

Calculating floor wages in the Fairtrade Standard for Flowers and Plants and Fresh Fruit

During the review that took place in 2016-17 of the Fairtrade Standard for Flowers and Plants, a new clause was introduced (requirement 3.2.1), which required companies to ensure that **base wages** paid do not fall below the global extreme poverty line of **\$1.90/day** set by the World Bank (WB). In 2018, this clause was also introduced in the Fresh Fruit Standard (requirement 3.1.1).

The WB updated the global extreme poverty line to **\$2.15/day** in September 2022¹. **This adjustment in Fairtrade's floor wage requirement has been applicable since January and April 2023** for Flowers and Plants and Fresh Fruit certified Hired Labour Organisations, respectively.

This document seeks to give clarity on how this affects our calculation of the floor wage and how it translates to values for the countries affected.

Besides the dollar value, purchasing power parity (PPP) is another essential component for the poverty line. 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](#). For the floor wage calculation each year, Fairtrade uses the most recent PPP rate published by the World Bank.

On occasion the PPP rate has fallen compared to the previous year, Fairtrade freezes the PPP rate, so that floor wages do not decrease, until the PPP rate goes up again. There are also cases, where the WB experiences a delay in updating the PPP rate in the relevant year which is especially important in situations with high inflation. Fairtrade worked together with renowned economists to develop a calculation which adjusts the PPP rate including inflation effects.

The formula to update a PPP rate is as follows:

[Latest available PPP for private consumption x 1 + average inflation rate² in the country of interest in the given year] / 1 + US inflation rate in the given year²

The \$2.15 PPP/day Floor Wage relates to the 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

¹ More information about the adjustment can be found [here](#).

² IMF inflation rate for average consumer prices (annual percent change) published in [October 2024](#).

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 \$2.15 as floor wages

To calculate the floor wage, the following formula is used:

[PPP for private consumption from the previous year x 2.15 x 30.4 x typical number of family members] / number of breadwinners per family

In addition to the floor wage requirement, certified Hired Labour Organisations (**HLO**) must adhere to requirement 3.5.4 of the [Fairtrade Standard for Hired Labour](#) to ensure that workers receive a steady wage increase above the annual average inflation of the previous year.

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

Date of applicability for **flowers and plants** HLOs: **1 February 2025**

Date of applicability for **fresh fruit** HLOs: **1 July 2025**

Country	PPP for private consumption*		WB poverty line (\$ per day)		Days/month**		No. of Family members‡		No. of Breadwinners‡	Wage required (local currency)
Egypt	7.22	x	2.15	x	30.4	x	5.0	/	1.53	1,543 pound
Ethiopia	25.07	x	2.15	x	30.4	x	5.0	/	1.65	4,966 birr
Ghana	4.59	x	2.15	x	30.4	x	4.5	/	1.78	759 cedi
Kenya	50.25	x	2.15	x	30.4	x	5.0‡	/	1.69‡	10,564 Ksh
Sri Lanka	94.30	x	2.15	x	30.4	x	4.5	/	1.76	15,759 rupee
Marocco	4.07	x	2.15	x	30.4	x	4.5	/	1.56	767 dirham
Tanzania	843.16	x	2.15	x	30.4	x	5.0	/	1.69‡	163,044 Tsh
Uganda	1,327.27	x	2.15	x	30.4	x	5.0	/	1.78‡	243,681 Ush
Zambia	7.54	x	2.15	x	30.4	x	6.0‡	/	1.76‡	1,679 kwacha

* 2023 PPP rates were updated using IMF inflation rates (as described above), except for Sri Lanka as no data was available. The [annual average consumer price inflation rate](#) published by the Sri Lankan Department of Census and Statistics was used.

** Number of days per month (365 /12)

‡ Values available in living wage country reports and reference values published by the [Global Living Wage Coalition](#).

‡ Number of family members and/or breadwinners was updated. Due to the changes, the floor wage in Kenya would have dropped. Fairtrade froze the floor wage to ensure that workers do not receive a lower wage.

Change history

Date of publication	Changes
07.06.2017	First version Explanatory document on how to calculate floor wages for selected countries introduced.

26.02.2018	<p>Second version</p> <p>Updated the PPP private consumption data.</p>
20.12.2018	<p>Third version</p> <p>Updated the PPP private consumption data. Included the Fresh Fruit Standard. Additional countries included (Cameroon, Egypt, Ghana, India, Ivory Coast and Zimbabwe).</p>
08.01.2020	<p>Fourth version</p> <p>Updated the PPP private consumption data and deletion of references to 2018 and 2019.</p>
15.01.2021	<p>Fifth version</p> <p>Updated the PPP private consumption data. Included Zambia in the list of countries.</p>
31.12.2021	<p>Sixth version</p> <p>Updated the PPP private consumption data.</p>
02.12.2022	<p>Seventh version</p> <p>Adjusted the global poverty line to \$2.15/day in line with the WB update. Additional information on how to calculate wages in case there is a delay in updating the PPP.</p>
14.02.2024	<p>Eighth version</p> <p>Updated the PPP private consumption rates. Updated the number of family members and breadwinners for several countries. Included Sri Lanka in the list of countries. Wording improved for clarity.</p>
21.11.2024	<p>Ninth version</p> <p>Updated the PPP private consumption rates, when applicable. Included Fairtrade certified Hired Labour Organisations from lower middle income countries (Egypt, Ghana and Morocco) that produce fresh fruits.</p>
20.12.2024	<p>Tenth version</p> <p>Updated the date of applicability.</p>