

Fresh Fruit Standard for HLO – Fairtrade Premium (requirement 3.1.3)

As long as there is a gap between the **net** Living Wage Benchmark and the lowest **net** cash wage received by workers, up to 30 percent of the Fairtrade Premium is equitably disbursed as Fairtrade bonus, in accordance with the working time of those workers that are eligible for being benefited from Fairtrade Premium¹. For both wages, the “net” refers to the level of the “**take home cash money**”, which is the net wage received by workers, in cash, usually received in each payroll, after income taxes and withholding requested by law are deducted from the gross wage and after the forms of remunerations and deductions indicated by the Anker methodology (shown in page 3 of the explanatory document “Calculating wages in the Fresh Fruit Standards”) are excluded. The term “Usually received in each payroll” means that annual cash allowances, such as 13th and 14th salaries, national independence day bonus, etc. (which are received as cash once per year), are also excluded from the calculation of the net wage received and the net Living Wage Benchmark.

According with the requirement 3.1.3 of the Fairtrade Standards for Fresh Fruits for Hired Labour situations, if the wage gap is closed with the use of less than 30% of the Fairtrade Premium, then only part of the 30% Fairtrade Premium can be used. The requirement 3.1.3 also indicates that the Fairtrade Premium used has to be equitably disbursed among all eligible workers, in accordance with their time worked. Fairtrade International has developed the **Tool 3.1.4** for calculating both: a) the amount of the 30% of Fairtrade Premium can be used (Table 1) and b) the amount that has to be disbursed per eligible worker, considering her/his working time (Table 2).

¹ **For Hired Labour companies: Planning your Fairtrade Premium projects in compliance with the Fairtrade Standard.** No matter how a Standard is worded, there is often still room for different interpretations. We would like to point out some rules regarding the use of the Fairtrade Premium that have sometimes led to misunderstandings in the past. With the explanations and examples below, we hope to help avoid non-conformities in regard to the Premium use. **Who may benefit from Fairtrade Premium projects when local law allows management to be unionised?** The Fairtrade Standard for Hired Labour defines that it is workers who should benefit from the Fairtrade Premium. The definition of “worker” states: “(...) *The term is restricted to personnel that can be unionized and therefore middle and senior and other professionals are generally not considered workers.*” **Does this mean that if local law allows higher hierarchy levels, like higher management, to be unionized these roles may also benefit from Premium projects?** The answer is **no, it does not**. Fairtrade International as the standard setter confirmed that the intention of the Fairtrade Standard is not to support management or senior or middle professionals with Fairtrade Premium projects. The last part of the definition “*senior and other professionals are generally not considered workers*” always takes precedence. Therefore, even if local law allows management levels to be unionised, these roles are not considered “workers”. Given this clarification, our auditors will keep raising a non-conformity related to Premium use if they identify such situations.

[FLOCERT Newsletter - June 2018](#)

The following are examples of workers who are eligible to benefit from the Fairtrade Premium:

- Field workers (planting, harvesting, spraying, etc.);
- Supervisors / Foremen (coordination, no power to sanction);
- Packinghouse and processing plant workers;
- Maintenance workers (plumber, electrician, mechanic, bricklayer, etc.);
- Office workers (secretary, among others);
- Others (drivers, warehouse workers, cleaners, cooks, gardeners, nurses, security guards, etc.).

The following are examples of workers who are not eligible to benefit from the Fairtrade Premium:

- Middle and senior management (positions with the right to make decisions such as hiring or dismissing staff, applying disciplinary sanctions, applying staff promotion or setting salaries)
- Mid and Senior level professionals (engineers, company doctor, trained accounting staff, senior supervisors, occupational health and safety professionals);
- Managers (human resources manager, finance manager, administrative manager, packinghouse manager, production manager).

Table 1. The amount of the 30% of the Fairtrade Premium that can be used

Description	Unit	Calculation	Plantation A	Plantation B	Plantation C	Plantation D
• Number of eligible workers ²	Workers		150	115	130	90
• Number of workers in FTE ³	Workers in FTE	[1]	141	107	123	85
• Net Cash LW	pesos/month/worker	[2]	9,394	9,394	9,394	9,394
• Net FBW70%	pesos/month/worker	[3]	6,594	6,594	6,594	6,594
• Lowest net wage received by workers	pesos/month/worker	[4]	8,030	8,239	7,401	8,449
• Wage gap per month per worker	pesos/month/worker	[5]: if [2]>[3]or[4] then 0, else [2]-max([3],[4])	1,364	1,155	1,994	945
• Wage gap per month	pesos/month	[6] = [1]*[5]	192,386	123,977	244,301	80,414
• 100% Fairtrade Premium	pesos/month	[7]	184,800	472,500	252,000	514,500
• 30% Fairtrade Premium	pesos/month	[8] = 0.3*[7]	55,440	141,750	75,600	154,350
• Amount of the 30% of FP that can be used	pesos/month	[9]: if [6]≥[8] then [8] else [6]	55,440	123,977	75,600	80,414
• Remaining wage gap	pesos/month	[10] = [6]-[9]	136,946	0	168,701	0
			Not fully closed	Fully closed	Not fully closed	Not fully closed


² Eligible workers refer to workers who can be benefited from the Fairtrade Premium

³ The calculation of the number of workers in Full-Time Equivalent is the number of eligible workers (which have the same workers' scheduled days per week), multiply by the workers' scheduled days per week, divided by the employer's days for a full-time workweek set by Anker, which is 5.5 days per week, considering 8 workhours per day, therefore overtime must not be taken in consideration. The following example is for plantation B, which has 115 eligible workers, which represents 107 workers in full-time equivalent:

Number of eligible workers ² (with the same workers' scheduled days per week)	Workers' scheduled days per week	Employer's days for a full-time workweek	Calculation	Number of workers in FTE
72	5.5	5.5	72*5.5/5.5 =	72.00
25	5	5.5	25*5/5.5 =	22.73
10	4.5	5.5	10*4.5/5.5 =	8.18
3	4	5.5	3*4/5.5 =	2.18
1	3.5	5.5	1*3.5/5.5 =	0.64
2	3	5.5	2*3/5.5 =	1.09
1	2	5.5	1*2/5.5 =	0.36
1	1	5.5	1*1/5.5 =	0.18
115				107

The Plantations B and D do not need to use the whole 30% of the Fairtrade Premium, because with only 26% (123,977/472,500) and 16% (80,414/514,500) of the Fairtrade Premium, respectively, the wage gap is closed. For plantations A and C, the wage gap does not close, even by using the whole 30% of the Fairtrade Premium. The remaining wage gap is 136,946 and 168,701 pesos/month, respectively. Not fully closed does not mean a Non-Conformity. It means that there is still a wage gap.

Table 2. The disbursement of the amount of the Fairtrade Premium used, in accordance with the working time of workers



Tool 3.1.3

The tool 3.1.3 calculates: a) the amount of the 30% of the Fairtrade Premium that can be used and b) the disbursement of the amount of the Fairtrade Premium used, in accordance with the working time of workers. Please complete the empty cells.

- Choose the country:	Mexico	
- The lowest monthly gross wage paid ¹ to workers:	8,579	pesos/month/worker
- Area under production:	360	hectares
- Productivity:	2,500	boxes/18.14kg/hectare/year
- Sales volume under Fairtrade terms:	30%	% of total sales
- Exchange rate:	21	pesos/USDollars

¹ The gross wage value refers to the amount of money earned by a worker for the work he/she performs, in this case the lowest amount during one month, prior to any withholding, taxes, deductions and contributions requested by Law and prior to any granted in-kind benefits. In some countries the "gross" wage is also known as "basic" wage.

Number of eligible workers ²	working time ³ , in days/week	Amount of the 30% of FP that can be used and disbursement per worker, based on their working time	
		pesos/month	pesos/month/worker
72	5.5 days/week	83,141	1,155
25	5 days/week	26,244	1,050
10	4.5 days/week	9,448	945
3	4 days/week	2,519	840
1	3.5 days/week	735	735
2	3 days/week	1,260	630
	2.5 days/week		
1	2 days/week	420	420
	1.5 days/week		
1	1 days/week	210	210
115	Total workers		
107	Workers in FTE	123,977	pesos/month

² Eligible workers refer to workers who can be benefited from the FPremium
³ Overtime must not be considered as part of working time

100%FPremium:	472,500	pesos/month
30%FPremium:	141,750	pesos/month
FPremium distribution:	123,977	pesos/month

FP: FPremium or Fairtrade Premium
FTE: Full Time Equivalent

The Tool 3.1.4 calculates the number of workers in full time equivalent, the amount of the 30% of the Fairtrade Premium that can be used and the disbursement of the Fairtrade Premium per eligible worker, based on their working time. Table 2 shows the case of Plantation B, which was



already presented in table 1. In this case, plantation B has 115 workers, from which 72 workers work on average 5.5 days per week; 25 work 5; 10 work 4.5; 3 work 4; 1 works 3.5; 2 work 3; 1 works 2; and 1 worker works 1 day per week.

The amount of the 30% of FP that can be used is 123,977 pesos/month. The disbursement among workers, considering their working time is:

- a) 72 workers, who work 5.5 days per week, will receive 1,155 pesos/month each one;
- b) 25 workers, who work 5 days per week, will receive 1,050 pesos/month each one;
- c) 10 workers, who work 4.5 days per week, will receive 945 pesos/month each one;
- d) 3 workers, who work 4 days per week, will receive 840 pesos/month each one;
- e) 1 worker, who works 3.5 day per week, will receive 735 pesos/month;
- f) 2 workers, who work 3 days per week, will receive 630 pesos/month each one;
- g) 1 worker, who works 2 days per week, will receive 420 pesos/month;
- h) 1 worker, who works 1 day per week, will receive 210 pesos/month.

The requirement 2.1.20 of the [Fairtrade Standards for Hired Labour](#) allows the disbursement of 20 percent of the Fairtrade Premium if workers so choose. The amount use of Fairtrade Premium, due to the requirement 3.1.3 of the [Fairtrade Standards for Fresh Fruit for Hired Labour](#), can be added to the existing requirement 2.1.20, if workers so choose.

Change history

Date pf publication	Changes
27.05.2021	First version
04.08.2021	Explanatory document on the calculation of the amount of Fairtrade Premium that can be use and how to disburse it among eligible workers, considering their working time