



Title: “Minimum wage in Ready-made Garments sector in Bangladesh” - A descriptive insight.

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Abstract:

Bangladesh's garment industry (RMG) is a cornerstone of the country's economy, providing ample employment and a significant opportunity to export earnings. This article examines the complexities surrounding minimum wage laws in the sector and looks at their historical development, ongoing debate and socio-economic implications. Based on a series of papers, the study shows little wage change since the sector's inception and shows that international studies and local labor movements have increased wages since 2013. Despite these improvements, problems persist, including non-compliance, inadequate enforcement and lack of payment Using mixed methods based on qualitative interviews and quantitative data analysis, the paper shows that the current price increase to BDT 12,500 is intended to address inflation and cost of living issues, but still below the cost of living level in comparison with the region. The study recommends regular price reviews, transparent pricing procedures, social protection and better management practices. These measures are important to ensure fair wages, protect workers' rights and maintain global competitiveness.

Introduction:

The Ready-Made Garments (RMG) industry in Bangladesh is a fundamental pillar of its economic structure, creating a large number of jobs and contributing significantly to its export earnings. A key topic in discussions about this sector is the issue of minimum wage, which is essential for the living standards of millions of employees. As a major source of employment in Bangladesh, the policies regarding the minimum wage of the RMG industry attract considerable focus, affecting the social and economic conditions of the country and its international image. In this investigation, we will explore the complex world of minimum wage laws in the RMG sector of Bangladesh. We will look at its historical background, ongoing discussions, and the underlying factors that make it such an important part of labor economics. By considering the viewpoints of key players, analyzing the rules and regulations, and evaluating the wider consequences, our goal is to provide a thorough insight into the minimum wage situation in the RMG sector of Bangladesh. The details of how wages are set, the fight for workers' rights, the economic viability, and the personal narratives that are interwoven with the RMG industry in Bangladesh are briefly discussed in this study.

Literature review:

The Ready-Made Clothing (RMG) sector in Bangladesh has attracted a lot of academic attention, with scholars deeply exploring different aspects, such as the problem of minimum wage. In this section, we offer an overview of relevant studies on minimum wage rules in Bangladesh's RMG industry, which includes historical research, empirical investigations, and viewpoints on policy. Academics frequently place discussions on minimum wage within the historical context of Bangladesh's RMG sector. Khan's (2018) study sheds light on the progression of minimum wage regulations, mapping out their journey from the establishment of the industry to the present day. This historical perspective clarifies the socio-political influences on wage decisions and emphasizes the importance of recognizing previous policy measures in tackling current obstacles. RMG workers in Bangladesh face the issue of their minimum wages not being regularly increased. Instead, they have to rely on various bonuses such as HAJIRA (presence) bonus and target bonus. These bonuses are given to workers who do not take any leave in a specific month and are able to meet the production targets set for them (Fair Wear Foundation 2012). While these bonuses supplement their monthly salary, it is concerning that workers are compelled to continue working even when they are physically unwell (Kabir et al. 2019). This practice clearly violates the rights of workers to take sick leave when necessary. Factory owners introduce these bonuses as a means to discourage workers from taking sick leave. Unfortunately, this highlights the prioritization of profit maximization over ensuring a safe working environment and a decent quality of life for the workers. Several studies and reports have accused factory owners of being more interested in intensifying their profits from the RMG business rather than investing in the well-being of their workers (Anner 2020, Muhammad 2015 and Brown 2015). A significant part of the literature is dedicated to empirical research, which examines the consequences of minimum wage adjustments on different groups involved. In a quantitative analysis conducted by Rahman et al. (2019), the effects of minimum wage changes on the income levels and employment dynamics of RMG workers were evaluated. The results of their study provide valuable insights for policymakers and industry stakeholders, highlighting the trade-offs between wage increases and the possibility of job losses. Moreover, the research conducted by Islam and Khatun (2020) focuses on the qualitative aspects of RMG workers' experiences within the framework of minimum wage reforms. By utilizing comprehensive interviews and participant observations, the authors bring attention to the intricate connections between wage regulations and the socio-economic circumstances of the workers. This study provides valuable insights into the dynamics of bargaining power, workplace environments, and the implementation of labor rights. Ahmed and Islam (2017) provide a thorough evaluation of the wage-setting mechanisms in Bangladesh, analyzing the impact of government policies, industry dynamics, and labor market conditions on wage outcomes. Their study emphasizes the significance of maintaining a balance between the interests of various stakeholders and establishing sustainable wage levels that acknowledge the contributions of workers in the RMG industry. The literature also encompasses policy-oriented analyses that critically assess the effectiveness of minimum wage regulations in promoting inclusive growth and social justice. Furthermore, research conducted by human rights organizations like the International Labor Organization (ILO) and Human Rights Watch (HRW) that focuses on advocacy plays a crucial role in the ongoing discussion. These organizations shed light on the deficiencies in minimum wage implementation and actively advocate for necessary reforms to safeguard workers' rights and improve their economic prosperity. To sum up, the body of work on minimum wage in Bangladesh's RMG sector presents a diverse range of perspectives, including historical accounts, data-driven studies, and policy recommendations. Despite recognizing the progress made in tackling wage-related challenges, experts stress the importance of ongoing research, collaboration with stakeholders, and innovative policy measures to establish equitable and enduring wage systems that respect the dignity and rights of RMG employees.

Historical background of deciding minimum wages in RMG sector in Bangladesh:

The history and background of minimum wages in the Ready-Made Garments (RMG) sector in Bangladesh are closely connected to the evolution of the industry, socio-economic dynamics, and labor movements. To fully understand how minimum wage regulations have developed in this sector, it is necessary to delve into the historical, economic, and political contexts.

Early Development of the RMG Sector: The textile sector in Bangladesh has a long history, dating back to the 19th century. Major industries such as Riaz Garments, Jewel Garments, and Paris Garments emerged in the 1970s, with Riaz Garments starting as a small tailoring shop before expanding into international exports. Dosh Garments owned by Mr. M. Noorul Quader also played a significant role by partnering with a South Korean company. Entrepreneurs like Shamsur Rahman and AM Subid Ali were key figures in the industry's growth. With favorable government policies, cheap labor, and increasing global demand, the RMG sector in Bangladesh flourished in the late 1970s and early 1980s. Initially, the sector focused on basic apparel manufacturing for multinational corporations.

Emergence of Labor Issues: Labor issues in Bangladesh, particularly in the garment industry, have been a major concern due to factors such as rapid industry growth, poor working conditions, lack of labor rights and union representation, child labor, gender inequality, global supply chain pressures, and government responses. The Ready-Made Garment sector, one of the largest in the world, employs millions of workers, mostly women. Workers often face low wages, long hours, forced overtime, unsafe working conditions, and union suppression. Efforts to address these issues include labor law reforms and collaborations with international organizations like the International Labor Organization. Challenges persist, including child labor, gender discrimination, and global pressure for low-cost production. More actions are needed to improve working conditions and compliance with labor standards in the industry.

Introduction of Minimum Wage Legislation:

First Minimum Wage Announcement: The introduction of the first minimum wage for the RMG sector in 1994 aimed to address rising discontent and improve workers' earnings. However, the initial wage levels were still insufficient to cover the cost of living.

Subsequent Revisions: The minimum wage has been revised multiple times in response to inflation, living costs, and worker demands. Significant revisions took place in 2006, 2010, 2013, and 2018. Each revision aimed to incrementally improve the economic conditions of garment workers.

2006 Revision: The minimum wage was increased to 1,662.50 BDT (approximately \$24) per month. This was the first major increase in over a decade.

2010 Revision: A significant hike raised the minimum wage to 3,000 BDT (approximately \$43) per month, reflecting growing international pressure and local unrest.

2013 Revision: Following the tragic Rana Plaza collapse in 2013, which brought global attention to the dire working conditions in Bangladesh, the minimum wage was increased to 5,300 BDT (approximately \$68) per month.

2018 Revision: In 2018 government set the minimum wage at 8,000 BDT (approximately \$95) per month. This increase aimed to address the rising living costs and ongoing demands for better wages.

2023 Revision: As of late 2023, the minimum wage for entry-level workers in Bangladesh's readymade garment (RMG) sector has been set at 12,500 BDT per month. This change reflects a 56.25% increase from the previous minimum wage of 8,000 BDT, which was established in 2018. The revised wage structure also includes adjustments across different grades, with the wage for grade 3 workers set at 13,550 BDT, which is an 8.4% increase over the entry-level wage (Dhaka Tribune).

Impact of Minimum Wage Legislation

Improved Living Standards: The successive increases in the minimum wage have helped to improve the living standards of many garment workers, though challenges remain in ensuring that wages keep pace with inflation and living costs.

Compliance and Enforcement Issues: Despite the legislation, compliance remains an issue. Some factories fail to pay the mandated minimum wage, and enforcement mechanisms are often weak.

Pressure from International Buyers: International brands and buyers have increasingly pressured suppliers to comply with wage laws and improve working conditions, linking these standards to business contracts.

Challenges and Future Directions:

Balancing Economic Competitiveness: Bangladesh must balance the need to maintain its competitive edge in the global market with the necessity of ensuring fair wages and decent working conditions for its workers.

Strengthening enforcement: It must be ensured to comply with minimum wage regulations and extend the visibility of wage policies. This includes regular inspections and penalties for non-compliance.

Addressing inflation: Future revisions of the minimum wage need to consider inflation and the actual cost of living to ensure that wages remain adequate for workers' needs.

Minimum Wage Determination Process:

The process of determining the minimum wage in Bangladesh's RMG sector involves various stakeholders like the government, employers, workers' representatives, and sometimes international bodies. The Minimum Wage Board is formed to set a wage floor that meets the basic needs of workers while considering the industry's economic sustainability. Employers' associations and workers' unions propose initial wage suggestions based on factors like cost of living and productivity. Stakeholder consultations and public hearings help gather input for the board's decision-making process. The final draft recommendation is reviewed by the government and enforced by the Department of Inspection for Factories and Establishments. Continuous monitoring and reviews ensure the minimum wage's effectiveness, although challenges like balancing interests and enforcing compliance remain.

Methodology:

The methodology section of the research on minimum wages in Bangladesh's RMG sector combines qualitative and quantitative methods for a thorough analysis. Secondary data was collected through literature review and historical data sources, while primary data was obtained through interviews with stakeholders and surveys of RMG workers. Quantitative analysis included descriptive and comparative techniques, while qualitative analysis involved thematic analysis of interviews and open-ended survey responses. Ethical considerations were taken into account, ensuring informed consent and confidentiality of participants. Limitations such as sampling bias and data availability were acknowledged. Overall, the study aims to provide a comprehensive understanding of the minimum wage situation

in the RMG sector through a mixed-methods approach. The findings will contribute to policy recommendations and future research directions in the field.

Analysis:

The recent adjustment in the minimum wage for the Ready-Made Garment (RMG) industry in Bangladesh, which now stands at 12,500 BDT per month, was motivated by various economic factors:

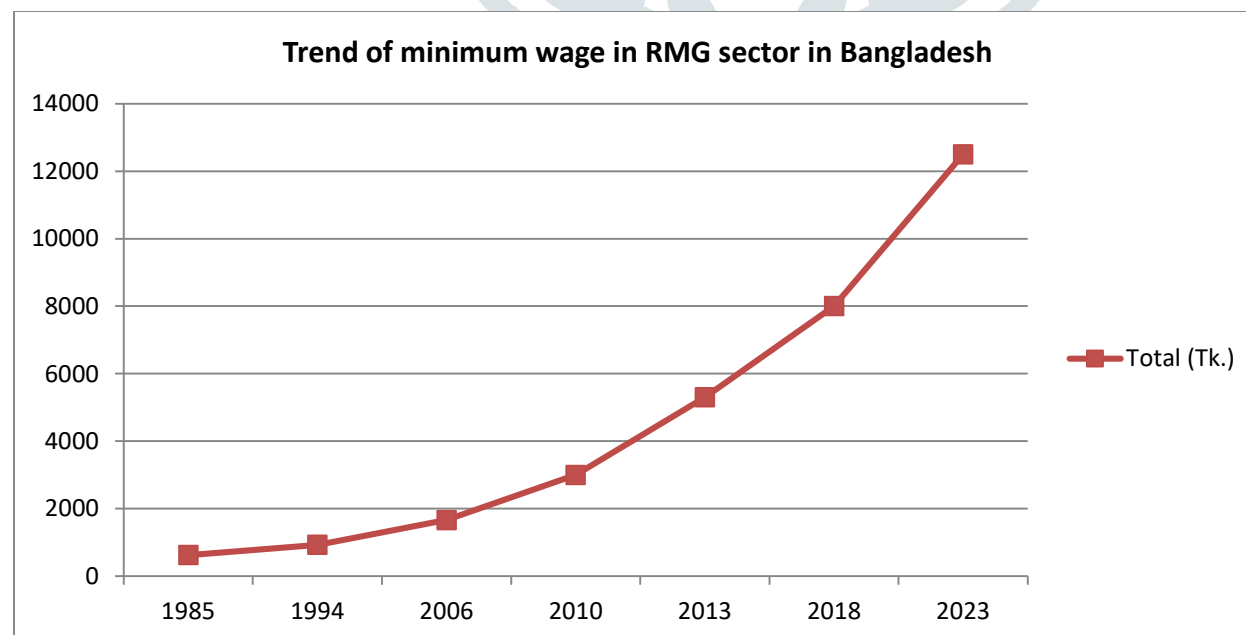
Inflation and Cost of Living: The surge in inflation and the escalating cost of living necessitated a raise in wages. The previous minimum wage of 8,000 BDT, established in 2018, proved insufficient for workers to meet their basic necessities (Dhaka Tribune).

Economic Viability: The objective of the wage increase was to strike a balance between enhancing the living standards of workers and ensuring the financial viability of the RMG sector, which plays a crucial role in Bangladesh's economy (Clean Clothes Campaign).

List of previous and current pay scales for minimum wages in Bangladesh can be observed to understand the matter more accurately in Table 1:

Year	Basic pay	House rent	Medical allowance	Transportation allowance	Food allowance	Total (Tk.)
1985						627
1994	600	180	150			930
2006	1125	337.5	200			1662.50
2010	2000	800	200			3000
2013	3000	1200	250	200	650	5300
2018	4100	2500	600	350	900	8000
2023	6700	3350	750	450	1250	12500

Source: mwb.gov.bd



The graph titled "Evolution of Minimum Wage in RMG Industry in Bangladesh" depicts the advancement of minimum salaries in the Ready-Made Garment (RMG) industry from 1985 to 2023. Below are the significant points and patterns identified in the graph.

Initial Low Wages (1985-1994): In 1985, the minimum wage started at a low base, reflecting the early stages of the RMG sector development in Bangladesh. The wage was around a few hundred Tk. But in 1994 there was a slight increase in the minimum wage, indicating the beginning of gradual improvements as the sector grew and became more significant to the economy.

Moderate Increase (1994-2006): By 2006, the wage had seen a more noticeable increase, crossing the 1,000 BDT mark. This period marks a phase where the sector started gaining more international prominence, leading to better wages for workers.

Significant Increases (2010-2018): In 2010 a substantial jump in the minimum wage is evident, reaching close to 3,000 BDT. This increase was influenced by heightened global scrutiny over labor conditions and efforts to improve workers' welfare. Another significant rise occurred in 2013, with the wage nearly doubling to around 5,000 BDT. This period was marked by global campaigns for better labor standards following high-profile incidents like the Rana Plaza collapse in 2013.

Major Hike (2018-2023): In 2018 the wage increased further to 8,000 BDT, reflecting continuous efforts to improve living standards for garment workers amidst rising living costs. The latest substantial increase brought the minimum wage to 12,500 BDT in 2023. This 56.25% increase from 2018 highlights ongoing adjustments to meet inflation and the cost of living, though it still faces criticism for not being a living wage.

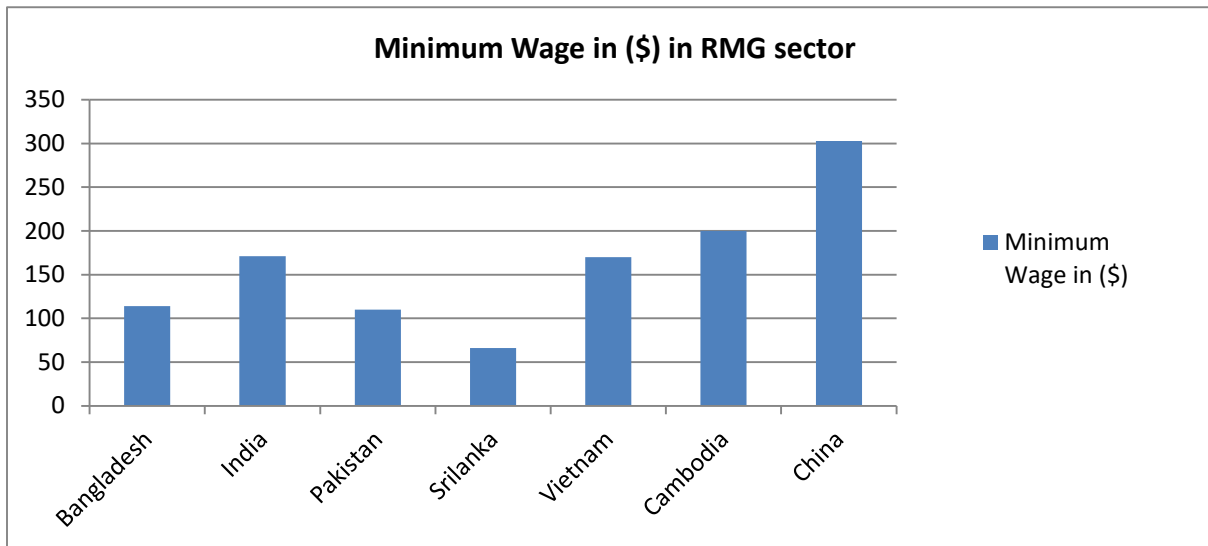
The graph illustrates a noticeable pattern of steady yet substantial rises in the minimum wage throughout the years. This rise indicates the increasing significance of the RMG sector in Bangladesh's economy and the consequent necessity to enhance labor regulations. Nevertheless, despite these increments, ongoing discussions emphasize that the wages might still not be sufficient to meet a decent standard of living, given the present economic circumstances and expenses.

Regional Comparison:

When compared to other garment-producing countries, Bangladesh's new minimum wage is still relatively low. For example, in Vietnam and Cambodia, the minimum wages for garment workers are higher, although these countries also face similar economic pressures. List of in minimum wages in RMG sector of some regional countries are stated in Table 2.

Country	Minimum Wage in (\$)
Bangladesh	114
India	171
Pakistan	110
Srilanka	66
Vietnam	170
Cambodia	200
China	303

Source: <https://thefinancialexpress.com>.



Let's compare the minimum wages in the Ready-Made Garments (RMG) sector of other countries with Bangladesh, which has a minimum wage of \$114: India's minimum wage in the RMG sector is higher than Bangladesh's by \$57. Pakistan's minimum wage is almost on par with Bangladesh's, being only \$4 lower. Sri Lanka's minimum wage is significantly lower than Bangladesh's, being \$48 less. Vietnam's minimum wage is slightly higher than Bangladesh's, by \$56. Cambodia offers the highest minimum wage among these countries, surpassing Bangladesh's minimum wage by \$86. And China's minimum wage in the RMG sector is considerably higher than Bangladesh's, by \$189.

These figures represent the minimum monthly wages for workers in the RMG sector in these respective countries, expressed in US dollars. The variations in minimum wages can be attributed to several factors:

Economic Development: Countries with higher levels of economic development tend to have higher minimum wages. China, for example, has a higher minimum wage compared to countries like Bangladesh and Sri Lanka.

Cost of Living: Minimum wages often reflect the cost of living in a particular country or region. Countries with higher living costs, such as India and China, generally have higher minimum wages.

Labor Regulations: Each country has its own set of labor laws and regulations governing minimum wages. These regulations can vary significantly, influencing the minimum wage levels.

Industry Competitiveness: The competitiveness of the garment industry in each country also plays a role. Countries with a more competitive industry may offer higher minimum wages to attract and retain skilled workers.

Exchange Rates: Exchange rate fluctuations can affect the value of minimum wages when expressed in US dollars.

Political and Social Factors: Political stability and social welfare policies can also influence minimum wage levels.

These factors, among others, contribute to the variations observed in minimum wages across different countries in the RMG sector. In summary, among the listed countries, Cambodia and China have higher minimum wages in the RMG sector compared to Bangladesh. India and Vietnam have slightly higher minimum wages, while Pakistan has a comparable rate, and Sri Lanka has a significantly lower minimum wage.

Findings:

To find the findings from the provided data in table 1, let's analyze the trends and changes in the basic pay, house rent, medical allowance, transportation allowance, food allowance, and the total compensation over the years. There's a clear upward trend in basic pay over the years, increasing from 600 in 1994 to 6700 in 2023. House rent allowance has also increased gradually over the years, from 180 in 1994 to 3350 in 2023. Medical allowance has seen fluctuations but generally increased over time. It was 150 in 1994 and rose to 750 in 2023. Transportation allowance has also increased over the years, from initially not being specified to 450 in 2023. Food allowance has seen significant increases, from not being specified initially to 1250 in 2023. The total compensation has increased significantly over the years, from 930 in 1994 to 12500 in 2023. Overall, there's a clear pattern of increase in all components of compensation over the years, reflecting inflation, increased cost of living, and potentially improved benefits packages by employers. On the other hand in table 2 shows that Sri Lanka's minimum wage is significantly lower than Bangladesh's, being \$48 less. Vietnam's minimum wage is slightly higher than Bangladesh's, by \$56. China's minimum wage in the RMG sector is considerably higher than Bangladesh's, by \$189. These figures represent the minimum monthly wages for workers in the RMG sector in these respective countries, expressed in US dollars. China, for example, has a higher minimum wage compared to countries like Bangladesh and Sri Lanka. Countries with higher living costs, such as India and China, generally have higher minimum wages. These regulations can vary significantly, influencing the minimum wage levels. Countries with a more competitive industry may offer higher minimum wages to attract and retain skilled workers. These factors, among others, contribute to the variations observed in minimum wages across different countries in the RMG sector.

In summary, among the listed countries, Cambodia and China have higher minimum wages in the RMG sector compared to Bangladesh.

Recommendations:

Recommendations regarding minimum wages in the ready-made garment (RMG) industry in Bangladesh need to take into account a variety of factors, including the economic viability of the industry, the living standards of workers, and the current context. Here are some recommendations:

- 1. Regular review:** Undertake regular reviews of minimum wages in the ready-to-wear sector to ensure minimum wages keep up with inflation and living costs active. This can be done annually or every two years to make timely adjustments.
- 2. Transparent process:** Ensure transparency and stakeholder participation in the minimum wage setting process. This includes consulting with representatives of trade unions and industry associations to reach consensus and address the concerns of all parties.
- 3. Living wage standards:** Strive to establish minimum wages at a level that meets the basic needs of workers and their families, consistent with international living wage standards. Consider factors such as housing, food, healthcare, education and transportation costs.
- 4. Productivity and efficiency:** Encourage initiatives to improve productivity and efficiency in the ready-to-wear industry, which can help offset potential increases in labor costs associated with minimum wage increases. This can include investments in technology, training programs and better management practices.

- 5. Social protection:** Implement social protection measures in addition to adjusting the minimum wage to support workers such as health insurance, maternity leave, child care and access to educational and training opportunities.
- 6. Compliance and enforcement:** Strengthen enforcement mechanisms to ensure compliance with minimum wage regulations in the ready-to-wear industry. This includes monitoring working conditions, working hours, overtime pay and other labor standards to prevent exploitation and ensure workers' rights are respected.
- 7. Dialogue and cooperation:** Promote continued dialogue and cooperation between employers, workers, government agencies and civil society organizations to address challenges and promote Sustainable development in the ready-to-wear sector.
- 8. Promote collective bargaining:** Support the development of collective bargaining mechanisms in the ready-to-wear sector to enable workers to bargain collectively over wages and working conditions.
- 9. Research and data analysis:** Conduct research and data analysis to assess the impact of minimum wage adjustments on the garment industry, employment levels and worker well-being, and use the results to inform future policy decisions.
- 10. Comply with global standards:** Ensure that minimum wage regulations in the ready-to-wear industry are consistent with international labor standards and conventions, promoting ethical business practices ethical and responsible.

By implementing these recommendations, Bangladesh can strive to achieve a fair and sustainable minimum wage system in the ready-to-wear sector that balances the interests of workers, employers and economy.

Conclusion:

In summary, the issue of minimum wages in the Ready-Made Garment (RMG) sector in Bangladesh is intricate and multifaceted, necessitating a thorough examination of various factors to ensure equitable and sustainable outcomes for all parties involved. The RMG sector holds a pivotal role in the nation's economy, employing millions of individuals and making significant contributions to exports and GDP. The proposed recommendations are designed to tackle the primary obstacles and opportunities associated with minimum wage regulations in the RMG sector. It is imperative to establish a transparent and inclusive process for determining and revising minimum wages, considering aspects such as inflation, cost of living, and international standards for living wages. Furthermore, endeavors should be made to enhance productivity and efficiency within the sector, bolster social protection measures, reinforce compliance and enforcement mechanisms, and foster dialogue and cooperation among stakeholders. Through the implementation of these suggestions, Bangladesh can work towards establishing a minimum wage framework in the RMG sector that promotes dignified labor, supports the well-being of workers, and contributes to sustainable progress. Effective regulation of minimum wages is essential not only for ensuring just compensation for workers but also for enhancing the competitiveness and reputation of the RMG industry in the global arena.

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