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Interpretation Note for the Fairtrade Fresh Fruits Standard, in HLO

Date	August 18 2023				
Affected standard requirements	<p style="text-align: center;">3.1.3 NEW 2021* Fairtrade Premium</p> <div style="border: 1px solid black; padding: 5px;"> <p>Applies to: workers in banana companies</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 10%;">Core</td> <td>As long as there is a gap between the Living Wage Benchmark and the lowest net cash wage received by workers, up to 30 percent of the Fairtrade Premium is equitably disbursed among all workers in accordance with time worked, as a Fairtrade Bonus. This amount can be added to the already existing Hired Labour Standard requirement 2.1.20 to disburse 20 percent of the Fairtrade Premium if workers so choose.</td> </tr> <tr> <td>Year 0</td> <td> <p>Payments are made in cash. Premium vouchers of equal value to cash disbursements can be disbursed in those origins where payment in cash is not an advantageous option. Your company demonstrates the transparency and accuracy of the payments made by the Fairtrade Premium Committee according to the rules described in this requirement.</p> <p>Your company ensures that no remuneration is worsened/reduced after the introduction of this requirement except when formally agreed with elected worker representatives who have the right to negotiate.</p> </td> </tr> </table> </div> <div style="background-color: #f0f0f0; padding: 5px; margin-top: 5px;"> <p>Guidance: Only Fairtrade Premium generated from sales as of 2021 onwards are considered.</p> <p>If the gap between the lowest wages and the Living Wage Benchmark can be bridged using less than 30 percent of the Fairtrade Premium, the percentage for mandatory pay-out must be reduced accordingly. Please refer to the explanatory document for the Fairtrade Premium disbursement for an example of how the calculations might be done.</p> <p>This requirement and the option to disburse 20 percent of Premium funds in cash (requirement 2.1.20 of the Hired Labour Standard) signify that workers could disburse up to 50 percent of the Premium in cash if they so choose.</p> <p>Premium vouchers can be disbursed in cases where the disbursement in cash is not an advantageous option - for example, where disbursing the Premium in cash could result in significant tax payments. Premium vouchers can be used for essential needs that contribute to a decent livelihood, such as: home construction or renovation, education fees, and regular household items. The nature and frequency of disbursements must be consulted upon with local trade unions or in their absence with other elected worker representatives, to ensure that collective bargaining is not undermined.</p> <p>Premium vouchers cannot be used for goods or services which companies are required to provide by law, by Fairtrade Standards or by collective bargaining agreements, or to those customarily provided by the company. Premium vouchers cannot be used for visas or work permits for migrant workers; clothing or equipment for work; dormitories or shared housing for seasonal workers; drinking water; land for kitchen gardens; charitable contributions to the community that do not go exclusively to workers; employers' contributions to social security and time off work for vacations; sick leave or maternity leave; and other non-statutory expenses provided continuously, such as work meals and transport to and from work, childcare, etc.</p> </div>	Core	As long as there is a gap between the Living Wage Benchmark and the lowest net cash wage received by workers, up to 30 percent of the Fairtrade Premium is equitably disbursed among all workers in accordance with time worked, as a Fairtrade Bonus. This amount can be added to the already existing Hired Labour Standard requirement 2.1.20 to disburse 20 percent of the Fairtrade Premium if workers so choose.	Year 0	<p>Payments are made in cash. Premium vouchers of equal value to cash disbursements can be disbursed in those origins where payment in cash is not an advantageous option. Your company demonstrates the transparency and accuracy of the payments made by the Fairtrade Premium Committee according to the rules described in this requirement.</p> <p>Your company ensures that no remuneration is worsened/reduced after the introduction of this requirement except when formally agreed with elected worker representatives who have the right to negotiate.</p>
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Interpretation	<p><i>The Intention of the requirement:</i></p> <p>This requirement intends to close the gap between the actual wage received by banana plantation workers and the Living Wage Benchmark. The requirement has to be implemented if at least one worker's wage is below the Living Wage Benchmark, in which case up to a maximum of 30 percent of the Fairtrade Premium must be paid out in cash equitably among all workers below the living wage benchmark and based on the time worked to help close the living wage gap.</p> <p><i>The problem statement:</i></p> <p>On banana plantations, depending on the country there can be a wide range of wages amongst workers, with a group of workers already earn above the Living Wage Benchmark, although there are also those workers that earn below the Living Wage Benchmark. According to the requirement the Fairtrade Premium has to be equally distributed among all workers to support workers and their families in addressing family livelihood. In some countries distribution of premium in cash will require a considerable amount of tax payments. Also, by spreading out the payment over the entire workforce instead of concentrating on the workers that do not earn a Living Wage, individual impact of the payment would be diminished. These circumstances would necessitate more Premium to bridge the gap towards Living Wage for the lowest paid workers. However, benefiting only part of the workforce with cash payment of Premium could lead to some tensions, when workers earning more than a Living Wage are dissatisfied, although at the same</p>				



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time more resources are made available for collective investments as decided by workers in the General Assembly.

Interpretation of the requirement

To address this situation, and to ensure that plantations can contribute meaningfully to closing or reducing the gap between the Living Wage Benchmark and the lowest net cash wage received by workers, in line with the intention of the requirement, the standards unit issued an interpretation on how equitable disbursement should be understood in the context of this requirement. In the Hired Labour Standard 2.1.20, on the 'Optional distribution of Fairtrade Premium to workers' it is explained further in the guidance of that requirement that equitable distribution means that any cash distribution made should be done at least in accordance to time worked and on a needs basis, supporting those who have less (financial) security and higher needs. The requirement also prescribes consultation with trade union/workers' representatives. Following this guidance, "equitable" in the context of the Fresh Fruit Standard for HLOs, 3.1.3 requirement, means that up to a maximum of 30 percent of the Fairtrade Premium should be distributed:

- As long as there is a gap between the Living Wage and the lowest wage, up to a maximum of 30 percent of the Premium is equitably disbursed in cash among all those workers that are not earning a Living Wage according to time worked up to the level of the Living Wage Benchmark.

Hired Labour Standard 2.1.20 with regards to an optional distribution of 20 percent of the Fairtrade Premium differ from Standard 3.1.3 in the sense that the "optional distribution" can benefit all workers independent of the wages received, or can benefit those workers with less earnings. The distribution mechanism will be decided by the workers in the General Assembly. The Fresh Fruit Standard for HLOs 3.1.3 the "mandatory distribution" up to a 30 percent of the Premium to those workers that earn below a Living Wage to reduce or close existing gaps.

The term "up to 30 percent" means that the amount disbursed to workers must be limited to the Living Wage gap of the lowest paid worker. The term "equitably" means workers receive the same amount of currency based on their work time. With this interpretation it is ensured that the intention of the requirement is met. This interpretation will come into effect on 1 January 2024.