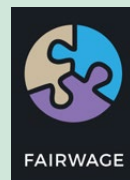


# **SOCIAL SUSTAINABILITY REPORT: SURVEY ON WAGE PRACTICES AMONG LUXURY FASHION SUPPLIERS IN ITALY**



Camera Nazionale  
della Moda Italiana

in collaboration with



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## EXECUTIVE SUMMARY: CAPTURING THE REALITY OF WORKING CONDITIONS IN THE LUXURY SECTOR IN ITALY

The aim of this Fair Wage pilot project was to better understand the working conditions and wages of the thousands of employees working for the luxury sector in Italy taking into account and focusing on the key role of National Collective Labor Agreements agreed between employers and trade unions. For the first time, a large scale survey took place from June 2019 to February 2020, before the global pandemic, with physical visits of 45 suppliers and interviews of nearly 1.100 employees in all regions of Italy, from the north, center and south of the country.

The surveys followed the Fair Wage approach that defines a fair wage based on twelve dimensions that allow to capture the reality of the company not only on wage levels, wage adjustments, pay systems, but also other working conditions such as the number and payment of working hours, intensity at work, opportunities for career progression, eventual wage discrimination and also social dialogue mechanisms.

The results revealed the following situation in Italy. The art. 36 of the Italian Constitutional Chart guarantees the right of all the workers to a remuneration proportionate to the quality and quantity of work done and sufficient to ensure, them and their families, a free and dignified existence. By virtue of that provision, the fair (as sufficient) wage is defined by National Collective Labor Agreements agreed between employers and trade unions. The key role of collective bargaining is also recognized by the EU: in fact, according to the "Proposal of Directive on adequate minimum wages in the European Union" of 28.10.2020, 'collective bargaining ensures wages above the minimum level set by law and induces improvements in the latter, even pushes rise in productivity'.

Hence, this system allows suppliers in the luxury sector, whatever their size, their location or their product, to increase wages on a regular basis and to ensure that those wages would continue, in turn, to ensure workers and their families a minimum to cover their needs in terms of basic goods and services.

Along with those main results, we present in this section a summary of the findings compiled on the basis of all data collected in these 45 individual factories, and highlight the areas where the visited factories were found to be relatively stronger and also the areas in which companies might need some improvements. More complete results are presented in the remaining sections of this report.

### STRONGER AREAS

#### LEGAL COMPLIANCE

The results were quite positive. First, in terms of legal compliance. For instance, nearly 100 % of workers reported to be paid in time, without delays. Another example is the respect by suppliers of the payment of contractual minimum wages applied in the individual sector since a majority of workers reported this wage floor level to be paid to all workers. Finally, factories were generally found to be compliant to the payment of working hours.

## THE PAYMENT OF A FAIR WAGE THAT GOES BEYOND THE LIVING WAGE (AS DEFINED BY THE FAIR WAGE NETWORK)

Our survey also allowed to check wage levels at suppliers in the luxury sector and in particular their ability to pay their workers at least a wage that ensures them and their family will be able to cover their basic needs and to have a decent life. In particular, most workers were paid at least at the "living wage" threshold for Italy (as defined by the Fair Wage Network).

The gross average wage among visited suppliers was 2.062 euros at the moment of the survey (second half of 2019), which was nearly 50 % above the living wage for Italy (of 1387 euros). This situation was also due to a regular process of wage adjustments from one year to the other. This process explains why the luxury sector could position itself on the payment of a fair wage rather than only a living wage.

## A PROCESS FACILITATED BY COLLECTIVE AGREEMENTS THAT REGULATE WAGE-FIXING

This was mainly due to the existence in Italy, despite the absence of a legal minimum wage at national level, of collective agreements signed in individual sectors that help wages to be adjusted on a regular basis, through a consultative process with representative trade unions. 100% of the 45 suppliers reported to be covered by a national collective labor agreement. Such national collective labor agreements define sectoral minimum wages that represent a wage floor under which no workers will then be paid.

## DYNAMIC WAGE DEVELOPMENTS

Collective agreements were also found to ensure a regular adjustment of wages to price increases that was confirmed by the workers. By defining a wage grid, these collective agreements also lead wages to be closely related to skills and skills' upgrading, and by doing so also make sure that wages are adjusted on the basis of objective and not subjective criteria, thus limiting the sources of wage discrimination. It was also positive that a majority of workers reported to be given opportunities for professional development.

### POSITIVE DEVELOPMENTS

- Excellent results on salary payments and other legal compliance issues
- Wages above the living wage for Italy as defined by the Fair Wage Network
- Wages at a level that generally covers employees' family expenses
- 100 % of suppliers are covered by a national collective labor agreement
- A majority of workers reported wage adjustments to price increases
- A close link was identified between skills and salary levels for all categories of employees



## AREAS FOR FURTHER IMPROVEMENTS

### MONITORING DIFFERENCES IN LIVING STANDARDS

The situation was obviously diversified according to the personal and family situation of workers. When we asked workers to report their monthly expenditure, we could figure out that in some cases, one income earner was often not enough to ensure their total family expenditure level, and that they could only cope by having more income earners in the family. This means that there are opportunities to complement contractual minimum wages with wage negotiations and wage policies at enterprise level even to enhance work experience and individual performance.

### MAKING PAY SYSTEMS FAIRER AND MORE PERFORMANT

Some improvements in pay systems were also identified, since they were sometimes evaluated by workers either as not sufficiently fair or not fully efficient. There seems to be a particular need to further link wages to performance, something that managers of suppliers could do by introducing for instance bonuses related to the team's, department's or company's results, as a way to further improving pay systems and human resources policies.

Similarly, while contractual minimum wages are providing a floor, they should be complemented by wage supplements -we saw that a number of companies were paying for instance a wage supplement or 'superminimo' to the workers - and also wage negotiations at enterprise level, in order to help wages to be more closely related to the specific features of the workers, in terms of skills, education and professional experience.

### ENSURING THE ABSENCE OF WAGE DISCRIMINATION

Considering the high proportion of women being employed in the luxury sector (they represented 58% of total employees in our sample), individual companies should make particular efforts to ensure that women will not only be paid as much as men for the same qualifications and jobs' contents, but that they will also have access to the same opportunities for career progression.

Other forms of wage differences between locals of foreigners or between workers on a temporary and those on a permanent work contract should also be progressively reduced.

#### AREAS FOR IMPROVEMENT

- Communication: Limited knowledge of workers of contractual minimums
- Collective agreements: opportunities to complement contractual minimum wages with wage negotiations and wage policies at enterprise level.
- Living standards: A salary often below total family expenses; this means that they can only cover these expenses if there is more than one income in the family
- Full compliance: Still some cases of delays in wage payment, of under-paid overtime hours, and of missing individual work contracts
- Pay systems: wages still not sufficiently linked to performance

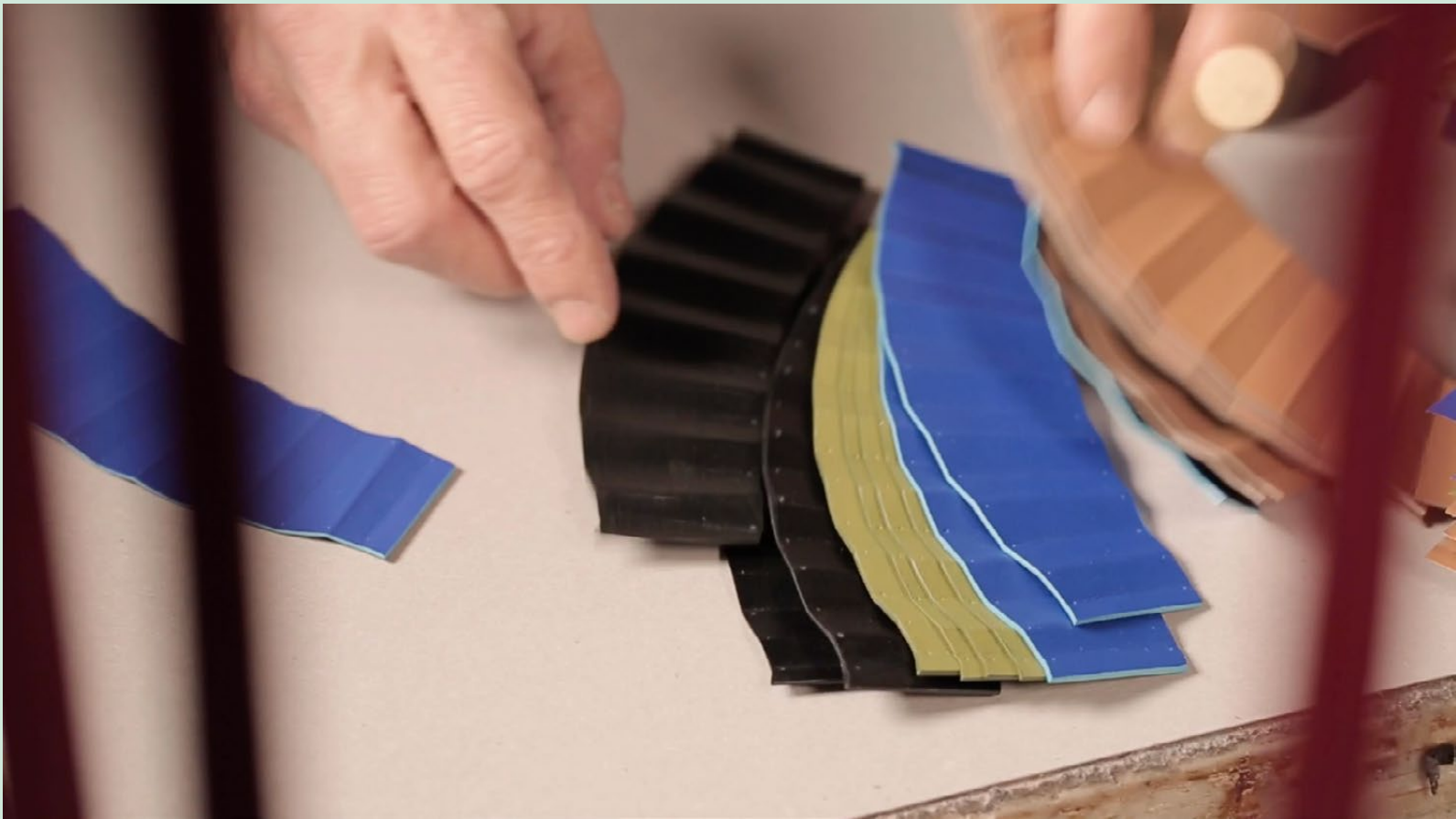
## AN OVERALL POSITIVE PICTURE

Overall, 81% of workers were either fully (24%) or partially (57%) satisfied by their working conditions, and 82% of workers well satisfied about their wages either fully (16%) or partially (66%).

It was also significant that from their performance on the 12 Fair Wage dimensions, 25% of factories were able to reach the necessary scoring to receive the Fair Wage certification. Many of the remaining companies were not far from that threshold and could reach it in the near future if they improved their wage practices on the basis of the assessment results that identify root causes and possible remediation.

- Employees generally satisfied with their wages (82%)
- Very good satisfaction also with working conditions (81%)
- Relatively low turnover and high seniority
- **Fair Wage certification achieved for 25% of companies**

This movement toward better wage practices could be greatly helped by the Fair Wage Road Map prepared by CNMI and Fair Wage Network, which is precisely aimed at providing guidance in this area to companies and their suppliers in the luxury sector. By committing to -and implementing- the Road Map 10 basic principles, companies could start defining better wage practices, and then more extensively monitor and improve them, so that they would start being part of these companies' culture and know-how, and become one strong determinant of their future competitiveness and business development.



## 1. INTRODUCTION

As Italy's second largest industry, fashion is a critically important engine of economic growth and recovery, as well as a key source of social wellbeing. The sector employs more than 500,000 workers across the nation, relying on workers in numerous large factories as well as thousands of small family businesses and artisan workshops to craft its world-renowned apparel, footwear and leather goods.

CNMI has long understood fashion's key role as a jobs' driver, which is why sustainability has been a major focus of its work for over a decade. In 2018, CNMI set up a Committee on Social Sustainability, which drew a great deal of interest among major luxury brands who source here in Italy, and who conveyed that they are looking for quality in their production process, including quality in raw materials, products and technologies, but also quality in wages and working conditions across the supply chain.

As part of its commitment to social sustainability, CNMI entered into a partnership with the Fair Wage Network - a third-party non-profit organization that uses industry partnerships and a unique methodology to improve wages and working conditions in all industries - to carry out a large scale project on fair wage and working conditions throughout the luxury sector in Italy.

This led the Fair Wage Network to conduct a large-scale investigation of Italy's luxury supply chain with 45 factory visits across all regions of Italy and interviews of more than 1.100 employees. While this is just a sample of the Italy's many suppliers, efforts were made to ensure it was representative of the nation's luxury supply chain overall, and which also led to the establishment of guidelines and actions in our Social Sustainability Road Map (available at: [www.cameramoda.it](http://www.cameramoda.it)).

The results revealed the following situation in Italy. The art. 36 of the Italian Constitutional Chart guarantees the right of all the workers to a remuneration proportionate to the quality and quantity of work done and sufficient to ensure, them and their families, a free and dignified existence. By virtue of that provision, the fair (as sufficient) wage is defined by National Collective Labor Agreements agreed between employers and trade unions. The key role of collective bargaining is also recognized by the EU: in fact, according to the "Proposal of Directive on adequate minimum wages in the European Union" of 28.10.2020, 'collective bargaining ensures wages above the minimum level set by law and induces improvements in the latter, even pushes rise in productivity'.

Hence, this system allows suppliers in the luxury sector, whatever their size, their location or their product, to increase wages on a regular basis and to ensure that those wages would continue, in turn, to ensure workers and their families a minimum to cover their needs in terms of basic goods and services. Results on wage levels and wage practices are presented in the next sections.

## 2. THE SURVEY PROCESS AND METHODOLOGY

### 2.1 SUPPLIERS' LARGE-SCALE PARTICIPATION IN A UNIQUE SURVEY IN THE LUXURY SECTOR

In total, nearly 1.100 workers (1.064) were interviewed, representing almost 20% of the 45 suppliers' total number of employees, that was approximately nearly 5.500 employees (5.402). This exercise was really representative of the luxury sector in Italy since it was very much diversified covering almost all regions (see map below), and also all types of enterprises from large few hundred employees' companies to more traditional, artisanal often family businesses. The larger factory we visited had 570 employees while the smallest had 1 employee, and the average sample was 24 employees per factory. Finally, the survey was also diversified in terms of products with factories producing clothing, footwear, leather goods, accessories, components and many other products.

It involved interviews with individual workers complemented by a management survey and data collected at factory level. At the beginning of the process, it was requested to the management of individual suppliers to share their full list of employees with their characteristics (gender, age, seniority, position and department) so that a sample of representative workers (generally at least one fourth) could be selected for the interviews. A visit was then organized in the company with interviews of selected workers with also a management questionnaire, interviews with HR and Compensation directors/specialists who also provided statistics and documents such as copies of individual work contracts, of pay slips, of national collective labor agreements applied in the company.

The principle of confidentiality was guaranteed through the whole process with all responses from individual enterprises and workers being then treated in an anonymous and pooled into an aggregate data base. The whole process was presented as an assessment and not as an audit with not strict controls of books or of legal compliance being requested during the visits. The whole process was rather presented as an opportunity for companies to learn more on their wage practices and also to receive some feedback from their own employees. The same principle of partnership and transparency was respected at more global level, among the brands participating in the Committee on Sustainability put in place by CNMI.

The survey was built around the 12 dimensions that help defining a fair wage, such as wage levels, wage adjustments, pay systems, but also other working conditions such as the number and payment of working hours, intensity at work, opportunities for career progression, eventual wage discrimination and also social dialogue mechanisms.

With its maximum coverage, this survey is unique since there have not been any surveys on wages and working conditions in the luxury sector in Italy being carried out on that scale yet.



THE SAMPLE

Visited suppliers: 45 (out of 83 that were contacted)

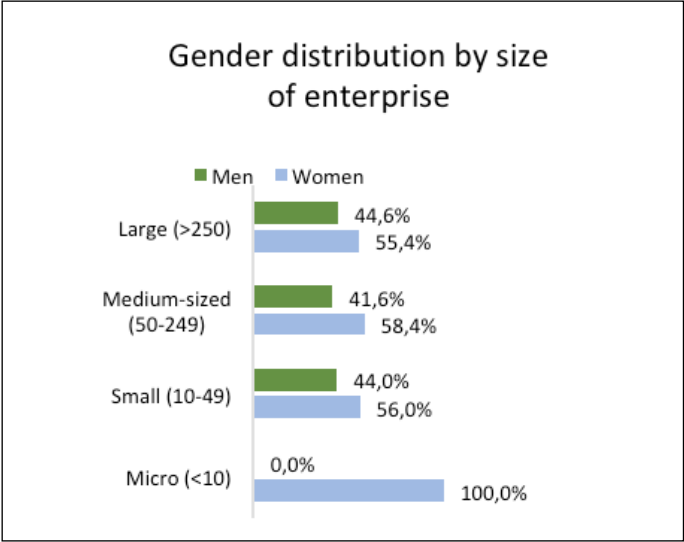
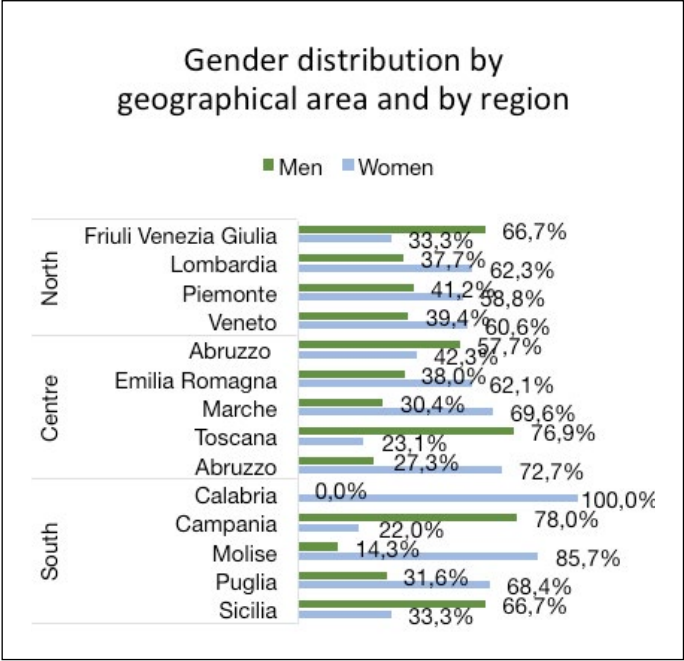
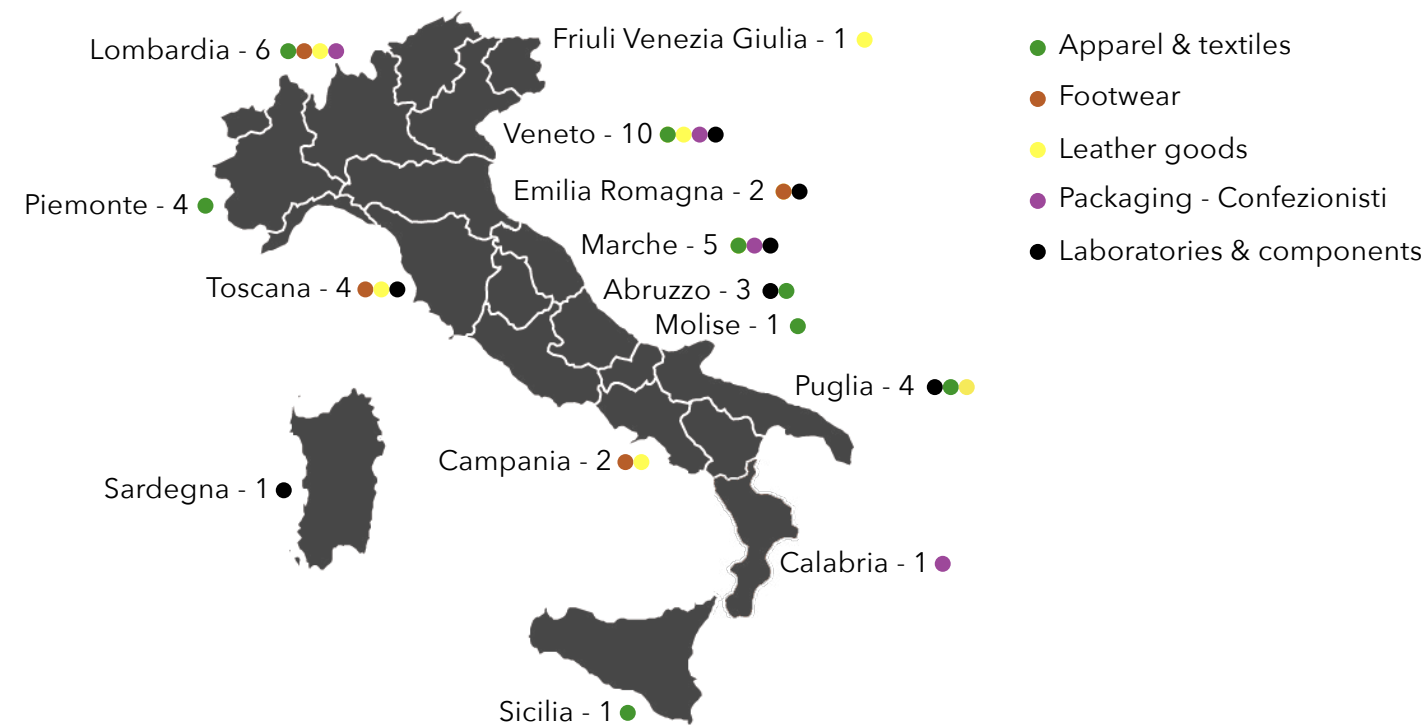
45 factories in 14 Regions: North - 21 companies / Center - 14 companies / South - 10 companies

Number of workers interviewed: 1.064

Total number of workers in factories: 5.402

Average sample of interviewed: 24 employees per factory

Percentage women: 58%; percentage men: 42%



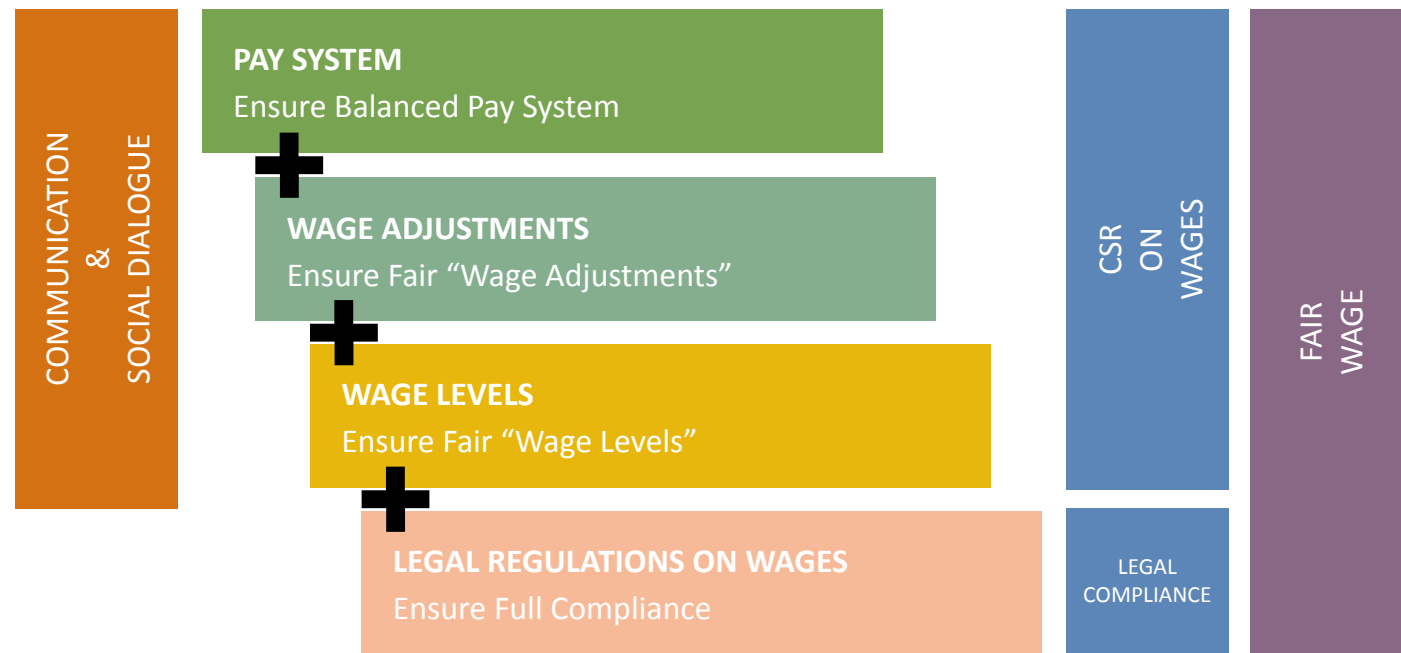
This survey also contributes to show the extent of employment in the luxury sector in Italy. In particular, it confirms this sector as a major source of employment for women who represented 58% per cent of our total sample of workers. Although the percentage of women seems to vary slightly by individual regions, and also by size of enterprises, it seems to depend mainly on the particular features of the companies, and in particular the sector of activity in which they operate and the goods they produce. From our sample, there were more men than women employed in Footwear and in Leather, (50% and 70% of men respectively) and more women than men employed in Packaging ('Confezionisti' with 83% of women), Laboratories and Components (71%) and Clothing (59%).



## 2.2 FAIR WAGES DEFINED AROUND 12 DIMENSIONS IN 5 AREAS OF WAGE PERFORMANCE

The fair wage approach is aimed at providing a more comprehensive approach on wage issues to companies, first to assess all different elements in the wage fixing process and in the wage structure, and second, on that basis, to identify the root causes behind the reported issues, and then, to be able to provide remediation.

### FAIR WAGE FRAMEWORK



The fair wage approach is looking at five major areas that were also systematically investigated for this exercise in Italy: 1) **Legal issues** like the proper payment of wages, of the minimum wage and the respect at maximum number of working hours and payments of working hours including overtime; 2) Second, **wage levels** with the need for a company to ensure good performance in terms of living wage but also of the prevailing wage, that is the comparison with market rates, and also in term of pay equality with no sources of discrimination for instance by gender, nationality or ethnic origin; 3) third, **pay systems** because the way companies pay workers can also have differentiated effects on workers' motivation and productivity; 4) fourth, **wage adjustments** because a company can pay a fair wage today that might become unfair tomorrow if it is not regularly adjusted to price increases or company's results; 5) finally at **communication and social dialogue** because a company can have very nice pay systems and even very generous bonuses but workers may not know about them. Similarly, it is important to have a dialogue with workers' representatives at unit level to know better about eventual problems and also to avoid social discontent and even strikes. A total of 12 fair wage dimension have been retained in the fair wage approach (see annex)<sup>1</sup>.

Most significant results of our surveys are presented in the following text and graphs around the same five distinct fields.

<sup>1</sup> See at [www.fair-wage.com/en/fair-wage-approach-menu/12-fair-wage-dimensions-menu.html](http://www.fair-wage.com/en/fair-wage-approach-menu/12-fair-wage-dimensions-menu.html)

## 3. MAIN SURVEY RESULTS

### 3.1. ONE KEY FEATURE OF THE ITALIAN STORY: NATIONAL COLLECTIVE LABOR AGREEMENTS

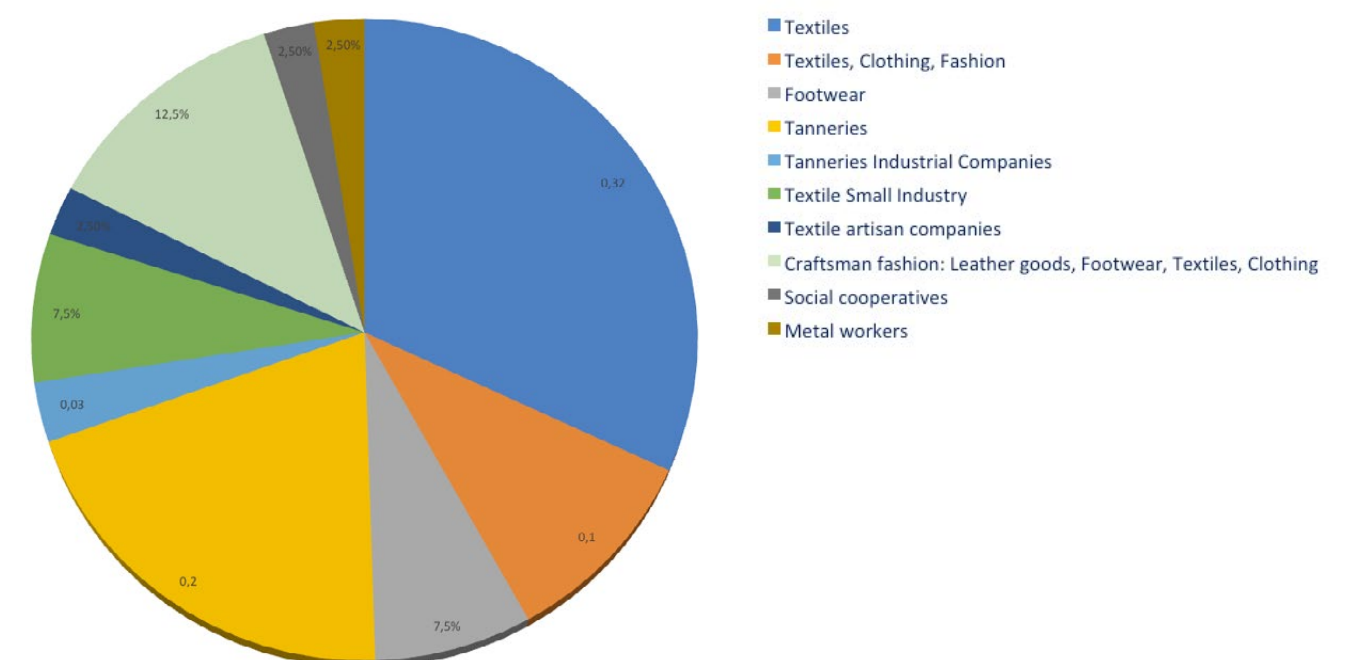
We start here presenting results on communication and social dialogue, considering that the survey results on the luxury sector in Italy highlighted one important feature that was found to influence all the other results and fair wage dimensions of Italian suppliers: the presence of National Collective Labor Agreements.

These agreements are signed (according to art. 36) in individual sectors between the employers' organizations and most representative trade unions of workers and that seem to act as a level-playing field for companies to improve in terms of legal compliance (paying minimum wages as a wage floor) but also in terms of pay systems and other fair wage dimensions (for instance on the link between skills and wages).

All 45 visited suppliers (100% of them) confirmed that they were covered by collective bargaining, generally by a national collective labor agreement concluded at sector level (the management in every factory provided a copy of the agreement applied in the enterprise), and sometimes even supplemented by a collective agreement signed at factory level.

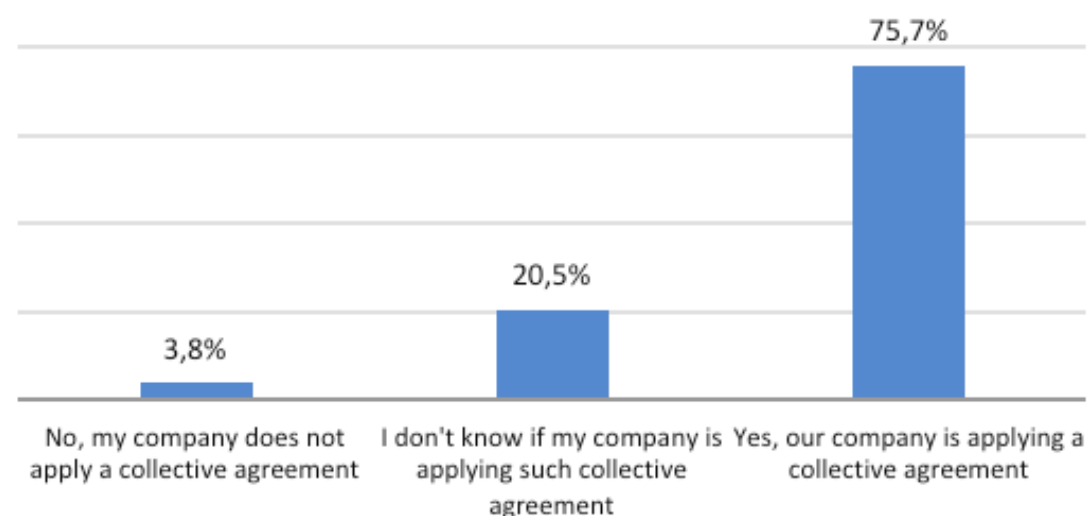
Each of these national collective labor agreements defines contractual minimum wages, thus ensuring a minimum wage for all employees, of 1.309 euros on average for the employees of the 45 companies. 32% of the agreements were in Textiles, followed by leather Tanneries (20%), Craftsman fashion (12.5%) and Clothing (10%), Footwear (7.5%) and Small textile industry- 76% of workers were aware to be covered by a national collective labor agreement. A majority of workers (nearly than 60%) also confirmed the presence in their company of a trade union or of a workers' committee or council involved in wage discussions.

Distribution of visited companies by sectoral collective agreements

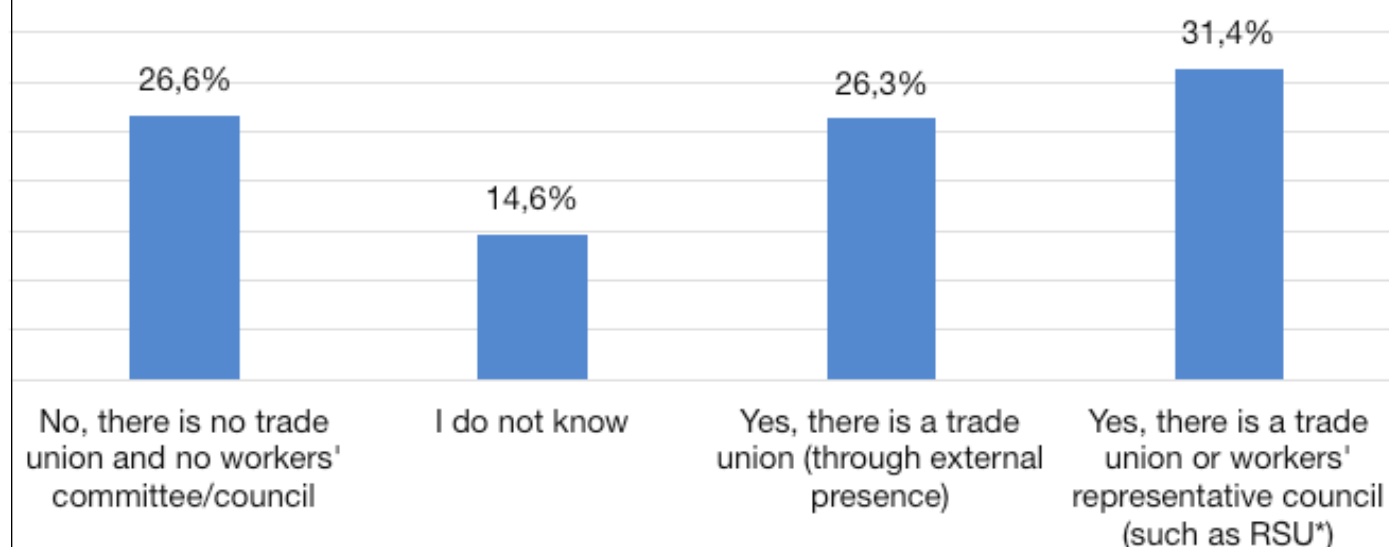




### Do you know if your factory is applying such a collective agreement?



### In your company, is there a trade union or a workers' representative council/committee?



#### SUMMARY OF FINDINGS ON COLLECTIVE AGREEMENTS

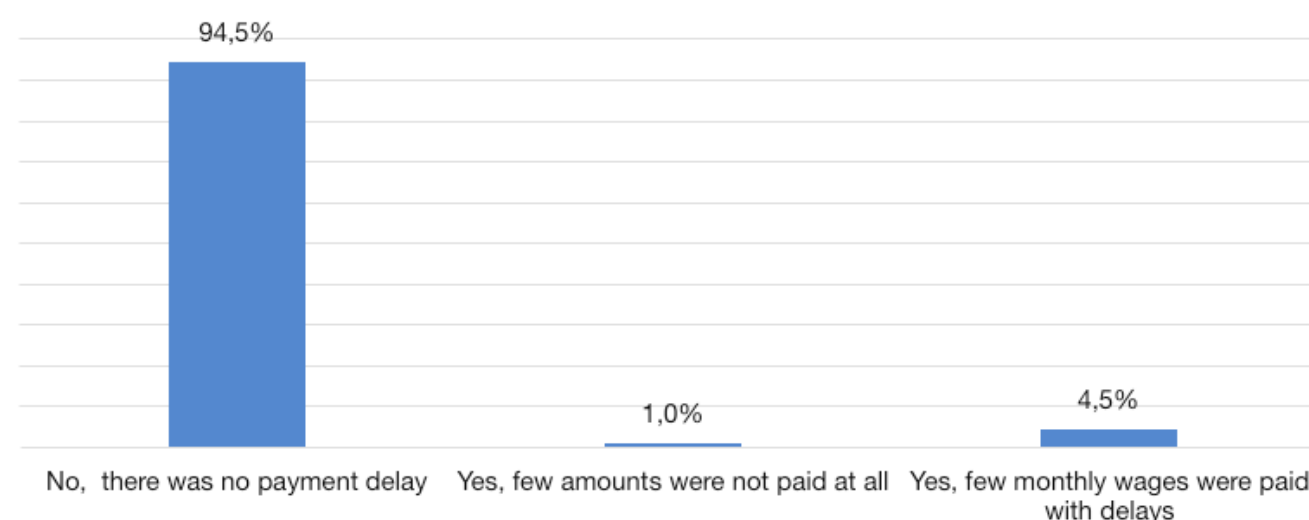
100% of companies are covered by a generally sectoral collective agreement  
 Sometimes supplemented by a company collective agreement  
 This collective agreement ensures the payment of contractual minimum wages  
 Ensures the link between qualifications and salary levels  
 Limits sources of wage discrimination  
 Ensures regular adjustments to price increases

## 3.2. LEGAL REGULATIONS: WIDESPREAD COMPLIANCE

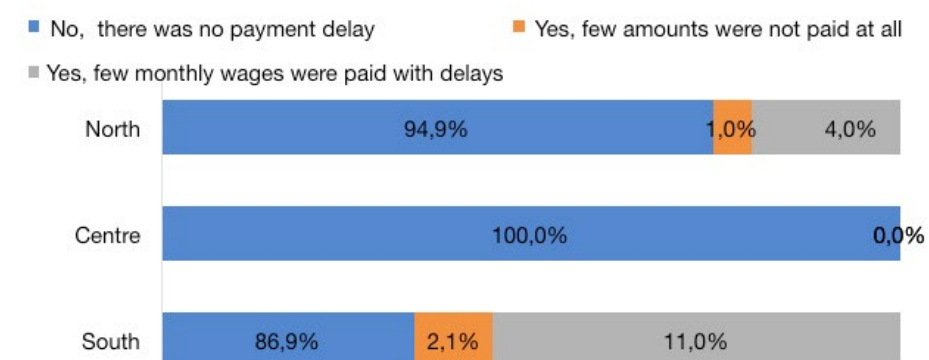
Our survey revealed that the suppliers under coverage generally show a strong compliance to the legal provisions in force in Italy.

An example of a Fair Wage dimension in which individual suppliers performed very well is the "payment of wages". All managers (100%) reported no delays in salary payments, which was confirmed by almost all workers (94.5%). There were some cases though where workers (4.5% of them) reported few months' delays in getting their wage, mainly in the South of Italy with also some cases in the North

### Did you experience any delay in getting your wage paid over last year?



### Did you experience any delay in getting your wage paid over last year? By geographical area

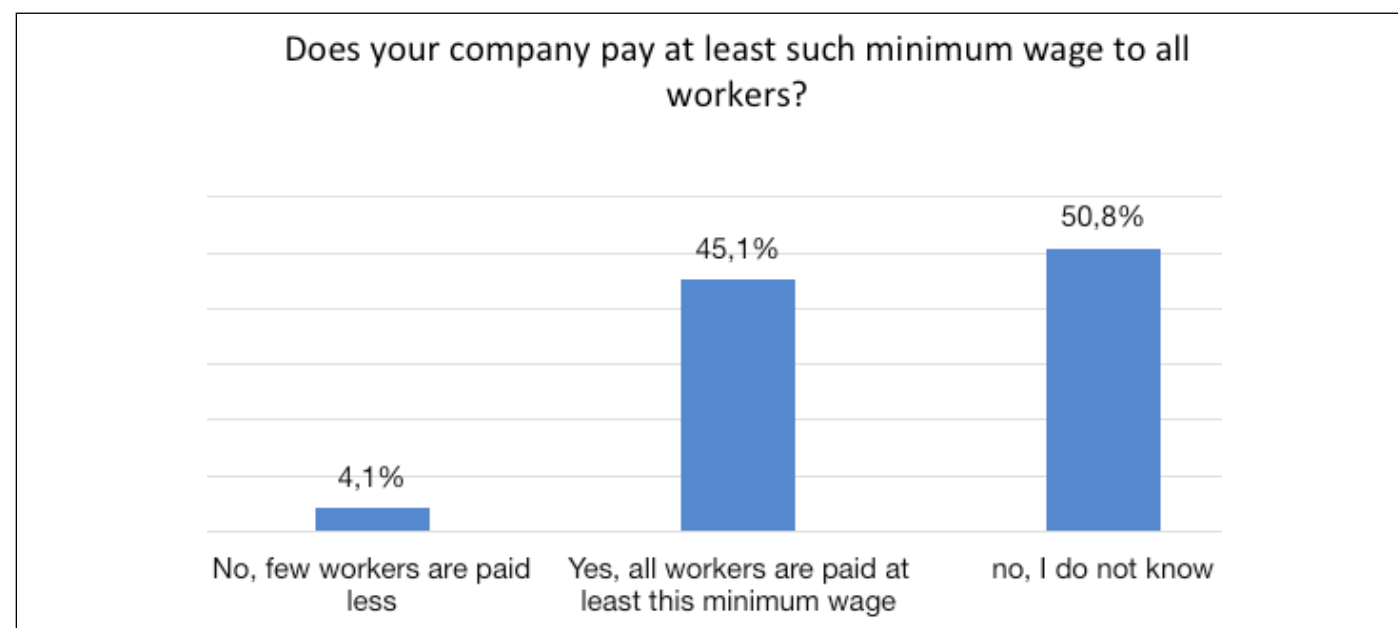
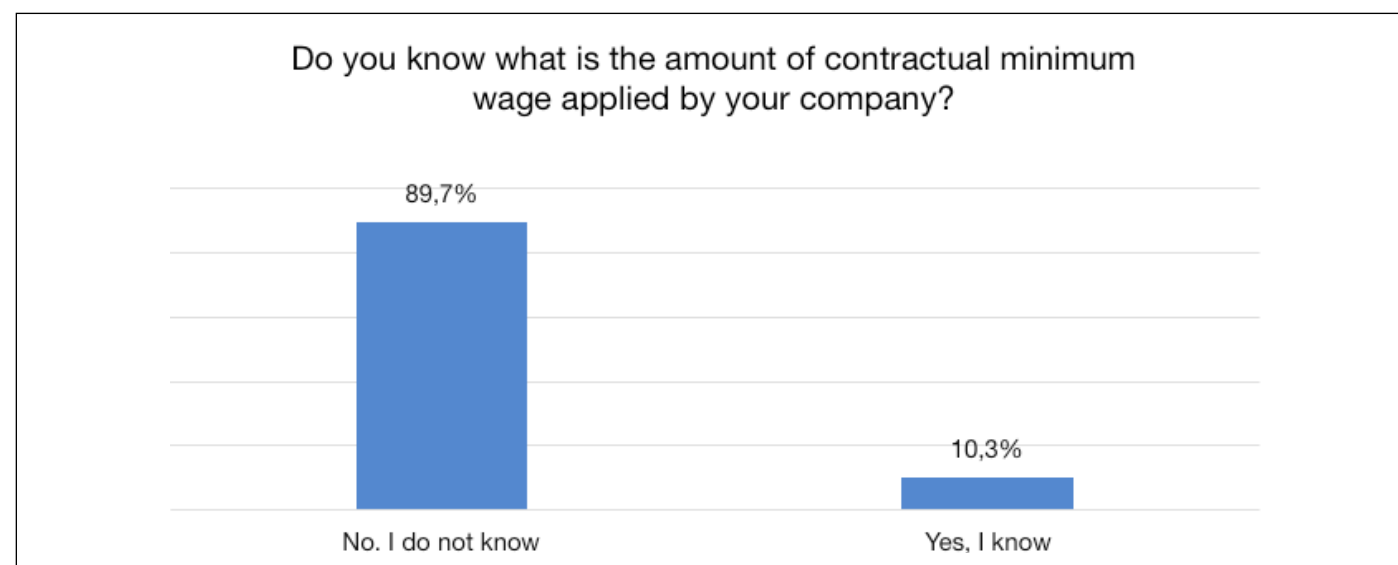


Another example is the respect by suppliers of the payment of contractual minimum wages applied in the individual sector since a majority of workers reported this wage floor level was paid to all workers by the company (only 4.1% reported otherwise). National collective labor agreements therefore make it possible to set a minimum wage floor for the categories of less qualified employees positioned at the bottom of the wage scale.

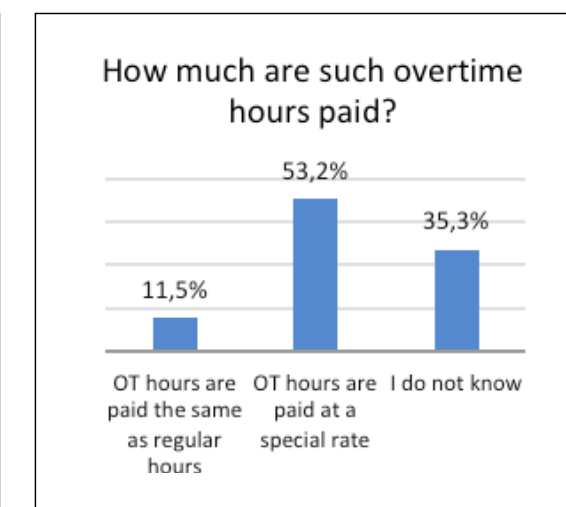
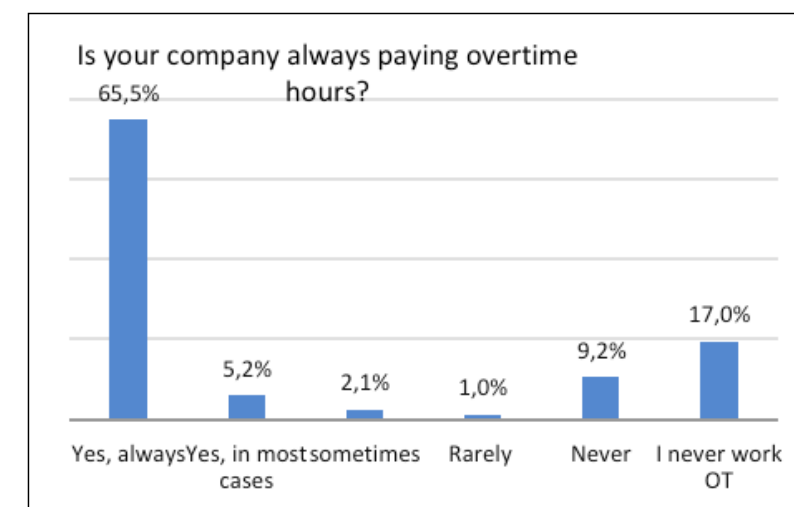
At the same time, workers are expected to know what are the levels of contractual minimum wage to be applied by their enterprises, something that a majority of workers (90%) did not know, showing the need for more communication from the management in this respect.



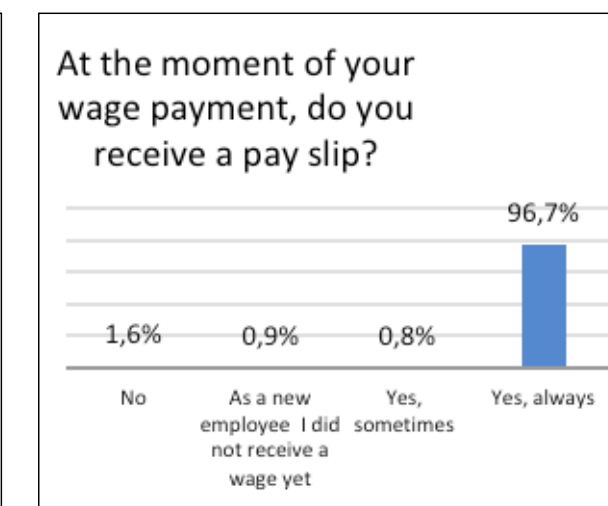
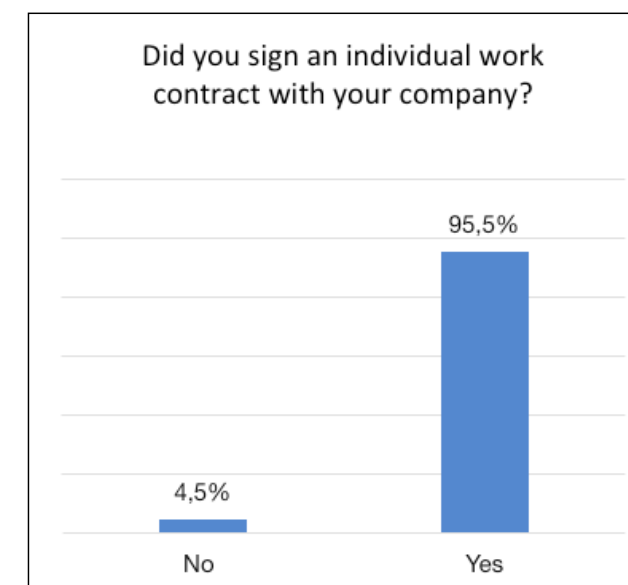
## PAYMENT OF CONTRACTUAL MINIMUM WAGES (MINIMI CONTRATTUALI)



## PAYMENT OF OVERTIME HOURS



## INDIVIDUAL WORK CONTRACTS AND PAY SLIPS

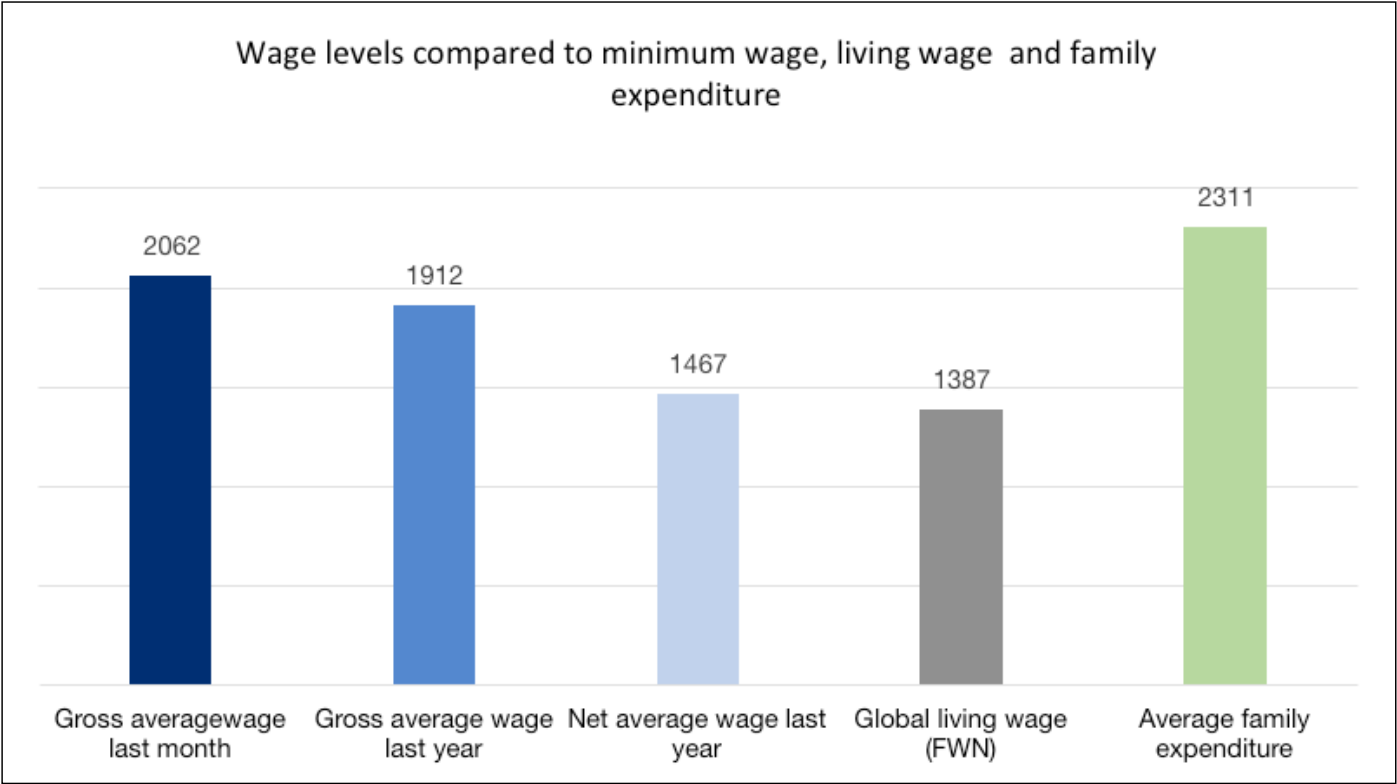


## 3.3 WAGE LEVELS: A SALARY THAT GENERALLY COVERS BASIC NEEDS

Widespread compliance was also found in terms of payment of working hours. Most workers reported to have their overtime hour to be always remunerated. 9% reported not to have these OT hours paid, something that was due in a number of factories to a sort of compensation mechanism where OT hours are converted into leave days instead of being remunerated. Managers should also ensure that OT hours will be paid at a premium or special rate, that is at more than the payment of regular working hours. On the contractual side, nearly 100% of workers reported to have signed an individual work contract and also to receive a pay slip at the end of the month, at the moment of their wage payment.

The statistics collected during the interviews allowed to compare wage levels to a number of benchmarks like the contractual minimum wages, but also to the living wage threshold for Italy (according to a global method of calculating the living wage defined by the Fair Wage Network and applied to Italy), and also to the average of total family expenditure that were reported by individual workers. A number of stakeholders have in fact insisted on the need to have corporate businesses taking the responsibility to have workers being paid at least a living wage (for instance civil organizations, or even governments, International organizations and even investors)<sup>2</sup>.

Such analysis of wage levels shows that the average wage in the visited companies allows employees to earn enough to ensure their basic needs. A comparison of these wages with the level of 'living wage' defined by the Fair Wage Network database for Italy shows that this gross average wage of 2.062 euros at the moment of the survey (second half of 2019) was nearly 50% above the living wage for Italy (of 1.387 euros)<sup>3</sup>.



This situation contrasts with a number of studies on the living wage that generally present average wages at company level below the living wage level, including in European countries.<sup>4</sup>

At the same time, we should be aware that this situation might not always be optimal, especially when we compare this same average wage to the total family expenditure on which our survey could collect fresh data, by asking employees to report their family expenditure such as on housing, food, but also health, education, transportation and other items.

<sup>3</sup> From the civil society, see: CleanClothesCampaign 'Living wage in Europe', 2020, available at <https://cleanclothes.org/campaigns/living-wages-in-europe> and also the report 'Italian Living wage report', 2014, available at <https://cleanclothes.org/file-repository/resources-publications-italian-living-wage-report/view>. See also Fair Wear - Italy Assessment 2019, available at: <https://api.fairwear.org/wp-content/uploads/2019/12/Italy-Risk-Assessment-2019.pdf>. For governments, see: G20 Labour and Employment Ministers Meeting report, 2017; available at <https://actonlivingwages.com/wp-content/uploads/2017/06/G-20-Ministerial-Declaration.pdf>. See also 'L20 priorities for the G20 Summit' report, Osaka, 28-29 June 2019; available at [https://www.mofa.go.jp/policy/economy/g20\\_summit/osaka19/pdf/engage\\_l20declaration\\_2019en.pdf](https://www.mofa.go.jp/policy/economy/g20_summit/osaka19/pdf/engage_l20declaration_2019en.pdf); for International organizations see: [https://ilo.org/wcmsp5/groups/public/---ed\\_protect/---protrav/---travail/documents/publication/wcms\\_557250.pdf](https://ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/publication/wcms_557250.pdf); For investors see: 'The living wage: Towards better industry practices', by Almundi, 2018, p.8; available at <https://research-center.almundi.com/page/Publications/Discussion-Paper/2018/07/The-living-wage-towards-better-industry-practices>

<sup>3</sup> This is the FWN living wage threshold for a family of 2 adults + two dependents. To be noted that for ISTAT, 2019, the 'absolute' level of poverty in Italy is 1094 Euros for a family of 2 members, 1456 Euros for a family of 3 members and 1785 for a family of 4. ISTAT also calculated a 'relative' poverty line (that corresponds to the average expenses per individual in the country) that was estimated to be 1094 Euros in 2019. Available at: [https://www.istat.it/it/files/2020/06/REPORT\\_POVERTA\\_2019.pdf](https://www.istat.it/it/files/2020/06/REPORT_POVERTA_2019.pdf)

<sup>4</sup> See the debate about the living wage in the United Kingdom for instance, UK Living Wage Foundation reports

This led to an average household spending of 2.311 euros per month, which is another benchmark, more generous than the 'living wage' as it also includes other elements considered to be important for having a decent life such as spending on leisure activities for going to the cinema or going to lunch or dinner from time to time. It turns out that the average salary of an individual worker is no longer sufficient to cover these family expenses and that other incomes are needed in the family. On average however, 70% of employees confirmed that other members of their family were bringing some additional income, of 1.210 euros on average.

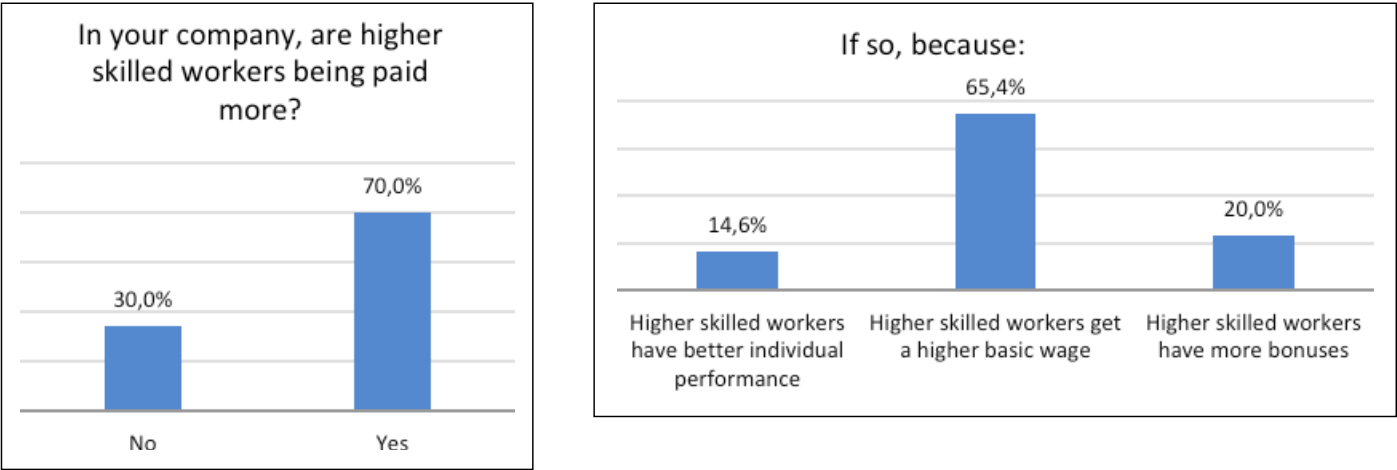
### 3.4. WAGE ADJUSTMENTS: KEEPING PACE WITH INFLATION

One important way to keep wages at or above the living wage is to have wage-adjustment mechanisms at enterprise level that will ensure wage increases at least every year to keep up with inflation pace.

This is a dimension we tested in our survey by asking both workers and the management whether wages were somehow adjusted on a regular basis to price increases. A majority of them reported that their wages had been fully or at least been partially adjusted to price increases. The presence of a trade union or of a workers' committee was confirmed by a majority of workers (more than 60%, while 15% did not know and 24% reported no such workers' representatives) highlighting some process of wage discussions/negotiations.

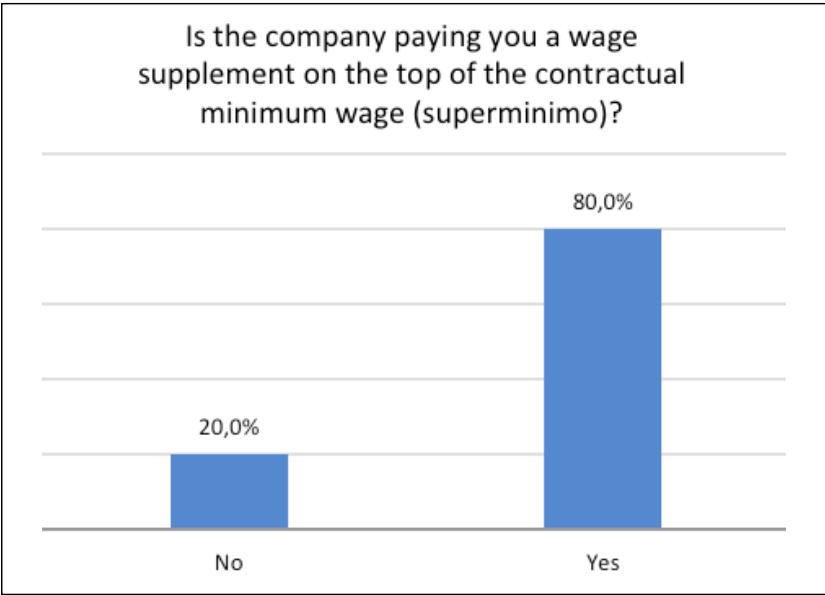
### 3.5. PAY SYSTEMS: A CLOSE LINK WITH QUALIFICATIONS

We saw that the existence of the national collective labor agreement allows to set contractual minimum wages that act as a wage floor. At the same time, these national collective labor agreements also allow a better link between qualifications and salary levels for all categories of employees as shown in the graphs below.

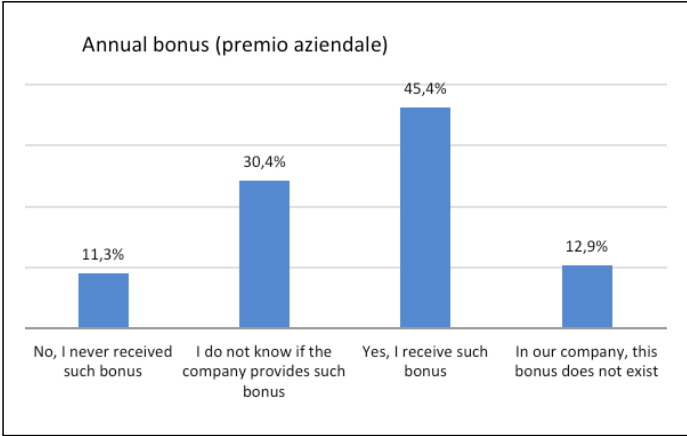
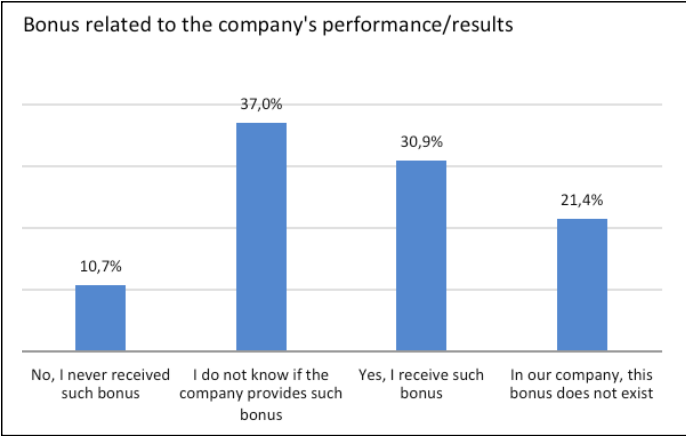


This aspect of wages reflecting skills is particularly important for the luxury sector for which the quality of the labor force and of the goods produced is part of their major value-added. These qualifications of employees in turn are an important factor of innovation and an essential lever for the know-how that was generally observed in the visited factories working in the luxury sector.

The survey also allowed us to better know the wage structure in the company and to identify the different components of the wage package provided to employees.



It is instructive that a majority of enterprises were found to pay an additional monetary amount on the top of the contractual minimum wages (wage supplements generally called 'superminimi'). This is a sign of well-functioning pay systems since the employers realize that they rather pay workers more to improve their motivation and productivity. On the other hand, it might mean that the contractual minimum wages agreed in sectoral collective agreements might be too low to properly motivate workers, thus forcing the company to pay employees 'superminimi' or additional company bonuses. A number of factories (45%) were in fact also found to distribute a number of bonuses such as a yearly bonus (generally referred to as 'premio aziendale').

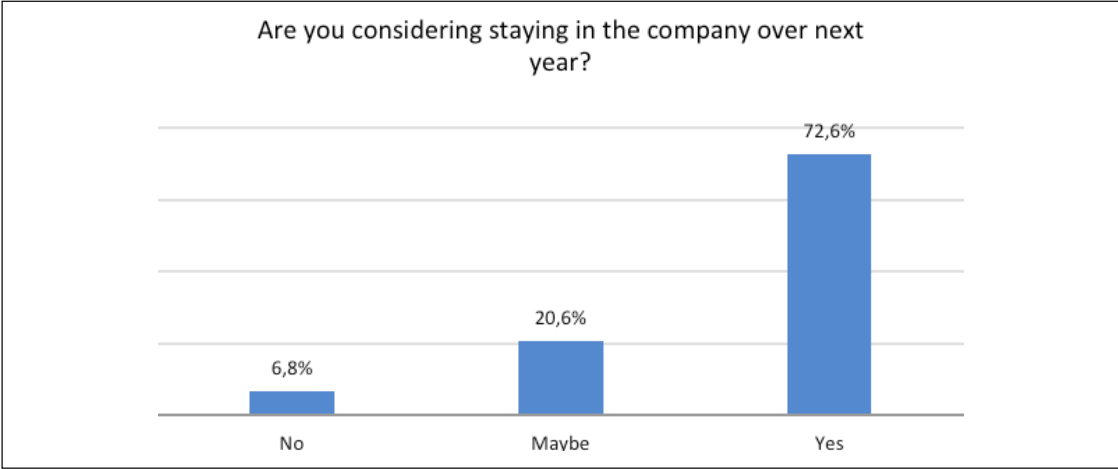
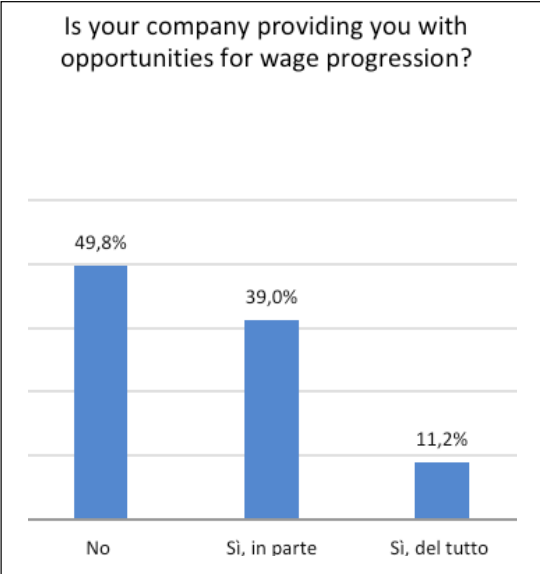
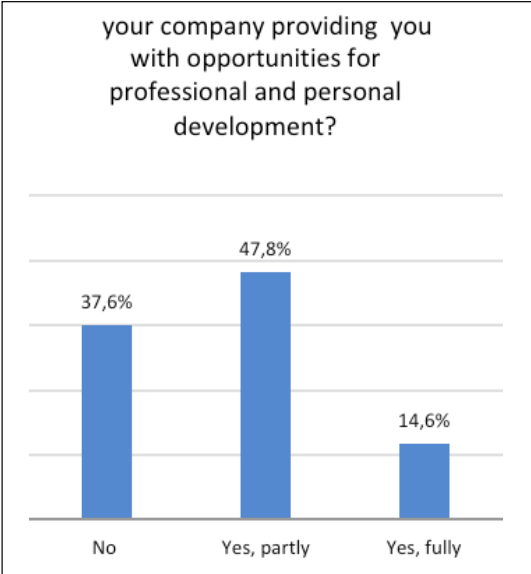
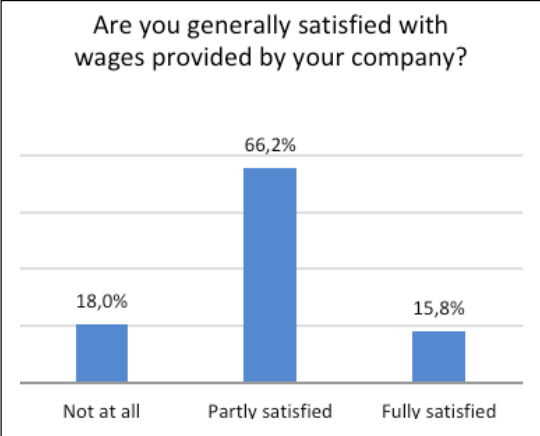
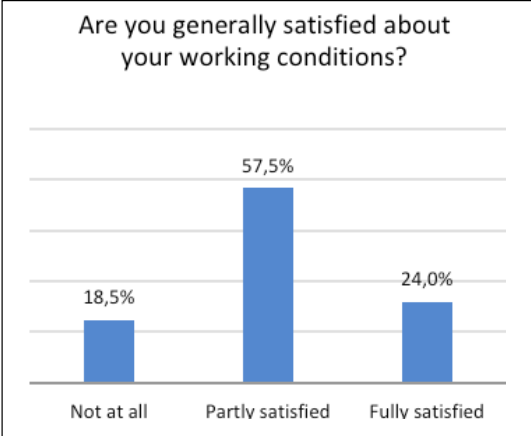


At the same time, workers reported that their wages were not sufficiently linked to their performance, to productivity or to the company's results. Only 30% had a sort of bonus related to collective or company performance.

## 4. OVERALL ASSESSMENT

### EXCELLENT EMPLOYEE SATISFACTION

Overall, the employees were very satisfied with their working conditions and wages. 81% were fully (24%) or partially (57%) satisfied with their working conditions, and 82% were fully (16%) or partially satisfied (66%) with their wages. 84% do not expect to leave the company in the next six months, and 73% in the next year. The average seniority in the 45 companies was in fact rather high, of 93 months, i.e. 8 years. It was also positive that a majority of workers employed in our 45 suppliers reported to be given opportunities for professional development.





## FAIR WAGE CERTIFICATION

The Fair Wage survey allowed to assess the performance of individual suppliers that got a score for each of the 12 Fair Wage dimensions as well as for their overall wage practices. Once they reach the threshold of 300 points that corresponds to 75% of the maximum score of 400 points (without registering a low score in more than two dimensions), the companies can be granted the Fair wage certification.

Out of the 45 companies, exactly 25% have reached that threshold and thus obtained the score required to receive the Fair Wage certification and the Fair Wage label that guarantees the payment of a fair wage. Many of the other individual suppliers were nearly at that threshold that they could certainly reach through some remedial action in the next months to come. This was a sign of fair and balanced wage practices in a significant number of companies.

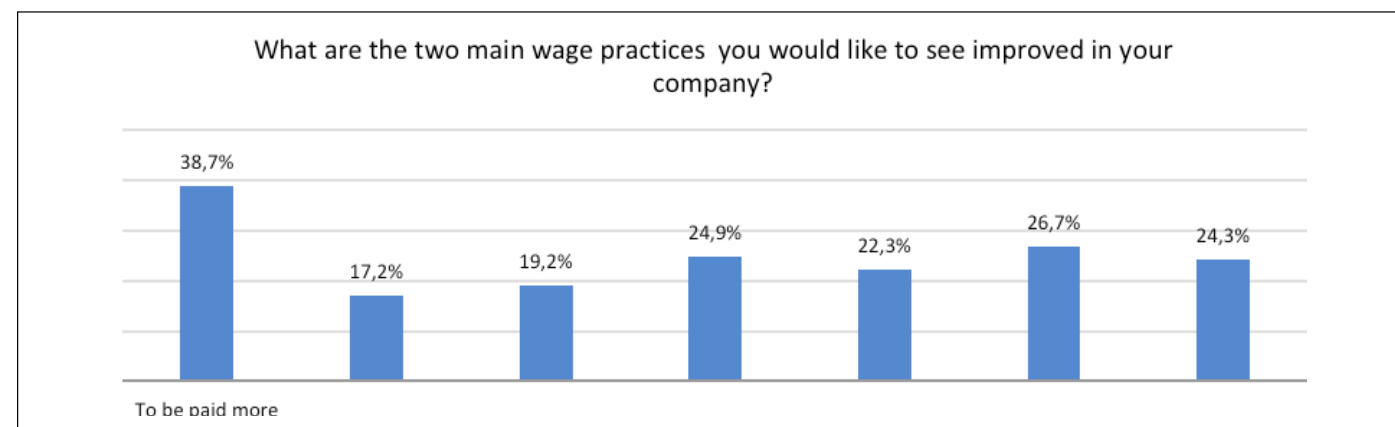
## SOME AREAS FOR IMPROVEMENT

At the same time, some possible improvements have been identified. The employee survey was particularly useful in identifying the improvements needed in individual enterprises. For example, cases of delays in wage payments or of insufficient overtime payments were identified, as well as cases of some employees not being covered by an individual employment contract.

Although these cases remain isolated, they should encourage both brands and suppliers to ensure that this type of problem will be resolved as soon as possible. Payment systems have also appeared in many companies to be unmotivating, particularly in linking wages to performance. While career opportunities were reported by employees, they were found not to be always accompanied by similar opportunities for wage progression.

Employees were also asked to identify what they felt should be areas for improvement in the future. These results show that “increasing wage levels” is one of the main priorities of employees, but that it is not their only concern, as they reported other necessary improvements, such as “being paid more based on their work experience” or “being paid more based on their performance”. It should be noted that more than a third of workers also reported the need to reach “a mutual agreement on wage levels with management” thus showing the need for more negotiations on wages.

From the management’s point of view, the priorities are to have wages that better reflect price increases, wages that are more closely linked to performance and also better reflect qualifications and work experience, thus confirming the need to improve pay systems in this respect.



## TOWARDS MORE SUSTAINABLE WAGE POLICIES

The overall exercise generally led to a rather encouraging overview of salary practices among luxury sector suppliers in Italy, with salary levels that were found to be higher than living wage levels, and sometimes even higher than market levels.

Moreover, workers’ satisfaction with wages and working conditions was also relatively good, with almost all workers being “fully” or “partially” satisfied, and providing a relatively good feedback on wages. The average seniority of employees and the propensity of workers to stay at least one year longer in their company were also quite high.

These findings should stimulate managers of suppliers in the luxury sector to continue to make progress on this front, since further economic and social benefits can be expected through a greater focus on fair wage practices. In particular, they should be motivated to further improve the areas that have been identified as in need of improvement, particularly pay systems, so that wages will not only be fair for workers, but they will be able to reach their full potential for motivation and performance as a human resources tool, and help companies in the luxury sector to follow the right path towards sustainable business growth.



# APPENDICES

## APPENDIX 1. THE MULTI-STEPS PROCESS OF THE PROJECT

1. Design and approval of the project.
2. Sample selection together with the brands on the Social Responsibility Committee.
3. CNMI contacts all the companies in the sample and receives feedback and participation confirmation.
4. CNMI puts participating companies in contact with the Fair Wage Network team to fix assessment dates.
5. The Fair Wage Network team visits companies to give questionnaires to employees and interview HR.
6. Fair Wage Network process the data to produce a survey report.
7. Sharing of the report with CNMI and the Social Responsibility Committee
8. Publication and distribution of the report.

## APPENDIX 2. THE 12 FAIR WAGE DIMENSIONS

A FAIR WAGE COULD BE DEFINED AS:	
1. Payment of wages	A wage which is regularly and formally paid in full to the workers.
2. Living wage	A wage that ensures minimum acceptable living standards.
3. Minimum wage	A wage which respects the minimum wage regulations.
4. Prevailing wage	A wage which is comparable to wages in similar enterprises in the same sector.
5. Payment of working time	A wage that does not generate excessive working hours and properly rewards normal working hours and overtime.
6. Pay systems	Not dominated by disciplinary wage sanctions.
7. Communication and social dialogue	<p>A wage on which workers receive sufficient information in advance (through an individual work contract), in the course of the production process (through regular communication channels) and at the time of the wage payment (with a detailed pay slip).</p> <p>A wage that is negotiated individually (between the employee and his or her own individual employer) and collectively notably through collective bargaining between the employer and the workers' representatives who are freely accepted in the company.</p>
8. Wage discrimination/ wage disparity	An equal wage for equal work that does not lead to wage discrimination and does not generate unjustified and high wage differentials within the company.
9. Real wages	A wage that progresses at least in proportion to increases in the costs of living.

10. Wage share	A wage that progresses proportionally along with enterprise's sales and profits growth.
11. Wage costs	A wage whose progression does not lead to a dramatic reduction in wage costs (in absolute terms, within total production costs and as a percentage of employment).
12. Work intensity, technology and increases in skill	A wage that progresses along with changes in intensity at work, technological content and the evolving skills and tasks of the labour force.

## APPENDIX 3. INFORMATION REQUESTED TO THE COMPANIES

- To fill two tables: General information about the company + the full list of employees
- To agree on a date for the visit and organize interviews among a representative sample of employees
- To facilitate the completion of both questionnaires to employees and to the management
- To organize additional meetings with directors of HR/Compensation & Benefits and to allow the collection of documents (collective agreement, some pay slips, etc.)

## APPENDIX 4. PROJECT'S TEAM

### FAIR WAGE NETWORK

**Daniel Vaughan-Whitehead**, Co-founder of the Fair Wage Network, Professor at Sciences-Po Paris, and at University of Geneva UNIGE

**Maja Markezic**, Responsible for some visits in Veneto, Director of Human Resources in a large public company, Fair Wage Consultant for the Adriatic area)

**Nadia Paskoska**, Survey manager in Northern Italy  
Experience in a fashion Import Export with luxury brands; Fair Wage Consultant for Italy

**Gianpaolo Scatozza**, Survey manager in Southern Italy  
Experience in a fashion Import Export with luxury brands; Fair Wage Consultant for Italy

### CAMERA NAZIONALE DELLA MODA ITALIANA

**Paola Arosio**, Head of New Brands & Sustainability Projects  
Has been acting as project manager for Camera della Moda for 18 years; started in 2011 Camera della Moda's sustainability program by coordinating several working groups and developing all CSR initiatives, the International Roundtable on Sustainability among other projects, and the implementation of Camera della Moda's roadmap on sustainability.

**Chiara Luisi**, Sustainability Projects' Coordinator  
Joined Camera della Moda's team dedicated to sustainability in 2014. She supports the coordination of all the working groups and plays an active role in creating and developing all projects and events related to the sustainability area.

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