Effects of Unionization on Sugar Cane Farmers' Income in Bukembe Zone, Bungoma County

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Abstract
Agriculture is the backbone of the Kenyan economy and the sugarcane production is a key subsector in the agricultural sector which employs over half- a million people in Kenya. While sugarcane farming was meant to be a source of income and wealth creation to the people of Western Kenya, the outcome have been worrying as many farmers remain impoverished while the sugarcane factories face a mirage of challenges and has been in constant crisis. The role of financial capital as a factor of production to facilitate economic growth and development as well as the need to appropriately channel credit to rural areas for economic development of the poor rural farmers cannot be over emphasized. Credit (capital) is viewed as more than just another resource such as labour, land, equipment and raw materials but also determines access to all of the resources on which farmers depend. The purpose of the study was to analyse effect of unionization on sugarcane farmers' in income in Bukembe Zone, Bungoma County. The study adopted the descriptive survey research design. The target population of the study was 384 sugarcane farmers. The sample population was 50 farmers. Data collection was done by means of semi-structured questionnaires, in-depth interviews and focus group discussions. Both qualitative and quantitative analysis was done through content analysis and descriptive statistics respectively. Frequency tables and charts were used to present the findings. The study results indicated there was a significant relationship between unionization and farmers' income (p=0.000); there was a significant relationship between farmers' characteristics and farmers' income (p=0.002);there was a significant relationship between company related factors and farmers' income (p=0.000) and that there was a significant relationship between environmental related factors and farmers' income (p=0.001). The study concluded that famers' income is determined by unionization, farmers' characteristics, related company characteristics and environmental related factors. The study recommended that sugar companies' policies should be aligned with sugarcane farmers' needs in order to gain sugarcane farmers trust and that farmers should research on various environmental factors that affect growth of sugarcane and seek experts' solutions.
Keywords: Farmers' Income, Unionisation.

1.0 Introduction
In the developing world agriculture plays a significant role in leading economic development. Globalization, expanding agribusiness and the shift in consumer tastes change the agricultural production pattern. Moreover, the effort of many government policies towards more market-oriented solutions is playing a pivotal role in this shift. As market oriented production is expanding, it in turn strengthens the need for effective institutional arrangements. Smallholder farmers may face difficulties in fully participating in this market oriented approach. They might be marginalized as larger farmers become more important and influential. However, governments and development agencies try to empower these smallholders through developing different income generating farming activities for rural people. In many countries due to a lack of effective coordination mechanism the empowerment is not well implemented and achieved (Eaton & Shepherd, 2011).

Sugarcane farming is carried out in many countries of the world including United States of America, Brazil, India, Indonesia, South Africa, Senegal, Namibia, Zambia and Kenya. The sugar industry plays a significant role in Kenya's economy, contributing about 15 percent to the country's agricultural GDP (KSI, 2013). The sector consists of more than 250,000 smallholder farmers, who supply over 92 percent of the sugarcane processed by sugar companies, while the remainder is supplied by factory-owned nucleus estates (KSI, 2013; KSB, 2010). An estimated 25 percent of the country's population depends directly or indirectly on the sugar industry for their livelihood.

The processing component of Kenya's sugar industry consists of 11 mills, 6 of which are privately owned (EU, 2012). The government supports the sugar industry through direct investment in these mills.

However, the industry continues to operate below capacity and is unable to meet Kenya's national demand for sugar or compete with more efficient producers in the international market. For this reason, Kenya's sugar sector remains highly protected, often at the expense of local consumers.

In recent years, Kenya's sugar industry has faced several key challenges, including trade liberalization under the COMESA and WTO protocols, high costs of production compared to other sugar producing countries in the region, the dilapidated state of some factories, poor governance and management, insufficient funding and inadequate research and extension services (KSI, 2013). These challenges have led to the development of a new national strategy for the industry, which focuses on industry privatization, improved access to credit, sector research and diversification (USDA, 2011; USDA, 2012).

The systematic and prudent financing of smallholder agriculture has been and continues to be a difficult goal in Kenya in spite of remarkable progress in the microfinance over the past twenty years. Agriculture, with its non-uniform cash flows, rural bias, poorly capitalized and widely dispersed producers, seasonal cash flows, price and market risks differs substantially from businesses conventionally supported by traditional finance and microfinance. Nonetheless, the majority of Kenyans are smallholder agricultural producers and fisher-folk and the well being of themselves, the food security of the nation and the development of Kenya's national income depend on their continued and improved performance (FSD 2013).

The role of financial capital as a factor of production to facilitate economic growth and development as well as the need to appropriately channel credit to rural areas for Credit (capital) is viewed as more than just another resource such as labour, land, equipment and raw materials (Raji,2012). Shepherd (2012) opined that credit determines access to all of the resources on which farmers depend on. As such the economic development of the poor rural farmers cannot be over emphasized. Consequently, provision of appropriate macroeconomic policies and enabling institutional finance for agricultural development is capable of facilitating agricultural development with a view to enhancing the contribution of the sector in the generation of employment, income and foreign exchange (Olomola, 2011).

Financing in sugarcane farming was seen as key in improving sugarcane productivity by increasing the size of acreage under sugarcane by farmers in the sugar growing zones. To achieve this, contract farming was introduced in which the millers would finance all the factors of production other than land which is provided by the farmer. Despite the increased efforts by sugarcane companies to provide incentives to farmers, there is still limited literature on how these efforts have helped to improve earnings and profits for farmers and there are increasing concerns from farmers and other stakeholders towards inability of cane farmers to meet even their basic needs. While much is known about the factors affecting the sugar industry in Kenya, studies on how the determinants of the financing models affect farmer's income are scanty indicating that there has been complains on the financing models. The existing studies in this relation have taken a general focus on contract farming as a means of encouraging productivity by small holder farmers creating a gap on weighty issues such as the effect of such a financing modality on the farmers' income and profitability from cane farming.

In the recent past, farmers have ended up recording higher earnings and profits leaving lingering questions as to whether is it the financing by the milling companies that considerably reduces the earnings and profits from contracted cane farmers since there is no available literature on why private cane farmers seem to be reaping higher returns from a venture that has confined most farmers to poverty. This study sought to analyse effects of unionization on sugar cane farmers' income in Bukembe zone, Bungoma County.

2.0 Effects Of Unionization On Sugar Cane Farmers' Income

A primary objective of farmers union is to maintain and improve its workers' terms, conditions and income, particularly workers who are members of the union, through collective bargaining with employers. Whether farmers unions are successful depends, in large part, on their lobbying strength which is based on their ability to prevent the supply of labour to the employer and the ability of employers to concede above-market wages (Blau & Kahn 2010).

Farmers unions' lobbying strength is enhanced by the union policies and the percentage of all workers they represent and leads to a higher union income premium (Booth & Bryan 2014).Where the vast majority of workers in a given industry are covered by collective bargaining farmers union-negotiated income have less impact on the employer's cost competitiveness than in instances in which competing employers have ready access to non-union labour. This is because above-market wage costs are faced by all competitors. Farmers unions' success in raising members income is further enhanced if the price elasticity of demand for products or services in the industry is low, as might be the case where there is a monopoly or oligopolistic production, since employers are able to meet additional costs from above-normal profits or pass the additional costs onto consumers without undue fear of being undercut by other producers (Bratsberg & Ragan, 2012).

It is normally assumed that the mechanism by which farmers unions create a union income premium is through their direct impact on covered workers' wages through pay bargaining. However, there are a variety of ways in which a union-non-union wage differential can emerge. The first is unions' ability to limit downward wage flexibility in times of hardship relative to their uncovered counterparts: this shows up as a counter-cyclical rise in the premium (Bryson, 2009). A second is the possibility that union-induced wage hikes limit worker entry to the union sector, or result in job cuts that increase the supply of labour to the non-union sector, thus lowering wages relative to those paid in the covered sector. A third union wage effect, which may compress the union wage differential, is the "threat" effect whereby non-union employers raise their wages to avoid the threat of unionization (Cardoso & Portugal 2013).

Union income policies are also traditionally guided by the principle of a "fair day's pay for a fair day's work", such that wages are attached to jobs rather than individuals' attributes. This wage standardization policy, coupled with concerns to tackle wage discrimination on grounds of race, gender and disability, often acts to com- press wage differentials (Checchi & Pagani, 2014). Whether unions actually com- press wage differentials depends on the position of unionized workers in the pay distribution, the union premium attached to different types of worker, and the degree of centralization and coordination in collective bargaining. Unions may also have more indirect effects on wages. For instance, their "voice" face lengthens job tenure, which is itself often correlated with higher wages, and alters the incentives employers and workers face when investing in their human capital (Bryson, 2009).

Incompetence of officials is a major challenge affecting farmers union. This implies that the member selected to represent farmers interest in term farmer income rise lack of ability, knowledge, legal qualification, or fitness to discharge their professional obligation (Lanal, 2009). The member may not have sufficient knowledge on the strategies to negotiate increase of income of the sugarcane farmers, also the operation of the union members may be compromised by other factor such as bribery which may lead the members not fighting for the farmers right effectively hence leading to continued poor earning by the farmers (Lanal, 2009).

Another challenge includes misunderstanding among the union members as a result of ideology differences (Jahurk, 2008). Misunderstanding brings division among the union member hence they are not able to discharge their duty properly as in most cases they concentrate on solving internal conflict affecting the members hence forgetting their main purpose of lobbying for farmer income increase. Also misunderstanding may lead to lead to resignation of important members who had farmers interest as a result of continuous misunderstanding (Jahurk, 2008).

Finally lack of commitment among some member in the union may slow the union activity. . Other union members, join because this is required by their union contract In union shops in which membership is a condition of continued employment, members may have negative Views of unions (Jahurk, 2008). As such, these individuals are not attached to the union, but they are involved in the union and are part of the membership hence they cannot commit their self fully due to lack of interest in the union objectives (Jahurk, 2008).

The majority of sugarcane farmers are bereft of financial access to the formal financial system. Tapped with this lack of access, farmers rely on costly source of accessing financial services especially through informal sources (Farkuh, 2010). Most loans from informal sources especially from money lenders are too expensive to be profitable, and debt can lead permanent dependency of borrowers on money lenders and thereby entangle in the vicious cycle of poor yield leading to low income (Farkuh, 2010).

3.0 METHOD

The study adopted the descriptive survey design with a target population of 384 registered sugarcane farmers in Bukembe zone, Kanduyi Location with a 50 Sugarcane farmers which was rondomly as selected from Bukembe zone ,Kanduyi Location to maintain objectivity. The sugarcane farmers so selected were representative enough of the study population to form the subject of the study. A sampling frame is the source material or device from which a sample is drawn (Kothari, 2014). It is a list of all those within a population who can be sampled, and may include individuals, households or institutions. Stratified sampling method was found to be more appropriate in obtaining data compared to other methods. The study utilized questionnaire to collect data from selected farmers and key informants. The questionnaires were used to collect both qualitative and quantitative data regarding determinants of models of sugarcane farming financing. The open and closed ended questions were allowed for in-depth understanding of the study subject.

4.0 RESULTS

The results on union membership indicated that 10% (5) strongly disagreed that there were not members of any trade union, 8% (4) disagreed, 10% (5) were undecided, 38% (18) agreed while 34% (17) strongly agreed that they belonged to a trade union. The results on formation of M.O.Us by union and sugarcane companies 6% (3) strongly disagreed, 4% (2) disagreed, 12% (6) were undecided, 40% (20) agreed and 38% (19) strongly agreed that union formed M.O.U.s with sugar cane companies. On whether there is policies that govern union operations 8% (4) strongly disagreed, 8% (4) disagreed, 14% (7) were undecided, 28% (14) agreed and 42% (21) strongly agreed that union had polices that govern operations on behalf of farmers. The results on whether union members were commitment 8% (4) strongly disagreed, 12% (6) disagreed, 20% (5) were undecided, 44% (22)

agreed while 26% (13) strongly agreed.

The results indicated that 80% (mean=4.00) were of the opinion that unions forms M.O.Us with sugarcane companies on how to increase farmers income while, 77.6% (mean=3.88) were of the opinion that they the union has policies that govern its operation when dealing with sugarcane firm on behalf of farmers, while 73.6% (mean=3.68) were of the opinion that union members were committed in improving sugarcane farmers income and finally 75.6% (mean=3.78) were of the opinion that as sugarcane farmer you are a member of at least a trade union.

The results on the farmer unionization indicated that majority of the respondent were of the opinion that unions forms M.O.Us with sugarcane companies on how to increase farmers income. This implies the M.O.Us are important in forming a framework for negotiation between the farmers union and sugar companies, the negotiation provide platform to negotiate suitable farmers income depending on farmers yield, economic and environmental factor. The M.O.Us also serve as a key future references where any parties that goes against the term of signed contract faces severe consequences. Therefore M.O.Us help farmers union to lobby more incomes for the farmers in the sense that the contract agreed upon caters for most of the farmers grievances.

The results of this study concurred with study carried by Gordon, Philpot, Burt, Thompson, and Spiller (2010) on unions M.O.Us formation with sugarcane companies on how to increase farmers income which suggested that union M.O.Us subsumes four major constructs the bases of lobbying for more farmers income, which include loyalty to the M.O.Us formed, responsibility of both parties to the M.O.Us contract and willingness to follow the M.O.Us to the latter. The four aspect contributes to both parties (farmers union and sugar companies) maintaining the terms of the agreement. Meanwhile, Sverke and Kuruvilla (2011), Sverke and Sjoberg (2001), provided a conceptualization of value and instrumental rationality-based unions M.O.Us. In this respect, "value rationality-based unions M.O.Us" reflects a sense of shared values, identity, and pride in the contract agreed. On the other hand, "instrumental rationality-based unions M.O.Us" is essentially based on self-interest through the satisfaction of relevant personal goals and is viewed as the extent to which the union is perceived to be effective in achieving certain valued goals.

Relationship between determinants of financing models and their effect on farmers' income

The study sought to evaluate determinant of financing models and their effect on farmers' income.

Table 4.1 Relationship between determinants of financing models and their effect on farmers' income

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
1	.754[a]	0.569	0.53	0.34007	14.825	0.000
Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1(Constant)		0.114	0.500		0.228	0.821
Unionization		0.268	0.069	0.388	3.888	0.000
a. Dependent Variable: Farmers' Income						

The study results indicated that the regression model was significant at (F = 14.825, p=0.000). This indicates the model was correctly computed and therefore it was fit for the study.

The regression equation was as follows;

Y (Farmers Income) = 0.114 + 0.388 (Unionization)

The regression equation indicated that company related factor was the most important variable in the farmers' income contributing 41.3% followed by unionization by 38.8%. The study results further indicated there was a significant relationship between unionization and farmers' income (p=0.000);

These study findings indicated that famers' income was determined by unionization, Whether farmers unions are successful depends, in large part, on their lobbying strength which is based on their ability to prevent the supply of labour to the employer and the ability of employers to concede above-market wages. Financial institution and companies commonly intervene in financial markets of farmers activities. Variability in crop yields is often associated with incidence diseases, which are in turn linked to the final farmers' income.

DISCUSSIONS

The finding on farmers unionization indicated that 80% (mean=4.00) were of the opinion that unions forms M.O.Us with sugarcane companies on how to increase farmers income while, 77.6% (mean=3.88) were of the opinion that they the union has policies that govern its operation when dealing with sugarcane firm on behalf of farmers, while 73.6% (mean=3.68) were of the opinion that union members were committed in improving sugarcane farmers income and finally 75.6% (mean=3.78) were of the opinion that as sugarcane farmer you are a member of at least a trade union.

The regression equation indicated that company related factor was the most important variable in the farmers' income contributing 41.3% followed by unionization by 38.8%. Environmental related factors contributed 33.7% while farmers' characteristics contributed 32.1% to farmers' income. The study results further indicated there was a significant relationship between unionization and farmers' income (p=0.000);

5.0 CONCLUSIONS AND RECOMMENDATIONS

On unionization effects on sugar cane farmers union the study concluded that the farmers union put them in a better place to lobby for more income, through airing their farmers grievances and holding various negotiations on sugarcane farmers income increase formula in order to convince the sugar companies to agree to their terms. The study concluded that M.O.Us formed by the farmers union are very crucial and should be specific on criteria of increasing farmers income depending on factors like farm yield, cost of input and seasonal environmental changes. The study also concluded that farmers union members commitment to fighting for the rights of the farmers without giving up even in intimidation situations can help the farmers pay to be raised. The study recommended that; Every Farmer from Bukember Zone, Bungoma County should be a member of farmers union in order to gain a stable income. Union membership enables the farmer to lobby more income through their representative, also being a member of a particular union enhances the farmers awareness in term of product market changes through information provided by the union periodically.

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