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

Fair Trade USA
Version 1.0.0

Introduction

The “Fair Trade Premium Participants”, or “Premium Participants”, is the group of workers eligible to elect members of the Fair Trade Committees (FTC) who manage the use of the Premium, as described in requirement EM-PTA 2 of 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.

Purpose

This guidance document provides assistance for determining who must and who may be included in the scope of the Fair Trade Premium Participants. The requirements for who must and may be included as Fair Trade Premium Participants are outlined in the policy document Identifying the Fair Trade Premium Participants 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 of the Factory Standard. 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 and all Certificate Holders 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 Under the Factory Standard for Apparel and Home Goods
- Guidance for Certificate Scope Under the Factory Standard for Apparel and Home Goods
- Identifying the Fair Trade Premium Participants Under the Factory Standard for Apparel and Home Goods
1. Timeline for Determining the Premium Participants

Prior to identifying the Fair Trade Premium Participants, a Certificate Holder must determine the sites and workers which will be included in the scope of the Certificate. Information on the sites and activities which must and may be included in the scope of the Certificate can be found in the Requirements for Certificate Scope under the Factory Standard for Apparel and Home Goods policy and the Guidance for Certificate Scope under the Factory Standard for Apparel and Home Goods document.

Once the sites included under the Certificate have been identified according to the Requirements for Certificate Scope under the Factory Standard for Apparel and Home Goods policy, the individuals who will make up the Premium Participants from each site can be determined.

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 a new site is added to the Certificate, the groups of people to be included as Premium Participants from that site must be determined.

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.

2. Premium Participants Requirements

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

All workers on sites included in the full scope of the Certificate must be included as Premium Participants. This applies equally to permanent and temporary workers as well as production and non-production workers. This also includes any workers employed at sites of subcontracted entities that are included in the full scope of the Certificate.

Workers 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.

The FTC 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.

Personnel who do not qualify as workers, including middle and senior management are not eligible to be Premium Participants.
Table 1 further lists who may and may not be included in the scope of Premium Participants.

<table>
<thead>
<tr>
<th>Scope of Premium Participants</th>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Permanent Workers</strong></td>
<td>Included</td>
</tr>
<tr>
<td><strong>Temporary Workers</strong></td>
<td>Included</td>
</tr>
<tr>
<td><strong>Managers and Supervisors</strong></td>
<td>Included if similar pay rate/tasks as workers</td>
</tr>
<tr>
<td><strong>Middle and Senior Management</strong></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 on certified sites, regardless of whether they are temporary or permanent, full-time or part-time, production or non-production workers. It excludes middle and senior management.

Production line managers or supervisors earning similar pay rates and undertaking similar tasks to production line 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 production 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 production workers.

3.2. Workers Included as Premium Participants

All workers employed in the scope of the Certificate are required to be included as Premium Participants.

This includes workers doing regular work in the production chain, for instance, weaving, knitting, cutting, dying, sewing, assembling, embroidering, sawing, sanding, painting, welding, finishing or adding other embellishment, labeling, printing, packing, and quality checking. It also includes additional personnel who qualify as workers, but are not necessarily part of regular work in the production chain, for example, security staff, cooking and cleaning staff, or lower level office workers who earn similar pay and benefits as production workers.

This excludes individuals hired for short-term non-production projects, such as construction (see Figure 1 below).
4. Case Study Examples

4.1. Case Study 1: Factory Complex of Cut-Make-Trim Facilities

CMT Express is a manufacturing company with three multi-story Cut-Make-Trim facilities (Building A, B, and C) managed by the same entity. The three buildings are located next to each other with a common entrance. Sewing and labelling of Fair Trade product occurs only on the third floor of Building A.

CrossStitch is an off-site subcontractor where some Fair Trade products are sent from CMT Express for embroidery.

4.1.1. Sites in the Full Scope of the Certificate

CMT Express, Building A: Because the final, substantial sewing and the labelling of Fair Trade product occurs in Building A of the factory complex, CMT Express must be the Certificate Holder (see Requirements for Certificate Scope Under the Factory Standard for Apparel and Home Goods policy). Because Fair Trade final and substantial production and labelling occurs in Building A, Building A is required to be within the full scope of the Certificate and must be in compliance with the Factory Standard at all times, even when not working on Fair Trade product.

CMT Express, Buildings B and C: Because no Fair Trade production or labelling occurs in these buildings, they are excluded of the full Scope, however the Certificate Holder, with the guidance and approval from Fair Trade USA along with input and support from workers and the FTC may choose to include them in the scope of the Certificate.

4.1.2. Sites Subject to Sub-section 5.3 (Subcontracting) Only

CMT Express, Buildings B and C: Because no Fair Trade production or labelling occurs in these buildings, they are not required to be part of the full Scope. The Certificate Holder considered including them but decided not to at this time because initial Fair Trade sales and Premium volumes will be relatively low and
there are a significant number of workers in buildings B and C. As Premium volumes increase over time, these buildings may be added in order to make those workers in B and C Premium Participants as well.

CrossStitch: CrossStitch is not undertaking any major sewing or assembly steps, so they are only required to be in compliance with Sub-section 5.3 of the Factory Standard. CMT Express is responsible for ensuring that CrossStitch complies with Sub-section 5.3. CrossStitch may also be visited by Fair Trade auditors.

4.1.3. **Workers Included in the Group of Fair Trade Premium Participants**

CMT Express, Building A workers: All workers of Building A must be included in the group of Fair Trade Premium Participants.

CMT Express, Building B and C workers: Because these buildings are not in the full 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 (see 1.4).

CrossStitch workers: Because this is a subcontractor outside of the full scope of the Factory Standard, these workers are not included in the group of Premium Participants. They can be included and benefit from Premium projects at the discretion of Premium Participants (see 1.4).
4.2. Case Study 2: Bringing More of the Supply Chain into Scope

Bags4All produces handbags in their one-floor facility. They buy their fabric from an artisanal hand-weaving operation, HandWeave, and would like to include HandWeave workers in the Certificate. HandWeave also subcontracts some of its activities to a local company called Overflow.

4.2.1. Sites in the Full Scope of the Certificate

Bags4All: Because the final substantial sewing occurs in the factory, Bags4All must be the Certificate Holder. All workers and worksites inside the Bags4All facility are within the full scope of the Certificate and must be in compliance with the Factory Standard at all times, even when not working on Fair Trade product.

HandWeave: Even though it is not undertaking a major substantial production step, Bags4All wanted workers at HandWeave 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 HandWeave’s facilities into its Certificate. As an operation within full scope, HandWeave must comply with the Factory Standard at all times, even when not working on Fair Trade product.

4.2.2. Sites Subject to Sub-section 5.3 (Subcontracting) only

Overflow: Overflow is not undertaking any major sewing or assembly steps and has not been added to the full scope of the Certificate as HandWeave has. Thus Overflow is only required to be in compliance with Sub-section 5.3 of the Factory Standard.

4.2.3. Workers Included in the Group of Fair Trade Premium Participants

Bags4All: All workers of the Bags4All facility must be included in the group of Fair Trade Premium Participants because Bags4All is in the full scope of the Certificate.

HandWeave: All workers must be included in the group of Fair Trade Premium Participants because HandWeave was added to the full scope of the Certificate.

Overflow: Because subcontractors are outside of the full scope of the Factory Standard and Bags4All did not choose to add them under the full scope of their Certificate, these workers are not included in the group of Premium Participants.

Figure 3
4.3. Case Study 3: Downstream Certificate Holder

Packers Inc. is a facility that only labels and packages furniture. It buys furniture frames and then subcontracts to Assemblers Inc. to attach the padding and cushions at Assemblers Inc.’s facility.

4.3.1. Sites in Full Scope of the Certificate

Packers Inc.: Packers Inc. is the Certificate Holder because it labels and sells product and it is included in the full scope of the Certificate even though it is not undertaking any final substantial assembly activities.

Assemblers Inc.: Although Assemblers Inc. is a subcontractor to Packers Inc., Assemblers Inc. is undertaking the final substantial assembly of the product, so it must be included in the full scope of the Certificate.

4.3.2. Workers Included in the Group of Fair Trade Premium Participants

Packers Inc.: All workers in the Packers Inc. facility must be included in the group of Premium Participants because Packers Inc. is in the full scope of the Certificate.

Assemblers Inc.: All workers of Assemblers Inc. must be included in the group of Fair Trade Premium Participants because Assemblers Inc. is in the full scope of the Certificate.

![Figure 4](image-url)