

CPD Dialogue on
Minimum Wages and Livelihood Conditions of RMG Workers

Presentation on
Addressing the Livelihood Challenges of RMG Workers:
Exploring Scope within the Structure of Minimum Wages and Beyond

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Discussion Points

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1. Background

- Workers' livelihood issues are almost unheard parts of Bangladesh's RMG value chain
- These issues are increasingly becoming important
 - Present work force of the sector
 - Future generation of the work force
- Worker's wage is the most important factor that has direct impact on their livelihood
- Revision of minimum wage in regular interval is one of the critically important regulatory measures undertaken concerning the workers of this sector
- The Minimum Wage Board often face the challenge of finding out a win-win solution
 - Because of procedural, methodological and data related weaknesses (Moazzem, 2013)
- In March, 2018, the MoLE has formed the Minimum Wage Board (MWB) for the RMG sector to revise the minimum wages of the RMG workers
- The CPD undertakes this study in order to address the livelihood issues of RMG workers as well as its relation with minimum wages and other issues

2. Objectives and Methodology of the Study

- The debate on the MWB often face the constraint of availability of data and information on important indicators.
- Present study intends to contribute in areas where methodology is not clear, evidences are not sufficient and understandings on certain issues are biased.
 - It is carried out under the concept of living wage promoted by the ILO.
- The objectives of the study are as follows:
 - to examine the livelihood issues of workers with a view to better understand their challenges for ensuring decent living;
 - to analyse some of key enterprise related indicators concerning minimum wages with a view to appreciate the business capability in ensuring revised minimum wage;
 - to review the structure of minimum wage currently in operation and thereby put forward suggestions for changes in workers' grades and related minimum wages;
 - to put forward a set of recommendations addressing the issues and concerns related to workers' livelihood.

2. Objectives and Methodology of the Study

- The study has been carried out based on the primary and secondary data collected from different sources.
- Definitional issues
 - **Food costs:** essential consumer goods such as cereals, potato, vegetables, pulses, milk and milk products, edible oil, meat and poultry, egg, fish, onion, fruits, sugar and other food items
 - **Non-food costs:** essential consumer goods and services such as clothes and footwear, housing, fuel, HH assets, education, entertainment, medicare, mobile bill, transport, payment of monthly loan/dues etc.
 - **Family:** It is defined as a group consisting of members who are dependent on same source of income for their livelihood needs.
- The data on workers' livelihood issues have been collected through a primary survey
 - From four different locations such as Dhaka city, Gazipur, Narayanganj and Savar
- The survey has been carried out in March, 2018.
- Most importantly, the findings of this survey is found consistent with the findings of the survey carried out by CPD under its CPD-RMG study, 2018.

3. Cost of Living of Families of Sample RMG Workers

3.1 Rise in Non-Food Costs Changed the Overall Living Expenses

- Monthly expenditure includes expenses of workers of major grades- from Grade III to Grade VII
- The average monthly expenditure of sample RMG workers is found to be Tk.22435 where food costs is Tk.8125 and non-food costs is Tk.11142
- The ratio of food and non-food expenses is 36:64; if the instalment is excluded, the ratio is 42:58.
- During 2013, the ratio of food and non-food costs was found to be 50:50 (Moazzem et al., 2013)
- Workers overall cost of living has increased by 17% per year between 2013 and 2018
- Such rise in expenditure is not fully explained by rise in inflation
- Rise in expenditure is partly influenced by rise in income as well.

Changes in Workers' Living Costs between 2013 and 2018

Costs	2013 (in BDT)	2018 (in BDT)	Yearly % change between 2013 and 2018
Food cost	5180	8125	11.4
Non-food cost	5173	11142	23.1
Total cost	10353	19267	17.2
Non-food cost (with instalment)		14310	
Total cost (with instalment)		22435	
Ratio of food cost and non-food cost	50:50	42:58	
Ratio of food cost and non-food cost (with instalment)		36.64	

Source: RMG Workers' Livelihood Survey, CPD, 2018

3. Cost of Living of Families of Sample RMG Workers

3.2 Lack of Necessary Facilities Push Workers to Bear Additional Costs in Gazipur

- There is modest variation in living cost between different locations –high in Gazipur (Tk.24846) followed by Dhaka (Tk.22939) and low in Savar and Narayanganj
- Both food and non-food costs are high in Gazipur, even it is higher than Dhaka city
 - Because of limited development of facilities and supplies, workers in this region faced the burden of additional expenses compared to other regions
- Even there is variation in different localities within the same area. Such as workers live in different locations of Dhaka city such as Mirpur, Tejgaon and Kafrul face different cost structure.

Locationwise Workers' Living Cost

Location	Total living cost	Total food cost	Total non-food cost
Dhaka	22939 (100%)	7919 (34.5%)	15020 (65.4%)
Gazipur	24846 (100%)	9609 (38.7%)	15237 (61.3%)
Narayanganj	21183 (100%)	8025 (37.9%)	13158 (62.1%)
Savar	20017 (100%)	7463 (37.3%)	12554 (62.7%)
All	22435 (100%)	8125 (36.2%)	14310 (63.7%)
Standard deviation	2109	936	1338

Source: RMG Workers' Livelihood Survey, CPD, 2018

3. Cost of Living of Families of Sample RMG Workers

3.3 Workers are Still Striving to Meet Their Needs with Limited Rise in Income under Different Grades

- There is rather limited level of variation in the living costs between workers of different grades.
- The living cost is high for grade III workers (Tk.23127) but it is not necessarily the lowest for grade VII workers.
 - The variation in family expenses is influenced by earnings of other members, size of the family and location of workers' residence.
- Relatively low standard deviation is observed in food (Tk. 601) and partly in non-food costs (Tk.1128)
 - These indicate that consumption patterns of workers of different grades is almost same
 - This is perhaps because of low level of income and lower income-gap between different grades which did not pull them consuming beyond subsistence level.

Grade Wise Monthly Expenditure

Grade	Total living cost	Total food cost	Total non-food cost
Grade III	23127 (100%)	8053 (34.8%)	15074 (65.2%)
Grade IV	21367 (100%)	7535 (35.3%)	13832 (64.7%)
Grade V	21994 (100%)	7862 (35.7%)	14132 (64.3%)
Grade VI	19291 (100%)	7971 (41.3%)	11320 (58.7%)
Grade VII	22221 (100%)	8867 (39.9%)	13354 (60.1%)
All	22435 (100%)	8125 (36.2%)	14310 (63.8%)
Standard deviation	1208	601	1128

3. Cost of Living of Families of Sample RMG Workers

3.4 Rise in the Number of Family Members Put Pressure to Workers to Accommodate Additional Costs

- The living expense is relatively low for two-member family (Tk.19938)
 - The high living cost is found in case of workers with five members in the family (Tk.23039).
- Workers having small family (no children) is relatively low food costs compared to those with having children.
 - Such difference is not observed in case of non-food costs between different sized families.
- Workers are usually in pressure to accommodate additional costs for every additional member in their families.
 - In other words, size of the family has important influence in workers' living costs.

Family Memberwise Monthly Expenditure

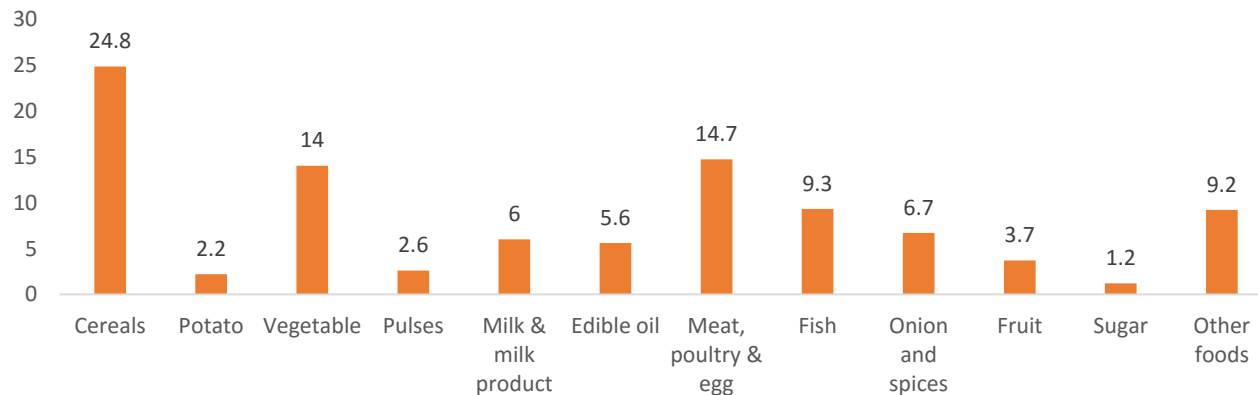
No. of family members staying with	Total Living Cost	Total Food Cost	Total Non-Food Cost
2	19938 (100%)	6791 (34.1%)	13147 (65.9%)
3	22454 (100%)	8500 (37.9%)	13954 (62.1%)
4	24614 (100%)	9041 (36.7%)	15573 (63.3%)
5	23039 (100%)	9519 (41.3%)	13520 (58.7%)

3. Cost of Living of Families of Sample RMG Workers

3.5 Expenses of Some of the Food Items are High in Some Locations; No Major Variation between Grades

- Among different food items, the highest costs are related with cereal (24.8 per cent of total food cost) followed by meat and eggs (14.7 per cent), vegetables (14.0 per cent) and fishes (9.3 per cent).
 - In most of the food related items, expenses under different grades did not have wide variation.
- Workers expenditure for food items whether in upper or lower grades did not pass the subsistence level.
- Variation is evident in case of meat and egg (between Gazipur and Narayangonj), fish (between Gazipur and Savar) and vegetables (between Gazipur and Narayangonj).
- Supply of various food items in major industrial clusters needs to be significantly increased.

Distribution of Food Costs (Tk.8125 per month) in %



Location Specific Monthly Food Costs for Selected Items

Location	Vegetables	Milk & milk product	Meat, poultry & egg	Fish
Dhaka	1062	436	1178	683
Gazipur	1348	615	1518	981
Narayanganj	978	451	870	699
Savar	1077	454	1116	613
All	1122	481	1180	747

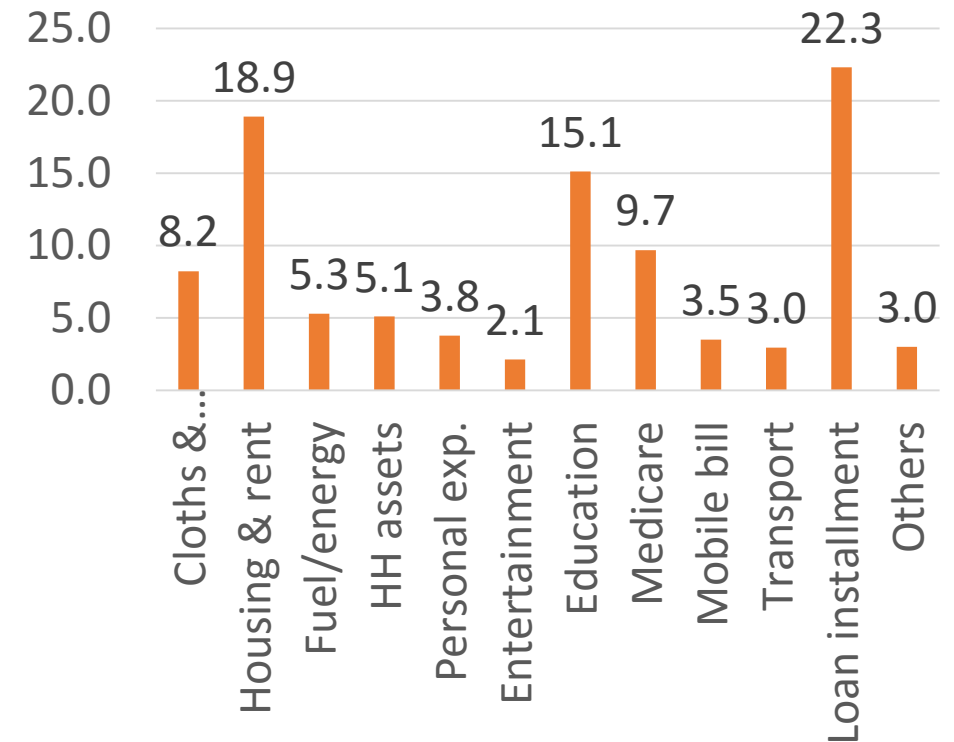
Source: RMG Workers' Livelihood Survey, CPD, 2018

3. Cost of Living of Families of Sample RMG Workers

3.6 High expenses for repayment of monthly dues portray that majority of workers are still in distressed situation

- The highest non-food cost is repayment of monthly dues (22.3%). This rather indicates pressure on meeting their day to day needs.
 - Other major non-food costs include house rent (18.9%), followed by costs for education (15.1%) and medicare (9.7%).
- There is locational variation in non-food costs.
 - The high level of cost-variation observed in medicare, education and house rent.
- Among the major non-food costs, housing cost is high in Dhaka followed by Gazipur; it is low in Narayangonj.
- Education cost is high in Narayangonj and Gazipur but less in Savar. Medical expenses is high in Narayangonj but less in Savar.

Share of Monthly Non-Food Expenditure



Source: RMG Workers' Livelihood Survey, CPD, 2018

4. Livelihood Issues of Sample Workers' Families

4.1 Accommodation Situation of Workers

- Majority of workers stay in poor housing condition with lack of adequate facilities.
 - Among the surveyed workers, only 47.8% workers stay in single room alone or with family members.
 - In other words, about 52.2% of workers stay in shared rooms with non-family members; of which 4.4 per cent workers' family shared with non-family members.
 - On average, a family has to spend about Tk.2684 per month for their accommodation.
- Workers' spending for housing has increased by 38% in case the workers stay in the same location (for 32% of sample workers)
 - The spending has increased less (22%) in case workers stay in different locations (68% workers)
 - House-owners tend to impose more rent in case workers prefer to stay in the same location due to their critical need
- Majority of workers could not stay in the same location either to minimize housing costs or for other reasons.

Changes in housing expenditure between 2012 and 2017

	Avg. House Rent in 2012	Avg. House Rent in 2017	% Change between 2012 and 2017
Stayed at same house (Total 38)	2025	2788	38%
Stayed at different houses (Total 77)	2119	2588	22%

Source: RMG Workers' Livelihood Survey, CPD, 2018

4. Livelihood Issues of Sample Workers' Families

4.1 Accommodation Situation of Workers

- Most of the cases workers' accommodation do not have other necessary facilities in full.
 - Majority of workers still use toilet and kitchen on shared basis (86% and 85% respectively).
- Majority of workers do not intend to rent a room with independent kitchen and toilet facilities in order to avoid high costs as well as inability to meet additional expenses.
- Most importantly, existing personal income and overall family income do not allow a large number of workers to rent independent room/house with all necessary facility including kitchen and toilet.

Present Accommodation Conditions of Sample Workers

Facilities	Single (%)		With family (%)	With others (%)	Total
	Independent	Shared	Double	Shared double	
Room	36.4	47.6	11.4	4.4	100
Toilet	7.8	-	6.2	86	100
Kitchen	15	-	-	85	100

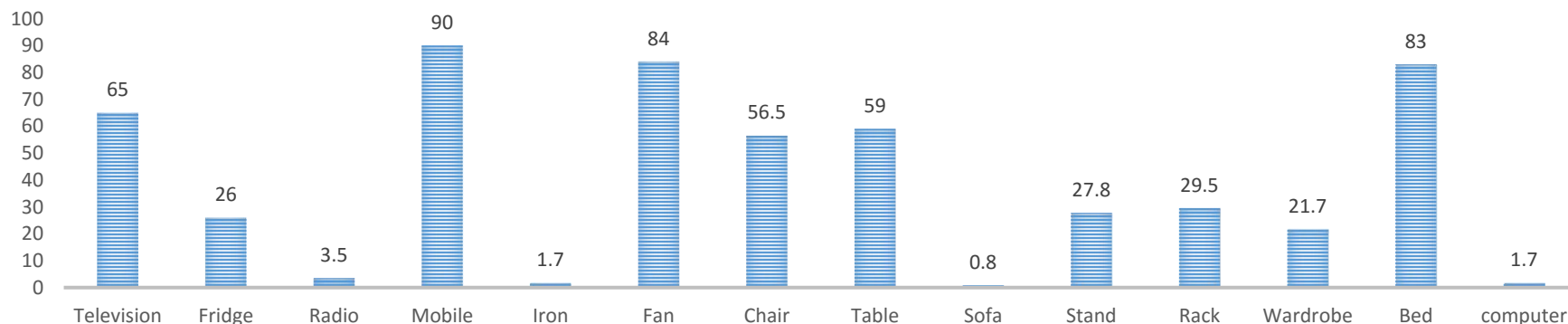
Source: RMG Workers' Livelihood Survey, CPD, 2018

4. Livelihood Issues of Sample Workers' Families

4.2 Assets of Workers' Families

- Workers' household assets are still scant; nearly 40% workers don't have any table, 44% don't have any chair
- It is really depressing that 17% don't have any bed and they sleep in the floor.
 - Even 16% workers are living without any fan which is unbearable in scorching summer nights.
 - Current income does not allow a sizable number of workers to meet their essential household needs
- In positive note, 91% of workers have mobile phones, 65% of workers have televisions but only 24% workers have refrigerators- these are owned through 'pooled resources of the workers'
 - Moreover, approximately 70% workers don't have stand and rack and nearly 80% don't have any wardrobe in their rooms.
- In this context, factories could introduce zero-interest loan facility for workers to buy essential household assets.

Household Goods Available to Sample Workers (%)



4. Livelihood Issues of Sample Workers' Families

4.3 Family Savings

- Workers' wage alone is not sufficient to cover the living costs of their families and therefore difficult to make some savings.
- Considering income of other working members of the family, a part of workers could make some savings
 - About 56.5% of workers who are mostly married workers make some savings from their family income.
 - Workers working in the upper grades and their families are found to make more savings compared to those working in the lower grades.
 - However, these amount of money are mostly 'forced' savings originated by sacrificing the basic amenities and requirements as discussed above.
- At the same time, a sizable share of workers (over 44%) could not make any savings from their monthly household income because of low level of income of him/her and their family members.
- Workers need to encourage to save a part of their income – a central 'provident fund' could be set with workers' saving.
- Wage structure should accommodate savings related item

4. Livelihood Issues of Sample Workers' Families

4.4 Liabilities of the Workers and Their Families

- A good part of workers (32.2%) took personal loan for household purposes which they repaid back every month (Tk.3168).
 - These constitute a considerable share of their non-food expenditure (22% of total non-food expenditure).
 - Besides, 41.7% workers have long term debts.
- In most cases, personal borrowings and debts are related to meeting family expenses particularly medical expenses, construction or repairing houses and/or making short term investment.
- In other words, there is ample scope for extending financial services by banks and other financial institutions addressing their needs

4. Livelihood Issues of Sample Workers' Families

4.5 Workers' Access to Formal Financial Services

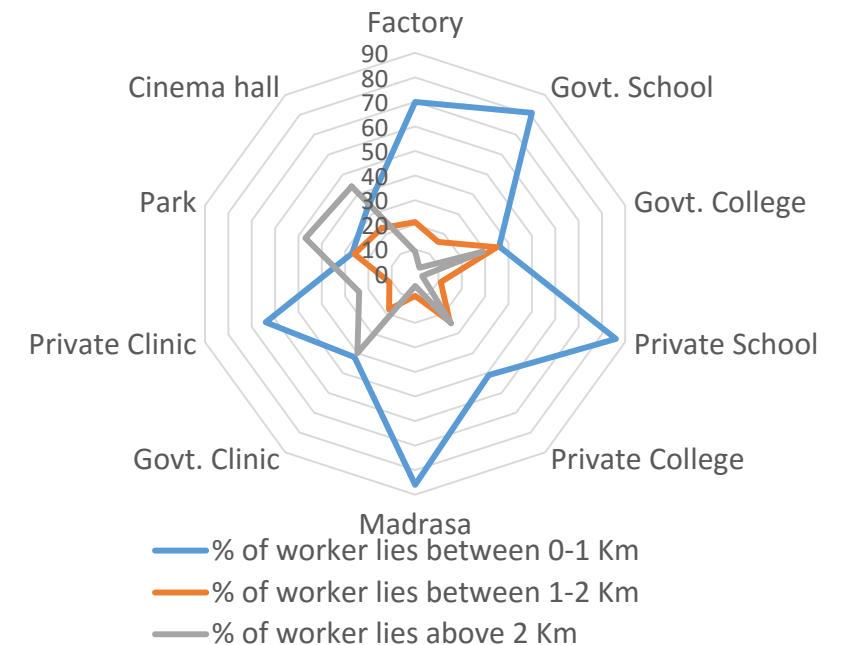
- Workers are mostly outside the formal financial services despite earning a sizable amount of money and transacting and transferring those in different areas of the country.
- In this context, factory authority has to play a proactive role.
 - Among the respondents, only 5% workers receive their wages and other financial benefits through bank accounts or mobile phone transfers.
- It is important to take initiative to make all financial transactions of the garment workers by banks and/or other financial services.
 - Ministry of Labour (MoLE) may make it mandatory to transfer workers' salary through banking services.
- According to the CPD-RMG survey, about 28% workers maintain bank accounts.
 - Hence, it is easily possible to transfer workers' receivables to bank at least for a certain percentage of workers.
- Since workers are making some savings which could be deposited and could be used for long term investment, banks and financial institutions should come forward to provide the facility among the workers.
- With the revision of workers' wages, the amount of savings is likely to increase which could further increase the possibility of deposit collection and lending operations of banks and other financial institutions.

4. Livelihood Issues of Sample Workers' Families

4.6 Availability of Public Facilities/Amenities

- Workers are deprived of getting basic facilities in their communities and localities.
- The average distance with workplace is about 1 km while average distance for government school, private primary school and madrasa is 1 km, 0.78 km, 0.72 km respectively
- Among the educational institutes government schools are at the farthest while madrasas are at the nearest.
- Similarly, among the higher educational institutes, government colleges are located far distanced areas compared to that of private colleges.
- Similarly, government clinics are far distanced than private clinics.
- In other words, workers and their families have to depend on private schools and clinics more which are more expensive.

Percentage of Workers Living in Different Distance of the Entities



Source: RMG Workers' Livelihood Survey, CPD, 2018

4. Livelihood Issues of Sample Workers' Families

4.7 Challenges Concerning Workers' Livelihood and Their Future Requirement

- Inflation adjustment based on national CPI is not sufficient to cover workers' livelihood expenses
- Workers' personal income is not adequate to cover the family expenses; it needs income of other family members to cover that
- Major changes in the composition of the expenses discerned
- All kinds of workers' financial transactions need to be made by banks/financial services
- Rise in workers' wages is likely to contribute in the development of future human resources.
- Community based facilities need to be developed in RMG clusters

5. Discussion on Minimum Wage of RMG Workers

5.1 Current Structure of Workers' Minimum Wages

- Changes in wage structure made significant improvement in the earnings of the all grade workers.
 - 40-77% rise; introduction of two new allowances
- Inter-grade differences in wage was slashed down for all grades in 2013 compared to that in 2010
 - This is against rise in productivity/skills in upper grades
- Besides, a formal grade was introduced for 'apprentices' below grade VII which was earlier have no wage scale.
- Over the last five years, majority of workers have received increment which is also a positive development.
 - 5% increment is supposed to rise wages in 2018 upto: Tk.16288 (for Gr.I), Tk.13608 (for Gr.II), Tk.8381 (for Gr.III), Tk.7890 (for Gr.IV), Tk.7407 (for Gr.V) and Tk.6943 (for Gr.VI).
- Adjustment of wages for different grades should be happened over and above the wages that they currently receive.

Major Changes Introduced in Workers' Wage Structure in 2013

Grades	Workers' net wages		% changes between 2010 and 2013	Changes of wage with immediate grades		Workers wage with 5% annual increment in 2018
	2010	2013		2010	2013	
Grade I	9300	13000	39.8	29.2%	19.3%	16288
Grade II	7200	10900	51.4	70.7%	60.2%	13608
Grade III	4218	6805	61.3	9.2%	5.9%	8381
Grade IV	3861	6420	66.3	8.7%	6.3%	7890
Grade V	3553	6042	70.1	6.9%	6.4%	7407
Grade VI	3322	5678	70.9	10.7%	7.1%	6943
Grade VII	3000	5300	76.7	20%	26.8%	(6460)
Apprentice /Trainee	2500	4180	67.2			

5. Discussion on Minimum Wage of RMG Workers

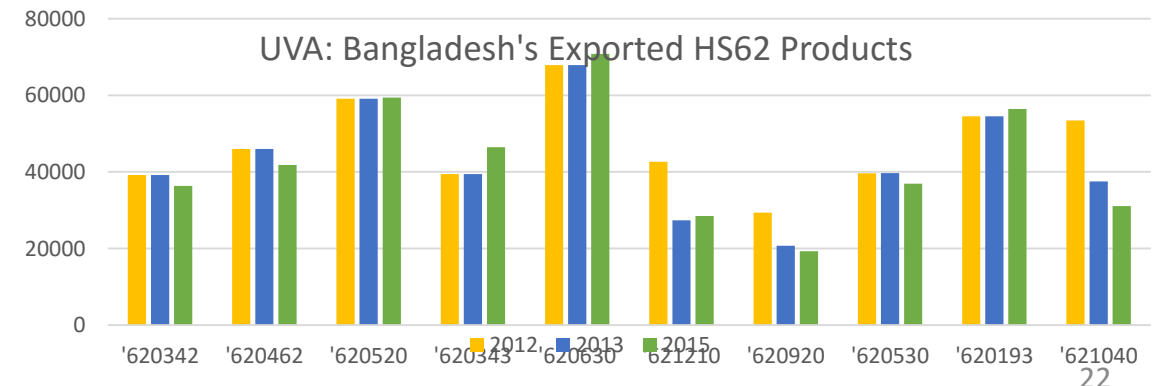
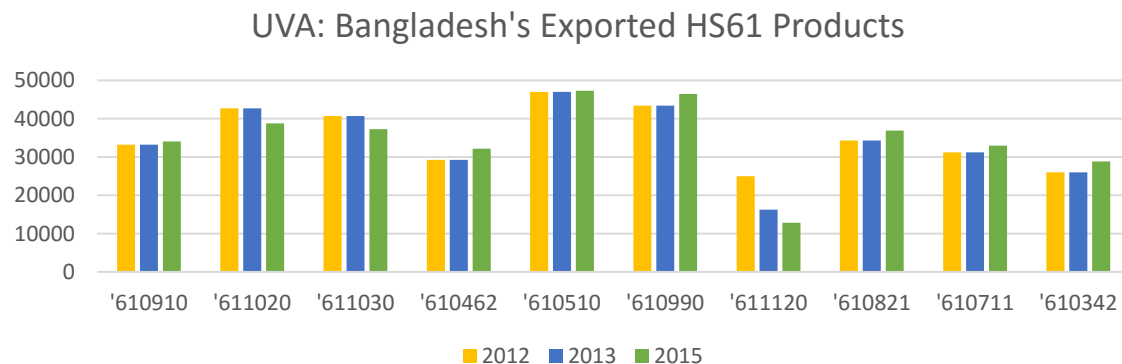
5.2 Adjustment of Inflation

- Since December, 2013 to December, 2018 (H1 MPS, 2018) overall national consumer price index is supposed to rise by 32.4%.
 - Inflation in December, 2013 to June, 2018 is 26.04%
- Adjustment of level of inflation would increase the minimum wage for grade VII workers to Tk.7017.
 - This amount is higher than the overall rise of wages by 5% increment for grade VII workers.
- At the same time it is important to take into account that there is a historical backlog of unadjusted minimum wages of garment workers because of no revision of minimum wages in different time periods.
 - First for 12 years (between 1983 and 1995) and second for 11 years (between 1995 and 2006)
- Because of rise in cost of living as estimated in 2018, simple inflation adjustment could not cover workers' requirement.

5. Discussion on Minimum Wage of RMG Workers

5.3 Cost of Production, Productivity, Price of Products and Business Capability

- An analysis of unit value of top 10 knit and woven products of Bangladesh during 2012 to 2015 show a mixed trend.
 - In case of knit products, 7 out of 10 products have experienced modest rise in unit values; in contrast, only 4 out of 10 woven products have experienced similar level of rise in unit values.
 - This trend appears to be remain the same in the following years
 - Entrepreneurs were not gained from product prices
- Entrepreneurs might enjoyed some short term gains because of reduction of cotton prices, depreciation of taka against US\$ and reduction of corporate tax rate for limited period etc.
- There is a general downward pressure on the price of RMG products because of slowdown in demand for apparels in major markets in recent years (Asia-Pacific Trade and Investment Report 2016)



Source: RMG Workers' Livelihood Survey, CPD, 2018

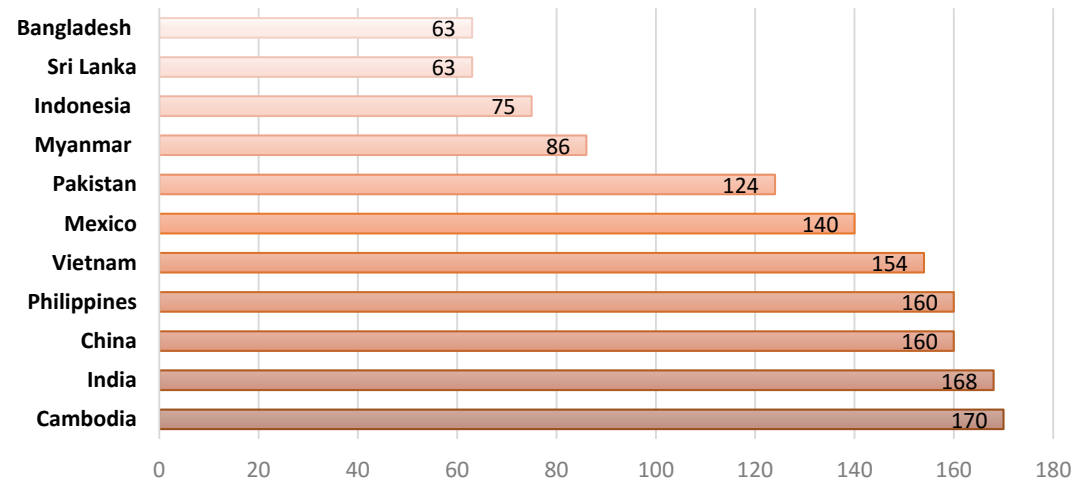
5. Discussion on Minimum Wage of RMG Workers

5.3 Cost of Production, Productivity, Price of Products and Business Capability

- In case of all factories, rise in the level of efficiency enable enterprises to accommodate additional costs.
 - According to the CPD-RMG Survey, average level of line efficiency of sample factories is 58.4% with a standard deviation of 21.3%.
 - The difference in the level of efficiency between woven and knit enterprises is not so high.
 - Most importantly, workers' level of efficiency has been increasing because of introduction of new technologies, machineries, departments and management practices etc.
 - Such improvement in the efficiency and productivity enable enterprises to accommodate a part of their additional expenses.
- On the other hand, workers' higher level of efficiency and productivity create further rationale to justify workers' wages in line with their rise in efficiency and productivity.
- It is not fully clear whether the extent of gap in efficiency between Bangladesh and its competing countries could be explained by the prevailing huge gap in the minimum wage between these countries with Bangladesh (see figures in following slide).

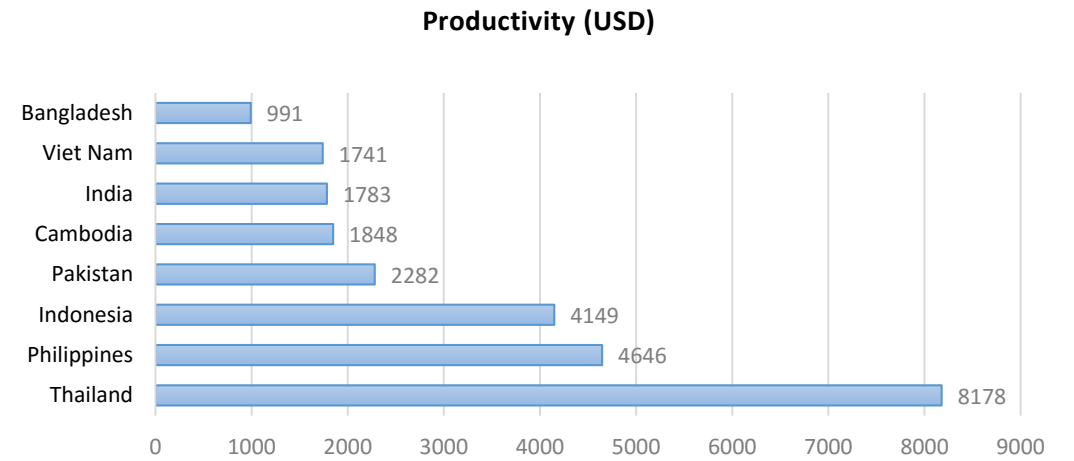
5. Discussion on Minimum Wage of RMG Workers

Monthly Minimum Wage in Major RMG Exporters (USD)



Source: Wage Indicator, 2018; Just-Style, 2018; Shenglu Fashion, 2017 and ILO 2014

Labour Productivity of Garments, Textile and Footwear Industry in Different Countries



Source: ILO, 2016

5. Discussion on Minimum Wage of RMG Workers

5.3 Cost of Production, Productivity, Price of Products and Business Capability

- Because of the slowdown in global demand, entrepreneurs' net income has decelerated over the years (CPD-RMG Study, 2018).
 - On average net income of sample enterprises has declined between 2012 and 2016.
- However, majority of enterprises made at least some level of profit in 2016
 - According to the CPD-RMG study 2018, about 53% enterprises made a profit less than 5% (which was 38% in 2012) while 10% enterprises made loss in 2016 (which was 6% in 2012).
 - On the other hand, over 37% enterprises made profit over 5%.
 - In other words, other than 10% enterprises majority of enterprises made profit at different levels who are supposed to accommodate additional costs related to adjustment of workers' wages.
 - Government may consider special fiscal benefit for small scale entrepreneurs (bottom 10%).
 - Brands and buyers should commit to ensure fair price to accommodate additional costs.

6. Exploring Scope of Minimum Wages and Beyond

- It is not possible to accommodate workers' livelihood requirements only by adjusting wages
- Wage structure needs major revisions taking into consideration of changes in the living costs
- An inflation-only adjustment of minimum wages will seriously undermine workers' requirement
- Number of earning members of the workers' family should be taken into consideration
- Necessary changes in composition of grades and grade wise wages are necessary
- All kinds of financial transactions should be made by banking channel/mobile based financial services
- Given the slowdown in entrepreneurs' earnings wage adjustment should consider their ability to pay
- Factories should introduce interest-free credit facility for workers
- Government should take a part of the responsibility for creating facility for workers
- The gap in minimum wages between Bangladesh and major competing countries need to be reduced
- Brands/Buyers should be transparent in price negotiations and ensure that additional costs to be covered by the settled price on a sustained basis

7. CPD's Proposal for Adjustment of Minimum Wages

- CPD (2013) proposed to introduce a proper method for calculating minimum wages for workers.
- According to Anker (2011), workers minimum wage should consider food and non-food costs of the family
 - Besides, it should consider number of household members, number of earning members as well as ensuring certain percentage of discretionary income or savings.
 - The method is as follows:

$$\frac{\{(\text{Food Costs} + \text{Non-food Costs}) \times \text{Household Size}\}}{\text{Number of Earners}} + X\% \text{ Discretionary Income or Savings}$$

Source: Anker 2011: p.116.

7. CPD's Proposal for Adjustment of Minimum Wages

- Given the rise in workers' skill and technology, we are proposing reduction of number of grades.
 - Grade VII workers to be upgraded as Grade VI
 - Likewise, Grade VI to be upgraded as Grade V, Grade V to be Grade IV, Grade IV to be Grade III and Grade III to be Grade II
 - Grade I and II could be considered under the top grade as Grade IA and Grade IB respectively
 - Considering the skill upgrading in different grades, promotion of workers would be incentivized in progressive manner - the proportionate rise of wages for getting promotion from grades VI, V, IV, III and II would be 7 per cent, 10 per cent, 13 per cent and 15 per cent respectively.
- A number of changes in the grade structure is proposed
 - Considering the high expenses for children, a 'child care and education allowance' is proposed which will be provided for workers having children below 18 years old
 - Considering the long term requirement of workers' savings, a service benefit (3% of the basic) is proposed; it would be centrally deposited under 'Provident Fund'
 - Considering other communication related expenses, transport allowance is proposed to be renamed as 'Transport and communication allowance' and amount to be increased

7. CPD's Proposal for Adjustment of Minimum Wages

- Taking into consideration of family size 4.4 based on sample survey, total food and non-food costs are found to be Tk.22435.
 - With 2.1 earning members and a 3% savings on basic, the minimum wage for newly introduced grade VI workers should be Tk.11004.
- Considering the slowdown in profit margin of enterprises as well as possible future business risks (such as trade war, rise in petroleum price, rise in gas price etc.), the proposed minimum wage for newly introduced grade VI is proposed to be Tk.10028 (US\$119).
 - In case workers have no children, the wage for grade VI worker would be Tk.9228 (US\$110)
- The wages for following grades would be Tk.10715 for grade V, Tk.11786 for grade IV, Tk.13319 for grade III, Tk.15317 for grade II.
- All types of allowances would be proportionately increased with the promotion of workers- 7% for grade V, 10% for grade IV, 13% for grade III and 15% for grade II.

7. CPD's Proposal for Adjustment of Minimum Wages

Proposed Wage Structure

Grading (Main Posts)	Basic	House rent (40% of Basic)	Medical Allowance	Transport and communication Allowance	Food Allowance	Child care and education allowance	Service benefit (3% of basic)	Net Salary
Grade 1 A: Pattern Master, Chief Quality Controller								Open
Grade 1 B: Mechanic, Electrician, Cutting Master								Open
Grade 2: Sample Machinist, Senior Machine Operator	6127	2451	1224	1071	3059	1224	184	15338
Grade 3: Sewing Machine Operator, Quality Inspector, Cutter, Packer, Line Leader	5327	2131	1064	931	2660	1064	160	13337
Grade 4: Junior Machine Operator, Junior Cutter, Junior Marker	4715	1886	942	824	2354	942	141	11803
Grade 5: Operator of General Sewing/ Button Machine	4286	1714	856	749	2140	856	129	10730
Grade 6: Assistant Sewing Machine Operator, assistant Dry washing man, Line Iron Man	4006	1602	800	700	2000	800	120	10028

Source: Authors' estimates, 2018

8. Conclusion

- Workers' livelihood expenses have significantly increased since the last revision of minimum wages in 2013
 - This rise in expenditure could not be accommodated with the adjustment of minimum wages alone
- A number of areas have been identified where both government and private sector can play effective role and thereby can facilitate workers' livelihood demands
- Government should take community development programmes for major industrial clusters particularly for RMG clusters (i.e. Gazipur, Narayanganj, Savar and Chittagong etc.)
 - This programme should include workers' housing, children's education, medical and recreational facilities and financial services
- A number of components can be implemented with the support of the private sector under 'PPP model'
 - Housing facility to be developed under the private sector particularly by the local land owners
 - House Building Corporation can take part in development of housing in these clusters
 - 'Community Trust' could be set up comprising entrepreneurs, local land owners and local government representatives under which different initiatives could be undertaken
 - Health related facilities particularly specialized health services could be promoted through local NGOs
 - Rationing facility could be developed - 'fair price shop' with the support of the entrepreneurs as well as local level retailers
 - Private sector should be encouraged to set up low-cost shopping centers under their CSR programme

8. Conclusion

- There are opportunities for the development of real estate sector in RMG clusters
 - Real estate and housing sector entrepreneurs should identify innovate housing projects to develop low-cost housing in collaboration with local land owners
 - Banks should extend low-cost credit facility to local landowners for the development of housing
- There is huge potentials for further expansion of banking services
 - Banks and mobile based financial services should be extended in the locality through branch and agent banking
 - MoLE should encourage factories to make all transactions by banks and should gradually make mandatory to do all kinds of financial transactions by banks and other financial systems
 - Banks and other financial institutions should introduce innovative financial products taking into consideration of workers level of savings, their loan requirements and their abilities to repay with flexible terms and conditions
- Taking into consideration of government's universal pension scheme, government should introduce a 'Central Provident Fund' scheme for RMG workers
 - CPD's proposed wage structure include a service benefit for workers which can be deposited in the proposed Central Provident Fund

8. Conclusion

- CPD proposed a number of qualitative changes both in the structure and its content with a view to long term sustainable development of the RMG sector
 - Number of grades to be reduced from 7 to 6
 - New items to be included in the wage structure
 - Acknowledging the rise in skill in the payment by progressive rise in wages in upper grades
- It is well understood that a rise in workers' wage put pressure to the entrepreneurs in accommodating additional costs particularly at a time when price of products, export demand and possible future risks are there.
 - In view of the above, government may consider providing special tax incentive for small scale entrepreneurs and member-subcontracting entrepreneurs (100 per cent subcontracting) who would possibly confront some difficulties (bottom 10%)
- Brands/retailers/buyers should make it public regarding their stance on revision of minimum wages
 - In fact without full cooperation from the brands/buyers implementation of revised minimum wage would be difficult.

8. Conclusion

- It is well appreciated that rise in workers' wages over the last one decade have been slowly improving workers' livelihood
 - This has positively contributed to develop the future generation of human resources
- The process of livelihood development needs to be continued with active engagement and partnership between entrepreneurs, government, brands/buyers and workers.
 - Development partners could extend support in the community development in major RMG clusters and thereby facilitate the process of improvement of workers' livelihood

Thank you.
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