

Call for Proposals

for Labour Minute Value and Product Costing Calculator Application

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Introduction

At Fair Wear Foundation, we know there's a better way to make clothes. We want to see a world where the garment industry supports workers in realising their rights to safe, dignified, properly paid employment. To do this, we focus on garment production, specifically sewing, cutting and trimming processes—the most labour intensive parts of the supply chain. We work with member brands, who are committed to finding a fairer way to make clothes, and we engage directly with factories, trade unions, NGOs and governments to find answers to problems others think are unsolvable. Together we're stitching together new solutions across the supply chain to make fashion fair for everyone.

Living wages are a human right. Everyone should receive a wage that covers his or her basic needs, yet the wages earned by the people who make your clothes are not liveable. Despite decades of talk about living wages, workers have seen little action. We need a new normal. We need to change the industry. Our message to brands is simple: Get more money to the people who make your products.

Now. More information on Fair Wear's Living Wage programme can be found here:

<https://www.fairwear.org/programmes/living-wage>

The Fair Wear Labour Minute and Product Costing calculator (LMPC) helps factories to carefully calculate the labour costs for a product style based on current or projected wage levels such as increased legal minimum wage, a CBA or living wage. The calculator is aimed to determine product prices that would enable the factory to ensure the payment of agreed wage levels to workers and not to exploit the supplier in the cost price negotiations. It is entirely up to the factory to determine what it is willing to share and with which customer. However, the calculator's true value lies in the fact that it supports suppliers and buyers in their price negotiations by determining and isolating the cost of labour in their product costing and making these transparent. Use of the calculator during negotiations requires a certain degree of openness and transparency, especially on the part of the supplier. It is therefore advisable to build an open and transparent exchange regarding the objectives and background for the use of the calculator and to clarify the expectations on both sides.

The calculator enables suppliers and buyers to determine the cost of one minute of labour in a factory, considering factory-specific variables such as workforce composition, bonuses and insurance, and actual overtime hours. Next, the price of one minute needs to be multiplied by the number of sewing minutes required to make a garment, based on Standard Allowed Minutes (SAM) and efficiency, or alternatively, the actual number of sewing minutes required to make the product in question. As a result, the actual labour costs for a certain product is calculated.

When wages go up due to a minimum wage rise, application of a CBA wage level or a living wage estimate, the calculator allows a factory to calculate the effect such increase will have on the manufacturing (CMT or FOB) price of garments.



More information on Fair Wear's Labour Minute Value and Product Costing Calculators can be found here: <https://www.fairwear.org/resources-and-tools/labour-minute-costing-calculators>

Vision

Over the past 1,5 years, we have developed labour minute and product costing calculators for the 11 Fair Wear production countries and even some specific regions in these countries. We are now getting ready for the next stage of these tools, which is turning the Excel files into a **user-friendly application**. This document includes an overview of users and potential user stories of the calculator and supporting platform, upon which the features of this application can be built.

We envision the following basic requirements:

- It should be on a platform separate from the Fair Wear website – to ensure different actors perceive it as an independent tool to use;
- The calculator is accessible for everyone;
- General data on number of downloads is tracked, users can also (anonymously) share product costing data for research purposes;
- Users can download the application on their computer, which would enable users to save settings and data and allow for online and offline use;
- The application should be able to reflect all different country specific data and allow for factory specific incentive systems;
- Downloads should be date- and time stamped, so it is clear which version of the tool is used;
- It should be possible for users to select how much of the output they want to be included in the download - users should be able to download product costing in either Excel or pdf and they can select what field to include in the download (or group some);
- It should be possible to change features of the application at the back-end, either country specific information or across all calculators;
- The platform includes guidance documents, information about general training opportunities and contact details of people that can provide specific support (per country).

User stories

We envision that the application will be used by the following users:

- Factory: sales manager/ overall management
- Brand buyer
- Brand CSR
- Trade unions
- (Fair Wear) Auditor
- Fair Wear staff – quality management

Below we have outlined short user stories and what specific data they would need access to. To fully understand the user stories it is important to take a look at the current calculators in Excel.

As a **factory (sales) manager**, I want to be able to **quote the right price** of my products so that I can **maintain the factory margin**.

Therefore I would need the following information:

- Material costs per product
- Labour costs per product
- Overhead cost per minute
- Minutes per product
- Efficiency percentage
- Factory margin
- Actual and projected wage costs

As a **factory overall management**, I want to be able to **quote the right price** of my products so that I can **maintain the business/ensure a certain wage level in the factory**.

Therefore I would need access to:

- Material costs per product
- Labour costs per product
- Overhead cost per minute
- Minutes per product
- Efficiency percentage

- Factory margin
- Current wage levels
- Hours worked, including overtime
- Legal wage requirements
- Bonus and benefits paid to workers
- Indirect and direct labour costs
- Possible wage developments – living wage CBA wage (to maintain people)
- Training costs (to maintain and develop people)

As a Brand buyer, I want to know **how the prices I pay are costed and how they link to wage levels**, to enable to **do my due diligence**.

Therefore I would need access to:

- Material costs per product
- Working minute cost – this includes direct, indirect labour and overhead costs, it is not necessary for a brand to have all this in detail as it is the management responsibility of the factory. The tool should provide the brand enough rigour so they would accept this figure as the correct one.
- Minutes per product
- Efficiency percentage (or actual minutes)
- Current wage levels and projected
- Hours worked, including overtime

As a Brand CSR manager, I want to know **how the prices paid link to wage levels**, to be able to **actively contribute to higher wage levels** in production locations.

Therefore I would need access to:

- Material costs per product
- Working minute cost
- Labour minute value
- Minutes per product

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- Efficiency percentage (or actual minutes)
- Current wage levels
- Hours worked, including overtime
- Costs related to possible wage developments – living wage CBA wage
- Training costs

As a Trade union representative in a production country, I want to know the **effect of a wage increase on the prices of products**, to actively **ask brands to contribute/take responsibility**.

Therefore I would need access to:

- Costs related to possible wage developments – living wage, CBA wage

As a **(Fair Wear) Auditor**, I want to be able to **verify the information a factory has put into the tool**, to be able to **verify the output** and **add to the trustworthiness** of the result.

As **Fair Wear staff**, I want to be able to **make adjustments** related to the **content** of the **tool** (update legal minimum wage regulations etc) and **update** the **calculations** of the tool (e.g. incorporate additional costs related to Human Right's Due Diligence), to be able to guarantee **the quality of the tool**.

Call for Proposal

We ask for proposals for the online development of this application and continued support in maintaining the platform. We would like to start with the development in November, to have a first version ready by July 2021.

Please share your proposal, including a suggested planning and rough budget **before 30 September 2020** with Anne van Lakerveld (vanlakerveld@fairwear.org). We will invite three organisations to present their proposal in October. We are available for questions related to this proposal, please also use the email address to reach out.