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## **Living Wage: FWF policy**

### *Principles*

1. FWF member companies want to make sure that they source from companies that produce under decent working conditions. The definition of decent working conditions includes a wage standard because wages are essential to the workers' well being. Living wage as a code requirement is introduced in line with the ILO Constitution<sup>1</sup>, amongst others because in many countries the legal minimum wage is not enough for a decent living.
2. Moreover, including a living wage requirement in the Code of Labour Practices means that buyers can (be made to) take responsibility for the consequences of their pricing policy and some counter pressure can be executed to the continuous pressures on suppliers to decrease prices.
3. However, FWF and other multi-stakeholder code implementation initiatives have come across significant challenges in defining and implementing the living wage at the workplace level. For instance the actual wage level may be so much lower than a living wage that increasing wages to living wage standards cannot be in the short term dealt with via a regular corrective action plan (or remediation plan) because that would exceed controllable timeframes and/or exceed economic capacities of the individual supplier and/or buyer.

### *Aim of this document*

5. The aim of this policy document is thus to try and reconcile the need for workers to earn a living wage as a corner stone of decent working conditions, with the need to work with clear and feasible standards in code implementation.

### *Policy*

6. The country studies contain some benchmarks on the living wage that may apply for a specific country (or region), in the so-called 'wage ladder'. These benchmarks contain both "real" figures, like poverty line, minimum wage, best practice amongst garment factories; as well as calculated figures as to what would be a living wage in this country (or region). These calculations can be made by government bodies, trade unions and or NGO's. This research will include looking at possible CBA wages. These figures will also be published and regularly updated. In case there are not enough benchmarks for a certain region or country to guide a process of improvement on wages, FWF will - in cooperation with others- commission a research project according to generally accepted standards that will guarantee acceptance amongst the local stakeholders, to establish a calculated measure of the living wage.

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<sup>1</sup> ILO Constitution Preamble: (...) "an improvement of those conditions is urgently required; as, for example (...) the provision of an adequate living wage". Annex, Declaration concerning the aims and purposes of the International Labour Organization, III: "The Conference recognizes the solemn obligation of the International Labour Organization to further among the nations of the world programmes which will achieve (...) (d) policies in regard to wages and earnings, hours and other conditions of work calculated to ensure a just share of the fruits of progress to all, and a minimum living wage to all employed and in need of such protection."



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7. Audit team members are expected to make themselves familiar with the wage ladder to benchmark the wages in the audited factory against these other figures in a 'wage ladder'.
8. Suppliers to FWF member companies are required in the short term to pay at least this best practice wage, or legal minimum wage whatever is higher (for a regular working week). FWF member companies are required if needed and possible to enable suppliers to pay this wage.
9. FWF member companies are required to publish their results at implementing a living wage. The actual wage paid in the factory (the bandwidth of the regular wages (excl. OT) for lowest paid  $\frac{3}{4}$  of the production workers in the audited factory) is compared to the other benchmarks in this wage ladder. As a part of the transparency that the member company has to provide, the general results of these benchmarking comparisons will be published yearly.
10. The long term aim of FWF will remain to achieve living wages in export garment companies by publishing the monetary value of a real living wage and publishing (per FWF buyer, region, without naming the suppliers) the gap between the living wage and what is being paid by suppliers to FWF member companies. By publishing this, mechanisms and broader social forces that strive for living wage can be supported and this may result in achieving more structural, more sustainable and a more generalised basis for living wage than a corrective action plan in a single factory in the short term could achieve. It also provides for the necessary transparency required for proper code implementation.