Wage Data Verification Guidance

Models for companies verifying fair compensation in their supply chains

Fair Labor

About FLA

The **Fair Labor Association (FLA)** promotes human rights at work. We are an international network of companies, universities, and civil society organizations collaborating to ensure that millions of people working at the world's factories and farms are paid fairly and protected from risks to their health, safety, and well-being.

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1. Introduction

Companies interested in making progress toward living wages for workers in their supply chains must first collect and verify wage data. During this process, companies request specific data points from suppliers, such as net wage for all workers in a specified timeframe, then review the data to ensure it is accurate. Wage data verification helps companies ensure that workers' true compensation is reflected in their wage benchmarking and reporting, and should be completed before beginning any meaningful data interpretation.

A proper wage data verification process is vital for companies that are preparing to:

- Better understand wage trends across their supply chain and sourcing countries over time;
- Develop a fair compensation blueprint;
- Identify potential living wage gaps;
- Educate suppliers on the topic of living wage; and
- Prepare for public reporting on living wage progress.

In this guidance document, the Fair Labor Association (FLA) explores different models of wage data verification for companies that use its Wage Data Collection Tool 2.0 (the tool) to collect data from suppliers.

About the Wage Data Collection Tool 2.0

FLA's Wage Data Collection Tool 2.0 is a scalable data form that allows companies to gather worker wage data from factories, including those producing apparel, footwear, and accessories.[1] The offline version of the tool is available **here** for download. Companies share access to the tool with their suppliers, who use it to report on data points including wage data by workers' skill level, types of benefits, lowest wage, bargained wage, and more.

Three models of wage data verification

Once companies have received wage data from their suppliers, they must verify that the data collected is accurate and complete. In this guidance document, FLA explores three data verification models companies can use, reflecting that each company has a different capacity. We encourage companies to start with the most suitable model, based on available resources, the supplier's maturity, and supply chain stability. Once companies have acquired sufficient experience and resources, they can migrate to the next model.

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1   In 2024, FLA updated the tool to ensure a more comprehensive resource for capturing wage data. The online tool allows companies to collect 12 months of wage data; includes up to eight occupations or worker categories; sets parameters for payment terms to improve data quality; and offers the options to accept or return the form for revision and various language versions to suit each factory's needs.

We recommend that all companies follow a consistent wage data verification cycle.[2] The cycle starts with training and equipping relevant staff, including the factory's human resources personnel, in-house company staff, and third-party verifiers, with the right skills for better data quality and efficiency (**see section 6** for further details). After data is collected, analyzed, and verified, we encourage companies to share the results with corresponding factories for transparency and to inform next steps.[3] Internally, it is important to share wage data with purchasing staff and senior management to enhance purchasing practices and close living wage gaps, if any.

Image 1: The wage data verification cycle

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2   By following this cycle, FLA members can fulfill part of the requirements in Principle 2: Responsible Sourcing Practices of the **Fair Labor Code and Compliance Benchmarks.**

3   Company staff and third-party assessors can refer to Appendix I and II for specific information when verifying data input in the tool.

3. System KPIs for every supplier

Prior to any wage data verification, companies must ensure that suppliers have baseline data collection requirements, or system key performance indicators (KPIs), through routine social compliance monitoring or on-site verification. These system KPIs are based around time and attendance systems and dictate the integrity of data being put into the tool.[4]

System KPIs checklist

Companies should verify that each supplier:

- ☑ Has a functioning time recording system (electronic and/or manual) and a system to log missing working hours;
- ☑ Periodically (ideally weekly) reviews working hours to ensure all hours are recorded;
- ☑ Ensures payments are done in a traceable manner (e.g., electronically, if cash is paid, or a bank transfer record of the lump sum);
- ☑ Documents clear policies and procedures on compensation, including in-kind benefits (IKB) and cash benefits (CB);
- ☑ Delivers detailed pay slips to workers, or has an HR system/app that workers can use to view details of their periodic paycheck; and
- ☑ Provides access to these documentation systems to social compliance auditors in a transparent and open manner.

If a factory does not meet all system KPIs, companies should work with management to improve the factory's time attendance and payroll systems – this helps ensure that the factory's wage data is accurate and reflects the actual work hours and compensation.

In addition, companies should be aware of common challenges for factories in gathering accurate wage data. First, the number of active workers at a factory can fluctuate over the course of 12 months. If the factory has undergone expansion or reduction of its workforce in the pay period requested, a drastic change in the number of active workers could impact the average monthly pay significantly. In addition, factory management should exclude workers who were on long-term leave or furloughed during a specific pay period. We suggest that companies work closely with the factory to determine the number of active workers included in the tool.
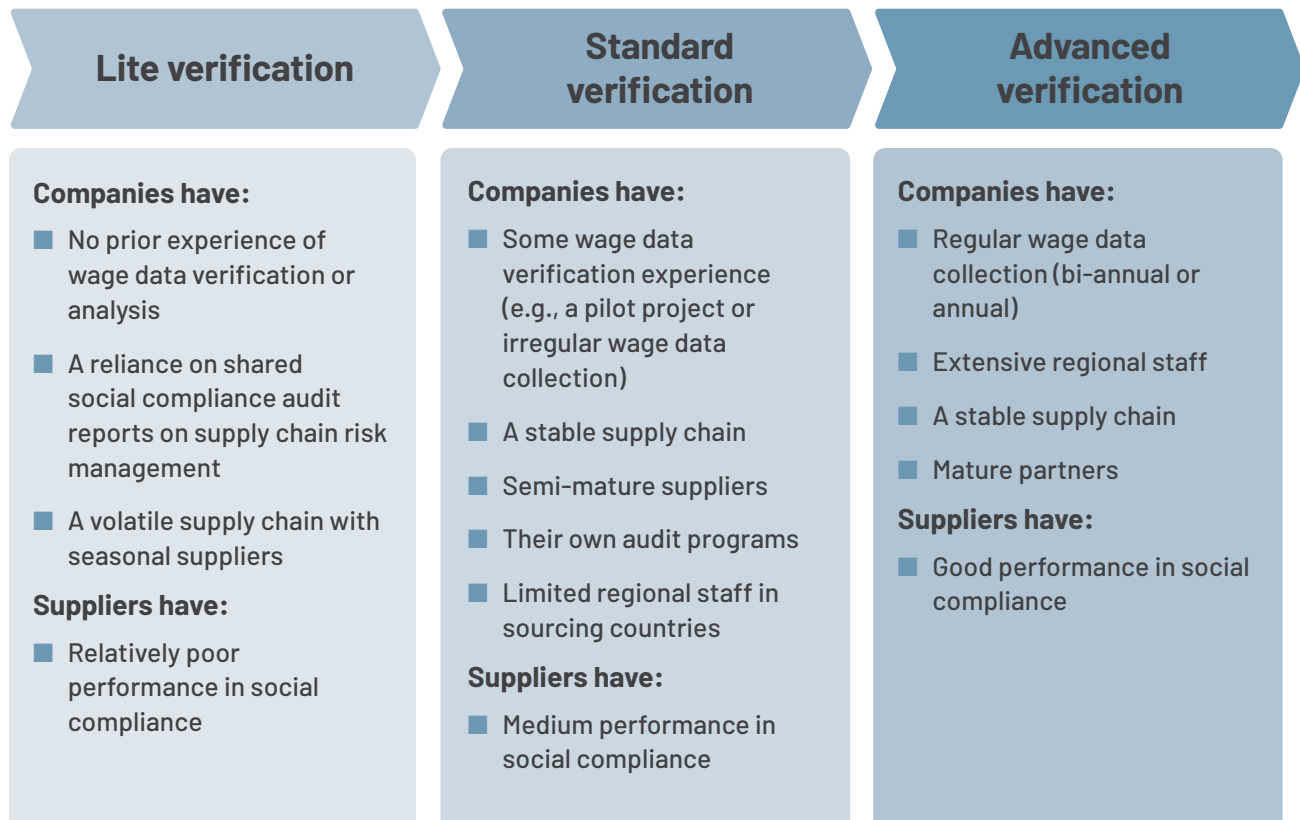
Once companies have verified that their suppliers have system KPIs in place, they can move on to implementing wage data verification.

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4   The system KPIs are aligned with FLA's **Fair Labor Code and Compliance Benchmarks**.

4. Three models for wage data verification

FLA supports companies with diverse business models and products as they improve wage transparency and progress in supply chains. This guidance features three different models for companies to kick off their wage data verification processes.

Image 2: Criteria for FLA's three wage data verification models

Lite verification	Standard verification	Advanced verification
Companies have:	**Companies have:**	**Companies have:**
■ No prior experience of wage data verification or analysis	■ Some wage data verification experience (e.g., a pilot project or irregular wage data collection)	■ Regular wage data collection (bi-annual or annual)
■ A reliance on shared social compliance audit reports on supply chain risk management	■ A stable supply chain	■ Extensive regional staff
■ A volatile supply chain with seasonal suppliers	■ Semi-mature suppliers	■ A stable supply chain
Suppliers have:	■ Their own audit programs	■ Mature partners
■ Relatively poor performance in social compliance	■ Limited regional staff in sourcing countries	**Suppliers have:**
	Suppliers have:	■ Good performance in social compliance
	■ Medium performance in social compliance	

Model 1: Lite verification

Lite verification offers an option for companies just starting to build capacity.

Lite verification is best for companies with:	Data points for lite verification (incorporated in social compliance audits):
■ A small team (no more than two full-time social compliance staff members)	■ Net wage
■ No budget for increased auditor support	■ Gross wage
■ Beginner experience in wage verification	
■ A relatively volatile supply chain	

Companies pursuing lite verification should start with a pilot project to estimate their resources before launching full scale wage data verification. The pilot project can target stable and long-term suppliers and focus on where staff or experienced service providers are available. Further parameters can be considered for the pilot project, considering location, size of business with the factory, country-risk, etc.

For example, a company with social compliance staff only at its headquarters could launch a pilot project in a top sourcing country by volume. The pilot could focus on five factories producing the same product or product category in the same region or country. If the company uses third-party organizations for its social compliance monitoring program, it could contract them to support in-factory verification. Once the company has trained its suppliers and data verifiers, they could verify all data points submitted to the tool on site.

Next, companies should incorporate lite verification into their routine audit program. Lite verification entails a brief process in which only the two most important data points, net wage and gross wage, are verified. This provides companies with a rough idea of workers' compensation across the supply chain and can also help set wage benchmarks for future comparison.

However, lite verification allows for limited data accuracy. With only net wage and gross wage verified, it relies heavily on factory management's understanding of the definitions of multiple important payment types in the tool. For example, there could be incorrect entries of in-kind benefits and cash benefits, which affect net and gross wage. Exclusion of certain incentives can also lead to inaccurate depiction of wages in the analysis.

Companies can use lite verification to gain an enhanced understanding of wage analysis and identify any living wage pay gaps. Implementing lite verification can help companies to set realistic targets for more thorough wage data verification and a fair compensation blueprint. It also serves as an opportunity for factories to better understand fair compensation. After the pilot, companies can decide which level of wage data verification they want to achieve moving forward.

Model 2: Standard verification

The standard verification model offers a more comprehensive, scalable approach to wage data verification.

Standard verification is best for companies:

- With maturing experience in wage data collection and verification

- With limited resources in sourcing countries (remote regional staff/ local partners)

- That are in the process of scaling wage transparency in their supply chains

Data points for standard verification:

- Net wage

- Regular pay

- Legal deductions

- In-kind benefits

- Cash benefits

Stable suppliers with strong performance in social compliance are good candidates for this model; factories are likely to already be striving for compliance and understanding of the company's workplace standards. It is important for factories to have a transparent time attendance and payroll system. As a best practice, candidate facilities should belong to the 75th percentile of the company's supply chain scorecard system.

For standard verification, companies should either have their own monitoring programs in place or possess a robust system to track remediation of non-compliances uncovered in shared or accepted audit reports to ensure wage data quality.

Before rolling out standard verification across the supply chain, companies can implement it in one or a few strategic sourcing countries to ensure that adequate resources are allocated. We recommend verifying the five data points named in this section through factory visits and incorporating this process as part of a routine audit.

For example, companies can deploy the tool when scheduling an audit or visit, ensuring that factory management has received thorough training on how to use the tool. An auditor and/or company staff member can review the tool, and the data points requested, and ask questions in advance. The agenda for the audit or visit should include wage verification for visibility into the management and worker representative structure. If the data needs to be corrected, the company should work with the factory for clarification.

Model 3: Advanced verification

Advanced verification requires companies to verify all data points in the tool.

Advanced verification is best for companies that:	Data points for advanced verification:	
■ Regularly collect wage data from a group of strategic suppliers ■ Intentionally invest in verification	■ Net wage ■ Gross wage ■ Regular pay ■ Legal deductions ■ In-kind benefits	■ Cash benefits ■ Incentive pay ■ Any additional collected data, including total regular work hours, paid leave hours, etc.

In this model, a company's strategic suppliers should be familiar with wage data collection and verification. These suppliers have established and solid partnerships with companies, and have invested in comprehensive time attendance and payroll systems that are transparent and reflect the actual situation in the factory. These suppliers are usually high performers in the company's social compliance program, and ideally in other business and production areas. As a best practice, candidate facilities should belong to at least the top 15% of the company's supply chain scorecard system.

To ensure data quality, the company can work with these suppliers to draft a procedure for credible wage data collection. The procedure can include steps on how to fill out the tool, common mistakes, and tips for self-assessing data quality. Similarly, the company should develop its own wage verification guidance to document these procedures. FLA encourages companies to use its **Fair Compensation Dashboard Handbook** and this guidance document for reference when drafting these procedures.

Companies should ensure that suppliers are thoroughly trained on wage data collection processes. For example, at the beginning of each year, companies can train factory staff on how to complete the data form. FLA also provides an annual refresher training, which is open to suppliers.

Companies should have sufficient staff in sourcing countries to train factory personnel on completing the form and verifying the data submitted. Given the amount of data to verify, FLA suggests that companies carry out onsite verification in 10-15% of the selected suppliers and desktop verification for the remainder. Trained third parties can also conduct these two means of verification. As a best practice, companies should consider a rolling verification cycle and ensure all factories receive on-site verification at least once every three years.

Sampling guidance: Tips for assessing a factory's submitted data

- The sample size should be 10-15% of the total workforce, with a maximum of 50 workers.
- Sampled workers should only have full attendance in the surveyed pay period.
- The number of selected workers in each occupation must be proportional to the total workforce, with at least two workers from each role included.
- The gender ratio should be considered for gender-disaggregated wage data.
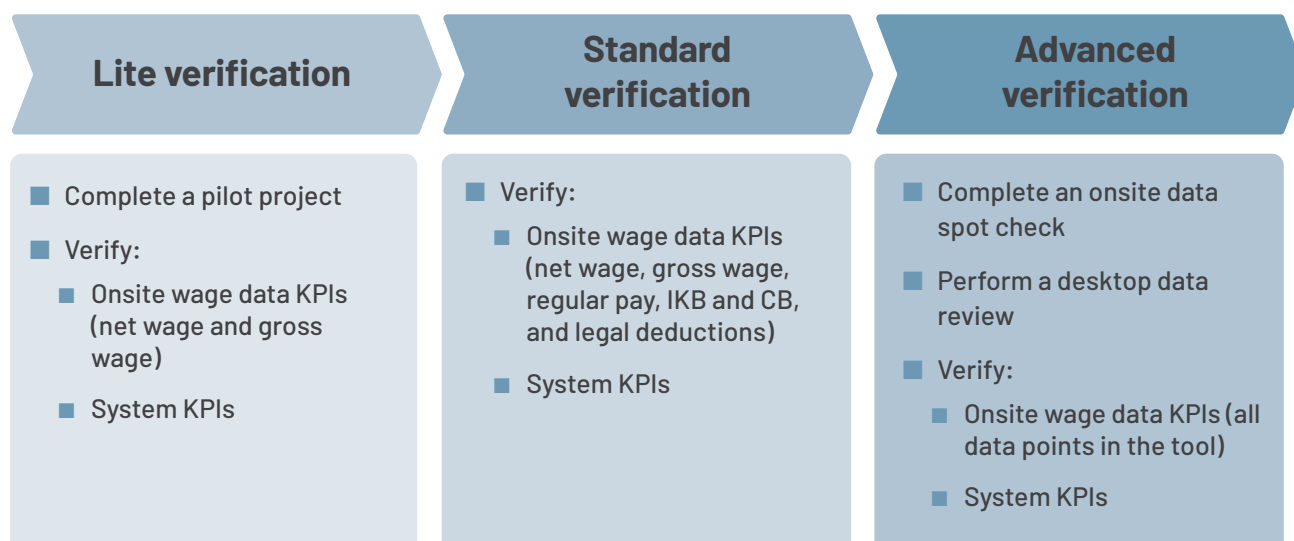- Assessors should review attendance and payroll records of the selected workers.

When reviewing wage data off-site, FLA suggests cross-checking data points, such as working hours, regular pay, and overtime pay, with data derived from the company's routine monitoring program. This can ensure data integrity without the need for an on-site visit.

DOCUMENTS NEEDED FROM SUPPLIERS FOR A DESKTOP REVIEW:

- A monthly registry of workers in the selected occupations
- A summary of the selected workers' monthly working hours during the pay period
- Monthly payroll records and pay slips for selected workers, by occupation, covering the pay period
- A summary of in-kind benefits and cash benefits given to workers
- Receipts of in-kind benefits paid to selected workers throughout the pay period

To collect data, companies can deploy the tool and request documents for desktop review at the same time. Once suppliers have submitted all of the requested information, companies can cross-check the data from the tool with the attendance and payroll documents provided. Companies can also set up calls with factories to clarify data points as needed. If a company finds mistakes in the supplier's submitted data, they can always request a revision from the factory.

Image 3: Steps that companies should successfully complete in each model

Lite verification	Standard verification	Advanced verification

- Complete a pilot project
- Verify:
  - Onsite wage data KPIs (net wage and gross wage)
  - System KPIs
	- Verify:
	  - Onsite wage data KPIs (net wage, gross wage, regular pay, IKB and CB, and legal deductions)
	  - System KPIs
		- Complete an onsite data spot check
		- Perform a desktop data review
		- Verify:
		  - Onsite wage data KPIs (all data points in the tool)
		  - System KPIs

5. Worker interviews

Interviewing workers is a useful way for companies to verify system KPIs and wage levels, and receive worker insights into suppliers' compensation practices. It's common for factories to have all recommended policies and procedures in place; however, implementation can tell another story. For example, by speaking with workers, verifiers can cross-check if the time attendance and payroll systems are used consistently and correctly.

By including workers' voices, companies can also share feedback with factories to better identify workers' needs, develop projects to enhance workers' well-being, and work towards fair compensation.

Depending on each factory's set-up and maturity in wage data collection, companies can select suitable questions when verifying wage data on-site. FLA suggests interviewing 10% of the workforce included in the tool, with a maximum of 20 workers, and holding a mix of individual and group interviews. Interviews should be confidential.

Below are a list of suggested questions (note that these questions may overlap with some of the questions used in the company's routine monitoring program):

SUGGESTED QUESTIONS FOR WORKER INTERVIEWS:

1. How is attendance recorded? How many times do you need to punch (or clock) in/out in a day?

2. What do you do if you have forgotten to punch in/out time?

3. Are you given a summary of all hours worked before the pay date?

4. What do you do if you have found some hours are missing in the work hours summary?

5. How often are you paid? How is the payment done?

6. How much do you earn every month?

7. Do you receive any pay slips or records of your wage payment?

8. What are some of the incentives, such as in-kind benefits (food, transportation, or services) and cash benefits that you receive? Do you use these benefits?

9. Are these benefits [use the list the worker provides] important or valuable to you?

10. Are your wages enough to cover basic needs?

11. Do you need to do another job to afford basic needs?

12. Can you earn enough for you and your family without working overtime?

13. What do you do if you do not have enough money to afford your costs and basic needs in a given month?

14. What do you do if you have discovered that your payment is incorrect?

15. How do you think the factory can improve in recording working hours and releasing payment?

16. What additional benefits would you like the factory to provide?

17. Was there a work stoppage at all during the past 12 months? If yes, how was your salary was paid for that time?

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6.   Training, support, and guidance

Data sharing between factories and companies

To reduce the duplication of work, FLA's Wage Data Collection Tool allows factories to share accepted wage data with other dashboard company users and subscribers. In the case of two or more companies verifying the same wage data of a shared supplier, FLA encourages companies join efforts to support the factory.

Companies can work together to decide on the training plan, timeline, and verification model. They can also share the workload and enjoy greater synergy in working with the factory on improving wage transparency. However, any buyer discussion of improvements to wages or purchasing practices should be done individually with the factory to mitigate anti-trust risks.

Training for companies and suppliers

It is essential for companies to train in-house staff, factory staff, and third-party assessors (as applicable) on wage data collection. To support this, FLA provides annual wage data collection training to companies using the tool (see the latest training video **here**). We strive to make continuous improvements to the tool and add new features to the dashboard as fair compensation progresses.

In addition to attending this annual training, companies should share the recording with suppliers and include expectations on using the tool as part of their regular supplier training. If regional or local support is available, FLA suggests providing localized training for factory staff. The more that suppliers understand the purpose of collecting wage data, the easier it is them to fill out the data requirements in the tool – resulting in better data quality and a shorter turnaround time for analysis. Companies should also equip their data verifiers with knowledge of the tool, and supplement them with training on additional topics like in-kind benefit and cash benefit definitions.

We suggest that companies plan for a two-to-three-week training time period to make sure all parties involved have sufficient time to complete the training.

Available languages

The online tool is translated into nine languages covering our users' major sourcing countries to facilitate wage data collection. Handbooks are available for dashboard users and suppliers for reference. When filling out the tool, users can refer to the short clips at the beginning of each section for clear instructions (available in **Mandarin**, **English**, **Spanish** and **Vietnamese**).

Additional support for FLA member companies

FLA provides additional social compliance and wage data verification support through Sustainable Compliance Initiative (SCI) factory assessments, which include on-site verification of wage data to ensure data quality. As part of an assessment, select factories are given at least two weeks to fill out the tool. Trained assessors verify a sample of the data (10-15%) submitted after verifying the time attendance and payroll system. After the assessment, assessors highlight findings in the data set, if applicable.

FLA staff then further verify the data to either accept or reject it. If there are no system-related errors, the form is returned to the factory for correction. In case assessors uncover systematic issues in the time attendance and payroll system, the form is rejected and the corresponding company needs to rectify the issues with the suppliers.

7. Limitations

Wage data verification can be arduous and resource-draining. During development of this guidance, two FLA member companies shared that a complete on-site wage data verification can take between three to five days in a factory and a desktop review can require the same amount of time depending on data quality and documents shared.

A third-party auditing firm confirmed that for an SCI assessment, they only have time to verify 10-15% of wage data points in the tool. Therefore, when wage verification is part of an audit – as suggested in the standard and advanced models – checking 10-15% of the data points would be sufficient given that the time attendance and payroll systems are audited and other data points are covered in the audit.[5]

As the tool only includes workers' wage and benefits, it could be difficult for some suppliers to remove supervisors' benefit data, such as lunch, transportation, and childcare. To address this, suppliers can calculate the percentage of supervisors among the entire workforce and deduct the percentage of the lump sum paid for the corresponding benefits.

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5   Assessors verify the time attendance and payment systems at the same time.

8. Conclusion

Companies should choose the most suitable model to begin wage data verification and proceed to the next model as the program matures. Alternatively, companies can adopt different models for different suppliers, such as advanced for core suppliers, standard for subcontractors, and lite for licensees.

Verification alone does not guarantee meaningful data analysis nor does it mean the factory is living wage certified by FLA – wage data verification is simply the first essential step towards ensuring fair compensation for workers. To truly achieve a living wage in their supply chains, companies must invest in a robust monitoring system and develop strong partnerships with their suppliers.

Once companies have completed a thorough process of wage data verification, they can use **FLA's Fair Compensation Dashboard** to analyze this data and inform next steps. For example, analysis may include looking at average worker wages, comparing them against living wage benchmarks from over 30 countries, and tracking progress over time. In addition, we recommend companies review FLA's **living wage** resources, including projects such as our recent **Living Wage Pilots in Vietnam and Bangladesh**.

Appendix I: Wage data verification points and examples

Data point	Definition	Examples	What this data point does not include
Gross wage	All payment items – taxes/legal deduction(s)	N/A	N/A
Net wage	This is the average wage used for living wage analysis Living wage = Regular pay + cash benefit(s) + in-kind benefit(s) – taxes/ legal deduction(s)	N/A	Overtime pay, leave pay, and incentives
Active workers	Workers that were actively working at the facility during the pay period (12 months) and being paid according to their contract. In this form, you are required to enter the monthly average number of active workers in each occupation for the annual pay period	Production workers	Any workers with suspended contracts, furloughed workers, or workers that were not working but still received some compensation from the factory
Bargained regular wage	The negotiated rate of base pay, as agreed upon through collective bargaining between the factory and a trade union representing the workers	The wages negotiated by the union are set at $180 per month - $30 more than the legal minimum wage	Overtime pay, bonuses (incentive pay), cash allowances, or in-kind benefits
Cash benefits	Employer payments of cash allowances that are not linked to performance or productivity	Allowance for housing, allowance for transport, and any non-production-based bonus; holiday/annual, hardship/hazard, and profit-share bonuses; and legally-required benefits, such as 13th month pay and national holiday cash bonuses	Severance pay, payments for unused leave or vacation days; or cash allowances that only a few workers receive
Incentive pay	Any earnings that vary each pay period according to a worker or team's productivity	Quality/skills bonus, productivity bonus, and attendance bonus	Any amount guaranteed to a worker, earned regardless of productivity or performance

Data point	Definition	Examples	What this data point does not include
In-kind benefits	Goods and services provided by the employer to the employee; these goods and services should be free of charge or offered at a reduced cost to employees	Meals, food rations, sold commodities provided at a discount, transportation, childcare, education for workers' children, and private medical insurance, if not legally required; housing and utilities may be included if it's a home for the worker and dependents	Cash or allowance for any service, including water, uniforms, tools for work, medicine, first aid, and toiletries; legally mandated benefits and insurance; dormitories and utilities; factory-provided extracurricular activities; and gifts
Leave pay	Compensation earned by the worker during time off	Sick time, vacation, and annual leave time	Unused leave time may only be included if it is verified this practice does not violate forced labor standards and if the worker is paid during this leave time
Legal deductions and taxes	A government tax or mandated deduction on a worker's wage	Social insurance, taxes, fines/penalties	Voluntary deductions authorized by workers, such as union dues, mutual aid funds, and worker pension contributions; and deductions for court-ordered payments or loan re-payments
Lowest monthly basic wage	The lowest minimum wage established by that factory for its workers; this could be determined through industry standards, local regulations, collective bargaining agreements, or the factory's own compensation scheme	A factory guarantees a monthly basic wage of at least $200 per month, before taxes and deductions	Overtime pay, bonuses (incentive pay), cash allowances, or in-kind benefits
Occupation	A group of workers with the same tasks/ roles; while this group of workers might not be paid exactly the same, they should have the same wage structure	Fabric cutters, quality assurance checkers, etc.	A department comprised of workers with similar roles, where workers are paid by different metrics, according to skill level or other qualifications
Pay period	12 months or a full year	The corresponding calendar year, for example: 2023-01-01 to 2023-12-31	Periods of less or more than one year (about 365 days)

Appendix II: Wage data verification definitions

LOWEST MONTHLY BASIC WAGE PAID TO WORKERS

> ✔ The lowest monthly basic wage paid to a worker in a month

> ✘ The lowest monthly basic wage paid to all workers in a month

ACTIVE WORKERS

> ✔ Workers with full attendance in the pay period covered
> ✔ Workers with less than two weeks of absence in the pay period covered
> ✔ Workers with less than two weeks of paid sick leave/accident leave in the pay period covered
> ✔ The number of active workers should be the monthly average of the total active workers in the pay period

> ✘ Workers on paid maternity/paternity leave in the pay period covered
> ✘ Workers on suspension in the pay period covered
> ✘ Workers on furlough in the pay period covered

OCCUPATIONS

> ✔ Top eight occupations with the greatest number of workers

> ✘ Supervisors/staff level employees

LEAVE PAY

> ✔ Sick leave paid by the government
> ✔ Leave days paid by the factory, e.g. accident leave or annual leave

INCENTIVES

- ✔ Productivity-related incentives, e.g. attendance bonuses, special-skill allowances, productivity bonuses, and seniority bonuses
- ✔ Performance bonuses

CASH BENEFITS

- ✔ Benefits open to all workers, e.g. stationery benefits for workers' children, petro subsidies, and meal allowances
- ✔ Benefits that come with the regular pay package, e.g. hazardous work and hardship allowances
- ✔ Cash benefits given to at least 50% of the workforce (best practice)

IN-KIND BENEFITS

- ✔ Goods or services provided to workers for free or at a reduced price, e.g. transportation, meals, or a childcare facility

- ✘ Legally mandated benefits, e.g. first-aid supplies, drinking water, and toilets
- ✘ Birthday cake, gifts, and uniforms
- ✘ Benefits that exceed 30% of the living wage

TAXES AND LEGAL DEDUCTIONS

- ✔ Legally mandated income tax, social security, and pension fund

- ✘ Union dues, deduction for loan repayments, and voluntary saving account withholdings

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