



FAIR COMPENSATION BLUEPRINT GUIDANCE

UPDATE: JANUARY 2021

BLUEPRINT DEVELOPMENT GUIDANCE OVERVIEW



Blueprint criteria



Questions to get started



Collect, review & analyze data



Gather internal and supply chain feedback



Set goals



Communicate & engage



Plan & operationalize



Measure progress



Report, improve & adjust



Key takeaways



Resources



Blueprint practice exercise

FAIR COMPENSATION BLUEPRINT CRITERIA

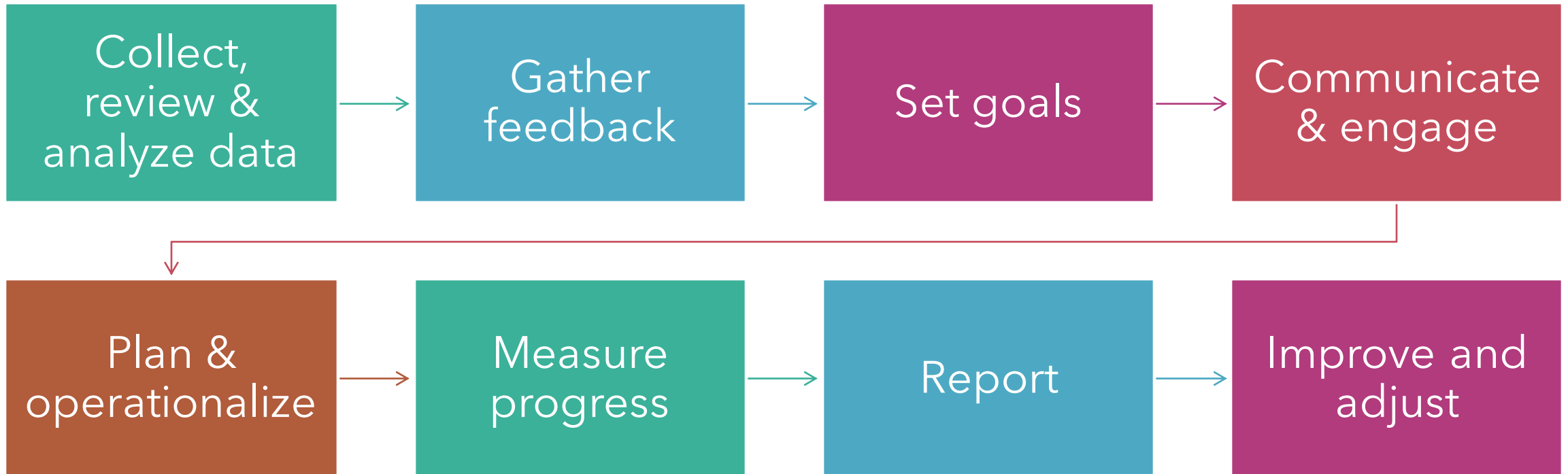
THE FAIR COMPENSATION BLUEPRINT IS A COMPANY'S ACTION PLAN TO IMPROVE WORKER WAGES AND REPORT PROGRESS TOWARD FAIR COMPENSATION AND A LIVING WAGE. FLA REVIEWS THE BLUEPRINT FOR THE FOLLOWING:

- Use wage data analysis from representative sample to inform the blueprint.
- All relevant departments that engaged in the development of the blueprint, especially departments connected to purchasing. If the governance structure was involved, include this in the blueprint.
 - For owned facilities, include HR, Finance, and facility management.
- How the company will collaborate with suppliers on wage data analysis, provide them feedback, and develop strategies to improve wages.
- Fair compensation goals and how progress towards these goals will be measured and reported.
 - Goals should include progress towards living wage, but can also include compensation compliance, social security protections, and remediation issues.
- How the company will hold purchasing practices departments accountable to fair compensation for workers.
- Civil society and union engagement to inform living wage interventions and education.
- Plans to further publish progress on fair compensation and living wages.

QUESTIONS TO ASK BEFORE GETTING STARTED

- Is there enough wage data collected and analyzed for informative conversations?
- How the wage data has or will be used for cross-departmental conversations?
- Who is involved in those conversations?
- What priorities have emerged, specific to compensation?
- Specific next steps for remediation of compensation compliance violations?
- Specific next steps for fair compensation in 2021? Is more wage data needed?
- How will you measure and report progress?

STEPS TO DEVELOP A FAIR COMPENSATION BLUEPRINT



COLLECT, REVIEW & ANALYZE DATA

Collect

Wage Data Collection

- Representative sample of supply chain
- High-risk and high production countries
- Strategic suppliers

Review

Quality & Feedback

- Quality review
- Supplier review and feedback
- Supply Chain review and feedback

Analyze

Wage & Violation Data Analysis

- Wage benchmark gap
- Labor violations: Minimum wage, overtime wage, excessive overtime, accurate records

GATHER INTERNAL & SUPPLY CHAIN FEEDBACK



Business Direction & Strategy

- Understand business strategy to align with country or product trends
- Discuss trends or risks by country or product
 - For Country Analysis: Use the Benchmark Attainment Chart



Supplier Feedback

- Share wage data analysis
- Discuss challenges: Overtime costs, purchasing practices, labor costs, etc.
- Discuss opportunities: Living wage pilots, efficiency savings, worker/union engagement



Responsible Purchasing & Production Feedback

- Share wage data analysis
- Gather feedback on key sourcing countries, strategic suppliers, and costing methods

SET GOALS



Identify areas of focus to improve wages



Identify remediation priorities and pilot opportunities



Set benchmarks and goals with suppliers

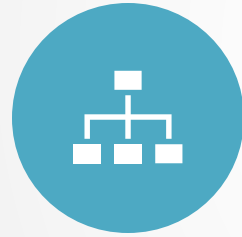


Set benchmarks, goals, and accountability mechanisms internally

COMMUNICATE & ENGAGE



SUPPLIERS &
BUSINESS
PARTNERS



STAFF &
GOVERNANCE
STRUCTURES



CIVIL SOCIETY AND
UNIONS



SHAREHOLDERS &
INVESTORS



OTHER
STAKEHOLDERS

PLAN & OPERATIONALIZE



Devote resources across departments



If needed, establish a committee



Integrate into operational planning for 2022 and beyond

MEASURE PROGRESS



ESTABLISH A CALENDAR WITH
DEADLINES



MEASURE COMPLETION OF
OPERATIONAL GOALS



COLLECT & ANALYZE WAGE,
SOCIAL COMPLIANCE, AND
PURCHASING PRACTICES DATA

REPORT, IMPROVE, AND ADJUST



SHOW PROGRESS PUBLICLY
AND WITH FLA



REFLECT ON IMPROVEMENTS
AND OTHER OPPORTUNITIES



ADJUST OPERATIONS AND
CONTINUE ON

BLUEPRINT DEVELOPMENT: KEY TAKEAWAYS

- Focus on **high production** volume and **high-risk** countries
- Consider **financial and human capital** & **leverage** with suppliers / countries
- Establish a **timeline** and **data** collection methods
- **Partner** with unions, civil society, NGOs, consultants, and service providers
- Hold relevant departments **accountable** and foster supplier **transparency**
- **Measure** progress and **revise** Blueprint accordingly
- **Report** progress to senior leaders, broader stakeholders, and the public

FAIR COMPENSATION RESOURCES

- Training Webinars:
 - Online dashboard (EN & CN)
 - Wage data collection (EN & CN)
 - Wage benchmarks
 - COVID-19 Compensation Toolkit
 - 2020 Dashboard Update
- Fair Compensation Dashboard Handbook
- Wage Data Quality Review Guidance
- FAQs

All resources are located on [MyFLA](#) under the Resource Library. If you have any trouble accessing a folder, contact platformadmin@fairlabor.org.

FAIR COMPENSATION BLUEPRINT PRACTICE EXERCISE

MOHAWK SPORTSWEAR

TASK

Develop a fair compensation blueprint

BACKGROUND

- Mass market athleisure jersey knits sold at big-box retailers
- Joined the FLA in 2017
- Collected wage data, met with relevant internal staff, consulted with factories
- Mohawk team drafting preliminary fair compensation blueprint

MOHAWK SPORTSWEAR

TOP MANAGEMENT PRIORITIES

- Focus on China, Sri Lanka, and Vietnam because these countries are 80% of Mohawk's overall spend
- Measure progress through 2022
- Strengthen civil society and union engagement
- Consider parting ways with suppliers that will not uphold a commitment to fair compensation

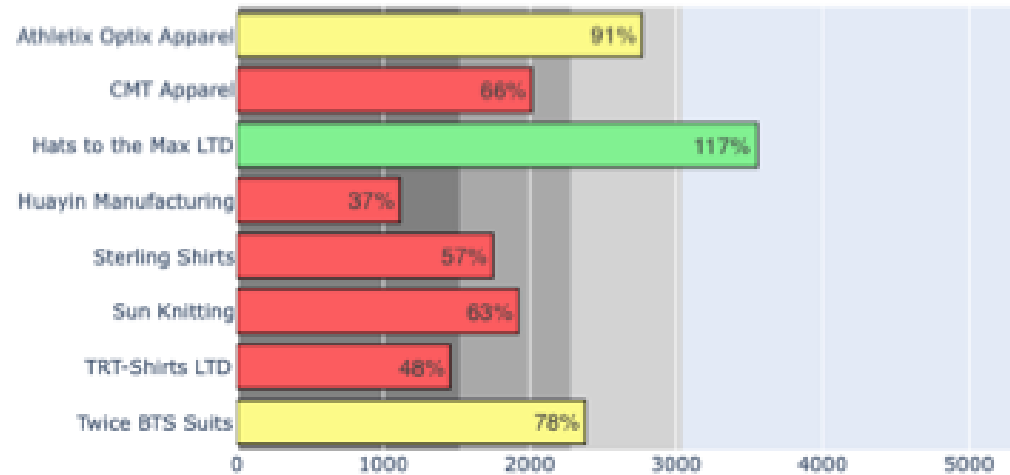
MOHAWK SPORTSWEAR

QUESTIONS TO CONSIDER

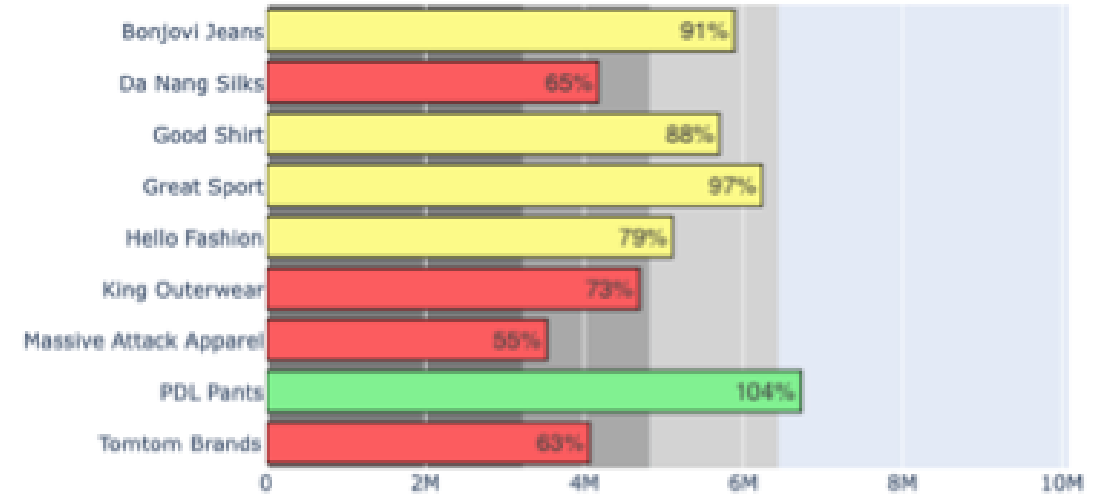
- **What additional data is needed to develop Mohawk's fair compensation blueprint?**
- What are the team's next steps to engage with civil society?
- How can Mohawk improve responsible purchasing practices?
- How should Mohawk engage its suppliers to participate in a 2020 FLA living wage pilot? Which pilot?
- How can Mohawk measure progress on living wages?

WAGE BENCHMARK ATTAINMENT CHARTS

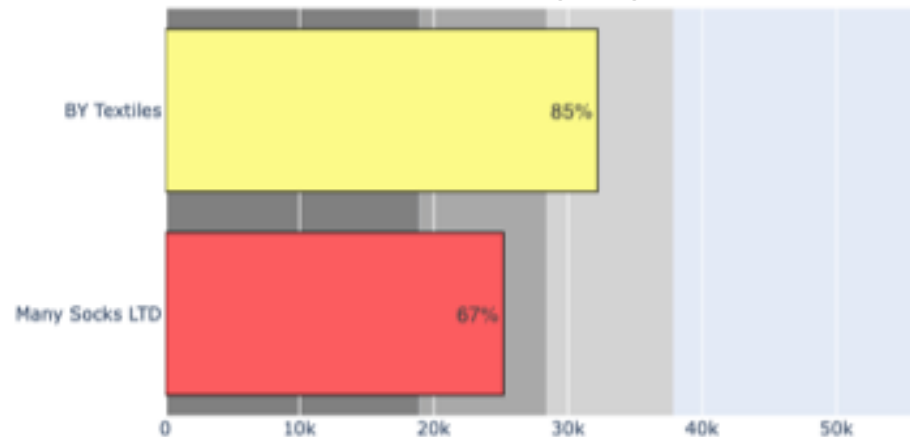
China: Global Living Wage Coalition's Living Wage Estimate



Vietnam: Global Living Wage Coalition's Living Wage Estimate



Sri Lanka: Living Wage Estimate





China (25 factories | Wage data for the 8 factories that represent 90% of Mohawk's production volume)

- **Supply Chain:** Mohawk would like to maintain their volume in China due to material sourcing and timely delivery. This will be reevaluated in 2022. Production volume in the 8 factories with wage data ranges from 20%-30%. Production volume for the remaining 17 factories ranges from 2%-5%.
- **Social Compliance:** All 25 factories, except for Hats to the Max, have violations of excessive overtime and social security contributions. Of the 13 factories not included in the benchmark attainment chart, 10 of the factories have violations of double book-keeping or unauthorized subcontracting. All the factories have some violations of freedom of association.

Vietnam (23 factories | Wage data for the 9 factories that represent 80% of Mohawk's production volume)

- **Supply Chain:** Vietnam is an important production country, especially if Mohawk shifts away from China, though the company is considering consolidating their Vietnam footprint. Mohawk's production volume in the 9 factories with wage data ranges from 4%-15%; while Mohawk's volume in the remaining 14 factories is less than 2%.
- **Social Compliance:** 5 of the 9 factories that submitted wage data were resistant to doing so because Mohawk does not represent significant production volume for them, and their other clients are not focused on living wage.

Sri Lanka (7 factories | Wage data for the 2 factories that represent 50% of Mohawk's production volume)

- **Supply Chain:** There are persistent quality issues at all 7 factories in the country, so Mohawk is considering seeking out new factories or leaving the country. Due to pressure to ship late orders that had to be redone, 5 factories requested to delay participating in the 2019 wage data collection cycle.
- **Social Compliance:** There are issues with excessive overtime in all factories and some concerns about late POs from Mohawk. Both factories are eager to make progress and willing to participate in a fair compensation pilot and have a union with a collective bargaining agreement. The remaining 20% of production volume is from France, Germany, Taiwan, and the U.S. In total, Mohawk has 90 factories.

Questions to consider:

- What other data is needed to develop Mohawk's fair compensation blueprint?
- What are the team's next steps to engage with civil society?
- How can Mohawk improve responsible purchasing practices?
- How should Mohawk engage its suppliers to participate in a 2020 FLA living wage pilot? Which pilot?
- How can Mohawk measure progress on living wages?

Additional ideas to inform the Blueprint (and/or add your own!):

- Length of factory relationships
- Total percent of production capacity FLA buyers
- Total percent of production capacity from other large multinational corporations
- % of factories that have unions and/or worker representative structures
- % of factories with a collective bargaining agreement
- Further social compliance audit trends analysis
- Factory remediation progress
- Civil society organizations in each country
- RPP data points, such as on-time PO placement, on-time delivery, use of airfreight, chargebacks, etc.
- Wage data and analysis from all factories