

Calculating floor wages in the revised Flower and Fresh Fruit Standard

During the latest review of the Fairtrade Standard for Flowers and Plants and the fresh fruits standard, a new clause was introduced, which requires companies to ensure that **base** wages paid do not fall below the global poverty line of **\$1.90/day Purchasing Power Parity (PPP)** set by the World Bank (WB). This document seeks to give clarity on how to calculate the \$ 1.90/day PPP and how this translates to the countries affected.

PPPs are the rates of currency conversion that equalize the purchasing power of different currencies by eliminating the differences in price levels between countries.

The PPP rate for private consumption is updated by the WB on a regular basis and can be found [here](#). Please use the latest data provided by the World Bank at the beginning of every year.

Companies currently certified will be given the following transition period to comply with this requirement:

April 2018: Comply with 85 % of the 1.90\$ PPP / day

April 2019: Comply with 100% of the 1.90 \$ PPP / day

This requirement will be checked in audits as of April 2018 for the 85% and April 2019 for the 100%.

All new companies joining Fairtrade on or after the publication of the standard (15 April 2017) will need to comply with the requirement by year 0 without any transition period.

The 1.90 \$ PPP/day Floor Wage relates to base wage, therefore in-kind benefits cannot be counted. There may be cash allowances issued monthly to all workers as an entitlement and allowing workers full discretion on how to spend the money (a monthly housing or transport allowance for instance) without a link to the attendance or performance of workers. Those cash allowances count towards the base wage.

Effects on actual wages after introducing WB poverty line \$1.90 as floor wages

To calculate the \$ 1.90/day PPP, the following formula is used: $[PPP \text{ rate private consumption for the given year} \times 1.90 \times 30 \text{ (days/month)} \times \text{typical number of family members}] / \text{workers per family}$.

The table below presents the calculation for a selected number of countries:

Region	PPP private consumption		WB poverty line per day		Days/month		No. of Family members*		No. of Breadwinners*	Wage required
Ethiopia	8.58	X	1.90	X	30	X	5	/	1.65	1'482 Birr
Kenya	46.49	X	1.90	X	30	X	5.5	/	1.71	8'523 Ksh
Tanzania	809.28	X	1.90	X	30	X	5	/	1.76	131'048 Tsh
Uganda	1,202.13	X	1.90	X	30	X	5	/	1.76	194'663 Ush

* Source : Living Wage benchmarks (<https://www.isealalliance.org/our-work/improving-effectiveness/global-living-wage-coalition>)