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Abstract

This study aims to assess the implementation status of the 2018 RMG minimum wage provisions and propose a revised minimum wage for RMG workers in 2023, grounded in indicators outlined in the Bangladesh Labour Act (BLA). These indicators encompass various factors such as cost of living, production costs, productivity, product pricing, inflation, work nature, risk, business capacity, and socio-economic conditions at both local and national levels. Data was gathered through a primary survey conducted across 76 RMG enterprises and involving 228 RMG workers. Additionally, Key Informant Interviews (KIIs) and Focus Group Discussions (FGDs) were conducted. Findings reveal discrepancies in adhering to the minimum wage set in 2018. Utilising the Anker method, the study determines that, for 2023, an RMG Grade 7 worker should receive a minimum wage of BDT 17,568 to cover living expenses. Another estimate suggests that implementing this wage would not detrimentally impact RMG employers' profit margins, provided that brands can accommodate a 7-cent increase in product unit price. Alongside proposing a new minimum wage, the study recommends collaborative efforts among the government, brands/buyers, enterprises, and workers to ensure effective implementation of the revised minimum wage in the forthcoming years.

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Acronyms

ASEAN	Association of Southeast Asian Nations
BDT	Bangladeshi Taka
BGMEA	Bangladesh Garment Manufacturers and Exporters Association
BKMEA	Bangladesh Knitwear Manufacturers and Exporters Association
BLA	Bangladesh Labour Act
DFS	Digital Financial Service
DIFE	Department of Inspection for Factories and Establishments
EU	European Union
FGD	Focus Group Discussion
GDP	Gross Domestic Product
GTF	Garments, Textile & Footwear
MFS	Mobile Financial Services
RBP	Responsible Business Practice
RMG	Readymade Garments
UNGPs	United Nations Guiding Principles on Business and Human Rights
USA	United States of America
USD	United States Dollar
WPC	Wireless Power Consortium

1. INTRODUCTION

As per the Labour Act, the Ministry of Labour & Employment (MoLE) has to revise the Readymade Garment (RMG) industry's minimum wage every five years. Accordingly, after the latest revision of 2018, a new minimum wage board was formed, comprising workers' and employers' representatives, to revise the new minimum wage by 2023. After all the discussions and negotiations, the board finalised BDT 12,500 as the minimum wage for the RMG industry in November 2023. This study was carried out during the process of minimum wage finalisation.

The issue of minimum wage is immensely vital for the Bangladeshi RMG industry as the industry's overall competitiveness and the livelihood of workers largely depend on it. However, setting the minimum wage in 2023 was particularly challenging as the sector had undergone major changes and challenges. The COVID-19 pandemic, particularly during FY2020-21, forced the cancellation or deferring of work orders by buyers and delayed the clearance of suppliers' payments. However, the sector returned to normalcy in terms of export growth during FY2022 as the export growth rose to as high as 34 per cent, which led to a higher demand for workers pulled demand for workers (Moazzem & Ahmed, 2022). Lately, the Ukraine-Russia war has caused a partial setback for exporters due to adverse impacts on economic growth, employment, and consumer spending in major markets, particularly in the European Union (EU). In addition, uncertainty in the public supply of gas and electricity in RMG and textile factories and limited availability of US Dollars (USD) for importing raw materials have been causing higher production costs. On the other hand, persistently high inflation (9.93 per cent in October 2023) has forced workers to reduce their household spending, affecting their families' food and nutrition security.

Under such circumstances, the UN Guiding Principles on Business Human Rights (UNGPs) become more relevant. According to these guidelines, states must prevent human rights abuses within their borders and ensure proper access to remedies for the victims. On the other hand, the guidelines recommend businesses uphold human rights by implementing thorough due diligence across their entire network and supply chain. In fact, considering the context of the Bangladeshi RMG industry, UNGPs offer the pathway to ensure labour rights through a collaborative approach involving both the governments (Bangladesh's and sourcing countries') and all relevant business entities, including Bangladeshi RMG factories and global brands/buyers.

According to the Bangladesh Labour Act (BLA) (2006), a total of 12 issues must be considered and discussed to set up the minimum wage. These include workers' cost of living, domestic inflation, RMG product prices, workers' wages in comparable other industries, health risks associated with the work, etc. Although the new minimum wage will be finalised based on the tripartite discussions, a proposed wage generated by evidence and taking the BLA and UNGPs under consideration could help navigate the minimum wage board in adopting a wage that would be fair for workers and feasible for the RMG employers. Furthermore, it was observed earlier that an evidence-based discussion and negotiation positively contributed to setting the minimum wages for the RMG workers.

Against this backdrop, the study targeted to analyse the performance of different indicators related to enterprises and workers as set for forming minimum wages in the RMG industry as per the BLA (2006). The study aims to propose a minimum wage for the RMG sector based on the analysis. The

proposed wage for the RMG workers is expected to contribute to the discussion and negotiation in the formal tri-partite dialogue process and influence the decision on workers' minimum wage for the next five years.

2. OBJECTIVES OF THE STUDY

The main objective of the study is to propose a minimum wage for the RMG workers based on the performance analysis of the key indicators as well as reviewing the performance of state and enterprises in the process of discussion and negotiation. The proposed wage could be considered as the benchmark for ensuring a fair minimum wage for workers and thereby ensuring workers' rights in the workplace.

The specific objectives of the study are as follows:

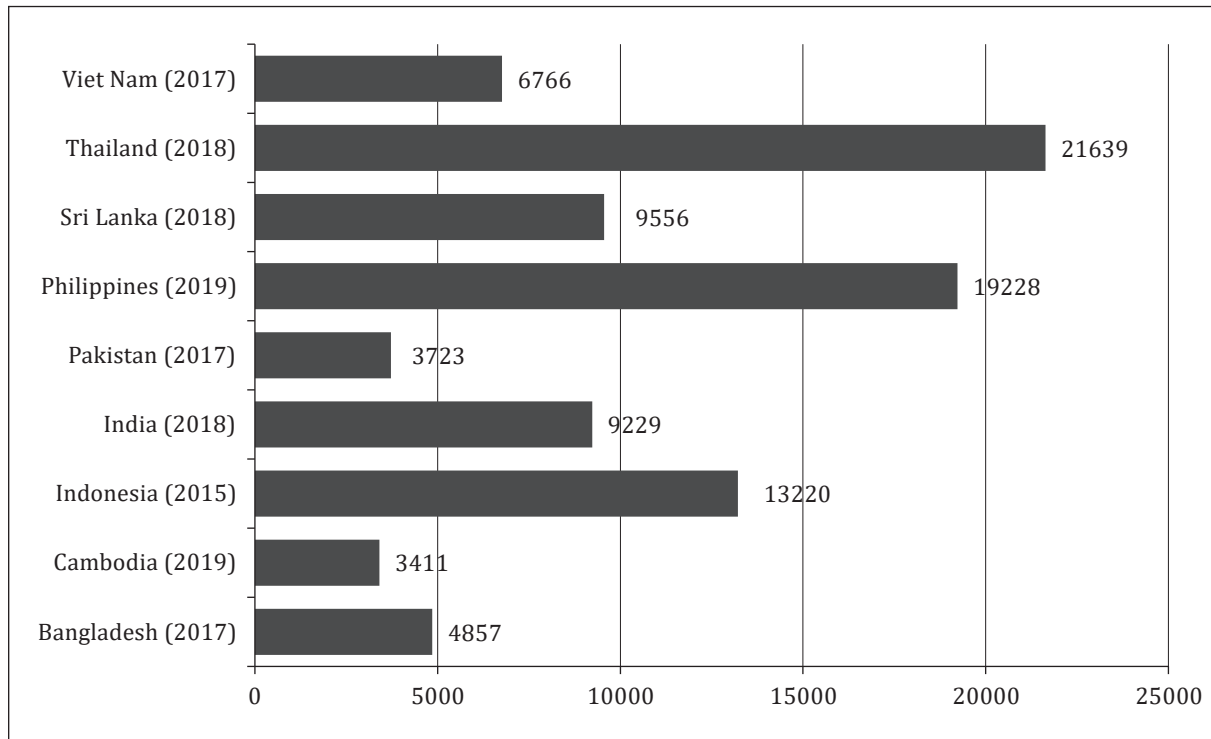
- a) To examine to what extent different provisions of the minimum wage 2018 have been implemented in the RMG factories over the last five years;
- b) To examine the performance of key indicators set in for reviewing the minimum wage for the workers;
- c) To analyse the structure and composition of the minimum wages in the RMG sector in view of the changing livelihood requirements of the workers; and
- d) To put forward a set of recommendations for the Minimum Wage Board of the RMG sector, including a minimum wage for grade 7 workers.

3. A REVIEW OF THE WAGE-RELATED ISSUES IN THE ASIAN APPAREL-EXPORTING COUNTRIES

3.1 Nexus between wage and productivity

The existing literature on minimum wage and worker productivity strongly suggests a positive relationship between the amount of minimum wage and worker productivity. Raising the minimum wage can result in a decrease in absenteeism, an improvement in worker's physical health, and an improvement in training and technology spending by employers (Croucher and Rizov, 2012); (McLaughlin, 2009). Minimum wage increases can also positively impact productivity by decreasing demand-side inefficiency in the labour market by forcing inefficient firms to stop operating and raising the efficiency of operating firms to stay competitive (Mayneris, Poncet, and Zhang 2014). Van Biesebroeck (2015), on the other hand, argues that the relationship between labour productivity and wages isn't always clear-cut. While an improvement in labour productivity may not always translate into higher wages, it can lead to a decrease in the share of income going to labour. Conversely, wages might rise due to factors like institutional changes, such as new laws, even if labour productivity remains stable. Additionally, the correlation between wages and productivity can be less pronounced in situations where dual labour markets exist, characterised by high informality, power disparities, and limited labour flexibility, among various other factors.

However, a prevailing trend is noticeable in major Asian countries that heavily export garments, textiles, and footwear (GTF): real wages generally show an upward trajectory as labour productivity levels increase. This suggests a positive correlation between wages and productivity in these regions

Figure 1: Gross value added per worker in USD in Textile sector

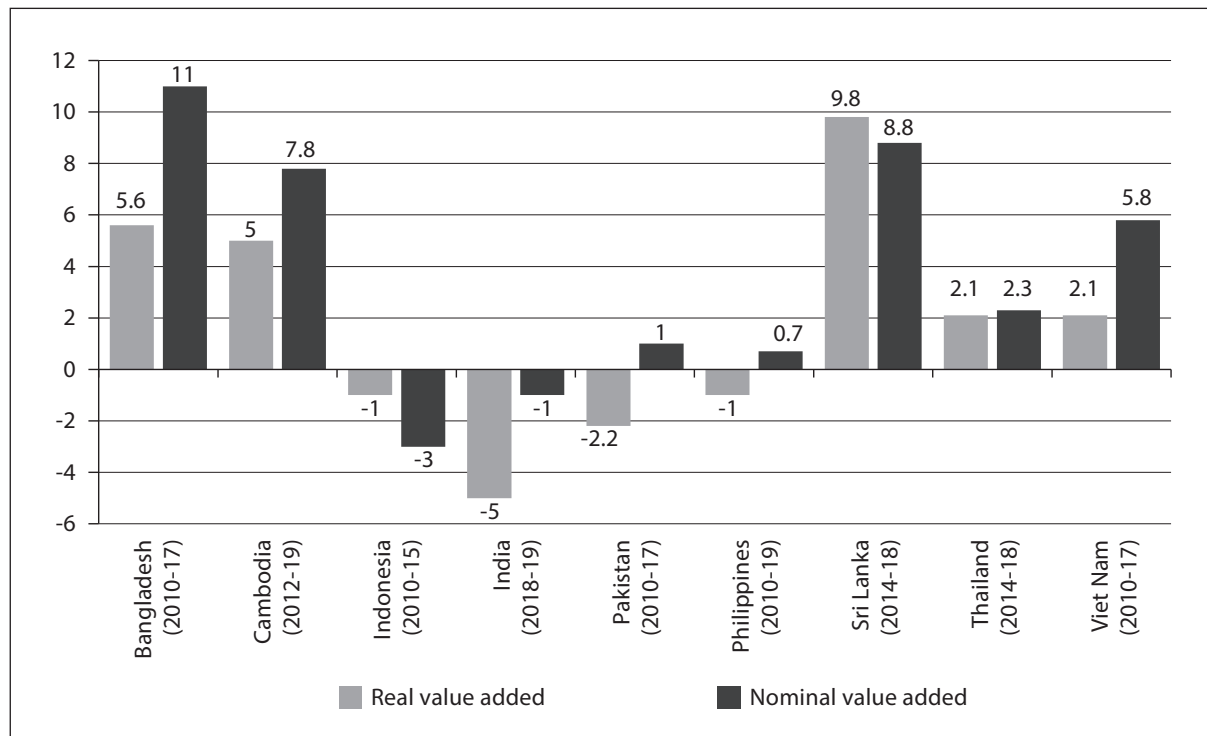
Source: Calculated from ILO (2022).

(ILO, 2022). Figure 1 shows the gross value added per worker in the textile sector in USD terms (ILO, 2022).

Diving into the specifics of wages, it's apparent that different Asian nations demonstrate varying average monthly wages for their employees. For instance, countries like Thailand, Cambodia, and Vietnam tend to exhibit higher average wages compared to others such as Indonesia and Bangladesh. This wage discrepancy sheds light on the economic dynamics and standards of living within these nations. A closer look at the distribution of wages emphasises this diversity further. Median monthly wages, while not reaching the heights of the average, reveal a concentration of employees around the median earning point. This pattern underscores the intricate interplay between wages and labour productivity across the spectrum of Asian GTF-exporting countries, emphasising the need for comprehensive and context-specific analyses (ILO, 2022). Figure 2 shows the compound annual growth rate of nominal and real gross value added per worker per cent (ILO, 2022).

According to the ILO (2022), Bangladesh's RMG sector exhibited commendable annual growth in real gross value added per worker, averaging more than 5 per cent from 2010 to 2017. This growth, however, contrasts sharply with the reality of the sector's average monthly real wage, which remained the lowest in South Asia and among competing countries during the same period. Despite the significant productivity increase, the per-worker annual productivity in Bangladesh stood at USD 10,400 in 2020, lower than its counterparts (Asian Productivity Organization, 2022). The World Bank's international extreme poverty line, set at USD 2.15 per day in 2022, is a critical benchmark. Shockingly, the minimum daily wage in Bangladesh's RMG sector, calculated at USD 2.4, is only 11.62 per cent higher than the

Figure 2 : Compound annual growth rate nominal and real gross value added per worker (per cent)



Source: Calculated from ILO (2022).

extreme poverty line. This stark contrast raises concerns about the adequacy of minimum wages in providing a decent standard of living for workers in this sector.

3.2 Criteria for setting minimum wages and wage components

The criteria for setting minimum wages in different Asian countries vary, but they generally consider economic factors, productivity levels, and employment rates.¹ For instance, in the Philippines, minimum wage rates are determined by factors such as the poverty threshold, prevailing wage rates, and socio-economic indicators like inflation, employment figures, and Gross Regional Domestic Product.² In ASEAN countries, minimum wages are gradually increasing to match the rising cost of living.³ However, the methods of setting minimum wages can differ. Some countries, such as the Philippines, rely on collective bargaining for minimum wage fixing, while others, such as Indonesia and Bangladesh, adopt statutory minimum wages set through government regulations. It's also worth noting that not all countries have a standard pay rate. For example, despite being among the richest countries in the region, Singapore and Brunei do not have a standard pay rate.⁴

¹See: https://www.ilo.org/global/docs/WCMS_508566/lang--en/index.htm

²See: <https://www.officialgazette.gov.ph/featured/how-is-minimum-wage-determined>

³See: <https://www.aseanbriefing.com/news/minimum-wages-in-asean-for-2021/>

⁴See: <https://aseantuc.org/2017/11/minimum-wage-in-asean-countries/>

In most cases, the minimum wage is set country-wide or, in some cases, region-wide⁵ (such as Indonesia), whereas Bangladesh and Cambodia are two examples of major RMG exporting countries having RMG sector-specific minimum wages.⁶

The following table 1 gives a brief overview of the different criteria for setting minimum wage in Indonesia and Cambodia:

Table 1: Criteria for setting minimum wage in Indonesia and Cambodia

Indonesia	Cambodia	India
<ul style="list-style-type: none"> The specific industry can generate added value to the local economy. Must be higher than the provincial minimum wage (usually by 5 per cent and higher) The industry involves a large number of businesses 	<ul style="list-style-type: none"> Family situation Inflation rate Cost of living Productivity Competitiveness of the country Labour market situation Profitability of the sector 	<ul style="list-style-type: none"> Minimum wages are set by the state governments Criteria include unskilled, semi-skilled, skilled, and highly skilled work categories, as well as occupation-based categories Geographic location and worker's age are also taken into consideration Minimum wage rates can differ across occupations, skills, sectors, and regions

Source: The Secretariat of Labour Advisory Committee (LAC) (2016), ASEAN Briefing (2021).

The components of minimum wages can show wide country-wise variability. Many national laws lack clarity on the specific components of the minimum wage. Some laws do not specify what constitutes the minimum wage, and others vary in terms of including basic wages, bonuses, tips, commissions, allowances, and more. The differences extend to whether only monetary wages or the value of non-monetary benefits are considered. Additionally, there's inconsistency regarding whether overtime pay is included in the concept of 'wages' concerning minimum wage regulations. In countries like Antigua and Barbuda, Chile, Hungary, Malaysia, and Macedonia minimum wage is only composed of the basic wage with no provision for other allowances (ILO 2014). In Bangladesh, the minimum wage in the RMG sector is comprised of basic pay, housing allowance, medical coverage, transportation allowance, and allowance for meals (GoB, 2018). The following table 2 illustrates how the components of minimum wage can vary from country to country.

Table 2: Minimum wage components in different countries

Country	Minimum wage components
Armenia	Basic wage, excluding wage supplements, bonuses and other incentives
Azerbaijan	Basic wage, excluding bonuses
Bahamas	Basic wage, excluding tips, bonuses, and other gratuities
China	Basic wage, excluding allowances for shift work, night work, and special working conditions
Guinea-Bissau	Basic wage, excluding compensation for risks, isolation and other conditions, gifts, bonuses, and equivalent services
Israel	Basic wage, excluding family allowances, seniority bonuses, shift work allowances, the 13th month's wage, and reimbursement of expenses

(Table 2 contd.)

⁵See. <https://wageindicator.org/salary/minimum-wage/indonesia/>

⁶See. <https://www.aseanbriefing.com/news/cambodia-increases-minimum-wage-for-textile-and-garment-sectors-for-2023/>

(Table 2 contd.)

Country	Minimum wage components
Kyrgyzstan	Basic wage, excluding bonuses and payments for work performed in special climate conditions and areas affected by radioactive contamination
Nepal	Basic wage, excluding allowances and other benefits
Cambodia	Basic wage, excluding benefits provided by employers solely to help workers perform their duties
Brazil	Total remuneration received by an employee, including basic wage and contractual or agreed bonuses and allowances

Source: ILO (2014).

3.3 Comparison of minimum wages

Wage analysis plays a pivotal role in understanding the economic dynamics of different sectors, especially in the context of developing countries. This section delves into the comparison of minimum wage in Bangladesh's RMG sector with those of other major Asian textile-exporting nations. The nature of the minimum wage varies from one country to another. For example, Bangladesh, Cambodia, and India have RMG sector-specific minimum wages, whereas countries like Indonesia and China have region-based minimum wages. On the other hand, a number of countries employ uniform minimum wage across the country, such as Vietnam.

Comparative Analysis with Asian Peers: The minimum wage in Bangladesh's RMG sector is the second lowest in South Asia, coming ahead only to Sri Lanka after their currency devaluation due to their recent economic crisis. The monthly minimum wage rates across Asian countries are revealing. For instance, Cambodia has a higher minimum wage (USD 200) despite having a lower productivity record (Asian Productivity Organization, 2022) and lower per capita GDP. Disparities can also be seen in the composition of wages. The percentage of basic in the minimum wage composition in Bangladesh was 67 per cent in 2010 and 57 per cent in 2013, declining to 51.25 per cent in the last 2018 minimum wage. In contrast, Cambodia's basic wage was 65 per cent of the total minimum wage in 2018. (ILO, 2018).

Neighbouring India and Pakistan both provide a substantially higher minimum wage. The case of Pakistan is particularly interesting as they are offering a higher minimum wage than Bangladesh despite their economic volatility of recent times while also having a lower per capita GDP than Bangladesh. India's per capita GDP is 5 per cent higher than that of Bangladesh, yet their RMG sector minimum wage is approximately 136 per cent higher than that of Bangladesh. This paints a bleak picture of the current state of the minimum wage scenario in Bangladesh. The wage comparisons can be found in Table 3.

Table 3 further shows the percentage of minimum wage in per capita GDP of different major textile-exporting Asian countries. This metric can be seen as how close the minimum wage of a country is to its per capita GDP rate. Excluding the case of Sri Lanka, as their economy went through a recent macroeconomic shock, it can be seen from the table that the percentage of minimum wage in per capita GDP in Bangladesh is second lowest in the table, ahead of only China. The percentage of minimum wage in per capita GDP is higher than 5 per cent in major textile exporting countries such as India, Indonesia, Pakistan, and Cambodia, with the latter two countries having less per capita GDP

than that of Bangladesh. In the case of China, the (averaged) monthly minimum wage in major RMG exporting regions is USD 303.39. Therefore, the daily minimum wage rate stands approximately 370 per cent higher than the international extreme poverty line, starkly contrasting to that of Bangladesh, which is only 11.62 per cent higher.

Table 3: Minimum wage and per capita GDP in selected apparel exporting countries.

Countries	Minimum wage adjusted to current USD rate (Monthly)	Per capita GDP in USD	Percentage of Min wage in Per capita GDP
Bangladesh	72.42	2,470	2.93
Cambodia	200.00	1,900	10.53
China	303.59	13,720	2.21
India	171.18	2,600	6.58
Indonesia	242.94	4,788	5.07
Pakistan	110.59	1,535	7.20
Sri Lanka	38.47	3988	0.96
Vietnam	170.35	4480	3.80

Source: 2023 data from Trading economics, wageindicator.com, salary.ik and World Bank, USD rate of 30th September 2023.

4. METHODOLOGY OF THE STUDY

The study has been carried out using primary and secondary data and information collected from different sources. Primary information sources include a primary survey on factory management and workers, Key Informant Interviews (KIIs), and Focus Group Discussions (FGD). Besides, the study collected and conducted necessary secondary data analysis, particularly concerning the export performance of Bangladesh other competitive countries for the period Fiscal Year 2018 to Fiscal Year 2023. All this data and information have been collected considering the criteria mentioned in the Labour Act for setting up the minimum wage in Bangladesh.

4.1 Criteria for setting minimum wage as per labour act

In formulating recommendations, the Wages Board is required to consider various factors as stipulated by the labour act. These include:

1. The cost of living
2. Standard of living
3. Cost of production
4. Productivity
5. Price of products
6. Inflation
7. Nature of work
8. Risk and standard
9. Business capability
10. Socio-economic conditions of the locality

11. Socio-economic conditions of the country
12. Other relevant factors

4.2 Collection of data for the study

Overall, the following tools have been utilised in collecting data for the study:

Primary survey: An in-depth primary survey has been conducted in three accounts: (a) to review the performance of implementing the minimum wages set in 2018; (b) to analyse the performance of different key indicators related to minimum wages, including the cost of living, the capacity of factories, price of products, etc.; (c) to estimate the minimum wage for workers for the next five years (2023-2028). The survey was conducted both at the factory management and workers' level.

The management-level enterprise survey was undertaken to gather information on the baseline status of the 2018 minimum wage bill. For the primary survey, 76 enterprises based on purposive sampling [following the population data of (Mapped in Bangladesh, 2023)] were selected. The sample comprises 38.2 per cent of factories located in Dhaka, 34.2 per cent in Gazipur, 10.5 per cent in Chattogram, and 17.1 per cent in Narayanganj (Table 4). Additionally, the sample includes a mix of large, medium, and small factories, as well as both BGMEA and BKMEA member and non-member factories (Table 5).

The survey concentrated on assessing the capacity of RMG enterprises, specifically from a financial perspective, to implement the new minimum wages. It gathered enterprise-level information regarding their performance in adhering to UNGPs concerning the implementation of minimum wage at the enterprise level.

Table 4: Distribution of surveyed factories

Category	Percentage of factories surveyed	
Size-wise	Large	7.9
	Medium	39.5
	Small	52.6
	Total	100.0
Location-wise	Dhaka	38.2
	Gazipur	34.2
	Chattogram	10.5
	Narayanganj	17.1
	Total	100.0
Membership-wise	Non-Member	25.0
	BGMEA	51.3
	BKMEA	15.8
	BGMEA & BKMEA	7.9
	Total	100.0

Source: CPD Survey on RMG Enterprises in September 2023.

On the other hand, the worker-level survey had two objectives: a) to understand the extent to which the revised minimum wage in 2018 was implemented at the enterprise level and b) to understand how inflationary pressure has impacted their livelihood expenses. The purposive sample survey was conducted among 228 workers across diverse categories (e.g., grades, gender, marital status, etc.). The sample workers were selected from the 76 sample RMG enterprises- in other words, three workers will be selected from each sample enterprise. Following the data of Mapped in Bangladesh (2023), the ratio of males and females in the sample was kept at 46 and 54 per cent, respectively (Table 6).

Table 5: Distribution of surveyed workers

Category		Male	Female	Overall
% of surveyed respondent		46.0	54.0	100.0
Mean age		29.0	27.0	27.9
Area	Dhaka	37.5	38.7	38.2
	Narayanganj	35.6	33.1	34.2
	Gazipur	15.4	6.5	10.5
	Chattogram	11.5	21.8	17.1
Educational Qualification	Never gone to school	1.0	4.8	3.1
	Class 1- 5	28.8	37.1	33.3
	Class 6 - 10	48.1	45.2	46.5
	SSC passed	14.4	11.3	12.7
	HSC passed	5.8	1.6	3.5
	More than HSC	1.9	0.0	0.9
Marital status	Never married	22.1	12.9	17.1
	Married	77.9	84.7	81.6
	Widower/Widow	0.0	1.6	0.9
	Divorced	0.0	0.8	0.4
Type of employment	Contractual	3.8	0.8	2.2
	Permanent	92.3	88.7	90.4
	Others	3.8	10.5	7.5

Source: CPD Survey on RMG workers in September 2023.

KIIs and FGDs: Besides the primary survey, a total of eight (8) KIIs with government officials, employers, brand representatives, and workers representatives have been conducted. These KIIs highlighted the perception of stakeholders regarding the implementation of the 2018 minimum wages, challenges confronted during the COVID pandemic and their implication on minimum wage setting, brands/ buyers' level of cooperation in the implementation of the minimum wage, ongoing challenges related to Ukraine-Russia War and implications of high inflation on workers' livelihood expenditures, etc. In addition, a focus group discussion (FGD) with representatives of different stakeholders was also conducted. This highlighted how different stakeholders perceive the structure of minimum wage, wages set for different grades, and important issues and concerns that need to be highlighted in the minimum wage discussion.

Desk review: An extensive desk review has been carried out to gather relevant information for the study. As part of the desk review a literature review has been conducted, mainly comparing the

existing minimum wage structure of the Bangladeshi RMG industry with other peer Asian garment exporting countries. In addition, necessary data have been downloaded from different websites to complement the data gathered from primary sources.

4.3 Estimating the minimum wage

Applying the Anker method (2011), the study conducted numerical data analysis to determine what constitutes a 'fair minimum' wage in the present scenario. According to Anker (2011), the minimum wages of workers should take into consideration the following: (a) food and non-food expenses of the family; (b) number of household members, (c) number of earning members, and (d) ensuring a certain percentage of discretionary incomes or savings.

The formula is illustrated below:

$$\frac{(\text{Food cost} + \text{Non-food cost}) \times \text{Household size}}{\text{Number of earners}} + X\% \text{ of discretionary savings}$$

In order to estimate the food cost, the study utilised the ideal food basket for a hard-working manual worker by Shaheen et al. (2023). The key feature of their basket is that the baskets are available based on gender, age, and type of work involved. On the other hand, in order to estimate the non-food cost, household size, and number of earners, data from the primary survey has been utilised.

5. REVIEW OF IMPLEMENTATION OF MINIMUM WAGE 2018 IN SURVEYED FACTORIES

5.1 Status of implementation

Irrespective of the proposed amount for any minimum wage, it fails to benefit workers if not implemented properly. The adopted minimum wage of BDT 8,000 for the Bangladeshi RMG industry in 2018 was already below par compared to peer countries and the minimum cost required for living. On top of that, the findings of the study indicate that a significant number of surveyed factories failed to maintain the minimum wage and relevant provisions adopted in 2018. It is important to note that this failure to maintain the minimum wage may not be entirely attributed to the limited capacity of the employers. Rather, the progress in export growth during the same period (since 2018) suggests a potential lack of interest among employers to adjust their profit margins and allocate a fair share to their workers. The apathy of employers of the surveyed factories has not been limited to failing to provide a minimum wage of BDT 8,000 only. In addition, deviations can be observed in terms of bonus and increment payments, timely wage payments, timely grade-wise promotions, making workers aware through training on wage-related issues, etc.

Maintenance of grading system: In 2018, the Bangladesh government fixed minimum wages for the RMG industry against certain grades (Grade 1 to Grade 7). That is, the higher the grade a worker works at, the higher the wage they will be entitled to. However, the findings from the conducted survey on the factories indicate that a large portion of factories (42.1 per cent) do not practice any sort of grading system for workers in their factories (Table 7). Therefore, uncertainty remains regarding how these factories provide the minimum wage set by the government. It is to be noted that a large number of

factories in Bangladesh are not members of BGMEA and BKMEA (two trade associations for the RMG industry) and are usually relatively less compliant. Hence, there can be the general impression that the presence of these non-member factories has influenced the higher number of non-grading practices in factories found in the survey. However, surprisingly, the absence of a grading system is not limited to non-member factories only (78.9 per cent of the surveyed non-member factories do not follow any grading); a substantial portion of surveyed BGMEA factories (38.5 per cent) also lacks a grading system for their workers (Table 6).

Table 6: Status of the surveyed factories in terms of availability of grading system

Category		Factories practice grading (per cent)	Factories do not practice grading (per cent)
Overall		57.9	42.1
Size-wise	Large	83.3	16.7
	Medium	76.7	23.3
	Small	40.0	60.0
Location-wise	Dhaka	37.9	62.1
	Gazipur	73.1	26.9
	Chattogram	100.0	0.0
	Narayanganj	46.2	53.8
Membership-wise	Non-Member	21.1	78.9
	BGMEA	61.5	38.5
	BKMEA	91.7	8.3
	BGMEA & BKMEA	83.3	16.7

Source: CPD Survey on RMG Enterprises in September 2023.

In fact, the absence of grading in factories is also reflected in the findings of the survey conducted on workers. According to the conducted survey, 28.5 per cent of surveyed workers do not have any grading in their factories (Table 7). More importantly, 31.1 per cent of the surveyed workers do not even know what grade they belong to (Table 7). This lack of awareness among workers regarding their grade status prevents them from claiming the minimum wage and related benefits to which they are legally entitled.

Table 7: Grade-wise distribution of surveyed workers

Grade	At present (per cent of workers)	When joined (per cent of workers)
Grade 1	0.0	0.0
Grade 2	0.0	0.0
Grade 3	0.0	0.0
Grade 4	7.5	0.9
Grade 5	14.5	4.4
Grade 6	11.4	8.3
Grade 7	7.0	22.8
Not sure	31.1	35.5
Do not have any grade in the factory	28.5	28.1

Source: CPD Survey on RMG workers in September 2023.

Awaress regarding minimum wage: Generally, the expectation is that initially, when the worker newly joins any factory, they may have a lower level of awareness regarding the minimum wage structure, as with the training/guidance by factories, gradually they will be more aware regarding the wage structure. However, the survey findings suggest that the workers remain significantly unaware of their grades even after they spend a significant amount of time in the factory (Table 8). Therefore, it is understandable that factories must have inadequate training/guidance about making their workers aware of wage-related issues. This statement is commensurate with other findings of the survey. According to the surveyed factories, only 63.2 per cent of them arrange training or educational sessions to make their workers aware of wage-related issues.

Table 8: Status of factories in terms of arranging training/educational sessions on wage-related issues

Category		Training/educational sessions arranged on wage-related issues by factories (per cent)
Overall		63.2
Size-wise	Large	100.0
	Medium	76.7
	Small	47.5
Location-wise	Dhaka	55.2
	Gazipur	73.1
	Chattogram	87.5
	Narayangonj	46.2
Membership -wise	Non-Member	26.3
	BGMEA	74.4
	BKMEA	83.3
	BGMEA & BKMEA	66.7

Source: CPD Survey on RMG Enterprises in September 2023.

In fact, the conducted survey finds that factories themselves (30.3 per cent of the surveyed factories) are still not fully aware of the minimum wage regulations adopted by the government in 2018. The lack of awareness among both workers and factories regarding their legal obligations related to minimum wage implies that the wage has been determined primarily through negotiation in these factories. However, if that is the case, the possibility of workers not getting a fair wage would be higher, particularly given that the survey findings suggest that the channel through which workers could negotiate their wages is still weak. For example, 28.6 per cent of the surveyed factories do not have any Workers Participation Committee (WPC) where workers can discuss their wages (Table 9).

Table 9: Different indicators regarding wage and others (per cent of surveyed factories)

Category		Has WPC Committee (per cent of factories)	Wage issue is discussed in PC Committee meeting (per cent of factories)	Aware of minimum wage regulations (per cent of factories)	Maintain wage-related information (per cent of factories)
Overall		72.4	80.0	69.7	97.4
Size-wise	Large	100.0	83.3	66.7	100.0
	Medium	93.3	85.7	73.3	100.0
	Small	52.5	71.4	67.5	95.0
Location-wise	Dhaka	55.2	100.0	69.0	100.0
	Gazipur	92.3	87.5	61.5	100.0
	Chattogram	87.5	42.9	100.0	100.0
	Narayanganj	61.5	50.0	69.2	84.6
Membership-wise	Non-Member	31.6	100.0	52.6	89.5
	BGMEA	84.6	93.9	66.7	100.0
	BKMEA	83.3	40.0	100.0	100.0
	BGMEA & BKMEA	100.0	50.0	83.3	100.0

Source: CPD Survey on RMG enterprises in September 2023.

Payment of minimum wage: As anticipated in the preceding section, evidence suggests, in fact, that workers have been paid less than what they are legally entitled to as per the minimum wage directives of 2018. Among the survey respondents, wage of a group of workers were filtered who had been working in grade 7, working for more than 3 years at least in the factory. This means these filtered workers can not be paid less than BDT 8,000. However, it was found that 41.7 per cent of these surveyed workers were receiving a wage lower than BDT 8,000. In fact, deviations can also be observed in case of increment payment as well. According to the minimum wage directive of 2018, every workers would be entitled to 5 per cent wage increment after the passing of a year in the factory. However, the survey findings suggest that despite this being a mandatory provision, 17.1 per cent of surveyed factories did not maintain this (Table 10). Overall, it is evident that the benefit of the minimum wage adopted in 2018 was not received by a section of the workers over the years. It is to be noted that there is a higher scope to verify the non-compliance of wages by the factories. This is because as high as 97.4 per cent of the factories claimed that they maintain wage-related information document-wise (Table 9), and 86 per cent of them claimed to provide wage statements to their workers during their recruitment.

Table 10: Per cent of surveyed factories provide the yearly increment

Category		Less than 5%	5 or More than 5%
Overall		17.1	82.9
Size-wise	Large	0.0	100.0
	Medium	13.3	86.7
	Small	22.5	77.5
Location-wise	Dhaka	24.1	75.9
	Gazipur	7.7	92.3
	Chattogram	12.5	87.5
	Narayanganj	23.1	76.9
Membership-wise	Non-Member	15.8	84.2
	BGMEA	20.5	79.5
	BKMEA	8.3	91.7
	BGMEA & BKMEA	16.7	83.3%

Source: CPD Survey on RMG Enterprises in September 2023.

Timely payment of wage: While it is evident that many workers were deprived of receiving the wage that they were entitled to, the issue of timely payment has seen deterioration over the years. In 2022, 86.8 per cent of surveyed factories were able to provide wages to their workers within the first week of the month (Table 8). However, in 2023, this percentage rather decreased to 80.3 (Table 11). In fact, there are instances (in case of 1.3 per cent of factories), where factories have provided wages to their workers even in the third week of the month (Table 11).

Table 11: Wage payment week (per cent of surveyed factories)

Category		In 2022			In 2023		
		First week	Second week	Third week	First week	Second week	Third week
Overall		86.8	13.2	0.0	80.3	18.4	1.3
Size-wise	Large	100.0	0.0	0.0	100.0	0.0	0.0
	Medium	96.7	3.3	0.0	96.7	3.3	0.0
	Small	77.5	22.5	0.0	65.0	32.5	2.5
Location-wise	Dhaka	79.3	20.7	0.0	75.9	20.7	3.4
	Gazipur	96.2	3.8	0.0	88.5	11.5	0.0
	Chattogram	100.0	0.0	0.0	100.0	0.0	0.0
	Narayanganj	76.9	23.1	0.0	61.5	38.5	0.0
Membership-wise	Non-Member	63.2	36.8	0.0	57.9	36.8	5.3
	BGMEA	92.3	7.7	0.0	84.6	15.4	0.0
	BKMEA	100.0	0.0	0.0	91.7	8.3	0.0
	BGMEA & BKMEA	100.0	0.0	0.0	100.0	0.0	0.0

Source: CPD Survey on RMG Enterprises in September 2023.

Grade-wise promotion: While minimum wage and related provisions were not fully implemented, workers were also deprived of timely grade promotions. Workers are uncertain about the period during which they will get promoted to the next grade. Only 32.5 per cent of the surveyed workers said they were aware of their tentative promotion date. The survey data also reveal that as workers advance to higher grades, their promotions require increasingly more time (Table 12).

Table 12: Average number of months for promotion to different grades

Category		Grade 3 to 4	Grade 4 to 5	Grade 5 to 6	Grade 7 to 6
Overall		31	24	18	17
Size-wise	Large	16	13	16	17
	Medium	40	28	20	19
	Small	25	21	14	14
Location-wise	Dhaka	22	21	19	19
	Gazipur	37	23	18	18
	Chattogram	37	27	14	12
	Narayanganj	23	22	16	15
Membership-wise	Non-Member	-	15	10	18
	BGMEA	27	22	19	18
	BKMEA	39	26	16	14
	BGMEA & BKMEA	36	32	20	16

Source: CPD Survey on RMG Enterprises in September 2023.

Wage payment medium: Given that wage payment is one of the most crucial issues for the RMG industry, using Digital Financial Services (DFS) and Mobile Financial Services (MFS) for wage payment could have substantially enhanced transparency and accountability in this regard. While recent improvement can be observed in terms of utilising DFS and MFS for wage payment in the Bangladeshi RMG industry, the level of usage is still not satisfactory. This picture can be verified through the information found in the survey.

Table 13: Factories pay wages using MFS

Category	Per cent of factories in 2022	Per cent of factories in 2023
MFS	50.0	39.5

Source: CPD Survey on RMG Enterprises in September 2023.

The survey finds that in 2022, half of the surveyed factories (50 per cent) used MFS to provide their wage to workers (Table 13). However, the MFS wage payment dropped significantly in 2023, reaching 39.5 per cent (Table 13). It is to be noted that there was a huge increase in the use of MFS in view of the outbreak of COVID-19 when the government directed employers to pay wages to their workers using MFS after taking credit from the stimulus package. Then, with the ease of COVID-19 restrictions on the use of MFS, wage payment was reduced sharply. The survey data of this study affirms that the downward trend of using MFS since COVID-19 has been in continuation.

Table 14: RMG Workers and their MFS usage status

Category	Per cent of workers
Got MFS account	79.4
Got DFS Account	32.9
Use MFS account for other purchases	26.3
Use DFS account for other purchases	0.0

Source: CPD Survey on RMG Enterprises in September 2023.

Despite 79.4 per cent of surveyed workers having an MFS account, the decrease in the MFS wage payment suggests there could be a lack of interest from both factories and workers in utilising MFS services (Table 14). This is also reflected in the responses of surveyed workers. About 45.6 per cent of workers said they preferred cash as their wage in stead of MFS or DFS (Table 15). A proper investigation would be required to uncover the reasons behind this lack of interest among workers in receiving wages through MFS or DFS.

Table 15: RMG Workers' preferred medium for receiving wage

Category	Per cent of workers
Cash	45.6
MFS	37.7
DFS	16.7

Source: CPD Survey on RMG Enterprises in September 2023.

5.2 Role of Stakeholders in implementing minimum wage 2018 from the UNGP Perspective

Although in the normal lense, payment of the proper minimum wage adopted in 2018 appears to be the sole responsibility of the Bangladeshi RMG factories, if the UNGP frame is considered, the role of adopting and implementing a fair minimum wage for the workers is a responsibility of every stakeholder including Bangladesh's government, sourcing countries government, brands, local RMG factories. It is already evident from the preceding section that there has been deviation among a section of RMG factories in providing the minimum wage and other benefits. However, it is also crucial to review how other stakeholders performed their roles regarding the implementation of minimum wage over the years.

Table 16: Responsibility of minimum wage implementation as per RMG enterprises

Range (In BDT)	Per cent of suppliers
Brands	55.3
Government	34.2
Factory	10.5

Source: CPD Survey on RMG Enterprises in September 2023.

Role of brands/buyers: While asked, the largest section of the surveyed RMG factories (55.3 per cent) claimed they felt that the brands had the most important role in implementing the minimum wage adopted in 2018 (Table 16). However, the brands failed to fulfil their expectations, especially in

providing them adequate price-wise support for implementing the newly adopted minimum wage in 2018. Right after the announcement of the minimum wage in 2018, brands of only 12 per cent of surveyed factories increased their price to adjust to the new wage (Table 17). In fact, brands of 2.7 per cent of surveyed factories rather decrease their price despite the increase in the minimum wage (Table 17). This unsupportive role of brands has created a sense of distrust among surveyed suppliers as only 9.1 per cent of surveyed RMG factories now believe that the brands will increase their prices if the minimum wage is increased in 2023.

Table 17: Change in price by brands after the announcement minimum wage in 2018

Category	Per cent of factories brands/buyers adjusted their price
Upward Adjustment in Price	12.0
Downward Adjustment in Price	2.7
No Adjustment in Price	85.3

Source: CPD Survey on RMG Enterprises in September 2023.

The importance of MFS wage payment, particularly in the context of the Bangladeshi RMG industry has already been discussed in the preceding section. However, despite having huge importance, brands seemed to have limited focus on replacing the MFS wage payment system in their partner RMG factories in Bangladesh instead of the traditional cash-based system. This scenario is reflected in the survey findings, where only 5.3 per cent of surveyed RMG enterprises mentioned their brands motivated or pressured them to make wage payments through MFS (Table 18). However, in regard to MFS wage, brands still have a huge scope to play a role that could contribute to the proper implementation of the new minimum wage. This is also suggestive in the conducted survey. In fact, more than 70 per cent of surveyed RMG enterprises said they would agree if brands took the responsibility of paying the additional amount of newly set wages directly to workers through MFS (Table 18).

Table 18: Brands and RMG enterprises' role in implementing MFS

Category	Pressure/ motivation from brands for paying using DFS	Pressure/ motivation from brands for paying using MFS	Would agree if brands directly pay additional wage through DFS	Would agree if brands directly pay additional wage through MFS
Per cent of RMG enterprises	9.2	5.3	68.4	72.4

Source: CPD Survey on RMG Enterprises in September 2023.

Role of DIFE: On the other hand, the Department of Inspection for Factories and Establishments (DIFE) is in charge of inspecting minimum wage implementation in Bangladesh. Given that they have the legal authority to penalise any factories in case of non-compliance with the minimum wage, their role was highly significant in regard to minimum wage implementation. However, deviations can be observed in terms of their role regarding the implementation of the minimum wage of 2018 as well. In case of more than one-third of inspections conducted by DIFE in the surveyed factories in 2023, the issue of wages was not audited (Table 19). However, year-wise survey data shows, that auditing of wage issues by DIFE officials has been increasing consistently (Table 19).

Table 19: Per cent of factories inquired by DIFE regarding wages during the inspection

Item	2017	2019	2021	2023
DIFE checked wage issues during inspection (per cent of factories)	42.1	50.0	57.9	60.5

Source: CPD Survey on RMG Enterprises in September 2023.

6. PERFORMANCE OF THE RMG INDUSTRY IN 2023 AGAINST MINIMUM WAGE CRITERIA OF BUSINESS CAPABILITY

In the past half-decade, starting from 2018, the Bangladeshi RMG sector has not only expanded significantly but has also solidified its position as the world's second-largest exporter of garments. Despite facing a severe crisis due to the COVID-19 outbreak, which led to the abrupt cancellation of orders by brands, resulting in millions of job losses, the industry managed to stage a robust comeback as the pandemic's intensity diminished. In fact, the sector witnessed a record export growth in the post-COVID recovery period.

6.1 Export growth

The strong growth RMG industry over the years is also reflected in the surveyed data. On average each surveyed factory has experienced more than 18 per cent of export growth compared to the year 2021 (Table 20). This growth is mainly driven by the higher export growth of the large and medium size RMG factories (45.1 and 37.5 respectively) (Table 20).

Table 20: Changes in the mean export of surveyed RMG factories

Category		Per cent change in 2019	Per cent change in 2021	Per cent change in 2023
Overall		-3.2	-5.6	18.8
Size-wise	Large	3.1	-1.8	45.1
	Medium	-4.6	-2.8	37.5
	Small	-1.2	-10.3	-11.4
Location-wise	Dhaka	-15.5	-22.0	-11.5
	Gazipur	-15.9	-5.5	44.7
	Chattogram	5.1	-16.0	31.5
	Narayanganj	-12.0	1.5	9.9
Membership -wise	Non-Member	-23.5	-16.4	-16.1
	BGMEA	-8.6	-7.9	11.0
	BKMEA	-8.0	-4.2	40.4
	BGMEA & BKMEA	-0.8	7.7	16.7

Source: CPD Survey on RMG Enterprises in September 2023.

In case of small-sized RMG factories, the export growth remained on a negative mark. However, it is to be noted that these small-sized factories are mostly Dhaka-based and have little scope to expand their business given the lack of availability of land. Hence, despite a negative trend for these small-sized factories, it can be said that overall Bangladeshi RMG industry has made stride progress in the area of export over the years.

6.2 Diversifications of export destinations

The progress in the Bangladeshi RMG industry is evident not only in its overall performance but also in the expansion of export destinations. The average number of countries to which surveyed factories exported increased from 5.38 to 5.99 (Table 21).

Table 21: Mean number of countries each surveyed RMG factory exported to

Category		2017	2019	2021	2023
Overall		5.38	5.68	5.44	5.99
Size-wise	Large	10.30	11.70	11.80	13.20
	Medium	5.00	5.40	5.20	6.00
	Small	4.80	4.80	4.40	4.60
Location-wise	Dhaka	5.10	5.10	5.20	5.20
	Gazipur	5.50	5.60	5.10	5.80
	Chattogram	5.10	6.60	6.10	9.00
	Narayanganj	6.10	6.80	6.60	6.30
Membership-wise	Non-Member	3.20	3.70	4.10	4.20
	BGMEA	5.80	6.00	5.60	5.90
	BKMEA	7.00	7.50	7.20	9.20
	BGMEA & BKMEA	4.70	4.70	4.50	4.50

Source: CPD Survey on RMG Enterprises in September 2023.

This observation aligns with the research findings of Moazzem and Ahmed (2022), demonstrating that the Bangladeshi RMG industry, in addition to its presence in traditional markets like the EU and the USA, has progressively ventured into non-traditional markets in recent years.

6.3 Diversifications of export products

The sustainability of the Bangladeshi RMG industry has long been hindered by the lack of diversification in export products. While the challenge of a highly concentrated export basket persists, there is a slight improvement in this aspect, as revealed by the survey findings. The data indicates that, on average, each surveyed factory used to export 6.05 products (Table 22). However, there has been a positive shift, with the number increasing to 6.30 in the year 2023.

Table 22: Mean number of products each factory exported to

Category		2017	2019	2021	2023
Overall		6.05	6.36	5.86	6.30
Size-wise	Large	5.3	5.7	5.7	5.8
	Medium	6.1	6.5	5.9	6.6
	Small	6.1	6.4	5.8	6.1
Location-wise	Dhaka	5.9	6.2	5.9	5.7
	Gazipur	6.0	5.9	5.2	5.5
	Chattogram	7.0	8.5	8.3	10.1
	Narayangonj	5.6	6.3	5.5	7.0
Membership-wise	Non-Member	4.2	4.4	4.4	4.7
	BGMEA	6.5	6.8	6.1	6.3
	BKMEA	7.0	7.3	6.9	8.4
	BGMEA & BKMEA	5.7	6.3	5.8	6.0

Source: CPD Survey on RMG Enterprises in September 2023.

6.4 Partnership with brands/buyers

The survey findings suggest that suppliers have predominantly engaged with a relatively consistent group of apparel brands and buyers over the past five years. Nonetheless, there is a slight improvement in this trend, as indicated by the survey data. In 2017, each surveyed factory, on average, collaborated with 5.00 brands and buyers, and this figure has increased to 5.11 in 2023 (Table 23).

Table 23: Mean number of brands factories worked with

Category		2017	2019	2021	2023
Overall		5.00	5.17	4.71	5.11
Size-wise	Large	8.20	8.70	8.00	8.50
	Medium	5.60	5.90	5.10	5.70
	Small	3.90	4.00	3.80	4.00
Location-wise	Dhaka	5.50	5.50	5.20	5.20
	Gazipur	5.50	5.50	4.60	5.20
	Chattogram	4.30	5.30	5.10	6.60
	Narayangonj	3.50	3.70	3.80	3.90
Membership-wise	Non-Member	3.20	3.50	3.50	3.70
	BGMEA	5.80	6.00	5.40	5.70
	BKMEA	5.10	5.30	4.60	5.90
	BGMEA & BKMEA	4.50	4.20	3.80	4.00

Source: CPD Survey on RMG Enterprises in September 2023.

6.5 Productivity

Productivity is the most crucial factor for any industry. Bangladeshi RMG industry's workers are often termed as less productive compared to other countries' garment workers. However, analysing the

average monthly export contribution per worker (total export/total number of workers) as a proxy indicator for productivity reveals a mixed scenario. In 2023, the surveyed per-worker export contribution was found to be USD 2,030 even after the monthly minimum wage remained below USD 80.

Table 24: Mean output (export) per worker

Year	Per worker export output in USD	Exchange rate	Per worker export output in BDT
2017	2,134	79.12	168,842
2019	2,461	84.50	207,955
2021	2,336	84.81	198,116
2023	2,030	99.46	201,904

Source: CPD Survey on RMG Enterprises in September 2023.

This supports the fact that Bangladeshi RMG workers are consistently underpaid relative to their substantial contributions. On the other hand, starting at USD 2,134 in 2017, the surveyed per-worker export contribution experienced a consistent increase in 2019 and 2021, only to decrease in 2023 (Table 24). However, it is to be noted that workers are paid in BDT; hence, the comparison should be considered in BDT as well. The trend for per-worker export output in BDT shows a significant increase in 2023 compared to the year 2017.

6.6 Revenue generation

It is evident that Bangladesh's RMG exports have experienced significant growth over the years. However, there has been a concurrent increase in the cost of production and the price of the product as well.

According to the conducted survey, the unit cost of production (for the top exported product) was USD 3.0 in 2017 (Table 25). Since then, there has been a continuous upward trend in the unit cost of production in 2019, 2021, and 2023. Comparing with the baseline year of 2017, the unit cost of production saw increases of 6.6, 13.3, and 36.7 per cent in 2019, 2021, and 2023, respectively.

Table 25: Mean unit cost for top exported product in USD

Category		2017	2019	2021	2023
Overall		3.00	3.20	3.40	4.10
Size-wise	Large	2.93	3.43	4.00	4.33
	Medium	3.24	3.56	3.84	4.63
	Small	2.84	2.84	3.10	3.61
Location-wise	Dhaka	1.95	2.22	2.47	3.24
	Gazipur	4.10	4.03	4.24	4.95
	Chattogram	2.89	3.49	3.86	4.50
	Narayangonj	2.19	2.19	2.72	3.07

(Table 25 contd.)

(Table 25 contd.)

Category		2017	2019	2021	2023
Membership-wise	Non-Member	2.03	1.95	2.07	2.37
	BGMEA	3.83	4.13	4.44	5.27
	BKMEA	2.62	2.75	3.12	3.60
	BGMEA & BKMEA	1.47	1.65	2.03	2.48

Source: CPD Survey on RMG Enterprises in September 2023.

Similar to the increase in production costs, there has also been a rise in the price of the product (the top export product). The survey revealed that in 2017 the average price of exported products was USD 3.87 (Table 26). In 2019, there was a slight decrease of 1.6 per cent. However, the price subsequently experienced an increase of 5.7 and 19.9 per cent in 2021 and 2023, respectively, compared to the prices in 2017. It is to be noted that the price increase is disproportionately high for the surveyed large-sized RMG factories. The price of their product surged by 37.1 per cent in 2023 compared to the prices in 2017.

Table 26: Mean unit price for top exported product in USD

Category		2017	2019	2021	2023
Overall		3.87	3.81	4.09	4.64
Size-wise	Large	3.77	4.43	4.83	5.17
	Medium	3.72	4.03	4.26	5.07
	Small	3.98	3.60	3.89	4.30
Location-wise	Dhaka	2.67	2.83	3.08	4.04
	Gazipur	5.03	4.68	4.88	5.34
	Chattogram	3.57	4.21	4.64	5.43
	Narayanganj	3.12	2.69	3.12	3.28
Membership-wise	Non-Member	3.12	2.45	2.58	2.95
	BGMEA	4.71	4.98	5.31	5.87
	BKMEA	3.24	3.35	3.70	4.33
	BGMEA & BKMEA	1.58	1.62	1.67	2.17

Source: CPD Survey on RMG Enterprises in September 2023.

As evident, both the price and cost have witnessed an upward trend over the years. However, upon comparison, it becomes apparent that the rate of increase in price is not as pronounced as the rise in costs. In 2023, the cost of production for the top exported product increased by 20.6 per cent, while the price increased by 13.4 per cent compared to 2021 (Table 27). This suggests that the issue of cost escalation was not fully reflected in the prices offered by brands/buyers. Despite this, it should be noted that the low price issue should not be used as a justification by RMG factories for paying low wages to their workers. While the price has not increased proportionately with the costs, survey findings indicate that the profit margin (price per unit minus cost per unit), particularly for large and medium-sized RMG enterprises, has not been substantially impacted (Table 28). In reality, the actual profit of employers should be even higher, given that the government provides a direct cash subsidy (exceeding 4 per cent) to the industry. Furthermore, the Bangladeshi Taka (BDT) depreciation against

the USD over the years should contribute to an even higher profit margin. However, RMG employers allege bearing the additional cost of bribing government agencies to keep their business in operation. Yet, the financial capacity, especially for large and medium-sized enterprises, appeared to be in a position where they can opt to pay a decent minimum wage to their workers.

Table 27: Changes in price and cost of the top exported product (compared to the previous year)

Year	Per cent Changes in Cost	Per cent Changes in Price
2019	6.67	-1.55
2021	6.25	7.35
2023	20.59	13.45

Source: CPD Survey on RMG Enterprises in September 2023.

Table 28: Price-revenue of top exported product (in USD)

Category		2017	2019	2021	2023
Overall		0.87	0.61	0.69	0.54
Size-wise	Large	0.84	1.00	0.83	0.84
	Medium	0.48	0.47	0.42	0.44
	Small	1.14	0.76	0.79	0.69
Location-wise	Dhaka	0.72	0.61	0.61	0.80
	Gazipur	0.93	0.65	0.64	0.39
	Chattogram	0.68	0.72	0.78	0.93
	Narayangonj	0.93	0.50	0.40	0.21
Membership-wise	Non-Member	1.09	0.50	0.51	0.58
	BGMEA	0.88	0.85	0.87	0.60
	BKMEA	0.62	0.60	0.58	0.73
	BGMEA & BKMEA	0.11	-0.03	-0.36	-0.31

Source: CPD Survey on RMG Enterprises in September 2023.

7. COST OF LIVING OF RMG WORKERS IN 2023 AS PER CRITERIA STIPULATED IN THE LABOUR ACT

The identification of a fair minimum wage highly depends on the proper estimation of the costs that RMG workers have to incur in their day-to-day lives in Bangladesh. Given the sensitivity that the amount of minimum wage holds, it is crucial to estimate the costs of living considering data that are relevant, updated, and mostly reflect reality. For this study, the cost of living for an RMG worker has been divided into two parts: a) Food costs and b) Non-food costs.

7.1 Food costs

Various factors, such as age, gender, culture, socio-economic status, religious beliefs, location, and level of physical activity, influence the consumption of food by individual workers. This diversity makes it challenging to establish a universal food basket that accurately represents the dietary habits of a significant portion of the working population. This challenge is also pertinent for Bangladeshi RMG workers.

One potential solution involves surveying these workers to understand their typical daily food consumption and then determining a common set of food items that align with the preferences of the majority. However, a drawback to this approach is that the eating habits of Bangladeshi RMG workers are significantly influenced by their limited income. They tend to overconsume inexpensive but nutritionally inadequate foods while underconsuming pricier items essential for meeting their nutritional requirements. Thus, creating a food basket based solely on their existing consumption patterns may not represent an ideal diet for RMG workers.

To address this issue, this study reviews existing literature that has developed food baskets tailored to meet Bangladeshi RMG workers' nutritional needs. One notable example is the food basket devised by Shaheen et al. (2023). Their approach stands out for specifying the quantities of each food item required for a balanced nutritional intake. Furthermore, they have created multiple food baskets catering to different categories of individuals, considering factors such as age (children, adults), employment type (involvement in higher, medium, or lower physical activities), and gender (male and female).

Table 29: Standard food items and their cost for a working adult

Food item	Required intake in grams (Per Month)	Total cost (In BDT)
Rice	9990	619.38
Wheat flour	1170	70.20
Millet	2340	304.20
Potato	1500	75.00
Grass pea	1800	216.00
Taro	9000	720.00
Water spinach	7500	300.00
Banana (Sagar)	3060	162.18
Pool barb	4380	1401.60
Whole milk	9000	765.00
Soya oil	900	162.00
Palm oil	420	18.90
Jackfruit Seeds	5820	465.60
Sugar	750	105.00
Total food cost	5,385	-

Source: Based on Shaheen et al., (2023).

In this study, the market prices of the food items recommended by Shaheen et al. (2023) were collected, and the total cost was calculated based on the monthly quantities required (Table 29 and Table 30). Based on this, it can be estimated that the standard food consumption for an adult (both male and female), involved in manual labour, should cost BDT 5,385 a month. On the other hand, the food consumption cost for a child should be around BDT 1,937 per month. As per the worker survey, the average number of members per worker's household is 3.7. Also, the estimated monthly cost based on the survey for spices and condiments required for a family is BDT 695. Therefore, the total ideal food cost for RMG workers' families stands at BDT 16,529.

Table 30: Standard food items and their cost for a child

Food item	Required intake in grams (Per Month)	Total cost (In BDT)
Rice	4890	303.18
Wheat flour	3300	198.00
Potato	1500	75.00
Grass pea	900	108.00
Radish	3000	150.00
Slender amaranth leaves	990	34.65
Water Spinach	2010	80.40
Melon	3000	180.00
Egg (Chicken)	3000	642.00
Whole Milk	900	76.50
Soya oil	30	5.40
Palm oil	450	20.25
Sugar	450	63.00
Total food cost	1,937	-

Source: Based on Shaheen et al., (2023).

Table 31: Occurring food expenses for surveyed RMG workers' family

Category	in 2022	in 2023	per cent Change
Mean food cost of family in BDT	7899	9198	17

Source: PD Survey on Workers in September 2023.

Table 32: Grade-wise occurring food expenses for surveyed RMG workers' family

Grade	Total food cost
Grade 1	-
Grade 2	-
Grade 3	-
Grade 4	8206
Grade 5	9485
Grade 6	8577
Grade 7	5344
Not sure	9070
Don't have any grade in the factory	10646

Source: CPD Survey on RMG workers in September 2023.

Table 33: Occurring and required food expenses for selected items of surveyed RMG workers' family

Food item	Required cost (BDT)	Occurring cost (BDT)	Cost surplus/deficit(per cent)
Rice	1975.5	2595.0	31.4
Potato	277.5	430.0	55.0
Whole milk	2142.0	330.0	-84.6
Oil	514.1	760.0	47.8
Egg, Meat and Fish	4424.7	2262.0	-49.0
Sugar	346.5	272.0	-21.5

Source: CPD Survey on RMG workers in September 2023.

While the standard family food cost estimated to be BDT 16,529, the garment workers are being able to spend only BDT 9,198 (56 per cent of the required) at the moment (Table 31). In fact, for grade 7 RMG workers, the gap is even higher, as they can only spend BDT 5,344 (32 per cent of the required) (Table 32). As such, many of these workers are refraining from having a number of important food items such as eggs, sugar, fruits, milk, etc. According to the conducted survey, 12 per cent of workers' families do not buy milk at all, 5 per cent of workers' families do not buy sugar at all, 5 per cent of workers' families do not buy any kinds of fruit at the moment (Table 33). Also, surveyed RMG workers' families are able to spend 85 per cent less than the required amount for milk, 49 per cent less than the required amount of Egg, Meat, and Fish, and 22 per cent less than the required amount of sugar

7.2 Non-food costs

Drawing upon insights from prior research and the outcomes of the survey, various essential expenditure areas have been pinpointed, delineating the financial requirements that a worker's family must meet to sustain their daily life. These include house rent, medical costs, service charges, children's education costs, mobile and internet, transport, clothing, and toiletries.

Table 34: Non-food cost for workers household

Cost items (per month)	2022 (in BDT)	2023(in BDT)	Per cent Change
Children education cost	1,912	2,653	38.8
Medical cost	1,125	1,378	22.5
House and other service charge	392	508	29.6
Mobile and Internet	532	677	27.3
Transport	880	1,201	36.5
Clothing	888	1,176	32.4
Rent	4,217	4,765	13.0
Toiletries	366	524	43.2
Total	10,313	12,882	25.0

Source: CPD Survey on RMG workers in September 2023.

Table 35: Grade-wise non-food cost for workers' household

	Children Education cost	Medical cost	Service charges	Mobile and Internet	Transport	Clothing	Rent	Toiletries	Total non-food cost
Grade 1	-	-	-	-	-	-	-	-	-
Grade 2	-	-	-	-	-	-	-	-	-
Grade 3	-	-	-	-	-	-	-	-	-
Grade 4	1050	1271	1044	735	1888	1621	4018	541	12168
Grade 5	1582	1218	933	723	1044	1042	4633	527	11702
Grade 6	1933	1573	744	596	1227	1200	3992	488	11753
Grade 7	2125	694	456	372	825	1225	2388	247	8332
Not sure	3765	1529	481	575	1096	1215	5442	527	14630
Don't have any grade in the factory	2630	1412	731	857	1297	1063	5182	596	13768

Source: CPD Survey on RMG workers in September 2023.

Considering these costs, the conducted survey on workers finds that the mean non-food cost of a worker's family was BDT 10,313 in 2022 which has increased by 25 per cent in 2023 to BDT 12,882 (Table 34). On the other hand, the grade-wise distribution of non-food costs shows that the higher the grade, the higher the non-food cost for the workers' family (Table 35).

7.3 An overview of workers livelihood status

The livelihood of RMG workers is at a critical juncture with the recent unprecedented increase in the level of inflation in Bangladesh. The review of the workers' financial capability reaffirms that with the existing minimum wage and take-home earnings, they struggled to bear their living expenses. The conducted survey finds that the mean wage (excluding overtime and bonuses) of an RMG worker stands at BDT 9931 (Table 36). If overtime and bonuses are considered, then the average wage (also known as take-home earnings) stands at BDT 12,807. This amount is inadequate, particularly considering the estimated living cost in the previous sections.

Table 36: Wage and income-related status for RMG workers

Item	2023	
	Mean wage (excluding overtime, bonus) in BDT	Male
	Female	9,707
	Overall	9,931
Mean wage (including overtime, bonus) in BDT	Male	13,342
	Female	12,358
	Overall	12,807
Mean of total family income in BDT	24,584	-

Source: CPD Survey on RMG workers in September 2023.

The challenges in the livelihoods of workers are also evident in their supplementary income and asset-related metrics. A mere 5.7 per cent of the surveyed workers reported engagement in other income-generating activities (Table 37). This aligns with expectations, considering that RMG workers dedicate extensive hours to their factory work, leaving limited room for involvement in additional pursuits.

Table 37: Property status of surveyed workers

Items	Per cent workers
Involved in any additional income-generating activities	5.7
Ownership of Bank deposits	11.0

Source: CPD Survey on RMG workers in September 2023.

Table 38: Borrowings status of surveyed workers

Category	Per cent of workers family in 2022	Per cent of workers family in 2023
No borrowing	66.7	66.2
Less than BDT 10K	11.0	7.9
More than BDT 10K	22.4	25.9

Source: CPD Survey on RMG workers in September 2023.

Consequently, while workers' savings predominantly witness a decline, there is a simultaneous increase in their borrowing (Table 38 – Table 41) .

Table 39: Savings status of surveyed workers

Category	Per cent of workers family in 2022	Per cent of workers family in 2023
No savings	75.4	77.2
Less than BDT 10K	9.6	6.1
More than BDT 10K	14.9	16.7

Source: CPD Survey on RMG workers in September 2023.

Table 40: Grade-wise savings status of surveyed workers

Year	Category	Grade 4	Grade 5	Grade 6	Grade 7	Not sure	Don't have any grade in factory
Year 2022	More than 10k	5.9	6.1	3.8	0.0	25.4	18.5
	Less than 10k	11.8	0.0	3.8	18.8	7.0	16.9
	No savings	82.4	93.9	92.3	81.3	67.6	64.6
Year 2023	More than 10k	11.8	6.1	3.8	6.3	25.4	21.5
	Less than 10k	5.9	0.0	7.7	6.3	2.8	12.3
	No savings	82.4	93.9	88.5	87.5	71.8	66.2

Source: CPD Survey on RMG workers in September 2023.

Table 41: Grade-wise borrowings status of surveyed workers

Year	Category	Grade 4	Grade 5	Grade 6	Grade 7	Not sure	Don't have any grade in factory
Year 2022	More than 10k	11.8	9.1	30.8	18.8	28.2	23.1
	Less than 10k	11.8	3.0	3.8	0.0	15.5	15.4
	No borrowing	76.5	87.9	65.4	81.3	56.3	61.5
Year 2023	More than 10k	17.6	15.2	34.6	18.8	25.4	32.3
	Less than 10k	0.0	3.0	0.0	6.3	8.5	15.4
	No borrowing	82.4	81.8	65.4	75.0	66.2	52.3

Source: CPD Survey on RMG workers in September 2023.

8. CPD'S PROPOSALS ON THE MINIMUM WAGE OF 2023

8.1 Proposal regarding the amount of minimum wage

Since the announcement of the government's decision to revise the minimum wage, a number of stakeholders have expressed their expectations regarding the settlement of the new minimum wage. According to most of the worker's organisations, the new minimum wage for the RMG industry should be at least between BDT 20-25 thousand. However, as per the survey conducted on the workers who face reality every day, they expect a minimum wage of BDT 18,228. On the other hand, the majority of surveyed factory management opined that the new minimum wage should be between BDT 12,000 and more than 21,000. However, as mentioned, regardless of the different claims of the stakeholders,

this study utilises the Anker method in estimating and proposing a new minimum wage based on collected primary data.

According to the study's estimates:

• Total food cost of a garment workers family:		BDT 16,529
• Total non-food cost of a garment workers family:		BDT 12,881

Total monthly cost	=	BDT 29,410

Cost adjusted for inflation as per IMF projection	=	BDT 31,942

Estimating wage applying Anker formula	=	BDT 17,568

Where,

Discretionary savings = 10 per cent

Number of earning members = 2 (as per the survey findings)

Therefore, this study proposes a BDT of 17,568 for grade 7 workers as the new minimum wage for the RMG industry. In fact, this study proposes to merge grades 5 and 6 into one grade and consider the same formula for estimating minimum wage for other grades as well (Table 42). The following table shows grade-wise and item-wise minimum wage proposal of this study:

Table 42: Item and grade-wise proposal of minimum wages

Item	Grade 7	Grade 5 & 6	Grade 4	Grade 3	Grade 2	Grade 1
Total wage	17,568	19,310	21,808	23,533	34,603	41,005
Basic (55 per cent of total wage)	9662	10620	11994	12943	19032	22553
House rent (50 per cent of basic)	4831	5310	5997	6472	9516	11276
Food allowance (7 per cent of the total wage)	1230	1352	1527	1647	2422	2870
Medical allowance(5 per cent of the total wage)	879	965	1090	1177	1730	2050
Transport allowance (3.5 per cent of the total wage)	615	676	763	824	1211	1435
Child allowance (2 per cent of the total wage)	351	386	436	471	692	820

Source: CPD's estimates.

8.2 Proposal regarding wage structure of minimum wage 2023

The following are the recommendations of this study in regard to the expected structure of the new minimum wage of 2023:

- a) The share of basic wage should be reinstated to at least 55per cent in the new wage structure by the minimum wage board
- b) Also, instead of specifying a fixed amount, other elements of the wage structure should be established using a percentage-based system by the minimum wage board
- c) Given that the cost of child education has become a significant cost component for RMG workers' families, the new minimum wage board should consider adding child allowance to the existing wage structure;
- d) The minimum wage board should reduce the number of grades in the wage structure; in this connection, grade 6 and grade 5 can be merged into one while keeping grade 7 and others unchanged;
- e) Many factories misuse the trainee category in paying wages to the workers; hence, this category must be abolished from the wage structure by the wage board;
 1. Also, the workers are not being promoted to upper grade despite working in the same position for many years; hence, there needs to be a time-bound mandatory rule for factories in grade-wise promoting their workers; Associations, DIFE, and MoLE can work together in this regard
- f) The wage structure of the Bangladeshi RMG industry is weak compared to other apparel-exporting countries; the Ministry of Commerce and the Ministry of Labour should take the initiative in this regard.

8.3 Capacity of RMG Factories to Accommodate the Proposed Minimum Wage

This study also estimates how much price adjustment would be required to implement the proposed minimum wage of BDT 17,568. According to the calculation from the survey data (Table 43), a modest increase of 7 cents in the unit product price would be sufficient to raise the minimum wage to BDT 17,568 without impacting the profit margins of RMG factories.

Table 43: Different cost-related indicators for identifying possible price adjustments for the new wage

Item	Value (in USD)
Per worker wage cost, 2023	101.00
Per worker wage cost with the proposed wage	187.00
Unit price for large enterprises	6.03
Unit price for medium enterprises	1.04
Unit price for small enterprises	1.01
Wage cost per unit price for large enterprises, 2023	0.13
Wage cost per unit price for medium enterprises, 2023	0.10
Wage cost per unit price for small enterprises, 2023	0.05

(Table 43 contd.)

(Table 43 contd.)

Item	Value (in USD)
Wage cost per unit price for large enterprises (under proposed wages)	0.243
Wage cost per unit price for medium enterprises (under proposed wages)	0.189
Wage cost per unit price for small enterprises (under proposed wages)	0.108
Additional cost to accommodate wage cost for large enterprises (under proposed wages)	0.112
Additional cost to accommodate wage cost for medium enterprises (under proposed wages)	0.087
Additional cost to accommodate wage cost for small enterprises (under proposed wages)	0.049

Source: Based on CPD Survey on RMG Enterprises in September 2023.

9. CONCLUSION AND RECOMMENDATIONS

From the overall analysis of this study, a number of major issues can be observed. Firstly, there were deviations in the implementation of the minimum wage across the RMG industry, as set in 2018. Secondly, given the ongoing economic uncertainty and high inflation, the importance of establishing a fair minimum wage has become more pronounced. It is crucial to focus on implementing the United Nations Guiding Principles (UNGPs) throughout the RMG value chain. Thirdly, despite facing numerous challenges, the Bangladeshi RMG industry has made significant progress in the area of export value, volume, export destinations, export diversifications, productivity, etc., since the last minimum wage revision in 2018 and has become more competitive. Fourthly, due to the increase in food costs, the families of RMG workers can only afford 55 per cent of the required cost, while their non-food expenditures have increased by 25 per cent in just one year (from 2022 to 2023). Under these circumstances, the study conducted by CPD estimates the ideal minimum wage for an RMG worker of Grade 7 to be BDT 17,568. Implementing this wage would not adversely affect the existing profit margin of RMG employers, provided that brands can offer an additional 7 cents as the product's unit price.

Finally, it is emphasised that adopting a fair minimum wage alone may not yield the expected outcomes unless the implementation of the new wage is ensured. In this regard, as recommended by this study and in line with the UNGPs, all relevant stakeholders must actively and collaboratively play their roles. The following are the recommendations of this study in regard to implementation of the new minimum wage of 2023:

- 1) As found, awareness regarding minimum wage is low both for workers and factories; many factories are not following the grading system, paying workers less than the minimum wage and not providing the required increment; hence, implementing a new minimum wage must be given utmost importance.
 - a) In this connection, a tripartite committee should be formed to oversee the implementation of the new minimum wage in the next three months.

- b) The DIFE must provide distinct attention to the new minimum wage payment in conducting their inspection in the next six months; there must only be a report produced by DIFE in June 2024 on the implementation status of the new minimum wage.
- 2) The grievance mechanism on wage payment-related issues is still not functional; ensuring the formation of WPC by factories can play a role in this regard, particularly given that almost one-third of factories do not have WPC. Steps should be taken to expand the use of MFS in the payment of wages of RMG workers as it would enhance the transparency and accountability in regard to wage payment;
 - a) Bangladesh Bank can work in this regard, particularly in terms of awareness-raising activities that the government should undertake in partnership with NGOs and CSOs to promote the use of MFS by workers.
 - 3) The brands should also play a role in this regard by motivating/supporting their suppliers for the transformation.
- 4) Brands/buyers did not adequately support implementing the last minimum wage as they did not consider increased workers' wage costs when setting their prices.
 - a) As stipulated in UNGPs, Brands must play a role in this regard; there should be adequate pressure from sourcing governments to ensure brands are following responsible business practices (RBP)
 - b) Brands/buyers should express their commitment to implementing the new minimum wage by issuing an official letter; as estimated by CPD, on average, it may require increasing the price of the product by 7 cents to adjust the proposed minimum wage.
- 5) The Ministry of Commerce, in coordination with the Ministry of Foreign Affairs, should seek to work with sourcing governments to ensure brands/buyers are maintaining their due diligence.

According to Kabir et al. (2022), RMG workers were compelled to agree to shortened essential breaks like snacks and prayer time, as well as fewer sick leaves, because of the introduction of the new minimum wage in 2018. Workers also experienced increased job stress, longer working hours, managerial mistreatment, and a lack of support from management during emergencies. Hence, it is crucial to ensure that the implementation of the new minimum wage in 2023 does not result in excessive work, reduced leaves, or the infringement of other labour rights for workers.

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This study aims to assess the implementation status of the 2018 Readymade Garment (RMG) minimum wage provisions and propose a revised minimum wage for RMG workers in 2023, grounded in indicators outlined in the Bangladesh Labour Act. These indicators encompass various factors such as cost of living, production costs, productivity, product pricing, inflation, nature of work, risks, business capacity, and socio-economic conditions at both local and national levels. Findings reveal discrepancies in adhering to the minimum wage set in 2018. Alongside proposing a new minimum wage, the study recommends collaborative efforts among the government, brands/buyers, enterprises, and workers to ensure an effective implementation of the revised minimum wage in the forthcoming years.



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