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THE S-LAB TEAM

TIFFANY FERGUSON
MCP 2018

JORDAN BAUCUM
EMBA 2017

MICHAEL EASTON
MBA 2018

PAMELA ROQUE
MBA 2018
PROBLEM STATEMENT

COMPANY OVERVIEW

Founded in 1973, Patagonia is an outdoor and adventure apparel company widely known for its environmental activism, high quality gear, and leading edge apparel. Patagonia is an outdoor and adventure manufacturing industry.

The company's mission statement, "build the best product, implement solutions to the environmental crisis", illustrates the company's commitment to high road employer practices. The company mission statement, "cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis", illustrates the company's proactive orientation toward applying the business tools at their disposal to some of the toughest environmental challenges of our time. The company's sustainability efforts have grown to include minimizing their own ecological footprint, to industry-wide mobilization of corporate giving to environmental groups, and the improvement of labor standards in the apparel manufacturing industry.
Problem Statement

Patagonia committed to the Fair Labor Association’s (FLA) Fair Compensation Project to pilot and implement living wage models, while also working to meet a basic standard of living, to understand how far each of their suppliers is from a living wage target. Patagonia is interested in reliable aggregate data about what workers are paid, the value of benefits provided to them by suppliers, and the supplemental overtime hours worked by suppliers, along with the value of benefits provided to what workers are paid. Patagonia is interested in reliable aggregate data about wage models in their finished-goods supply chain. Patagonia committed to the Fair Labor Association’s (FLA)
The minimum necessary for a worker and two dependents to have access to resources, including food, safe drinking water, clothing, shelter, energy, transportation, education, sanitation facilities, and access to health care services. Every worker has a right to compensation for a regular work week that is sufficient to meet the worker's basic needs and provide some discretionary income.

Living wage definition was chosen as our group on fair compensation. The Fair Labor Association work will help inform the Fair Labor Association work on fair compensation for a regular work week that is sufficient to meet the worker’s basic needs and provide some discretionary income.

|Living wage definition| Income| Discretionary Income
<table>
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<tbody>
<tr>
<td></td>
<td></td>
<td>Compensation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Basic Needs</td>
</tr>
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</table>
Patagonia has made strides to align business operations with ecologically and socially sustainable practices. By turning attention to fair compensation and socially sustainable sourcing, Patagonia sees the industry’s race to the bottom as unsustainable and sees great value in taking a strategic and thoughtful approach to reimagining socially sustainable living wage sourcing. Patagonia is able to take yet another step toward fully realizing their mission to use business to inspire solutions to global challenges.
Complex: The design of the tool required detailed instructions which were difficult to understand.

Time Consuming: The tool took factories days to complete instead of the advertised 4 hours.

Manual Data Entry: The tool required factories to input data manually into the FLA tool.

Hard to Aggregate: The finalized excel file sent by the factory required data manipulation in order to aggregate across the various factories.

In Kind Benefits: Factories struggled to understand in-kind benefits which led to additional confusion.

Daylighted the Challenge: The complexity of collecting information and the need to approach each country and factory on a case by case basis is now clear.

Test Pilot: Provided a framework and needs.

Open Source: Tool is editable which allows factories to customize to their needs.

Standard Software: Leverages standardized and accessible Microsoft Office software.

Comprehensive Data Collection: The tool enabled consistent and analytical rigor across all countries.

CHALLENGES WITH THE FLA TOOL

STRENGTHS OF THE FLA TOOL
During stakeholder interviews, we focused on gathering insights focused around three primary objectives:

1. Strategic Research & Analysis: Understand big-picture strategic objectives from the various stakeholders.
2. User/Market Research & Analysis: Understand the operating conditions for supply chain actors.
3. Existing FLA Tool Research & Analysis: Understand the existing FLA tool from a technical perspective.

**SLAB Project Scope & Methodology**

**Phase 1: Discovery & Synthesis**
- Understand the challenges, landscape, and stakeholders. Map users and various use case scenarios.

**Phase 2: Solution Design**
- Synthesize findings and analyze available data and requirements.
- Interview key stakeholders to understand their needs and provide feedback on the current FLA tool.
- Analyze data from FLA tool and understand context and purpose.
- Design use personas and use cases.
- Design scenarios based on stakeholder interviews.
- Create personas, use cases, and scenarios.
- Select potential solutions for the problem and prototype them.
- Design storyboard to present potential solutions to the client.
- Prototyping session to design solutions for the client.
- Final presentation and design hand-off.

**SLAB Project Scope & Methodology**
Insight: Calculating a living wage benchmark can be resource and time intensive.

- Adidas: “Difficult to complete (3 weeks instead of 4 hrs) which led to lots of back and forth with suppliers.”
- Fair Labor Association: “The tool was not translated into the local language creating a barrier requiring management to check for understanding.”
- Fair Labor Association: “It is labor intensive to collect these data; it requires a lot of hand holding.”
- Patagonia Field Manager: “I love the idea of fair wage, but it’s so much more complicated than coming up with a number.”
- Factory Management: “It is labor intensive to collect these data; it requires a lot of hand holding.”

Market Research Insights
“Payroll is a living document that is constantly changing, the FLA tool is a snapshot in time.” - Adidas

“The ability to consolidate under single systems depends on the sophistication of the supplier. Most factories don’t have the resources to consolidate.” - Fair Labor Association

“The data itself tells a story, but there’s a larger narrative about what the story is about, what it implies for the retailer or brand and the steps required for companies to close.” - Patagonia Field Manager

“In response to a request for wage information, ‘sorry for we can not provide excel format for your ref, only PDF.” - Factory Manager

Insight: There are numerous ways to conduct living wage calculations. While the methods are typically similar, the complexity of the various operating environments vary.

Market Research Insights
"In China, we have a lot of transparency issues. Sometimes they do cheat because they want to pass an audit. If we go collect that info, they will give us the same info they use to pass the audit. If you could make the data submission anonymous, companies would be more likely to submit real data."

- Patagonia Field Manager

Insight: Transparency remains a key issue at the individual factory level and current industry tools (like audits) are not enough to address compensation strategies.
Market Research Insights

Insight: Living wage is about more than moving workers up the wage ladder; the industry has to think about whether remuneration by piece rate is conducive to living wages

- “Brands alone cannot make factories raise wages, but they can indirectly incentivize them to think differently about compensation over the long term.” - Workers Rights Consortium

- “If you continue with the same remuneration practices and simply move up the wage ladder, the pay practice is likely weak and not sustainable.” - Fair Labor Association

- “It’s a self-fulfilling prophesy: if you only care to sell at the lowest price point, you have to look for cheaper production and supply. How do you keep reducing cost? By reducing quality of garment materials or reduce labor costs to make the garment.” - Alta Gracia

- “The brands really have the power. Not saying you use your purchasing power to manipulate the supplier, but you do have great power to encourage them to do better.” - Patagonia Field Manager
Source: Patagonia FLA Files

Example of Insights that can be Extracted from FLA Files

A unified data source allowed us to look for inconsistencies in the data and compare the factories against each other. This finding should be explored further to understand how these in-kind benefits factor into total compensation at the different factories. Are they not provided or is this a reporting issue?

Data Aggregation Process

We spent some time aggregating the various FLA files into one unified data source (Excel). This required us to conduct some basic analysis and explore some preliminary dashboards. This enabled us to develop a preliminary dashboard that could allow for cross-factory comparison. However, it is important to keep in mind that these benefits could have been captured by the Chinese factories and therefore not reported in the FLA tool.

Tableau Visualization

Data was imported into and structured in Tableau software. This enabled us to conduct some basic analysis and design a preliminary dashboard. The various FLA files were imported into an Excel data source (Excel) and a unified data source allowed us to look for inconsistencies in the data.
Aggregating and Visualizing FLA Data

Example of Insights that can be Extracted from FLA Files

- 5 main categories: 1) Gross Wage 2) Overtime Wage 3) Cash Benefits 4) Incentive Bonus 5) In-Kind Benefits
- By converting from local currency to USD, we can see where the factories lie in relation to each other for each component of compensation.
- Note: Averages can skew results; this view can be explored by occupation (cutting, Q&A, etc.) and by contract type (full-time, piece-rate, etc.) in the dashboard by occupation (cutting, Q&A, etc.) and by contract type. (full-time, piece-rate, etc.)
Tableau Preliminary Dashboard

Leveraging the excel data source we designed a preliminary dashboard that visualizes the key metrics of visualizing the key compensation focus of visualizing the specific factory, whereas the second part uses general summary information on the factory type and factory type and allows the user to filter the dashboard. The dashboard can be filtered by individual metrics from the FLA data.

The first part of the dashboard aims at providing the user with general summary information on the specific factory, whereas the second part focuses on visualizing the key compensation metrics. The dashboard can be filtered by individual factory type and allows the user to include/exclude overtime and report in local currency or USD.
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a. Advocacy Partner Persona
b. Supplier II Persona
c. Supplier I Persona
d. Brand Persona

Persona Overview
SUPPLIER I

- Passionate about the initiative
- Broadly knowledgeable about compliance
- Transparency is a challenge
- Frustrated with the outcome of the FLA tool
- Focused on building an amicable relationship
- Well-established manufacturer
- Open to possibility this may lead to new insights
- Subject matter expert
- Limited dedicated staff and resources to tackle issue

SUPPLIER II

- Subject matter expert
- Limited dedicated staff and resources to tackle issue
- Frustrated with the outcome of the FLA tool
- Transparency is a challenge
- Passionate about the initiative
- Open to possibility this may lead to new insights
- Well-established manufacturer

INTERMEDIARY PARTNER

- Focused on moving the industry forward
- Engage brands through a working group
- Confident in current compensation strategy
- Skeptical about living wage analysis
- Frustrated with the outcome of the FLA tool
- Has knowledge about compliance
- Subject matter expert
- Limited dedicated staff and resources to tackle issue
- Engage brands through a working group
- Focused on moving the industry forward

BRAND

- Complimented for being passionate
- Does not understand brand’s intent
- Frustrated with the outcome of the FLA tool
Michael, the passionate middle manager, has been told by upper management that the company needs to make progress toward lifting wages in the supply chain. Michael is juggling several projects and is working on a small team being stretched in many directions. Many of his projects focus on supplier compliance because the brand wants to buy from good companies that treat their workers well and produce high quality products. Michael doesn't know where to begin with this new initiative! Besides the audits the company conducts every once in a while, he doesn't have a complete sense of wages across more than a small sample of workers in a given factory. Can a data collection tool help Michael acquire more complete compensation data from suppliers? If so, what does Michael need in order to leverage a data collection tool?
Xact LTD is a well-established apparel manufacturer popular among several global apparel brands, with factories throughout Southeast Asia. They have centralized bookkeeping and accounting, and a sophisticated ERP system in place to aid them in conducting rigorous business analysis. Lucian, Xact LTD's factory manager, has amicable relationships with clients and is responsive to requests for information or otherwise. Upon hearing from one client's compliance manager that the brand was exploring the possibility of higher compensation in the supply chain, Xact LTD ran some analysis on their wage data records and feel confident they're already performing adequately in this area. Will Xact LTD indulge the brand's data collection exercise? If so, what does Xact LTD need in order to feel comfortable using a data collection tool? Xact LTD surely has the capacity to produce reports quickly, but may be reticent to produce raw data for the brand. Lucian is initially concerned about sharing such privileged information. The brand won't know the ins and outs of the factory's operations and may come to the wrong conclusions about the company's compensation strategy. Is this another compliance exercise? Lucian has worked in the industry a while and knows how complicated living wages are; the solution won't be simply to increase wages. Is that the brand's ultimate goal? Xact LTD might oblige after a frank one on one conversation to dig into exactly what the brand is after.

The last time the brand requested that Lucian provide wage data, it was a hugely frustrating ordeal. He was assured the process would be straightforward and brief, but it took him a few days and multiple conversations with the brand field manager to make his way through the tool. He found himself toggling between factory metrics and the tool’s data categories, unsure how to fit Xact LTD’s data into the tool, and having to manually enter in data records. Lucian is willing to continue collaborating with the brand on this, but does not have the staff time to spare for another marathon data collection exercise. He is committed to ensuring Xact LTD continues to treat and pay workers adequately, and feels the company is doing better on this front than many competitors. The brand should understand that Lucian is hesitant about producing raw data due to his concerns over the tool’s interface and how it interacts with the tool’s data categories. Is that the tool’s fault? Lucian would be more inclined to collaborate with the brand if they were to buy a tool that’s user-friendly and efficient. He would also be more likely to provide wage data if the process is streamlined and straightforward.

Lucian, Factory Manager, Xact LTD

Lucian, Factory Manager, Xact LTD
HiQ Threads recently entered into a contract with a well-known brand and is still building rapport with a number of teams across the brand. Factory management are on edge since they didn't perform as well as hoped on their latest compliance audit, but are making positive strides to meet the improvement plan goals. The brand’s sourcing unit is happy with the quality and price of the products; yet, the compliance unit is applying pressure to make improvements that will cut into operating revenue.

The brand asked HiQ Threads factory manager, Rita, for data as part of a living wage project, but she's not sure how the brand will use the wage data. The brand looked like applying pressure to make improvements in compliance unit as applying pressure to make improvements on the issue of living wage.

HiQ Threads feels obligated to round up the data Rita requested. The brand that is either newer or facing compliance challenges will have greater reason to be apprehensive about this level of transparency. Rita is inclined to be opaque in her response to the brand's request, but is also more likely to indulge the brand and ask questions early and often. This is HiQ Threads' only client asking for this information and Rita perhaps needs ongoing assurances about how this fits into a long-term brand-supplier relationship.

Rita has difficulty understanding why basic wage data is not sufficient for the brand. To compile data on benefits, deductions, and bonuses, Rita has to talk to several departments across the factory. HiQ Threads tracks labor costs, but not in the way the brand is requesting. HiQ Threads needs support and training to be more receptive to pulling these data.

HiQ Threads feels obliged to round up the data Rita is requesting even if it is not data they use internally to improve operations. If the brand is able to provide on-site trainings on how the tool and its insights might have a positive impact on the factory over the long term, HiQ Threads might be convinced of using a living wage strategy. Without this, HiQ Threads will look to the brand to define what a living wage strategy would entail. HiQ Threads values the new client but does not know what a living wage strategy would entail. HiQ Threads values the new client but does not know what a living wage strategy would entail.

The brand's sourcing unit is happy with the quality and price of the products; yet, the compliance unit is applying pressure to make improvements in compliance unit as applying pressure to make improvements on the issue of living wage. HiQ Threads feels obliged to round up the data Rita requested. The brand that is either newer or facing compliance challenges will have greater reason to be apprehensive about this level of transparency. Rita is inclined to be opaque in her response to the brand's request, but is also more likely to indulge the brand and ask questions early and often. This is HiQ Threads' only client asking for this information and Rita perhaps needs ongoing assurances about how this fits into a long-term brand-supplier relationship.

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Jamie and Lisa work for Wage Transparency Intl. They view their job as passions, but often find themselves stretched too thin. Having come from both the private and public sectors, they are ready to tackle big societal challenges, but grow frustrated when the status quo prevails. Their member companies are growing impatient with the lack of progress towards their goals and finding common ground between all companies is proving difficult. Recently several of the member companies have expressed dissatisfaction with the current direction and approach and have expressed interest in taking their companies and dues elsewhere. Sometimes they spend more time managing the various personalities than they do solving the problems. How can Wage Transparency Intl. solve the problems and keep every company engaged?

Jamie and Lisa work for a company with in-depth knowledge on matters of fair labor practices. They know the ins and outs of how suppliers operate and have attempted to provide brands with tools to conduct due diligence of their suppliers. They advocate for greater accountability and transparency among the brands, factories, and other entities involved in the global supply chain. After their first attempt of building a tool to measure living wage, Jamie and his team learned that a tool could not be designed in isolation and must leverage the relationships with brands and factories. Jamie must reach out to the brands and encourage greater participation in the working group to dedicate resources to solving the problems.

Jamie and Lisa are able to balance the delicate industry intermediary-brand-supplier relationship with a thoughtful approach on how to target for initial tool piloting and is highly sensitized to the reluctance that some suppliers will feel toward sharing compensation data with the brands. They have built strong relationships with some of the world’s leading brands and have expressed interest in taking a thoughtful approach on industry intermediaries engaging brands.

Industry Intermediary, Wage Transparency Intl.
WAGELY OVERVIEW

Wagely leverages the insights from our market research to create a TurboTax-like tool to help brands and advocacy partners measure living wage at factories through a step-by-step, easy-to-use, interactive platform. This section includes the wireframe and workflow for the factory user persona. For a brand user persona, the next section contains the workflow and wireframe. For a clickable interactive prototype of Wagely visit: https://invis.io/YXBQQPNDU
On the login page, the user will be able to create a new account if they don't already have one.

Login Section: The user will use their username and password to login. Depending on the user login information, the tool will identify the user type (brand, factory, or advocacy partner). Each user type will see a specific version of the Wagely tool. In the next couple of slides, we detail out the workflow for the factory user type.
Hi Alex, welcome to Wagely! We appreciate your commitment in helping us measure compensation at your factory.

Why are we collecting this information?

In helping us measure compensation at your factory, we are collecting information for collaboration among other factory employees.

Why are we collecting this information?

In helping us measure compensation at your factory, we are collecting information for collaboration among other factory employees.

Why are we collecting this information?

In helping us measure compensation at your factory, we are collecting information for collaboration among other factory employees.

Why are we collecting this information?
Looks like you have two factory profiles on Wagely. If you are adding a file to an existing factory, select "Start". To add a new factory, click "Add Another Factory". For every factory building they have operations in, the factory should create a profile. They have two options: 1) edit their existing factory profile, and 2) start inputting information into a new factory profile. After adding the factory, you will be brought back to this page.
Let's get started on adding a new factory to your account.

General Information:
- Factory Name:
- Address:
- City:
- State:
- Country:
- Address:

The user will provide the factory's name and address.

General Information
Under the general information, there are three sub-menu items:
- Factory Information
- Compensation
- Dashboard

The 'Continue' button will guide the user to the next sub-menu page 'Worker Overview'.

Wireframe Functionality and Features
- Sub-Menu: A sub-menu will appear if there are multiple sections within the main heading. For 'Factory Information', the user will provide the factory's name and address.
Let's get started on adding a new factory to your account.

**Worker Overview**

In this section, the user will enter more detailed information about their factory. The user will have the option to select all that apply.

The user will have the option to answer these questions by selecting all that apply to their factory. We would like to note that more research needs to be conducted in order to determine how this data is natively stored and if the existing workflow for importing these various categories of workers still apply.
This is what we've gathered so far.

Edit

Worker Overview

# of Employees: 1200

Payment Systems: Multiple Selected

Occupations: Multiple Selected

Factory Name: Factory China 3

Address: 1 Chinese St. Shanghai, Shanghai

General Information

01 Summary Page: This page will summarize what the user has input on the General Information and Worker Overview subsections by clicking on „edit“ under each section. By clicking on „edit“ on the General Information and Worker Overview subsections, the user can return to that page and edit the information.

02 Save: By clicking on the Save button, this factory profile will be saved and the user will be directed back to the Factory Information main page.
Looks like you have three factory profiles on Wagely. If you are adding a file to an existing factory, select 'Start'. To add a new factory, click 'Add Another Factory'. After going through the steps of adding another factory, the user will select 'Start' to add compensation information for each of the factories.
and time a factory will have to dedicate.

as transparent as possible in the amount of resources
reminded for which factory the user is filling out the
specific factory. A blue label with the factory’s name will
appear in the menu subsection. This will serve as a
reminder for which factory the user is filling out the
section.

Wages, overtime, and cash bonuses

Let's add compensation information for Factory China 3. Click on

The compensation section is broken into two sections. The main compensation section is

Wages, overtime, and cash bonuses

Start

In-Kind benefits

Start

Simple questions about the in-kind benefits at

FACTORY CHINA 3

COMPENSATION

Let's add compensation information for Factory China 3. Click on

01 | Compensation Section:
The compensation section is broken into two sections. The main compensation section
will gather information on benefits including food, transportation,
cash bonuses. The In-Kind benefits section will gather
information on benefits including food, transportation,
health insurance, etc.

02 | Factory Label:
After the user starts the workflow for a
specific factory, a blue label with the factory’s name will
appear in the menu subsection. This will serve as a
reminder for which factory the user is filling out the
section.

03 | Minutes:
The section should provide an approximate
number of minutes it takes to complete. We want to be
as transparent as possible in the amount of resources
required for the completion of the section.
Let's learn about worker's wages at Factory China 3. How do you want to enter worker's wages?

01 | Compensation Sub-section: Under this sub-section workers will be able to import their wage files either based on a pre-existing template, or by creating a new template.

Template Definition: A template is created when the user has mapped out each of the columns of their original wage file to a standard pre-defined bucket/category in Wagely. We expect that the initial setup is done in collaboration with the Field Manager. Once the factory has already mapped out their input, the user will select this option if the factory has already mapped out their input.

02 | Use a Pre-Existing Template: The user will select this option if the factory has already mapped out their input.

03 | Create a New Template: The user will select this option if they need to create a new template. We will walk through your file one item at a time to create a template.

What is a template and when should I create a new one?

Wagely
If the user selects the option to create a new template, they will be walked through various steps to map standard Wagely information with the user's native file output.

Wagely then captures only the relevant information and standardizes the format across factories. The next few steps will allow us to understand your data as outputted by our accounting system.
01 | Use Existing Template Selection: In this section, the user will be able to select the file from their computer to upload to the tool. They can preview the template in this section. This can serve as a reminder of the type of file they need to upload (can be helpful if they are only doing this once a year).

02 | Upload File: By clicking on the upload button, the user will be able to select the file from their computer to upload to the tool. The tool will then transform the file into a standardized Wagely output so factories with different wage systems can more easily be compared. They can preview the template in this section. This can serve as a reminder of the type of file they need to upload (can be helpful if they are only doing this once a year).

03 | Compensation Files: Once the user uploads the file, it will appear in this section. A summary of all past files will appear in this section. The user will be able to preview the file and delete it if necessary.
Let's add in-kind benefits for Factory China 3.

<table>
<thead>
<tr>
<th>In-Kind Benefits</th>
<th>Wages, overtime, and cash bonuses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completed</td>
<td></td>
</tr>
</tbody>
</table>

Your factory: Simple questions about the in-kind benefits at Factory China 3.

Last modified: 5/15/15

Completed: The user will be able to see the section they completed. The user will be able to see the section if not complete then user see "incomplete" with last modified date.

Message: User will be prompted to complete the next sub-section under compensation

Completed: The user will be prompted to complete the next sub-section under compensation.
The following are a few questions to help us better understand the benefits supplied by your factory.

### Compensation
- **Do you provide health insurance to your employees?**
- **Do you provide healthcare to your employees?**
- **Do you provide transportation to your employees?**
- **Do you provide housing to your employees?**
- **Do you provide healthcare to your employees?**

### In-Kind Benefits
- **Do you provide food to your employees?**

---

**Questions:**
- This section will have the questions related to in-kind benefits. The user can click on the green hyperlink to learn more about what falls into each category and definitions of benefits to include in the appendix.
- In-kind benefits can be found in the Appendix.

**Answers:**
- The user will answer the question by clicking on Yes or No. If Yes is selected then No is not selected (vice versa). A check will appear on the answer box when user clicks continue.
- If Yes is selected, users will be asked for additional details on this benefit (next screen).

**Benefits:**
- Wagely Tool used on Anker method can be found in the appendix.
- Categories and definitions of benefits to include in benchmark the monetary value of this benefit.
- In-kind benefits collected in-kind benefits were decided to simplify the collection of this information by asking a series of Yes/No questions. In the back-end, Wagely will leverage an answer to the following one or two questions to help us better understand the benefits supplied by your factory.
In-Kind Benefits Explanation: When the user clicks on the in-kind benefit highlighted word (e.g., food), a pop-up will show up explaining what falls into this category. This is to provide some clarity around the benefit. In this example, we have included the Anker definition.

How is food defined?
- Meals: Breakfast, Lunch, Dinner that satisfy worker's hunger for 3 hours or more
- Food rations or food commodities given for free or sold at concession rates that satisfy worker's hunger for less than 3 hours

Do you provide food to your employees?
- Yes
- No

Do you provide transportation to your employees?
- Yes
- No

Do you provide housing to your employees?
- Yes
- No

Do you provide healthcare to your employees?
- Yes
- No

Do you provide health insurance to your employees?
- Yes
- No
We noticed that you have not answered all the questions. Please answer yes or no for highlighted benefits.

- Do you provide food to your employees?
- Do you provide transportation to your employees?
- Do you provide housing to your employees?
- Do you provide healthcare to your employees?
- Do you provide health insurance to your employees?

CONTINUE
The following are a few questions to help us better understand the food benefits supplied by your factory:

How much did you spend last year on food?

Is this benefit available to all your employees? If not, select those that receive this benefit:

- Cutting
- Sewing
- Packaging

Food

Transportation
### Factories

#### Factory CHINA 3

- **Compensation**
  - Wages, overtime, and cash bonuses
  - Last modified: 5/15/15

#### Simple questions about the in-kind benefits at Factory CHINA 3

- **In-Kind Benefits**
  - Last modified: 5/15/15
  - Completed

---

**Wageley**

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**S-LAB | MIT Sloan | Patagonia**
Yay, you completed Factory China 3! It looks like you have two additional factory profiles on Wagely that still need data. Click Start to complete them.

You can complete Factory China 3. Click Start to complete it.

Complete: The user will be able to see the factory they completed. This will be time-stamped.

Editable: The user will be able to edit the information they submitted. Each edit is time-stamped.

Message: User will be prompted to complete compensation for any remaining factories.

Completed: The user will be able to see the factory they completed. Each edit is time-stamped and a record of changes is kept for review by the factory.

Editable: The user will also be allowed to edit the information they submitted. Each edit is time-stamped.

Message: User will be prompted to complete compensation for any remaining factories.
01 Dashboard: The user will be able to see a summary of the data by clicking on the dashboard with the option to filter the graphs by factory, change the currency, etc. to see how their factory compares to industry standards, country minimum requirements, poverty line, etc.

02 Filtering Functionality: The dashboard will allow users to filter the graphs by factory, change the currency, etc.
WAGELY OVERVIEW

This section contains the workflow for the brand user persona.
Dashboard: in the dashboard section, the user will be able to visualize previous year's records. The user will be able to aggregate the data across all their suppliers as well as see the suppliers' reported. They will be able to aggregate this and see a visual representation of the data their suppliers reported. The user will be able to see a visual representation of the data their suppliers reported. The user will be able to see a visual representation of the data their suppliers reported.

Menu: the brand view of Wagely would contain three sub-sections: Dashboard, Reporting, and Notification.
Notification Section:
In the notification section, the user will be able to see a list of their factories and when they last reported. The list will be sorted so that factories with the longest period since their last report date will show up at the top. Those with over a year since their last report date will show up in red.

Sending Notifications:
The user will be able to send notifications to the factory. To send a notification, the user will select the factory and then select the type of notification (green buttons).
My Account

01 | Customizing the Notification:

Before sending out the notification user will be shown a templated message. User will be allowed to modify this message before it gets sent out to the selected factories.

01 | Wireframe Functionality and Features

Dear [Factory NAME],

We noticed that it’s been over a year since you last updated your wage data on Wagely. On behalf of Patagonia, the FLA, and thousands of workers around the world, I kindly ask that you take the time today to upload your factory’s wage data. We noticed that it’s been over a year since you last updated your wage data on Wagely.

If you are having trouble working with Wagely, please contact me at +555-555-5555 or email support.wagely@Patagonia.com

Best Regards,
Alex

[INDIVIDUALIZE WAGELY LOGIN LINK]
In the reporting tab, the user will be able to download Excel templated reports. We have included some types of reports as a guidance for this section.

### Download Reports:

<table>
<thead>
<tr>
<th>ID</th>
<th>Factory Name</th>
<th>Location</th>
<th>Last Reported</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Factory China 1</td>
<td>China</td>
<td>5/15/2016</td>
</tr>
<tr>
<td>02</td>
<td>Factory China 2</td>
<td>China</td>
<td>5/17/2016</td>
</tr>
<tr>
<td>03</td>
<td>Factory China 3</td>
<td>China</td>
<td>5/16/2016</td>
</tr>
<tr>
<td>04</td>
<td>Factory Vietnam 1</td>
<td>Vietnam</td>
<td>1/24/2017</td>
</tr>
<tr>
<td>05</td>
<td>Factory Vietnam 2</td>
<td>Vietnam</td>
<td>5/16/2017</td>
</tr>
</tbody>
</table>
Get factory on board in the short term
Align brand operations with living wage goals
Create value for the factory
Iterate on a tool
Develop, pilot, and iterate
Create sense of living wage data
Galvanize external partners
01
02
03
04
05
06
Learn from the factory

Upon receiving the data, be prepared to conduct data walk-through conversations with suppliers individually to translate what the data categories/columns mean. Gather questions before embarking on this conversation. Consider asking probing questions that provide insight into the logic behind the categories, who maintains these records, the frequency with which these data are updated, and the type of analysis conducted (if any) on compensation and remuneration. Once you begin understanding these categories, make introductions to contacts at the factory. Even still, it was easy for things to get lost in translation. Full training through the factory was incredibly helpful for outsiders, we found it incredibly helpful for continued engagement of the project. As the brand to make introductions to contacts, understanding the objective of the project, the steps of the process, it is easy for people on both sides (the brand and the supplier) to lose momentum. Understanding what suppliers are tracking is critical to begin understanding what data are essential and raw forms of wage data otherwise unobtainable to benevolently hand over.

Get the data

Solicit detailed raw forms of wage data from suppliers to begin understanding what data they are tracking. Where the FLA tool fell short was its inability to build off current factory accounting practices, putting the onus on the supplier to convert their accounting categories into unfamiliar ones needed for a living wage calculation. Getting raw wage data will not be easy. A supplier will want to understand what you plan to do with the data. Assurances that the plan to do with the data, assurance that the supplier is committed to understanding what you need for a living wage calculation is critical to the success of this initiative. The FLA tool was able to help with this data, asking suppliers to begin understanding the factory accounting practices, as well as identifying what data were brought in to include with the S-Lab team.

Build rapport

The importance of rapport cannot be overstated. At every step of the process, it is easy for people on both sides (the brand and the supplier) to lose momentum. Understanding what suppliers are tracking is critical to begin understanding what data are essential and raw forms of wage data otherwise unobtainable to benevolently hand over.

RECOMMENDATION

GET FACTORY ON BOARD IN THE SHORT TERM

Build rapport

01

MIT Sloan | PATAGONIA
**RECOMMENDATION**

**DEVELOP, PILOT, AND ITERATE ON A TOOL OVER TIME**

Once a prototype is built, plan to re-engage the factories from the initial round of data collection for a test. It is recommended that someone from the development team or the brand follow up with factory staff to capture feedback. Prototypes always have bugs and quirks to work through and capturing feedback from pilot users as soon as possible is important to ongoing iteration and continuous improvement. The success or failure of a tool prototype often produce insights crucial to the supplier and continuous improvement.

**Pilot**

The ultimate goal is to develop an interface that not only streamlines the data collection process but creates value for the supplier instead of subjecting them to another seemingly burdensome compliance exercise. The supplier is therefore educated on important labor topics being collected, and the brand is also able to learn about the factory while also managing expectations early on so the pilot users know what is expected of them.

**Iterate**

You also want to collect any reflections about what went well or what didn’t. This will help you address what went well or the failures. The goal of collecting user feedback is to strengthen rapport when soliciting wage data. The brand should be the final consumer of the data. Prototypes failed in part when soliciting raw feedback from the factories. Figure out what made the prototypes fail, and what can be done to avoid similar failures in future prototypes.

**Develop**

Getting the data and learning from the factories requires a serious investment of staff time. In addition, transitioning into the tool development phase will rely upon the data gathered in the previous phase to build out right-sized questions, options, and functionalities for all suppliers (supplier and brand) so they can navigate through the interface style process. The ultimate goal is to develop an interface that not only streamlines the data collection process but creates value for the supplier instead of subjecting them to another seemingly burdensome compliance exercise.
There are a number of options to choose from to make sense of the data:

1. **Visualization techniques**: A quick way to begin visualizing the data is by using a dashboard with predefined chart types. This allows you to quickly visualize and glean preliminary insights about the data collection. Whether the dashboard is linked to a specific data collection tool or is a built-in feature of the tool, its objective is to provide an overview of the data and look for patterns, trends, and relationships.

2. **Analyze compensation methods**: The Anker method asserts that overtime pay should not be included in wages when determining a living wage. Analyzing the distribution of overtime hours can reveal important insights about how much workers are relying on overtime as a supplement to base wages. See Appendix for a list of starter questions to understand the data more deeply.

3. **Living wage methods**: There is no easy way to cross-walk the factory's output format neatly with the categories of compensation called for in the Anker method. As not to get bogged down in precise valuations of different benefits, one approach is to oversimplify the value of different benefits in service of approximating benchmark data. At this stage, the brand will need to embrace imperfect data measures in order to build out the back end computational intelligence of the tool. See Appendix for a recommendation on how to approach the in-kind benefit challenge.

To improve compensation in the supply chain, the muscles of brands and factories committed to improving compensation data is important to building quick visualization and glean preliminary insights about the data collection. Whether the dashboard is linked to a specific data collection tool or is a built-in feature of the tool, its objective is to provide an overview of the data and look for patterns, trends, and relationships.

The back end computational intelligence of the tool needs to be developed in order to approximate living wage benchmarks. At this stage, the brand will need to embrace imperfect data measures in order to build out the back end computational intelligence of the tool. See Appendix for a list of starter questions to understand the data more deeply.

Living wage methods

Analyze

Visualization

Recommendation
A standardized data capture tool for living wage analytics would make it possible for suppliers to concretely measure and compare labor and fair compensation practices across contexts. One such advantage of this approach is the capacity to quantify and validate their labor practices (beyond the scope of compliance auditing) that would be recognized for those performing exceptionally. By building such an operational capability, brands can reset expectations and reimagine a more collaborative brand-supplier relationship. Similar to the knowledge transfer that occurs when a supplier participates in a Fair Trade certification, brands could consider how living wage statistical analysis can lead supplier partners to engage in a more self-assessment tool or best practice that can lead toward concrete company goals.

Competition could seed a race not to the bottom, but toward better practice. The industry is able to provide incentives for living wage practices. Where a brand may have short-term success coaxing an engaged supplier to pilot a tool and submit wage data, a long-term strategy of supplier buy-in could build a supplier’s operational capability. Similar to the knowledge transfer that occurs when a supplier participates in a Fair Trade certification, brands should consider how living wage statistical analysis can lead supplier partners to engage.
Beyond CSR

ALIGN BRAND OPERATIONS WITH FAIR A COMPENSATION AGENDA

Recommendaition

Understanding what correlations exist between various worker wage levels, outcomes, and productivity metrics.

Corporate living wage initiatives cannot live in the social sustainability office forever. For a paradigm shift to occur in the industry, fair compensation principles must be adopted across all of a brand’s operations, including sourcing and marketing. Paying more for goods from suppliers and/or charging higher prices for sustainably produced goods does not automatically result in higher take home wages for workers. Accordingly, brands are inclined to imagine alternative approaches to increasing factories’ capacity to operate more efficiently. However, the inverse is also true: brands too have to analyze their capabilities and operations for opportunities to operationalize living wage standards in sourcing and leverage marketing tools to broadly disseminate the principles and benefits of operationalizing living wage sourcing. Further research is needed to substantiate the relationships between compensation levels and worker productivity and health and wellness outcomes. In the meantime, brands can utilize the living wage analytics collected from suppliers to begin understanding what correlations exist between various worker wage levels, outcomes, and productivity metrics.
Peer Brands & Civil Society

Worker & Civil Society

Workers and Workers Rights Consorituim models provide our worker
us and workers rights consorituim models provide our worker
proponents and monitors feedback loops with factory management.
These groups are key for even deeper engagement as the factory
level living wage certification. Factory level living wage decision-making
processes and more robust validation of factories
living wage audits. Living wage certification remains an under-realized
opportunity for apparel manufacturing. Industry-wide stakeholders
are important in helping to validate cost of living estimates. However,
which groups have been mobilized to pressure brands to
drop those compliance and monitoring practices. Today, these groups
historically have been mobilized to pressure brands. These efforts
are important in motivating and validating factories
continue to play an important role in monitoring and validating factories
without evidence of better compliance and monitoring practices. Today, these groups
historically have been mobilized to pressure brands to
continue these efforts.

Coalition amongst brands and consumers can be difficult to
establish and sustain. However, the status quo
will persist in spite of the efforts of individual engaged brands and
large coalitions. For this kind of alignment to occur, the industry needs a
common language and framework that can be used to
create an interface that creates value for a wide variety of supply
chain actors. One such scenario can be realized through living wage analytics.
These actors can be realized through living wage analytics.

Workers & Civil Society

The role of workers and civil society actors cannot be overstated.
Historically, these groups have been mobilized to pressure brands to
continue these efforts. These groups have been mobilized to pressure brands to
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continue these efforts.
thank you
Categories of In-Kind Benefits to include in Wagely Tool

- Housing and utilities such as water or electricity for home: Include when decent. Deduct co-pay. Maximum 15% of wages. Exclude

- Calorific value of in-kind benefits to include in Wagely Tool

- Anker Method Definitions

Source: Anker Method. Chapter 19.
Suggested analytical questions for preliminary data analysis

- Consider starting with simplifying the number of variables: gross wage (base, bonuses, overtime), total hours worked, worker type, and deductions.
- What percentage of workers’ base pay in the factory are below the Asian Floor Wage (AFW)? If not below, what percentage are workers above the AFW and by how much?
- What is the breakdown of gross wages (base wage, bonuses, overtime)? How does that compare to the value of deductions? What proportion of the gross wage is made up of bonus pay? Overtime?
- What is the distribution of bonuses for all workers? By worker type?
- What is the distribution of overtime hours for all workers? By worker type?
- Are there outliers? Are any workers making substantially more or less by any measure than the majority of workers?
- How many hours a week are workers working on average? For different worker types?
- Does this data include all workers in an establishment? The managers or worker type?
- Any measure on the majority of workers?
- Does the data include all workers in an establishment? The managers or worker type?
- What proportion of workers are working overtime for different pay rates?
- What is the distribution of overtime hours for all workers? By worker type?
- What is the distribution of bonuses for all workers? By worker type?
- The gross wage is made up of bonus pay? Overtime?
- What proportion of the gross wage is made up of bonuses? Overtime?

Suggested approach to the in-kind benefit challenge

- How to analyze in-kind benefits—given the tool’s overall objective to standardize supplier compensation data as a living wage output and enable comparison across suppliers, looking across pilot supplier raw data for common data categories is an important step in concretely identifying what initial categories to limit the analysis to. It is intuitive to compare base wages across all factories, but much more difficult to compare other categories as such data is not uniform across all suppliers. How does one compare the tools used to calculate bonuses, housing stipends, or other benefits? Is it an apples-to-apples comparison?
- Are these out-of-the-box workers making substantially more or less pay?
- What is the distribution of bonuses for all workers? By worker type?
- What proportion of workers are working overtime for different pay rates?
- The gross wage is made up of bonus pay? Overtime?
- What proportion of the gross wage is made up of bonuses? Overtime?
- The gross wage is made up of bonus pay? Overtime?

Recommended approaches to make sense of the data

- Consider starting with simplifying the number of variables: gross wage (base, bonuses, overtime), total hours worked, worker type, and deductions.

APPENDIX

RECOMMENDED APPROACHES TO MAKE SENSE OF THE DATA
MARKET RESEARCH QUESTIONS: BRAND

1. What is most important to you about supply chain compensation in the long run?
2. If you were to fast forward two, five, ten years from now, what would you want to be true for the progress made in this work?
3. What data, if any, do you have about wages paid in the factories at this time?
4. Tell us about how you acquire this data (frequency, mode of transmission, contacts, whether you believe it’s reliable)?
5. Do you have peers who have gained traction in the area of this work?
6. Have there been differences between sites when it comes to collecting this data?
7. What other fare wage work are you doing in the company?
8. Can you give us a sense of your relationship to FLA with this particular project and process?
9. Where have they been most helpful? What could be more helpful?
10. Can you describe a little about how the process for data collection occurs in general? It may also be helpful to know if and how that process is alike or dissimilar to the current task at hand (similar differences, third parties, collaborative efforts, etc.).
MARKET RESEARCH QUESTIONS: SUPPLIER

Sample of market research questions for suppliers

1. Do you have a data backbone?
2. What are the sources and uses of data?
3. Can you talk a bit more about your current data architecture?
4. Are there standardized formats, common toolsets, defined interface controls, and preferred algorithms or metrics?
5. Revenue generated from their fair-trade products has increased the workers wages by X%. How do you know this information?
6. Do you accept the FLA standard to be true?
7. What is your understanding of living wages? Is there a need to calculate or measure them?
Interviews

Appendix