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 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.

This policy becomes effective September 30, 2018.

Purpose

This document outlines the requirements for 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. Additional related requirements about Fair Trade Premium Participants and the Fair Trade Committee are described in Annex 1: Composition and Eligibility to Serve on the Fair Trade Committee of the Factory Standard.

This policy document is complemented by a guidance document called Guidance to Identifying the Fair Trade Premium Participants in the Rug Industry Under the Factory Standard for Apparel and Home Goods that provides further clarification and examples to assist Certificate Holders (CH) in the rug industry in properly defining the group of Premium Participants. 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 document applies to all applicants for certification in the rug industry and all Certificate Holders 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
- Guidance to 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.

2. Overview of Premium Participants Requirements

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

2.2. All workers on sites included in the scope of the Certificate must be included as Premium Participants. This applies equally to permanent workers, temporary workers, trainees, fixed-term contract workers, young workers, or migrant workers, including workers who never handle Fair Trade product.

2.2.1. 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.

2.3. 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 Industry.
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.

2.3.1. For example, a group of Premium Participants may have three projects: a scholarship fund, a toiletry distribution project, and a football field. The Fair Trade Committee and Premium Participants agreed 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.

2.4. Additional beneficiaries of Fair Trade Premium projects, outside of the group of Premium Participants, may 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 in the community.

2.5. 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.

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

2.7. Table 1 further illustrates who may and may not be included in the scope 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

3.1.1. “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.

3.1.2. 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.

3.1.3. 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

3.2.1. All workers employed in the scope of the Certificate, with the exception of workers working at the trader where the trader only complies with the trader policy (not the full Factory Standard), are required to be included as Premium Participants (see Table 1).

3.2.2. This includes workers doing regular work in the production chain of weaving or tufting rugs. It also includes 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 to workshop workers. This excludes individuals hired for short-term non-production projects, such as construction workers.