Living Wage Public Reporting Guidance

I. Introduction

Public reporting requirements on human rights and environmental due diligence are on the horizon for companies in the apparel, fashion, and manufacturing sectors. Governments, civil society organizations, and shareholders are enthusiastic for companies to report on quantitative data indicators such as living wage and fair compensation.

Currently, all Fair Labor Accredited Companies and Suppliers are required to collect and analyze wage data, have a blueprint with operational actions to improve workers’ wages, and public commitments to uphold a worker’s right to fair compensation and living wages.\(^1\) Through these requirements, FLA provides additional recommendations to support the dialogue between social compliance staff, purchasing colleagues, senior management, the legal and public relations departments, and other relevant stakeholders to prepare for public reporting on living wage in company’s supply chains.

This guidance sets FLA members on the path towards living wage reporting and transparency — and will continue to be updated as legislative requirements and stakeholder expectations evolve.\(^2\)

II. Fair Compensation Strategy status

Through 2025, FLA continues to work on three remaining goals from its 2020 Fair Compensation Strategy:

- Communicate externally about FLA’s fair compensation efforts to advance public conversation, awareness, and knowledge;
- Identify and test tactics (including pilot programs) for implementing fair compensation, focusing on priority countries where FLA can support collaborative efforts; and
- Make ongoing progress towards fair compensation and incorporate measures of advancement into FLA’s core accountability programs.

Figure 1: FLA’s Fair Compensation Dashboard is an innovative and dynamic analysis to help companies measure their living wage gap

\(^1\) See FLA reports on wage data collection, blueprint actions, and public commitment.

\(^2\) FLA does not require living wage public reporting for all FLA companies at this time — only for FLA-Accredited companies choosing to pursue Accreditation+ in fair compensation.
III. Why should companies prepare for public reporting on living wage?

FLA believes that living wage reporting requirements will be enacted as part of mandatory human rights due diligence (mHRDD) and reporting legislation in the next three to five years. This is due to the growing momentum in activism and expertise to improve workers’ wages in the fashion industry. Upcoming and potential proposals on living wage reporting by legislatures, standard-setting organizations, and investors include:

- New York State Fashion Sustainability and Social Accountability Act (Assembly Bill A8352) and Washington State SB 5904 both propose fashion retail sellers and manufacturers to disclose their environmental and social due diligence policies.

- Good Clothes, Fair Pay is an EU citizens’ campaign that advocates for living wage legislation in the fashion industry.

- Quantitative data points are useful to investors, especially to those participating in the Platform Living Wage Financials.

- Shift’s accounting model for living wage looks to standardize living wage reporting across different sectors and supply chains.

- Civil society organizations, like Fashion Revolution, are advocating for transparency on workers’ wages and purchasing practices.

- Public benchmarking organizations, like the World Benchmark Alliance, are evaluating living wage progress.

- FLA is a signatory supporting the inclusion of living wage and income in the European Union Directive on corporate sustainability due diligence.
IV. Tools and methods

1. Begin with FLA Fair Compensation Toolkit

FLA’s Fair Compensation Toolkit provides companies with the tools and guidance they need to collect wage data (aligned with Richard and Martha Anker’s living wage research methodology). FLA’s Wage Data Collection tool is an Excel spreadsheet that any company or factory can use to collect aggregate worker wage data.

Companies can use the FLA’s Fair Compensation Dashboard to analyze the monthly average wage and analyze its living wage gaps using the Global Living Wage Coalition (GLWC) estimates.

Figure 2: Country averages of wage data from the FLA’s Fair Compensation Dashboard are located in the summary chart from the country benchmark attainment chart.

2. Organize the data

Using the FLA Fair Compensation Dashboard, companies can pull a factory’s average net wages and use country-level averages for its top sourcing countries. FLA suggests selecting the top five or 10 sourcing countries by production volume or spending.

If a company has more than one year of data across the same countries, FLA suggests reporting year-over-year progress.

3. Socialize the analysis

Share the analysis with the public relations, purchasing and sourcing departments, and senior management.
Use this guidance to prepare for these conversations to share why living wage analysis is important to stakeholders and should be included in public reporting.

V. Recommended public reporting metrics

Pending clear legal requirements on reporting requirements, FLA has put together this list on what companies should be reporting to show their living wage progress and commitment to transparency. Contextual data points like the number of factories and workers per country, the percentage of production capacity the global sample represents, and percent change if reporting year-over-year progress should be included for stakeholders to understand the scope and impact. As a best practice, FLA encourages companies to disclose the number of workers in their data sample and to report on at least 80% of their overall production volume.

- **Living wage gap**: Country average or percent above or below GLWC estimates or reference values.
- **Living wage goal progress**: Number or percent of factories meeting the GLWC estimates or reference values by country.
- **Prevailing wage gap**: Country average or percent above or below FLA average (with date) or other prevailing wage industry benchmarks.
- **Poverty wage gap**: Country average or percent above or below the World Bank’s Poverty Line or national poverty line.
- **Collective bargaining coverage**: Percent of workers in final manufacturing supply chain covered by a collective bargaining agreement.
- **Average bargained wage**: The average collectively bargained wage by country.³

**Figure 3: Prevailing wage analysis can be done by using the FLA’s Average Country Net Wage available in the Fair Compensation Dashboard**

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³ This data point is not supported by the FLA’s Fair Compensation Dashboard. FLA Accredited Companies have data management systems collecting this data that can be used for living wage public reporting.
VI. How it comes together: PUMA’s 2021 Sustainability Report

PUMA became the first FLA company to include its wage ladders in its sustainability report, and used GLWC benchmarks and FLA averages from the Fair Compensation Dashboard to report its 2020 average country wages.

The report includes a narrative analysis of PUMA’s wage data and a detailed description of its in-factory work with Fair Wage Network.

Figure 4: PUMA’s average country net wage for Tier One factories covers its top eight sourcing countries

FLA will continue to update guidance on living wage public reporting as this topic evolves and standardized reporting requirements are executed.