

COUNTRY India

LABOUR STANDARD Payment of a living wage

QUESTION How can a living wage best be defined?

MAIN STEPS

1. Do research, research and more research into the earnings, living standards and conditions specific to the geographical area where the factory is located
2. Calculate a benchmark for minimum earnings in the area
3. Discuss the benchmark with workers' representatives and local stakeholders, to ensure there is agreement about the level of the wage increases
4. Convert the difference between actual current wage and this living wage benchmark into the amount that needs to be paid for each garment produced at the factory
5. Ensure that the money is divided evenly between all workers: Even though the current production covered by the FAIR SHARE scheme would be only 5-10% of the factory's output in the first year, it was decided that all factory workers should benefit from the increase in wages.
6. Commit to regular and permanent payments through the monthly payroll rather than as a one-off bonus.
7. Bring in the money, but how do you do that without price escalation? ANSWER: "the additional cost, the FAIR SHARE Premium, is kept outside of the cost baseline calculations throughout the value chain, to protect it from the usual price escalation between the factory gates and the retail point of sale."

A ROCKY ROAD

Generating sufficient funds:

'The initial orders in the first year would not generate sufficient funds to reach the target living wage level in full, and therefore it was agreed that the available funds should be shared equally amongst all the workers through the pay grades, even if some top earners were already above that level. Continental Clothing guaranteed that this additional monthly wage payment would not decrease or stop for as long as the company has a trading relationship with the factory, regardless of the volume of future orders.'

SIDE EFFECTS

- Management reported that productivity increased by 6% since the wage increase and there is lower absenteeism.
- Temporary workers have asked for permanent contracts, and management has agreed, which also means more social security for workers.

FUTURE THOUGHTS

There is a risk of creating inflationary pressures in the local community, which is why the project will be evaluated in detail within the first 12 months, and before any further rolling out takes place.

