Note on Structure:

The consolidated guidance will be uploaded to the SAI website as a webpage <http://www.sa-intl.org/SA8000> that will include the text of the section “About the Standard”, only a list of the titles of Standard’s main sections I, II, III & IV.1-IV.9, and hyperlinks to “SA8000® Certification”, SA8000 Accreditation (Application Package), “SA8000 for Download”, “SA8000 Translations” and “SA8000 Complaints Process”. Each section title (e.g. III. Definitions and VI.8 Remuneration) will be a hyperlink to a sub-page of the SA8000 main page.

Each “element page” (e.g. SA8000: 8 Remuneration) will list its own sections and subsections, the titles of which will be hyperlinks to its own page, to avoid overly long pages and to provide the option of printing the separate sections. On the side-bar, an outline of the SA8000 “section” of the website will enable the user to navigate without having to click “back” on the browser. In this draft of the element page for Remuneration, the main sections I, II and III are separated by page-breaks.

SA8000: 8. Remuneration

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I. SA8000 Standard: 8. Remuneration

I.A. SA8000: 8. Remuneration Requirements

8.1 The company shall respect the right of personnel to a living wage and ensure that wages paid for a normal work week shall always meet at least legal or industry minimum standards and shall be sufficient to meet the basic needs of personnel and to provide some discretionary income.

8.2 The company shall ensure that deductions from wages are not made for disciplinary purposes. Exceptions to this rule apply only when both of the following conditions exist:

a) Deductions from wages for disciplinary purposes are permitted by national law; and

b) A freely negotiated collective bargaining agreement is in force.

8.3 The company shall ensure that personnel’s wages and benefits composition are detailed clearly and regularly in writing for them for each pay period. The company shall also ensure that wages and benefits are rendered in full compliance with all applicable laws and that remuneration is rendered either in cash or check form, in a manner convenient to workers.

8.4 All overtime shall be reimbursed at a premium rate as defined by national law. In countries where a premium rate for overtime is not regulated by law or a collective bargaining agreement, personnel shall be compensated for overtime at a premium rate or equal to prevailing industry standards, whichever is more favourable to workers’ interests.

8.5 The company shall not use labour-only contracting arrangements, consecutive short-term contracts, and/or false apprenticeship schemes to avoid fulfilling its obligations to personnel under applicable laws pertaining to labour and social security legislation and regulations.

I.B. Definitions, SA8000: 8. Remuneration

1. A “living wage” means one that enables workers, for their labour during a standard workweek, to support half the basic needs of an average-sized family, based on local prices near the workplace. (8.1)

2. “Premium rate” refers to a higher rate of pay than the regular workweek rate. (8.4)

3. “Labour-only contracting arrangements” refer to the practice of hiring workers without establishing a formal employment relationship for the purpose of avoiding payment of regular wages or the provision of legally required benefits, such as health and safety protections and statutory social security and redundancy payments. Additionally, this definition also applies to homework situations. Also see Control of Suppliers in Element 9, Management Systems. (8.5)

4. “False apprenticeship scheme” refers to the practice of hiring workers under apprenticeship terms, frequently in the guise of “training”, without stipulating the duration of the apprenticeship and the wages under this type of contract. The apprenticeship is “false” if, through these practices or others, the chief purpose is to underpay people or to avoid legal obligations otherwise required for formal employees. It is commonly applied to child labour and young workers, who can be easily exploited by naming them “apprentices” in an “apprentice scheme” that extends far beyond any skill acquiring or practical learning period and frequently pays no wage or the lowest wage possible. (8.5)
I.C. Intent, SA8000: 8. Remuneration

1. Although the standard’s intent is the payment of a living wage, it recognizes that not all SA8000-certification applicants are able to immediately revise their wage structures. Consequently, a step-by-step approach is permitted as long as all of the following conditions are met by the time of initial certification: minimum wage laws are complied with; an analysis of workers’ wage needs has been completed; and a target and strategy are in place to advance wages and show progress over time. The SA8000-certified facility must reach payment of a living wage by 18-24 months into their certification cycle depending upon its size and the gap between its current wages and the living wage.

2. The premium wage overtime work provision text has been significantly changed in the 2008 version of SA8000. It now states that the premium rate is defined by national law or when unregulated by law or a collective bargaining agreement, it can be equal to the premium rate of the prevailing industry, whichever is more favourable to workers, i.e., the highest. It is intended that workers shall be paid at the most advantageous premium rate. This new language also provides the basis for establishing and paying a premium rate when neither national law nor a collective bargaining agreement states such a rate.

3. As to the prohibition against certain contract worker and apprenticeship schemes, the standard intends to prohibit many ways workers’ wages or benefits are reduced through these mechanisms and apply that prohibition to every circumstance, including homework. Labour-only contracts or apprenticeship schemes cannot be used to avoid paying regular wages and benefits. They also cannot be used to fulfil ongoing, routine tasks integral to the work of a company for any extended period of time. It is intended that those who continually fulfil those tasks must have their relationship with the company formalized as employees, with all wages and benefits due to employees. This wording also intends to ensure that employers’ short-term contracts or home worker and apprenticeship schemes are not used to avoid workers’ payments and benefits or to deny workers’ rights to freedom of association and collective bargaining. Under SA8000, an employer is responsible for all workers on site, regardless of who is the direct wage payer.

I.D. Interpretations, SA8000: 8. Remuneration

1. A company shall pay a living wage for a standard work week (i.e., no more than 48 hours per week or less if set at a lower level by national law), and workers shall earn that sum without working overtime. Basic needs include essential expenses such as food, clean water, clothes, shelter, transport, education and some discretionary income, as well as the workers’ costs for legally required social benefits (e.g. health care, medical insurance, unemployment insurance, retirement plan, etc.). For purposes of earning SA8000-certification, the living wage level is not simply the equivalent of or replaceable by the legal minimum wage—except in rare cases where the legal minimum wage exceeds the living wage. The minimum wage is often set at a low level by governments to increase domestic company sales of their goods and services in international trade, not to provide adequately for the basic needs of its workers.

2. Workers must be compensated for the adequate performance of their work and they must be paid in full for all work performed. Wages earned for regular hours worked (i.e. no more than 48 hours a week or lower as prescribed by law) must be sufficient to meet half the basic needs of an average-sized family, based on local prices near the workplace. It should not be necessary to work overtime to earn enough to afford the basic living requirements with some discretionary funds for the worker and his/her family.

3. When a company applies an SA8000-compliant step-by-step approach to reaching the full introduction of a living wage for all its workers, the first step begins when a company pays its workers the higher of the local minimum wage and the industry minimum standard. The next step requires that the company create a well-defined plan to reach payment of the full living wage and show progress toward that commitment. Finally, the company must pay a living wage within 18-24 months into their certification cycle, depending upon its size and the gap between its
current wages and the living wage. Relatively smaller companies with relatively slight gaps between current wages and the living wage must be able to pay the living wage within 18 months into their certification cycle, whereas relatively larger companies with relatively bigger gaps between current wages and the living wage may plan to pay the living wage within 24 months into their certification cycle.

4. Deductions for disciplinary purposes are not permitted under SA8000:2008 except where both national law and a freely negotiated collective bargaining agreement allow the practice. In some states where both conditions can be met, disciplinary wage deductions are traditionally seen as a better alternative to firing workers. To be consistent with SA8000, however, other forms of progressive discipline practices that result in neither prohibited wage deductions nor terminations should be the norm. See the guidance document for the “SA8000: 6 Disciplinary Practices” element for further information.

5. Deductions for the purposes of legally required taxes and social insurance are acceptable. Deductions for transportation, meals, medical assistance and lodging are also allowable, if these items are not essential for employees to carry out their work and deductions for them are chosen by the worker voluntarily. Examples of such essential items would include necessary tools or protective gear or special job-related medical exams or coverage. These are neither employee benefits nor voluntary. When an employer-offered item is in fact a true service or benefit to workers, such as meals or housing, charges for these shall not exceed the employers’ cost or shall be below market rate. Workers’ wage slips, including for home or piece work, should include details on how the wage was calculated, the amount and reason for deductions and workers should clearly understand how to read wage slips and their contents One way managers can inform workers is to explicitly state such deductions in the employment contract and on wage slips. In order to confirm understanding, workers may consent in written form on other legally permissible deductions for company-provided services such as housing, meals, child-care, or transportation fees.

6. Payment in “a manner convenient to workers” means that workers are not obligated to travel any significant distance, make an extra trip, or incur any cost to collect their pay. It also requires that payment for completed work must be made in full and given to workers in a timely manner. Timeliness of wage payments is also included in the concept of a “convenient manner” and requires that the frequency of wage payments be in compliance with national law. Employers may not use promissory notes, coupons, products or merchandise. Wages may be paid in cash, by check, or by electronic funds transfer if acceptable to the worker.

7. An added element was included in the 2008 standard on detailing wage and benefits information. These details must now be clear, in writing, and given to workers for each pay period. This is intended to ensure that workers have a regular and reliable record of their wages and benefits. This permits them to review each pay period’s sums and make claims for any wages or benefits due but unpaid.

8. Performance bonuses are not considered part of the base wage, which must on its own equal a living wage. The terms for earning such a bonus, however, should be in workers’ contracts and understood by them. Any bonus payment must be non-discriminatory and based upon objective criteria.

9. The premium rate of overtime pay should comply with national laws or regulations or the industry standard, whichever is higher. Where it is not defined otherwise, the rate may be defined in the company’s SA8000 policy. Only senior management personnel are exempt from this requirement; frontline management, operational and supervisory personnel are not exempt from this requirement unless this is stated by law.

10. It is intended that overtime pay benefits apply to all workers and to those managers who have a contract with defined hours. It is not required for managers who are not subject to SA8000’s working hours limits or to those who set their own work schedules and hours.

11. The prohibition against labour-only contracting arrangements applies to employers’ responsibility for the actions of independent third parties they engage, such as labour contractors. To gain SA8000 certification, employers are responsible for ensuring that these contracts and these workers’ terms of employment comply with the standard, without regard to who secured or contracted with the workers. Part of this duty requires, for
example, that employers verify that not only their own but also their hired labour contractors’ consecutive short-term worker contracts are not used to evade legal and SA8000-mandated obligations and benefits due to workers.

12. Short-term workers, also known as casual or temporary workers, are not always easily definable. Usually their employment terms share such common elements as a lack of a formal employer-employee relationship, none or few of the benefits and protections that are legally required for employees, termination and rehiring at the end of a contract or a contract renewal without granting seniority or job security, and a lack of union or other representation. Under SA8000, an employer is responsible for all workers on site, regardless of who is the direct wage payer. When national law does not specify the number of permissible consecutive short-term contracts that can be used, they should not prevent the accrual of benefits (e.g., insurance, severance or seniority) to workers over time. If short-term contracts are compromising the payment of those benefits over a substantial period, then the company’s use of consecutive short-term contracts would bar it from SA8000 certification.

I.E. Implementation, SA8000: 8. Remuneration

1. Remuneration principles:

a) Workers should be able to afford for themselves and their dependents a minimum living standard - including basic life necessities and social security benefits - with take-home pay earned in normal working hours (e.g. without overtime hours).

b) Care should be taken to ensure fairness and non-discrimination especially as between women and men workers.

c) Living wage estimates provide the basis for setting wage levels and benchmarks that can support a collective bargaining process, by which workers exercise a vital part of their human rights at work. Collective bargaining agreements have the added advantages that they will produce realistic outcomes and both the workers and the employer are committed to them.

d) Services provided to employees for a fee such as dormitories, food plans, and medicine shall be provided at cost price and not for a profit.

e) In order to provide a living wage the best method is for companies to base their pay systems on a normal working week, as described in SA8000 8.1. For part-time work, this may mean an hourly rate with proportionate compensation.

2. Wage systems should ensure wages are:

a) Understood by workers

b) Paid in a convenient manner

c) Paid in a timely and regular fashion

d) Accurately calculated

e) Paid in accordance with legislation, contract and collective agreement

f) Paid in full and without unauthorised deductions

g) Not tied to use in company-owned stores, etc.
h) Privileged ahead of payments to creditors in the event that an employer cannot meet its financial obligations (i.e. insolvency).

3. Living wage estimation:

a) As discussed in the above section, minimum wages often do not meet the basic needs of workers. Hence it is possible for a company to comply with national legislation but not with SA8000. Assessing whether or not basic needs are being met is a critical challenge.

b) Quantitative Estimation of Living Wage
For SA8000 certification, companies are responsible for maintaining a living wage estimate for the location of their facility. SA8000 accreditation procedures require the certification bodies to maintain living wage estimates for the companies that they audit. Moreover, the SA8000 auditor is responsible for reviewing the company’s estimate and verifying its compliance with SA8000 remuneration requirements, by comparing with his/her own estimate and consulting the company’s workers and stakeholders.

i. How to calculate a living wage estimate?

a. Assess workers' expenses

b. Assess the average family size in the area

c. Analyse typical number of wage earners per family (usually this is not more than 1.6)

d. Analyse government statistics on poverty levels

e. Poverty level analysis will indicate the cost of living above the poverty line.

f. Worker’s income should at least enable him/her to support him/her and two dependents above the poverty line and with some discretionary income.

ii. Considerations regarding the living wage estimate

a. An absolute formula for calculating the living wage doesn’t exist, because subjective questions are inherent in living wage determinations.

b. Living wages can be paid by using a credible methodology to estimate the adequate wage level. Credible methodologies for viable implementation use transparent and justified assumptions combined with an iterative process of stakeholder consultation. Assumptions should always be documented.

c. The basic needs wage estimate provides a benchmark that can support wage negotiations.

c) Qualitative Estimation of Living Wage
While the quantitative estimation mentioned above offers employers an initial point of reference to estimate the living wage, it may not be adequate in addressing various cultural and economic situations. For example, issues like health insurance – depending on the social system – are not always incorporated within 'basic needs,’ although they should be. Therefore, qualitative verification is recommended as a means of verifying the appropriate application and analysis of the quantitative measures.

i. Consultation with workers
Workers and their representatives in the factory should be consulted whenever possible to understand whether workers’ wages are sufficient to meet basic needs for themselves and their dependents. Quantitative analysis, no
matter how well defined, may only partially reflect these real needs. Workers are the most important source of information on the topic of basic needs. It should be noted, however, that workers may feel uncomfortable sharing their personal opinions about their basic needs. In order to conduct discussions more objectively, a market basket should be constructed with workers, using the quantitative analysis as a point of reference. Workers and trade union consultations may also be useful for developing an adequate corrective action plan and timetable. Where appropriate, consultation with workers and their representatives should be documented.

ii. Consultation with other stakeholders
Since wages are one of the chief indicators of working conditions, many other stakeholders in a particular region, such as trade unions, labour rights NGOs, government agencies, academics, and research institutions may have accumulated much knowledge and research data on the topic. Some may even have conducted independent research on the living wage. By maintaining regular communication with local groups it is possible to learn of locally relevant wage information and research. Where appropriate, consultation with local stakeholders on the living wage should be documented.

iii. Comparison with a unionized company
As one calibration technique, within a defined geographic area the wages paid at the facility should be compared to the industry mean of wages paid at unionized companies. This simple approach will not work in locations where independent unions do not exist. In such cases, both local trade unions and NGO representatives should be consulted. By building an ongoing dialogue, auditors will be able to better assess the wage situation in a given region.
II. Auditing Considerations, SA8000: 8. Remuneration

II.A. Key Issues to Review, SA8000: 8. Remuneration

Pursuant to Social Accountability Accreditation Services (SAAS) Procedure 200: SA8000 Audit Methodology, remuneration must be addressed at every audit and supporting positive evidence must be included in every Audit Report. The following examples detail six issues that auditors should review: living wage calculation, method of remuneration, piecework calculations and quotas, apprenticeship schemes, labour-only contracts and homework, and deductions and fines. This list is not exhaustive; auditors need to adapt and/or expand it depending on the production facility and other local conditions.

1. Living Wage

a) Minimum wages often do not cover the basic needs of workers. In addition, enforcement of minimum wage laws is often lax. To address this situation, the international community has made the consideration of basic needs a priority when setting a minimum wage (see section III in this document). Therefore, SA8000 requires that a living wage be the base level of pay within a facility.

b) Consulting with workers and/or their representatives is the best way to determine accurately the local basic needs wage. Since it may be difficult for some facilities to raise wages immediately to that level, a step-by-step approach is acceptable under SA8000 as long as the following conditions are met:

i. First, a company meets the higher of the local minimum wage or the industry minimum standard.

ii. Second, the company develops a well-defined plan for achieving the indicated living wage.

iii. Third, the company follows that plan to reach the goal of paying a living wage in 18 to 24 months, depending on the size of the facility and the extent of the gap between the target and the current wage. Progress toward the goal should be verified during semi-annual surveillance audits.

c) Auditors should review all documentation when assessing whether wages meet workers’ basic needs. Such review should include the following elements and additional elements as appropriate to local conditions:

i. The company’s method of determining the living wage should be carefully reviewed and recorded. It should include the following elements: worker’s expenses, worker’s social security deductions, average family size in area, typical number of wage earners per family, and government statistics on poverty levels.

ii. If a plan to move towards a living wage exists, it should be executable and verifiable. Auditors should verify and record any progress made in relation to the schedule presented by management, such as whether the lowest paid employees’ wages have been increased according to the schedule. Furthermore, the plan must demonstrate how long it will take for the company to pay the living wage and whether the date at which the company plans to pay the living wage is acceptable. In determining the acceptability of the date at which the living wage will be paid, auditors should consider the size of the company and the gap between the current wages and the living wage. Relatively smaller companies with relatively slight gaps between current wages and the living wage must be able to pay the living wage close to 18 months into their certification cycle, whereas relatively larger companies with relatively bigger gaps between current wages and the living wage may plan to pay the living wage closer to 24 months into the certification cycle.

iii. Management should display a high level of commitment. This may be verified by interviewing the management personnel assigned to implementing the living wage plan and verifying that they have adequate authority and support from top management and are able to show evidence that the plan to move towards the living wage is in motion.

2. Method of Remuneration:
a) SA8000 Clause 8.2 states that payment to workers shall be made in cash or by check and in a manner convenient to workers. Employers may not use promissory notes, coupons, products, or merchandise in place of cash or checks.

b) Auditors should carefully review issues related to methods of remuneration and any deductions from workers’ pay, including the following:

i. Understood by workers

ii. Paid in a convenient manner

iii. Paid in a timely and regular fashion

iv. Accurately calculated

v. Paid in accordance with legislation, contract and collective agreement

vi. Paid in full and without unauthorised deductions

vii. Not tied to use in company-owned stores, etc.

viii. Privileged ahead of payments to creditors in the event that an employer cannot meet its financial obligations (i.e. insolvency).

c) Frequency of remuneration should comply with national laws and regulations. Wage, incentive or bonus payments made to workers should be current.

d) All workers, including those paid by piece rate, should receive wage slips with each payment. The wage slips should provide adequate information as to how the wage was calculated and should identify the amount and reason for any deductions from pay. (Note: fines or wage deductions for disciplinary purpose are not acceptable under SA8000 except in those situations where law and collective bargaining agreements allow it).

e) “Indirect wages” (or deductions for services) are a problematic form of remuneration that should be examined by auditors. These often take the form of services or benefits provided by the employer in place of monetary compensation and may include transport, meals, medical assistance and lodging.

i. Auditors should evaluate whether these services are in fact benefits or whether they are essential for employees to carry out their work (e.g. special equipment (protective gear or tools) which are neither employee benefits nor voluntary or special medical exams or coverage). Those services, tools and equipment that are essential to the performance of a task should be paid for by the employer and thus should not be deducted from worker pay. The burden of proof is on the employer to determine whether services, tools and equipment are necessary to the performance of a task.

ii. Auditors should also evaluate whether these benefits are provided at or below market rate and whether workers have alternatives (e.g. deductions for rent on company housing where no other housing options are available and workers’ families live elsewhere). Deductions or reductions in pay related to services provided should be optional for workers to avoid any misuse.

3. Piecework Calculations and Quotas

a) As discussed in the Working Hours element, piecework is a complex, often arbitrary, pay system, and in many labour-intensive industries, it is increasingly popular. Piecework is an incentive system in which workers are given
production quotas and then are paid bonuses to exceed those quotas, with the goal of driving up production efficiency. However, workers often do not understand how base pay and bonuses are calculated, and they have little chance to participate in the determination of production quotas and pay rates. In many factories, failure to reach production quotas on time leads to fines, deductions from wages, or verbal or physical abuse. In such cases, piece rate incentives are the primary cause for excessive overtime as workers try to meet unreasonable quotas to avoid penalties or merely earn the minimum wage.

b) Auditors should establish criteria to determine whether a production quota is reasonable. As a general reference, a reasonable, minimum daily quota would be achievable by all workers within an eight hour shift - allowing each worker to earn a living wage within that time. In the event that a worker is unable to attain the daily quota, then the company must provide the difference between the amount produced and the daily target. If quota and piece rate incentives are set correctly, then a significant portion of the workers will exceed quota in order to earn the extra pay.

c) Because piece rate compensation varies according to the products being produced on a given day or at a given time, calculating overtime incentives can be difficult and cumbersome for managers. Thus, some managers may use a simple incentive system such as a flat rate: e.g. 1 cent extra per item for piece rate production above quota and/or beyond the 40- or 48-hour week. Whatever system is being used, auditors should analyse the system to determine that there is some premium-rate for overtime work and that workers understand how this incentive rate is calculated. Where a collective bargaining agreement is in place, auditors should verify that these rates have been agreed upon with workers through their elected representatives.

d) Whether piecework or hourly rate calculations are used, employers should keep accurate records of hours worked, and overtime should be paid at a premium rate.

4. Apprenticeship Schemes

a) Apprenticeships may be misused as a way to hire workers at reduced wages and/or benefits under the guise of training. This often happens to young workers.

b) Where workers are employed in apprenticeships, there should be a clearly defined training agenda for a specific time period. Governments often register and/or monitor such programs, especially when young workers are involved. For example, according to the Vietnamese Labour Act of 1994, “The apprenticeship period shall be counted as a period of service within the enterprise offering such a scheme; and individuals and organizations are strictly prohibited from making a profit from apprenticeship arrangements.”

c) If workers receive reduced apprentice-level pay without an apprenticeship contract, auditors should verify that this is not done beyond a reasonable period of time. One example of note occurred in the Bangladesh garment sector where workers were ‘in training’ for two to three years.

d) In cases where personnel receive a lower wage during a vocational training period after the commencement of employment, the length of the period should be strictly limited and enforced, a maximum number of weeks for the training period should be defined and the wage may not be lower than the legal minimum.

5. Labour-only Contracts and Homework

a) Contract and homework are increasingly common in labour markets worldwide. There is no universally accepted definition for “contract labour.” In many cases a worker under such an arrangement may be called a “casual worker” or “temporary worker.” There are, however, some common elements in a contract labour or homework situation:

i. No formal employment relationship is established between employers and employees;
ii. Contract labourers and homeworkers are not guaranteed benefits and protections prescribed by national legislation for permanent employees;

iii. At the completion of short-term contracts, workers are either terminated and rehired or their short-term contract is renewed (without any accrual of seniority or job security);

b) In most cases, there is no trade union or other party to represent workers’ interests.

c) Labour-only contracts or homework may:

i. Deprive workers of protections under national and internationally accepted labour standards;

ii. Deny workers normal contractual rights such as overtime, sick and holiday pay;

iii. Prevent workers from maintaining continuity of employment and gaining experience for which they may be promoted;

iv. Limit workers’ access to insurance and social security benefits where available;

v. Leave workers with no recourse in the event of work-related disease, accident or death.

d) In assessing whether contract labour is used to deprive workers of their rights, auditors should interview contract labourers directly, review documentation and seek to answer a series of questions:

i. Is this labour being used in routine tasks that are done repeatedly, or is the labour required due to special circumstances? In some cases, such as regular service delivery, contract labour may come into a workplace routinely (e.g. to clean or service machinery); these may not be cases of abuse and would then need to be reviewed under the control of suppliers clause in the Management System section of the Standard. In addition, does the facility use a disproportionate number of short-term contracts compared to permanent contracts for a relevant time period that do not relate to a necessary business need?

ii. Do contract labour arrangements allow the employer to avoid benefits mandated by law, such as the payment of a 13th month at the end of the year, or social security payments, or health insurance? Have alternative arrangements been made to pay partial benefits for contract labourers? Is the use of short-term contracts preventing workers from earning benefits workers would have accumulated overtime?

iii. Are migrant labourers entitled to accrue benefits or the equivalent thereof? Or does their legal status prohibit such benefits as health care or housing?

6. Deductions and Fines

a) SA8000 does not allow employers impose fines or wage deductions for disciplinary purposes except in the case that they are allowed by local law and negotiated as part of a collective bargaining agreement. Workers must receive pay for work they have performed. It is common practice in some workplaces for management to impose fines for unsatisfactory performance or conduct. For instance, workers in some facilities are often fined for reasons such as “negligence” or “sleep at work” etc. Under the guidance for Disciplinary Practices, managers are encouraged to adopt progressive disciplinary practices.

b) Managers who rely on fines for disciplinary purposes should substitute alternative means, such as verbal warnings, followed by one or more written notifications, to maintain order (see Disciplinary Practices).

c) Auditors should seek evidence that this policy is in use and that both workers and managers understand disciplinary procedures and the prohibition on fines.
d) The following are other issues related to deductions:

i. Workers should be able to demonstrate that they understand the extent to which legally required deductions, such as health care, social security, or taxes will be made from their pay.

ii. Workers should be informed through explicit statements such as a list of deductions in the employment contract and on wage slips.

iii. Workers should be able to demonstrate that they understand their options and confirm their consent on other legally permissible deductions for company-provided services such as housing, meals, child-care, or transportation fees.

iv. Minimum wages do not include in-kind payments such as meal coupons, financial aid for housing, or child care unless workers elected to pay for those services.

v. Costs for room and board charged by the factory to the worker should not exceed the costs incurred by the factory to provide such services.

vi. Workers should not be charged for supplemental services such as water, electricity, and guard services, or for the use of tools and the loss or damage of tools which may occur in the normal course of operations.

vii. Deductions for repayment of loans or for advance wage payments granted must not exceed a reasonable amount, and the charging of interest is at or below market rates.

viii. The avoidance of social security contributions by employers is a major challenge. Auditors should verify that employers deduct and properly administer the legally prescribed social security contributions for their employees. It may not be possible for every company to change this policy overnight, but the employees should be registered for social security as soon as possible, prior to certification. Companies may argue that the employees themselves do not want deductions taken from their pay for social security contributions. SA8000 requires, however, that employers comply with national law in order to be certified.

ix. In some countries, there is an increasing tendency of companies to engage temporary workers from agencies in order to avoid the administration of benefits and social security. In such cases the auditor should assure that the agency is paying the appropriate benefits to the worker(s).

II.B. Evidence of Compliance, SA8000: 8. Remuneration

The following are some examples of evidence that may indicate compliance with SA8000. This list is not exhaustive. Auditors should adapt or expand this list depending on the local context and what they find during actual audits. Workers’ statements should remain confidential to avoid potential retaliation.

1. Wage slips, payroll records and/or time cards confirm adequate wage payments are being made in a timely fashion and clearly explained to workers

2. Worker testimony about their basic needs in comparison to their wages

3. Wage adequacy (confirmed by worker interviews, local government data, and/or local experts such as trade union representatives)

4. Employment contracts

5. Wages equal or exceed the higher of: the minimum wage, the prevailing industry wage, or wages in a
comparable unionized workplace

6. Living wage calculation used by managers is documented, transparently communicates the assumptions made, is based on appropriate data resources, and is up-to-date.

II.C. Worker Interview Strategy, SA8000: 8. Remuneration

1. Since wages are inextricably linked with working hours, auditors can interview personnel on these two issues at the same time. Auditors should seek to determine two basic points:

a) Do wages paid meet half the basic needs of an average-sized family, based on local prices near the workplace?

b) Does the worker have to work overtime to earn this wage?

2. Pre-interview Data Gathering: Before conducting interviews with workers and worker representatives, auditors need to obtain key information related to wages by researching national legislation, tracking published data and reports, interviewing management, and checking employment contracts and payroll records. The following is a partial list of useful data that auditors are encouraged to acquire beforehand whenever it is available:

a) Regional average and/or median wage statistics

b) National and/or regional minimum wage requirements

c) Regional data on average household expenditures and food basket

d) Regional demographic data such as average family size

e) Prevailing industry wage

f) Legal information about apprenticeship (wage & term) requirements and limits

g) Legally required social benefits such as medical care, accident insurance etc.

h) Legally and/or contractually permitted wage deductions

i) Pay system and calculation methods at the facility (piece rate vs. hourly rate; base rate vs. bonus)

j) Pay schedule at the facility

3. Interviews

a) As a general recommendation, auditors should ask workers indirect questions and draw conclusions based on workers’ responses. For example, instead of asking: “Are you satisfied with your current wage?” auditors may ask workers to compare their current wage against what they made in previous jobs, or against what they know of wages in other comparable facilities.

b) An auditor may start the interview by asking how much a worker was actually paid on the last payday. The auditor could then ask if there were deductions and/or fines. If so, auditors can probe whether the worker understands the method of wage calculation, and whether he or she thinks these deductions were reasonable.

c) If piece rate is used in the factory, the key question that auditors should ask is whether the worker must work overtime to meet the production quotas (either individual or team quotas). If the worker does work overtime, auditors need to determine whether the overtime hours exceed the limit allowed by SA8000 and whether a
premium rate was paid.

d) Auditors should also verify that wages paid meet workers’ basic needs. Auditors may start with questions about workers’ expenditure patterns. In addition auditors should ask the workers what expenses they need their wage to cover.

e) Asking open-ended questions in a conversational style is the best interview format to elicit workers’ genuine opinions on these issues.
III. Background Information, SA8000: 8. Remuneration

III.A. International norms

ILO’s Minimum Wage Fixing Convention 131 (1970) specifies in Article 3 (a) and (b) that the following two elements are taken into consideration in determining the minimum wage:

1. “The needs of workers and their families taking into account the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups;

2. Economic factors, including the requirements of economic development, levels of productivity, and the desirability of attaining and maintaining a high level of employment.”

In most countries, these two considerations are at odds and may not be weighted equally in the determination of the minimum wage. To attract foreign investment and international buyers, countries may emphasize economic growth and development. Minimum wages are often set to compete with low cost suppliers in other countries and not to promote workers’ interests. Therefore many countries have minimum wage levels that do not meet the basic needs of workers and their families. These wages also frequently do not reflect inflation and other factors that affect actual standards of living. Lack of enforcement of even these minimal rates of pay is common, forcing workers to work excessive overtime just to earn the legal minimum wage.

III.B. Case Studies

Rosy Blue Diamond Co. Ltd. In Thailand – An Example of a Company Applying the SA8000 Living Wage Approach:

“Rosy Blue Diamond Co. Ltd. was established in Phitsanulok in 1989 as a subsidiary of Rosy Blue (NI). It operates a diamond cutting plant employing around 450 workers, manufacturing for export to Belgium. One of the concrete issues was meeting the living wage requirement. The factory needed to ensure that wages paid for a standard working week met at least legal or industry minimum standards and would always be sufficient to meet the basic needs of personnel and to provide discretionary income. According to the General Manager of the facility, Sookruthai Karintanaka, “SA8000 is a tool we use to manage human rights; this tool is for the workers. We have to comply with national law, but we go beyond it. For example, the minimum wage here in Thailand is 153 baht a day, and at the minimum, we pay 215 baht. “10% for discretionary income.” As the legislation evolves, we will continue to revise our salary policy.

Calculating a living wage required the factory to combine qualitative and quantitative analyses, and resulted in paying a wage that was higher — from 40% to 83% — than the national minimum wage of 153 baht a day. As demonstrated below, the factory developed a living wage formula specific to the factory. The final 110% expresses the addition of 10% for discretionary income.

Worker turnover is reportedly at its peak during the first four months of training. Many workers have challenges with the inherent complexity of learning the art of diamond cutting and polishing. Once you’ve become a skilled polisher, the wage difference will become substantial. There are other industries where slightly lower salary packages are offered, but for much easier work. As of the fifth month of employment, the worker turnover rate goes down. Ensuring sustainable livelihoods is directly positive for worker retention: paying the higher helps Rosy Blue retain skilled workers, which ultimately makes it a more profitable company.

This is why, as of his or her first day at work, a worker receives a daily wage of 215 baht, with performance incentives. All workers receive subsidised transportation to work (around 15 baht), lunch (around 25 baht), on-site child care, annual leave and holidays. During the first nine months, the average wage ranges from 230 baht to 245
baht. After 10 months, their salaries increase to 280 baht. The average monthly wage is approximately 10,500 baht, which includes welfare and benefits.”