



CAPTURING THE GAINS



*economic and social upgrading
in global production networks*

Towards sustainable **labour costing** in
UK fashion retail

Doug Miller¹

February 2013

Working Paper 14

¹ University of Northumbria

Email: doug.miller@northumbria.ac.uk

Capturing the Gains 2013

ISBN : 978-1-907247-86-6

‘In all buying, consider first, what condition of existence you cause in the production of what you buy; secondly, whether the sum you have paid is just to the producer, and in due proportion lodged in his hand.’ Ruskin (1860)

Abstract

This paper focuses on a specific feature of buying behaviour in the UK fashion retail industry: the negotiation of a manufacturing price (cut-make-trim, CMT, cost) with suppliers that does not separately itemize labour cost. This practice, tacitly supported by both buyers and suppliers, is examined against the backdrop of ongoing wage defaulting and import price deflation in the global apparel industry. While wage non-compliance cannot be explained solely by this buying practice, since other commercial practices and factors may have an equal if not greater impact on a supplier’s liquidity/ability to pay on time and in full, the case is nevertheless made that an absence of labour costing must inevitably have an effect on the capacity of a factory to deliver an order at a negotiated price and to meet compliance benchmarks at the same time. The paper attempts to construct a formula for sustainable labour pricing at the buyer end using industrial engineering principles that appear to have been lost in the truncation of buying firms caused by international sourcing. The methodology, which can be used to calculate a living wage, has implications for international buying practice and for organized labour in the international global apparel industry and has the potential to accelerate a trend already underway in the sector towards greater consolidation and collaboration between buyers and suppliers in the manufacture of apparel.

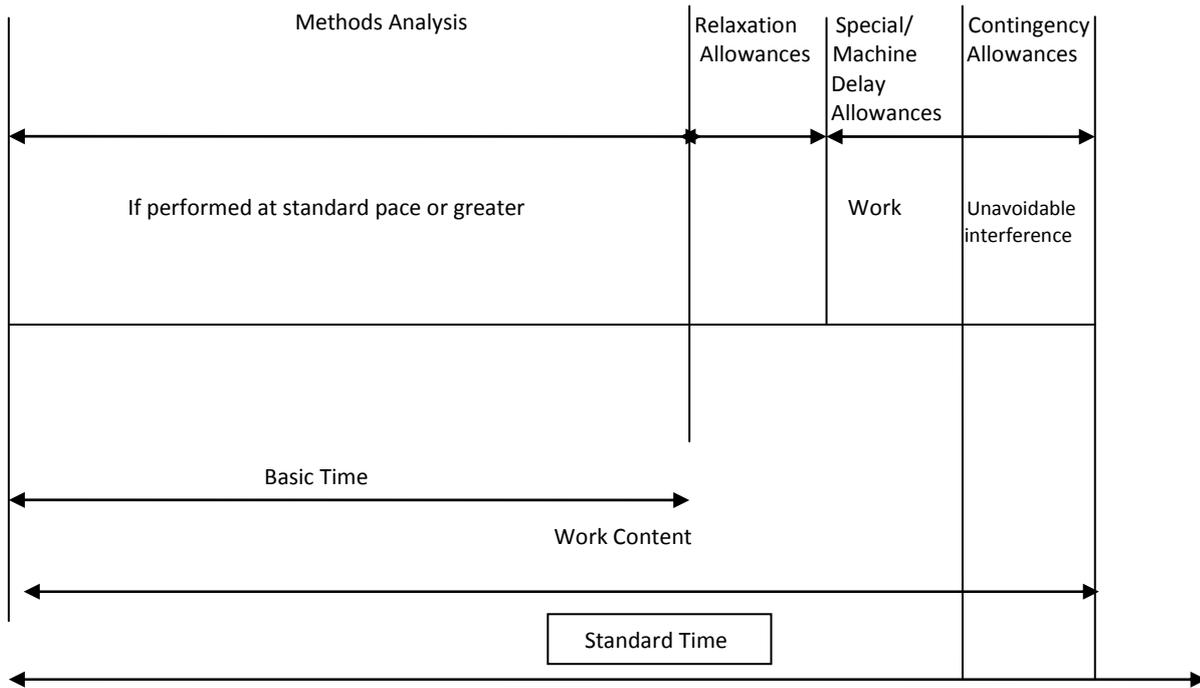
Keywords: Buying practices, living wage, labour costing, efficiency, standard minute values, freedom of association

Author

Doug Miller is Emeritus Professor, Worker Rights in Fashion, University of Northumbria, UK.

This document is an output from a project funded by the UK Department for International Development (DFID), the Sustainable Consumption Institute (SCI), the Chronic Poverty Research Centre (CPRC) and the Economic and Social Research Council (ESRC). However, the views expressed and the information contained in it are not necessarily those of or endorsed by the funding organizations, which can accept no responsibility for such views or information or for any reliance placed on them.

Figure 3: The make-up of standard time using PTS



Source: Based on Kanawaty (1992).

For obvious reasons, such an approach is highly technical and ‘synthetic’ in the sense that the standard times are externally calculated from a database of ‘standard minute values’ (the US term is standard allowed minutes, or SAMs) empirically determined for the range of manual operations necessary to assemble a particular product. According to the International Labour Organization (ILO), as of 1992 there were some 200 different PTS systems, offered by consultancies for adoption by manufacturing companies (Kanawaty, 1992). In apparel manufacture, **three PTS consultancy firms** specializing in MTM appear to be operating in the sector– the US-based Modular Arrangement of Predetermined Time Standards (MODAPTS), **the Sri Lankan-based Sew Easy** and the UK-headquartered GSD (Corporate) Ltd. All three forms of work measurement for arriving at a standard time should normally make provision for relaxation, contingency and special allowances, as Figures 2 and 3 show. In addition, the standard minute value (SMV) is based on what is known as a standard performance that is ‘the rate of output which qualified workers will naturally achieve without over exertion as an average over the working day or shift, provided that they know and adhere to the specified method and provided that they are motivated to apply themselves to their work’ (Kanawaty: 302).

In order to compare an observed rate of working and a standard rate, a recommended scale of rating of 0-100 is adopted,¹¹ whereby 100 is deemed to be standard performance. Before manufacturing migrated, time standards were used in the US and Europe in the clothing industry (Carew 1987) as a basis for incentive schemes, and trade unions successfully negotiated collective agreements based on the principle that if 100 performance were a rate of work requiring one-third more effort than the normal rate of working (a normal non-incentive rate of working is deemed to be 75 performance), then employers had to accept that, at 100 performance, there should be a rate of pay in excess of the minimum day rate. Generally, the piecework bonus would be plus 33 percent of the basic minimum rate for the achievement of 100 performance.¹² Traditionally, on

¹¹ Based on the British Standards Institute norm (Kanawaty 1992).

¹² Interview with Derek Cattell, former National Union of Tailors and Garment Workers/General Municipal and Boilermakers Full Time Officer and Works Study Tutor, 11 February 2010. See also Article 13 of the Ladies

CAPTURING THE GAINS



*economic and social upgrading
in global production networks*

Capturing the Gains brings together an international network of experts from North and South. The research programme is designed to engage and influence actors in the private sector, civil society, government and multi-lateral organisations. It aims to promote strategies for decent work in global production networks and for fairer international trade.

Published by:

*Capturing the Gains
The University of Manchester
Arthur Lewis Building
Oxford Road
Manchester
M13 9PL
United Kingdom*

capturingthegains@manchester.ac.uk

www.capturingthegains.org