

# Fair Trade Certified™ Apparel and Home Goods Introduction for Factories



Fair Trade USA  
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# WHY FOLLOW FAIR TRADE STANDARDS IN PRODUCING APPAREL AND HOME GOODS?

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## It's a Win-Win-Win

Through Fair Trade, you have the opportunity to:

- Differentiate yourself from your competition.
- Grow your business and increase loyalty with existing customers.
- Attract new customers in priority segments.
- Connect with new customers through Fair Trade USA website and business development.
- Increase worker satisfaction and worker loyalty, and decrease costs associated with turnover.
- Offer a direct economic benefit to workers through the Fair Trade premium at no cost to you.  
(Unlike salary and social benefits you pay, the Fair Trade premium is paid directly by buyers.)

Benefits across the supply chain:

| <b>Your Facility</b>           | <b>Your Customers</b>  | <b>US Consumers</b>     |
|--------------------------------|------------------------|-------------------------|
| Increase Sales                 | Increase Sales         | Increased Choice        |
| Increase Competitive Advantage | Increase Social Impact | Increased Social Impact |
| Reduce Turnover                | Reduce Sourcing Risk   | Increased Information   |

## It's on Trend

Shape Magazine chose prAna's Fair Trade Certified Soul Tee as its "Planet Lovin' Pick" in April 2011. Sustainable and ethical production is trendy, especially with younger consumers. Shoppers seek greater transparency through product labels and sites like GoodGuide ([www.goodguide.com](http://www.goodguide.com)), which provides information on the environmental and social impacts of products to consumers directly at the point of purchase through their mobile phone.

## Consumers Value it

In a 2010 Globescan study of US consumers, 91% said it's important to pay workers fairly. This consciousness can also drive sales. Harvard researcher Michael Hiscox found a 15% sales lift on Banana Republic polos labeled socially conscious. Brands want to be able to tell their customers with confidence that any product they sell was produced under fair and sustainable working conditions.

## The Right Thing to Do

With Fair Trade, you can align your production with your corporate values and feel good about the positive impact you're having on workers.

# FAIR TRADE CERTIFIED™ APPAREL AND HOME GOODS: OVERVIEW

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Fair Trade USA is the leading third-party certifier of Fair Trade Certified™ products in the United States. Our Fair Trade Certified label can be found on over 20 product categories — from coffee, tea and cocoa to flowers, wine and even sports balls. Certified products valued at over \$1.3 billion are sold by 800 companies in 60,000 US retail locations including Starbucks, Walmart, and Target.



The label is a tool for consumers to vote with their dollars for social responsibility, to seek more information about where their products are made, and to forge a new and direct relationship with the farmers and workers that make and grow their everyday products.

When asked “what product would you like to see Fair Trade Certified?,” the most common response among US consumers was textiles (49%), rated above toys, gold, and forest products. In response to this demand, Fair Trade USA has developed a Fair Trade standard for cut-make-trim (CMT) facilities and sewing cooperatives that produce apparel, linens, and accessories for sale in US retail channels.

## Cut-and-Sew Level

At the factory, the Fair Trade apparel program builds on company codes of conduct and adds uniquely Fair Trade features that support higher earnings, worker engagement, and community development:

- Fair Trade premium, structured as a percentage on the FOB price, paid by brands directly to a worker-controlled fund. Workers choose democratically how to allocate premium funds, as a cash bonus, a collective social investment, or a combination.
- Wages that meet the basic needs of workers, including health care, education, housing and transportation.
- Engagement through democratic worker representation, improved worker-management communication and grievance channels inside and outside the facility.
- Fair Trade Training for managers and workers, with worker training through a peer-to-peer model and modules integrated into ongoing factory training programs.
- Worker-centric monitoring against Fair Trade standards, which cover core ILO labor standards and best practices from multi-stakeholder codes such as SA8000.

## Fiber Level

At the farm level, producers growing Fair Trade Certified cotton earn a minimum price to cover their cost of sustainable production, and a Fair Trade premium for community investment. *(See Resources below for links to Fair Trade standards.)*

# FAIR TRADE STANDARDS: OBLIGATIONS OF FACILITIES

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Fair Trade USA's **Factory Standard for Apparel and Home Goods** outlines Fair Trade standards at the cut-and-sew level:

1. **Core Labor Standards** establish minimum workplace conditions based on core conventions of the International Labor Organization (ILO), and cover areas that are common to most labor codes of conduct:
  - Forced Labor
  - Freedom of Association & Collective Bargaining
  - Health & Safety
  - Child Labor
  - Wages & Benefits
  - Working Hours
  - Non-Discrimination
  - Legally Binding Employee Relationship
  - Disciplinary Practices
  - Women's Rights
2. **Fair Trade Requirements** define and govern the distinctive Fair Trade elements, namely higher earnings through a Fair Trade premium and worker engagement through training.
3. **Environmental Management Requirements** define the facility's commitment and measure its efforts to protect and restore the natural environment. A continuous effort is expected to improve environmental performance along a defined path towards clean production.

## Fair Trade Premium & Administration

On each order of Fair Trade Certified™ product for the US, the US buyer pays a Fair Trade premium to workers for social investment or a cash bonus. The premium is on top of the FOB price of the garment, and is paid by buyers directly into a worker-controlled fund.

### Premium Amount

The Premium for is a minimum of 1% and maximum of 10% of Free/Freight On Board (FOB), depending on the wage level assessed in the factory or cooperative.<sup>1</sup> Wages in the facility are assessed against living wage benchmarks using a market basket methodology. Wage assessments are conducted by independent third-party organizations in the country of manufacture.

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<sup>1</sup> If the wages assessed meet the living wage benchmark, the Fair Trade Premium is set at 1%. If the wages assessed are closer to the living wage benchmark than to the minimum wage, the Fair Trade Premium is set at 5%. If the wages assessed are closer to the minimum wage than to the living wage, the Fair Trade Premium is set at 10%.

### Premium Purpose & Use

Workers decide democratically how Fair Trade Premium funds are allocated. They may be distributed to all production workers as a cash bonus, pooled in a collective fund for social investment, or a combination of the two.

Examples of collective investments include but are not limited to: health initiatives, micro-enterprise loans, day care, literacy and life skills, housing funds, educational initiatives, and schools. Where migrant populations exist, investments that meet their needs can be considered, such as legal aid, education on legal rights, travel assistance and/or a clinic to meet preventative health needs.

### Transparency

A Fair Trade Committee manages the Fair Trade Premium in a separate bank account. Workers shall comprise a majority of members on the Fair Trade Committee and shall be elected independently of management influence. The Fair Trade Committee is responsible for jointly managing, investing and spending the Fairtrade Premium to achieve improvements in the workers' lives.

## FAIR TRADE STANDARDS: OBLIGATIONS OF BUYERS

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In addition to paying the Fair Trade premium to workers, your US customers purchasing Fair Trade Certified™ products for sale must pay a fair price that supports high performance against Fair Trade standards, and follow responsible sourcing practices.

Fair Trade USA's *Trade Standard: Apparel and Home Goods* outlines Fair Trade standards that buyers must meet:

**Buyer Commitment to Fair Trade Production:** Buyers should set targets for Fair Trade sales and provide marketing and merchandising support to help enable the products' success. If product sales are successful, buyers should commit to continuing to work with the existing suppliers and to repeat and/or increase Fair Trade orders, consistent with demand for the product.

**Purchasing Practices:** Buyers and suppliers should make best efforts to work together to implement purchasing practices that will enable the supplier to meet the Standard, acknowledging the fact that (1) non-compliance in factories is often shared between factory management and buyer behavior and (2) that inaccurate forecasting, last-minute product changes and short lead times can negatively impact working conditions.

# FAIR TRADE TRAINING

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Fair Trade training for workers and managers at the facility lays a foundation for strong Fair Trade buy-in at all levels of the factory. Training is intended to educate workers and factory management on their rights and responsibilities under the Fair Trade apparel pilot standards, and on the global Fair Trade market.

## Training Expectations

Training topics include:

- Values and principles of Fair Trade
- Standards for Fair Trade Certified apparel
- Core labor standards under national and international law
- Fair Trade premium purpose and allocation, as cash bonus or social investment
- Fair Trade Committee role and composition
- Internal and external grievance channels
- Fair Trade certification process with Fair Trade USA
- Apparel supply chain and Fair Trade connection between workers and US consumers

## Training Model

Fair Trade USA's model for training includes the following elements:

- Fair Trade Basics – for *all* workers in the factory to have at least a basic understanding of Fair Trade and how they participate in Fair Trade
- Training of Trainers – cadre of peer trainers trained on Fair Trade and trusted by workers to institutionalize the training model
- Locally appropriate pedagogy & materials – local language instruction, visual presentation for illiterate and low literacy workers
- Management-Worker Dialogue – sessions can be combined with workers and managers to promote worker participation in the process, and promote ongoing dialogue between workers and managers about Fair Trade
- Fair Trade Committee – in-depth training for Fair Trade Committee members on administration and financial management of Fair Trade Premiums

## Training Outcomes

All workers in the factory should understand:

- What is Fair Trade?
- What is a Fair Trade premium? How can Fair Trade premiums be spent?
- Who decides how Fair Trade premium funds are invested?
- What are my basic rights in the workplace? How are my wages calculated?
- If I have a problem or concern, how do I communicate it?

## FAQ

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### **How is this different from company codes of conduct?**

While complying with buyer codes of conduct are a good start for any supplier, Fair Trade certification is a more holistic approach focused on improving worker-management communication and direct economic and social benefits for workers. It goes beyond risk management and harm reduction. In the long term, this holistic approach can yield better business results through increased competitive advantage and lower costs associated with worker turnover.

### **How is this different from factory certifications such as SA8000?**

Fair Trade standards incorporate best practices from leading codes of conduct and factory certification programs. There is a strong overlap between SA8000 standards and Fair Trade in core labor standards such as child labor, working hours, and health and safety.

If your factory is SA8000 certified, you already meet most requirements under the Core Labor Standards (part two) of the pilot standard for Fair Trade apparel (see section on ***Fair Trade Standards*** above for more detail). Fair Trade USA is partnering with SAI and its accreditation arm, SAAS, to conduct joint audits that combine SA8000 and Fair Trade requirements. This streamlines the cost and time required for the audit. You will still need to demonstrate that you meet all aspects of Fair Trade standards not covered by SA8000 including the establishment of a FT Committee, conducting worker training sessions and establishment of an environmental management plan.

### **How long will it take for my factory to be approved by Fair Trade USA?**

Your timeline for certification depends on how quickly you complete the required documentation, and schedule the required training and audit. Another key factor is your current performance level against Fair Trade standards, which will be assessed during the audit. If training and audits are scheduled quickly without significant delays and your facility is found to have minimal performance gaps, it can take approximately 6-9 months to complete the certification process. If your facility requires significant improvements to meet Fair Trade standards, these improvements must be made before approval by Fair Trade USA.

### **How much will the certification process cost?**

Certification costs fall into two main categories: training and auditing. Fair Trade USA uses a network of local providers to keep training and monitoring services affordable. Typical day rates for training and monitoring are around \$1,000 plus travel expenses, and of course depend on the country and region.

The number of days required for training and monitoring depends on the size of the workforce and of the facility. While each facility is different, typically an audit takes one day for 65 or fewer workers, two days for fewer than 275 workers, three days for fewer than 1,000 workers, four days for fewer than 3,500 workers, and so on.

## **Can we start production while we are in process of getting certified or does our facility have to be certified before we can start production?**

Production of Fair Trade Certified™ product cannot begin until after you are notified by Fair Trade USA that your facility is approved to make labeled product. After your Fair Trade audit, Fair Trade USA will evaluate the findings and work with you on a Corrective Action Plan (CAP) to agree on performance improvements to meet Fair Trade standards. Once this process is successfully completed, Fair Trade USA will inform you that you are certified and you may begin labeling your product Fair Trade Certified™.

Note that once your facility is approved, not all products can be labeled Fair Trade Certified™. Only product which is purchased on Fair Trade terms according to Fair Trade USA's **Trade Standard: Apparel and Home Goods** (including the Fair Trade premium) by a company licensed by Fair Trade USA can be labeled.

## **How many audits will there be?**

Unannounced audits can happen at any time. Scheduled audits will happen at the time of your initial application and approximately every 18 months thereafter. For SA8000-certified facilities, Fair Trade audits may be combined with SA8000 surveillance audits.

## **How is this different from Fair Trade cotton certified by Fairtrade International (FLO)?**

Fairtrade International's standards for cotton focus on direct benefit to cotton farmers, and on traceability of Fair Trade cotton along the supply chain. Fair Trade USA is extending the direct economic benefits of Fair Trade further up the chain to the cut-and-sew level.

## **YOUR ROLE IN FAIR TRADE**

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In this journey, we ask for your true partnership. Fair Trade certification is a market-based model of continuous improvement, not a policing model. We know from research and from our direct experience that policing suppliers doesn't work. What works is partnership and joint problem-solving between buyers and suppliers, and Fair Trade tries to promote this commitment-oriented approach to improving labor standards.<sup>2</sup>

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<sup>2</sup> "[Virtue out of Necessity?: Compliance, Commitment and the Improvement of Labor Conditions in Global Supply Chains](#)," MIT Sloan Working Paper No. 4719-08, MIT, Cambridge, MA (October 2008), updated March 2009.  
Questions? Contact FT USA at [apparelhome@fairtradeusa.org](mailto:apparelhome@fairtradeusa.org) .



## RESOURCES

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[Fair Trade Certified Apparel](#)

**Manufacturing Standards**

[Factory Standard: Apparel and Home Goods](#)

[Trade Standard: Apparel and Home Goods](#)

**Cotton Standards**

[Fair Trade Standard for Seed Cotton](#)

[Generic Producers Standard](#)

[Pricing and Premium Database](#)