Minimum Wage in Bangladesh’s Ready-made Garment Sector: Impact of Imbalanced Rates on Employee and Organization Development

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Abstract

The ready-made garment (RMG) industry has been Bangladesh’s key export industry and one of the main job creation sectors for last three decades. Almost 80% of Bangladesh’s export earnings come from the RMG sector and around four million people work there. However, despite strong economic growth and huge job creation, employment condition is still backward for the workers of this sector. Recent massive accident attracted global attention to sever health and safety risks as well as overall working condition, including extreme low wage. They work for as little as $38 per month, whereas the living cost of Bangladesh is much higher than that. But again as cheap labour is one of the main factors behind the boost of this sector, too high wage may harm this industry severely. Hence, the purposes of this study were threefold. First is to explore whether it might be possible to determine a minimum wage acceptable to owners and workers. Second, we investigated the impact of imbalance of payments, i.e., too low or too high a wage, on employee development and organizational development. Finally, we explored the impact of the wage rate on the social life of employees. This paper recommends a minimum basic salary for the RMG sector after calculation of minimum wage for two major cities. This paper further suggests some important steps for the financial and social well being of the workers as well as for the betterment of the organizations of this sector.
Bangladesh, traditionally an agricultural country, could not accommodate its fast growing population without new professions. Gradually, Bangladesh had to follow the path of industrialization in the midst of political turmoil and major changes. After achieving independence in 1971 from Pakistan, it inherited a shattered economy. In the late seventies, the export-oriented apparel industry or readymade garments industry (RMG) started its journey in this country. With the help of guaranteed customers through its Multi-Fibre Agreement (MFA) of GATT, some entrepreneurs took the opportunity to boost their business, and the government helped out at that time. In the three decades since, the RMG sector has become the leading export earning sector, contributing almost 80% of the total exports. Bangladesh showed stunning growth in the export market from US$12 million in 1984/85 to US$21.5 billion in 2012/13. Currently, there are around 4,500 big, medium, and small garment industries and almost four million people working (Reuters, 2013; Export Promotion Bureau, Bangladesh, 2013).

**Problem Statement**

Cheap labour is an important factor behind such a boost in the RMG sector. But people who are sacrificing themselves for the development of the country’s export sector live under the poverty line. They work for as little as $38 per month, whereas the living cost of Bangladesh is much higher than that. The government earns handsome revenues from this sector, factory owners making huge profit from this business, and buyers (international retailers) get the most, 55-65% benefit on the garments produced in Bangladesh (CPD report, 2013). But the garment workers, who make all these profits possible for others, live a substandard life, struggling for three meals a day. Figure 1 shows the profit-sharing comparison among employees, garment owners, and foreign buyers.
From 2006 to 2010, the minimum wage of garment employees was BDT 1650, after long bargaining with stakeholders (the 2010 level was equivalent to US$38 per month). But inflation rate has always been around two digits for the last few years, so regular increases or revision of wage is indispensable in this sector. Seeking appropriate wages and benefits has led to several labour unrest situations recently. Some unexpected accidents caused a deterioration of the situation. To calm down labour activist, right after the collapse of a garments factory building in Savar, near the capital of Dhaka, which killed more than 1,100 garment workers, the government announced the appointment of a minimum wage board, which is yet to be implemented. That committee is still working with several stakeholders to find a rate acceptable to all groups. A public sector think-tank, Centre for Policy Dialogue (CPD), suggested BDT 6,500 (US$84) to be fixed as the minimum wage for the RMG sector (Moazzem and Raz, 2013). But labour organizations are urging a minimum of US$103, while BGMEA rejected this by arguing that more than 50% of factories are unable to bear this excess labour cost and will eventually be shut down (On RMG minimum wage, 2013).
Yet, there is another calculation; BGMEA, the country’s association of export-oriented woven, knit, and sweater garment manufacturers and exporters, claimed that the minimum wage is theoretical, as almost all employees work for 10-12 hours a day and earn nearly twice their basic pay. They have offered a 20% wage hike, barely mentionable in this situation (Stefanicki, 2013). Furthermore, there are about 2,200 small and medium factories in this sector; about 50% of the total that cannot survive such a hike in salary. There is also a productivity gap and raw material shortage in Bangladesh, which lowers the owners’ profits (McKinsey & Company, 2011).

To sum up, there are four major issues in the RMG sector of Bangladesh: first, a lack of proper definition of minimum wages in the national rules and regulations (Amended Labour Act 2013; Labour Act 2006), thus different methods for calculating the minimum wages are used by different stakeholders; second, there is a lack of sector specific and macroeconomic reliable data for relevant indicators; third, inappropriate government policies are in place for wages and benefits; and fourth, there has been minimal effort from the authority to safeguard the interest of employees and small and medium factories.

**Background of the Problem**

Minimum wage for garment workers started BDT 627 in 1985; after several revisions, it came to the level of BDT 3,000 (US$38) in 2010. It should not be surprising that none of the wage revisions was welcomed by the labour organizations. Labour wage unrest is nothing new in Bangladesh, especially over the last couple of years. It has caused huge losses of property, lives, and reputation as the lifeblood of Bangladesh’s economy. Employees of that sector cannot meet their basic needs with such minimal pay.
**Objectives of the Study**

The purposes of this study were threefold. First is to explore whether it might be possible to determine a minimum wage acceptable to all stakeholders, especially owners and workers. Second, we investigated the impact of imbalance of payments, i.e., too low or too high a wage, on employee development and organizational development. Finally, we explored the impact of the wage rate on the social life of employees.

**Theoretical Background**

As the major concern of this paper is the impact of the existing minimum wage on employees’ personal and work lives, as well as the impact on organizational performance; we considered equity theory as best fit for this purpose. Equity theory is widely used for employees’ perceptions of fairness of their payment, i.e., they are being paid fairly or not. Tudor (2011) believed that it is more empirically valid than any other organizational behaviour theory. As the theory is about the fairness perceptions of employees, it is strongly related to stress, turnover, job satisfaction, and so on (Balcazar, MacKay-Murphy, Keys, Henry, and Bryant 1998; Hatton, Emerson, Rivers, Mason, Mason, and Swarbrick 1999). Equity theory indicates that workers would be de-motivated if they believed that they are not treated justly, i.e., their input is greater than their output; the result of that would be lower productivity, high turnover, migration of skilled workers, workers’ unrest, and so on. And all these are being observed in Bangladesh’s RMG sector. The living wage concept was also used to estimate an acceptable minimum wage for the RMG sector of Bangladesh; Anker’s (2005) living wage estimation model based on that concept was adopted.

**Methods**

This research was conducted through a literature review and document analysis. Journals and books on minimum wages, employee development, organization development, living standards, and so on, were reviewed. As Bangladesh is the second largest garments
exporter in the world (Paul, 2013), several international reports were reviewed for this research, especially from US, EU, IMF, World Bank, and UN data sources. Besides, Reports from local governments, NGOs, research organizations, and newspapers were also used.

**Definition of Minimum Wage**

The first issue detected in this regard was the lack of a proper definition of minimum wage at the national level. The labour law of Bangladesh does not define the term clearly. And the main debate is over different definitions by different stakeholders.

At the international level, Purpose 1 of the ILO Recommendation No. 135 on minimum wage fixing prescribes that minimum wages “should constitute one element in a policy designed to overcome poverty and to ensure the satisfaction of the needs of all workers and their families” (Cited in Anker, 2011, p. 16). Article 3 of Convention 131 (1970) suggested that the following factors need to be considered in determining minimum wages:

“(a) the needs of workers and their families, taking into account the general level wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups.

(b) economic factors, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment.” (Cited in Anker, 2011, p. 16)

Article 23 of the United Nations Universal Declaration of Human Rights (1948) stated:

“Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity” (Cited in Anker, 2011, p. 3).

Definitions used by specific countries are captured in Table 1.
Table 1: *Mention of Minimum Wage/Living Wage Concept in the Constitutions of Selected Countries cited in Anker 2011, pp. 3-4*)

<table>
<thead>
<tr>
<th>Country</th>
<th>Mention of Minimum Wage/Living Wage Concept in the Constitutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico (Constitution)</td>
<td>“The general minimum wage must be sufficient to satisfy the normal necessities of a head of family in the material, social and cultural order and to provide for the mandatory education of his children.”</td>
</tr>
<tr>
<td>India (Directive Principle No. 43 of State Policy in the Constitution)</td>
<td>“Living wage, etc. for workers--The State shall endeavour to secure, by suitable legislation or economic organisation or in any other way, to all workers … a living wage.”</td>
</tr>
<tr>
<td>Namibia (Article 95 in Principles of State Policy in the Constitution)</td>
<td>“Ensure that workers are paid a living wage adequate for the maintenance of a decent standard of living and enjoyment of social and cultural activities.”</td>
</tr>
<tr>
<td>Brazil (Constitution)</td>
<td>“National minimum wage be capable of satisfying their basic living needs and those of their families with housing, food, education, health, leisure, clothing, hygiene, transportation and social security, with periodical adjustments to maintain its purchasing power.”</td>
</tr>
</tbody>
</table>
Not only the definition but also the process of determining the minimum wage is different in different countries. Two major industrialist countries in this region, China and India, determine their minimum wage following a decentralization policy; Bangladesh follows a nationwide central wage policy.

**Minimum Wage in Bangladesh’s RMG Sector**

Minimum wage is an important macroeconomic tool for the wellbeing and smooth development of any economy. Although minimum wage is not defined in the Bangladesh labour law, it suggested to the Minimum Wage Board: “In making its recommendation the Wage Board shall take into consideration cost of living, standard of living, cost of production, productivity, price of products, business capability, economic and social conditions of the country and of the locality concerned and other relevant factors” (Labour Act 2006, cited in CPD report, 2013).

From the definition, minimum wage should be set at the level that covers the minimum basic need of the lowest paid employee, i.e., grade 7 workers in Bangladeshi setting, but the recent revision of wages was for all workers (grade 1 to 7). Although there are seven different grades, the differences among the grades are very small. However according to the last revision (2010), grade 7 workers receive BDT 3,000 per month of which BDT 2,000 is base salary, BDT 800 house rent (40% of base), and BDT 200 medical allowance. Although grade 7 is the lowest wage earner of the ladder, an informal and temporary post below that level has been introduced named trainee or apprentice. Monthly allowance for this informal grade is a lump sum of BDT 2,500.

Besides, the relationship between wage level and seniority is not maintained properly in the distribution of wages among all other grades. The wage difference between two levels of employees is too small to inspire them to work for a long time in the same organization.
This ultimately results in high turnover, slowing down productivity. Current wages, established in 2010, are summarized in Table 2.

Table 2: *Current Minimum Wage Structure (effective since 1 November 2010)* (Adapted from: Bhuiyan 2013)

<table>
<thead>
<tr>
<th>Grading (Main Posts)</th>
<th>Basic (in BDT)</th>
<th>House rent (40% of basic) (in BDT)</th>
<th>Medical Allowance (in BDT)</th>
<th>Net Salary (in BDT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grade 1: Pattern Master, Chief Quality Controller</td>
<td>6500</td>
<td>2600</td>
<td>200</td>
<td>9300</td>
</tr>
<tr>
<td>Grade 2: Mechanic, Electrician, Cutting Master</td>
<td>5,000</td>
<td>2,000</td>
<td>200</td>
<td>7,200</td>
</tr>
<tr>
<td>Grade 3: Sample Machinist, Senior Machine Operator</td>
<td>2,870</td>
<td>1,148</td>
<td>200</td>
<td>4,218</td>
</tr>
<tr>
<td>Grade 4: Sewing Machine Operator, Quality Inspector, Cutter, Packer, Line Leader</td>
<td>2,615</td>
<td>1,046</td>
<td>200</td>
<td>3861</td>
</tr>
<tr>
<td>Grade 5: Junior Machine Operator, Junior Cutter, Junior Maker</td>
<td>2,395</td>
<td>958</td>
<td>200</td>
<td>3553</td>
</tr>
<tr>
<td>Grade 6: Operator of General Sewing/ Button Machine</td>
<td>2,230</td>
<td>892</td>
<td>200</td>
<td>3322</td>
</tr>
<tr>
<td>Grade 7: Assistant Sewing Machine Operator, Assistant Dry washing man, Line Iron man</td>
<td>2,000</td>
<td>800</td>
<td>200</td>
<td>3,000</td>
</tr>
</tbody>
</table>
Payments Other Than Wages

In addition to those factors included in Table 2, there are other factors to be considered in employee income:

**Overtime**

An overtime culture is a very common phenomenon in the Bangladesh manufacturing sector, and the RMG sector is no exception. This extra amount is badly needed for workers to achieve take-home pay to meet their basic needs. Workers in this sector make certain that they have overtime earnings. But dependency on overtime pay is harmful in two ways: first, overtime hours fluctuate frequently, thus earnings also fluctuate, but expenditure habits are difficult to change frequently; which leads them to borrow money at high interest rates; second, 12-14 hours of continuous work is extremely harmful for their physical and mental health (Merk, 2009). For the sake of sound work-life balance, a minimum wage should be based on improved compensation for normal working hours. For this reason, it is important to avoid such earnings while calculating the minimum wage.

**Fringe Benefits**

There are other benefits, such as attendance allowance, transport allowance, festival bonus, production bonus, annual leave encashment, and so on, that are included here. As these benefits are not guaranteed by law, employers have their own way to calculate such benefits. Such benefits vary greatly depending on the employer. Besides, there are strong debates over some of the above benefits. An attendance allowance forces employees to attend work even if s/he does not feel fit for the work. The same is true for the annual leave; employers encourage employees not to take the leave but keep working and take the enhancement. The production bonus cannot be included in the wage calculation as it is
highly variable, and, if the target is not met within the office hour, the workers have to work extra hours to reach that and it counted as the compensation for overtime (WRC, 2013).

**In-kind Benefits**

Food, transport, medical care, and child care are included in this type of benefit. These facilities are also included in the basic needs of workers. Very few factories in this sector provide such benefits (see Figure 2). And, if they do, their quality is not up to standard. For this reason they are also excluded from the minimum wage calculation. (CPD, 2013).

![Bar chart showing the percentage of enterprises associated with each type of bonus.](image)

*Figure 2. Percentage of enterprises associated with each type of bonus (Fair Wear Foundation, 2012, p. 11; based on 334 workers from 20 factories.)*

**Minimum Wage in Selected Asian Countries**

Bangladeshis in the RMG sector are the lowest paid among the major manufacturing countries of Asia in this sector. And this calculation is true for both current USD and PPP (Purchasing Power Parity) USD. Although there is a gap in the productivity of the workers of these competing countries, after productivity adjustment, the wage is still low, as shown in Table 3.

**Table 3: Comparison of Wages of Selected Asian Countries**
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>4.062</td>
<td>52</td>
<td>91</td>
</tr>
<tr>
<td>Cambodia</td>
<td>70**</td>
<td>70</td>
<td>126</td>
</tr>
<tr>
<td>India</td>
<td>4.422</td>
<td>70</td>
<td>170</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1.287.471</td>
<td>114</td>
<td>187</td>
</tr>
<tr>
<td>Vietnam</td>
<td>2.306.667</td>
<td>109</td>
<td>255</td>
</tr>
<tr>
<td>Philippines</td>
<td>7.668</td>
<td>175</td>
<td>233</td>
</tr>
<tr>
<td>China</td>
<td>1.363</td>
<td>223</td>
<td>325</td>
</tr>
<tr>
<td>Thailand</td>
<td>7.026</td>
<td>221</td>
<td>337</td>
</tr>
</tbody>
</table>

* Excluding overtime, but including certain fringe benefits
** Wages in Cambodia are denominated in US dollars


Calculation of Minimum Wage

In this paper minimum wage was defined as a wage sufficient to fulfil the basic needs of workers and their family members and provide a little extra as saving or security for the emergency need. Basic needs are “more than the necessities of life: food, clothing and shelter” (Anker, 2011 p. 23). Beside food and shelter, some additional things are added, like healthcare, childcare, transportation, education, and discretionary income or savings.

Formula for Wage Calculation

To determine a minimum wage that fulfils the basic needs of workers, we adopted the generic formula of Anker (2011):

\[
\left( \frac{\text{Food Costs} + \text{Non-food Costs}}{\text{Household Size}} \right) \times \text{Number of Earners} + 10\% \text{ Discretionary Income or Savings}
\]


But this formula cannot provide an accurate calculation of minimum wage all over the world because the elements of the formula are subjective. The basic needs of workers are time and place specific and vary according to the development level of the country. Available
data on household size and number of workers in each family is somewhat problematic. However, it is not impossible to calculate minimum wage using the above formula based on national statistics of variables such as food cost, housing cost, household size, and so on.

**Focus on Two Major Cities**

Although there are differences in living costs in places where RMG workers live, Bangladesh still has a national minimum wage. To bring balance between two counterparts in this research, two major cities, Dhaka and Chittagong, were considered in calculating the minimum wage. As Dhaka is the capital of Bangladesh and hub of business, the RMG sector is centered in Dhaka. Chittagong is the second city of Bangladesh and is also called port city for its world famous harbour. For the facility of air and seaport, Chittagong also got the attention from investors.

**Estimation**

To calculate a minimum wage, we adopted Anker’s (2011) formula and used data provided in the Bangladesh Bureau of Statistics and the Statistics Division of the Ministry of Planning 2010, and the caloric intake for children was based on recommendations from the National Institute of Nutrition 2009. In the case of a child, the poverty line food costs are $1,060 / 2,122 = \text{approximately } 50\% \text{ of the food costs of an adult per month}. The HIES 2010 calculates the costs of a fixed food basket composed of 11 different food items, corresponding to the required minimum caloric intake of 2122 kilocalories per person per day. The costs of this food bundle per person per month were $1,018 Taka for the Dhaka Urban area in 2010 (BBSSD).

To arrive at the total food costs for the family, it is assumed that the family consists of 2.08 adults consuming 2,122 calories and 2 children aged 1 – 3 consuming 1060 calories each. For a single worker, food costs are equal to the poverty line food costs corrected for inflation.
The ratio of food to non-food costs is determined by using the ratio of the food poverty line to create the upper non-food allowance. The ratio is 57:43 for the Dhaka urban area and 59:41 for the Chittagong urban area. See the estimates in Tables 4-5.
Table 4: Estimation of Required Monthly Income for an individual in Dhaka City

<table>
<thead>
<tr>
<th>Issues</th>
<th>BDT/ month</th>
<th>Household size</th>
<th>No. of earners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly per person food cost in 2010</td>
<td>1018.00</td>
<td>4.28</td>
<td>1.4</td>
</tr>
<tr>
<td>Monthly family cost in 2010</td>
<td>3329.04</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly food cost in 2013 after inflation adjustment</td>
<td>4565.80</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly non-food cost (43% of total)</td>
<td>3444.38</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly total cost for a family</td>
<td>8010.18</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated required monthly income for a worker (without discretionary</td>
<td>5721.56</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Calculation based on HIES 2010 data and Anker’s (2011) formula
Table 5: Estimation of Required Monthly Income for an individual in Chittagong City

<table>
<thead>
<tr>
<th>Issues</th>
<th>BDT/ month</th>
<th>Household size</th>
<th>No. of earners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly per person food cost in 2010</td>
<td>1023.00</td>
<td>4.7</td>
<td>1.4</td>
</tr>
<tr>
<td>Monthly family cost in 2010</td>
<td>3758.10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly food cost in 2013 after inflation adjustment</td>
<td>5175.75</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly non-food cost (41% of total)</td>
<td>3596.71</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly total cost for a family</td>
<td>8772.46</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated required monthly income for a worker (without discretionary allowance) = (food cost + non-food cost)/1.4</td>
<td>6266.04</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Calculation based on HIES 2010 data and Anker’s (2011) formula

Following these calculations, we then added an extra 10% for miscellaneous expenses. This process led to different recommendations for the two major cities: Dhaka, 6,503+650 = 7,103 and for Chittagong, 7,232+723 = 7,955.
Impact of Higher Minimum Wage

So far in this paper, the importance of the minimum wage has been discussed from the perspective of the workers. Now it is the time to look at the impact on other stakeholders.

Most countries have some form of minimum wage; it varies widely country to country. Policymakers often argue that an increase in the minimum wage also increases the earnings of low-income workers and thus can be a tool of poverty alleviation and equallling income distribution. Some argue that a moderate rise in the minimum wage can help lower earning group greatly without causing any job loss, even it increases productivity in the workplace, as it leads to an increase in work effort, lower turnover, and more on-the-job training (Katz 1987; Levine 1992; Raff and Summers 1987).

But some empirical evidence shows that a higher minimum wage may end up in job losses. Economic theory suggests that whether a minimum wage leads to higher employment (or higher productivity) or job losses depend on the balance between the minimum wage and marginal productivity of labour (MPL). An increase in the minimum wage can benefit both sides if the existing wage is much lower than the MPL (Rebitzer and Taylor 1995). In that regard, Bangladesh has little backlash, as productivity in the RMG sector is comparatively low. Figure 3 shows the comparative situation.

![Comparative Situation Diagram]
Figure 3. Comparison of productivity compared with China of selected countries adapted from Berg, 2011, p. 14

Such a productivity gap is increasing the cost of production in this sector, hence, minimizing the profit of the employer. As large manufacturing plants have economies of scale, they can survive even if productivity is less than their counterparts, but medium and small farms cannot provide higher wages with lower productivity.

Studies in the United States in the early nineties showed the positive or no effect of minimum wage increases on employment in the Texas fast food industry (Katz and Krueger, 1992). But later, Neumark and Wascher (2000) did the same type of research using payroll data that showed a small decrease in employment in one state as a result of the minimum wage increase.

But the main concern on the impact of an increased minimum wage comes from the developing countries, especially in the manufacturing sector, as it increases the cost of production and hence loses comparative advantage. A number of research studies in the developing countries on the link between minimum wage increase and employment show a negative effect. In Latin American countries, where the minimum wage level is comparatively high (compared with overall wage distribution), a sharp negative impact of minimum wage-employment relationship is seen (Kristensen and Cunningham 2006). Research on minimum wage increases in Colombia showed a negative impact on employment, where the minimum wage was close to the average wage, while the same research in Mexico showed no effect, where the minimum rate was far below the market rate (Bell, 1997). Maloney and Nunez (2004) also found a negative effect on employment in both formal and self-employed sectors in Colombia. The same tendency was also observed in Costa Rica (Ginding and Terrell 2007)
As the RMG sector in Bangladesh has to observe the situation in its Asian counterparts, some research on this phenomenon was also observed in such countries as Vietnam and Indonesia. Similar research in Vietnam showed evidence of a decrease in formal employment as the minimum wage rose (Nguyen 2011). Harrison and Scorse (2010) did the same type of research in Indonesia; they examined the effect of anti-sweatshop campaigns on wage increase in the export-oriented foreign-owned textiles, footwear, and apparel industry, which showed that a 10% increase in real minimum wages resulted in an average 1.2% decrease in the employment of production workers. They also found reduced investment and less profit for smaller firms, but not for large firms.

Although Bangladeshi garment owners enjoy a lower minimum wage facility, it does not mean that they can earn higher profits. In reality, the actual profit margin of the garment manufacturers is very thin, whereas the brands or international retailers enjoy the most as their share includes the design and development of a product. RMG factories in Bangladesh just follow their design and pattern (Noman, 2013).

**Life of RMG Worker in Bangladesh**

The lives of RMG sector employees in Bangladesh are not up to the standard it should be. In addition to the financial concerns that have been the primary focus of this paper to here, they are also deprived of indirect benefits that they are supposed to have. Some of the major sufferings of this sector’s employees are discussed below.

**Insecure Life**

Workers in this sector live an insecure life in all aspects. First, they have no security in their job; at any time they can lose their job without any specific reason. Although the rights of the workers are reserved in the labour law, very few of them are implemented.

Second, they have no financial security; fluctuations of prices of different commodities are frequent; sometimes they cannot fulfil their daily needs because of the price
spiral. Third, some factories are risky in which to work. The recent factory collapse in Savar, near Dhaka, took around 1,100 lives. Within the last few years, several small and large accidents took place, damaging the lives of the workers. They continue working in this situation without full payment or being paid on time. They are often worried about their future and this has a negative impact on productivity and job satisfaction (ILO 2005; Morshed 2007).

**Unfavourable Working Conditions**

Factories in the RMG sector of Bangladesh are classified in three categories: tiers 1, 2 and 3. Some 80% of the factories are in tier 3. Although these factories have fewer than fifty employees, they have a strong representation in this sector. Most of the time they work as a supporting hand of the factories in tiers 1 and 2 as subcontractors. These factories have very unhygienic working environments even with no proper ventilation system (Bearnot, 2013). Besides, very few factories, even in tiers 1 and 2, have proper safety systems. As a result, causalities from fire, building collapse, and other accidents are common.
**Child Labour**

To fulfil family and personal needs, children often commence work at a very young age; especially girls easily get into this sector during their childhood. Although the child labour problem is nothing new to Bangladesh, it is severe in some tier 2 and 3 factories in this sector. And this early job commencement results in serious injuries and sometimes death in the workplace (Rahman, Khanam, and Nur 1999).

**Accommodations**

RMG workers try to save money by all possible means; they share their room with another family or colleague to pay less money, while the room is barely suitable for one family. Most live in local slums where the word hygiene is a rare term. From the fieldwork in several slums where RMG workers live, Bhuyaan (2012) reported that within a 10x12 foot room, two families are living, Eight to ten families share a double burner gas stove and two unhygienic toilets.

**Overtime and Security Issues**

Overtime is very common in this sector; most of the time it is expected by the workers. But this is a serious security issue. Working until after dark with residences mostly far away, they need to go back home in the dark. As a result, they feel insecure and many female garments workers are abused and even sometimes raped (Kabeer 2004; Mondal 2000; Shimmu 1999).

**Recommendations**

This paper recommends a minimum basic salary for the RMG sector. As most of the factories in this industry are in chaos (Allen 2012), steps are suggested for the smooth running of the sector.
1. The Minimum Wage Board of Bangladesh should accept a proper and acceptable definition by all parties that considers Bangladesh’s economic and cultural properties.

2. To determine the minimum wage, the Board should consider the family as the unit instead of an individual. It will help them to set up a minimum wage considering all other important elements needed for an individual to lead a family life. The Board may also consider Anker’s formula for minimum wage determination.

3. In the developing countries, food costs get the highest priority to determine minimum wage, but this study and the HIES (2010) survey show that non-food costs are equally important as food costs. So, non-food costs should be equally considered in determining minimum wage.

4. As mentioned, there are three types of factories. Implementing a sudden change in wages could be deadly for the medium and small factories. Considering this situation, a two-three phase plan should be adopted to implement the minimum wage so that small and medium factory owners have enough time to cope with the situation.

5. Employee awareness is important for both employees and the organization. If employees are aware of their rights, factory owners cannot deceive them, and union and political leaders cannot use them for political purposes through rumours. Some of the recent vandalism in the RMG sector has been committed by miscreants by spreading rumours. To minimize this loss, different awareness programs should be arranged to educate workers about their rights.

6. As benefits other than wages are not clearly mentioned in the labour law, there may be confusion over these issues. Sometimes, factory owners determine the benefits according to their will. So, benefits should be clearly defined and stated. The target
for the production bonus is most of the time unrealistic; it also should be set at a standard.

7. Overtime pay is another ambiguous term in this sector. The lead author interviewed around 300 workers (both skilled and unskilled) during 2010 as a part of a recruitment process. One common question from the interviewees was, “do you have any overtime facility?” if the answer was yes, then they asked, “how many hours a week?” As the workers value take-home income, they prefer overtime and see that as a facility. This overtime culture harms both ways. Thus, we recommend a ceiling for overtime and fixed overtime pay.

8. Medium and small factories, especially, but also large ones face some other challenges in this sector, including lack of backward linkage, difficult financing options, unhealthy competition within the country, and so on (Saxena and Salze-Lozac’h 2010). All such difficulties increase costs and lead times, which is unfavourable for expansion in this sector. BGMEA and the Bangladesh government should work together to remove these barriers.

9. The government may subsidize or work together with BGMEA to ensure a healthy living environment for the RMG workers providing them with low cost good housing, education for their children, day-care facility, insurance facility, and entertainment facility.

10. Lack of statistical data is a major barrier to doing research in this sector; a proper database should be developed to facilitate research and fill the gaps.

11. Development of infrastructure is also needed for the betterment of the RMG sector. Dhaka-Chittagong highways should be upgraded to reduce transport time. Turnaround time in Chittagong port should be reduced for quick shipment. Electricity, telecommunication, and water supply should be uninterrupted.
Improving these infrastructures would help Bangladesh to improve its competitive advantage in the world markets.

12. Increased CSR (corporate social responsibility) activities of the international buyers are recommended, as they do not share compliance costs; they are supposed to contribute to the CSR activities for the better social life of employees.

13. As international buyers enjoy the greatest benefit from this sector, initiatives should be taken to improve the design and development facilities in the country to get them at a lower cost and to maximize firms’ benefit.

14. And finally, a permanent committee should be formed for regular evaluation of the situation in this sector. That committee should review the wage every year as inflation is quite high in this region of the world.

**Future Research**

Further research is important in this sector, especially to determine a proper minimum wage and yearly increment policy to match inflation of the country and international price hike. Research to implement and track the CSR policies of the international buyers to the workers of Bangladesh to improve their living is needed. As there is shortage of data to accomplish proper research, more research with primary level data is needed. While a most productive sector, there are sectors other than RMG that are also important to Bangladesh’s development. Similar research could be done in those sectors. Similar research could also be undertaken in other countries, especially those in South and Southeast Asia. Empirical research could be undertaken to try to track more explicitly the connection, in Bangladesh, between its minimum wage and unemployment.

**Conclusion**

For the last few decades, the RMG sector has become a very important element of Bangladesh’s economy with the highest exports and employment. The European Union, the
United States, and many other countries are importing garments from Bangladesh. Approximately 18 to 20 million people directly and indirectly depend on this sector for their living (Bhuiyan, 2013.)

Recently this sector faced some unacceptable occurrences that hamper its growth and productivity. Worker unrest and unexpected accidents are the two most important. Besides low productivity, high turnover, and lack of compliance are also hampering the growth of this sector.

Immediate actions are required from all the responsible stakeholders (the government of Bangladesh, BGMEA, workers association, and international retailers) to save this industry from destruction, thus preventing millions of people from becoming unemployed.

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Annexure:

Timeline – Minimum Wages in the RMG sector in Bangladesh

The minimum wages for the garment industry was first declared Tk. 627 for the lowest grade in 1985.

The wage was reviewed after 9 years to Tk. 930 in 1994, 48.33% increase.

After 12 years in 2006 it was revised to Tk. 1662.5, 78.76% increase.

The third review of the minimum wages has been made after 3 years in 2010 to Tk. 3000, 80.45% increase.

The recent (fourth) review is effective from 1st December 2013, amount Tk. 5300 (US $68), 76.67% increase (this change came after completion of this paper; hence, fourth review of minimum wage is beyond discussion of this paper).