decades, the deregulation of labour markets and the globalisation and fragmentation of production processes has increased the demand for labour, particularly female labour, in many parts of the world. There has been a rapid and substantial increase in the proportions of women

in paid work, although figures do not capture (and never have) women's participation in informal jobs. The demand for women's labour is, at least in part, because the nature of employment is changing – sub-contracting, part-time work and home-based work have proliferated all over the world and the distinction between formal and informal employment has become much more fuzzy.

While the growth in labour-intensive exports has led to increased employment opportunities in developing countries, lead buyers in many supply chains are reacting to competitive pressures by demanding higher quality at lower prices with faster delivery of products. Research shows that these pressures are often passed on to workers, who have to be more flexible and work longer hours, with pay often linked to the quality and quantity of their work. It is often women, more than men, who accept lower wages and more insecure earnings, partly due to the more limited choices they face and partly due to different societal expectations of what is acceptable for women and men.

While the primary concern of business has always been to ensure its profit margins, civil society organisations are exerting greater pressures on some businesses – particularly those with high profile

KEY POINTS:

- In Mozambique, liberalisation of the cashew sector and privatisation of processing has led to lower wages and poorer working conditions.
- In Kerala, the hub of the cashew industry in India, liberalisation in the 1990s has led to the further informalisation of labour, with poor wages and health-threatening working conditions, particularly for women workers.
- Employer perceptions of what is appropriate work for women can exclude women from income-earning opportunities and leadership positions.
- Collaboration between government, companies and civil society organisations can contribute to gender equity and sustainable development.
- However, falling international prices and the power of international buyers have negative implications for wages and working conditions in developing countries.
- There remains an overarching challenge – to find ways to strengthen business incentives for more responsible practice in liberalising sectors where such incentives are currently lacking. Supporting local civil society and public sector capacities to demand and enforce basic labour standards and gender equity will be central to this effort.



brands and vulnerable reputations – to comply with basic labour standards. Companies and enterprises which can show that they are progressive in this respect are seen to make a better contribution to society and may even be able to use their good practice as a comparative advantage in a competitive market. However, where there is no apparent business case, there is a need to create one, by finding ways to incentivise companies to adopt desirable labour practices.

Cashew nut processing for global markets

Cashew is grown in semi-arid, sub-tropical regions of Africa, Latin America and South and South-East Asia. Cashew nuts grow on trees, which help prevent soil erosion, and the raw nut is attached to and hangs below a false fruit. Cashew nuts and fruit contribute in various ways to local livelihoods – they are good sources of nutrition and the tree has other uses, including medicines and construction. As the cashew nut is one of the most valuable processed nuts on global commodity markets, it is also an important cash crop for farmers and has the potential to generate employment through processing and export revenue for developing countries. The world's largest producers are currently India, Vietnam and Brazil, with many countries in Africa producing smaller quantities.

Mozambique used to be the largest producer in the 1970s but many factors, including war and drought, inconsistent state policies and ageing trees, resulted in a decline in production. In the 1990s, the privatisation of large processing factories followed by rapid trade liberalisation was the final blow that brought the processing sector to its knees. There are current efforts to revive both production and in-country processing but most of the crop is exported as raw nuts to India, whose processing capacity far exceeds local production. In India, the 1990s witnessed an increase in cashew kernel exports, with greater import liberalisation for raw nuts and a relaxation of licensing regulations for processors.

Box 1 describes the labour-intensive process involved in transforming the raw nut into edible kernels. This process, used in both India and Mozambique, consists mainly of what can be termed primary processing. However, considerable value is captured in the secondary stages of processing, that is roasting, salting (or adding other flavours) and packaging the nuts in Europe or the United States. In the UK, for example, there are a few large importers who buy from the major producer countries. The importers then sell either to a few large roaster/salter companies who in turn sell to a range of wholesalers or to the major supermarkets who package the product.

A simplified chain for the India case, exporting to UK, is presented in **Figure 1**; it should be noted that commission agents and processors also *import* raw nuts or buy from importers. The chain for Mozambique is much more circuitous in that most nuts grown in Mozambique are exported in raw form to India and then find their way to European and US markets once processed.

With competition between different producers and the recent entry of Vietnam into the world market for cashews,

BOX 1:

Labour issues and cashew processing technology

Cashew nuts are kidney shaped and brittle which makes it difficult to remove the shell without breakage. The most significant difficulty in processing cashew nuts is that the shell, which contains the edible kernel, also contains a caustic oil which can burn the skin and produce noxious fumes when heated. The oil (referred to as CNSL, cashew nut shell liquid) contains 90% anacardic acid and 10% cardol.

Raw nuts can be drum roasted and then cut using impact-shelling machines or hand-held hammers to separate shell from kernel. More recently, factories tend to be smaller-scale and use the steaming and cutting method. Raw nuts are steamed, then cooled and cut with a hand and foot pedal-operated machine. Semi-mechanised shelling increases the contact of the worker with CNSL, but results in less breakage and more valuable whole nuts. Workers are given oil to cover their hands, which provides limited protection. Gloves wear out quickly and in any case, are not favoured by workers paid on a piece rate basis, since they affect dexterity and slow down the work.

The processing steps in the newer factories, often physically divided into different sections, are: Steaming and then cooling the raw nuts; Cutting to separate shell from kernel; Drying the kernel; Peeling; Sorting the kernels (separating broken pieces); Grading and Packing.

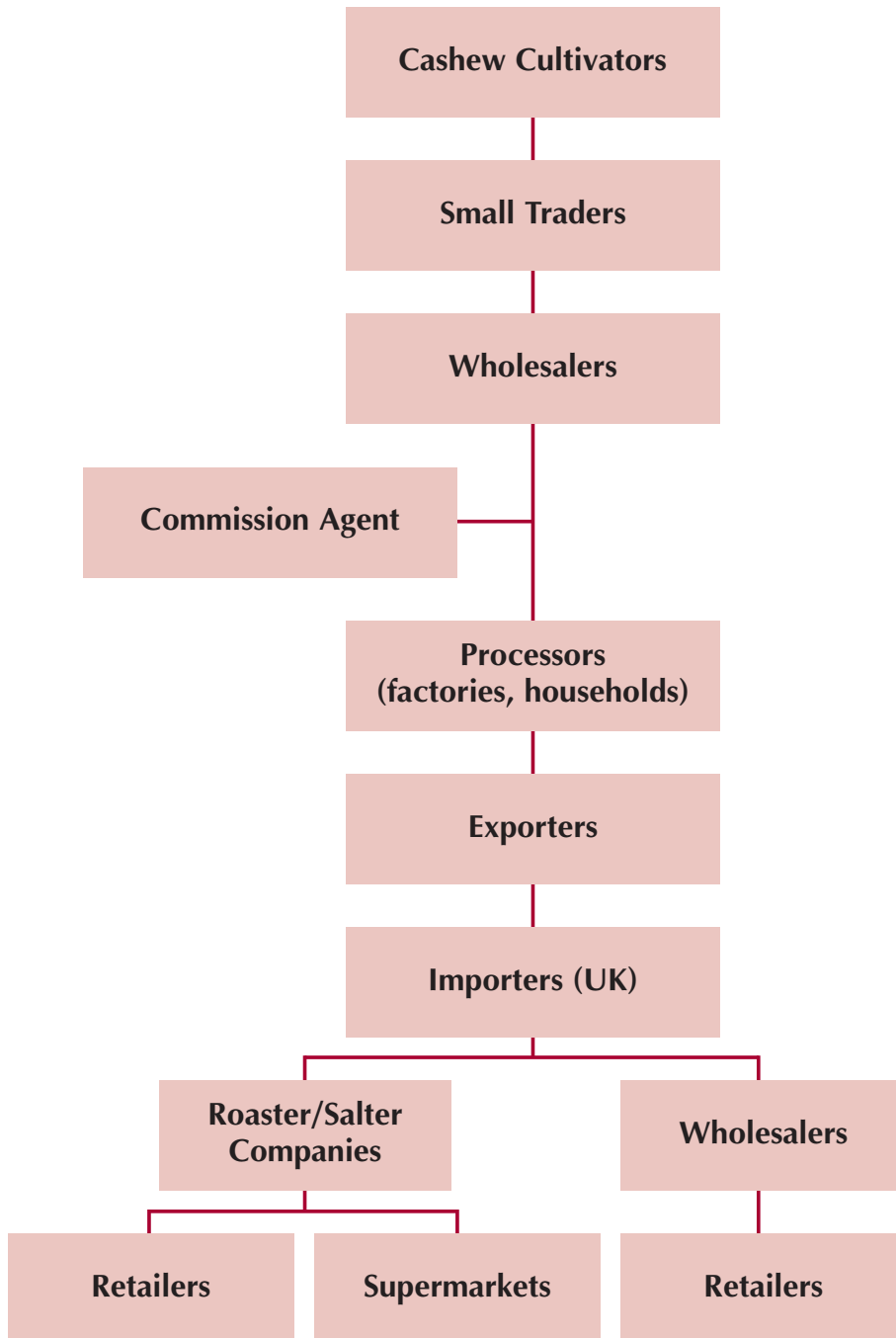
Small and medium-scale factories are much less capital intensive and employ more people per ton of processed cashew than the highly mechanized ones. But even small-scale processing plants are not suitable for small investors. One of the biggest costs is stock piling sufficient cashew to keep the plant working 200 days a year. The cashew harvesting season lasts about two to three months, so even the smallest plants require 100 tons of stock piled raw cashew.

international prices have fallen for both raw and processed nuts. At the same time, quality requirements – physical (e.g. size and colour) and chemical (e.g. rancidity) – are increasingly applied by buyers (of kernels) in the US and Europe. The location of value-addition and the buyer-driven nature of the cashew nut supply chain have negative implications for the wages and working conditions of workers in developing countries.

Wages and working conditions in cashew processing plants

In both Mozambique and India, cashew nut processing has provided an important source of wage employment for women. In India, the state of Kerala has the largest processing capacity in India and there are an estimated 400,000 women workers in the industry. Kerala continues to be the state that does the most processing in India, and Cochin is the major port used for exports. In Mozambique,

FIGURE 1: A simplified cashew supply chain: India to UK



about 10,000 workers were employed in the industry in the early 1990s but this has dropped to about 2000 at the current time. Accurate figures (for total workers and for women) in both countries are hard to come by, in part due to the changing nature of employment in the industry.

In Kerala state in India, with increased competition in the international market and the moves towards complete liberalisation, out-sourcing of cashew processing on a commission basis (sometimes called commission varappu) has increased. Most public sector factories have closed and in private factories, employers have ‘seasonalised’ and ‘informalised’ workers. ‘Commission varappu’ has increased and processing has been decentralised into a greater number of smaller units. The ownership of the processing

sector is dominated by a few Keralan families (later generations of the men who were termed ‘cashew kings’ some fifty years ago). However, foreign companies also commission out and commission agents may be foreign as well as Indian. Most workers do not earn the minimum wage; it is more likely to be earned in government-run factories than in commissioned out work. Men are more likely to earn higher, more secure monthly salaries as oven operators and supervisors. In factories, workers have faced an overall reduction in working days per year, which is a key expressed concern of women workers. In addition, Keralan processing companies have spread their operations to the neighbouring state of Tamil Nadu, where even lower wages are paid.

Conditions in the factories are poor and we found that the regulations concerning ventilation and protective clothing are not followed. Besides the damage to the hands of women who work in the shelling section, women complained of back and reproductive health problems from sitting and/or squatting in the peeling sections and standing for long periods in the cutting sections.

In Mozambique, our study of ex-workers in Angoche, a coastal district in Nampula province, showed workers' livelihoods have been badly affected by factory closures and that women, more so than men, have found it difficult to find alternative sources of income. This is linked to the restrictions women face on their mobility, due to their domestic and child care responsibilities – something which benefits society as a whole but which affects the opportunities they are given in the labour market.

The new smaller scale factories offer piece rates and most workers do not earn the minimum wage. However, employment in the factories is coveted – when one new factory opened in Namige, in the same province, 1000 people turned up to apply for 70 jobs. In the south of the country, workers in the factory we studied started work at 4am and often worked until late afternoon in order to complete their tasks. In general, women tended to earn less than men and work longer hours, which is linked to the piece rates set for the sections of the factory where women predominate, namely peeling. The other side of the coin is that men dominate in better-paid positions within the factory, including supervision and management. The implications of these long hours for women are particularly severe given that they are primarily responsible for growing food, for domestic work and childcare. There is a knock-on effect for the household when women's time is put under this kind of pressure. There was a complete lack of maternity benefits and childcare in most factories in the study in both countries. In Mozambique, this is perceived to be a negative change because the now closed, large factories, which generated more stable employment through the year, did provide such benefits including crèches providing food and trained childcare assistants.

Gender divisions of labour in processing plants

Another finding of our study was the way in which employers' perceptions of women's and men's respective skills and capabilities can affect the opportunities they receive. In India, the cashew industry is viewed as "women's work": it requires patience and dexterity and we were told by one manager that the work is "too boring" for men. Women operate the hand and foot pedal cutting machines (as do men) but there are virtually no men in the peeling section.

In Mozambique, in contrast, we found that men do work in the peeling section but in one factory at least, there were no women at all in the cutting section. The owner of this factory says that work in the shelling section is open to women, but that they would prefer to work separately. According to one manager, before the factory opened, he called a few women to try and use the machines "but the women said they could not handle the machine". One fact

is clear – the men started to work a few days before the women did in the new factory and were trained to use the machines. Women are often excluded when new technology is introduced, but in this case, it is complicated by the fact that shelling involves contact with CNSL, which burns the workers' hands. Some women did not want to burn their hands, explaining that it would affect their farming work, but other women said they wanted the jobs in the shelling section because "it is also work through which money can be earned". Women were therefore not given the range of choices that men had for employment within the factory.

Men in both country studies overwhelmingly garnered leadership positions in factories as well as contracts offering greater security and benefits. On the other hand, some employers voiced the opinion that women are harder workers than men, and more reliable because they had fewer options for employment.

Better practice in employment

Although the overall findings of the study clearly show a deterioration in wages and working conditions in cashew processing in a liberalised and competitive environment, there were examples of better employers and of institutional arrangements where workers derived more benefits.

CASE 1:

Miranda-Caju in Nampula province, Mozambique

One such example is the factory in Namige in Mozambique, which started to function in April 2002. It was set up by a private entrepreneur with a one-year low-interest (18%) bank loan which was guaranteed by the government cashew institute, INCAJU. The factory was designed with the help of TechnoServe, a USAID-financed NGO which aims to support entrepreneurial women and men in poor rural areas. Cashew is processed using the steaming method and semi-mechanical cutting machines and all the equipment, including the ovens, has been manufactured locally. The owner reconstructed a ruined building and the factory will build up to its capacity of 1,000 tons of raw cashew per year. In 2002, the factory began by processing 120 tons and employed 70 workers. The owner of the factory has two cashew plantations in the area with a total production volume of approximately 50 tons per year. The kernels produced are graded and vacuum packed for export. The Dutch NGO, SNV, has played a facilitating role and assisted the owner to contact a Dutch buyer who operates from Rotterdam and exports to various parts of the world.

Workers receive a free meal at work and according to their contracts they have access to health assistance, paid annual holidays, and severance pay in case of professional illness or work accidents. A trade union has been set up and a crèche has been constructed – that is, a clean, sheltered area where mothers can arrange someone to look after their babies (but with no provision of food and trained child carers as in the old government-owned factories). The owner of the Namige factory has recently set up a second factory and two more similar factories have been set up by other entrepreneurs in the province.

The Namige initiative provides an interesting example of a 'partnership' approach between government, NGOs, communities and the private sector. SNV, with support from TechnoServe, has developed the CASCA programme (Support Programme for the Cashew Sector), which includes the setting up of small scale processing units (so-called satellites) around the factory. The programme includes two Mozambican NGOs, one of which provides a training component for production and processing and the other a micro-finance component. The owner of the factory buys the produce from the small units.

In the first year of the programme (2002–03), three units were set up, each with a capacity to process 24 tons of raw cashew. The units buy the raw cashew, steam, crack, dry and peel the cashew, and pack it for transport to the factory. In the factory, the nuts are sorted, graded and packed for export. The owner of the factory is responsible for finding the buyers and already has a good relationship with a Dutch buyer who can absorb high volumes of processed nuts for export to various parts of the world. The owner is building up the factory towards maximum capacity while also out-sourcing the initial, more labour-intensive stages of processing.

To minimise risks of management failure and test technical and economic viability, the first three units are run by individuals who have an entrepreneurial background, and experience in marketing cashew (two men and one woman). The idea is that if the units show viability, they can be extended to less experienced individuals or run by interest groups, associations or family groups. A total of 21 units is foreseen for the first 3 years of the programme, with each unit employing about 12 people.

The owners of the three units have received support from TechnoServe with the machinery and its installation. One NGO (AMODER) has provided loans for initial working capital at 2% interest payable over one year. The other NGO (ADPP) is providing training for the unit workers. However, only men have been employed to work the cutting machines so far. One view is that it will only be possible to recruit women when there is better protection from CNSL, through the import of castor oil, which is better than the local oil.

The satellites initiative has the potential to increase the quantity of nuts which are processed as well as the employment generated for local people. In these cases, the chain becomes much shorter (see **Figure 2**), minimising the number of intermediaries between producer and exporter, and adding value locally. This is a positive initiative, which should provide greater benefits to rural communities than the more typical chains (**Figure 3**), although small intermediary traders may lose out. However, it remains to be seen whether the satellite units will benefit women directly through employment. It also remains to be seen if the satellite units are economically viable. At present, the Namige factory owner and TechnoServe have some reservations about the financial sustainability of the satellite units, because quality and productivity has been low (the appearance of the nuts, the proportion of 'whole' nuts produced), costs are seen to be high and prices of kernels on the international market have remained low.

CASE 2:

Processing clusters in Panruti, Tamil Nadu, India

In Panruti, clusters of small scale cashew-processors have evolved, which are similar to the Namige satellites but which carry out more of the stages of primary processing and are more independent. Local nut production is not sufficient to feed the existing processing units. Export houses are the main conduits through which the external procurement of raw cashew happens. Although the export houses procure raw cashew nuts from the domestic and the international market, most do not have their own processing facilities. Instead, they use hundreds of small processing units located in the villages surrounding Panruti town, which tend to be owned by cashew farmers, whose cashew harvest alone does not suffice for the facilities they own and manage.

These small processors own the premises, the equipment (whatever little they have) the raw material and the final produce. They employ wage labour to supplement family labour. They are part of a network of small processors linked to a few export houses. Each export house has about 40–50 such small processors in the network. The export house scouts for the raw cashew both in the domestic market and in the international market on behalf of all the processors in its network. When the price and the quality of the nuts are known, the information is disseminated to all the processors. If it is acceptable, then the export house procures the raw nuts. Individual processors then buy smaller lots of raw nuts from the export house and the contract ends there. The processing units process the raw nuts on their own, sort them and sell them to the same exporter or to another export house.

The small processors also procure raw cashew from the domestic market through their own agents. Three or four small processors pool resources to organise lorry loads of raw nuts that are imported from other states (Kerala, Karnataka, Andhra, Maharashtra or Goa). These processed nuts are also sold to the export houses.

Cashew processing generates valuable employment for local people. Combining cashew growing with processing can generate employment for almost the entire year. Only women are employed for shelling, and they also predominate in the peeling section. Daily wages vary between Rs50 and Rs70, which are lower than the wages in the factories we studied but with work located close to women's homes. Labour is scarce, especially during the harvest season, and the clusters attract workers from other villages where processing has not been taken up in a big way.

An initial appraisal of the institutional arrangements in Panruti seem to indicate benefits for women workers, particularly in terms of the location of work, although the working conditions in both the Namige satellites and the Panruti clusters require further study.

FIGURE 2: The Namige cashew export chain

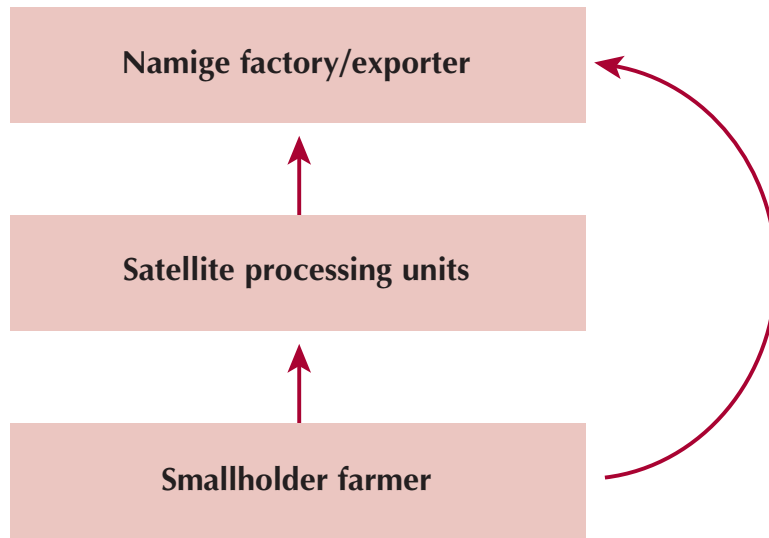
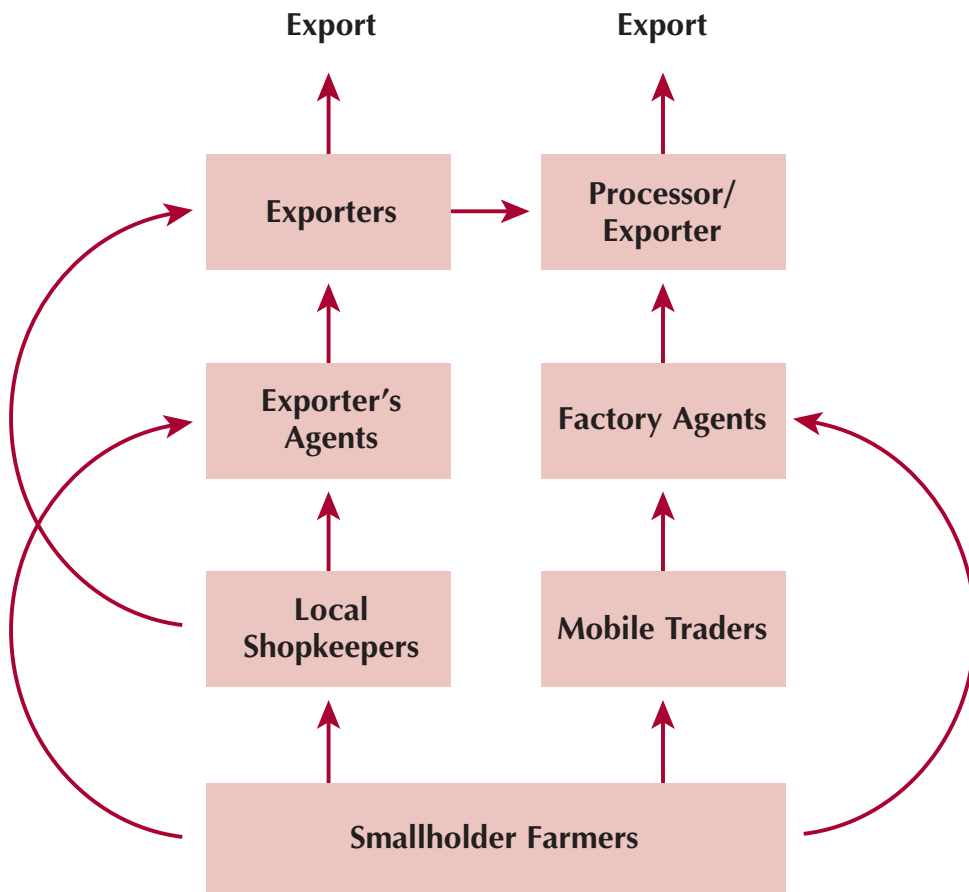


FIGURE 3: Typical Cashew Export Chains in Nampula Province



Implications for the corporate responsibility agenda

In the “better practice” we looked at in this paper, the Namige case illustrates the important role of support from NGOs, working with government and the private sector. The Panruti case, on the other hand, demonstrates the strength which comes from strong grassroots associations or entrepreneurial organisation. However, these cases are exceptions and there are still gender inequalities in the benefits derived from employment. Companies can choose to take advantage of socially constructed gender inequalities, where women are assumed to be “secondary earners”, and/or are more willing to be flexible and to accept lower wages for their work. Or companies can choose to invest more in their work force, women and men, thereby contributing to sustainable development. However, on what basis will they make these choices? How can business incentives be aligned with positive outcomes for sustainable development?

Workers’ organisations: In the current context, unions are weak or non-existent in the cashew processing sectors in both countries. Given the need for cash and the lack of employment opportunities, workers and unions find themselves in relatively weak positions. Action to promote workers’ rights is complex and should not restrict the livelihood opportunities of the poorest workers nor raise labour costs to the detriment of livelihood opportunities for people with few choices. Unions have often failed to represent the interests of women workers adequately. The development of strong and representative workers’ organisations is an important counter-weight to more powerful interests.

Governments have an essential role in protecting workers’ rights and interests, particularly where unions and other civil society organisations are weak. Tri-partite discussions between employers, government and workers’ representatives (including women) should inform minimum wage agreements and minimum working conditions and these should then be enforced and monitored by independent bodies.

Companies should seek to provide equal opportunities to women and men in training programmes, employment and promotion opportunities and their efforts should be monitored.

Quality requirements and labour standards: While employment conditions constitute one key issue in the cashew sector, the other is the quality requirements which affect the competitiveness of cashew nuts on the international market. Cashew nuts are considered a luxury food product and there are a host of quality requirements, which are increasingly applied by the US and Europe. There are indications that certification of factories in terms of hygiene and safety during processing may increasingly take place, with improvements in the working conditions of employees becoming more important. While this is an important step, an analysis of the entire supply chain,

including the Northern ends, is essential to examine the opportunities and constraints in meeting these requirements.

Collaboration between government, companies and civil society organisations, at local, national and international levels, can contribute to gender equity and sustainable development, as the case studies have demonstrated.

Conclusion

The corporate responsibility agenda often focuses on ‘win-wins’, where improved social or environmental performance leads to business benefits. Such incentives for higher standards come from a variety of points of leverage, including consumer demand, civil society (including trade union) pressure, public sector enforcement, and conditions imposed by investors or buyers. But the case of cashew illustrates the danger of a ‘race to the bottom’ when companies operating in liberalising sectors face few, if any, of these incentives. While there are exceptional examples of better practice, workers (particularly women) in this sector generally face low wages, poor working conditions, and discrimination. To be relevant to anything beyond the isolated win-win scenario, the corporate responsibility agenda will need to come to terms with the overarching challenge that this case highlights – the need to find ways to strengthen business incentives for more responsible practice in sectors where such incentives are currently lacking. Supporting local civil society and public sector capacities to demand and enforce basic labour standards and gender equity will be central to this effort. ●

Nazneen Kanji is Senior Research Associate in IIED’s Sustainable Agriculture and Rural Livelihoods Programme. This paper draws on collaborative research carried out in Mozambique with the University of Eduardo Mondlane and in India with the Centre for Development Studies in Trivandrum and the Madras Institute for Development Studies. The paper builds on team work and the author would like to thank the researchers with whom she has worked, namely: Carin Vijfhuizen, Carla Braga and Luis Artur in Mozambique and Padmini Swaminathan, Mridul Eapen, K.N.Harilal and J.Jeyaranjan in India. Thanks are also due to Stephanie Barrientos, Tom Fox and Anne Tallontire for very useful comments on an earlier draft. However, the views expressed in this paper are the author’s alone.

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Contact: Corporate Responsibility for Environment & Development Programme, IIED,
3 Endsleigh Street, London WC1H 0DD
Tel: 44 20 7388 2117 Fax: 44 20 7388 2826
Website: www.iied.org/cred
Email: cred@iied.org