Guidance to Identifying the Fair Trade Premium Participants in the Rug Industry Under the Factory Standard for Apparel and Home Goods

Fair Trade USA
Version 1.0.0

Introduction

The Fair Trade USA Factory Standard for Apparel and Home Goods (Factory Standard) covers diverse supply chains under one set of requirements that apply to all manufacturing set-ups. Fair Trade USA recognizes that supply chains in the rug industry are unique and differ from most supply chains in the apparel and home goods setting. The “Fair Trade Premium Participants,” or “Premium Participants,” is the group of workers eligible to elect members of the Fair Trade Committee (FTC) who manage the use of the Premium, as described in requirement EM-PTA 2 in the Factory Standard for Apparel and Home Goods, version 1.3.0 (Factory Standard). Premium Participants are the primary beneficiaries of the Fair Trade Premium, and they vote to approve the use of the Fair Trade Premium. Premium Participants are identified during the application process for Fair Trade certification.

Purpose

This guidance document provides assistance for determining who must (required) and who may (optional) be included in the group of Fair Trade Premium Participants in consideration of the unique structure of supply chains in the rug industry. The requirements for who must and may be included as Fair Trade Premium Participants in the rug industry are outlined in the policy document Identifying the Fair Trade Premium Participants in the Rug Industry Under the Factory Standard for Apparel and Home Goods. Additional related requirements about Fair Trade Premium Participants and the FTC are described in the Factory Standard, Annex 1: Composition and Eligibility to Serve on the FTC. Applicants may work with Fair Trade USA Supply Chain staff to ensure all relevant individuals are included in the group of Premium Participants.

Scope and Applicability

This guidance document applies to all applicants for certification in the rug industry and all Certificate Holders (CH) producing rugs certified under Fair Trade USA’s Factory Standard.
Related Documents

- Factory Standard for Apparel and Home Goods, version 1.3.0
- Requirements for Certificate Scope in the Rug Industry Under the Factory Standard for Apparel and Home Goods
- Identifying the Fair Trade Premium Participants in the Rug Industry Under the Factory Standard for Apparel and Home Goods
- Fair Trade USA Glossary

1. Steps to Determine the Group of Premium Participants

CH or Applicant identifies sites and workers that will be included in the scope of the Certificate


Identify Premium Participants from each site

Fair Trade USA approves the group of Premium Participants prior to initial certification.

Update the group of Premium Participants

Fair Trade USA approves the group of Premium Participants whenever the Certificate Holder modifies sites to be included in the scope of the Certificate.

As with the scope of sites included in the Certificate, the Premium Participants are determined during the application process and approved by Fair Trade USA before the initial audit. Any time the CH modifies the sites included in the scope of the Certificate it must reassess the group of people to be included as Premium Participants and get approval from Fair Trade USA.

2. Overview of Premium Participants Requirements

Premium Participants must be workers within the scope of the Certificate.

All workers on sites included in the scope of the Certificate must be included as Premium Participants.
Workers working for traders in the rug industry are excluded from the group of Premium Participants. However, the trader is part of the scope of the Certificate and audit and must comply with the Requirements for Traders in the Rug Industry Under the Factory Standard for Apparel and Home Goods.

Workers on sites included in the scope of the Certificate become Premium Participants at the start of their employment, without any probationary period. There can be no discrimination in participation in the Fair Trade program based on the length of employment or type of contract. However, the Fair Trade Committee and Premium Participants may decide to develop eligibility requirements for specific Premium projects. For example, a group of Premium Participants may have three projects: a scholarship fund, a toiletry distribution project, and a football field. The FTC and Premium Participants may agree that:

a) Workers must be employed by the factory for at least 6 months before their child or grandchild is eligible to receive a scholarship.

b) All Premium Participants, regardless of the length of employment, receive the toiletry kit when it is distributed.

c) The football field should benefit not only the Premium Participants but also their families and community—so the field can be used by any of the workers, their families, and their neighbors in the community where the field was built.

Additional beneficiaries of Fair Trade Premium projects, outside of the group of Premium Participants, can be included at a later time at the discretion of Premium Participants on a project-by-project basis. Premium beneficiaries are individuals to whom Premium Participants have decided, by a democratic vote, to extend the benefits of a Premium project, for example, workers out of the scope of the Certificate or people of the community.

If the CH has multiple workshops on a site and only some of these sites produce Fair Trade product, only workers on sites included in the scope of the Certificate must be included as Premium Participants.

Personnel who do not qualify as ‘workers’, include middle and senior management.

Table 1 further illustrates who may and may not be included in the group of Premium Participants.

<table>
<thead>
<tr>
<th>Type of Worker</th>
<th>Scope of Premium Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent Workers</td>
<td>Included</td>
</tr>
<tr>
<td>Temporary Workers</td>
<td>Included</td>
</tr>
<tr>
<td>Workshop Line Managers and Supervisors</td>
<td>Included if similar pay rate/tasks as workers</td>
</tr>
<tr>
<td>Middle and Senior Management</td>
<td>Excluded</td>
</tr>
</tbody>
</table>

Table 1

3. Workers as Premium Participants

3.1. Who Qualifies as a Worker

“Worker” refers to personnel working in or for entities included in the scope of the Certificate, regardless of whether they are temporary or permanent, full-time or part-time, production or non-production workers. It excludes middle and senior management.

Workshop line managers or supervisors earning similar pay rates and undertaking similar tasks to workshop workers are included in this definition of worker and should be included in the group of Premium Participants.
Middle to senior management who are not also working on the workshop line do not meet Fair Trade USA’s definition of workers and may not be included as Premium Participants. Such individuals generally earn a significantly higher salary than workshop workers.

### 3.2. Types of Workers Included as Premium Participants

All workers employed at sites that are within the scope of the Certificate are required to be included as Premium Participants (see Table 1), except for:

1. Individuals hired for short-term non-production projects, such as construction workers; and
2. Workers working for traders in the rug industry.

Included in the group of Premium Participants are workers doing regular work in the production chain of weaving or tufting rugs. Also included are additional personnel who qualify as workers but are not necessarily part of regular work in the rug manufacturing chain, for example, security staff, cooking and cleaning staff, or lower level office workers who earn similar pay and benefits as workshop workers (see Figure 1).

![Figure 1](image-url)

### 4. Case Study Examples

#### 4.1. Case Study 1: Complex of Weaving and Tufting Workshops

RoyalLooms is a rug weaving and tufting company with three two-story weaving and tufting workshops (A, B, and C), all managed by RoyalLooms. The three workshops are located next to each other with a common entrance. Weaving and tufting of Fair Trade rugs occurs only on the second floor of Workshop B.

RugsExpress is a trader who supplies RoyalLooms with raw materials and product designs and receives back the woven rugs for finishing and labeling. RugsExpress then pays RoyalLooms for its weaving and tufting work and sells and ships the rugs to the brand from its facilities.
4.1.1. **Sites that must (required) be included in the Scope of the Certificate**

RoyalLooms, Workshop B: Because the weaving and tufting of Fair Trade rugs occurs in Workshop B of RoyalLooms workshop complex, RoyalLooms must be the Certificate Holder (see policy *Requirements for Certificate Scope in the Rug Industry Under the Factory Standard for Apparel and Home Goods*). All floors of workshop B are required to be in the scope of the Certificate and must be in compliance with the Factory Standard at all times, despite the non-Fair Trade activities on the first floor.

4.1.2. **Sites that may (optional) be included in the Scope of the Certificate**

RoyalLooms, Workshops A and C: Because no Fair Trade production occurs in these workshops, they are excluded from the scope, however the Certificate Holder, with the guidance and approval from Fair Trade USA and per the request from workers and the FTC, may choose to include them in the scope of the Certificate.

4.1.3. **Sites Subject to the Trader policy**

RugsExpress: RugsExpress is not undertaking any weaving or tufting activities but it supplies RoyalLooms with raw materials and designs for weaving or tufting. Once completed, RugsExpress receives the rugs from RoyalLooms, pays them for their work, conducts the finishing steps and sells to the brands. As per Fair Trade USA’s definition, RugsExpress functions as a trader in this supply chain and must comply with the *Requirements for Traders in the Rug Industry Under the Factory Standard for Apparel and Home Goods*. RoyalLooms, as the Certificate Holder is responsible for ensuring that RugsExpress complies with this policy at all times. RugsExpress may also be visited by Fair Trade USA’s auditors.

4.1.4. **Workers who must (required) be included in the Group of Fair Trade Premium Participants**

RoyalLooms, Workshop B workers: All workers on both floors of Workshop B must be included in the group of Fair Trade Premium Participants.
4.1.5. **Workers who may (optional) be included in the Group of Fair Trade Premium Participants**

RoyalLoom, Workshop A and C workers: Because these workshops are not in the scope of the Certificate, these workers are not included in the group of Premium Participants. They can, however, be included as beneficiaries of Premium projects at the discretion of Premium Participants.

RugsExpress workers: RugsExpress only needs to comply with the requirements in the Trader policy, not the full Factory Standard. As such, workers at RugsExpress are not considered to be Premium Participants. They can be included and benefit from Premium projects at the discretion of Premium Participants.

4.2. **Case Study 2: Bringing More of the Supply Chain into Scope**

Rugs4All produces rugs in their one-floor workshop. They receive their raw materials and designs from BossRugs, weave the rugs, send them back to BossRugs and BossRugs finishes the rugs and sells them to brands. Rugs4All would like to include BossRugs workers in the Certificate.

![Figure 3](image)

**Figure 3**

**4.2.1. **Sites in the Scope of the Certificate**

Rugs4All: Because the rug weaving occurs in its workshop, Rugs4All must be the Certificate Holder. All workers inside the Rugs4All workshop are within the scope of the Certificate and must be in compliance with the Factory Standard at all times, even when not working on Fair Trade product.

BossRugs: Even though it is not conducting any weaving or tufting activities, Rugs4All wanted workers at BossRugs to benefit from Premium and decided, with the guidance and approval of Fair Trade USA along with the input and support of the FTC, to include all workers and worksites within BossRugs' facilities in its Certificate. As an operation within scope, BossRugs must now comply with the Factory Standard at all times, even when not working on Fair Trade product.

**4.2.2. **Sites Subject to the Trader policy only**

None. Based on the explicit desire to have BossRugs workers part of the group of Premium Participants, both Rugs4All and BossRugs must comply with the Full Factory Standard at all times, even though BossRugs is functioning as the trader in this supply chain.
4.2.3. Workers Included in the Group of Fair Trade Premium Participants

Rugs4All: All workers of the Rugs4All facility must be included in the group of Fair Trade Premium Participants because Rugs4All is in the scope of the Certificate.

BossRugs: All workers of the BossRugs facility must be included in the group of Fair Trade Premium Participants because BossRugs is in the scope of the Certificate.