Wages represent by far the most important and often also the most contentious element in the employment relationship. Wages are the main reason why people work, relate to profit and productivity, and also impact other related labor issues, including hours of work, employee motivation and retention, that play an important role in determining fair wages and are therefore an important aspect of a factory's strategic plan.

The fair wage concept takes a holistic multi-faceted approach, considering minimum wage and prevailing wage as important dimensions, and adding other dimensions to help companies find a balanced wage policy.

Fair wage is an element of a company’s expenses that varies according to the capacity of the industry to pay, and the prevailing rates of wages in the area of industry. When an employer’s wages are below market rates employee turnover increases. When it is above market rates the employer attracts job applicants.

The FLA Toolbox on Fair Wage helps organizations strike a balance between wage practices, identifying the appropriate systems and approaches that lead to economic growth, employee retention and stability while still maximizing profit through increased productivity. It also encourages a nuanced understanding of wage issues through discussion with the various stakeholders in wage policies.

Benefits
Paying fair wages not only helps minimize associated non-compliance risks but also increases employee loyalty and buoys employees’ self worth. It is good for company culture and makes a firm more competitive during the hiring process, by, for instance, enabling it to more easily select workers based on skill levels.

Elements like worker retention, preventing unrest based on wage issues, and stability in the labor force create a good incentive system that pushes productivity and increases product quality, giving companies a competitive advantage and making them attractive to their buyers and future employees.

3 Steps to Effective Fair Wage Policies

Step 1 Identify the needs of your workplace, through:
- Management Self-Assessment Tool
- Workers Surveys

Step 2 Conduct Capacity building, via:
- Face-to-Face Training
- Online human resource training and guidance
- Consultation

Step 3 Evaluate the implemented changes by:
- Management Self-Assessment*
- Workers Surveys*
- Progress Tracking Charts

*Before and after analysis

The Fair Labor Association (FLA) is a collaborative effort to improve working conditions in factories around the world. By working cooperatively with forward-looking companies, NGOs and universities, the FLA developed a workplace code of conduct based on ILO standards, and created a practical system of monitoring, remediation and verification to achieve these standards. For more information on the FLA, our processes, or the participants, please visit our website at http://www.fairlabor.org.
Objective
The objective of the training is to define ‘fair wage’ and examine the essential conditions that determine fair wages. It covers all necessary and complementary aspects of wage-setting to help the participants design fair and effective wage practices in their factories.

The training also discusses how to develop and improve the wage systems to comply with regulatory standards while ensuring fairness and productivity.

Methodology
The training course is strategic, highly action-oriented and very interactive. A methodology combining theory presentations, group discussions, case studies and role playing enables participants to gain a better understanding of the correlations between wages, employee motivation, stability, productivity and overall business objectives. Upon completion of the training the participants will have a balanced, multifaceted view of fair wages and also be equipped with practical tools such as creating wage policy, designing pay grid and diversifying the pay/incentive system in an enterprise to achieve effective wage management.

Approach
The training adopts a step-by-step approach, first introducing participants to the basic concepts and principles of fair wages, then exploring each of the twelve fair wage dimensions in depth, from basic issues related to the payment of wages, to more advanced issues such as wage disparity and wage progression based on individual skill factors. The training leads participants to discuss what are the key considerations in each wage dimension, why they are important or beneficial to the factory as well as how to structure their pay system in a fair and effective manner.

The FLA Toolbox on Fair Wages also gives participants the opportunity to understand the issue of fair wage from the perspective of the government and the worker, rounding out their comprehension of the importance of wages to the multiple parties involved.

Audience
This training is designed for factory owners or senior management in a position to make strategic decisions regarding wages, and functional managers or staff directly or indirectly concerned with wage design, administration and communication in the factory, including HR/CSR, finance, production and other functional departments. It is important that participants in the training are receptive to change and ready to take action after the course.

Objective
Similar to face to face training, the online toolkit shows how to design and implement fair wage practices that contribute to the achievement of an organization’s business objectives, both at the factory and company levels.

Content
The online toolkit covers the definition of fair wage and the five basic conditions for fair wages, how to improve on each dimension and a summary of the twelve dimensions of fair wage practices.

The Fair Wages online toolkit can be accessed by all FLA affiliates on http://tp.fairlabor.org/intranet/courses/fair-wages
Management Self-Assessment Tool

The Management Self-Assessment Tool on Fair Wage measures a factory’s performance with respect to fair wage. Assessing factors such as payment practices, wage-setting, policy, procedure, training, implementation, communication, documentation, workers integration and awareness, this tool captures all of the important elements when mapping a comprehensive picture of a factory’s performance. The risks of below optimum performance are higher if one or more of these factors are missing or incomplete. A score below three (on a five-point scale) indicates substantive problems and a serious risk.

Methodology

The Management Self-Assessment Tool on Fair Wage is a quantitative tool consisting of a range of multiple-choice questions. The answers to the questions either support or reveal weaknesses in a factory’s performance. The data generated by the Self-Assessment juxtaposes a factory’s score with basic Fair Wage practices.

Sincerity, Support, Progress

Management Self-Assessment tools are embedded in a comprehensive problem solving process. This process starts with an analysis of needs, then offers capacity building tools to address those needs, and subsequently communicates measurements of progress. Measurement of progress is only possible if the baseline is correctly and candidly identified. After an average 12 months of capacity building, the Self-Assessment should be repeated to measure impact. The results of the Self-Assessment can be compared to those of workers’ surveys that should be undertaken (see below) to verify the integrity of the data.

SCOPE Workers’ Survey:

The views of workers are essential to ensure the consistency and sustainability of performance. Workers’ perspectives, gathered through the Sustainable Compliance Workers’ Perspectives Survey (SCOPE), are a part of the baseline study. Workers should also be involved in capacity building. Their experience and perception of change are essential criteria when measuring impact.

Method & Organization of Interviews

SCOPE is a standardized quantitative survey. Workers complete a questionnaire comprised mainly of multiple-choice questions. All related worker interviews are anonymous, and the FLA ensures the protection of participating workers.

Sample

Workers participating in SCOPE are chosen randomly from a roster of factory workers. The sample size correlates with the size of the factory’s workforce. The survey instrument covers Fair Wage practices from a workers’ perspective.

Comprehensive Picture

Whenever possible, the SCOPE topics mirror the Management Self-Assessment tool (e.g., payment practices, wage setting, policy, procedure, training, etc.) to collect comparable data. Each of these factors is measured through 5 to 10 questions (items) that add up to a final score. The results are then directly compared to those from the Management Self-Assessment. The SCOPE survey and the Self-Assessment can be repeated after a period of time to explore a factory’s progress.

Progress Tracking Charts

Indicators measure a factory’s progress during the capacity building phase. They show if what was learned during capacity building translates to implementation on the factory floor. Factories collect the necessary indicator data monthly and provide periodic reports on progress and any issues that might arise during the project.

Factors measured

- Payment of wages
- Wage distribution
- Benefits
- Starting, local minimum & prevailing wage
- Social dialogue & communication on wages
- Pay systems & wage structure
- Payment of working hours
- Wage disparity
- Worker integration
- Wage costs & wage share
- Training, technology & wage
- Work- and factory-related risk

For more information please visit the FLA TRAINING PORTAL tp.fairlabor.org
FLA ASSESSMENT PORTAL ap.fairlabor.org
Or contact us on trainingportal@fairlabor.org assessmentportal@fairlabor.org