

CPD

Working Paper

122

Livelihood Challenges of RMG Workers
*Exploring Scopes within the Structure of
Minimum Wages and Beyond*

Khondaker Golam Moazzem
Md. Arfanuzzaman



CPD Working Paper 122

LIVELIHOOD CHALLENGES OF RMG WORKERS
*Exploring Scopes within the
Structure of Minimum Wages and Beyond*

LIVELIHOOD CHALLENGES OF RMG WORKERS
Exploring Scopes within the Structure of Minimum Wages and Beyond

CPD Working Paper 122

Khondaker Golam Moazzem
Md. Arfanuzzaman



**FRIEDRICH
EBERT** 
STIFTUNG

Publisher

Centre for Policy Dialogue (CPD)

House - 6/2 (7th & 8th floors), Block - F
Kazi Nazrul Islam Road, Lalmatia Housing Estate
Dhaka - 1207, Bangladesh
Telephone: (+88 02) 58152779, 9141734, 9141703, 9126402
Fax: (+88 02) 48110414
E-mail: info@cpd.org.bd
Website: www.cpd.org.bd

First Published December 2018
© Centre for Policy Dialogue (CPD)

Disclaimer: The views expressed in this paper are those of the authors alone and do not necessarily reflect the views of the CPD or the FES Bangladesh Office.

Tk. 250
USD 8

ISSN 2225-8175 (Online)
ISSN 2225-8035 (Print)

Citation: Moazzem, K. G. and Arfanuzzaman, M. (2018). *Livelihood Challenges of RMG Workers: Exploring Scopes within the Structure of Minimum Wages and Beyond*. CPD Working Paper 122. Dhaka: Centre for Policy Dialogue (CPD).

Cover design
Avra Bhattacharjee

C42018_9WP122_IGL

Centre for Policy Dialogue (CPD) was established in 1993 as a civil society initiative to promote an ongoing dialogue between the principle partners in the decision-making and implementing process. Over the past 25 years, the Centre has emerged as a globally reputed independent think tank, with local roots and global reach. A key area of CPD's activism is to organise dialogues to address developmental policy issues that are critical to national, regional and global interests, with a view to seeking constructive solutions from major stakeholders. The other key area of CPD's activities is to undertake research programmes on current and strategic issues.

CPD's dialogues are designed to address important policy issues and to seek constructive solutions to these problems. In doing so, CPD involves all important cross-sections of the society, including public representatives, government officials, business leaders, activists of grassroots organisations, academics, development partners and other relevant interest groups. CPD focuses on frontier issues which are critical to the development process of Bangladesh, South Asia and LDCs in the present context, and those that are expected to shape and influence the country's development prospects from the mid-term perspectives. CPD seeks to provide voice to the interests and concerns of the low-income economies in the global development discourse. With a view to influencing policies, CPD deploys both research and dialogue which draw synergy from one another.

CPD's research programmes are both serviced by and intended to serve, as inputs for particular dialogues organised by the Centre throughout the year. Major research themes are: Macroeconomic Performance Analysis; Resource Mobilisation and Fiscal Policies; Inclusive Growth and Labour Issues; Trade, Regional Cooperation and Global Integration; Investment Promotion, Infrastructure and Enterprise Development; Agriculture, Climate Change and Environment; Gender, Human Development and Social Protection; Sustainable Development Goals (SDGs); and Governance and Institution.

CPD also conducts periodic public perception surveys on policy issues and issues of developmental concerns. With a view to promoting vision and policy awareness amongst the young people of the country, CPD is also implementing a *Youth Leadership Programme*. CPD serves as the Secretariat of two global initiatives. *LDC IV Monitor* is an independent global partnership for monitoring the outcome of the Fourth UN Conference on the LDCs. *Southern Voice on Post-MDGs* is a network of 50 think tanks, which seeks to contribute to the ongoing global discourse on the SDGs. At the national level, CPD hosts the Secretariat of the *Citizen's Platform for SDGs, Bangladesh*—a civil society initiative that include about 90 Partner organisations, founded with an objective to contribute to the delivery of the SDGs and enhance accountability in its implementation process. In recognition of its track record in research, dialogue and policy influencing, CPD has been selected as one of the awardees of the Think Tank Initiative (TTI) through a globally competitive selection process for two consecutive times.

Dissemination of information and knowledge on critical developmental issues continues to remain an important component of CPD's activities. Pursuant to this, CPD maintains an active publication programme, both in Bangla and in English. As part of its dissemination programme, CPD has been bringing out CPD Occasional Paper Series on a regular basis. It may be noted in this connection that since November 2011, the Series has been re-introduced as **CPD Working Paper Series**. Research work in progress, background papers of dialogues, investigative reports and results of perception surveys which relate to issues of high public interest are published under this series.

The present paper titled **Livelihood Challenges of RMG Workers: Exploring Scopes within the Structure of Minimum Wages and Beyond** is authored by *Dr Khondaker Golam Moazzem*, Research Director, CPD <moazzem@cpd.org.bd> and *Mr Md. Arfanuzzaman*, former Programme Manager, CPD-RMG Study 2018 <thisisarf@gmail.com>

This study was conducted in partnership with the Friedrich-Ebert-Stiftung (FES), Bangladesh Office. The paper was earlier presented at a dialogue on "Minimum Wage and Livelihood Conditions of RMG Workers," on 5 August 2018, in Dhaka.

Executive Editor: *Ms Anisatul Fatema Yousuf*, Director, Dialogue and Communication, CPD

Series Editor: *Dr Fahmida Khatun*, Executive Director, CPD

This paper examines the livelihood issues of the workers in the readymade garments (RMG) sector of Bangladesh, and identifies the scope of determining a minimum wage that would address their requirements of a decent livelihood standard. The study observes a compositional change in workers' household expenditure patterns, where non-food expenses have taken up the larger share. Workers of all grades were found struggling to meet their essential needs, which indirectly implies that their earnings are inadequate for spending beyond the subsistence level. The study finds that, rise in the number of family members puts pressure to manage additional costs. The poor earnings of workers are also reflected through their possession of a very limited number of household assets. The study proposes a number of changes in the structure and composition of minimum wages, such as raising of basic house rent, inclusion of childcare and education allowances, amending the transport allowance, and adding service benefits. The study proposes minimum wage for entry-level workers at BDT 10,028 (USD 119). It further recommends a number of non-wage measures to improve workers' livelihood through community development.

Contents

<i>Abstract</i>	<i>vii</i>
<i>Acronyms</i>	<i>xi</i>
1. Relevance of the Study	1
2. Objectives of the Study	2
3. Methodology of the Study and Structure of the Paper	2
PART A: LIVELIHOOD OF RMG WORKERS	
4. Findings from the Sample Survey: Household Expenditures of Apparel Workers	3
5. Livelihood Conditions of Workers and their Families	9
PART B: MINIMUM WAGES OF RMG WORKERS	
6. Minimum Wages of Apparel Workers: A Brief Review	13
7. Exploring the Scope of Adjustments to Minimum Wage	16
8. Proposal of Revision to Minimum Wage	21
9. Suggestions Beyond Revision to the Minimum Wage	22
10. Conclusions	24
References	26

List of Tables and Figures

Table 1: Changes in Workers' Living Costs between 2013 and 2018	4
Table 2: Location-wise Monthly Expenditure	4
Table 3: Grade-wise Monthly Expenditure	5
Table 4: Family-member-wise Monthly Expenditure	6
Table 5: Location-specific Monthly Food Expenditure	7
Table 6: Location-specific Monthly Non-food Expenditure	8
Table 7: Area-wise Monthly Food and Non-Food Expenditures	8
Table 8: Changes in Housing Expenditure between 2013 and 2018	9
Table 9: Accommodation and Residential Facilities of Workers	9
Table 10: Grade-wise Mode of Salary Receipt	11
Table 11: Changes Made to Wage Structure in 2013	14
Table 12: Comparison of Grade-wise Stipulated Wages and Actual Costs in 2018	18
Table 13: Social Security Programmes, by Country and Type, 2016	20
Table 14: Proposed Wage Structure	22
Figure 1: Distribution of Food Costs (BDT 8,125 per Month)	6
Figure 2: Distribution of Non-food Costs (BDT 11,142 per Month)	7
Figure 3: Ownership of Electronic Appliances and Furniture	10
Figure 4: Average Distance of Different Entities from Workers' Residence	12
Figure 5: Percentage of Workers Living at a Distance from Necessary Facilities	12
Figure 6: Unit Value of Bangladesh's Top 10 Knit Products (HS61)	15
Figure 7: Unit Value of Bangladesh's Top 10 Woven Products (HS62)	16
Figure 8: Monthly Minimum Wage in Major RMG Exporter Countries	19
Figure 9: Labour Productivity of the Garments, Textile and Footwear Industries in Different Countries	20

Acronyms

BBS	Bangladesh Bureau of Statistics
BDT	Bangladeshi Taka
BGMEA	Bangladesh Garment Manufacturers and Exporters Association
BKMEA	Bangladesh Knitwear Manufacturers and Exporters Association
CPD	Centre for Policy Dialogue
CPI	Consumer Price Index
DBH	Delta-BRAC Housing (Finance Corporation)
ECNEC	Executive Committee of the National Economic Council
GDP	Gross Domestic Product
HBFC	(Bangladesh) House Building Financial Corporation
HS	Harmonised System (of coding)
ILO	International Labour Organization
km	Kilometre(s)
MPS	Monetary Policy Statement
MoLE	Ministry of Labour and Employment (Bangladesh)
NGO	Non-Government Organisation
RMG	Readymade Garments
SDG	Sustainable Development Goal
UN Comtrade	United Nations Commodity Trade Statistics Database
USD	United States Dollar

1. Relevance of the Study

Livelihood-related issues of workers in the readymade garments (RMG) sector remain amongst the most unaddressed in the apparel value chain of Bangladesh. This largely obstructs their ability to graduate beyond subsistence living practices. Despite various attempts to make the apparel industry more compliant, issues other than workplace safety and security, including those related to the livelihoods of workers, remain relatively unaddressed. Poor livelihood standards affect health, nutrition and other productive components of the lives of workers and their family members. Consequently, the industry is deprived of an adequate supply of a productive workforce (Du and Leigh, 2017), and is likely to be deprived of a supply of a healthy workforce in the future (Ponce *et al.*, 2018). Targeted initiatives are required in this context, for the improvement of workers' livelihoods, which includes making adjustments to their wages on a regular basis.

Current academic literature highlights workers' livelihood-related concerns mainly as social issues, and keeps them outside the purview of the value chain (DIEH, IEH and ETI, 2015). The cost of production related to workers' wages is the only element of consideration which is indirectly linked with workers' livelihoods; this issue, however, has only been discussed from the point of view of competitiveness, rather than welfare of the workforce. Since different parties view the livelihoods of workers from different perspectives (e.g. from 'competitiveness' to 'rights-based' approaches)—the alignment of the issue in the value chain is not easy. Broadening the scope of value chain could help integrate other livelihood-related issues with the value chain. This paper makes an attempt at integrating these livelihood issues into the value chain framework by discussing related issues both from social and commercial viewpoints.

The wages of workers in the apparel sector—arguably the single-most important element in their livelihoods—has been set under the regulatory framework of minimum wages stipulated by the national law (i.e. the Bangladesh Labour (Amendment) Act, 2013). It has been revised under the directives of the Minimum Wages Board in regular intervals. In the absence of competitive and bargained wage systems, the minimum wage set for different grades determine the major earnings of the workers. According to the Bangladesh Labour (Amendment) Act, 2013, the minimum wage of workers is supposed to be determined on the basis of 10 different indicators, which cover the factors such as livelihood expenditures and the capacity of the entrepreneurs to pay revised wages to the workers.¹ In spite of legal obligations to set the minimum wages through tripartite discussions and debates, the Minimum Wages Boards have often faced challenges in finding evidence-based solutions because of weaknesses in procedural, methodological and data-related issues (Moazzem and Raz, 2014; Moazzem *et al.*, 2013). The Ministry of Labour and Employment (MoLE) formed the current Minimum Wages Board in March 2018, to facilitate the revision of minimum wages for the RMG sector. The Board met several times to discuss proposals on both sides, and finally announced its proposal in September 2018. The Board meetings often faced challenges of evidence-based discussions due to lack of data on the aforesaid indicators that is available to the general public. The discussions in the Board, have thus, historically been facilitated, more by anecdotes, and less by evidence, with regard to various indicators stipulated in the labour law. Such weaknesses in the wage-setting processes need to be addressed.

¹These 10 indicators include – cost of living, standard of living, cost of production, productivity, price of products, inflation, nature of work, risk and standard, business capability, socio-economic conditions of the country and the locality concerned, and other relevant factors.

With this information in mind, an in-depth analysis is deemed as necessary to examine the current state of living conditions and expenditures of workers in the apparel sector, and its connection to their wages, with possible scope for revision to their minimum wages. The study intends to contribute towards establishing linkages between livelihood issues and workers' wages under the value chain framework. In this context, the study attempts to provide an analysis in areas, where the methodology for the revision of minimum wages is not clear, the evidence on related indicators is not sufficient, and the understanding on certain issues is biased. This study has been carried out under the concept of living wage promoted by the International Labour Organization (ILO), which is a key development indicator under the Sustainable Development Goals (SDGs).² Such a study will help stakeholders make informed decisions regarding minimum wages for the apparel sector.

2. Objectives of the Study

The objectives of the study are as follows:

- a. Examine the livelihood conditions of Bangladesh's apparel workers in order to better understand the challenges in ensuring decent living conditions for them;
- b. Analyse major indicators concerning minimum wages as stipulated in the national laws, e.g. Bangladesh Labour (Amendment) Act, 2013;
- c. Review the structure of minimum wages currently in operation with a view to putting forth suggestions for necessary changes to the different grades and associated minimum wages of workers; and
- d. Promote the culture of decent jobs by putting forward a set of recommendations concerning the livelihood challenges of these workers and their minimum wages.

3. Methodology of the Study and Structure of the Paper

The present study has been carried out based on primary and secondary data that was collected from various sources. The data on workers' livelihood issues has been collected through a primary survey of 115 garment workers from four different locations: Dhaka City, Gazipur, Narayanganj and Savar.³ Taking into account different livelihood and wage-related issues, the survey collected information on the wages and benefits of workers, and how long they had been employed by the factory at the time of data collection; personal information that included that of their families, household assets, total and individual incomes of the earning-members of the families, details of expenditures including amounts spent on food and non-food items, locations of different public and private services that they would access (such as, schools, colleges, health service providers, entertainment providers and so on).⁴ The survey was carried out in March 2018, and 24 per cent of the respondents were drawn from Dhaka City and Narayanganj each, while 25 per cent and 27 per cent were drawn from Gazipur and Savar respectively.⁵ The surveyed workers are employed in different grades of different factories; however, it should be duly noted that, the selected sample population is not a complete representation of the total population of RMG workers. The collected information, albeit from a relatively limited sample,

²According to the 2030 Agenda for Sustainable Development, SDG 8 indicates promotion of sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all (<https://sustainabledevelopment.un.org/sdg8> [accessed: 5 August 2018]).

³The sample was selected randomly from four prime RMG enterprise zones, where majority of the workers live due to their workplace proximity.

⁴Family is defined here as a group, consisting of members who are dependent on the same source of income for their livelihood needs. A typical group comprises of two parents and their children.

⁵While estimating livelihood expenditure, information of two samples was found to be outlier, and was dropped from the samples.

provided a benchmark for information about the socio-economic conditions of workers, their living environment, assets and lifestyles. Most importantly, the findings of this survey are found to be consistent with the findings of the survey carried out by the Centre for Policy Dialogue (CPD) under its CPD-RMG study 2018.⁶ Furthermore, secondary data on the unit value of the top 10 knit and woven products of Bangladesh, in comparison to those of competing countries that export to the global market, have been retrieved from the United Nations Commodity Trade Statistics Database (UN Comtrade), and have been used for cross-country comparison of pricing of apparels.

This paper comprises ten sections, broadly divided into two parts—the Part A, Livelihood of RMG Workers, discusses the various livelihood challenges of apparel workers; and the Part B, Minimum Wages of RMG Workers, focuses on revision in the workers' minimum wages while taking their requirements into account. The first part is covered by Sections 4 and 5, while the second part includes Sections 6 to 9. After setting the context of the paper in the first three sections, with objectives and methodology of the study, Section 4 discusses the different aspects of workers' livelihood expenditures, particularly those related to food and non-food expenditures. Section 5 examines the livelihood conditions of the families of the workers including their household assets, housing facilities and children's education. Section 6 reviews the current minimum wages and their shortcomings in terms of meeting the needs of the workers. Section 7 examines different aspects that need to be taken into account if adjustments are to be made to the minimum wages. Based on the analysis on livelihood expenses and wage structures, Section 8 proposes a revised structure of the minimum wages. Specific recommendations on the revision of minimum wages and other related issues are presented in Section 9. Section 10 provides some concluding remarks.

PART A: LIVELIHOOD OF RMG WORKERS

4. Findings from the Sample Survey: Household Expenditures of Apparel Workers

The sample workers were asked to provide detailed accounts of their household expenditures of the immediate past month (February 2018), while the survey was conducted in March 2018. The household expenditures of workers include those on food and non-food items for their families. These family members may or may not stay under the same roof with many workers maintaining homesteads in separate areas of the country altogether.

Rise in non-food expenditure changed the composition of overall expenditure. It is observed that, workers' livelihood expenditure pattern has been changing—the overall share of non-food expenditures outweighs that of food expenditures. Traditionally, food expenditures were considered to be the most important expenditure for workers and their families. Following the rise in their incomes after two revisions of wages in 2010 and 2013, the consumption pattern of workers has changed, with a rise in expenditure for non-food items (Moazzem *et al.*, 2013).

The average monthly household expenditure of sample apparel workers is found to be BDT 22,435 (USD 267), where food and non-food expenditure comprise BDT 8,125 and BDT 11,142 respectively (Table 1). This expenditure includes repayment of monthly instalment of loans which are frequently used for meeting non-food expenditures, together with repayment of monthly healthcare.

⁶CPD, in 2018, completed a study titled 'New Dynamics of Bangladesh's Apparels Enterprises: Perspectives on Restructuring, Upgrading and Compliance Assurance'. As part of the study, a nationally representative survey was carried out under six different modules, which covered 226 sample enterprises and 2,252 sample workers.

Table 1: Changes in Workers' Living Costs between 2013 and 2018

(in BDT)

Component	2013	2018	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 and non-food costs	50:50	42:58	
Ratio of food and non-food costs (with instalment)		36:64	

Source: Authors' calculation based on Moazzem *et al.* (2013) and CPD's 2018 Survey on RMG Workers' Livelihood.

Table 1 presents a comparative study of household expenditures for 2013 and 2018 in nominal terms.⁷ It is to be noted that, the cost of living for workers has increased by 17.2 per cent per year between 2013 and 2018, with food costs increasing by 11.4 per cent per year, and non-food costs increasing by 23.1 per cent per year. Such a rise in workers' household expenditure cannot be explained by inflation alone, since the national inflation rate, measured by changes in the Consumer Price Index (CPI), has increased by only 5.2 per cent per year between December 2013 and June 2018. In other words, the national inflation rates cannot quite explain the change of pattern in the household expenditures of the workers.

Lack of adequate facilities in Gazipur resulted in increased expenditure for workers. A slight variation in the costs of living of workers in different regions has been noticed. The highest living cost is observed in Gazipur (BDT 24,846), followed by Dhaka City (BDT 22,939). Living costs remain relatively low in Savar and Narayanganj (Table 2). The overall standard deviation of living costs between different locations is about BDT 2,109, but the deviation is lower for costs on food items, when compared to those on non-food items. There is significant spatial difference in non-food costs. Both food and non-food costs are highest in Gazipur, possibly because there is, in general, a lack of adequate supply of goods and services of essential household needs, which is unable to meet the demand from the large number of workers living there, as is the case for housing and medical facilities. According to the CPD-RMG study of 2018, Gazipur is the major industrial cluster both in terms of number of factories (28.9 per cent of total RMG factories) and number of workers (35.1

Table 2: Location-wise Monthly Expenditure

(in BDT)

Location	Total Living Cost	Food Cost	Non-food Cost
Dhaka	22939	7919 (34.5)	15020 (65.5)
Gazipur	24846	9609 (38.7)	15237 (61.3)
Narayanganj	21183	8025 (37.9)	13158 (62.1)
Savar	20017	7463 (37.3)	12554 (62.7)
All*	22435	8125 (36.3)	14310 (63.7)
Standard deviation	2109	936	1338

Source: Authors' calculation based on CPD's 2018 Survey on RMG Workers' Livelihood.

Note: Figures in parentheses refer to their respective shares in the total living cost.

* refers to the average of disaggregated data, and not the average of the four regions mentioned in the Table.

⁷The data of 2013 is based on Moazzem *et al.* (2013).

per cent of total workers). Due to the lack of proper development of the industrial clusters, a huge mismatch exists between the demand and supply of different facilities in Gazipur region, which often causes additional expenses for workers compared to those living in the other regions.

A variation in costs is observed, even within the same geographical area. For example, workers living in different areas of Dhaka, such as Mirpur, Tejgaon or Kafrul find themselves facing different levels of expenditures. The same is observed for different areas in Gazipur (e.g. Tongi and Joydebpur), Narayanganj (e.g. Sadar and Siddhirganj), and Savar (e.g. Ashulia and Model Thana). This means that, workers are often at odds with the capacity to meet their needs, as their wages are not adjusted to their costs of living.

Workers of all grades struggled to meet essential needs. In examining the expenditure pattern of RMG workers, it was presumed that, the total household expenditures of upper grade workers would be higher as they earn more. However, it was interesting to note that, on the contrary, the total standard deviation between the different grades of workers is BDT 1,208, including BDT 601 for expenditures related to food items, and BDT 1,128 for those related to non-food items (Table 3). While upper-grade workers, such as those in Grade III, spend the maximum, those working in some of the lowest grades as in VII, do not necessarily spend the lowest amount. The relative standard deviation of expenses on food items (BDT 601), and non-food cost (BDT 1,128) indicates that, consumption patterns of workers of different grades are almost the same. Such low variation in household expenditure portrays that workers' income levels, irrespective of their grades, do not allow them to spend beyond their bare minimum. Perhaps a large part of these workers maintain a subsistence level of living, which limits the capacity to spend differently in accordance with the needs of their families.

Table 3: Grade-wise Monthly Expenditure

(in BDT)

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

Source: Authors' calculation based on CPD's 2018 Survey on RMG Workers' Livelihood.

Note: Figures in parentheses refer to their respective shares in the total living cost.

* refers to the average of disaggregated data, and not the average of the five grades mentioned in the Table.

Larger family size puts pressure to manage additional costs. As can be seen in Table 4, the monthly living cost of workers are directly proportional to the number of family members in their household. A two-member family has a monthly expenditure of BDT 19,938, while a five-member family has an expenditure of BDT 23,039, which is 15.5 per cent higher than that of the former. The difference in cost of living for families of varying sizes occurred mainly due to differences in food expenditure for the number of children in the family. Such a difference is limited in case of non-food expenditure—a large part of those are fixed costs in nature (e.g. house rent and other accommodation-related costs). Hence, workers of Grade II–IV become financially pressurised in accommodating additional expenses for every additional member of their families.

Table 4: Family-member-wise Monthly Expenditure*(in BDT)*

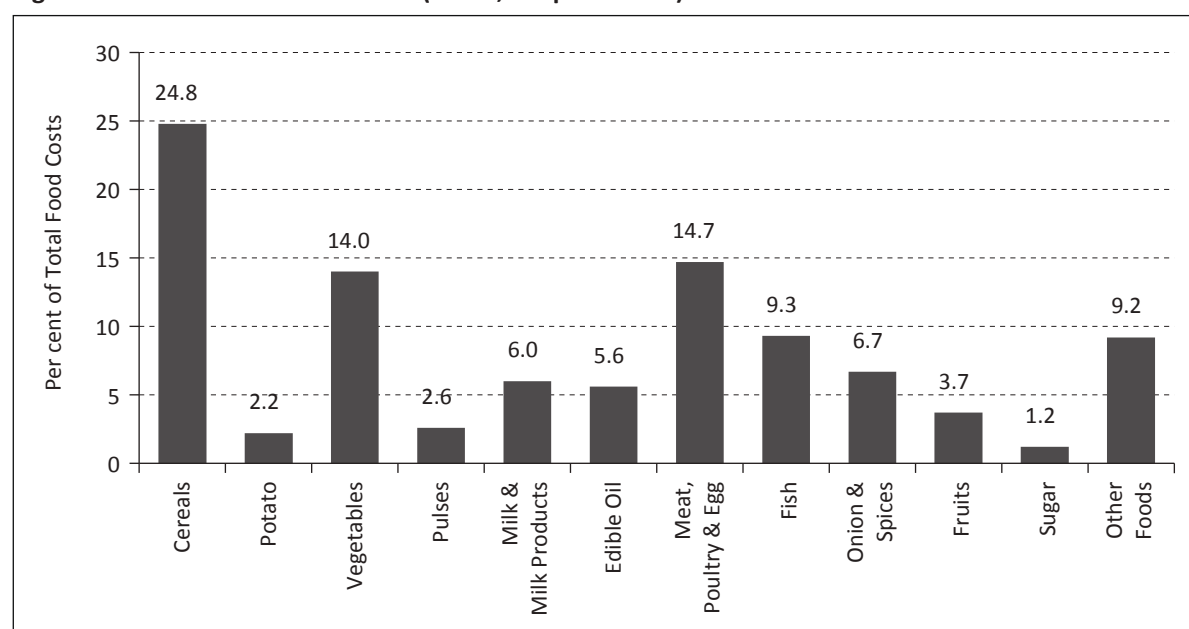
Number of Family Members	Total Living Cost	Food Cost	Non-food Cost
2	19938	6791 (34.1)	13147 (65.9)
3	22454	8500 (37.9)	13954 (62.1)
4	24614	9041 (36.7)	15573 (63.3)
5	23039	9519 (41.3)	13520 (58.7)

Source: Authors' calculation based on CPD's 2018 Survey on RMG Workers' Livelihood.

Note: Figures in parentheses refer to their respective shares in the total living cost.

No major variation observed in food costs between grades in different locations, except for Gazipur.

Workers' food expenditure includes costs for 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 (Figure 1). On average, a family spent about BDT 8,125 for different food items. The highest amount was spent for cereals (24.8 per cent of total food cost), followed by meat and eggs (14.7 per cent), vegetables (14 per cent), and fish (9.3 per cent). In most of the food-related items, workers under different grades maintained similar cost structure. In other words, a worker's expenditure on food items, whether s/he is employed in upper or lower grades, has yet to pass the subsistence level.

Figure 1: Distribution of Food Costs (BDT 8,125 per Month)

Source: Authors' calculation based on CPD's 2018 Survey on RMG Workers' Livelihood.

Table 5, however, indicates the presence of some itemised variations in expenditures related to food items. While the costs of items under the category of cereals remain the same, there are variations in costs for other items, such as meat and eggs (in Gazipur and Naryanganj), fish (in Gazipur and Savar), and vegetables (in Gazipur and Naryanganj). Due to the high cost of food items in Gazipur, workers in that region have to spend more in comparison to those living in other areas. It seems that, supply of food items in Gazipur is somewhat inadequate in comparison to the demand in the region.

Table 5: Location-specific Monthly Food Expenditure

(in BDT)

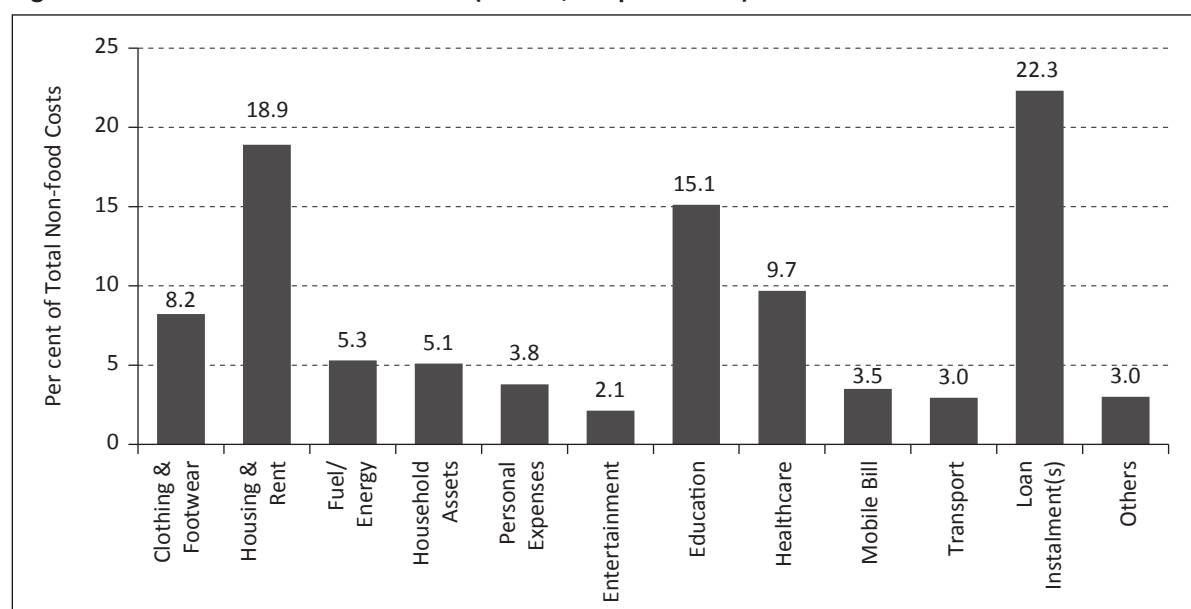
Location	Cereals	Potato	Vegetables	Pulses	Milk and Milk Products	Edible Oil	Meat, Poultry and Egg	Fish	Onion and Spices	Fruits	Sugar	Other Foods
Dhaka city	2025	150	1062	222	436	525	1178	683	494	255	74	787
Gazipur	2128	235	1348	225	615	440	1518	981	606	340	96	1048
Narayanganj	1871	169	978	1081	451	445	870	699	519	271	96	549
Savar	1906	154	1077	200	454	400	1116	613	527	323	122	540
All*	1984	176	1122	208	481	452	1180	747	537	297	93	735

Source: Authors' calculation based on CPD's 2018 Survey on RMG Workers' Livelihood.

Note: * refers to the average of disaggregated data, and not the average of the four regions mentioned in the Table.

Noticeable variations found in expenditures on non-food items in different locations. Workers' non-food expenditure includes essential consumer goods and services, such as clothing, housing, household assets, education, entertainment, healthcare, mobile phone bill, transport and payment of monthly loan/dues. As mentioned before, total household expenditure for non-food items is BDT 14,310. The highest non-food expenditure is repayment of monthly dues (22.3 per cent). Other major non-food expenditures include house rent (18.9 per cent), followed by costs for education (15.1 per cent), and medical expenses (9.7 per cent) (Figure 2). Significant variations are observed in case of costs for healthcare, education and housing facilities; on the other hand, moderate levels of variations are observed in case of costs for clothing and footwear and fuel/energy. Expenses on mobile phone bills and transport costs are also important elements in the non-food costs. There is a growing tendency among the workers to raise family expenses for diversified items. For example, costs for education and healthcare, a large part of which are related with workers' children, took

Figure 2: Distribution of Non-food Costs (BDT 11,142 per Month)



Source: Authors' calculation based on CPD's 2018 Survey on RMG Workers' Livelihood.

away a substantial part of their incomes. Such high expenditures reflect workers' growing intention to invest in their children to the best of their abilities, since it is likely to have long-term returns.

Expenditures on non-food items also vary based on the geographical location of workers. For instance, home rents in Dhaka and Gazipur are quite high, but relatively low in Naryanganj, as is seen in Table 6. The cost of education is high in Naryanganj and Gazipur, but low in Savar. Medical expenses are high in Gazipur, but low in Narayanganj. Not much variation is noted in expenses on clothing. The highest variation on non-food expenses can be observed in case of healthcare, followed by housing and rent.

Table 6: Location-specific Monthly Non-food Expenditure

(in BDT)

Location	Clothing and Footwear	Housing and Rent	Fuel/Energy	Household Asset	Personal Expenses	Entertainment	Education	Healthcare	Mobile Bill	Transport	Loan Instalment(s)	Others
Dhaka city	1091	3801	322	867	553	250	2242	1404	543	323	2546	1050
Gazipur	1249	2765	728	1063	506	371	2368	1968	335	400	3005	450
Narayanganj	1285	1381	1220	342	563	-	2743	897	407	534	3417	343
Savar	1104	2651	582	327	530	120	1442	1164	369	443	3591	200
All*	1168	2684	751	724	537	302	2146	1375	497	419	3168	426

Source: Authors' calculation based on CPD's 2018 Survey on RMG Workers' Livelihood.

Note: * refers to the average of disaggregated data, and not the average of the four regions mentioned in the Table.

Both food and non-food expenditures vary widely in different localities within the same region (Table 7). For example, livelihood expenditures are different in the different sub-clusters of Dhaka City, such as Mirpur, Kafrul and Tejgaon. Similarly, livelihood expenditures within Gazipur, between Joydebpur and Tongi differ as well. Workers residing in Tejgaon, Tongi, Narayanganj Sadar, Siddhirganj and Savar spend more than 60 per cent of their total expenditure on non-food items, mainly because of costlier price of those items there.

Table 7: Area-wise Monthly Food and Non-food Expenditures

Location	Thana/Zone	Total Living Cost (BDT)	Share of Costs (% of Total)	
			Total Food Cost	Total Non-food Cost
Dhaka city	Mirpur	19174	40	60
	Tejgaon	23872	35	65
	Kafrul	25600	44	56
Gazipur	Joydebpur	22767	40	60
	Tongi	28626	39	61
Narayanganj	Narayanganj Sadar	24058	38	62
	Siddhirganj	15933	35	65
Savar	Ashulia	17624	43	57
	Savar	20036	37	63

Source: Authors' calculation based on CPD's 2018 Survey on RMG Workers' Livelihood.

5. Livelihood Conditions of Workers and their Families

Accommodation of workers

A majority of the workers lack adequate facilities, as they are forced to seek poor housing conditions. Among the surveyed workers, only 47.8 per cent had one room to themselves or with family members. In other words, about 52.2 per cent shared a room with non-family members; of which 4.4 per cent stayed with family. Although the situation appears to have improved in comparison to the past, owing to rises in income and modest improvements in accommodation, the overall housing conditions remain precarious. Low levels of income remain the main cause for workers to share rooms. However, some single women workers prefer to stay in shared rooms for personal safety and security.

The survey found that, workers spent about BDT 2,684 per month for accommodation purposes, and changes in accommodation costs vary between different locations. Unlike the usual nature of rise of house rent, workers staying in the same location for longer periods faced higher rises in house rent, compared to those who stay in the same place for shorter periods. According to Table 8, accommodation costs have increased by 38 per cent in case of workers who stayed in the same location for over five years, while it has increased by 22 per cent in case of workers who stayed for shorter periods in one location. In other words, house-owners tend to impose more rent on workers who cannot avoid staying in the same location due to unavoidable circumstances (i.e. 32 per cent of total sample workers). On the other hand, over 68 per cent of workers could not stay in the same location either due to rising costs, or for other reasons.

Table 8: Changes in Housing Expenditure between 2013 and 2018

Criteria	Average House Rent (BDT)		Change (%)
	2013	2018	
Stayed at the same house (38 respondents)	2025	2788	38
Stayed at different houses (77 respondents)	2119	2588	22

Source: Authors' calculation based on Moazzem *et al.* (2013) and CPD's 2018 Survey on RMG Workers' Livelihood.

As can be seen in Table 9, several increments in wages failed to ease workers' affordability crisis—they are unable to afford the bare minimum of necessary facilities on an individual basis. A majority of workers still use toilets on a shared basis (86 per cent); similarly, 85 per cent use shared kitchen facilities. Workers are unable to rent a room with the necessary facilities in order to avoid high accommodation costs. In other words, a worker's combined family income does not allow him/her to rent an independent room/house with all the necessary facilities, which include a kitchen and a toilet. RMG workers are perhaps better off in this regard, compared to those working in the informal sector, such as rickshaw-pullers and day-labourers, who have much lower and fluctuating monthly income levels.

Table 9: Accommodation and Residential Facilities of Workers

(Per cent of Total Workers)

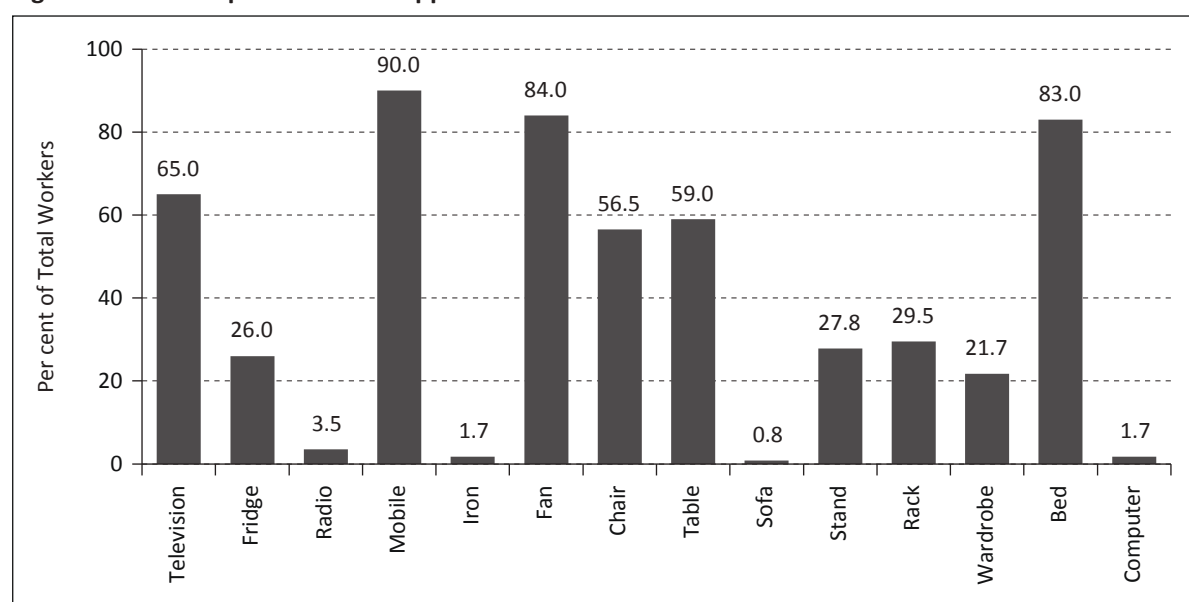
Facility	Single		With Family	With Others
	Independent	Shared	Double	Shared Double
Room	36.4	47.6	11.5	4.5
Toilet	7.8	-	6.2	86.0
Kitchen	15.0	-	-	85.0

Source: Authors' calculation based on CPD's 2018 Survey on RMG Workers' Livelihood.

Assets of workers

Workers own a very limited number of household assets—nearly 40 per cent has inadequate furniture, including 44 per cent of workers who do not even have a chair in their living space, as can be seen in Figure 3. A more pitiful indicator of their living conditions is that, 17 per cent of workers sleep on the floor, as they are unable to afford beds, and 16 per cent is unable to afford ceiling fans and suffer through extreme heat. Approximately 70 per cent does not have stands and racks, and 80 per cent does not have a basic wardrobe at home. In other words, limited incomes mean that a large section of workers are unable to purchase essentials for their families. Interestingly, however, 65 per cent of workers have televisions at home and 26 per cent have refrigerators. In this case, the positive exception is that, 90 per cent possesses mobile phones. At the same time, some workers own desktop/laptop computers, though this number is still very low (1.7 per cent of total workers). Overall, these assets have been generated through accumulated savings from the earnings of the family members of RMG workers.

Figure 3: Ownership of Electronic Appliances and Furniture



Source: Authors' calculation based on CPD's 2018 Survey on RMG Workers' Livelihood.

According to the findings of this survey, the living conditions of these workers have improved slightly in recent times because of the revision in their incomes in stages in the last decade. Still, a large share of workers is yet to ensure modest living standards for the families. Most importantly, workers prefer to spend on their families even with limited incremental rises in income.

Family savings

Most workers find it difficult to save any of their already limited household incomes. According to the survey, about 56.5 per cent of the workers, mostly married, have some savings from their family income. Workers employed in the upper grades were able to save more, compared to those in the lower grades. However, these savings are mostly 'forced' savings accomplished by foregoing on basic amenities (for example, installing basic housing facilities, buying basic assets, and so on). Having said that, a significant portion of workers (over 44 per cent) were unable to save at all, even with multiple income sources for the family.

Liabilities of the workers

A high percentage of workers (32.2 per cent) has taken personal loans, mostly from informal sources, which they repaid every month (BDT 3,168). The repayment of these loans, thus, constitute a significant portion of their non-food expenditures (22 per cent). In other words, a majority of the workers did not have sufficient savings for rainy days. Moreover, 41.7 per cent was found to have long-term debts. In most cases, personal loans were taken particularly for medical emergencies, construction and/or repair of houses, and/or purchase of/renting of land. In other words, these borrowings/debts are not fully invested in income-generating activities. Workers often find themselves relying significantly on informal financial markets, even at the risk of paying very high interests on their loans. Since most of the workers are unable to access formal financial services, the cost of borrowing tend to be high, which consumed a significant part of their earnings. The cost of borrowing could be reduced, if workers were able to access formal financial services at their localities. Since the proper revision of wages is likely to increase their savings, these would create opportunities for financial institutions to extend deposit and lending facilities to the workers.

Access to formal financial services

Workers are mostly outside the purview of formal financial services. Among the respondents, less than 5 per cent received wages and other financial benefits through bank accounts or mobile phone transfers (Table 10). According to the CPD-RMG survey, about 28 per cent of the workers had bank accounts. It can thus be concluded that, the transfer of salaries through banking channel is very much possible.

Table 10: Grade-wise Mode of Salary Receipt

(Per cent of Total Respondents)

Grade	Bank	Mobile Transfer	Cash
Grade III	11.4	0.0	88.6
Grade IV	0.0	2.9	97.1
Grade V	5.6	0.0	94.4
Grade VI	0.0	0.0	100.0
Grade VII	0.0	0.0	100.0
All*	4.3	0.9	94.8

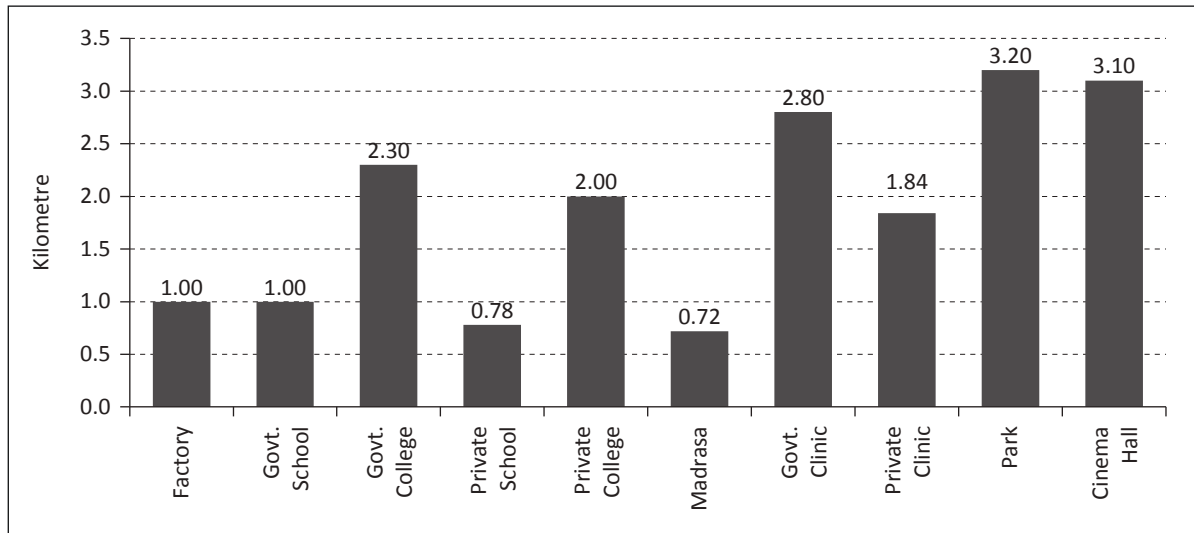
Source: Authors' calculation based on CPD's 2018 Survey on RMG Workers' Livelihood.

Note: * refers to the average of disaggregated data, and not the average of the five grades mentioned in the Table.

Availability of public facilities/amenities

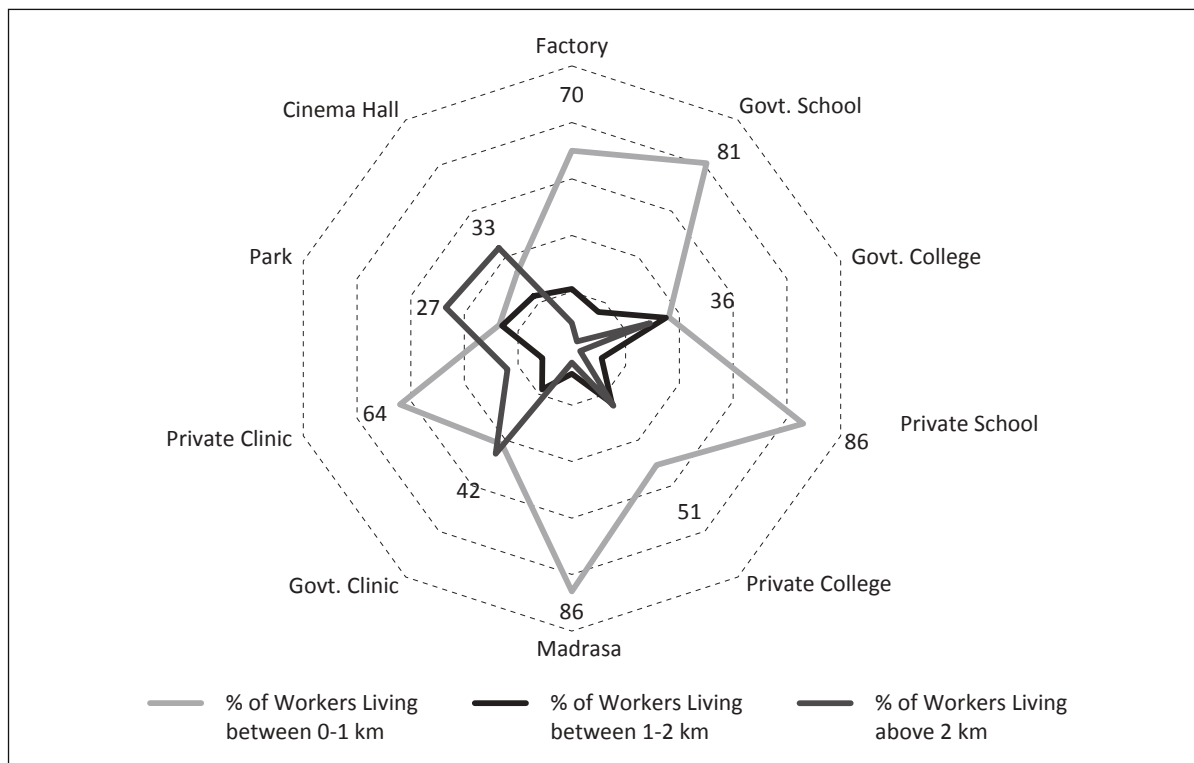
Basic public facilities are not readily available in their communities or localities. Most workers usually prefer to stay close to their workplaces, while also expecting other facilities, such as schools and colleges for their children, and primary healthcare facilities to be easily accessible. According to the survey, the average distance between the primary residences of workers and their factories was approximately 1 kilometre (km) (see Figure 4)—about 70 per cent of the sample group lived within this distance, while 21 per cent lived within a few km at most (Figure 5). Access to other facilities do not necessarily follow this pattern, with the average distance of public, private and religious schools (*madrasas*) from the workers' homes being 1 km, 0.78 km and 0.72 km respectively (as can be seen in Figure 4). The share of workers living within 1 km of the government primary schools, private schools and madrasas are 81 per cent, 86 per cent and 86 per cent respectively (Figure 5). Of educational

Figure 4: Average Distance of Different Entities from Workers' Residence



Source: Authors' calculation based on CPD's 2018 Survey on RMG Workers' Livelihood.

Figure 5: Percentage of Workers Living at a Distance from Necessary Facilities



Source: Authors' calculation based on CPD's 2018 Survey on RMG Workers' Livelihood.

institutions, government schools are the farthest from the homes of workers, while madrasas are the closest (Figure 4). Similarly, government colleges and clinics are located farther away than private colleges and clinics (Figure 4). Finally, recreational facilities are located quite a hefty distance away from the workers, with the average distance from a park being 3.2 km, and from a cinema hall being 3.1 km. Only 33 per cent and 27 per cent live above 2 km from cinema halls and parks (Figure 5).

Challenges for workers concerning their livelihood expenditures and other requirements

Major compositional changes in overall household expenditure discerned. Workers are increasingly in need of money to meet the expenses of their children. Education, healthcare and repayment of monthly loan instalments are the three most important non-food expenses, which had been discussed in details before. The total expenditure of workers on these items appear as vital as that of house rent with the items comprising of 66 per cent of total non-food expenses. These expenses need to be taken into account while considering the revision of workers' wages. Due to limited availability of low-cost, quality public facilities for education and healthcare, workers often depend on high-cost private services. Similarly, the absence of formal banking services pushes workers to accept informal financial services at high costs.

Personal incomes of workers are inadequate for covering even half of the family expenses. The total wages of workers cover only 47 per cent of their total family expenses. Even with multiple earning-members of the family, the workers are able to barely manage these familial expenses. On an average, 67 per cent of garment workers are married, with a family size of 4.1. It is important to note that, the total number of earning-members in workers' families as well as their effective contributions have increased over time, which helped them meet the significant increases in total expenses for the family.

Rise of workers' livelihood expenses is not captured in the national CPI. Workers' living expenses have increased significantly since the last revision of the minimum wages in December 2013. A comparison of workers' family expenses between 2013 and 2018 revealed that, average family expenses have increased by 86 per cent, while the national CPI has changed by 26.04 per cent between December 2013 and June 2018. A part of this rise in expenditure is related to workers' better ability to spend, but a part is associated with a higher cost of living, which is not captured in the national CPI. It is important to publish CPI focused on industrial areas, particularly for clusters where a majority of the RMG workers reside. Bangladesh Bureau of Statistics (BBS) should reintroduce the inflation estimates for industrial areas, as it had done earlier.

In this backdrop, it is important to take into account the changes in the livelihood issues while addressing the minimum wages of the RMG workers.

PART B: MINIMUM WAGES OF RMG WORKERS

6. Minimum Wages of Apparel Workers: A Brief Review

6.1 Current minimum wages of workers

The minimum wages of RMG workers set in 2013 saw some important changes being made to both structure and composition. The wage for Grade VII workers was set at BDT 5,300 (USD 69), which had increased by 76.6 per cent compared to that of 2010. However, inter-grade differences in wages were slashed for all grades in 2013. This adjustment was made against the usual rise in productivity and skills for the upper grades (Table 11). Besides, a formal grade was introduced for 'apprentices' below Grade VII, which did not fall in any wage scale at all before. In fact, 'apprentices' turned out to be entry-level workers with a wage of BDT 4,180.⁸

⁸The payment for apprentices was first officially included in the wage structure in 2010. They were earlier paid on a lump sum basis.

Table 11: Changes Made to Wage Structure in 2013

Grade	Workers' Net Wages (BDT)		% Changes between 2010 and 2013	% Change of Wage with Immediate Next Grade		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	20.0	26.8	(6460)
Apprentice/ Trainee	2500	4180	67.2			

Source: Authors' calculation based on MoLE (2010, 2013).

On the other hand, a 5 per cent annual increment was introduced for workers having at least a year's worth of experience in the same factory. Over the last five years, a majority of workers have received an increment, which is also a positive development. However, not all factories adhered to this mandate, with not all workers receiving their increments. It is important to note that, workers in most instances did not receive the wages with adjustments to their competence in full, which is supposed to be as follows: BDT 16,288 (for Grade I), BDT 13,608 (for Grade II), BDT 8,381 (for Grade III), BDT 7,890 (for Grade IV), BDT 7,407 (for Grade V) and BDT 6,943 (for Grade VI) (Table 11). Since Grade VII workers usually work for less than a year and get promoted to Grade VI, the adjustment to their wages did not happen in full during this period. In other words, any discussion on minimum wage adjustment for different grades should occur over and above the wages that they currently receive. It should also be mentioned here that, the 5 per cent annual increment did not even cover the national inflation-adjusted wages in full, during this period.⁹

A number of changes were introduced in the wage structure in 2013 (Table 11). For example, two new components were introduced in the wage structure, i.e. transport allowance and food allowance, which are positive inclusions. In contrast, basic wages, which had earlier accounted for 60 per cent of gross wages, had been reduced to 56.6 per cent of the gross wages in 2013. The inclusion of new allowances thus occurred at the cost of reductions in basic wages, affecting other payments including workers' bonuses and overtime payment. Overall, workers' take-home pay improved with the rise in minimum wages in 2013. However, the structure and composition of the minimum wage needs further revision. Most importantly, given the changes in the structure and composition of workers' livelihood expenses, it is important to include new heads under the wage structure.

6.2 Adjustment of inflation

The inflation-related adjustments to minimum wages, which took place in December 2013, need to take into account the effective month of enforcement of new minimum wages. The revised minimum wages will be effective after five years, from December 2018. Between December 2013 and December 2018 (Bangladesh Bank's Monetary Policy Statement (MPS) of July-December, 2018)¹⁰, the overall

⁹From December 2013 to December 2018, a 5 per cent increment would increase the wages of Grade VII workers by 21.9 per cent; on the other hand, the inflation during the same period is likely to be 32.4 per cent.

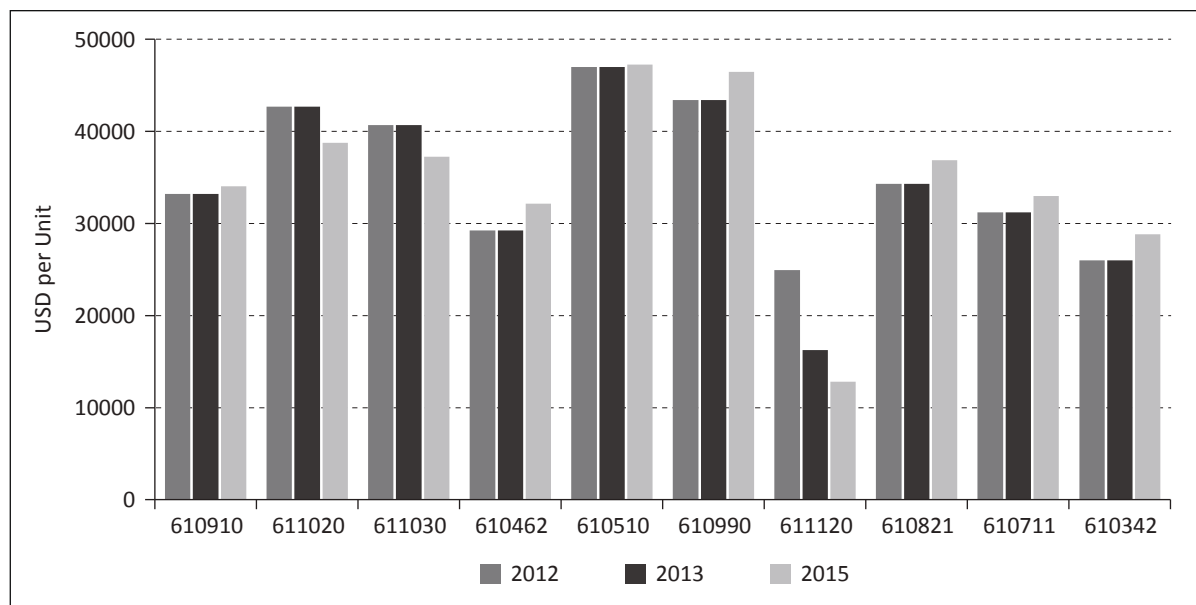
¹⁰For details, please see: www.bb.org.bd/monetaryactivity/mps/mps_current.pdf [accessed: 1 August 2018].

national CPI would increase by 32.4 per cent.¹¹ Adjusting this level of inflation would increase the minimum wages for Grade VII workers to BDT 7,017. This amount is higher than the overall rise in wages by 5 per cent 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 then for 11 years (between 1995 and 2006). Such unadjusted minimum wages along with adjustments of rise in per capita income during those periods demand significant rises in workers’ wages, which are yet to be realised. In case of the adjustment of wages both in terms of inflation and growth of gross domestic product (GDP) (between FY2013-14 and FY2017-18, i.e. nominal per capita GDP growth), the estimated changes in wage are required to be 50.9 per cent.

6.3 Cost of production, productivity, price of produce and business capability

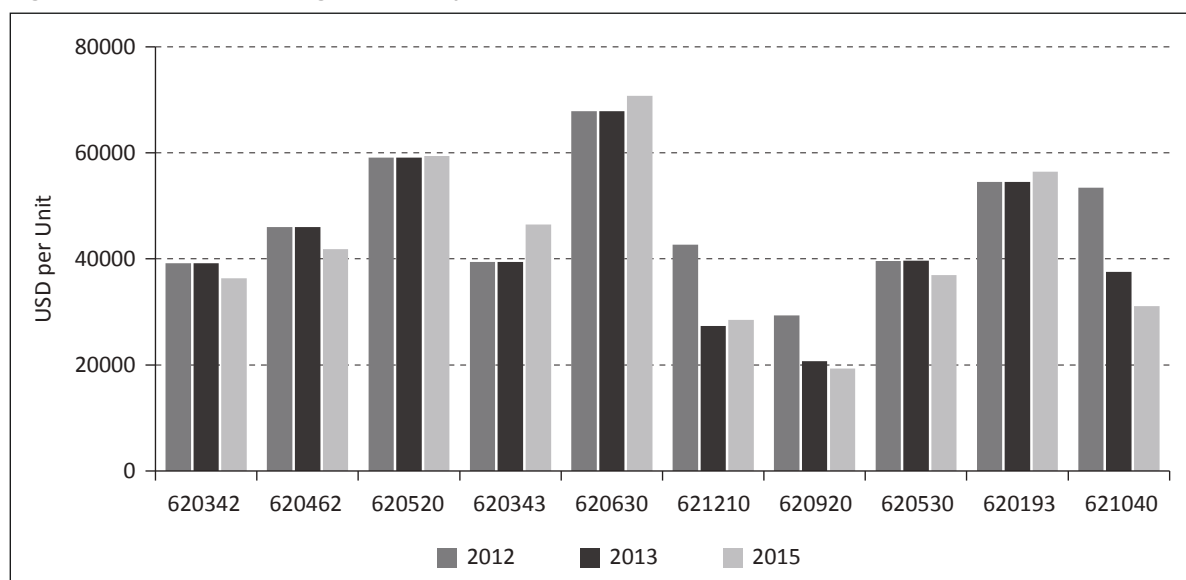
According to the Bangladesh Labour (Amendment) Act, 2013, the adjustment of wages is supposed to consider a number of other indicators, which include the cost of production, productivity, price of products, nature of work, and business capabilities. There is no publicly available data related to these indicators. An analysis of unit value of the top 10 knit and woven products of Bangladesh for 2012 to 2015 shows a mixed trend in the movement of unit value (Figures 6 and 7). In case of knit products, seven out of 10 products have experienced a modest rise in unit values; in contrast, only four out of 10 woven products have experienced a similar level of rise in their unit values. This trend was likely to be continued in the following years. Such declining trends in already low-priced products have squeezed the profit margin of the entrepreneur; however, entrepreneurs might enjoy some short-term gains from other sources, such as the reduction of cotton prices, depreciation of Bangladeshi Taka (BDT) against the United States Dollar (USD), and the reduction of corporate tax rate for limited periods. It is important to note that, prices of apparels in most of the competing countries, such as China, India and Vietnam have similar experiences. The recent slowdown in major markets

Figure 6: Unit Value of Bangladesh’s Top 10 Knit Products (HS61)



Source: Authors’ calculation based on the data from ITC (2018).

¹¹ Between December 2013 and June 2018, the total inflation is about 26.1 per cent.

Figure 7: Unit Value of Bangladesh's Top 10 Woven Products (HS62)

Source: Authors' calculation based on the data from ITC (2018).

exerts a downward pressure on the retail price of apparels, which has adverse effects on supplying countries, according to UNESCAP (2016).

Slowdowns in global demands and low prices of products had adverse effects on the net revenues of entrepreneurs over the years. On an average, the net income of sample enterprises had declined between 2012 and 2016. However, the majority of enterprises made some level of profit in 2016 (over 90 per cent). According to the CPD-RMG survey, about 53 per cent of the enterprises made profits of less than 5 per cent (which had been 38 per cent in 2012), while 10 per cent faced losses in 2016 (which had been 6 per cent in 2012). On the other hand, over 37 per cent of the enterprises made a profit of over 5 per cent. Overall, about 90 per cent is in a position to accommodate the rise in wage costs without making adjustments to the production and management processes.

Level of efficiency is another indicator which needs to be taken into account in the discussion of minimum wages. Theoretically, a rise in the level of efficiency enables enterprises to accommodate additional costs. According to the CPD-RMG survey, the average level of line efficiency of sample factories is 58.4 per cent with a standard deviation of 21.3 per cent. The difference in the level of efficiency between woven and knit enterprises is not so high. In contrast, anecdotal information indicates that workers' level of efficiency is less than 50 per cent in Bangladesh. According to Moazzem and Sehrin (2016), the level of efficiency has been increasing over time—between 2006 and 2012, this has increased by 8–10 per cent per year. This has happened mainly because of the introduction of new technologies, machinery, departments and management practices. In other words, rises in workers' level of efficiency on a regular basis could accommodate a part of additional costs related to their revised wages.

7. Exploring the Scope of Adjustments to Minimum Wage

The above discussion justifies a closer look at issues stipulated in the Labour Law setting the minimum wage. Based on the discussion above, this study identifies a number of issues which need due consideration by the Minimum Wages Board.

7.1 Inflation-adjusted minimum wage

It is revealed that, workers' household expenditures have outpaced inflation-adjusted household expenditures over the last five years. Hence, an inflation-only adjustment of minimum wages would seriously undermine the total needs of their households. Most importantly, a large part of this inflation has already been covered through annual increments in wages over the last five years. There is, thus, limited scope for incremental adjustments within the inflation-adjusted wages. Given the huge gap between inflation-adjusted wages and actual expenditures, it is important to take into account the adjustment of wages beyond inflation.

7.2 Number of earning-members in the family

The majority of workers have more than one earning-member in the family (an average of 2.1, according to the present survey). More importantly, the relative contribution of a second earning-member in the family has increased in 2018, compared to that of 2013. With these in mind, the relative burden for each earning-member would be an average of BDT 10,683. The survey also finds that, there are more earning-members of the family for the lower grades than for the higher grades. However, this system of using numbers of earning-members of a household to assess minimum wages could also be faulty. For example, a certain percentage of families (such as the female-headed families, about 2 per cent in the sample) depends on earnings of less than two effective earners in the family. Similarly, a section of workers who covered living expenses of extended members of their families may need to meet a large part of the expenses of their aged parents, in spite of the latter being active participants in the labour market, as their wages might be quite poor. Hence, the number of earning-members in poor workers' families, needs to be cautiously determined.

7.3 Living-cost-adjusted minimum wage

The study identifies that, the structure of living costs for the workers has changed over time, where a major portion of the expenditures now relates to non-food items. A number of non-food-related costs, including for education and healthcare, have become more crucial than before. These items need to be included in the wage structure. Moreover, the number of allowances currently allocated to different components, such as house rent, medical, food and transport, are insufficient to meet the actual needs (Table 12). Even after adjustments to family costs with the number of earning-members, there exists large gaps across all grades between worker's allowances (for medical and food expenses) and their actual expenses. Therefore, adjustments of allowances related to food, medical and transportation costs in the minimum wages should take into account the extent to which the workers actually spend, thereby necessitating a more proportionate adjustment to inflation.

Furthermore, a large portion of workers are bound either by personal or family loans, which indicate that, their current incomes, along with additional incomes of members of their families, are insufficient for covering this recurrent expenditure of the family. On the other hand, after the last adjustments to wages, a section of workers were able to start some form of savings. This trend should continue, so that workers are able to save a part of their incomes.

Table 12: Comparison of Grade-wise Stipulated Wages and Actual Costs in 2018

(in BDT)

Grading (Main Posts)	House Rent (40% of Basic)		Medical Costs		Transport Costs		Food Costs	
	5% Increment Adjusted	House Rent in 2018	Medical Allowance	Medical Costs in 2018	Transport Allowance	Transport Costs in 2018	Food Allowance	Food Costs in 2018
Grade III	2080	2534	250	1428	200	417	650	8053
Grade IV	1940	2786	250	1012	200	404	650	7535
Grade V	1802	2680	250	1681	200	456	650	7862
Grade VI	1669	4167	250	2700	200	367	650	7971
Grade VII	1532	2263	250	1519	200	419	650	8867
<i>Adjusted with number of earning-members</i>								
Grade III	2080	1267	250	714	200	209	650	4027
Grade IV	1940	970	250	506	200	202	650	3768
Grade V	1802	1340	250	841	200	228	650	3931
Grade VI	1669	1667	250	1080	200	147	650	3188
Grade VII	1532	984	250	660	200	182	650	3855

Source: Authors' calculation based on MoLE (2013) and CPD's 2018 Survey on RMG Workers' Livelihood.

7.4 Changes in the composition of grades and wages set to each grade

According to the CPD-RMG study, the share of workers in lower grades have been declining, while the share of workers in lower-middle and upper grades have been increasing. This can be attributed to changes in the skills of workers. The current structure of their wages, thus seriously undervalues their skills and experiences. The gap of wages between different grades does not correspond with the level of skills and experiences that the workers have gathered over time. This is also reflected through the gap between minimum wages and median/average wages. The minimum wages are as high as 79 per cent of the average wages, which leads to the speculation of very small gaps between minimum and average wages. The wage structure thus needs to be revised by taking into consideration the evolving skillsets of workers.

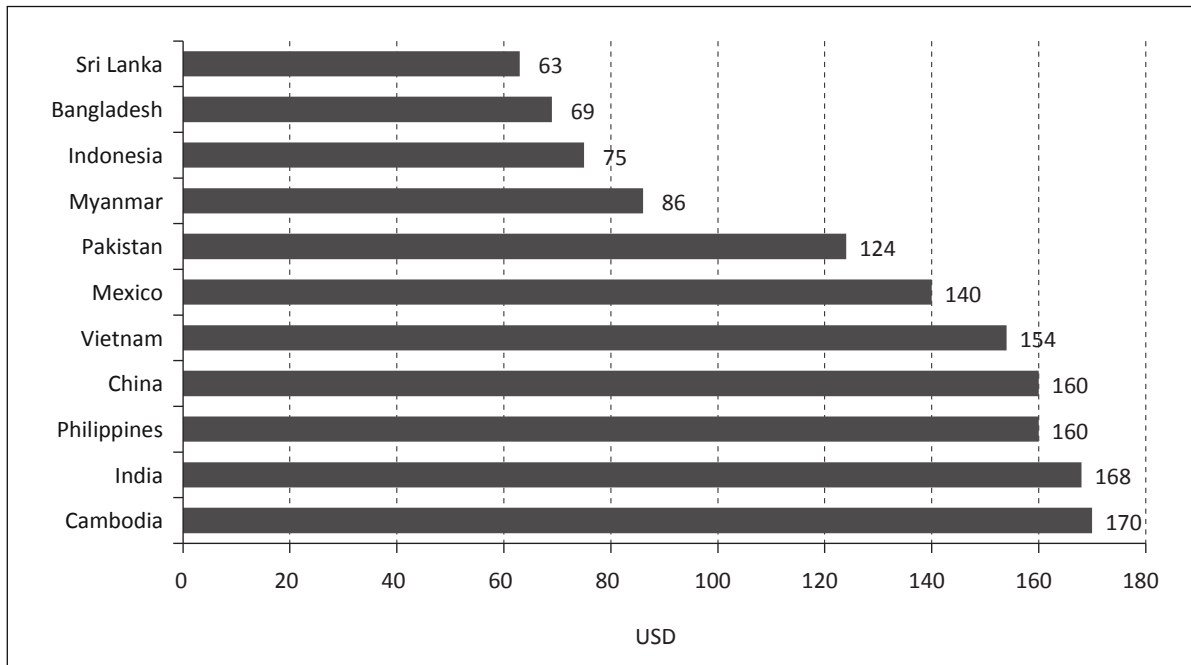
7.5 Earnings of entrepreneurs

A majority of enterprises are expected to accommodate additional expenses related to adjustments to the costs of wages. These adjustments may be done in different ways—either through adjustments made to profit, or through better management of efficiency and productivity. However, the adjustment capacity of enterprises depends on the level of profit generated by the enterprises. A small section of enterprises which earn modest levels of profit, may find it difficult to accommodate, and therefore, needs support to accommodate additional costs in order to maintain competitiveness.

7.6 Gaps between Bangladesh and major competing countries

The huge gap in minimum wages between Bangladesh and major competing countries cannot be explained by the differences in the levels of efficiency, which exists in competing countries. The wage gap between entry-level workers of Bangladesh and that of competing countries is quite substantial,

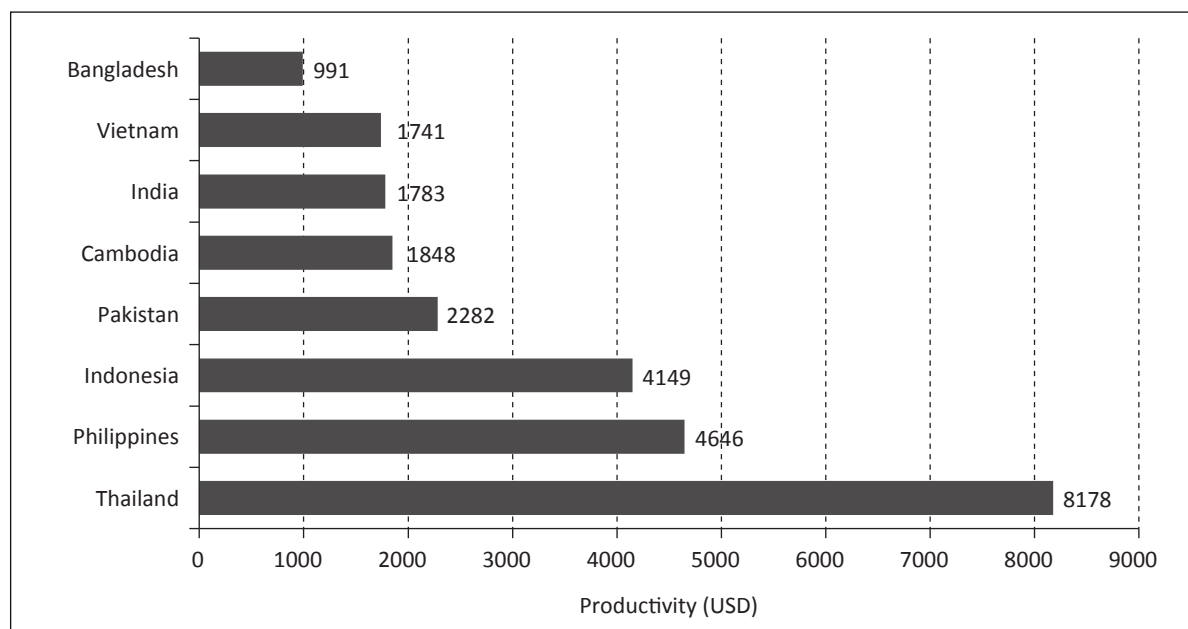
Figure 8: Monthly Minimum Wage in Major RMG Exporter Countries



Source: Authors' compilation based on the data from Wage Indicator (2018), Just-Style (2018), Shenglu Fashion (2017), and Cowgill and Huynh (2016).

and is usually explained by low levels of workers' efficiency and productivity. Besides, enterprises tend to lower the wages to accommodate additional expenditures, such as high costs of borrowing from commercial banks, longer lead-times, high costs of land, and high tariffs for energy usage. At present, Bangladesh's major competitors, such as Vietnam, China and Cambodia have been paying minimum wages at the rates of USD 154, USD 160 and USD 170 respectively (Figure 8). In contrast, Bangladesh is paying a minimum wage of USD 69 which is only 38–41 per cent of its major competing countries. In contrast, Bangladesh's labour productivity is USD 991, which is 54–57 per cent of that of Vietnam and Cambodia. In other words, Bangladeshi workers receive relatively less wages vis-à-vis their levels of productivity, compared to what is being paid in competing countries by taking into consideration the workers' levels of productivity. Figure 9 demonstrates the labour productivity of RMG workers in major competing countries. A comparative assessment of wage-gap and productivity-gap between different countries reveals that, Bangladesh's minimum wage is still much lower considering the productivity gap with other countries. Given the huge gap in minimum wage, the accompanied risks for being less competitive for this proposed adjustment of wages is rather low.

Apart from wages, the non-wage benefits, which include different types of social security benefits, have significant contributions in improving workers' livelihoods. Table 13 presents different types of non-wage social security benefits provided in different countries which include old-age benefits, cash-based health benefits, cash-based maternity benefits, medical benefits, work injury, unemployment and family allowances. However, these benefits are not necessarily provided to the apparel sector workers in these countries. The benefits provided in Bangladesh are less compared to that in China, India and Vietnam—major competitors of Bangladesh. Similarly, the contribution made by employers for different social security schemes in Bangladesh is either low or absent, compared to those in major competing countries. In other words, the aggregate benefits from wage and non-wage benefits, as well as options for getting non-wage benefits under different circumstances, are much

Figure 9: Labour Productivity of the Garments, Textile and Footwear Industries in Different Countries

Source: Adapted from ILO (2016).

Table 13: Social Security Programmes, by Country and Type, 2016

Component	Bangladesh	China	India	Indonesia	Pakistan	Sri Lanka	Vietnam
Old age, disability and survivors	✓	✓	✓	✓	✓	✓	✓
Cash-based sickness benefits	b	✓	✓	b	b	a	✓
Cash-based maternity benefits	b	✓	✓	b	b	b	✓
Medical benefits	b	✓	✓	✓	✓	✓	✓
Work injury	b	c	✓	✓	c	b	✓
Unemployment	a	✓	✓	a	a	a	✓
Family allowances	a	✓	✓	a	✓	✓	✓
Earnings related	a	✓	✓	✓	✓	a	✓
Means-tested	✓	✓	✓	a	a	a	✓
Provident funds	a	a	✓	✓	a	✓	a
Individual retirement schemes	a	✓	a	a	a	a	a
Statutory pensionable age (M)	65	60	65	58	60	55	60
Statutory pensionable age (F)	62	60	65	58	55	50	55
Early pensionable age (M)	d	d	60	50	55	d	e
Early pensionable age (F)	d	d	60	50	50	d	e

Source: Authors' compilation based on Social Security Administration (2017).

Note: a. Either no such programme exists, or information of such is not readily available; b. Employer-liability system; c. Social insurance and employer-liability programme; d. The country has no early pensionable age, has one for only specific groups, or information is not available; e. Regardless of age, but subject to other requirements.

lower, compared to that of major competing countries, which may further widen the gap between Bangladesh and other countries.

8. Proposal of Revision to Minimum Wage

The present study has attempted to take a scientific and transparent methodology in estimating minimum wages by taking an evidence-based approach in finding pertinent facts. According to Anker (2011), the minimum wages of workers should take into consideration food and non-food expenses of the family, along with considering the number of household members, number of earning-members as well as ensuring a certain percentage of discretionary incomes 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).

Considering the changing livelihood expenditures, as well as changing compositions of workers in the garment factories, a number of changes in the grade structure and composition has been proposed. Given the rise in skills and technology, the number of grades of workers could be reduced. Taking this into consideration, Grade VII workers could be upgraded and renamed as Grade VI workers. Likewise, Grade VI workers could be upgraded as Grade V, Grade V to Grade IV, Grade IV to Grade III, and Grade III to Grade II. Grades I and II could be considered under the top grade as ‘Grade IA’ and ‘Grade IB’ respectively. Since the workers who are categorised under Grades IA and IB are highly skilled, and that it is a relatively small group, there is scope for setting the wages competitively through negotiation at individual levels. Considering the skillsets being upgraded in the different grades, the promotion of workers could be incentivised in a progressive manner—the proportionate rise of wages following promotions 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 to the grade structure is thus proposed. Considering the high expenses for children, a ‘childcare and education allowance’ is proposed which will be provided to workers who have children below the age of 18. Since workers need to save for a long time in order to maintain or even vie for decent living conditions upon quitting their jobs, a component of service benefit is proposed in the wage structure. The amount of the benefit would be 3 per cent of the basic wage. This service benefit could be deposited in a centrally managed ‘Provident Fund’. Since the workers have also witnessed increased expenses in communication, the current item of transport allowance is proposed to be revised as ‘transport and communication allowance’, with a rise in the amount.

Table 14 presents a more scientific proposal for revisions to the minimum wages. In order to understand the proposed revision, it is better to compare it with the current structure of minimum wages of garment workers. As discussed earlier, taking into consideration a family size of four members, total food and non-food costs were found to be BDT 22,435. With 2.1 earning-members in the family and savings of 3 per cent of the basic wage, the minimum wage for the newly introduced Grade VI workers should be BDT 11,004. Considering the slowdown in the profit margin of enterprises, as well as possible business risks in the future (such as, trade wars, a rise in petroleum and gas prices), the minimum wage for the newly introduced Grade VI is proposed to be BDT 10,028 (USD 119). The wages for the following grades would be BDT 10,730 for Grade V; BDT 11,804 for Grade IV; BDT 13,337 for Grade III; and BDT 15,340 for Grade II.

Table 14: Proposed Wage Structure*(in BDT)*

Grading (Main Posts)	Basic	House Rent (40% of Basic)	Medical Allowance	Transport and Communication Allowance	Food Allowance	Childcare and Education Allowance	Service Benefit (3% of Basic)	Net Salary
Grade IA: Pattern Master, Chief Quality Controller								Open
Grade IB: Mechanic, Electrician, Cutting Master								Open
Grade II: Sample Machinist, Senior Machine Operator	6127	2451	1224	1071	3059	1224	184	15340
Grade III: Sewing Machine Operator, Quality Inspector, Cutter, Packer, Line Leader	5327	2131	1064	931	2660	1064	160	13337
Grade IV: Junior Machine Operator, Junior Cutter, Junior Marker	4715	1886	942	824	2354	942	141	11804
Grade V: Operator of General Sewing/Button Machines	4286	1714	856	749	2140	856	129	10730
Grade VI: Assistant Sewing Machine Operator, Assistant Dry Washing Man, Line Iron Man	4006	1602	800	700	2000	800	120	10028

Source: Authors' calculation based on CPD's 2018 Survey on RMG Workers' Livelihood.

9. Suggestions Beyond Revision to the Minimum Wage

9.1 Financial transactions through banks/mobile-based financial services

All enterprises should make their transactions with workers by banks—at present, only about 5 per cent of the respondents have mentioned that they receive their wages and other financial benefits through banks and mobile-based financial services. The MoLE should consider making it mandatory for factories to use bank-based financial services for workers of their respective factories. Given the limited banking facilities available in the localities of workers, it is important for trade bodies, such as the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) to discuss with various banks and their associations, the prospects of setting up branches/booths, and of introducing agent banking at major RMG clusters, in order to provide the necessary facilities for the workers.

The mandatory bank transfer of workers' payments could create greater transparency to the worker's wage payment system. Moreover, such a system could help brands and buyers to make the necessary adjustments to their prices of work with suppliers (Cutting and Making charges) in order to ensure decent wages for workers. Workers would also be able to get their assured payments, be able to deposit safely, and use their deposits as and when required. Workers should be encouraged to open

bank accounts and/or app-based financial accounts with financial institutions. In fact, the amount of savings generated by each worker could be a good source of deposit for banks.

9.2 Additional facilities for workers

A large share of workers do not have the minimum required household assets. Individual factories should introduce interest-free credit facilities through a workers' welfare fund and workers should be encouraged to purchase household assets by taking a loan from there. These loans could be repaid from their monthly salaries. Factories can consider taking these as collaborative initiatives with private companies, as well as with private commercial banks.

9.3 Responsibility of the government

A major share of workers' living costs is associated with costs of purchasing cereals, the education of their children and healthcare. The government could reintroduce targeted rationing facilities for the RMG workers by ensuring the availability of rice, wheat, sugar and oil at fair prices. It could provide support to enterprises to open fair price shops for the workers within the factory premises. These fair price shops could be opened in their respective communities as well.

In most cases, workers are deprived of adequate housing, schooling, and medical treatment facilities. In case of housing, the government and private commercial banks should provide loans to private landowners to vertically expand the existing housing facilities, as well as set up new multi-storied housing facilities. Both public and private house building lending organisations, such as the Bangladesh House Building Financial Corporation (HBFC), Delta-BRAC Housing (DBH) Finance Corporation and other private financial organisations, could introduce credit facilities for housing in the RMG locality.¹²

Moreover, entrepreneurs in specific localities can form 'Community Development Trusts' along with local landowners and representatives of the local government, under which housing facilities for workers could be built under private arrangements. Besides, the government could set up more low-cost clinics for the workers under a public-private partnership arrangement with specialised non-government organisations (NGOs). More public schools and colleges need to be made accessible for the children of the garment workers—these facilities could be supported by the proposed Trust. More recreational facilities need to be made available for workers and their family members, such as parks, amusement parks and movie theatres. The demand for such service facilities will increase with rises in workers' incomes. From medium- to long-term perspectives, the government should allocate resources for community development for RMG workers to ensure their access to the required facilities.

9.4 Responsibility of brands/buyers

Brands and buyers play a critically important role in adjustments to the revision of minimum wages. Being the price-setter, brands and buyers should announce that they are ready to pay the legally stipulated revised minimum wages with a view to ensuring a decent living for the workers. They should disclose the necessary information as part of national public disclosure regarding how their negotiated deals ensured workers' adjusted wages. Brands and buyers should encourage their

¹²After the national dialogue was organised on 5 August 2018, based on the draft paper, the Executive Committee of the National Economic Council (ECNEC) has approved a project titled 'Low Income Community Housing Support Project', with the support of the World Bank (see: <http://www.projects.worldbank.org/P130710/pro-poor-slums-integration-project?lang=en> [accessed: 25 August 2018]).

contracted factories to ensure bank-based transactions with the workers. A key indicator to appreciate buyer- or brand-responsiveness towards ensuring decent wages would be examining the changes in their margin before and after the adjustment of wages.

10. Conclusions

The analysis of this paper reveals that, livelihood issues of workers are not properly reflected in the discourse on responsibilities of the government, manufacturers, buyers and consumers of the value chain. First, livelihood challenges are not known in full by the players; and secondly, wage adjustment of workers do not consider the various livelihood concerns. On the other hand, the discussion in the Minimum Wages Board was found to be in a weak state because of the lack of evidence. The study has thus provided evidence for most of the indicators which are supposed to be discussed in the Board. Based on the discussion, the study has put forward necessary suggestions for changes in the methodology and structure of the minimum wages.

The rise in workers' wages over the last decade has been slowly improving their livelihoods. However, they continue to face considerable difficulty in managing even the bare minimum of a decent living. The rise in wages has positively contributed towards developing the future generation of human resources. The process of livelihood development needs to be continued with active engagement and partnership between entrepreneurs, governments, brands, buyers and workers. In this process, development partners and international organisations could extend support for community development, which will help to make visible progress in workers' livelihood development.

The study made a number of proposals regarding the adjustment of minimum wages and other support measures:

- Despite several revisions to the minimum wages over the last decade, the livelihood conditions of workers, particularly in relation to their housing, children's education and health, remain in a poor condition; a large section of workers have taken loans from the informal market on a regular basis.
- The current wage structure is a poor reflection of adequate remuneration of the workers, when taking into account their existing skillsets and productivity, and when held up against their expenses on different household needs. The study thus proposes, a revision of the wage structure by including new components, such as 'childcare and education allowances' and 'service benefit', and amending the 'transport' allowance component as 'transport and communication' allowance.
- To address the skill requirement of experienced workers from the upper grades, the study proposes a rise in the scale of wages of the workers in the upper grades in a progressive manner.
- The study proposes a consolidation of different grades by starting the grades from Grade VI, and thereby adjusting the upper grades. The top two grades (Grades I and II) could be consolidated under Grade I (IA and IB), while general workers could get the chance to get promoted to Grade II.
- The study used the Anker method to estimate workers' wages; at the same time, it has taken into consideration key indicators for adjustments to the minimum wages as per the Labour Law. According to the study, the minimum wage for Grade VII should be BDT 10,028 (USD 119).
- The study proposed a number of initiatives beyond the adjustment of wages for improving the livelihood standards of workers. These include interest-free credit facilities from the factories for purchasing household essentials and for other needs; fair price shops in workers communities, and government-subsidised supplies of essential consumption goods to workers.

- Workers' communities need to be developed by undertaking special programmes for community development in major industrial clusters. It is expected that, the workers will get access to basic facilities, such as housing, education, health and recreational facilities. To meet the housing demand, low-cost credit facilities could be introduced for local landowners to set multi-storied buildings with basic facilities for individual workers' families. The credit could be disbursed under public-private partnership through private commercial banks. Similarly, workers' health-related requirements should be addressed by low-cost facilities to be provided by NGOs. More public schools and colleges need to be set up in workers' localities. The private sector should invest in the development of recreational facilities for workers.

References

- Anker, R. (2011). *Estimating a Living Wage: A Methodological Review*. Conditions of Work and Employment Series 29. Geneva: International Labour Office. Retrieved from: http://www.ilo.org/travail/whatwedo/publications/WCMS_162117/lang--en/index.htm [Accessed: 8 March 2018].
- Cowgill, M. and Huynh, P. (2016). *Weak Minimum Wage Compliance in Asia's Garment Industry*. Asia-Pacific Garment and Footwear Sector Research Note (Issue 5). Bangkok: ILO Regional Office for Asia and the Pacific.
- DIEH, IEH and ETI. (2015). *Living Wages in the Global Supply Chain: A New Agenda for Business*. London: Joint Ethical Trading Initiatives (JETIs).
- Du, J. and Leigh, J. P. (2017). *Effects of Minimum Wages on Absence from Work Due to Illness*. Retrieved from: <https://ssrn.com/abstract=3071132> [Accessed: 15 March 2018].
- ILO. (2016). *Wages and Productivity in the Garment Sector in Asia and the Pacific and the Arab States*. Retrieved from: http://www.ilo.org/asia/publications/WCMS_534289/lang--en/index.htm [Accessed: 15 April 2018].
- ITC. (2018). *ITC Trade Map 2018*. Retrieved from: <https://www.trademap.org/Index.aspx> [Accessed: 8 March 2018].
- Just-Style. (2018). Retrieved from: <https://www.just-style.com/> [Accessed: 19 April 2018].
- Moazzem, K. G. and Raz, S. (2014). *Minimum Wage in the RMG Sector of Bangladesh: Definition, Determination Method and Levels*. CPD Working Paper 106. Dhaka: Centre for Policy Dialogue (CPD).
- Moazzem, K. G. and Sehrin, F. (2016). Economic upgrading in Bangladesh's apparel value chain during post-MFA period: An exploratory analysis. *South Asia Economic Journal*, 17(1), 73–93.
- Moazzem, K. G., Raz, S., Miller, D., Schlangen, C. and Sluijs, I. V. (2013). *Estimating a Living Minimum Wage for the Ready Made Garment Sector in Bangladesh*. Dhaka and Utrecht: Centre for Policy Dialogue (CPD) and Berenschot International.
- MoLE. (2010). *Official Gazette of Minimum Wage of RMG Workers*. Dhaka: Ministry of Labour and Employment (MoLE), Government of Bangladesh (GoB).
- MoLE. (2013). *Official Gazette of Minimum Wage of RMG Workers*. Dhaka: Ministry of Labour and Employment (MoLE), Government of Bangladesh (GoB).
- Ponce, N., Shimkhada, R., Raub, A., Daoud, A., Nandi, A., Richter, L. and Heymann, J. (2018). The association of minimum wage change on child nutritional status in LMICs: A quasi-experimental multi-country study. *Global Public Health*, 13(9), 1307–1321.
- Shenglu Fashion. (2017). Retrieved from: <https://shenglufashion.com/> [Accessed: 4 April 2018].

Social Security Administration. (2017). *Social Security Programs Throughout the World: Asia and the Pacific, 2016*. Washington, D. C.: The United States Social Security Administration. Retrieved from: <https://www.ssa.gov/policy/docs/progdesc/ssptw/2016-2017/asia/ssptw16asia.pdf> [Accessed: 7 March 2018].

UNESCAP. (2016). *Asia-Pacific Trade and Investment Report 2016: Recent Trends and Developments*. Bangkok: United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP).

Wage Indicator. (2018). Retrieved from: <https://wageindicator.org/> [Accessed: 25 April 2018].

Recent CPD Working Papers

- Paper 121 BREXIT and Bangladesh: An Exploratory Study on Likely Economic Implications
- Paper 120 Fiscal Implications of Rohingya Crisis for Bangladesh
- Paper 119 Exploring the State of Youth in the SDG Context: How is Bangladesh Doing?
- Paper 118 Growth of Employment in the Manufacturing Sector: Impact of Trade and Trade-related Policies*
- Paper 117 Towards a Social Protection Strategy for Bangladesh*
- Paper 116 Alternative Approaches to Full Employment in Bangladesh: Role of the Non-farm Sector*
- Paper 115 Macroeconomic Policy, Price Stability and Inclusive Growth in Bangladesh*
- Paper 114 Bangladesh's Formal and Informal Agricultural Trade with SAARC Countries: Emerging Trends and Policy Challenges*
- Paper 113 SAARC Food Bank (SFB): Institutional Architecture and Issues of Operationalisation
- Paper 112 Advancing the Interests of Bangladesh's Migrant Workers: Issues of Financial Inclusion and Social Protection
- Paper 111 Bali Ministerial of the WTO and the Way Forward: Safeguarding LDC Interests
- Paper 110 Trade and Transport Facilitation in Bangladesh: An Audit of the State of Play
- Paper 109 Recent Developments in Myanmar and New Opportunities for Sub-Regional Cooperation: A Bangladesh Perspective
- Paper 108 Recent Developments in Myanmar: Opportunities for Sub-Regional Energy Cooperation

*Available on web only



cpd.org.bd



cpd.org.bd



cpdbd



CPDBangladesh



House - 6/2 (7th & 8th floors), Block - F
Kazi Nazrul Islam Road, Lalmatia Housing Estate
Dhaka - 1207, Bangladesh
Telephone: (+88 02) 58152779, 9141734, 9141703, 9126402
Fax: (+88 02) 48110414
E-mail: info@cpd.org.bd
Website: www.cpd.org.bd