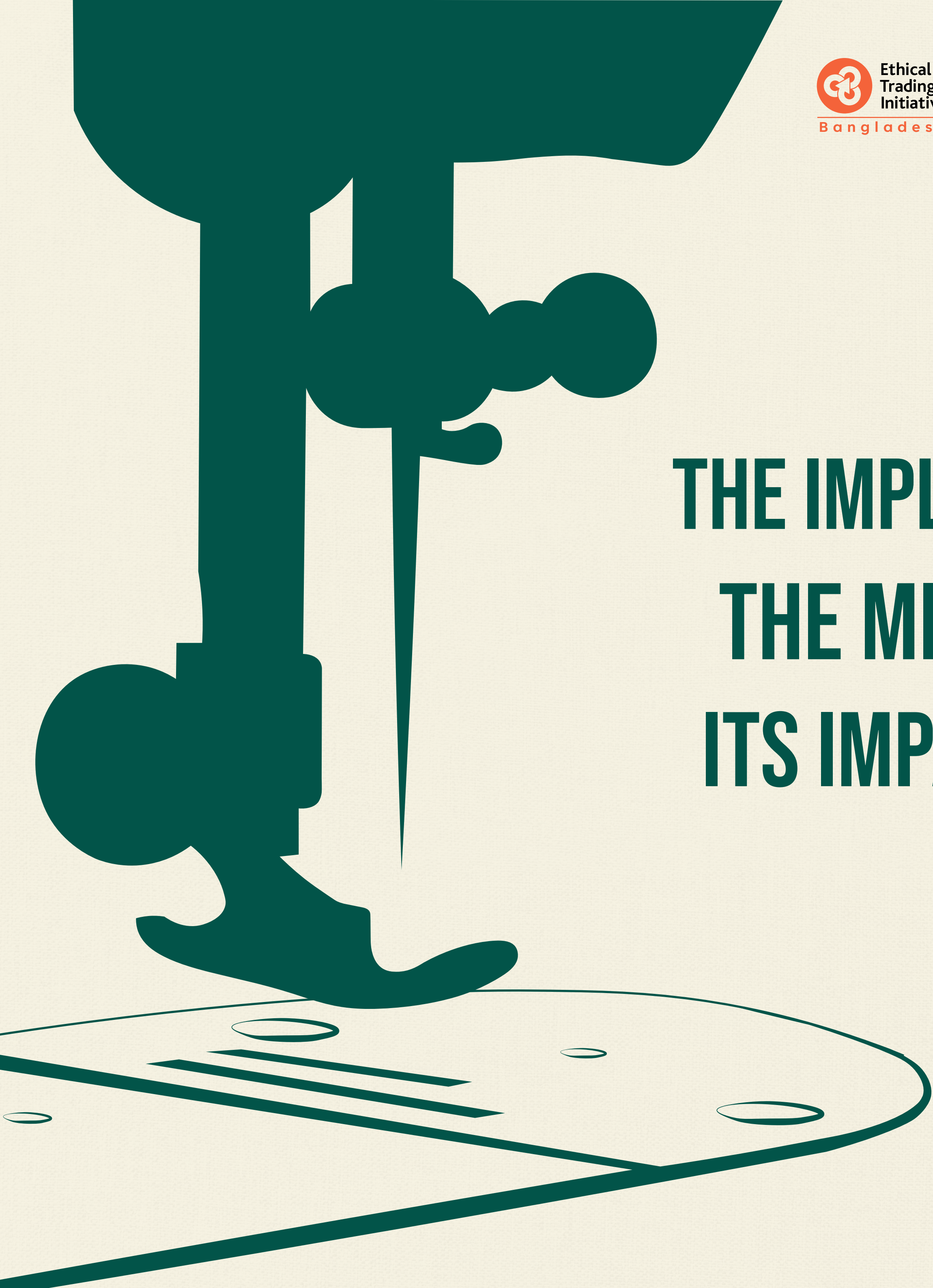


THE IMPLEMENTATION STATUS OF THE MINIMUM WAGE 2023 & ITS IMPACT ON RMG WORKERS

STITCH
SUSTAINABLE TEXTILE INITIATIVE: TOGETHER FOR CHANGE

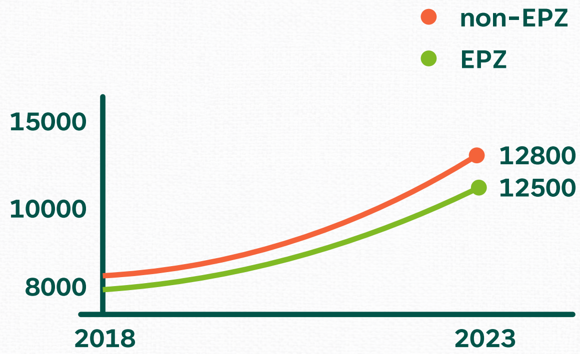
The Sustainable Textile Initiative
Together for Change

The Sustainable Textile Initiative: Together for Change (STITCH) is a multi-country programme, supported by the Ministry of Foreign Affairs of the Netherlands. In Bangladesh, the STITCH consortium consists of Ethical Trading Initiative Bangladesh, Mondiaal FNV, and Fair Wear Foundation. The programme's primary goal is to redefine the future of the garment industry where, textile workers, mainly women, can shape their employment conditions, avail gender equality, receive living wages and avail decent working conditions.

Background Context

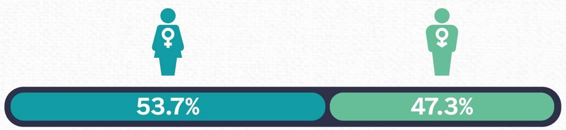
On December 2023, the Bangladesh Minimum Wage Board revised the minimum wages for the ready-made garment (RMG) sector. Both EPZ and non-EPZ factories received a **56%** nominal increase in minimum wages, as illustrated below:

- For non-EPZ factories, the monthly minimum wages were revised to BDT 12,500 (previously: BDT 8000)
- For EPZ factories, BEPZA also finalised a new monthly minimum wage of BDT 12,800 (previously: BDT 8200)



Increase in minimum wages (in BDT)

Industry observations have highlighted deviations in minimum wage implementation. Workers are reportedly less benefited, experiencing increased job stress and longer working hours, among other issues - especially women workers, who comprise **53.7%** of the RMG workforce[1]. Brands and other organisations have been observed to be limited in providing support. Thus far, there has been limited research on the implementation of the revised minimum wage and its impact on workers. It is, therefore, crucial to explore these findings and assess the implementation status of the 2023 minimum wage revision, including its impacts on workers.[2]



Proportion of men & women workers in Bangladesh RMG

1 ETI Bangladesh, BRAC University and GIZ (2023): https://etibd.org/wp-content/uploads/2023/03/ResearchReport-GIZ-ETI-BRACU.pdf
2 CPD (2024): https://cpd.org.bd/resources/2024/03/Revision-of-the-Minimum-Wage-of-RMG-Workers-in-2023.pdf

The Implementation Status of The Minimum Wage 2023 and Its Impact on RMG Workers

This research is a joint initiative between the STITCH Consortium in Bangladesh and BRAC University. The main objective(s) of this research were to (I) assess the implementation status of the 2023 minimum wage; (II) analyse and examine the roles of different stakeholders e.g. government, brands, trade associations, on minimum wage; (III) uncover challenges in wage implementation and analyse its socio-economic impact on workers; (IV) identify loopholes in the current wage-setting system and, formulate a set of recommendations to strengthen the wage governance system in the Bangladesh RMG Sector. Data collection was conducted between September and October 2024.

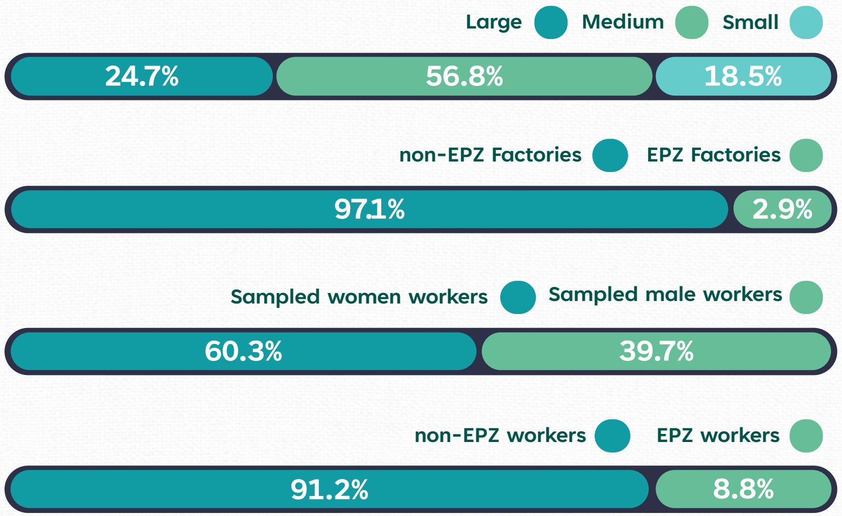
Methodology

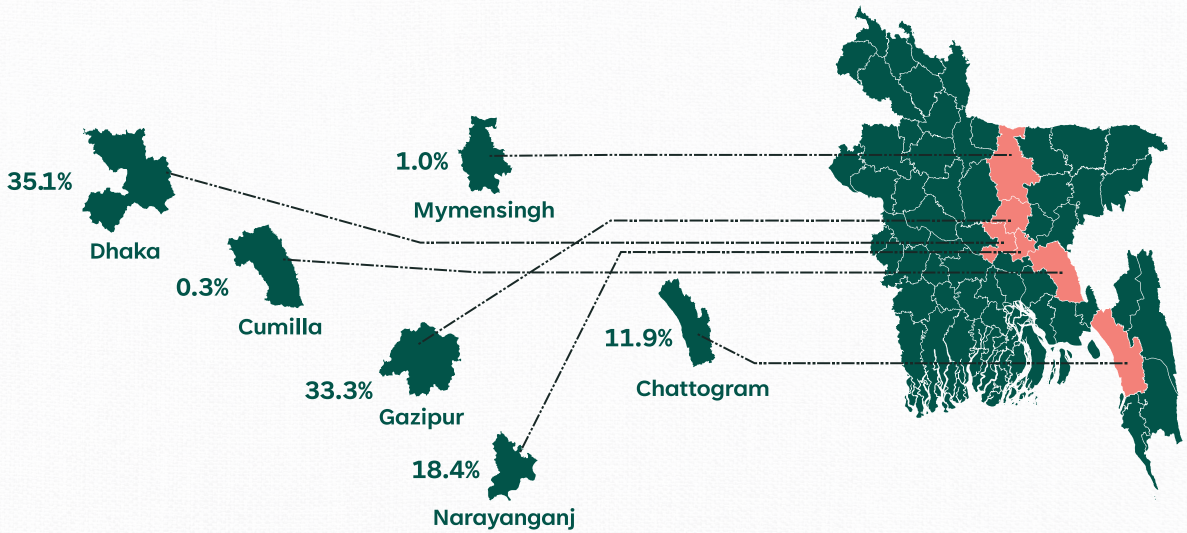
The study employed a mixed-method approach, combining quantitative and qualitative techniques to provide a comprehensive understanding of the research objectives. The quantitative study included both factory and worker surveys (EPZ and non-EPZ), using proportionate random sampling. Statistically representative samples were used for both factory and worker surveys. Qualitative techniques included: focus group discussions (FGDs) with workers[3] and key informant interviews (KIIs) of various key stakeholders. **Recommendations under this study have been consolidated based on suggestions collated from the study's respondents and from a series of consultations on the key research findings with various core industry stakeholders, including government, brands, suppliers, worker representatives, etc.**

3 Worker surveys were independent from factory surveys and had been conducted at the community level. Worker samples were not chosen based on the factories surveyed. The worker responses are not necessarily from the same factories, but there may be some unintentional overlap.

Quantitative: Survey

- A total of 385 factories were surveyed (of which, large: 24.7%; medium: 56.8% and small: 18.5%)[4]
- 11 factories (2.9%) were EPZ factories
- The study also surveyed workers separately to validate the findings of the factory survey and explore further insights from the workers
- 1,113 workers were surveyed (of whom 60.3% were women and 39.7% were men)
- 91.2% of surveyed workers were from non-EPZ factories
- 8.8% of surveyed workers belonged to EPZ factories
- Geographical location of surveyed factories[5]:
  - **Dhaka (135)**
  - **Cumilla (1)**
  - **Gazipur (128)**
  - **Narayanganj (71)**
  - **Mymensingh (4) and**
  - **Chattogram (46)**





4 The definition of the size of a factory is based on Article 3.3 of the National Industrial Policy 2022 (Ministry of Industry 2022), which states that a small factory refers to a factory with fewer than 121 workers, medium factories 121 to 1000 workers, and large factories comprise more than 1000 workers.

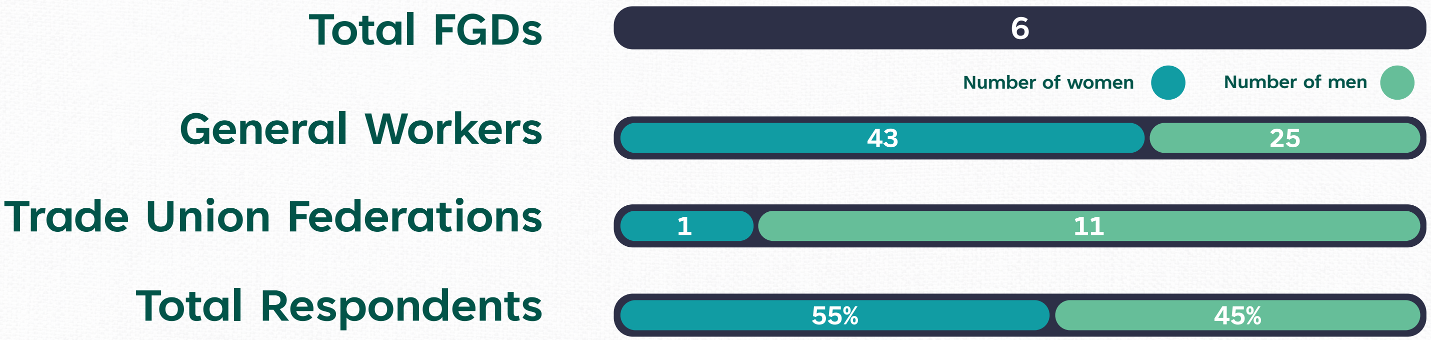
5 Number of factories surveyed are indicated inside the brackets

Qualitative: Key Informant Interviews (KIIs)

KII	
Stakeholder Group	No. of KIIs
Government	2
NGOs[6], LROs[7] & Bilateral Organisations	5
Trade Unions	5
Trade Associations	2
Suppliers	5
Brands	5
Research Institution	1
Total	**25**

Distribution of KIIs

Qualitative: Focus Group Discussions (FGDs)



6 Non-Governmental Organisation

7 Labour Rights Organisation

Key study findings:

Wage Implementation Status (as of September 2024)

- The factory surveys revealed that **69%** of the sampled factories implemented the new minimum wage
- The **31%** that had not implemented the new wages were all non-EPZ factories
- Despite being non-compliant, **22%** of non-EPZ factories partially increased wages
- **100%** EPZ factories were compliant (11 out of 385 surveyed)
- On the other hand, **81%** from the worker survey reported receiving the revised minimum wage[8]
- **47.4%** of the identified non-compliant factories were associated with non-traditional brands (brands from other regions, except Europe and America)
- Among large factories, the compliance rate is the highest, with **100%** implementing the revised wages
- **80%** of the total compliant factories were trade association members (BGMEA/BKMEA), indicating that membership with trade associations has a positive role in wage implementation
- **6.2%** of the sampled non-EPZ factories had trade unions & **51.9%** of the sample had participation committees, but the study found no significant correlation between the presence of such worker committees and wage implementation
- Even in factories with no worker committees, **62.8%** met the new minimum wage rule— indicating that there is scope for improved social dialogue and collective bargaining by worker representatives to ensure wage compliance

8 As the worker survey was independent from the factory survey, a lion's share of the sample workers may have been from compliant factories. This may explain the difference between 69% of the sampled factories reporting full implementation of minimum wages versus 81% of the worker survey reporting receiving the revised wages. Another possible explanation for the difference may be owing to workers mis-identifying their revised wage grades, for more details please see page 08.

Factory Wage Implementation Challenges

- Factory surveys revealed that average salary costs rose by **31%** (non-EPZ factories) and **38%** (EPZ factories), with no significant production increase
- **32.7%** of the total non-compliant factories cited increased operational costs as their primary reason for non-compliance
- **24.3%** of the total non-compliant factories cited limited price support from brands as their primary reason for non-compliance
- **74.6%** of the compliant factories reported an increase in operational costs
- **59%** of the compliant factories also faced challenges in price negotiations after the wage revision
- **82.9%** of the total surveyed factories reportedly received no support from relevent stakeholders, including brands, after the minimum wage revision
- Only **10.7%** of the surveyed factories received wage implementation-related support from brands and **2.1%** had received support from the government (e.g. financial subsidies/incentives, policy adjustments, technical assistance, regulatory flexibility)

Price Adjustments by Brands

- Factories surveyed reported that most brands did not adjust prices after the wage hike — only **18%** of the sampled EPZ and **33%** of the sampled non-EPZ factories received any increase in prices
- Small factories were hit the hardest: only **23%** of the small factories received price support from brands
- Factory surveys revealed that non-traditional brands (i.e brands from other regions, except Europe and America) were the least responsive towards price support; only **27%** of the sample received increased prices from non-traditional brands
- In contrast, **35.5%** of the sample reported receiving price increases from European brands, and **35.9%** from American brands
- Factories reported that brands only increased prices by a small margin; full cost adjustments were rare
- However, brands reported factories wanting a "large lump sum'' in price adjustments, without providing evidence-based justification for their associated costs
- Sampled brands further reported offering **2-3%** price adjustments to their supplier factories

Revised Minimum Wage: Worker impacts & challenges

- Despite the increase in minimum wages, the research finds that real wages have declined by **12–15%** (compared to 2018) due to inflation, indicating a decline in purchasing power for workers
- Surveyed workers revealed that prices of rent **(10% increase)** and other essentials (**28.9%** increase in groceries, **22.3%** increase in healthcare, and **32.6%** increase in education) had increased in 2024 (compared to 2023) following the revised wage announcements
- Workers reported that the increase in expenditure and decrease in purchasing power combined, negated any possible financial benefit from the revised wages
- **65.7%** of workers reported increased workload, driven by higher production targets and increased overtime
- While **92.2%** of workers surveyed reported they are aware of the revised minimum wage, many misidentified their current grade due to the new grade compression;[9] for example, among sampled workers previously in Grade 4, only **47.8%** correctly reported their updated grade
- Analysis of the worker surveys revealed that **35.1%** of the sampled workers remain underpaid[10] despite wage increments or otherwise
- However, only **19%** of the sampled workers reported not receiving revised wages (please refer to page 05)
- The additional **16.1%** of workers found to be underpaid[10] may be owing to the lack of worker awareness on their updated wage grades

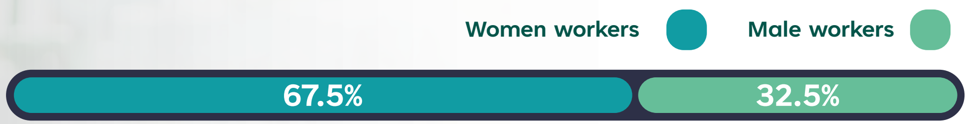
9 The restructuring of wage grades in the 2023 minimum wage marks a significant shift, reducing the 7 wage grades in the 2018 structure to 4 wage grades in the 2023 structure. With the grade compression, where multiple wage grades were merged, many experienced workers were reassigned to the same wage as newly promoted employees, effectively resetting their accumulated raises. This meant that workers who had received annual increments under the old system did not see their past earnings fully accounted for in the new wage structure.

10 Here, underpaid indicates workers were not paid as per their new wage grade.

Revised Wages & Gendered Disparities

The study found that gender pay gaps between men and women were prevalent across all age groups, grade classifications, levels of education and years of experience, where:

- Of the **35.1%** underpaid (who were not paid as per the new wage grade), **67.5%** are women
- Men reportedly earn **8.7%** more than women workers overall
- Male workers are paid more across almost all education levels and job titles (e.g., Helper/Assistant: **+832** BDT for men)
- Women dominate repetitive roles (e.g., **70%** of the sewing roles from the sampled workers were women) but are excluded from higher-tier positions



Percentage of underpaid workers disaggregated by sex

Loopholes in the Current Wage Setting System

The research study uncovered the following loopholes in the current wage setting system:

- Lack of independent worker voice representation as wage-setting board member selection is influenced by politically-motivated factors and assosicated industry power dynamics
- Lack of a national minimum wage model to act as a baseline for different sectors
- Inflation adjustment and performance increments are not the same yet, are often mixed up and workers' experience may get devalued
- Lack of preparation time for factories and brands to implement revised wages and adjust prices, respectively
- Wage announcements cluster around election years, leaving factories less than 6 months to comply

Recommendations
Government

Strengthen wage governance through: (I) policy reformation (II) enhancement of respective government agency's institutional capacities and sensitisation towards worker rights issues and, (III) boosting inter-ministerial coordination & collaboration as follows:

- **Strengthen the National Minimum Wage Board's capacity** by (I) allocating sufficient budget towards its own operations (II) appointing experienced officials (III) establishing a dedicated research unit to carry out regular cost-of-living studies, ensuring that wage decisions are data-driven, realistic and based on the living wage principles
- **Enhance the institutional capacity of enforcing agencies** (e.g. DIFE) as well as their accountability by improving their budgetary allocation, human resources and governance system
- **Boost inter-ministerial coordination** particularly, between the MoC[11], MoLE[12] & MoPA[13] to ensure revised wages are effectively enforced across regions and industries
- **Establish a universal national minimum wage structure** to be reviewed periodically (e.g. every 3 years) so that it reflects inflation and costs of living, with a trajectory towards living wages

11 Ministry of Commerce

12 Ministry of Labour & Employment

13 Ministry of Public Administration

- **Detach minimum wage announcements from any politically motivated timelines** e.g. national elections[14], ensuring minimum wage announcements are worker-focused, allowing factories at least 6 months breathing space to prepare for the revised wages before implementation

- **Strengthen national & sectoral-level trade unions** by creating a legal framework and an enabling environment for them to engage in effective democratic social dialogue - boosting the overall trade union movement

- **Functionalise & boost RMG TCC**[15] to ensure discussions are both worker-focused and effective in shaping revised wage policies, by promoting regular, meaningful stakeholder engagement, including proportionate representation of trade unions – where representation is chosen through a non-partisan process

- **Create & strengthen worker legal-aid systems** whether formal or informal (e.g. labour courts, alternate dispute resolution, trade unions, multi-stakeholder initiatives etc.) in partnership with trade associations and other key stakeholders, ensuring workers' access to remedies e.g. on wage implementation discrepancies and the recovery of unpaid wages

- **Provision a low-interest transition fund or credit guarantee scheme** to support **small factories** in meeting revised wage obligations; *this facility would cushion short-term cash-flow pressures during the first months of implementation, helping employers remain compliant while ensuring workers receive their revised wages on time*

14 Revised wage announcements have historically clustered around national election cycles, leaving factories less than 6 months to prepare before the revised wages are to be implemented

15 Ready-made Garment Sector Tripartite Consultative Council

Trade Associations

- **Enhance own capacity for advocacy** by engaging with brands, relevant international platforms, and the government on minimum wage deliberations
- **Advocate for responsible purchasing practices** with brands by exploring fair and consistent pricing agreements that ensure factories can meet revised wage obligations
- **Boost sector-wide wage transparency** by (I) ensuring factory-level digitisation of wage-related data and (II) implementing a sector-wide digital wage data management system to effectively monitor implementation
- **Build the capacity of factories** on fair pricing negotiations, resource efficiency, financial planning, and cost management, so that they can sustain wage compliance over the long term; *this support should especially be* ***extended*** *toward small and non-member factories*
- **Partner with government to design targeted support schemes** that help small factories absorb wage increase shocks without resorting to layoffs or reduced profits and strengthen legal aid systems
- **Strengthen sectoral discussions on wage-setting & compliance** via meaningful stakeholder engagement in sectoral platforms e.g. RMG TCC[15] to ensure revised wage setting and implementation

Factories

- **Plan ahead for smooth wage implementation** by beginning preparations ideally 6–12 months prior; *preparations may include: analysing public data on wages, projecting upcoming wage increments, initiating negotiations with brands on better prices, and setting up necessary adaptation strategies accordingly*
- **Enhance business team's negotiation capacities** to advocate and ensure fairer and increased prices from brands
- **Boost wage-related transparency** by tracking, digitising and publishing wage-related data i.e. wage disbursement, overtime, promotion etc. disaggregating them by sex and grade
- **Utilise freedom of association and social dialogue as a business case** by ensuring an enabling environment for trade unions and equipping them as an effective tool to boost industrial productivity, manage wage compliance issues and hence, promote stable industrial relations
- **Strengthen worker wage literacy** through continuous education on their designations, wage grades etc., **especially** around minimum wage announcement timelines, ensuring transparent and credible communication with workers
- **HR & Compliance teams may consider showcasing projected career pathways** for workers, aligned with minimum wages that transitions to fair wages – furthering worker wage literacy

Trade Union Federations

- **Strengthen worker leader capacities for evidence-based advocacy** through knowledge enhancement on key topics such as international labour standards, inflation trends and regional wage practices, especially, the national minimum wage setting process
- **Expand sectoral networking** in collaboration with other stakeholder groups such as, civil society organisations i.e. think tanks/research institutes to upgrade own data-driven knowledge base
- **Amplify trade union capacity & worker awareness** on (I) the entire minimum wage setting process, including how wage adjustments are determined (II) different wage grades according to their proposed new wages and (III) provision of legal aid options, particularly among women workers
- **Promote access to worker legal-aid systems** whether formal or informal (e.g. labour courts, alternate dispute resolution, trade unions, multi-stakeholder initiatives etc.), ensuring workers' access to remedies such as: on wage implementation discrepancies and the recovery of unpaid wages

Brands

- **Adopt a fair, shared-responsibility pricing model** that captures multi-season costings, correlates with minimum wage increments, reflects real wage rises and inflation, based on the principles of responsible purchasing practices
- **Initiate open dialogues with trade associations, suppliers & worker representatives** to align pricing with current wage structures based on international frameworks for instance, the meaningful stakeholder engagement framework (MSE) by the STITCH partnership
- **Establish long-term & strategic partnerships with suppliers** ensuring business predictability, thereby boosting factory preparations for upcoming revised wages and their expected impacts
- **Develop systematic mechanisms for price adjustments** after wage revisions, through pilot projects in select supply chains that test automated price adjustment formulae – results from which may be utlised to outline broader pricing strategies

Labour Rights & Civil Society Organisations

Function as a catalyst, boosting overall sectoral capacity and sensitisation towards worker-centric policy reforms by:

- **Fostering partnerships and solution-driven research** in collaboration with established research institutes, think tanks or academia to develop evidence-based wage revision proposals by collating evidence from diverse stakeholder groups for the Minimum Wage Board
- **Facilitating meaningful stakeholder engagement in RMG** with key sectoral actors such as: research institutions, think tanks, businesses, bilateral organisations, trade unions etc. to catalyse the sector's overall sensitisation towards worker-centric wage policy reforms

This research is a joint initiative of the Sustainable Textile Initiative: Together for Change (STITCH) Consortium in Bangladesh, consisting of Ethical Trading Initiative Bangladesh, Mondiaal FNV, Fair Wear Foundation, and BRAC University. The study is supported by the Ministry of Foreign Affairs of the Netherlands. The research team comprised Shahidur Rahman, PhD, Md. Faizul Islam, Shaan Washique Akbar, Md. Rafsan Al Abu Huraira, Adiba Amreen, and Kinnory Boishakhi of BRAC University.

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This research project was coordinated by Khaleda Akhter and Kazi Akib Hassan of Ethical Trading Initiative Bangladesh.

This summary report has been prepared to facilitate an extensive dissemination of the findings.

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