



## **Should agricultural subsidies go to labour not land?**

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## Introduction – Re-introducing labour into the direct payments debate

‘Should agricultural subsidies go to labour not land?’ This question was up for discussion at a meeting hosted by ARC2020 in Summer 2021. Labour-based farm payments and their possible implications were the focus of the brainstorming session led by Gianluca Brunori (University of Pisa) Frieder Thomas (Agrarbündis), Enrico Somaglia (The European Federation of Food, Agriculture and Tourism Trade Unions) and Matteo Metta (ARC2020).

Area based payments are absolutely central to the Common Agricultural Policy (CAP) yet they have a range of negative impacts and act as a barrier to progressive change. In search of a fairer, greener and rural-proofed subsidy system to support the farming community (including farmers **and** farm workers) and promote mainstream adoption of sustainable farming practices, ARC2020 wants to reignite the debate on whether the CAP should support labour rather than land.

Participants considered whether EU agricultural policy should move towards labour-based income support as well any drawbacks that could be associated with such a shift, and began to explore scenarios in which labour could be supported through the CAP.

## Framing and Focus – Supporting Farm Labour or Farm Income?

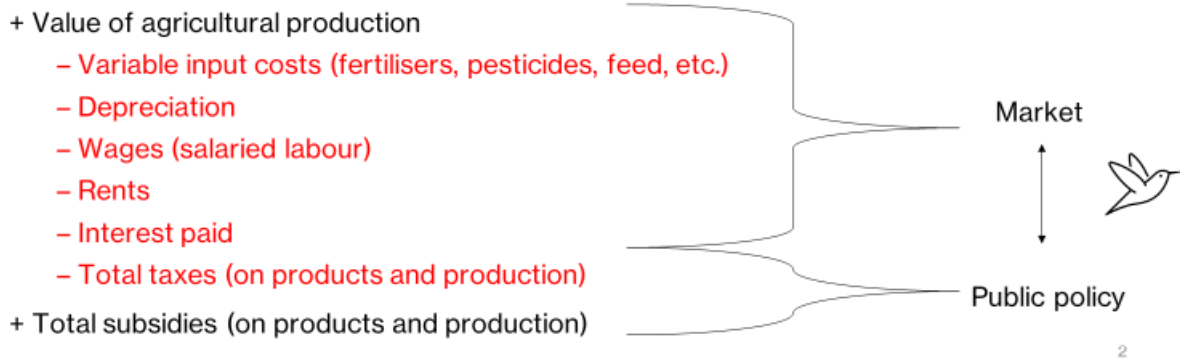
*Matteo Metta, ARC2020 Policy Analyst*

### Farm labour vs farm income

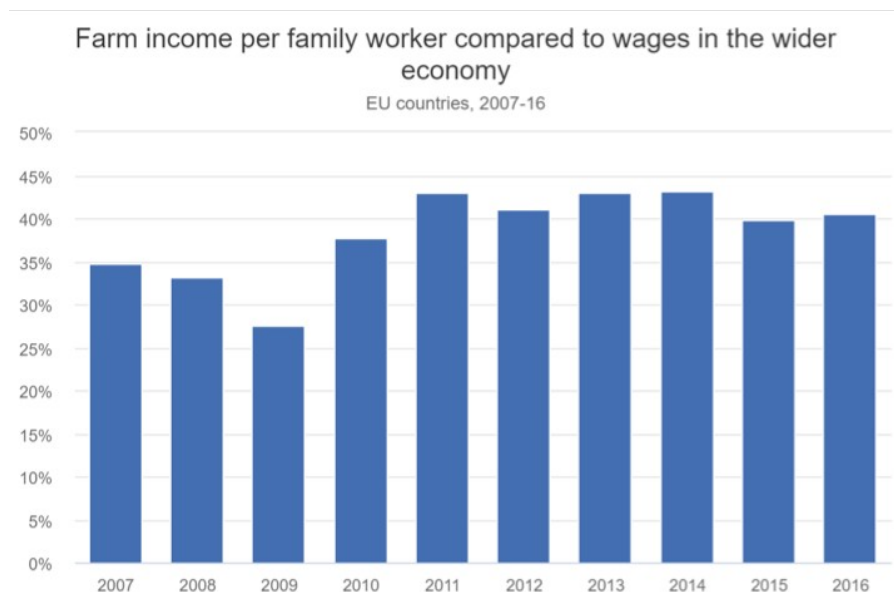
The [Agricultural Entrepreneurial Income](#) is an important context indicator used by the European Commission to explain the need for agricultural income support, as well as the decline in farm numbers. It tells us how much a farmer earns as remuneration of all the production factors — land, non-salaried labour, capital and entrepreneurship. Labour is just one of the variables that can affect farm income. The market and public policies (within ecological and environmental boundaries) strongly affect farm income.

## Supporting farm labour or farm income?

**Agricultural Entrepreneurial Income** = remuneration of all production factors (land, capital, **non-salaried labour**, entrepreneurship)



Comparing Agricultural Entrepreneurial Income with other wages in the wider economy is an important indication of how agriculture is doing across the EU over time.



Source: [DG AGRI](#)

The graph shows how farm income compares to other wages in the wider economy. At the low point in 2009, farmers earned about 27% of the EU average wage. In 2011 farmers earned 42.5% of the EU average wage. The DG AGRI data shows that farmers earn much less than the average income. However, the Agricultural Entrepreneurial Income indicator does not take account of income that farmers earn from other sources, like off-farm employment from non-agricultural

activities, remuneration, social benefits, income from property, and it is not clear whether it considers income from on-farm diversification activities (agricultural service outputs?). As such, the Agricultural Entrepreneurial Income indicator alone is somewhat limited in justifying agricultural subsidies to farmers. That is not to say that farmers should not be supported; the sector must overcome many challenges - biodiversity loss, climate change, labour violation, land concentration, inequalities in direct payments based on entitlements, rural depopulation etc – but Agricultural Entrepreneurial Income is perhaps not the most reliable tool to move agricultural policy forward.

### Existing CAP interventions supporting ‘farm income’

If we look at the existing delivery model, interventions supporting farm income do not necessarily go to labour – they might go to land, capital, income foregone, cost incurred, or entrepreneurship.

### Farm income support: to the land, capital, labour, entrepreneurship?



Instruments under Pillar I (the heaviest part of CAP) go to farm income based on conditionalities. The vast majority of payments in CAP Pillar I and II are per hectare (per ha) payments. Coupled support – an even more problematic tool if designed in a simplistic manner – is linked to production level. In the future CAP, eco-schemes, even if they are based on ‘income foregone’ and ‘cost incurred’, will still be linked to “the hectare”, thus reinforcing the legacy between the CAP and its negative side effects (e.g. land concentration, farm income inequalities).

Under Pillar II, the question arises whether payments go to the farmers and their work or to land and capital (e.g. machinery, finance). One possible exception are results-based payments which try to disconnect payments and the hectare, but so far the idea of **linking labour to result-based payments** has been largely overlooked, even in research and innovation projects like EIP AGRI. One example of an EIP AGRI project that does consider labour aspects and should inspire others

is the Operational Group Biogemüse in Northern Hesse, Germany which created jobs for people with disabilities within a regional value chain for organic vegetables.

The 'per-hectare' mantra is one of the fundamental assumptions to deliver on many CAP policy objectives in a simple, efficient and effective manner. It is the basis to deliver public money in a neo-liberal policy framework. However, the rewarding of labour – which is the essential recognition of active farmers – remains tailored apart or blurred in both the environmental and climate debate, as well as in the long-dated struggles for a fairer distribution of direct payment.

### More attractive and substantial Small Farm Schemes

The CAP area-based direct payments have never benefitted small-scale, labour-intense farming systems like organic horticulture. Organic horticultural producers are generally small scale (even below 0.5 hectares), full time self-employed, and rely on their own work, as well as on salaried or non-salaried labour (woofers, family members, volunteers).

Their produce is largely involved in seasonal, highly nutritious, short and/or direct food supply chains (e.g. food boxes, community supported agriculture, restaurants, on-farm shops). To pay back their higher environmental and labour costs, the selling price might be relatively higher compared to cheap, plastic-packaged imported food, or highly subsidised food alternatives (e.g. animal protein). There are cases where selling price is even lower than commercial ones. More importantly, these horticultural producers are often engaged in community activities, providing space for social gatherings, solidarity, cohesion, and collective learning.

**Photo: Organic horticultural farm in Cloughjordan, Co. Tipperary (Ireland)**



Yet, the Common Agricultural Policy at EU and national level falls short, or completely neglects to provide substantial support for this important farming system, delivering a wide range of delicious products: tomatoes, lettuces, mustards, courgettes, potatoes, pumpkin and much more. Another example is the traditional olive farming in the Mediterranean countries, which have high labour requirements and specialised skills (manual pruning of traditional varieties of olive groves adapted to local conditions).

As pointed out by an Irish organic horticultural producer in the North West of Ireland: *“my farm is so small [ $<3,7$  acres = 1.5 ha] that it does not make even sense to apply for CAP. They give us misery and keep all the rest for who owns more land, more cows, more sheep. Once, I tried to apply for organic farming payments, but I am still waiting for an answer after years and years. Maybe, I should have first applied for direct payments [BISS] to be eligible for organic farming support. But can't you imagine that horticultural mixed production wasn't even listed in the dropdown menu of the IT application system? Often, I feel very stigmatised as 'hobby farmer' or doing just 'leisure activity'. Actually, I deliver hundreds of healthy food*

*boxes every month, and create more jobs opportunities than a robot-milked dairy farm”.*

Another small-scale farmer [6 ha] in West-France (Bretagne) went in the same direction: *“Why should I receive public money? Are farmers in Benin, Togo, Ghana receiving the same treatment? I want consumers to pay a fair price for the qualities of production methods and our products (health, biodiversity, labour)”.*

Certainly, the market is one of the areas that needs improvements. But the EU and the Member States have the power to design more effective and substantial [Small Farmers Schemes \(SFS\)](#) that go beyond the logic of ‘*per hectare*’ payments. A shift away from a the “higher payments to larger land-owners” needs to accommodate more labour rewarding considerations if we want to keep young people in rural areas and offer them a fair income. Currently, the EU sets a very low threshold to reward SFS under the CAP (i.e. 1250 EURO). This isn’t attractive at all if one considers the living costs in some countries like France, Ireland, the Netherlands. In a highly competitive and free market, this blind payment mechanism ‘*per hectare*’ does not create a common level playing field across various farming systems.

With the new CAP Strategic Plans under development, the Member States can take money away from large beneficiaries with high historical entitlements and revamp this scheme to offer more attractive incentives to small farmers who want to stay on the farm and commit to deliver organic and local food.

## Why should we think about labour in farm income support?

*Gianluca Brunori*, Full Professor of Food Policy at the University of Pisa

### The Treaty on the Functioning of the EU and “Semantic Fuzziness”

*Gianluca Brunori* brought us back to the Treaty on the Functioning of the EU (TFEU), which contains the legal basis for the Common Agricultural Policy (CAP) and sets out the CAP’s objectives.

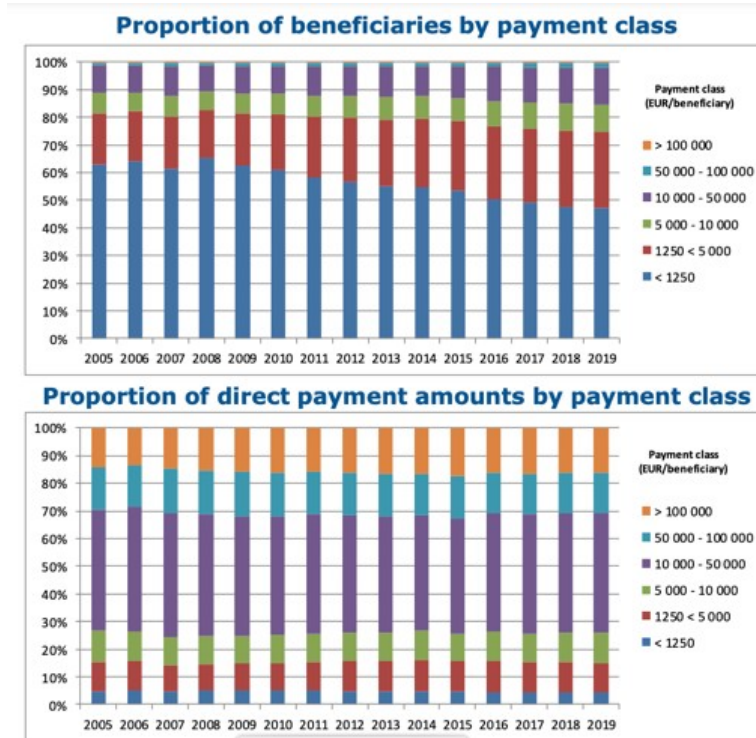
One of the CAP objectives as stated in the TFEU is “to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture”.

This objective aims to support the “agricultural community” and “persons engaged in agriculture”. It does not mention “farmers” or “farm households”, referring more broadly to the “agricultural community”. For this reason, Gianluca Brunori argues that there is a “semantic fuzziness” that underlies an ambiguity in the justification of the CAP’s system of hectare-based direct payments.

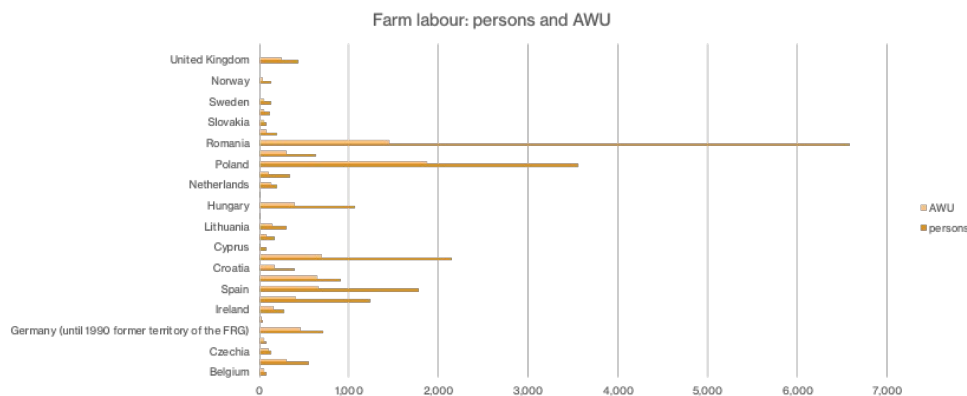
As well as around the definition of “agricultural community”, questions arise around what is meant in the TFEU by a “fair” standard of living.

As such, this CAP objective is quite ambiguous, aiming to support the “agricultural community” whereas supporting farmers’ incomes – which is more specific than the “agricultural community” - is a strong justification for the existing structure of the CAP.

The Evidence



As the graphs show, the proportion of beneficiaries by payment class is very different from the people who are entitled to subsidies. The second graph above shows that the majority of people belong to the lower payment class. The first graph shows that a lot of money goes to those who have a higher level of payments. This means that there is a strong inequality effect in payments based on land.





On the other hand, it is difficult to only consider people involved in agriculture. For example, in Romania there are almost 7 million persons involved in agriculture but only c1.5 million agricultural working units (AWU). This means there is a lot of part-time farming in Romania, as there is in Poland and other countries. Remunerating persons engaged in agriculture would be difficult when they may be minimally involved.

### Characteristics of Farm Household Incomes and the Exceptionalism of Agricultural Policies

The Court of Auditors suggests that in order to calculate farm household income, you should calculate farm income and off-farm income.

But it is not just the level of income that's relevant. Stability of income (which is linked to markets and market integration) and quality of life necessary for farmers to earn a living (the ratio between income and quality of life) must also be considered. These factors justify a kind-of exceptionalism of agricultural policies. Agricultural policies have been seen as separate from overall social policies. Supporting farmers' incomes has become a justification for a welfare state that is separate from other sectors of the economy.

It is difficult to organise an agricultural policy which has a one-sized fits all typology when even among small farms there is a wide range of farm types, as found in the SALSA typology of small farms. On one side there are part-time farms where farming appears as a secondary source of income, and on another other side you have business specialised and business multifunctional farms.

Incomes of persons engaged in agriculture depend on a number of factors, both on-farm and off-farm:

#### Farm incomes

- Farm resources
- Business model
- Market structure
- Climate and natural resources
- Market integration

#### Off-farm incomes

- Integration of the household in the labour market
- Economic wealth of the area
- Age and gender

Income support should consider factors which affect both farm income and off-farm income and how these factors vary across regions.

The purpose of supporting farmers' incomes is a very central aspect of agricultural policy. But, this objective is not met from the per hectare payments (the ECA says this). According to the OECD, income support should be better targeted. In order to do this, the first step should be to identify those regions that are really in need.

### Questions

2. Should CAP support employment, labour income, workers' rights?
3. What are the most suitable policy tools?
4. What are the data needed to support these policies? Current data is not sufficient
5. How could labour-based support be linked to environmental goals?

### **Linking direct payments to work?**

*Frieder Thomas*, Managing Director of AgrarBündnis and Director and Researcher at the Kassel Institute for Rural Development

Frieder Thomas shared the experience from a project on the topic 'Linking direct payments to work' undertaken in 2011 and 2012 by the *Kassel Institute for Rural Development* in cooperation with the German agricultural workers' union (IG BAU) and with the involvement of the European Federation of Food, Agriculture and Tourism Trade Unions (EFFAT). He set out some basic considerations underpinning the linking of direct payments to labour, arguments in favour of linking direct payments to work and the policy models considered in the Kassel Institute's project.

### Basic Considerations

#### **If linking agricultural subsidies to labour...**

- It is important that farmers and society accept that the markets alone cannot guarantee a secure and fair income for agriculture.
- The concept of "public money for public goods" assumes that there is a market income for farmers, and if they have to do more for greening, animal welfare etc, then the public pays them extra money. However, labour-linked subsidies in agriculture are not the same as 'public money for public goods' because the price level is normally too low in agricultural

production for a 'fair income'. With the proposal of labour-linked subsidies there is the opportunity to use CAP Pillar 1 to support farmers to have a 'fair income' and leave Pillar 2 to support ecology, animal welfare etc.

- So, linking direct payments to work is not “greening” but “redding” the CAP.
- But it still can play a part in greening as it means “labour instead of capital and resources” as ecological production requires more labour.

### Arguments in favour of promoting labour-related models

1. Social legitimation: Labour is an essential factor in generating income in our society. Labor-related models result in greater fairness
2. A model to organise real/fair income policy (to ensure the income is (was?) the main goal of the 1st pillar).
3. Stabilisation of the labor market – very important for rural areas
4. Subsidies for labour can help to prevent undeclared work
5. Little market distortion because labour-based subsidies in agriculture would be decoupled from agricultural production (WTO-compatible).
6. Positive effects on labour-intensive production processes (could be environmentally-sound production and animal welfare)
7. No incentive to increase rental prices of agricultural land
8. No incentive for growth in terms of area; Increase in the attractiveness of labour-intensive production processes (instead of resource-intensive production processes) >>> ecological intensification?
9. Compatibility with other grants (only a certain part of the direct payments can be distributed accordingly)
10. Compatibility with other political discourses: The concept roughly corresponds to a discussion about a (publicly guaranteed) basic income.

### Models under discussion in Germany

The Kassel Institute and IG BAU 2011 – 2012 project found three basic ways that direct payments could be linked to labour, considering the possibilities within the system. These models are useful when considering how the CAP could support labour or employment.

Three basic ways of linking direct payments to labor	
<ul style="list-style-type: none"> <li>Labour-related corrections of area-related direct payments</li> </ul>	<ul style="list-style-type: none"> <li>Degressive reduction from 30.000 Euros,</li> <li>offsetting actual wage costs (50%) (AbL)</li> </ul>
<ul style="list-style-type: none"> <li>Link to indicators of working hours</li> </ul>	<ul style="list-style-type: none"> <li>According to the calculated workload, as applied by agricultural assurance associations in Germany</li> <li>According to standard working hours according to KTBL (German reference book for all average agricultural process costs) (Kasseler Institut für ländliche Entwicklung, AbL Bayern, via campesina Austria)</li> </ul>
<ul style="list-style-type: none"> <li>Link to labour cost indicators</li> </ul>	<ul style="list-style-type: none"> <li>According to the contributions of the farms to statutory social insurance (peasants of Hessian AbL)</li> </ul>

## Workers' Perspective

*Enrico Somaglia*, Deputy General Secretary of EFFAT, the European Federation of Food, Agriculture and Tourism Trade Unions.

### Raising labour standards in agriculture

Labour-based agricultural subsidies could, if well-framed, deliver concrete results and raise labour standards in agriculture, one of the most precarious sectors of the economy.

Raising labour standards in agriculture should be an aim of the Common Agricultural Policy; as noted earlier by Gianluca Brunori, Article 39 of the Treaty on the Functioning of the European Union does not talk just about 'farmers' but rather the 'agricultural community'.

### Inclusion of Social Conditionality in the Common Agricultural Policy

Despite the disappointing overall outcome of the recent CAP trilogue negotiations, before this reform the word 'worker' did not appear in the CAP legislative tools. At least now there is a deal that will, for the first time, start the process of establishing a social conditionality mechanism at national level.

In general, CAP payment calculations based mainly on eligible hectares have many shortcomings, including a failure to support sustainable farming practices.

### Fighting undeclared work in agriculture

A system combining eligible hectare criteria with some criteria linked to labour could support the development of more sustainable practices such as mechanic weed control, intercropping etc. Moreover, it could be a tool to fight undeclared work and unrecorded working hours in agriculture across Europe. The proposal, if well-structured, could incentivise the full declaration of workers' hours. This would have to be monitored and certified through a crossing of data with social security authorities.

This is a principle that could also work for social conditionality. Currently, social conditionality as discussed by the co-legislators is an ex poste mechanism relying on controls (labour inspection, control of enforcement authorities also responsible for health and safety, social security etc). And while this mechanism is important for checking violations of workers' rights it has shortcomings - level of inspection is low and how penalties will be implemented remains to be seen. If in addition to this social conditionality, there was an ex ante mechanism whereby CAP payments are provided only after employers certify the number of employees actually working on their farms, this system could help fight against undeclared work and informal employment in agriculture.

In general, the crossing of data (on land extension, production level and the number of workers employed in a given period) between social security authorities and relevant agencies is one of the main tools that could fight against undeclared work.

Checks and balances are important. While the low-income of farmers needs to be addressed it must be noted that raising farmers' income does not automatically mean that the condition of workers will improve.

Workers play an important role in agriculture and are, together with farmers, central to the green transition.

## **Key Insights from the Discussion**

### Fair Income

If policy supports are insufficient, one means to address low farmer income is by getting the market to pay, through new and better supply chains. The time is ripe for such developments with high

interest in direct sales and models such as the Open Food Network from producers and consumers alike.

Public Money for Public Goods – What exactly are we paying for (Defining agricultural products)

The socially necessary labour time to produce a commodity dictates whether or not a producer can survive on the market. Innovation and automation disrupt entire sectors when their effect is such that it requires less labour-time to produce an output. In primary production we see this in the impact of digitalisation, robots on farms etc.

Thinking about the definition of an agricultural product, usually we would describe the product as, for example, a kilo of potatoes. But what about the land maintenance and societal benefits in the region etc. Including additional factors like land management and societal benefits in the definition of an agricultural product can be described as an “expanded product concept”. If an expanded product concept is introduced it could well serve those favoured in the current system. There needs to be discussion around what is “public money for public goods” and defining what encompasses the “goods” that society wants to pay for.

Labour-based agricultural subsidies must address Social AND Environmental dimensions

While generally it can be said that more sustainable production is more labour intensive, linking direct payments to labour without strong environmental criteria will not in itself create the necessary shift to sustainable production models. In some agricultural models there may be a link between more labour intensive farming and more sustainable production, but the environmental benefit is not guaranteed.

At the same time, environmental critiques of the CAP do not adequately incorporate social justice and human rights issues into their demands. Throughout the world including in the EU, agricultural primary production is one of the strongholds of slave labour, exploitation, incomes below the poverty line etc. Respect for workers’ rights is not only an issue on large, conventional farms; human rights violations happen on farms big and small, organic and non-organic.

The social and environmental critiques of EU food and farming systems generally run in parallel. It’s time that they merged. A proposal for some form of labour-based agricultural subsidies would be insufficient to address climate and biodiversity imperatives. Such a subsidy system would need

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to be linked with clear and effective environmental criteria. The social and environmental injustices in food and farming are linked; they need to be addressed together.

### Further Reading

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