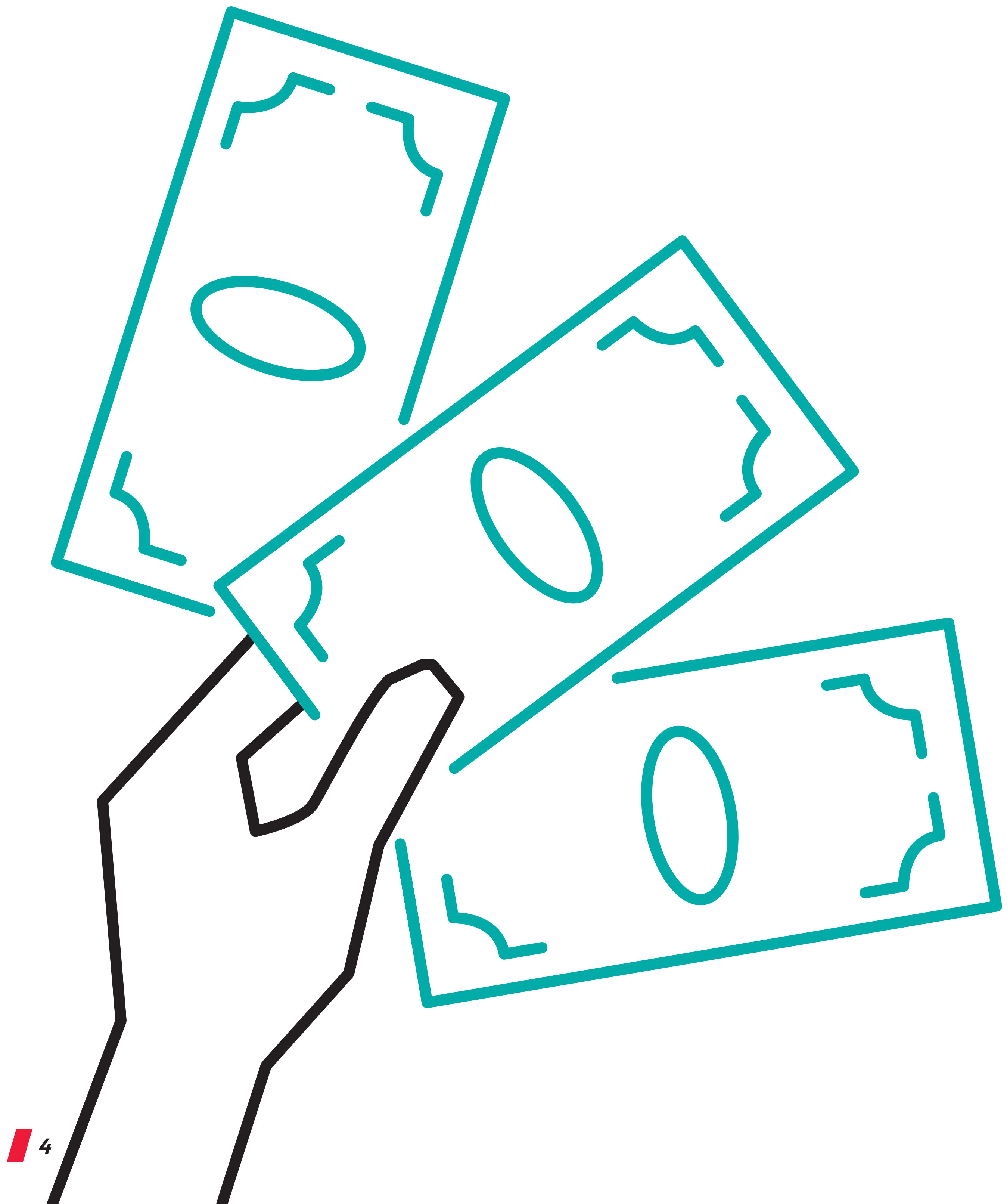
Understanding Fair Wear's approach to living wages

FAIR WEAR

Index



Introduction

Over the past two decades, living wages in the garment industry have been the subject of many conferences, research projects and code initiatives around the world. However, few workers have seen any change in their income, and in most garment-producing countries, legal minimum wages are only 20 to 50 percent of living wage estimates.

Fair Wear Foundation is committed to changing this dynamic. After more than a decade of developing living wage solutions, Fair Wear considers the key input areas required to realise sustainable living wages to be money, accountability, and social dialogue. This document explores these input areas and the tools to address them. It lays out the core features of Fair Wear's approach to living wages, which has enabled numerous Fair Wear members to do what few brands in the garment industry have done before: take financial responsibility for the wages of workers in their supply chains.

The case for living wages as a human right is clear. All workers are entitled to a wage they and their families can live on. In the Fair Wear Code of Labour Practices, a living wage is defined as a wage paid for a standard working week that meets the basic needs of workers and their families and provides some discretionary income. 'Basic needs' further includes costs like housing (with basic facilities including electricity), nutrition, clothing, healthcare, education, drinking water, childcare, transport, and savings. A wage commensurate with a decent living should, therefore, be the starting point for collective bargaining, rather than the end goal.

Background

LIVING WAGES AND THE FAIR WEAR CODE OF LABOUR PRACTICES

Since Fair Wear's founding, Fair Wear's Code of Labour Practices has recognised workers' right to a living wage, stipulating that workers' regular working hours should generate enough income to meet the basic needs of workers and their families, including some discretionary income.

Figure 1: Wages in Fair Wear's Code of Labour Practices

Wages and benefits paid for a standard working week shall meet at least legal or industry minimum standards and always be sufficient to meet basic needs of workers and their families and to provide some discretionary income. (ILO Conventions 26 and 131)

This standard aligns with various international human rights instruments, which set a clear threshold that workers' wages should deliver 'a decent living for themselves and their families' (United Nations *Covenant on Economic, Social and Cultural Rights* 1966) or 'an existence worthy of human dignity' (*UN Universal Declaration of Human Rights* 1948). In short, living wages are a human right.

Fair Wear's Code of Labour Practices underscores this right and has been clear since the organisation's founding: brands should ensure that they only source from facilities where a living wage is paid. Member brands make this commitment when they join Fair Wear.

This is a far cry from reality in the garment industry, where factories often fail to comply even with legal minimum wage laws. Fair Wear, therefore, takes a process-based approach that aims to bring the industry to a point where a notable portion of garment factories pay living wages. This would enable committed brands to steer production to such facilities, thereby making payment of a living wage a competitive advantage for factories.

In this context, any effort that produces real-life wage improvements for workers is a significant step forward. Progress should be recognised and celebrated wherever it is found. Nevertheless, the human rights obligation is clear. A Fair Wear member brand is only in full compliance with the living wage standard in Fair Wear's Code of Labour Practices when all of the facilities in the brand's supply chain pay living wages.

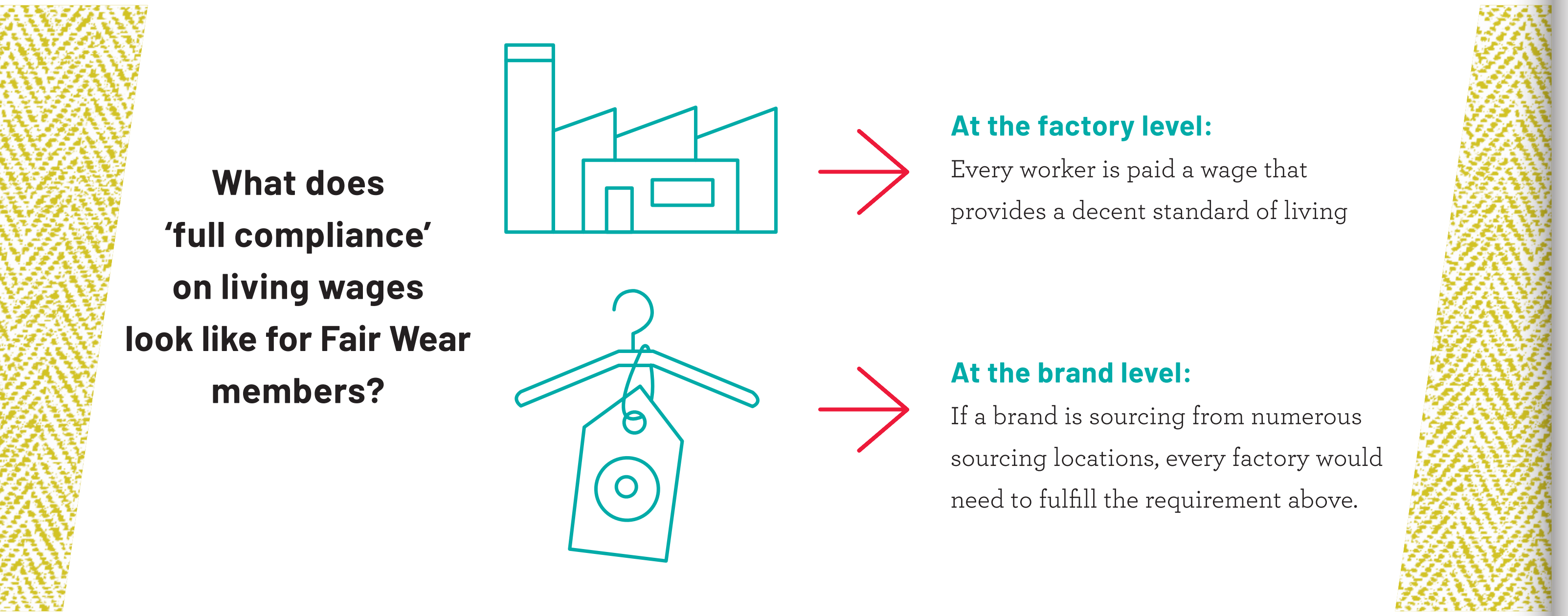


Figure 2: What 'full compliance' on living wages looks like for Fair Wear members

A TRACK RECORD ON LIVING WAGES

Fair Wear has become an industry leader in living wage guidance and implementation by, among other things, identifying and addressing key obstacles to higher wages in the garment industry.

Fair Wear's work in shifting the living wage discussion started with the development of the open-source online Wage Ladder tool (2011), which introduced the concept of 'moving up the rungs of the ladder' towards living wage benchmarks. The objective was to move past circular discussions (and the associated inaction) that centred almost exclusively on the definition and measurement of a living wage. By launching Fair Wear's Living Wage Portal (2013), Fair Wear instead outlined and explored the various obstacles to living wages in the garment industry in order to expand the discussion and initiate demonstrable action. Since 2012, Fair Wear has published a series of resources to explain and break down these obstacles methodically.

Notably, in 2014, Fair Wear sought and published legal guidance that debunks the myth of competition law as an insurmountable obstacle to any collaboration to raise wages.

Fair Wear and leading Fair Wear members have taken steps to put these ideas into action. Fair Wear's Living Wage Incubator, which launched in 2017, has provided a space for brands breaking ground on living wage implementation to support and learn from each other. As discussed below, Fair Wear has also created various tools for Fair Wear members and brands outside of Fair Wear to use in 'putting their money where their mouth is'.

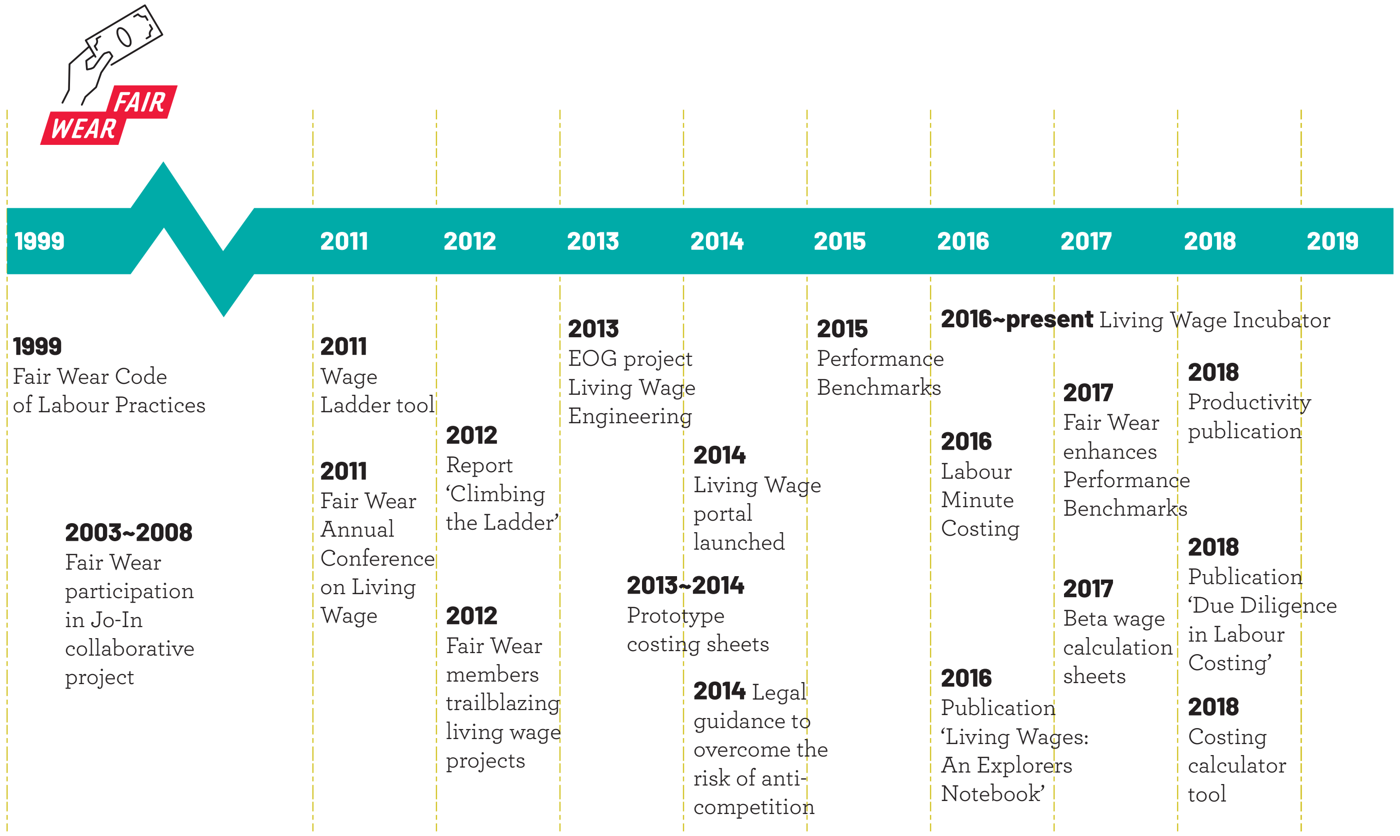


Figure 3: Fair Wear's evolution related to wages

Realities undermining wage improvements

THE REALITIES

To make meaningful changes to workers' wages in the garment industry, a clear understanding of the industry structures and practices that impede change is critical. Without a focus on these complexities, intuition often leads observers to seek solutions that are intuitive, but often ineffective.

Figure 4: Realities that undermine wage increases

Lack of binding global human rights protections

The first key reality shaping Fair Wear's work is that brands are operating at the global level with insufficient regulation. The vast majority of garments are made in supply chains where production and purchasing take place in different legal jurisdictions. Critically, there is no common regulatory framework that makes it possible for all supply chain actors to be accountable to the same set of standards and laws.

This is a consequence of globalised production. In the past, manufacturers, retailers, consumers and workers were often bound by a common legal framework, which made it comparatively straightforward for all actors to know and uphold their respective responsibilities to each other. Initiatives such as Fair Wear were originally formed in an attempt to plug the gap created by the globalisation of production in the absence of binding global regulation.

Social dialogue is limited or under-developed, and collective bargaining is rare

More often than not, garment production takes place in countries where freedom of association and the right to bargain collectively are limited by law, in practice, or both. Garment workers' wage levels are rarely set by way of collective bargaining. Without credible wage negotiations, wages rarely meet workers' basic needs.

Highly competitive global industry—compounded by diffuse responsibility

The garment industry is notoriously competitive on price and delivery time. Indeed, garment consumers have come to expect cheap and ever-changing selections, which places considerable strain on supply chains that are already under pressure because of their length and diffusion. This is further exacerbated by a lack of trust that typically accompanies such distance and disconnection. Some brands spread production over 100 or more factories for a given season. Such production relationships tend to be short-lived, as brands scramble to meet the demand for new styles while continually seeking the highest margin (see more below). Additionally, most contracts between brands and production facilities are limited to orders per season or run; long-term contracts and business relationships are the exception, not the norm. Long and diffuse supply chains challenge, even block, efforts for traceability and accountability among different supply chain actors.

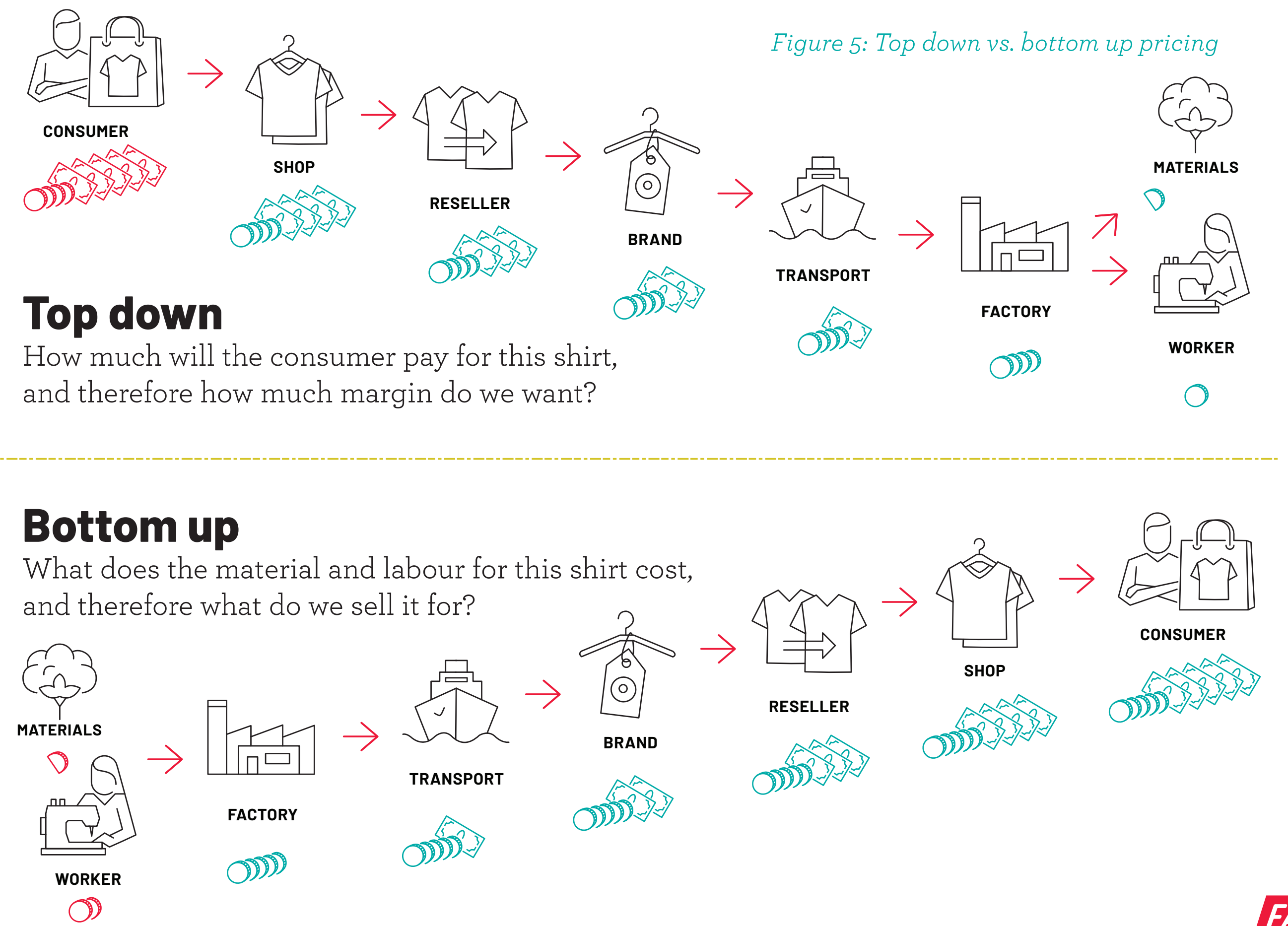
Brands do not employ workers (i.e., reduced responsibility); however, they have significantly more financial power and influence

In the context of living wage discussions, it is important to highlight what might seem an obvious point: brands rarely own their production locations. They therefore do not employ the workers who make their products, which means that brands generally do not have direct control over workers' wage levels. Yet, brands generally drive pricing discussions with suppliers. In most garment sourcing relationships, this dynamic creates a mismatch between the entity with the money and influence (i.e. the brand) and the entity that has legal responsibility to pay the workers (i.e. factory management).

Prices paid to factories are based on brands' target margins, rather than the actual costs of production

Fair Wear has observed that brands commonly calculate the retail value of a product and use projected retail figures to determine the product's target margin. The target margin, in turn, determines the Freight on Board (FOB) or Cut-Make-Trim (CMT) price that the brand seeks to pay. Fair Wear refers to this as 'top-down pricing', which generally does not take into account the amount of labour required to make the garment and the cost of that labour. Without taking these costs into account, brands have no way of telling whether the prices they pay cover the costs of living wages.

Figure 5: Top down vs. bottom up pricing



Conversely 'bottom-up pricing', where labour and other input costs impact the CMT price, is less commonly practiced. In fact, it is not uncommon for factory managers themselves to have under-developed systems for clear per-product labour costing. As discussed below, Fair Wear has developed tools to help brands, factories, and workers adopt bottom-up pricing in order to cost for living wages.

In most production contexts, these industry realities suppress wages and limit the impact of various measures to increase wages. The combined effect of the power imbalances and lack of direct lines of accountability between brands and the workers that make their clothes undermines efforts to raise legal minimum wages. Following increases to legal minimum wage levels in Bangladesh, for example, suppliers reported that various leading brands insisted on paying the same prices or even lower prices, despite higher wage costs.

Similarly, collective bargaining agreements for garment workers often lack the required provisions to raise wages beyond inadequate minimum wage levels. This is usually because the trade union and management have jointly recognised that the prices that brands pay for production cannot cover additional wage costs.

In cases where brands are willing to pay more, the sustainability of their efforts is limited if workers cannot negotiate wages due to limitations on their freedom of association and their right to bargain collectively.

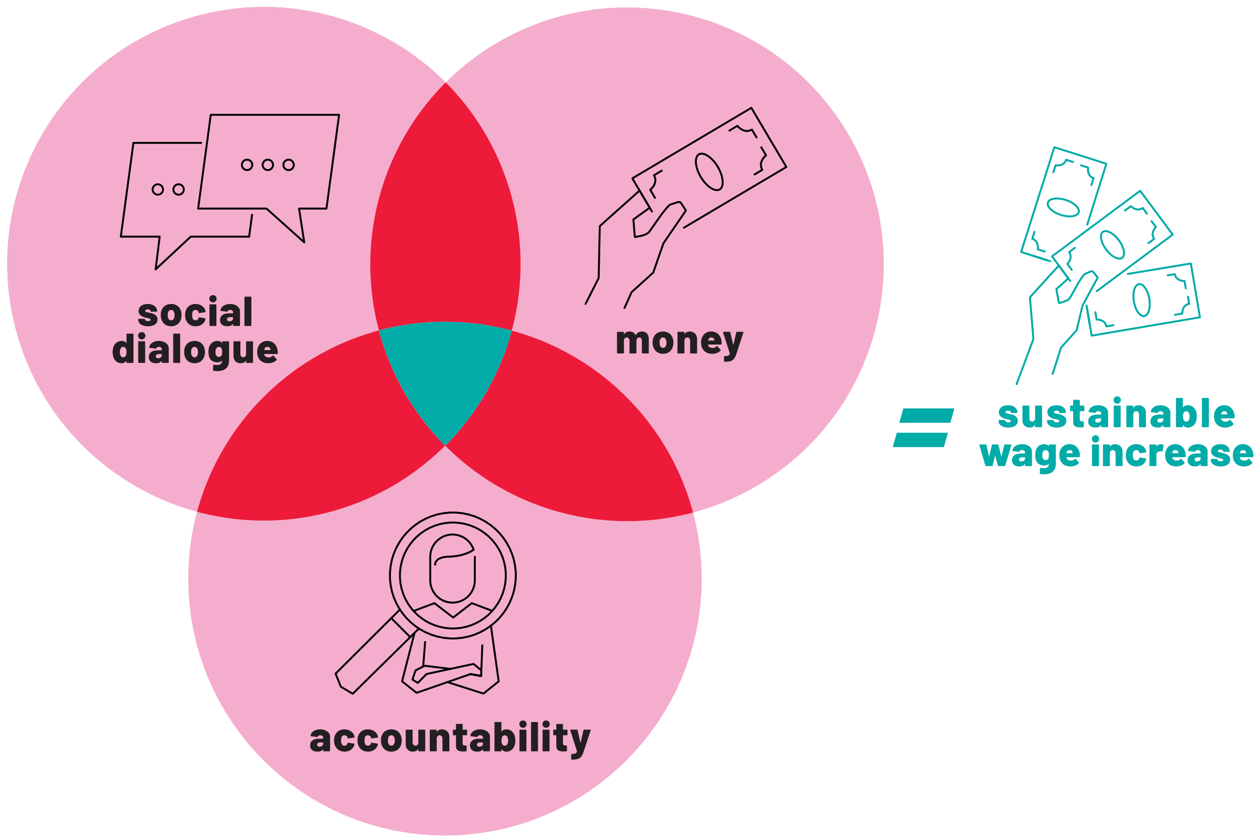


Figure 6: The three key input areas for sustainable living wages

Towards an intervention: three key input areas for sustainable living wages

Based on observations of healthy wage increase systems, Fair Wear posits that three key input areas play a fundamental role in addressing these realities and achieving *sustainable* living wages:

1. Money to cover the added costs of wage increases;
2. Social dialogue for setting, updating, and verifying higher wage levels; and
3. Accountability systems to ensure fair costing and traceability.

1. MONEY

There is no way around it: wage improvements cost money. Regardless of whether wage increases stem from the added costs associated with minimum wage increases, wage hikes resulting from collective bargaining, or simply the payment of living wages in a brand's supply chain, wage increases generally require additional funding.

Garment brands have often looked to productivity gains at the manufacturer level to offset the costs of higher wages. However, there is limited evidence that efficiency gains would cover the increased costs of living wages. There is even less evidence that such gains are passed along to workers. Fair Wear has observed that gains are instead passed along to brands by way of cuts to FOB prices or used to reward the managers who spearhead productivity changes at the factory level.

The need for more money—and calculating exactly *how much more*—is perhaps the most concrete aspect of all wage discussions, but the topic has, until recently, been skirted in discussions concerning living wages. While there may be comfort in discussing the precise measure of a given benchmark, the more challenging question is, 'Who pays for the added cost of the living wage increase?'

In keeping with the UN Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises , Fair Wear maintains that it is the responsibility of brands to ensure that the prices that they pay are adequate to cover living wages. Accordingly, a substantial amount of Fair Wear's work focuses on calculating the brands' share of production costs. This is also why Fair Wear calls for bottom-up pricing, which integrates the total costs of living wages as the basis for price negotiations between committed brands and factories.

2. SOCIAL DIALOGUE

Adding money to the system is not enough to raise wages sufficiently. Workers and their representatives are best placed to identify their living costs and to ensure that wage levels keep pace with pertinent changes such as rising inflation. Facilitating social dialogue—especially by way of collective bargaining—is therefore a key input area for lasting wage improvements.

Mature industrial relations systems offer the most sustainable approach to calculating and updating living wage floors. Trade unions and worker advocates have long maintained that workers, themselves, are the best monitors of workplace conditions—particularly regarding wage levels. In this sense, ensuring that any living wage effort supports the movement for improved social dialogue—even if it is fledgling to begin with—is critical to the longevity of the effort as well as to its effective implementation. Collective bargaining structures with built-in systems of transparency offer the most streamlined method for ensuring that any additional funds that brands pay towards living wages reach workers in full.

It is not for Fair Wear members to interfere directly with worker organising (indeed this would represent a violation of this right). Nevertheless, brands can play an important role in creating a positive environment for organising, thus counteracting various forces that have undermined this right in the global economy.

3. ACCOUNTABILITY

Mature industrial relations systems also have an essential role in developing transparent and verifiable systems for accountability toward workers and the public. This is the third key input area for sustainable living wages. If our aim is to *scale-up* living wage efforts—for example, across tens of thousands of brands with diffuse supply chains spanning the globe—- there is a pressing need for robust systems of accountability to ensure that brands based in different countries, with different supply chain structures, are in fact paying their share; and that funds are reaching workers.

It is critical that any system that seeks real accountability on wages ensures that workers benefit from—and actively participate in—the system. In this sense, any innovations around wage accountability should guarantee that workers can access wage and cost information that other value chain actors (e.g. brands, suppliers, agents, auditors) may have access to, and that workers can also feed into and challenge such a system. Here we can see that social dialogue is critical to effective accountability systems.

Indeed, these inputs are interrelated; taking action on one supports and necessitates action on the others. Together they offer a simple framework to realise sustainable living wages.

Fair Wear's process-based approach

Fair Wear takes a unique process-based approach to the three input areas for living wage implementation. It involves four instruments: the Wage Increase Cycle, the wage indicators in Fair Wear's Brand Performance Check, labour minute costing, and recommended living wage estimates.

Fair Wear developed the Wage Increase Cycle in 2017 to help brands with diverse profiles to devise strategies for rolling out wage increases across sourcing locations. Throughout the cycle, Fair Wear emphasises the need to involve workers at every step and to ensure that all living wage efforts are positively contributing to healthy social dialogue. For this reason, the worker is placed at the centre of the cycle. The Wage Increase Cycle organises brand activity into three broad interlinked phases:

- Calculating how buying prices (e.g. FOB or CMT prices) relate to wages;
- Determining the necessary budget and where the money can/will come from to pay for higher wages (e.g. from consumers, brands, factories, productivity gains or some mix of these); and
- Ensuring and verifying the money is contributing to workers' wages and to improved labour conditions—and evaluating how increases influence or respond to the local (economic) situation.

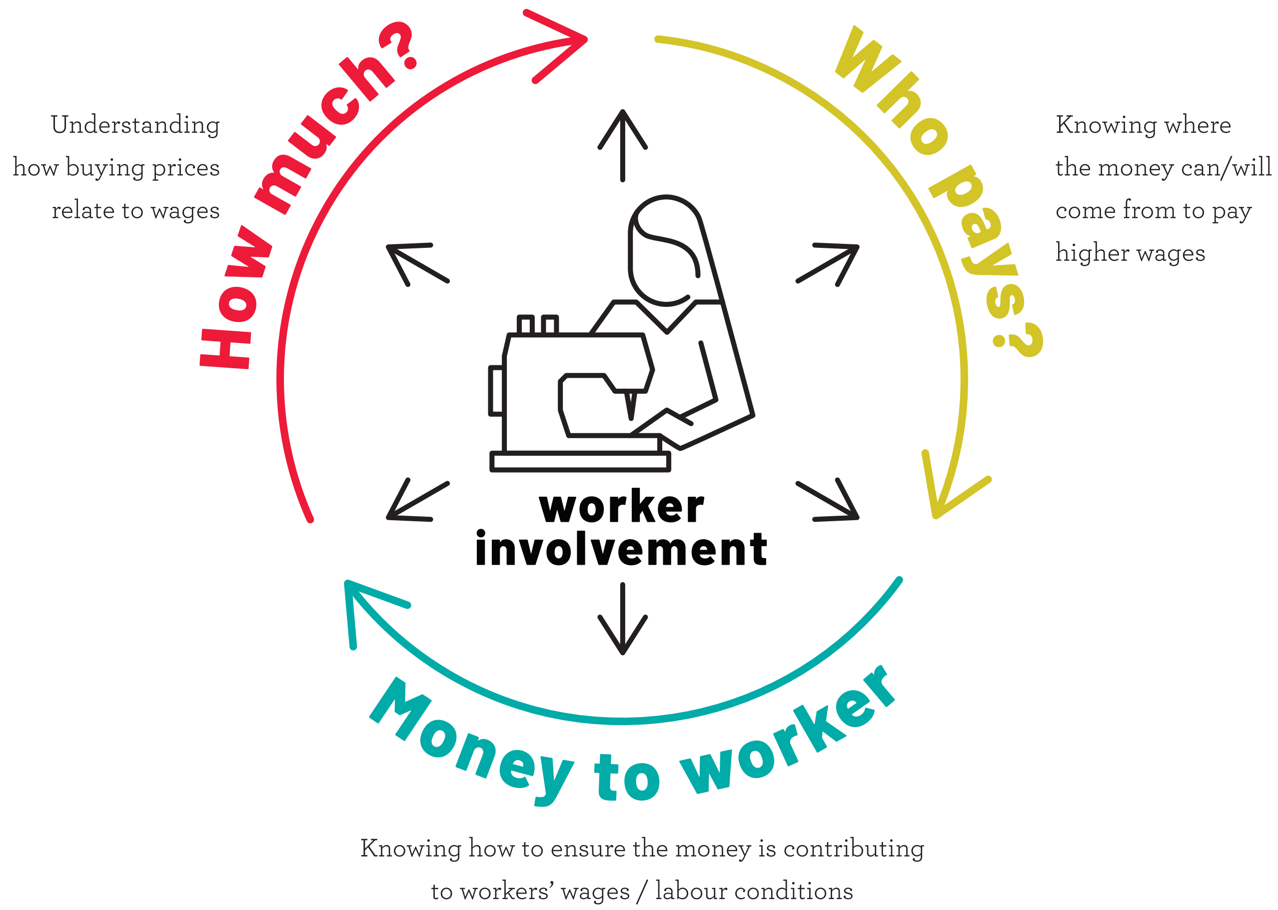


Figure 7: Fair Wear's Wage Increase Cycle

As Figure 8 highlights, the Wage Increase Cycle is designed for brands to move through repeatedly, with their contributions to higher wages increasing with each cycle.

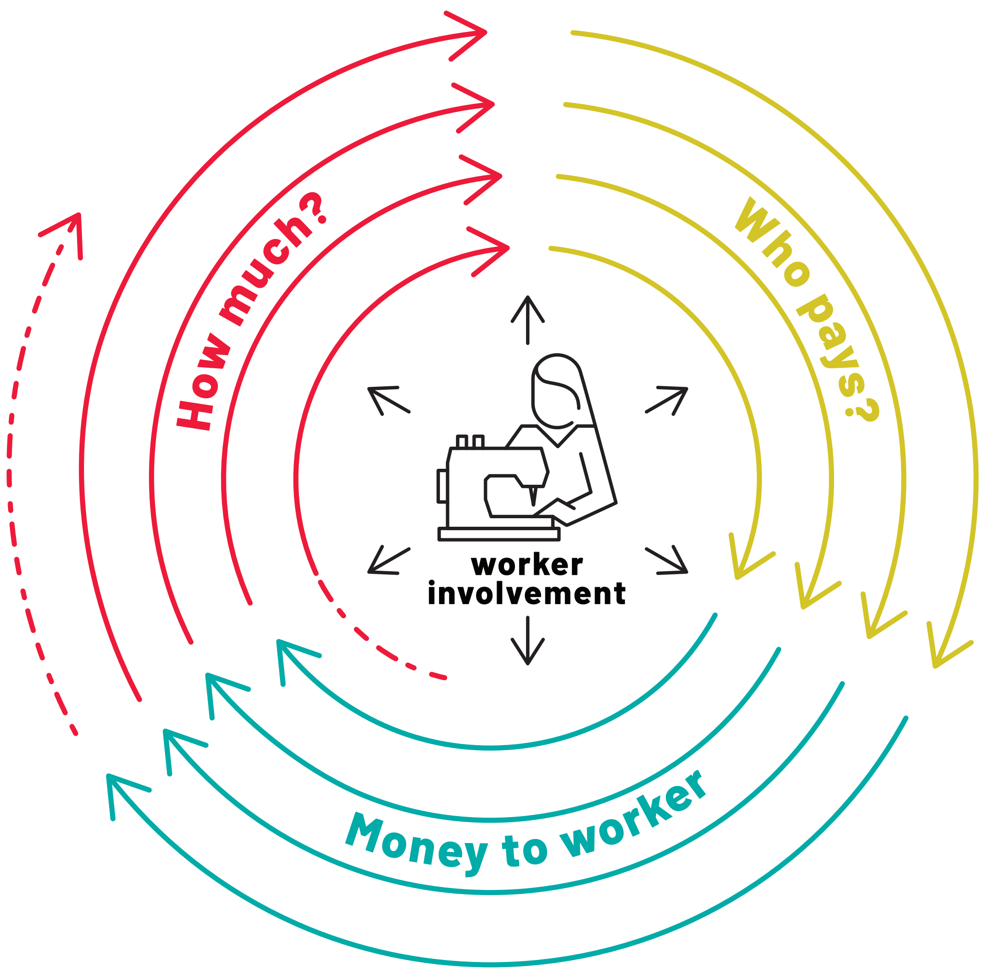


Figure 8: Brands' contributions to higher wages should increase with each revolution around the Wage Increase Cycle

WAGE INDICATORS IN FAIR WEAR'S BRAND PERFORMANCE CHECK

Fair Wear's 'Brand Performance Check ' system offers a context of transparency and accountability in which to work on living wages. The wage-related performance check indicators (referenced below) included in Fair Wear's Brand Performance Check system are designed to verify and reward ongoing wage improvements over time, with a particular focus on the integration of living wages across a brand's supply chain—both in policy and practice. These indicators incentivise ongoing improvements through a scoring system that requires year-on-year progress to achieve a good rating. These scores are publicly reported to deliver greater accountability.

In 2017, the wage indicators for Fair Wear's Brand Performance Check were updated and improved to keep pushing the boundaries of good practice in the garment industry (shown in Figure 9).

Accountability: specific wage indicators

- **1.8 Member company can demonstrate the link between its buying prices and wage levels in production countries.**
- **1.9 Member company actively responds if production locations fail to pay legal minimum wages and/or fail to provide wage data to verify minimum wage is paid.**
- **1.11 Degree to which the member company assesses and responds to root causes for wages that are lower than living wages in production locations.**
- **1.13 Member company determines and finances wage increases.**
- **1.14 Percentage of production volume where the member company pays its share of the target wage.**

Figure 9: Accountability—specific wage indicators

As mentioned above, a major lever that brands can use to improve wages at the factory level is their pricing system. Currently, the 'industry standard' is a crude bargaining model, which uses top-down pricing and does not account for wage levels. While not necessarily intentional, this method of pricing can suppress wage levels. Fair Wear, therefore, requires that members work towards a sophisticated pricing system (involving bottom-up pricing), which ensures that the price brands pay for a garment considers the cost of paying a living wage.

Taken together, then, the five performance check indicators track, at the individual brand level and collectively, the extent to which Fair Wear members know how their prices link to labour costs, how they respond to cases where living wages (and minimum wages) are not paid, whether prices are adequate to cover living wage costs, and the degree to which labour minute costing (LMC) mechanisms are being implemented across their supply chains.

LABOUR-MINUTE COSTING

Concrete mechanisms for allocating financial responsibility for increased wages in sprawling global supply chains have long been missing on the ground. Shared factories pose significant complications to efforts to increase wages in the globalised garment industry. In response, Fair Wear developed the labour-minute costing (LMC) methodology. This methodology uses payroll data to calculate the total annual cost of increasing wages to a living wage level. This total annual cost is measured against data about the time (in minutes) required to make each garment in order to calculate a brand's share of higher labour costs. In this way, the various brands sourcing from the same factory can share financial responsibility for higher wages. With the necessary targeted legal precautions – which Fair Wear has created guidance for – LMC makes it possible for brands to collaborate to raise wages in a shared facility without running afoul of competition law.

$$\textbf{labour minute cost} = \frac{\textbf{annual labour costs}}{\textbf{total production time per year}}$$

Figure 10: LMC makes it possible for each brand sourcing from a shared facility to pay its share of the higher labour costs associated with living wages.

For example, with LMC, a brand sourcing from a shared facility, which places a small order of a simple t-shirt (requiring fewer total minutes to produce), would pay a smaller share of wage increases than a brand placing large orders of a shirt with complicated styles (requiring more minutes to produce). The methodology thereby allows for a fair division of costs among the brands sourcing at a shared facility.

It is not uncommon, however, for a Fair Wear member to be the only brand in a factory committed to paying their share. In many cases, the brand may represent as little as three percent of factory production. In such a case, workers would receive more pay, but the increase would be relatively minimal: the additional living wage factor would amount to just three percent of the difference in labour costs associated with a living wage estimate and current wage levels. Fair Wear advises that workers decide for themselves how to distribute such funds (e.g., distributed equally to all workers, dedicated to the lowest-paid workers, etc.).

If a brand is paying its share of the cost, Fair Wear acknowledges this step in brand performance checks, but if workers are ultimately not receiving a living wage (as in the example above), the brand is not considered to have reached Fair Wear's living wage standard.

By contrast, brands that employ LMC and own their facilities—or represent a majority of production in shared facilities—can reach this standard. Such facilities are an obvious place to start work on living wages, as many of the structural and systemic inhibitors to wage improvements are absent. Therefore, Fair Wear calls on its members to ensure the prompt, full payment of living wages in facilities where Fair Wear member influence is strong.

Brands that have majority-stakes in factories are well-placed to ensure a trusting and open relationship with management, which makes it possible to review wage levels and labour costs openly. Monitoring minutes and efficiency levels should be relatively straightforward in such a context.

Where brands have significant influence, they are also well placed to support positive environments for social dialogue. For instance, where a trade union is present, a brand can make it clear to management and trade union representatives that it is open to calculating the total added costs of a new contract (including living wages as well as the costs associated with other improvements to workplace conditions) and their impact on CMT prices. Brands can take various measures to at once strengthen social dialogue and support wage increases, including: training in communication and negotiation skills for worker representatives and management; distributing non-victimisation letters to all workers (i.e., making it safe to organise without retaliation); and covering the costs of the working hours that worker representatives invest in efforts to increase wages (i.e. compensating them for time missed at their work stations).

RECOMMENDED LIVING WAGE ESTIMATES FOR USE IN CALCULATING LABOUR MINUTE COSTS

To calculate a brand's share of increased wages, it is necessary to calculate the difference between current labour costs and those required to pay a living wage. In undertaking this process, Fair Wear members are faced with the question of which living wage estimate to use for this purpose.

Despite a previous hesitance to wade into the highly technical and political space that living wage estimates and benchmarks occupy, there is a need for Fair Wear to provide guidance on adequate wage levels. Fair Wear member brands have made it clear that they find the diversity of methodologies and sources of measurement confusing and overwhelming. Furthermore, Fair Wear has observed a spike in brands seeking to use factory-level surveys to determine a living wage level. The Fair Wear brands that have conducted wage surveys in recent years in order to answer the question 'how much?' are to be commended for their ingenuity. Nevertheless, a proliferation of surveys risks further confusion and division around living wage estimates, potentially spurring scrutiny and scepticism of brands' efforts and intentions and diverting attention away from more valuable exchanges and learning around living wages.

Additionally, surveys are expensive and time-consuming, redirecting significant funds that otherwise could be invested in higher wages for workers. Likewise, reliably calculating living wages is a technical undertaking, requiring expertise and knowledge that brands should not be expected to possess. In short, factory-specific living wage calculations are not scalable.

Consequently, Fair Wear has issued country-specific (and, wherever possible, region-specific) recommendations for living wage estimates. In selecting the estimates, Fair Wear considered two main criteria:

- Estimates that are calculated and/or endorsed by a legitimate and representative local organisation, typically a trade union confederation; and
- Estimates that are methodologically strong, aligning with established approaches for calculating various living costs, family size, etc.

In providing these recommendations, Fair Wear's call to brands is clear and consistent: calculate your brand's share of the costs associated with recommended living wage estimates.

These recommendations for living wage estimates are not, however, intended for use beyond LMC in any other context—most notably, in the context of minimum wage setting or other country contexts where Fair Wear looks to local stakeholders and other specialised partners to lead the way on benchmark setting.

Fair Wear will review living wage recommendations biannually to capture new and improved living wage estimates. All changes to estimates during the year will also be stored in Fair Wear's online wage ladder.

Fair Wear's Living Wage Policy and its Annex (Fair Wear Guidance on Living Wage Benchmarks) provide further details of Fair Wear's expectations of its members regarding living wages.

Why Fair Wear's approach to living wages matters

Constructive changes to the realities impeding living wage implementation require broad-based action. Fair Wear's approach offers opportunities for change that resonate far beyond the domain of its members. Indeed, there is a need to change the discourse and practices of the entire garment industry.

Fair Wear's LMC methodology has substantial (and currently untapped) potential to revolutionise the monetisation of human rights compliance—on living wages as well as other standards. It is advisable that all entities that are applying Fair Wear's LMC methodology couple it with an independent system that includes verification, transparency, and support for freedom of association and collective bargaining.

ENVISIONING CHANGE

Fair Wear is a voluntary initiative, and its membership collectively represents a relatively small portion of the garment industry. Some might argue that Fair Wear should seek to improve wages through engaging in robust 'regulation' of the industry—perhaps by way of adding more 'teeth' to Fair Wear's verification system and scaling up Fair Wear's reach by increasing membership. However, to directly impact the industry through membership, Fair Wear would need to grow by an order of magnitude. Additionally, the problem of insufficient regulation of the global economy cannot be addressed by any single initiative, no matter how robust or well-established.

Fair Wear has consciously positioned itself in response as a 'Research and Development Department' in the industry—a nimble laboratory for experimentation. Its members tend to be self-selecting (mission-driven brands, or those driven by public procurement requirements), as they commit to being more accountable than the vast majority of their competitors. Fair Wear challenges members to push the boundaries of social compliance in garment supply chains, holding them to account through a simple grading system of their efforts in total (e.g., Leader, Good, and Needs Improvement scores, which are calculated using the Brand Performance Check). Year-on-year systemic improvements are required for a brand to maintain a 'Good' position in the ratings. Fair Wear's policy of improving the Brand Performance Check methodology over time means that the benchmarks for each score continue to rise.

This combination of brand motivation and public accountability offers the industry a critical testing ground for ideas and concepts. When used as part of a broader strategy for industry change, such ground can be fertile. Indeed, in the past, some of the most significant leaps in business behaviour are based on success stories by leading companies that show that better practices are indeed possible. We call such stories 'beacons.'

'BEACONS': SHOWCASING WAYS FORWARD IN THE INDUSTRY

Fair Wear seeks to develop compelling 'beacons' for living wages in the industry. Through trial and error with leading brands, new insights into the 'how' of real change can be achieved. Notably, Fair Wear's costing tools and other guidance (e.g., LMC and the associated LMC calculators), were all developed in tandem with supply-chain work by leading Fair Wear members. Indeed, the level of understanding that we currently possess about increasing wages in garment supply chains would not be possible without these leaders experimenting *en route* towards full implementation of their living wage obligations. The ensuing guidance also informs improvements to wage-linked performance indicators developed for Fair Wear's Brand Performance Check. Such indicators, in turn, serve to incentivise and support the structural implementation of the Living Wage methodologies across Fair Wear members' supply chains.

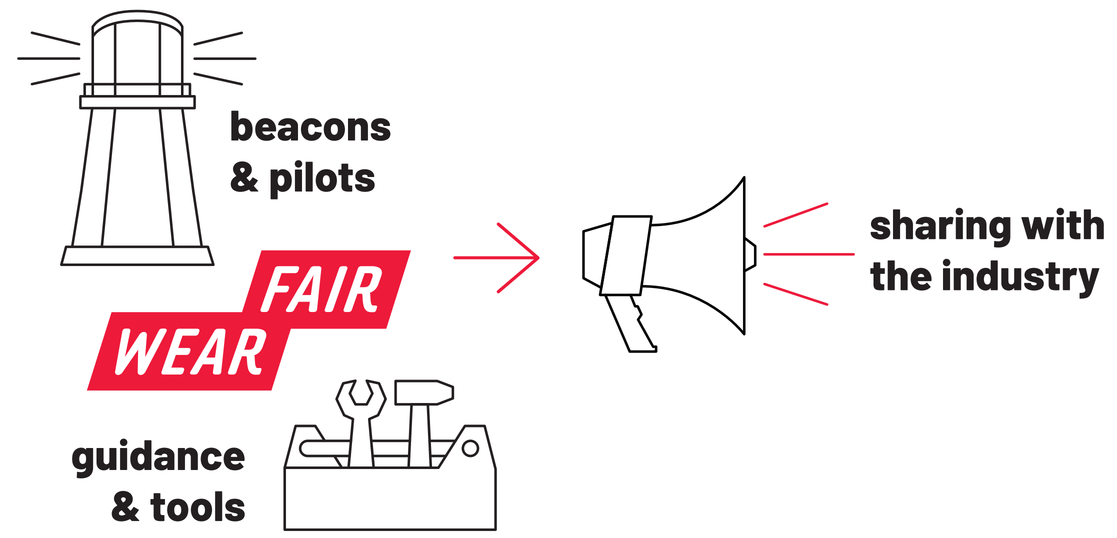


Figure 11: Fair Wear's approach to change for living wages

GUIDANCE AND TOOLS

For years, Fair Wear has developed tools and guidance that members and stakeholders can use to improve workers' wages. Most of the current tools link to one of the stages in the Wage Increase Cycle.

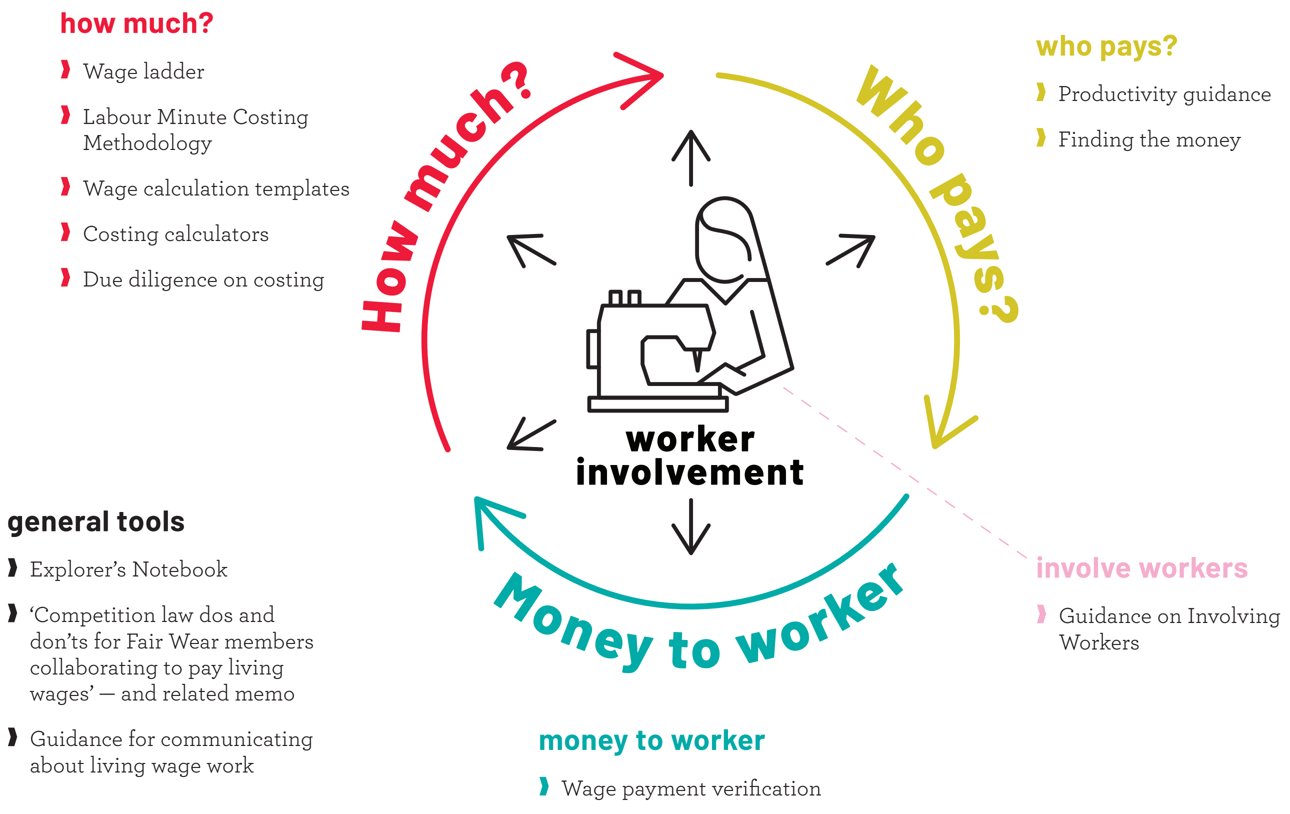


Figure 12: Tools for wage increase stages

In Fair Wear's experience, targeted tools unlock action on living wages. For example, Fair Wear's LMC Calculators equip managers and trade unions to calculate the effect that a wage increase (e.g., a minimum wage hike or payment of a living wage) will have on the FOB or CMT price of a particular garment (e.g., a t-shirt or pair of jeans). This information can completely transform the dynamic of price negotiations, which currently tend to focus on meeting brands' cost-cutting targets (top-down pricing) without ensuring living wages are accounted for. A complete list of existing tools can be accessed on Fair Wear's website.

SHARING WITH THE INDUSTRY

Effectively sharing learning is the primary method that Fair Wear uses to ensure that its work has a significant impact on problematic garment industry structures and practices. This is the basis of Fair Wear's Living Wage Learning Network, which is designed to have what Fair Wear terms a 'push-pull' model of dissemination.

The 'push' stems from brands and other stakeholders based in Europe. Brands (both Fair Wear members as well as members of partner multi-stakeholder initiatives and 'responsible business conduct platforms') 'push' new methods of doing business with other supply chain actors by, for instance, proposing mutually open costing, supporting social dialogue training, and committing to pay their share of a higher wage. Likewise, European partners (e.g., strategic partners, Fair Wear board member organisations, governmental ministries, socially responsible investors, and intergovernmental organisations) can spread these lessons learned and change the living wage discussion from one focused on *measurement* to the actual *implementation* of real-life wage increases for workers. Fair Wear is working with a range of partners to enhance the scope and impact of this 'push'.

Fair Wear also seeks to influence industry practices by way of a 'pull' from suppliers and trade unions in production countries. Based on Fair Wear's initial work in production countries with suppliers and trade unions, where its LMC methodology has been enthusiastically received, Fair Wear observes significant potential to influence discussions and practices. Both stakeholder groups have been open to shifting the conversation around wages in production countries from the abstract to the concrete, linking wage levels to the prices that brands pay for garments.

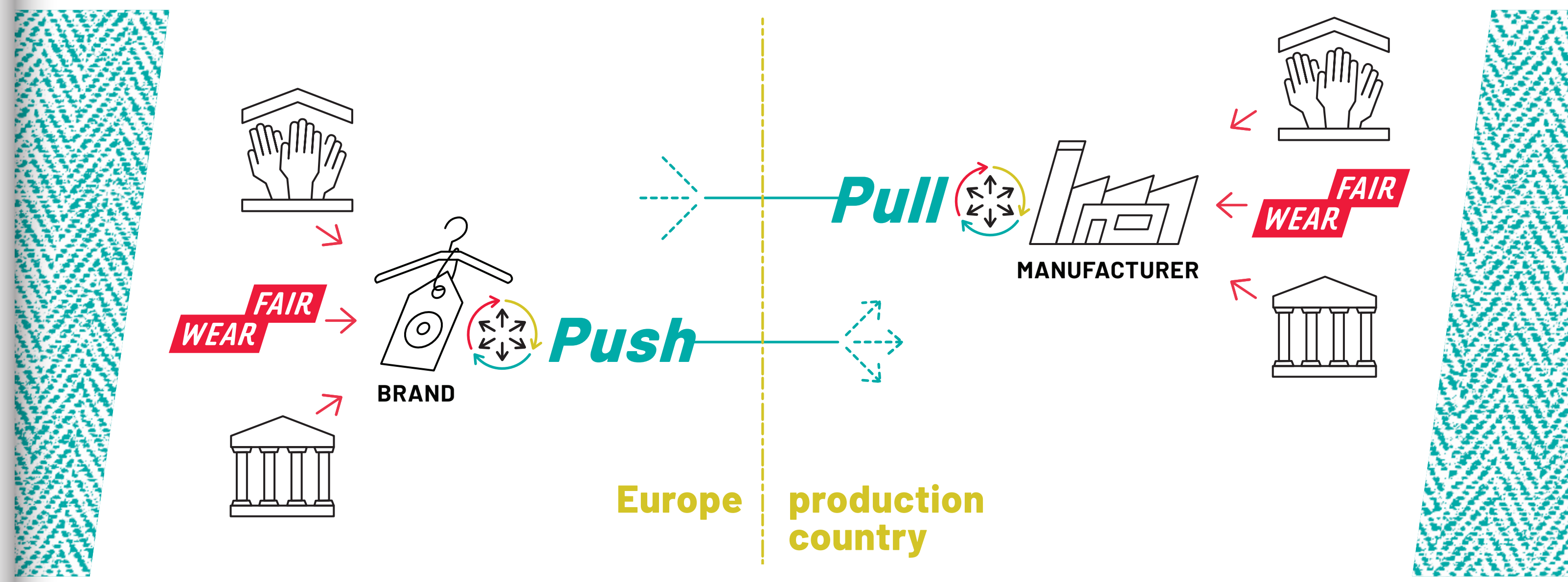


Figure 13: The push and pull of effective dissemination

Fair Wear works closely with various stakeholder partners to disseminate Fair Wear learning and spur a change in sourcing and pricing practices that could bring about unprecedented improvements for garment workers' wages. However, dissemination alone cannot overcome the swath of obstacles standing in the way of full implementation.

A collaborative strategy for change also requires new models for improved accountability and implementation across the numerous supply chains that make up the garment industry. This is where initiatives that seek to evolve industrial relations systems (achieving scale through regional or sectoral bargaining) and/or enhance regulatory structures for accountability in supply chains are vital. For the garment industry to realise significant and lasting change, such organisations need to work in collaboration and with clarity of mutual value and purpose.

Conclusion

Fair Wear's work on living wages remains a work in progress. The organisation's ongoing efforts will focus on enhancing tools and knowhow regarding all three inputs for sustainable living wages (money, social dialogue, and accountability). The next steps for Fair Wear include enhancements to tracing brands' share of payments to workers and developing stronger guidance for worker involvement at every stage of the Wage Increase Cycle. Fair Wear will also continue to press for improvements in member accountability through its Brand Performance Check system and beyond. Additionally, Fair Wear has prioirtised its support for efforts to evolve industrial relations systems to meet the realities of today's global garment industry.

Read more

This document is a companion to Fair Wear's *Living Wage Policy* and Fair Wear's *Brand Performance Check Guide*, which detail Fair Wear requirements of brands with regard to living wages.

Acknowledgments

The lead author of this publication is consultant and Fair Wear Senior Advisor Anne Lally, who has worked to advance living wages and human rights in the garment industry for nearly two decades. Anne van Lakerveld, Sophie Koers, Doug Miller and Klaus Hohenegger contributed greatly to this document. Thanks also go to Ellen Keith, Koen Oosterom, Suhasini Singh, Paula de Beer, Jesse Bloemendaal, Mariette van Amstel, Supraja Suresh and Niki Janssen. Design by Buro RuSt.

This report is published as part of the Strategic Partnership for Garment Supply Chain Transformation, a cooperation between Fair Wear, Mondiaal FNV, CNV Internationaal and the Dutch Ministry of Foreign Affairs.

FAIR WEAR Mondiaal FNV CNV Internationaal Government of the Netherlands

FAIR WEAR

www.fairwear.org