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SANE

GUIDELINE - LIVING WAGE



MAY 2024

CONTEXT

Fair working conditions are a crucial component of SANE Standard, and it takes it one step further. Decent working conditions only make sense if the remuneration of labour allows workers to fulfill their basic needs. The concept of a Living Wage is the most widely accepted definition for “a remuneration covering basic needs.”

As per the Global Living Wage Coalition definition: “A Living Wage is the sufficient remuneration received for a standard workweek by a worker to afford a decent standard of living. Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs, including a provision for unexpected events”.

SANE certification requires the payment of a living wage to garment workers. However, the standard acknowledges that in some regions, the minimum wage and market wage for garment workers are significantly lower than a living wage. It may not be feasible for employers to raise salaries to this level. In such cases, a compensation mechanism can be accepted to ensure fair remuneration.

HOW TO ENSURE COMPLIANCE WITH SANE’S LIVING WAGE REQUIREMENT?

STEP 1 - KNOW THE LOCAL LIVING WAGE

The costs of basic needs are different in every region; therefore, the living wage must be calculated locally. The calculation will usually be different in a rural, peri-urban, or urban location of the same country. It will also differ according to the social services provided by the states.

Up-to-date living wage data for specific regions are published by different organisations:

LIVING WAGE DATABASE ACCEPTED BY SANE

<p>The calculation reference shall be for “typical family”.</p>

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| <ul style="list-style-type: none"> • Global Living Wage Coalition - https://www.globallivingwage.org/
Limited number of regions available. Free data. • The WageIndicator - https://wageindicator.org
Extended number of regions. Free data for workers, small employers, and trade unions. |
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Other professional calculations can be accepted if they follow the [Anker methodology](#).

STEP 2 - DETERMINE IF WORKERS ARE PAID A LIVING WAGE

To determine if a worker receives a living wage, the [Anker methodology](#) should be followed. The methodology takes into account the following aspects:

- “(i) overtime pay is excluded because living wage needs to be earned in standard working hours;
- (ii) productivity bonuses and allowances are excluded unless they are guaranteed;
- (iii) mandatory taxes are taken into consideration because sufficient disposable income is required so workers can afford a decent living standard; and
- (iv) fair and reasonable value for in-kind benefits provided is taken into consideration”

TOOLS TO CALCULATE IF WORKERS ARE PAID A LIVING WAGE

- IDH: tool for calculation - <https://www.salarymatrix.idhtrade.org>
- FLA: Wage Data Collection - <https://www.fairlabor.org/wage-data-collection-tool/>

STEP 3 - DETERMINE THE WAGE GAP

The difference between the local living wage and actual workers’ remuneration is called the Wage Gap.

If workers' remuneration determined in Step 2 is higher than the local living wage determined in Step 1, the manufacturing unit is eligible for SANE Scope Certificate.

If all or part of the workers’ remuneration is, however, below the local living wage, a compensation mechanism must be implemented in order for the unit to be eligible for SANE Scope Certificate.

In all cases, workers’ remuneration must meet local regulations and industry-standard.

STEP 4 - IMPLEMENTATION OF A COMPENSATION MECHANISM

When it has been identified during Step 3 that a compensation mechanism needs to be put in place, the determination of the right mechanism to be implemented needs to be adapted to each specific situation. The aspects to take into account when establishing a compensation mechanism are the following:

- Who will be paying the compensation? It can be the unit owner or one or several buyers.
- Will the compensation be applied to the whole unit or be a pro-rata of the production for a specific buyer?



- How will the compensation reach the workers? Will it be an individual payment to each worker or a fund dedicated to social projects managed by a worker committee?
- Does the compensation take into account the correlation between wage and skills?
- What is the fiscal status of the compensation for the payer and for the receiver(s)?

It can be a complex task for a company to work alone on those aspects. SANE recommends getting some professional advice in order to find the most sustainable mechanism and ensure both the company and the workers' benefit.

PROFESSIONAL SUPPORT

- **Fairwage Network:** provides professional support to companies committed to paying a living wage. <https://fair-wage.com>

SANE CERTIFICATION PROCESS

The auditor will request evidence that the unit is either paying a living wage to all workers or has implemented a mechanism to compensate for the wage gap. The auditor will compare workers' remuneration and the local living wage.

When applicable, the auditor will also verify the mechanism in place to compensate for the wage gap.