LIVING WAGES: AN EXPLORER'S NOTEBOOK

PILOTING LIVING WAGES IN GARMENT FACTORIES

FWF would like to thank all the staff of the FWF member brands and the stakeholder organisations who contributed to the case studies included in this report. Special thanks also to Klaus Hohenegger, Doug Miller, and Jo Morris, who offered input for this publication.

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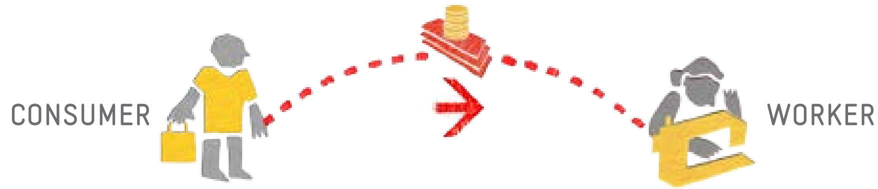
Government of the Netherlands

1. INTRODUCTION

It is time for real action. We need to raise wages for garment workers. Despite more than a decade of discussions about raising wages in the global garment industry, we have seen little progress.

Garment workers need higher wages. And many consumers are willing to pay the difference. Can't we just add a bit of money to the price of each garment to make sure workers get more?



Yet an overwhelming portion of today's garments are made by workers for whom living wages still seem an impossible dream. FWF has been working to understand this contradiction.

WHAT IS BLOCKING REAL PROGRESS ON LIVING WAGES? AND HOW DO WE GET PAST THESE OBSTACLES?

LEARN MORE ABOUT THE OBSTACLES IN SECTION 2.
PAGE 6

FWF maintains that the most effective way to make progress on living wages is to clearly identify what is actually blocking real action, and then find ways around the roadblocks. In recent years, FWF has worked to find preliminary answers to key questions, such as:

'how much more do living wages actually cost?'

'can brands collaborate on wage increases without violating competition law?'

'how to distribute gains to workers in complex multi-buyer supply chains?'

Some frontrunner FWF members have begun to pilot ways to work around roadblocks to living wages. We offer some of their stories in the final section of this notebook – showcasing what worked well, as well as what didn't. Indeed, trial and error is all part of the exploration process.
Thus, FWF's simple call to members is:

START PAYING HIGHER WAGES. NOW. ANALYSE WHAT WORKED AND WHAT DIDN'T. AND THEN KEEP GOING.

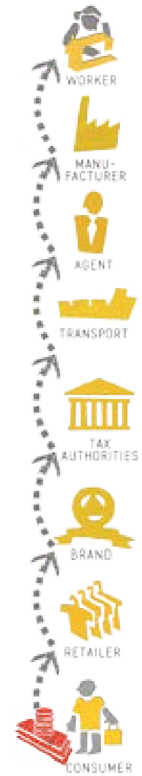
While it is true that there are many questions still left to answer on living wage implementation, the best way to find solid answers to questions is by getting out there and doing it. FWF calls on members to use this notebook to chart some of the rockiest terrain and access ideas for working around potential pitfalls...

AND THEN GO OUT & START EXPLORING.

THIS EXPLORER'S NOTEBOOK AND THE BROADER VISION FOR LIVING WAGES

This explorer's notebook is a next step towards figuring out which routes brands and factories can take to achieve payment of living wages. Here the focus is largely on living wage rollout at the factory level and within brands' supply chains.
Yet it is important to underscore that cross-cutting wage improvements for garment workers will undoubtedly require broader, coordinated efforts to scale up living wage efforts across regions or even the industry. FWF strongly supports these ongoing efforts and maintains that ongoing pilots that experiment with raising wages in complex garment supply chains provide crucial know-how for such larger scale strategies down the line.

PILOT PROJECTS HELP THE PEOPLE WHO MAKE YOUR PRODUCTS NOW, AND HELP CREATE A FUTURE IN WHICH ALL GARMENT WORKERS EARN A DECENT WAGE.



2. OVERCOMING THE OBSTACLES: WHY WE NEED LIVING WAGE PILOTS

FWF has identified obstacles that have blocked real action on living wages for garment workers. These obstacles are tackled in FWF's Living Wage Portal, which can help members choose where to target their particular living wage work. Pilot projects will help your brand, FWF, and the entire industry learn further how to overcome these obstacles. You will find references to these obstacles throughout the notebook.

just follow the arrows

ACCESS THE PORTAL AT FAIRWEAR.ORG/LIVING-WAGE-PORTAL

OBSTACLES
TO A LIVING WAGE

LACK OF COLLECTIVE BARGAINING

FWF SEES SOCIAL DIALOGUE AS THE ONLY SUSTAINABLE ROUTE TO LIVING WAGES. FIND TIPS FOR SUPPORTING SOCIAL DIALOGUE THROUGHOUT THE NOTEBOOK, STARTING IN SECTION 4.
PAGE 10

The best wage is a negotiated wage. Yet true social dialogue – where workers and factory management negotiate working conditions – still seems a distant hope in most garment producing countries.

THROUGHOUT THIS NOTEBOOK, WE OFFER FURTHER INSIGHTS INTO THIS FOUNDATIONAL COMPONENT OF SUSTAINABLE WAGE IMPROVEMENTS.

HOW MUCH IS A LIVING WAGE?

A living wage should cover "basic needs and some discretionary income," according to FWF's Code of Labour Practices. So (how) can that be translated into an exact number?

There are a variety of approaches to answering this question, many of them including complicated formulas and interesting discussions about what should and shouldn't be counted as 'basic needs'. FWF's wage ladder was designed to help workers, factory managers, and brands in the process of setting target wage levels in factories and beyond.

SEE SECTION 7 FOR MORE PRACTICAL GUIDANCE.
PAGE 20

HOW MUCH DO LIVING WAGES ACTUALLY COST?

In many instances, wages will need to be doubled, tripled or even more to achieve living wage levels. How will that affect prices for manufacturers, brands, and consumers?

A HINT: FWF RESEARCH SHOWS LESS THAN MANY PEOPLE EXPECT. SEE SECTION 8 FOR MORE.
PAGE 25

LOW PRODUCTIVITY

Low wages, low costs and low productivity - they are part of a vicious circle. Can increased productivity – at factories and brands – help break that circle?

MORE WORK IS NEEDED HERE; SECTION 8 TOUCHES ON FACTORY PRODUCTIVITY
PAGE 28

NEED FOR REAL WORLD EXAMPLES

When it comes to living wages, there's a shortage of real-world examples. We now know enough to just get out there and try to raise wages – and share what we learn along the way.

ACCESS A FEW REAL WORLD EXAMPLES AT THE END OF THIS NOTEBOOK.
PAGE 37

COMPETITION LAW

Brands sourcing in shared factories often have a collective responsibility where wages are low, but various brands have cited competition law as blocking real collaboration to raise wages in factories. What exactly are the risks and how can they be avoided?

WE HAVE DEVELOPED GUIDANCE TO ADDRESS THIS QUESTION – LEARN MORE IN SECTION 5.
PAGE 17

HOW TO GET THE MONEY TO THE WORKERS?

If consumers or brands pay more, how can they be assured the extra payment reaches the workers who make the garments?

SEE SECTION 9 FOR MORE ON THIS.
PAGE 31

GENDER DISCRIMINATION

The vast majority of garment workers are young women, who are vulnerable to underpayment, harassment, and gender-based violence at work. Often such treatment is linked to the squeeze on garment pricing. How can wage improvements address gender inequality and vice versa?

AT EVERY STEP OF PROJECT DEVELOPMENT, CONSIDER THE GENDER IMPLICATIONS. SEE ALSO FWF'S GENDER PORTAL: WWW2.FAIRWEAR.ORG/VAW-PREVENTION

GARMENT INDUSTRY STRUCTURE AND PRACTICES

Various aspects of the garment industry, like limited leverage in factories, short-term contracts, and mark-up costing in supply chains (compounding price escalation) block progress on wages. How do we work around them?

LEARN MORE ABOUT THIS KEY CONCEPT ON FWF'S LIVING WAGE PORTAL AND IN SECTION 9.
PAGE 30

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3. CHARTING YOUR PARTICULAR JOURNEY

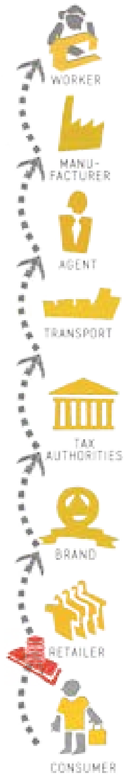
Every company and supply chain is different. So companies can take different approaches to living wage implementation. Below are just some ideas for actions to include in your journey:

- Analysing the cost implications of higher minimum or target wages – For example, for factory costs, FOB, and retail price. One way to do this is to use FWF's labour minute costing methodology.
- Consulting with local unions, workers, and management to set a target wage for a factory or cluster of factories.
- Training and coaching to develop workers', managers' and your own brand's capacity to negotiate effectively together.
- Signing a collective bargaining agreement with a local trade union and your supplier(s) to raise wages in one or more factories.
- Seeking methods to ensure that wage increases do not have a multiplier effect on pricing up the supply chain.
- Raising your brands' spending on FOB across the board (for example, by 1% across several or all styles/collections); then allocating the increased budget to living wage experimentation at selected suppliers.
- Exploring improved productivity – in factories and within your brand – and its link to higher wages.
- Raising wages in collaboration with other FWF members – or other brands – in selected factories.
- Making consumers part of the solution on wages, for example, through marketing that features wage efforts, or consumer pricing that transfers living wage funds from committed consumers to workers.
- Exploring a 'cluster' or regional approach to raising wages in collaboration with other brands and stakeholders.
- Joining in multi-stakeholder efforts to raise minimum wage levels in production countries, as seen recently in Bangladesh and Cambodia.

Many of these ideas can be combined and used in a single pilot project or living wage programme. And this list is not exhaustive. Keep these ideas in mind as you peruse this notebook for more ideas for a way forward.

THE FWF LIVING WAGE INCUBATOR

In 2016, FWF put a challenge out to members to develop concrete plans for raising workers' wages in new ways. Numerous brands stepped up to the plate. These have been invited to participate in FWF's new 'Living Wage Incubator', which is a safe space for members to develop their pilot efforts to raise wages. The incubator offers participants a chance to learn and share together. To learn more, FWF members can contact their case managers.



AS YOU CAN SEE THIS LOOKS REALLY MESSY. THAT IS BECAUSE MANY OF THESE IDEAS ADDRESS MORE THAN ONE OBSTACLE. USE THE FOLD-OUT FLAP FROM PAGE 5/6 AS YOU GO THROUGH THE NOTEBOOK TO SEE THE LINKS BETWEEN THE OBSTACLES AND WHAT WE KNOW SO FAR.

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4. IT STARTS WITH THE WORKERS

Involving workers in your living wage pilot project is not just a matter of principle. Experience shows that factory-level wage improvements only last when workers are actively involved in the process.

At a factory level, there are three important groups who have a stake in the level of wages and prices: workers, the factory's managers, and the factory's customers – the brands. While on the surface these groups have different interests (workers need higher wages, factories want low wages relative to prices, and brands want low FOB prices), there are underlying shared interests as well.

Wages that are established in free and constructive dialogue between workers, factory management, and brands will take into account the needs of workers, the sustainability of the new wage levels, and the quality/price balance of the end product. If workers understand the issues factories and brands have to contend with, while factories and brands show true commitment to meeting workers' needs, the resulting wage system will be robust and flexible enough to stand up to outside pressures.

THIS IS WHY THE BEST WAGE IS A NEGOTIATED WAGE

So how does this play out in wage pilots?

Most importantly, if a trade union is active in a factory, those worker representatives should take the lead for wage improvements from the get-go. But even if a trade union is not in place, dialogue with workers is critical throughout project roll-out. Workers need to understand why their wages might be changing (for example, through bonuses from sourcing brands), and gain realistic expectations about the project's future. They also hold the key to establishing fair ways of distributing wage increases across different job types and production lines. SEE MORE IN SECTION 5D. PAGE 15

SUCH DIALOGUE IS ONLY POSSIBLE IN AN ENVIRONMENT WHERE THERE IS TRUST BETWEEN THE FACTORY AND ITS CUSTOMERS, AND BETWEEN WORKERS AND MANAGEMENT – AND WHERE WORKERS AND UNIONS ARE ABLE TO PARTICIPATE AS EQUAL PARTNERS.

WHAT IS SOCIAL DIALOGUE AND WHY IS IT SO IMPORTANT?

Social dialogue is a term of art that covers a range of worker-management dialogue – including consultation, negotiation, collective bargaining, and even work slowdowns and strikes. In Europe, social dialogue processes are largely formalised, with trade unions and business associations negotiating nationwide collective bargaining agreements that apply to all companies working in a given industry.

Social dialogue systems are underdeveloped, however, in most garment-producing countries. Due to legal or de facto limitations on workers' freedom of association, workers in most garment producing countries are not able to form trade unions or negotiate with management to raise wages or improve other workplace conditions. Their position is further undermined by the global nature of the garment industry, which creates extremely strong pressure on prices and reduces factory willingness to enter into dialogue with workers.

Brands – like factory managers, workers, and other local stakeholders – have an important role to play in finding a way out of this vicious circle. FWF views living wage pilots as an opportunity to strengthen social dialogue within factories. If FWF member brands communicate support for workers receiving higher wages – and pay accordingly – this can offer factory management the breathing room to break out of the vicious circle and negotiate.

As a brand, you may not be familiar with the kind of worker-management negotiations needed to set up a pilot. So FWF is developing guidance on what brands can do to support social dialogue through your living wage pilot. Please contact your FWF case manager if you have questions.

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5. LAYING THE GROUNDWORK FOR YOUR PILOT

FWF encourages member brands to just start experimenting with living wages. The next few pages offer tips on how to make your pilot a success:

A SELECTING PILOT LOCATIONS: SUCCESS FACTORS TO CONSIDER

Since we are still in the exploratory stages of living wage implementation, it is important to choose a good 'exploring' factory partner. Below are some points for you to keep in mind when selecting a factory partner for a pilot:

THIS IS PERHAPS THE MOST FUNDAMENTAL CHARACTERISTIC OF A POTENTIAL LIVING WAGE PROJECT FACTORY. FWF RECOMMENDS ONLY THINKING OF PILOTING LIVING WAGES IN FACTORIES WHERE THE WORKING RELATIONSHIP IS EXPECTED TO CONTINUE FOR 5 MORE YEARS, IDEALLY LONGER.

SOLID SOURCING RELATIONSHIP

☐ Long-term partnership going forward

- It is important to check that both the brand and factory are committed to a long working relationship going forward.
- Ideally, the volume at the pilot site would grow as collaboration improves year on year.

☐ A high-trust working relationship between your brand and the factory on CSR and business

- Trust is critical when blazing new trails, because there are a good deal of risks and unknowns. So it is critical to select a partner factory where there is mutual trust and openness. THIS IS USUALLY BUILT OVER TIME.
- It is also important for both management and your brand to understand and embrace the idea of working collaboratively to raise wages. SEE NUDIE'S STORY ABOUT PARTNERING TO RAISE WAGES. PAGE 38
- If you buy 90% of a factory's production, you will have a greater direct impact on workers, and most likely a less complicated implementation process. But this should not exclude facilities where your brand only represents a small fraction of production, especially if there is a strong, trusting relationship. SEE MAYERLINE CASE STUDY. PAGE 52 The quality of your business relationship may be more important than how much you buy.

REMEMBER THAT WORKER COMMITTEES ARE NOT THE SAME AS TRADE UNIONS AND IN FACT CAN SERVE TO UNDERMINE WORKERS' FREEDOM OF ASSOCIATION. CONTACT YOUR FWF CASE MANAGER TO LEARN MORE ABOUT WORKING WITH WORKER COMMITTEES TO SUPPORT LEGITIMATE SOCIAL DIALOGUE SYSTEMS

TRACK RECORD OF STRONG WORKER-MANAGEMENT DIALOGUE AT FACTORY

☐ This ideally means trade unions are active and there is a history of collective bargaining in the factory

IN THIS CASE, THE WORKERS THROUGH THEIR TRADE UNION CAN LEAD THE WAY TO HIGHER WAGES. BUT BRANDS STILL HAVE AN IMPORTANT ROLE TO PLAY. SEE ALSO PAGE 29

☐ Where trade unions are not present, is there evidence of fledgling worker-management dialogue? Are there worker committees that have been elected by workers?

☐ At a minimum, FWF advises that you partner with factories where the Workplace Education Programme has already been rolled out

SHARED COMMITMENT BY OTHER SOURCING BRANDS

☐ Pilots will be more effective if other brands (especially other FWF brands) share your commitment to help cover the cost of increased wages

THE LABOUR MINUTE COSTING APPROACH SHOWS HOW BRANDS CAN PAY THEIR FAIR SHARE OF LIVING WAGES EVEN IF ALL BRANDS DO NOT JOIN IN. LEARN MORE IN SECTION 8. PAGE 25

B PREPARING YOUR BRAND

☐ Support from the CEO and other senior managers is critical

The commitment to pay higher wages has cost implications. There may also be consequences for relationships with certain suppliers as well as retail prices. But it also should have some benefits for your brand's relationship with customers. No matter your brand's particular strategy, this will likely have implications for most of your brand's departments. It is difficult to imagine a sustainable project that lacks strong senior leadership buy-in.

☐ Establish a budget for the project

Based on pilot experience, it is very helpful to have a general sense of how your brand will cover the costs of wage increases before approaching potential factory partners. It prevents surprises for departments in your brand, conveys your brand's commitment to your factory, and will

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expedite the process overall.

Eventually, FWF would like to see brands include the 'Living Wage Factor' in production costs, just like any other expense, for example, materials, transportation, import duties, etc. But for pilots, brands might consider alternative funding streams, for example, from the marketing budget, or as a result of planning leading to reduced freight costs.

EXPERT TIP: INITIATE A 'LIVING WAGE COST SAVING PROJECT' WITHIN YOUR BRAND. ASK EVERY DEPARTMENT TO PROPOSE COST SAVING OPPORTUNITIES. THE SAVINGS ARE THEN USED TO FINANCE THE LIVING WAGE PROJECT. THIS CAN BE A GREAT WAY TO GET SUPPORT FROM EMPLOYEES ACROSS YOUR BRAND FOR THIS EXCITING NEW PROJECT.

☐ Ensure staff resources are available

A successful pilot project will require additional staff time and resources. Negotiations with factories, workers, and other brand departments all require extra time, especially at the start of the process. Brands may also want to bring in outside consultants to help develop their pilots. Consult with your FWF case manager if you have questions about human resource allocation.

OUTSIDE FUNDING SOURCES

The good news is that some European governments have funding available to companies who are working to improve their CSR policies. Such funding may often be used for extra staff support and work undertaken to prepare your brand and factory. Your FWF case manager can provide more information.

C THE ROLES OF OTHER SUPPLY CHAIN ACTORS

While brand and factory are the main actors in any pilot, other actors may need to be considered:

☐ Does your brand rely on agents to source from the factories where living wage pilots might be carried out?

In FWF's experience thus far, working through agents usually does not create the quality of working relationship needed to partner on this kind of pilot.

IT IS GENERALLY DIFFICULT TO BUILD CONSIDERABLE TRUST AND A SENSE OF STABILITY THROUGH A THIRD PARTY.

THIS IS STILL AN AREA WE NEED TO EXPLORE. CONTACT YOUR FWF CASE MANAGER IF YOU PLAN TO INVOLVE AGENTS IN A LIVING WAGE PILOT.

Of course, there may be exceptional cases. In such instances, agents themselves must prove to be dedicated and willing to contribute additional time and support for such a project.

☐ How are payments in your supply chain calculated and made?

In many payment systems, a small price increase at the factory level due to a rise in wages can lead to a much bigger increase in retail price. It is important to consider the supply chain with regard to transferring additional wage funds from your brand to the factory and workers, without incurring additional costs from other supply chain actors.

SEE FWF'S LIVING WAGE PORTAL AND SECTION 9 FOR MORE. PAGE 29

THIS IS THE 'MULTIPLIER EFFECT' OR 'COMPOUNDING PRICE ESCALATION.'

TOOLBOX
FAIRWEAR.ORG/TOOLBOX

- *Climbing the Ladder to Living Wages*
- *Living Wage Engineering*

D SETTING GROUND RULES AND CLEAR EXPECTATIONS

Critical to the success of any project are clear and shared expectations. Developing a 'Process Document' – ideally through discussion with the involved factory, relevant brands, and workers – has proven helpful in clarifying the steps involved and who will do what. FWF can provide a sample document to members – contact your case manager for details.

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USE THIS NOTEBOOK TO HELP DRAFT THE STEPS – AND DISCUSS WITH YOUR FWF CASE MANAGER

Key points to consider with project partners (including workers):

- ☐ Commitment to your working relationship
- ☐ Commitment to involving workers and their representatives
- ☐ The aims of the project
- ☐ General steps for rollout

IN FWF'S EXPERIENCE, ONE OF THE MAIN CONCERNS FOR FACTORY MANAGERS IS WHETHER BRANDS WILL END PRODUCTION AFTER WAGES (AND, AS A RESULT, PRICES) RISE.

AGREE UPON FORMATS FOR SUCH INVOLVEMENT AND CONSIDER TRAINING NEEDS FOR WORKERS AND MANAGEMENT. FWF STAFF CAN ADVISE ON THIS MATTER.

WHAT EXACTLY ARE YOU PILOTING?
WHICH METHOD IS BEING USED TO RAISE WAGES?

A KEY LEARNING FROM MOST OF THE WAGE PILOTS TO DATE IS THE VALUE OF CLEAR COMMUNICATION WITH WORKERS ABOUT PROJECT GOALS AND DELIVERABLES. SEE MORE IN SECTION 4. PAGE 9

E COLLABORATING WITH OTHER BRANDS TO RAISE WAGES

Because most factories produce for multiple brands, each brand sourcing in a given facility has a responsibility to help raise wages. The methodology laid out in FWF's *Labour Minute Costing* report offers a very practical approach to accessing the funds needed to raise wages in the garment industry, where production in a single factory is usually shared across various brands.

As discussed in Section 8, the labour minute costing methodology is designed to enable management and brands to ring-fence the cost of wages in each garment's manufacturing price (FOB or CMT). This makes it possible to focus each brand's price negotiation with the factory on other features of the price (material, overhead, productivity). Labour minute costing also offers a tidy way for brands in a shared factory to divvy up the costs of higher wages. For example, if your brand buys 20% of a factory's capacity, your brand would pay 20% of the added costs of increased wage.

THIS IS THE 'LIVING WAGE FACTOR.' SEE SECTION 7 PAGE 24

Labour minute costing promises to open new avenues for brand collaboration to raise wages. Yet, it is not uncommon for brands to hesitate about possible collaboration on wages, due to concerns about competition law (known as anti-trust law in the US). It is indeed a good instinct to avoid discussing things like price and costs of inputs with other garment brands. But, in the context of living wages, this instinct is often taken too far. In 2015, FWF sought the legal advice of leading competition lawyers Arnold & Porter. The upshot is that the labour minute costing methodology offers brands a good way to avoid potential legal pitfalls. We strongly advise all members embarking on any collaborative living wage projects to access FWF's guidance on this important topic.

FWF WILL CONTINUE TO CREATE AND PROVIDE FURTHER GUIDANCE ON HOW BRANDS CAN WORK TOGETHER IN SHARED SUPPLIERS– AND ACROSS MULTIPLE FACTORIES – TO EFFECTIVELY TO RAISE WAGES.

TOOLBOX
FAIRWEAR.ORG/TOOLBOX

- Arnold & Porter's competition law opinion to FWF
- FWF's guidance to companies collaborating on living wages
- FWF's *Labour Minute Costing* report

LIVING WAGE INCREASES ≠ CHARITY

Experimenting with living wages should not be confused with one-off charity offerings to workers living in poverty. A commitment to living wages is about fundamental human rights: ensuring workers earn enough to cover their basic needs. As FWF's Martin Curley explains:

'If cotton or oil prices increase, the industry finds a way to absorb or pass on those increases. We need to think about wages in the same way and learn how to make similar adjustments.'

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6. WORKPLACE TRAINING AND PREPARATION

As discussed in Section 4, workers must be involved in wage improvement in order for the efforts to sustain. Worker involvement is also important with an eye to business gains that tend to accompany higher paid, happier workers. These include quality improvements, employee retention, collaboration, and innovation amongst employees, etc.
In order to be fully involved, training for workers is often required. Communicating effectively and, eventually, negotiating wage levels requires significant skill and capacity. This is where training for managers and supervisors is also essential. Indeed most living wage projects will require some form of ongoing training.

Where to start with training and preparation?

Assess current capacity and skill levels in terms of in-house communications and negotiations. For any project, consider whether the following features are in place and lay out training accordingly:

- At a minimum, ensure FWF's Workplace Education Programme has been completed at the factory.

CONSULT WITH YOUR FWF CASE MANAGER IN CASE ADDITIONAL TRAINING AND GUIDANCE IS AVAILABLE THROUGH FWF.

- Is a democratically-elected trade union in place? If so, this offers a great foundation for wage improvement efforts to build on. If not, investigate whether there is a worker committee, how active it is, who is involved, how they were nominated/elected, and how well they communicate with the factory. This will clarify significant training needs.

YOUR FWF CASE MANAGER CAN PROVIDE FURTHER GUIDANCE IN THIS REGARD.

EXPERT TIP: WORK WITH LOCAL TRAINERS WHO TAILOR THEIR PROGRAMMES TO THE LOCAL CONTEXT AND, ESPECIALLY, THE REALITIES WOMEN WORKERS FACE DAILY. KEEP THE SESSIONS LIGHT AND INTEGRATE ACTIVITIES THAT WORKERS CAN RELATE TO AND ENJOY, FOR EXAMPLE, EXPRESSING THEIR EXPERIENCES THROUGH DRAWING OR ENACTING FAMILIAR STORIES. THE AIM IS TO CREATE A SPACE OF FAMILIARITY AND TRUST WHERE WOMEN WORKERS CAN LEARN AND DEVELOP THE SKILLS NEEDED FOR EFFECTIVE — AND REPRESENTATIVE — SOCIAL DIALOGUE.

- Consider management and workers' negotiation capacity and skills and disposition towards one another.
  - Is trust there?
  - Are there proven skills to communicate about sensitive topics?

THIS IS HIGHLY QUALITATIVE – YET IF WE LISTEN, WE CAN USUALLY GET A GOOD SENSE.

WAGES CAN QUICKLY BECOME A SENSITIVE TOPIC, PARTICULARLY IF THOSE INVOLVED HAVE YET TO DEVELOP CAPACITY TO COMMUNICATE EFFECTIVELY TOGETHER.

- Involve experienced local stakeholders. Local civil society organisations (trade unions, labour and women's groups) have been invaluable partners in rolling out existing living wage pilots – particularly with regard to training, communication, and consultation.
- It is vital that workers understand the project and have reasonable expectations of its outcomes.
- Identify who at your brand will be involved in these discussions, and whether they need any additional training or support.

IN THIS SENSE, BE CLEAR IF THE INVOLVED BRAND(S) WILL ONLY COVER A PORTION OF THE TARGET OR LIVING WAGE BENCHMARK. FOR MORE ABOUT BRAND COLLABORATION TO RAISE WAGES, GO TO SECTION 5E PAGE 16

TOOLBOX
FAIRWEAR.ORG/TOOLBOX
FWF's Workplace Education Programme

GENDER AND TRAINING

Workplace training is one of the most effective ways to support industrial relations that can meet the needs of women workers. Given that the vast majority of worldwide garment workers are women, integrating gender considerations into workplace training can help ensure that future worker-management dialogue will address issues around wages and other topics in a manner that is actually in the interest of the majority of workers.

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- GARMENT INDUSTRY STRUCTURE AND PRACTICES

7. SETTING A WAGE FLOOR

For nearly two decades, action on living wages has been stymied by the search for the perfect living wage benchmark. In recent years FWF partners – like Asia Floor Wage (AFW), the ILO's Richard Anker, and various local trade unions – have made important strides in terms of benchmarking. The FWF wage ladder tool consolidates in one place all relevant wage benchmarks for garment producing countries. Still we have a lot more to learn – about measurement, but even more so about other aspects of living wage implementation. This is the basis of FWF's mantra:

START PAYING HIGHER WAGES. NOW. ANALYSE WHAT WORKED AND WHAT DIDN'T. AND THEN KEEP GOING.

Wage benchmarks constantly need revisiting. So, while it is tempting to place a great deal of emphasis on setting the right wage the first time, keep in mind that wage levels by nature need to be revisited and increased.

Still, we need to start somewhere. How do we set the target wage? The answer to this question will depend on where your factory is based and which relevant benchmarks already exist. It will also depend on the workers themselves. THIS IS AGAIN WHERE WORKER AND MANAGEMENT CAPACITY TO COMMUNICATE WITH ONE ANOTHER IS SO IMPORTANT.

Some approaches for setting a target wage include:

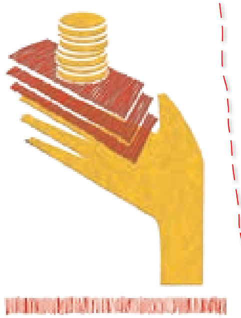
- If a trade union is present in the factory, the trade union should have a primary role in setting the target wage. BUT IF THE FACTORY IS NOT ORGANISED, THERE ARE STILL WAYS TO SUPPORT SOCIAL DIALOGUE. READ ON.
- Use the FWF wage ladder tool to access relevant wage benchmarks. Agree with workers and factory management to use one of those benchmarks as your initial wage.
- Engage in frank discussion with workers to set a realistic target wage for the coming year. Keep in mind the concept of working progressively up the wage ladder year on year. INVOLVE OR CONSULT WITH LOCAL TRADE UNIONS TO HELP SET YOUR TARGET.
- Some brands have conducted surveys with workers to ascertain the cost of living and basic needs. CHECK OUT THE CONTINENTAL CASE. PAGE 42 The survey information then acts as the basis for setting a target wage.

THIS OPTION SHOULD BE APPROACHED WITH CAUTION. TO BE EFFECTIVE, SURVEYS SHOULD BE DESIGNED AND CARRIED OUT BY SPECIALISTS. THESE TEND TO BE COSTLY AND TIME CONSUMING.

- Remember that amounts should be revisited (and most likely improved) on a regular basis, usually each year.

Regardless of your approach, worker involvement in wage setting is critical. Your FWF case manager can offer further guidance on an approach that is suitable.

LIVING WAGES 101



'Payment of a Living wage' is one of the standards your brand committed to upon adopting the FWF Code of Labour Practices. A living wage is a wage that meets workers' basic needs plus an element of discretionary income. As a standard it represents a commitment but does not per se lay down a specific figure. It is usually higher than the legal minimum wage.

There is no internationally binding definition for a living wage, but in most production countries legal minimums are 20-50% of any estimated living wage. The large gap between current wages and living wages should not allow the search for the perfect benchmark to stall wage improvements. Gradual increases in wages over the next several years can mean real improvements for workers, now and in the future.

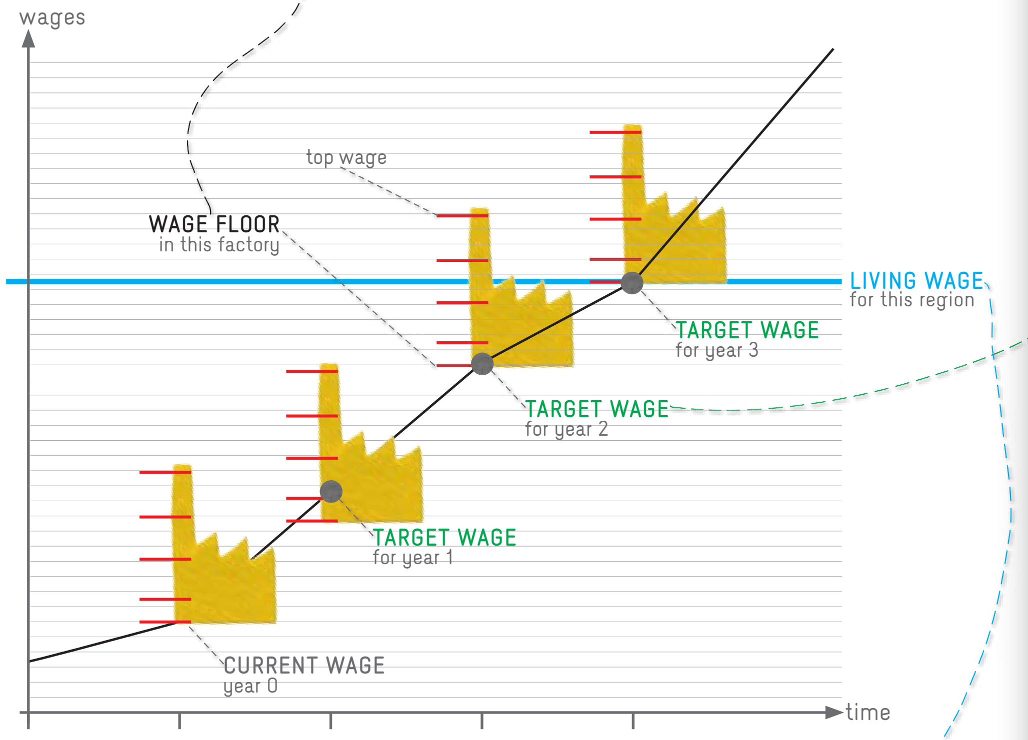
Labour is usually a small amount of the total retail price of a garment – often just 2-3%. This means wages can be increased without a huge effect on product prices.

OBSTACLES
TO A LIVING WAGE

- LACK OF COLLECTIVE BARGAINING
- HOW MUCH IS A LIVING WAGE?
- HOW MUCH DO LIVING WAGES ACTUALLY COST?
- LOW PRODUCTIVITY
- NEED FOR REAL WORLD EXAMPLES
- COMPETITION LAW
- HOW TO GET THE MONEY TO THE WORKERS?
- GENDER DISCRIMINATION
- GARMENT INDUSTRY STRUCTURE AND PRACTICES

WAGE FLOOR, TARGET WAGE, and LIVING WAGE
WHAT IS THE DIFFERENCE?

A **WAGE FLOOR** is the starting or base wage at a workplace. When we talk about paying target wages in a workplace, it means ensuring that all workers receive that agreed-upon wage level or benchmark as a minimum. Senior or more highly skilled workers would generally receive a wage rate higher than factory's wage floor.



As discussed in the text box, a **LIVING WAGE** is an amount that allows workers to meet their basic needs in a normal workweek.

TARGET WAGE refers to the wage that is agreed by workers, management, and the brand(s) as the wage floor for a factory for a given time period (for example, a year). FWF often advises using the term 'target wage' rather than 'living wage' in wage pilots because there is still a lack of consensus around the exact definition and measurement of a 'living wage'. Rather than getting bogged down in debates around whether a project's agreed 'target wage' qualifies as a 'living wage', FWF advises members to target their efforts at raising wages and effectively distributing and verifying those gains to workers. All 'target wages' used in pilot projects are depicted using the FWF wage ladder tool, so it is easy for observers to compare a project's 'target wages' to any existing living wage benchmarks for that region.

SETTING A WAGE FLOOR: A PERFECT OPPORTUNITY TO SUPPORT SOCIAL DIALOGUE

In healthy industrial relations systems, management and worker representatives agree on a target wage, balancing workers needs with a shared interest in keeping the factory competitive. Whether trade unions are active or not, when it comes time to set a target wage, your brand has a prime opportunity to support 'an enabling environment for social dialogue.' This means supporting management and workers in accessing the training needed to communicate effectively with one another, and encouraging the space for real dialogue around wage levels. While we do not expect brands to provide this training, brands can help fund it. The impact here is made as much by way of the process (the dialogue) as it is the outcome (the agreed target wage).

OBSTACLES
TO A LIVING WAGE

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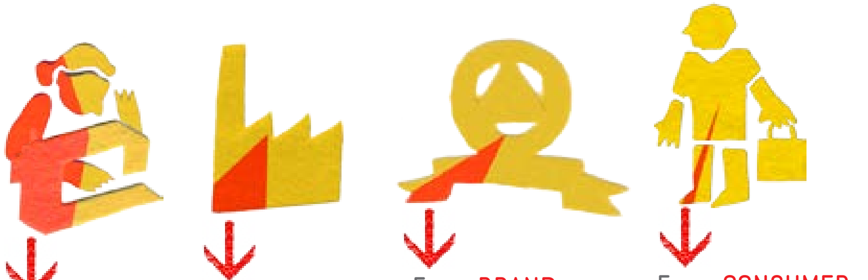
INTRODUCING 'THE LIVING WAGE FACTOR'

The 'living wage factor' (sometimes called a 'living wage premium') represents the cost difference between current wages and the new living wage/target wage. This concept can be applied anywhere in the supply chain to measure the costs of implementing higher wages.



For WORKERS it is the difference between their old wages and new wages after a wage increase.

For a FACTORY it is the difference between current labour costs and labour costs associated with target wage payments.

For a BRAND it is the additional amount paid (for example, per garment) to support payment of a living wage.

For a CONSUMER it is the amount by which retail price increases in order to support payment of a living wage.

The living wage factor should be considered in terms similar to other garment cost factors, such as fabric or transport.

INDEED, IT SIMPLY IS A COST OF DOING BUSINESS.

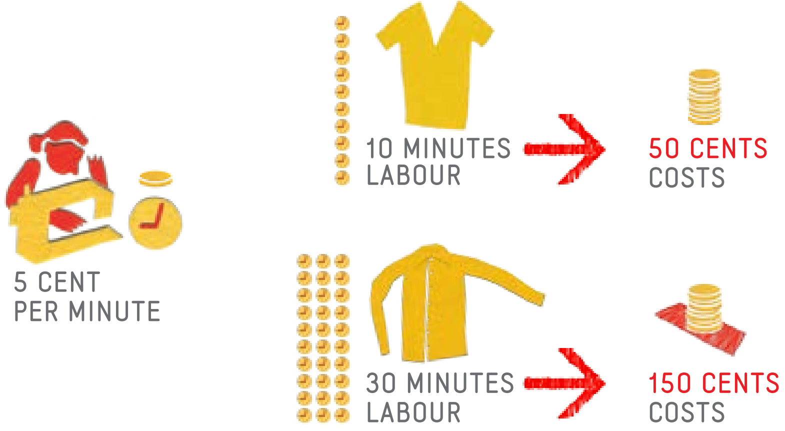
TOOLBOX
FAIRWEAR.ORG/TOOLBOX

- FWF's wage ladder tool
- *Climbing the Ladder to Living Wages*

8. HOW MUCH DO LIVING WAGES INCREASE LABOUR COSTS?
THE FACTORY'S 'LIVING WAGE FACTOR'

FWF's recently published *Labour Minute Costing* report provides guidance for using factory payroll data to calculate the total annual cost of living wage increases. Using this information, it is possible to evaluate the factory's labour cost per minute. This is the factory's 'labour minute cost'. So take, for example, a factory that uses its annual labour costs to calculate a 5 cent/minute labour minute cost. If a simple garment, like a t-shirt, requires a total of 10 minutes for workers to produce (for example, cutting, sewing, ironing, packing), it would have a 50 cent labour minute cost. By contrast, a more complicated garment, like a jacket, might require a total of 30 minutes of work-time on average. So that jacket would have a 150 cent working minute cost for our sample factory.

THIS IS THE VALUE OF LABOUR ADDED TO THE PRODUCT. IT EXCLUDES MATERIAL AND OTHER OPERATING COSTS.



The labour minute costing methodology is an important step forward for the garment industry, where numerous brands source in shared factories.

OBSTACLES
TO A LIVING WAGE

- LACK OF COLLECTIVE BARGAINING
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- HOW TO GET THE MONEY TO THE WORKERS?
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- GARMENT INDUSTRY STRUCTURE AND PRACTICES

Labour minute costing makes it possible for each brand to pay its portion of wage, depending on the total time required to make its products.

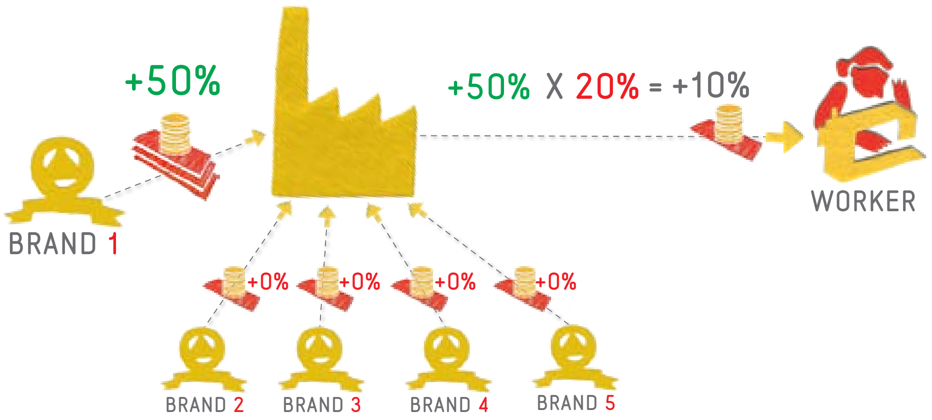
→OF COURSE THIS IS ONLY AS ACCURATE AS THE CALCULATIONS USED. THIS IS WHERE FURTHER EXPLORATION CAN HELP TO REFINE THE METHODOLOGY AND APPLICATION.

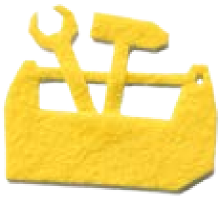
LABOUR MINUTE COSTING AND WORKERS' WAGES

While labour minute costing represents an important breakthrough for brands seeking to divvy up the costs of living wages, it is important to clarify its implications for workers from the outset. This approach has different outcomes depending on how it is used. So if only one brand in a factory is committed to raising wages and uses the labour minute costing methodology to calculate its additional payment towards living wages, the outcome for workers' wages is likely very different from a case where multiple brands use the methodology and pay up.

Take, for example Factory X, where Brand A makes up 20% of production and seeks to pay living wages. For the purposes of illustration, let's say most workers at Factory X are paid $1.00 per hour in base wages and the living wage (or 'target wage') benchmark is $1.50.

If we use simple math, we can estimate that labour costs would need to increase by about 50% to ensure full payment of the living wage. Using labour minute costing, we can calculate that Brand A would contribute enough funds to cover a 10% increase in workers' wages (20% of the 50% wage increase). For workers, this means wages rise to $1.10, up from $1.00. To be sure, workers at Factory X would welcome the wage gain – and FWF applauds this move by Brand A to 'Start paying higher wages. Now.' But it is important to note that more work is needed to meet the living wage standard.





TOOLBOX
FAIRWEAR.ORG/TOOLBOX
- *Labour Minute Costing* report
- FWF's costing sheets tool [beta]
- *Living Wage Engineering*

AN ADDED WRINKLE: WAGE DIFFERENTIALS AND PAY SCALES

So far, most living wage pilots have focused on raising a factory's wage floor, increasing the pay for the lowest-paid workers. In all of those pilots, when workers were consulted about distribution of wage gains, they opted to apply the same wage increase to the entire workforce. In the example above, this would mean if the lowest paid worker receives a $10 increase to bring her wages to a target wage level, the entire workforce would also receive an additional $10. This ensures that all workers receive at least the target wage whilst maintaining differentials, based on seniority, skill, etc.

FWF is aware that such an approach may not work in all workplaces, however. There is still a good deal to learn about integrating wage increases into existing pay grade systems. FWF will develop guidance on this topic as we explore further.

FROM A GENDER PERSPECTIVE, IT IS IMPORTANT TO INTERROGATE THESE WAGE DIFFERENTIALS THEMSELVES TO ENSURE AGAINST INADVERTENTLY SUPPORTING GENDER DISCRIMINATORY PRACTICES. OFTEN JOBS USUALLY UNDERTAKEN BY WOMEN ARE PAID LESS THAN THOSE UNDERTAKEN BY MEN, DESPITE THE LEVEL OF SKILL THAT MIGHT BE REQUIRED.

OBSTACLES
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!

Proceed with caution: Labour minute costing is a practical tool, intended for use when multiple brands are joining forces to cover the costs of living wages in a shared factory. Labour minute costing should not be misconstrued as effectively diminishing any single brand's responsibility to ensure a living wage is paid in the facilities where it chooses to produce.

THIS MERITS FURTHER INVESTIGATION, BUT PARALLELS THINKING ABOUT REDIRECTING COST SAVINGS AT THE BRAND LEVEL

THE FACTORY'S SHARE

Factories partnering with FWF member brands in rolling out wage improvements provide insight into how costs can be shared by factories and brands. For instance, in several pilots, factory management is covering the additional payroll costs to offset net increases (taxes, employer contributions, etc). How can a factory cover these additional costs?

- Factory margins or cost savings elsewhere in the factory.
- Improved management practices and productivity gains.
  Certainly management practices and productivity levels can be improved in many garment factories. And some argue that, according to economic theory, increased productivity should lead to wage increases. Yet experience shows that productivity gains in the garment industry do not necessarily generate wage improvements. Productivity improvements require time and training. And given that managers often invest their own time and funding into productivity improvements, they understandably look to see a return on their investments. FWF encourages its members to carefully consider the relationship between productivity and wage gains – keeping these points in mind.

IT IS COMMON TO OVERESTIMATE THE POSSIBLE NET GAINS OF PRODUCTIVITY IMPROVEMENTS (AND TO UNDERESTIMATE THE COSTS INVOLVED).

9. HOW TO COVER THE INCREASED LABOUR COSTS? THE BRAND'S 'LIVING WAGE FACTOR'

A large portion of FWF's work on living wages to date has focused on the impact of wage gains on brands' manufacturing costs (FOB or CMT prices). In most cases, brands will need to pay more to make living wages possible – though often less than expected, as wages are usually a small part of total product cost.

IN SECTION 5B WE OFFER SOME IDEAS ON LIVING WAGE BUDGETING WITHIN THE BRAND.

PAGE 13

How much more does it cost brands? In FWF's various investigations into the costs of living wages, retail prices for sample products increased by a relatively small amount when wages rose to living wage levels. For the hypothetical products in *Living Wage Engineering*, the increase ranged from 2 to 12%.

TOOLBOX
FAIRWEAR.ORG/TOOLBOX
- *Climbing the Ladder to Living Wages*
- *Living Wage Engineering*

GETTING MONEY TO WORKERS FREE FROM COMPOUNDING PRICE ESCALATION

FWF's research with European Outdoor Group suggested that paying living wages might increase the per item production cost of a jacket, for instance, by $3.00. In theory, the retail cost, therefore, should also increase by $3.00. This is a fairly small increase, if the jacket in question retails for around $120. Other FWF research has found similarly small increases associated with raising the wage floor in factories.

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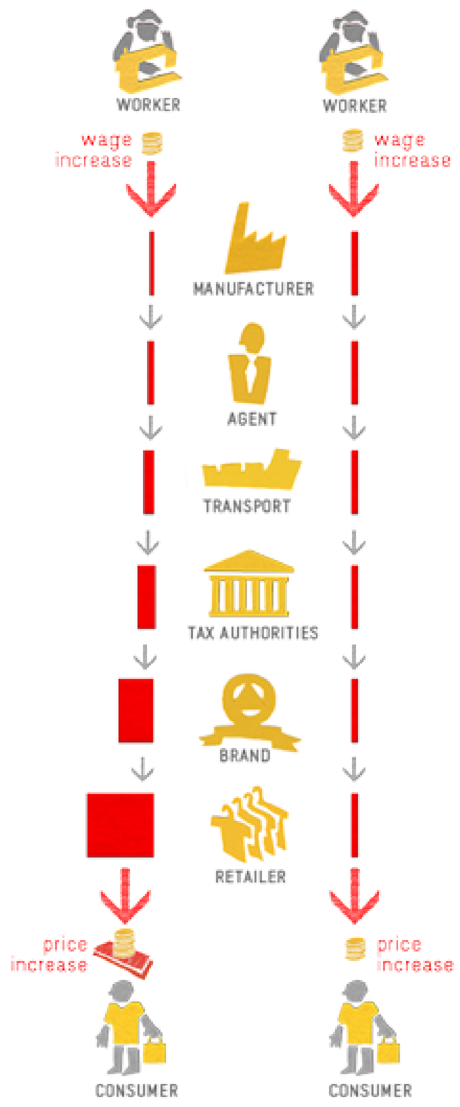
FWF TERMINOLOGY USES THE TERMS 'COMPOUNDING PRICE ESCALATION', 'MARK UP EFFECT', AND 'MULTIPLIER EFFECT' INTERCHANGEABLY.

But in practice, factory overhead and margin are often calculated by a percentage markup on production cost, so even though production costs only go up by $3.00, the brand might actually be asked to pay $3.30 more – if, for instance, the factory calculates its margin as 10% of production costs.



Similarly, agents fees, import duty, wholesale, VAT, and retail prices are often calculated as a percentage of the amount paid at the previous step. There is, therefore, a multiplier effect on prices up the supply chain, as each actor bases its price on that paid at the previous step.

When these markups were applied to this hypothetical jacket, this resulted in approximately $15 in markups along the supply chain. So while the wage increase for workers amounted to $3, other actors up the supply chain would collectively receive 5 times that in increased costs.

As it discusses in various publications, FWF strongly encourages brands to find new ways around the multiplier effect in their supply chains.

Brands involved in pilots have been creative in the ways they've transferred money to factories to cover living wage costs. Some have calculated the additional payment needed to cover their share of target wages and have sent this amount via separate wire directly to the factory. Other factories include the additional payment on the invoice – but notate it separately so it does not affect the mark-up at the next step. (the labour minute costing approach lends itself nicely to this method of payment tracking).

Some of this will be determined by pricing methods in your supply chain. Contact your FWF case manager to brainstorm methods for most effectively ensuring living wage funds reach workers instead of others in the supply chain.

TIPS FOR ENSURING WORKERS RECEIVE ADDITIONAL WAGE PAYMENTS

For FWF the most important component of any living wage pilot is actually getting more money to underpaid workers. Below are some tips for distributing wage improvements:

- Living wage (or 'target wage') payments are wages, so they should be distributed as part of the normal wage payment.
- These payments should always be included on wage slips.
- For verification purposes, additional payments should be listed on the payslip as separate and distinct from other wage payments - for example, base rate pay, overtime, etc. If more than one brand is contributing additional funds to target wages, each brand's payment should be listed separately. THIS ENHANCES THE TRACEABILITY OF PAYMENTS BETWEEN BRANDS AND WORKERS.
- For the first set of payments and periodically thereafter, it is important to hold worker information sessions to explain additional payments that appear on payslips. IF THE WAGE SETTING OR PILOT-PLANNING PROCESS HAS INVOLVED WORKERS, THESE PERIODIC SESSIONS CAN BE SHORT AND EFFICIENT.
- Ideally all categories of workers should be included in wage distribution (for example, cafeteria workers, cleaners, and security staff).
- Ideally brands should make wage payments with each purchase order.

KEEP THIS IN MIND WHEN PLANNING BRAND PAYMENTS AND DISCUSS WITH YOUR SUPPLIER, SO THE FACTORY DOES NOT ENCOUNTER CASH-FLOW PROBLEMS.

OBSTACLES
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VERIFYING PAYMENTS TO WORKERS

FWF recommends verifying distribution of funds to workers via an independent third party verification body. In many cases, FWF's audit team can conduct such verification for FWF member brands with an eye to confirming that all of the funds have reached the workers.

IF A LOCAL ORGANISATION IS INVOLVED IN ANOTHER ASPECT OF THE PROJECT, LIKE DISTRIBUTION OF THE FUNDS, WE ADVISE AGAINST EMPLOYING THE SAME BODY TO VERIFY IMPLEMENTATION AND IMPACT

The process of verification becomes more complicated when more than one brand is making additional payments to raise wages. FWF is working to develop procedures to accommodate this situation.

PLEASE LET FWF KNOW IF YOU ARE PLANNING A PILOT ALONGSIDE ANOTHER BRAND.

'LIVING WAGE FACTOR' PAYMENTS VS. BONUSES

It is actually pretty vital to position wage increases in terms of wages rather than one-off payments or bonuses. The aim in working to raise wages should be to contribute to stability and a better quality of life for garment workers. Unless a bonus is guaranteed month after month, it does not contribute to a reliable wage floor for workers.

REMEMBER OUR EXAMPLE ON IN SECTION 9 WHERE WORKERS RECEIVE €3 MORE, BUT THE CONSUMER WOULD NEED TO PAY €18 MORE?

PAGE 29

10. CONNECTING WITH CONSUMERS
THE CONSUMERS' 'LIVING WAGE FACTOR'

One way to cover the cost of higher wages is by simply asking consumers to pay more. Indeed, research indicates that many consumers seek products made by workers earning a decent wage, even if it means higher retail prices.

Yet there are thousands of miles and various supply chain actors that separate workers from consumers. So how to show consumers that their extra funds actually reach the worker?

Traceability in long and elaborate supply chains is challenging. And, as discussed earlier, 'compounding price escalation' or 'the multiplier effect' can mean that the additional wages paid to workers are multiplied many times over by the time the bill reaches the consumer.

Finding ways to ring-fence extra payments from consumers to ensure they reach workers is one area where additional trailblazing is needed.

FWF SEEKS TO ADDRESS THIS IN FUTURE PILOT WORK.

MARKETING AND PILOT PROJECTS

It is in everybody's interest to see products sell if they have been made by workers who have been paid a higher wage. It is critical to the success of any of our living wage efforts.

Marketing plays a key role in sales. It can also serve to educate consumers about things like living wages – and even the challenges that brands like yours are overcoming in order to ensure workers are treated fairly.

Still, there are various potential pitfalls to avoid with regard to marketing such pilot work, notably: overreaching on your claims. This can be detrimental to your brand if it is uncovered that reality does not match your story. It also undermines other projects and consumer trust in these kinds of efforts.

OBSTACLES
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CONSIDERATE MARKETING

FWF urges members to take a considerate approach to marketing and communications around living wages. 'Considerate marketing':

- focuses on educating consumers about the broader context
- seeks to help them understand the challenges around wages
- explains that a brand is working to create the right conditions
- describes clearly what the brand has already achieved – and its commitments going forward

Such marketing, however:

- does not label products as 'fair wage' or 'living wage' products
- does not make claims at paying 'living wages' if wage levels have yet to reach a wage level that aligns with an accepted living wage benchmark
- does not make sweeping claims about what an entire brand is doing if a pilot is only taking place in one or a few factories

These guidelines apply to point of sale materials, online communications, and any engagement with press. Please contact your case manager or FWF communications staff before undertaking public communications abouy your brand's living wage efforts.

TO DATE, LEADING FWF MEMBERS HAVE FAVOURED A LOW-KEY APPROACH TO PUBLIC ENGAGEMENT AROUND THEIR LIVING WAGE EFFORTS. THIS MAY BE ADVISABLE, PARTICULARLY IN THE EARLY STAGES OF ANY PILOT.

DISCUSS PLANS FOR VERIFICATION IN ADVANCE OF ENGAGING IN A COLLABORATIVE PROJECT WITH ANOTHER BRAND OR PARTNER.

REMEMBER TO LEAVE A TRAIL…

FWF members commit to properly document and verify their efforts to improve workplace conditions. Verifiable information is especially valuable in the context of living wages, where trailblazers can offer lessons for those who follow.

From the very early stages of any pilot, be sure to create a file (electronic or paper) to collect documentation of your efforts along the way. This should include everything from your internal planning and budgeting documents to progress reports from project partners. Such documentation can support verification processes as the project progresses.

In the spirit of helping other explorers, FWF is a strong supporter of open communications about pilots, even projects that do not yield anticipated results. Yet such communications should be based on information that has been verified by a neutral third party. So consult with your FWF case manager about project set up to make verification as straightforward and transparent as possible.

WHAT IS THIS?

Flip the pages with your thumb to see how the extra money consumers pay disappears along the supply chain - and read Section 9 for FWF's explanation of this effect.

OBSTACLES
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11. FURTHER EXPLORATION NEEDED

There is far more still to learn about living wage implementation – both through exploration and learning from the efforts of others. The efforts by trade unions in Asia to develop the next generation of social dialogue, for example, offer inspiration for upcoming work on wages. We also hope our ongoing pilots and tool development can enhance efforts, such as the ACT initiative for living wages, which seeks to establish industry collective bargaining in key garment countries.

Looking ahead, FWF seeks to support efforts to blaze new trails to raise wages through local bargaining agreements that involve factory management and workers – as well as brands. It is also important to investigate what 'scaling up' looks like. How do we apply our lessons from factory pilots to a cluster or regional model, where labour minute costs are agreed across factories? Or even within a brand: what does application of a wage methodology across all production look like? There is also a need to experiment with longevity for any project: once target wages are put in place, what factors need consideration with regard to year-on-year wage improvements?

There is still a great deal of ground to cover, indeed. And long, broad, diffuse, and competitive supply chains make for rough terrain. Nevertheless, our destination remains clear: garment workers need higher wages. Which territory will you and your brand chart in our common effort to meet that need?

CASE STUDIES

NUDIE JEANS

START - END DATES → 2012 – ongoing (first additional payment in 2013)
WORKPLACE LOCATION → Tirupur, India
LEVEL OF SUPPLY CHAIN → garment assembly
NUMBER OF WORKPLACE EMPLOYEES → 1 000 workers split between two factories
TRADE UNION PRESENCE IN FACILITY → No
PERCENTAGE OF PRODUCTION REPRESENTED BY BRAND → ± < 5%
KIND OF INTERVENTION BY FWF BRAND → 3-5% increase on all FOB payments to cover brand's share of target floor wage.
TARGET FLOOR WAGE (IN LOCAL CURRENCY) → 11 200 INR for 2016
WHO RECEIVED EXTRA PAYMENTS/WAGES? → All workers - including canteen, cleaning and admin staff - receive the same bonus, excluding top management
HOW MUCH MORE WORKERS RECEIVED? → 0.2-0.6 EUR/garment

In 2011, FWF member brand Nudie Jeans and one of its sourcing factories participated in a pilot project jointly launched by FWF, FairTrade International, and the Max Havelaar Foundation. One part of the project sought to estimate a living wage for factory workers and calculate how much it would cost to raise wages to this level.

The wage portion of the project inspired Nudie Jeans and the factory to experiment further with increased wage payments. As Nudie Jeans' CSR Manager Sandya Lang explains:

'No one really did this before us, so we didn't really know what to expect on any side. It was a journey of trial and error... We are humble in our approach and very open to ideas for improvements along the way.'

LAYING THE GROUNDWORK

The factory and brand first tested the approach on a run of 50 000 t-shirts. Nudie Jeans paid an additional premium to the factory, which was then distributed to workers. Based on this first experience, Nudie Jeans decided to expand the model to all the products it makes in the factory.

Nudie Jeans purchases approximately 100 000 t-shirts and undergarments from the factory, about 3.5% of the factory's total production per year. For each garment, Nudie Jeans calculated the living wage factor needed to cover the added cost of raising wages to living wage levels.

ESTIMATING HOW MUCH MORE NEEDS TO BE PAID

The first step in calculating a brand's share of living wages is determining how much more needs to be paid. So Nudie Jeans and the factory management together set out to estimate a living wage level for workers at the factory. They conducted worker surveys and consulted with local NGOs and trade unions. And year on year, they've revisited the number to ensure it reflects rising living costs. In 2014, their monthly target wage estimate was 9 350 INR (approx. 125 EUR) gross pay, compared to a minimum wage of 4 500 INR (approximately 60 EUR). In 2016, the estimate is 11 200 INR (approx. 150 EUR), compared to 4709 INR (approximately 62 EUR).

COVERING THE COSTS OF INCREASES

In order to determine how much payment of these target wage levels will cost, management calculates the difference between the target wage and average wages in each department. In total, labour costs would increase by 30% if all workers received at least the target wage.

Based on these calculations, Nudie Jeans pays what it calls a 'living wage bonus' to each worker. The bonus takes into account the time needed to produce Nudie styles, as well as the 30% increase in labour costs.

FWF advises caution when considering factory-specific calculations to benchmark wages. The use of reliable regional estimates will be easier to scale up and verify, and ultimately reduces the amount of work needed to move ahead. Nevertheless, in instances where such benchmarks do not yet exist, factory-level estimates can prove handy starting points for such experiments – and even offer an opportunity for dialogue and understanding about local costs. The key in such processes is active involvement by workers, who are best placed to provide estimates of what they need. Local trade unions should also play a central role.

This method for calculating the cost of wage increases is distinct from labour minute costing. It is similar to the technique explained in FWF's *Living Wage Engineering* report. See that publication for more.

So for a simple garment, where the number of minutes needed to produce the item is limited, Nudie Jeans might pay 0.20 EUR more per unit. But for a product that workers will need to spend more time producing, the added cost per unit could be as much as 0.60 EUR. This amounts to 3% to 5% of a garment´s FOB price – the price Nudie Jeans pays the factory.

HOW DOES THE MONEY REACH THE WORKERS?

The 'living wage factor' is specified on the factory's invoices to Nudie Jeans, and is listed separately from FOB on the invoice.

Payments are made to all workers (approximately 1 000 workers, spread across two units) several times a year – around every 3 months. Every employee receives an equal share of the total amount paid by Nudie Jeans.

At the start of the project, a local NGO verified that payments actually reached workers – and that payments were correct and distributed consistently. FWF conducted audits in the factory in 2013 and again in 2016 and verified the ongoing payment of higher wages. Nudie Jeans also checks that wage bonuses are received.

Listing the living wage factor separately is one method that can be used to avoid compounding price escalation. See Section 9 for more.

FWF advises that brands and factories together move towards living wage factor payments that are included on wage slips and distributed at regular intervals, ideally every month. Legally-speaking, additional payments would be subject to any relevant payroll taxes.

SCALING UP

While all of Nudie Jeans' production at the facility is included in this project, most of the production by other brands is not. Nudie Jeans and the factory have reached out to all brands to invite their participation in the project so workers' wages can climb closer to the living wage estimate.

In 2014, three other small Swedish companies agreed to pay more to increase workers' wages. Nevertheless, some of the larger, well-known brands – which represent far larger portions of production – are not on board with the project. The brand and factory see this as a major impediment to realising the full potential of this project. They are hopeful other brands will join this year. Nudie Jeans has also invited other brands to join its newest effort at the factory: paying their share of the target wage to workers in the spinning mill associated with the factory.

In the meantime, Nudie Jeans has begun to apply lessons from this case to other factories, starting with one in Bangalore, where 250 workers are employed. There, the brand is using the most recent Asia Floor Wage estimate (INR 16 400, approx. 220 EUR for 2014), given that costs of living are significantly higher in the area.

This is an exciting new frontier with regard to living wage payments. Why should improved wages be limited to the cut-make-trim portion of the garment supply chain?

NUDIE'S ADVICE TO OTHER EXPLORERS

Nudie's Sandya Lang says, 'Just get out and try it. Don't get too caught up on ideology. It is most important to raise wages and keep learning along the way.'

CONTINENTAL CLOTHING COMPANY

START - END DATES ➜ 2015 – ongoing (wage increases first distributed Jan 2016)

WORKPLACE LOCATION ➜ Tirupur, India

LEVEL OF SUPPLY CHAIN ➜ garment assembly

NUMBER OF WORKPLACE EMPLOYEES ➜ 320 workers

TRADE UNION PRESENCE IN FACILITY ➜ No

PERCENTAGE OF PRODUCTION REPRESENTED BY BRAND ➜ ± 90%

KIND OF INTERVENTION BY FWF BRAND ➜ Calculate a living wage estimate for the factory and pay increased labour costs on about 7% of the factory's annual output

HOW MUCH MORE WORKERS RECEIVED? ➜ 650 INR (8.70 EUR) per worker per month – totalling 33 500 EUR for the year

Continental Clothing started a pilot, called The 'Fair Share' project, inspired by Nudie Jeans' efforts, at another factory in Tirupur, India. Continental Clothing is the primary buyer at the unit, and sought to pilot a comprehensive approach to calculating and covering the costs of wage increases through consumer pricing.

LAYING THE GROUNDWORK

The project is running at a CMT unit where Continental Clothing has a nearly 10-year relationship as a buyer, and buys more than 90% of the production. Half the workforce has worked at the facility for at least 5 years. While there is no trade union in place at the facility, there is a 15-person worker committee trained through FWF's Workplace Education Programme. The committee deals with various workplace issues, largely health and safety and harassment.

In its efforts to set a target wage, the project assessed that the Asia Floor Wage benchmark for India (18 727 INR, approx. 250 EUR) was too high given the comparatively low cost of living in Tirupur, while other available benchmarks seemed too low. Continental Clothing therefore enrolled the expertise of consultant Mark Starmanns of BSD Consulting and local NGO SAVE to consult with workers about their living costs. The outcome was a 'Fair Share' target monthly wage for 2016 of 14 048 INR (approx. 185 EUR) gross for fulltime employees.

FWF includes stable business relationships and openness to worker dialogue as indicators of a solid potential partner factory for living wage work. See Section 5A for more here.

CALCULATING THE INCREASE

Most workers at the factory were making less than the 'Fair Share' target wage - but their wages varied, so the project sought an approach that raised wages simply and equitably. For starters, the project looked at the amount by which the wages of the lowest-paid workers would need to increase in order for their wages to reach the 'Fair Share' target level. This amounted to 4134 INR (around 55 EUR) per month including annual bonuses. After a process of consultation with workers and management, it was then determined that all workers should receive the same increase in wages. Workers advocated for everyone receiving the same gain based on fairness.

Dialogue with workers should always be a core part of agreeing on a target wage. Still, creating a new benchmark can be a complex and expensive process. Reliable wage benchmarks exist for many countries and regions, and offer an easy starting place for discussions with factories and workers.

PAYING THE WORKERS

Continental focused its first year's efforts on implementing pay increases for selected t-shirts and hoodies. So far for 2016, the 'Fair Share' collection amounts to about 7% of the factory's output. For these garments, Continental's 'Fair Share' premium works out to a total of INR 2 500 000 (33 500 EUR) in extra wages at the factory. That is based on an increase of INR 10 (0.14 EUR) per t-shirt and INR 54 (0.72 EUR) per hoodie included in the 'Fair Share' collection.

So, in effect, workers were paid the 'Fair Share' wage for 7% of their hours, and their normal wage for the remainder. For all workers in the factory, this meant an increase of INR 650 (about 8.70 EUR) every month.

Offering increases to all workers instead of only those paid below the target wage may prove more expensive, but also accounts for wage differentials based on workers' experience or job type. It is important to keep wage differentials in mind when calculating the total cost of wage increases. See section 8 for more here.

This 'Fair Share' premium is listed on each worker's payslip each month, clearly demarcated as separate from regular wages, overtime, etc. The total 'Fair Share' charge was also included on the factory's invoice to Continental Clothing, but it is listed as separate and distinct from the FOB price, to avoid additional costs associated with compounding price escalation. Learn more in Section 8.

Continental Clothing's 'Fair Share' contributions cover the bulk of the costs of the net received by workers. It is worth noting, however, that the factory covers the administrative cost of distributing additional funds, and also covers the additional payroll taxes associated with the increase.

If the pilot is successful, Continental Clothing plans to expand the 'Fair Share' wage increases over time to cover more products. The project may also expand to include other workers, for example, mill workers, farther up the supply chain.

BLAZING EARLY TRAILS FOR CONSUMERS AND LIVING WAGES

Continental Clothing and BSD Consulting published reports on project rollout in 2015, and there are plans for an impact assessment in the coming year. Both promise helpful insights for companies seeking to adapt this project's learning to their own supply chains.

Continental Clothing is a wholesaler, working with a range of retailers, so it has also developed B2B communications materials for its clients to use with consumers of the two lines that are covered by the project to date. The results of such exploration promise new insights with regard to marketing products made by higher paid workers.

Continental Clothing is also exploring ways to include the 'living wage factor' in retail pricing. So for the two 'FairShare' products, it has added the 0.14 EUR per t-shirt and 0.72 EUR per hoodie directly to the wholesale price and to the suggested retail price. The wholesale company has also developed point of sale materials for customers to use at retail. Learn more in Section 7.

FWF'S KOEN OOSTEROM:
'The 'Fair Share' project is breaking important ground on a number of fronts, not least with regard to developing a comprehensive supply chain approach to increasing wages. We at FWF will continue to follow and support Fair Share's progress with great interest.'

ALBIRO

START - END DATES → 2014 – ongoing (wages first distributed in early 2016)
WORKPLACE LOCATION → Macedonia
LEVEL OF SUPPLY CHAIN → garment assembly
NUMBER OF WORKPLACE EMPLOYEES → Approximately 90
TRADE UNION PRESENCE IN FACILITY → No
PERCENTAGE OF PRODUCTION REPRESENTED BY BRAND → 90% +
KIND OF INTERVENTION BY FWF BRAND → Testing FWF living wage costing sheets; additional funding for wage increases
HOW MUCH MORE WORKERS RECEIVED? → 39 000 EUR in additional wages to the workers on an annual basis

In 2014, ALBIRO, a B2B workwear company, began implementing a project with one of its suppliers, as part of FWF's Macedonia's living wage activities. Based on calculations using FWF's beta living wage costing sheets, the brand and factory are raising wages for all workers at the facility.

LAYING THE FOUNDATIONS

ALBIRO and the factory have been working together since 2005. The factory has recently participated in FWF's Workplace Education Programme. There is no trade union or workers' committee active in the facility, yet.

The factory owner is open and flexible, and supports the idea of raising wages but had some concerns about how wages could be distributed, particularly in light of existing wage differentials (see below for more on differentials).

With time, the owner/manager saw this pilot as an opportunity to work more closely with ALBIRO and to retain experienced workers in Macedonia's competitive labour market, where foreign-owned companies are able to offer higher wages due to government subsidies. According to the manager, higher paid workers are better motivated, can create high quality garments, and work more efficiently.

On the brand side, the CEO of ALBIRO has made clear his support for this project, freeing up 29 000 EUR for the project in 2016.

CALCULATING THE COSTS

As part of FWF's efforts to pilot its beta living wage costing sheets tool, the factory management and ALBIRO considered a number of relevant benchmarks that could be used for a target wage for the costing exercise. Together they settled on a target wage of 12 785 MKD (a bit over 200 EUR), which is 60% of the average wage in Macedonia. This number is based on Clean Clothes Campaign's 'Stitched Up' (2014), a report which suggested the 60% figure as a first step towards living wages.

Using the new target wage and FWF's costing sheet tool, ALBIRO and the factory management – with help from FWF staff – calculated the gap between current wages and the agreed target wage.

It is worth noting here, however, that the calculations only accounted for workers whose wages fell below the 60% of Macedonia's average wage – with a clear focus of bringing all wages above the target level. The calculations did not account for wage increases for higher paid workers.

PAYING WORKERS AND COVERING COSTS

In discussing the new wage increases with workers it quickly became apparent that only increasing the wages of lower paid workers (i.e. only those whose wages were below the target wage) could have unintended consequences in the workforce in terms of worker satisfaction and the retention of specialised workers. It was therefore, decided that the wage increases would be split evenly across workers.

The upshot for all workers is a 1 300 MKD (around 20 EUR) increase in income each month. This additional payment appears on their wage slips – with the brand shouldering the bulk of this added cost and the factory covering the additional payroll taxes.

The brand is invoiced for the added costs by the factory each month. This is separate from FOB pricing and is paid via direct bank transfer to avoid compounding price escalation. See Section 9 for more about the 'multiplier effect'

This is a key learning of this and other pilots on wages. While the main focus of wage increases should be the lowest paid workers, it is advisable to also look at the human resource implications of such increases across the workforce. The end goal should be to include pay structures in properly negotiated collective bargaining agreements.

LEARNING BY DOING

One strength of this pilot's design is that it considers the full cost bringing all workers wages in line with the target wage. Rather than target a certain brand's portion of production or a targeted set of products, it covers all products made in the facility. The project aims to increase wages in coming years.

This ongoing project has already offered important and very practical learning for FWF, ALBIRO, and the factory.

As mentioned above, the project offers valuable lessons with regard to wage differentials. It also provides an interesting model for transferring additional wage payments, taking into consideration national tax and duty regulations. The project also raised various questions that still need further consideration – within and beyond this project. For instance, what happens when the legal minimum wage increases after agreements have been made for brands to pay a premium to raise wages? Should the target wage therefore increase? Does this impact how much a factory is putting towards additional wage improvements?

Similarly, how can such projects be rolled out in facilities where there are no trade unions or representative committees of workers? Of course, it is critical for workers to have a voice in decision-making from the outset of a project. But what form does that actually take? Practically-speaking, should factories and companies delay wage improvements until after structures for worker representation are developed?

Given how early we are in the history of living wage in the garment industry, each pilot project will generate as many questions as it answers. This underscores the need for ongoing pilot work.

Perhaps the most valuable learning from this particular pilot pertains to the trust and perseverance shown by all involved.

FWF'S KEES GOOTJES:
'In this project, we definitely encountered road blocks, but the brand and factory kept working together… No project at this stage will be perfect, but we already can see positive change. We just need to keep moving forward, one step at a time.'

SWITCHER

START - END DATES ➜ 2013-2015 (payment in 2015)
WORKPLACE LOCATION ➜ Bangladesh (then moved to China)
LEVEL OF SUPPLY CHAIN ➜ CMT
NUMBER OF WORKPLACE EMPLOYEES ➜ 2000+
TRADE UNION PRESENCE IN FACILITY ➜ No
PERCENTAGE OF PRODUCTION REPRESENTED BY BRAND ➜ Varies - less than 5%
KIND OF INTERVENTION BY FWF BRAND ➜ Experimenting with setting aside funds to pay workers more per item
HOW MUCH MORE WORKERS RECEIVED? ➜ One-time payment of 1 130 RMB to Chinese workers, which equals half a month's wages

Switcher was one of FWF's early explorers in the field of living wages. The company's identity - and success - was built in part on its work in CSR. Switcher, one of FWF's earliest member companies, unfortunately closed its doors in 2016. Still, its experience with this case study offers valuable lessons to other brands exploring action on wages.

AN EARLY EXPEDITION

In 2013, Switcher embarked on an experimental project to implement living wages in a portion of its supply chain. During an interview with FWF before he left the company, Switcher's CSR manager Giles Dana reported, 'Wages seemed like something we could make progress on directly.'

Switcher's experiment with wages targeted two new suppliers the company was sourcing from via an agent in Bangladesh. The approach was simple: set aside 2.5 euro cents per garment for a small part of the Switcher collection and find a way to get that money directly to the workers who made the product.

The 2.5 cent increase essentially doubled the labour costs for the targeted t-shirts. The funds for the project were allocated directly by Switcher though a small reduction in their profit margin on the products.

The company was explicit from the beginning that this was only a first step - and would not provide for living wages - both because only a small portion of their collection would be included, and because they represented a small portion of production in the facilities where the pilot would take place. Giles Dana reported in hindsight:

'We wanted to make small improvements now, rather than doing nothing while the world waited for some international agreement to be negotiated.'

If the experiments were successful, Switcher planned to expand its wage effort.

CONSULTING WORKERS AND LOCAL STAKEHOLDERS

Switcher had originally considered the idea of a provident fund where both workers and the factory contributed towards disability and pension schemes, a feature that is known as a 'welfare fund' under Bangladeshi law. But such a fund was not yet in place and the project was an early pilot. So, following advice from FWF, the brand commissioned Professor Doug Miller to conduct research and consult with stakeholders (workers, trade unions, NGOs, and factory managers) in Bangladesh before moving forward.

The feedback was used to shape the project. Additional payments would be distributed equally among all workers - not just those who had actually worked on the brand's garments. Workers and trade unions also made clear that these payments should not be misconstrued as charity. Switcher settled on a one-time 'wage enhancement' payment for all workers, amounting to approximately 400 BDT per worker (around 5 EUR), to be paid out after the Eid bonus. If successful, the brand would investigate ongoing payments.

CHALLENGING EXECUTION

As the project was rolled out, Switcher began to encounter various challenges.

Initially Switcher was surprised by the resistance to the project shown by factory management. Managers in both factories worried that such payments would create expectations from workers for higher pay in following years.

Presumably, Switcher and the factory had not discussed a long-term working relationship prior to roll-out.

Factory management were also generally resistant to brand involvement in questions of remuneration. They viewed such a pilot as possibly breeding unrest, whereas Switcher saw increasing pay as an opportunity to increase workers' satisfaction and thereby retention levels.

During the period of the project rollout, the business relationship with the factories deteriorated. There were quality issues and disagreement about FWF audit findings – most notably around unauthorised subcontracting of Switcher production. Switcher lowered production volumes over the course of a year and ultimately both production relationships ended.

The outcome was a huge disappointment for the staff involved, not least because they had lost their channel for distribution of the funds to the workers in those factories.

It seems the brand and the factory did not see eye to eye on the potential of such a project. See more about selecting project location in Section 5A.

Switcher's business relationship with the factories was new, so trust had not been established prior to the pilot.

They considered their options and were keen to ensure that the additional funds that had been set aside for the Bangladeshi workers would at least benefit some workers in the Switcher supply chain. Ultimately, the brand partnered with a small supplier in China where Switcher had a better established relationship. There, the funds were distributed to all workers (66 in total) in a one-time 'extra wage supplement' of 1 130 RMB (about 150 EUR), which amounts to about half a month's wages.

FWF in China verified that workers did indeed receive the funds. Switcher also conducted a training in the facility to ensure the workers understood how and why the extra wage payment was being distributed.

The funds were not distributed as part of wage payments, which is another area for improvement in this project.

SIMPLE METHODOLOGY AND LESSONS

The brand had planned to expand the programme, using a very simple methodology. For every product produced, they would set aside 1% of the FOB/CMT for wage enhancements at selected factories. The hope was to expand this benefit across all production. Unfortunately, due to leadership and staff changes, the programme at Switcher was discontinued.

Still, as one of the very first brands to try to tackle the wage issue, Switcher's pilot project offers a valuable example.

FWF can cite quite a number of instances where brands would be advised to do the opposite of what happened in this pilot. But this case also provides some inspiring thinking on the way forward – perhaps most notably in the simplicity of setting aside 1% of all FOB payments for additional wage payments to workers in the supply chain.

FWF also applauds Switcher's vision and leadership on moving forward in territory that most brands still have yet to touch. As Gilles Dana pointed out, 'There are still a lot of questions, but we are happy that we started.' Looking ahead, Dana made a strong plea to other brands to pay their share of target wages:

'If we want real increases in workers' take-home pay, we simply need more brands to join in.'

MAYERLINE

START - END DATES ➔ 2013 – ongoing; CBA signed in 2014
WORKPLACE LOCATION ➔ Turkey
LEVEL OF SUPPLY CHAIN ➔ knitting factory
NUMBER OF WORKPLACE EMPLOYEES ➔ 381, as of 2014 audit
TRADE UNION PRESENCE IN FACILITY ➔ Yes
PERCENTAGE OF PRODUCTION REPRESENTED BY BRAND ➔ 5-15%
KIND OF INTERVENTION BY FWF BRAND ➔ Active mediation of a 3-month strike, leading to signed CBA
HOW MUCH MORE WORKERS RECEIVED? ➔ Teksif trade union reports that most workers' monthly wages rose by about 128 EUR

In December 2013, a historic collective bargaining agreement (CBA) was signed by the Textile, Knitting and Clothing Workers' Union of Turkey (Teksif) and a supplier of Mayerline, a member of FWF. The CBA was the first of its kind in Turkey's knitwear industry. This case stands as a potent example of collective bargaining leading to wage increases.

HOW DID THE CBA COME ABOUT?

The process began with the dismissal of trade unionist workers from the knitwear factory – a violation of freedom of association, one of FWF's labour standards. The dismissal resulted in workers' protests and a strike at the factory. The strike went on for three months. During this time, the trade union Teksif filed a complaint with FWF using the FWF Complaints Procedure.

Active mediation by FWF with the support of Mayerline was instrumental to turning the situation around. The Teksif trade union and factory management began negotiations, which eventually resulted in a major breakthrough: a three-year collective bargaining agreement (CBA) was signed in December 2013. The factory also reinstated about half of the dismissed workers. The other dismissed workers did not return, and instead accepted compensation and severance pay from the factory.

A CBA in this context is essentially a contract between the employer and the employees, laying out the terms of their employment and workplace conditions.

WHAT WAS THE CBA'S IMPACT ON WAGES?

The CBA represented real wage gains for workers.

Altogether, the gains, in wages, reduced hours and increased social benefits, amount to about 300 TL (around 128 EUR) a month per worker.

FWF's 2014 audit of the factory, which took place after the CBA was signed, confirmed that workers' wages had indeed risen, although they had not met local stakeholder estimates for the cost of living for a family of four. Workers also reported that the CBA gave them access to social benefits like food support and a child allowance.

This may well be the largest wage increase we've seen resulting from a case in which a FWF member intervened.

EVEN WITH LIMITED LEVERAGE, A DEDICATED BRAND CAN MAKE A DIFFERENCE

FWF member Mayerline, from Belgium, played a key role in finding a solution when tensions rose at the factory, despite only purchasing 5% to 15% of the factory's production, depending on the year. Mayerline consistently chose to engage with factory management. With the support of key FWF staff members, Mayerline urged its supplier to negotiate with the trade union – and called on other brands sourcing from the factory to do the same.

'After a few months of discussion with FWF and the manufacturer, we found a solution. The next step was to sign this collective bargaining agreement,' says Mayerline's Sarunas Dauksys. 'Higher quality requires higher skills, and prices should reflect that too. We appreciate management for taking this step – especially given the fact that they were the first Turkish knitwear factory to do so.' Mayerline has regularly communicated to factory management its commitment to ensuring that its pricing reflects higher wage costs since the CBA was signed.

A CALL FOR MORE BRANDS TO TAKE REAL ACTION

For FWF, this case stands as both a beacon and a warning for brands seeking to uphold their living wage commitments.

See FWF Brand Performance Checks of Mayerline to learn more about the brand's pricing policy, which seeks to include adequate wages in price calculations.

Now, nearly 3 years after the CBA was first signed, the factory still stands as the sole knitwear factory in Turkey with a CBA. Yet, according to social security records, employment at the factory has dropped by at least 1/3 since 2014. It is not unlikely that these layoffs are a direct result of the failure of the largest buyers sourcing from the factory to accept responsibility for higher operating costs associated with the CBA – most notably, higher wages.

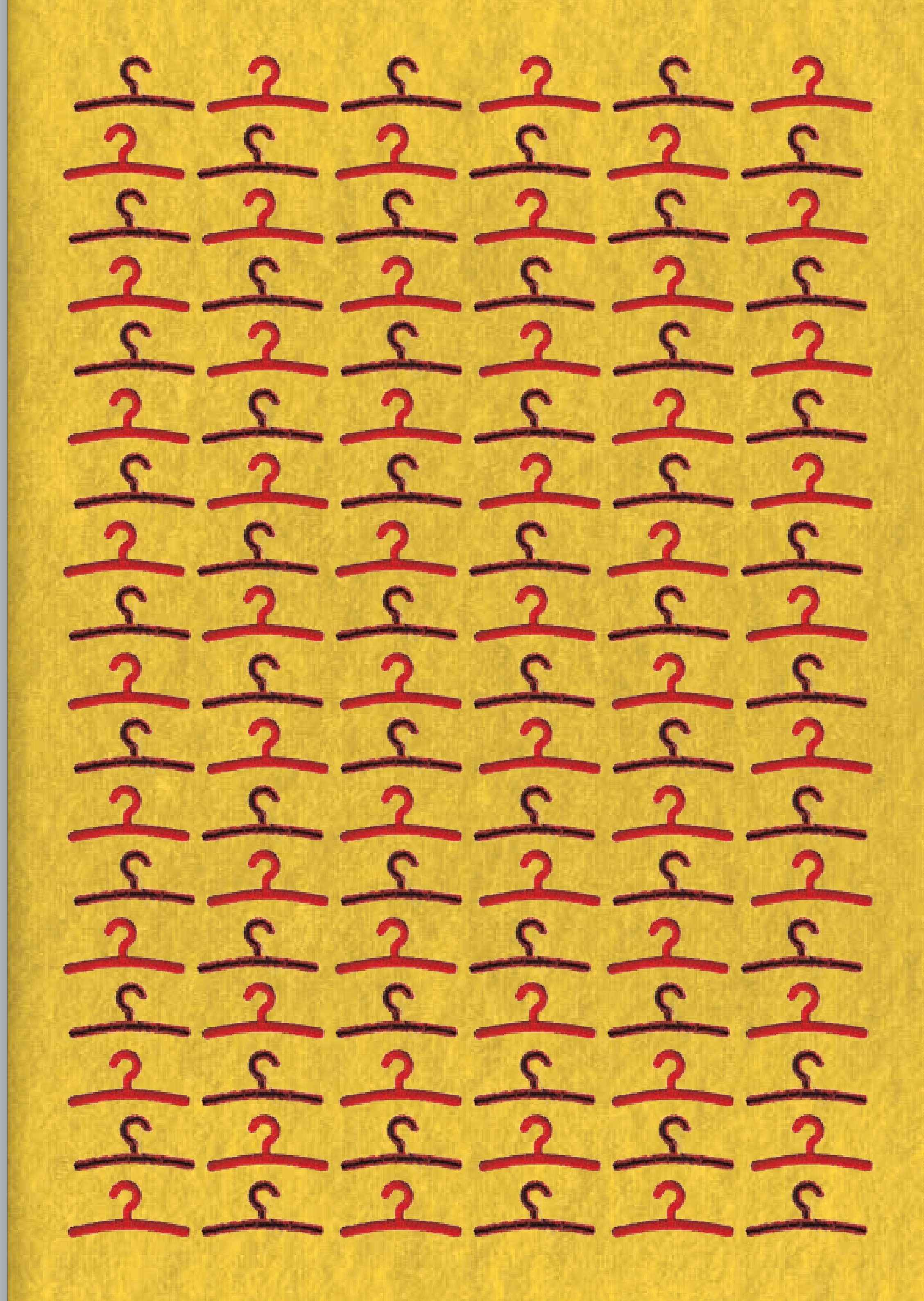
As FWF's Margreet Vrieling explains, 'The success of this CBA hinges, in large part, on brands' purchasing practices. Truly committed brands would see that the factory took a major step in signing this CBA and, as a result, would actually seek to increase their orders from the factory – and discuss the impact of higher wages on their FOB price.'

Indeed some might say that the progress made in addressing the 2013 impasse between workers and management was linked to Mayerline's purchasing practices. Despite being a fairly small company, Mayerline places significant weight on building strong relationships with production facilities: 70% to 80% of the company's FOB is from suppliers that worked with the company for more than 5 years. Such investment in supplier relationships might explain the disproportionate influence Mayerline had in this groundbreaking case.

While there are other aspects of this case we will not cover here, it is worth highlighting that this case, like most included in this notebook, underscore the need for industry-level wage improvement structures in the long-run. Does this mean we halt work seeking improved wages at individual factories? Or that we reject factory-level efforts to implement freedom of association? Of course not. To the contrary: FWF members have an immediate obligation to uphold their commitments in their spheres of influence. But with each triumph at the factory level, we should indeed also see these cases as being part of a broader process of collecting the know-how we need to bring us closer to our shared destination: living wages throughout the garment industry.

THE UPSHOT? IT'S SIMPLE:
'Start paying higher wages. Now. Analyse what worked and what didn't. And then keep going.'

This is what we should all be striving towards in any wage project.



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