

Bangladesh Garment Manufacturers & Exporters Association (BGMEA)

BGMEA Complex, 23/1 Panthapath Link Road, Kawran Bazar, Dhaka- 1215, Bangladesh

Circular no: BGA/Labour/2010/31

Dated: 5 April, 2010

[Revised]

To: All honourable members of the sweater manufacturing factories, BGMEA

Sub: Determination & Fixation of "piece-rates" for sweater manufacturing operations

Honourable members,

You are aware that the "Ministry of Labour & Employment" has expressed their desire to frame certain guidelines for the determination and fixation of piece-rates of sweater manufacturing prior to the start of the sweater manufacturing process. As a result, the Standing Committee on Sweater Cell, BGMEA has constituted a committee to frame certain guidelines for the purposes of determining piece-rates associated with sweater manufacturing operations. In the meeting of the said committee held on 13/2/2010, a proposal to that effect was placed before the committee (the revised copy of the proposal is enclosed herewith). In this regard, we have issued a circular to all honourable members of sweater manufacturing factories vide circular no- BGA/Labour/2010/21, dated: 02 March 2010, for their valuable comments and suggestions. However, due to unavoidable circumstances, this particular circular could not reach all the members in a timely manner, and so they have not had sufficient time necessary to fully review the circular contents and share their valuable comments/suggestions.

All honourable members of sweater manufacturing factories of BGMEA, are requested to kindly send to BGMEA their valuable comments and suggestions on the said proposal latest by 30th April 2010 positively.

For all further queries, honourable members are requested to kindly contact **Mr. Enayetuddin Md. Kaiser Khan**, Convener of the Committee, through the email address kaiser@soniagroup.com or **Mr. Md. Rafiqul Islam**, Joint Secretary (Labour), BGMEA over mobile no - 01913-529862 or through the email address info@bgmea.com.

Thanking you,

Sincerely yours,



(M. Fasihur Rahman)
Secretary General

PIECE RATE DETERMINATION

Proposal # 01

Before calculating the piece-rate, below matters should be taken into consideration:

Daily Earning	: BDT 180.00 (Average)
Production Bonus	: 15% -20%
Working Days	: 26 days
Working Hours	: 10 hours/day
Attendance Bonus	: BDT 200.00/Month

Production targets will be determined and fixed by "Industrial Engineering" team members, as well as the relevant production-oriented positions of authority (e.g. Production Manager, Production Coordinator, etc.) taking into consideration various factors such as "SMV" calculations, time & motion study analysis, production-related work-study reports, etc. The main essence of going through such a process lies in the fact that floor production records never fully reflect the actual productivity scenario as benchmarked against the initial productivity calculation figures.

Illustration of proposed piece-rate calculation:

Target productivity:	= 8 pieces/day (based on a 10-hour working day calculation)
Production rate:	= $\frac{\text{Predetermined Daily Earnings}}{\text{Daily Target Productivity}}$ = BDT 180/ 8 pcs
	= BDT 22.50/piece

In this scenario, the monthly earnings for a worker would be calculated as:

$$= \text{BDT } 22.50 \times 8 \text{ pieces} \times 26 \text{ working days} + 20\% \text{ production bonus} + \text{monthly attendance bonus (example BDT. 200.00)} = \mathbf{BDT 5816.00/month}$$

In a situation where a factory is unable to allocate work to the production floors on specific days, workers would in that case be entitled "no work" payment based on their basic salary structure.

Illustration of "no work" payment calculation:

Gross Salary:	= BDT 1851.00
Basic Salary:	= BDT 1270.00
Days of "no work":	= 3 days

$$\begin{aligned} \text{"No work" payment determination:} &= \frac{\text{Basic Salary} \times \text{number of "no work" days}}{\text{Monthly Working Days}} \\ &= (\text{BDT } 1270 \times 3) / 26 = \mathbf{BDT 146.54} \end{aligned}$$

$$\text{Per day "no work" payment amount:} = \text{BDT } 146.54 / 3 = \mathbf{BDT 48.85}$$

Note: "No work" payments would be applicable only if their production-earnings are less than their gross salary, i.e., BDT 1851.00

Minimum CM:

- ✓ For 3/5/7 gauges, daily productivity is supposed to be approximately **8 pieces/day** (basic style)
= Minimum CM may be calculated as **USD \$ 2.00/piece**
- ✓ For 10/12 gauges, daily productivity is supposed to be approximately **4 - 6 pieces/day** (basic style)
= Minimum CM may be calculated as **USD \$ 3.00/piece**

Depending on the complexity and additional manufacturing intricacies associated with a given styles, respective CM may be increased accordingly.

PIECE RATE DETERMINATION Proposal # 02

Before calculating the piece-rate, below matters should be taken into consideration:

Daily Earning	: BDT 145.00 (Average)
Production Bonus	: 15% -20%
Working Days	: 26 days
Working Hours	: 8 hours/day
Attendance Bonus	: BDT 200.00/Month

Production targets will be determined and fixed by "Industrial Engineering" team members, as well as the relevant production-oriented positions of authority (e.g. Production Manager, Production Coordinator, etc.) taking into consideration various factors such as "SMV" calculations, time & motion study analysis, production-related work-study reports, etc. The main essence of going through such a process lies in the fact that floor production records never fully reflect the actual productivity scenario as benchmarked against the initial productivity calculation figures.

Illustration of proposed piece-rate calculation:

Target productivity:	= 8 pieces/day (based on a 8 -hour working day calculation)
Production rate:	= $\frac{\text{Predetermined Daily Earnings}}{\text{Daily Target Productivity}}$
	= BDT 145/ 8 pcs = BDT 18.13/piece

In this scenario, the monthly earnings for a worker would be calculated as:

$$= \text{BDT } 18.13 \times 8 \text{ pieces} \times 26 \text{ working days} + 20\% \text{ production bonus} + \text{monthly attendance bonus (example BDT. 200.00)} = \mathbf{BDT 4725.25/month}$$

In a situation where a factory is unable to allocate work to the production floors on specific days, workers would in that case be entitled "no work" payment based on their basic salary structure.

Illustration of "no work" payment calculation:

Gross Salary:	= BDT 1851.00
Basic Salary:	= BDT 1270.00
Days of "no work":	= 3 days

"No work" payment determination:	= $\frac{\text{Basic Salary} \times \text{number of "no work" days}}{\text{Monthly Working Days}}$
	= (BDT 1270 x 3)/26 = BDT 146.54

$$\text{Per day "no work" payment amount:} = \text{BDT } 146.54 / 3 = \mathbf{BDT 48.85}$$

Note: "No work" payments would be applicable only if their production-earnings are less than their gross salary, i.e., BDT 1851.00

Minimum CM:

✓ For 3/5/7 gauges, daily productivity is supposed to be approximately **8 pieces/day** (basic style)

Minimum CM may be calculated as **USD \$ 2.00/piece**

✓ For 10/12 gauges, daily productivity is supposed to be approximately **4 - 6 pieces/day** (basic style)

Minimum CM may be calculated as **USD \$ 3.00/piece**

Depending on the complexity and additional manufacturing intricacies associated with a given styles, respective CM may be increased accordingly.