RMG WORKER’S WAGE IN BANGLADESH

A REVIEW

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Abstract

Being a geographically small country, Bangladesh with its readymade garment (RMG) sector has progressed remarkably on a global scale. Contributing more than eighty percent of the country’s total exports today¹, RMG of Bangladesh is served as a global commodity. However, regarding the issue of living standard and wage, the RMG industry of Bangladesh hasn’t been keeping pace with the other clothing exporting countries.² In this study, an attempt has been made to point out the internal wage related irregularities & prevailing unfairness in the labor community. The empirical cases reveal prominent non-compliancy in labor management practices. Minimum Wage, being considered to have the most common impact on worker’s life, this study draws comparative cases with other countries to overview the entire wage system scenario of RMG workers in Bangladesh. Providing employees the rightful wages & necessary constitutional changes are some of the solutions that are elaborated. Considering the attainments and shortcomings of the current wage structure, this review envisions more effective role of the labor unions in securing labor rights in RMG sector.


Chapter 1:

1 Background of the study

1.1 Introduction

The breakthrough of the RMG industry in Bangladesh from its modest inception to the glorified present day is a diverse story. The recent endeavor to understand the labors' rights adds a noticeable chapter to the history. In global clothing export industry, it has become the second largest clothing exporter next to China. Today, the “Made in Bangladesh” Tag is something that we are accustomed to see in any part of the world leaving a remarkable identity across the globe. During the last three decades, the RMG sector accelerated significant growth through the establishment of 5 thousand RMG factories/units across the country along with contributing around 4 million job opportunities in this industry. (Asia news, Al Jazeera, 2016) Current, RMG sector, a $28 billion industry (Textile Today Technical Team, 2016), has about 4 million workers of which 90% are women. RMG accounts for almost 14.07 percent of the GDP of Bangladesh & alone contributes 81 percent to the overall export earnings (M. Saiful Islam, 2016). Since


independence, no single sector could escort the mechanization process to its dominant stage as rapidly as the RMG sector has been able to do so far.

In a country with excess supply of labor, minimum wage is an essential component for the economic growth of our nation. While, the wave of success continues to hit Bangladesh with immense expansion, on the flip side of this booming growth lies hundreds of thousand garment workers toil, sweat and untiring effort. As a huge number of industrial workers are getting hired by this single most important sector of Bangladesh economy, the safety & comfort of these hard working people should be of main concern to the entrepreneurs for sustaining prosperity of the sector. (Khaled, Problems of Bangladesh Garments Sector and their Solution— An Islamic Perspective, N.d) Instead, many of these garment workers are often being treated unfairly by the factory management with low and irregular wages. Knowing they’re being exploited, these garment workers feel powerless to speak up. This in-built frustration among workers often leads to violent outburst within this prosperous industry. Therefore, strikes and repetitive conflicts in the industrial arena have become increasingly common. Unfortunately, it has now become the actual reality of serious anxiety in Bangladesh. This in turn, immobilizes the growth structure and damages the reputation of the country abroad.

It has been also observed, the issue of “conspiracy” is often raised whenever the country is under the threat of severe unrest attacks by the exporters & many industry insiders. The industry’s immediate response is usually to put the blame on political conspiracy or international competition. Whether it is true or false, this excuse is common for any affected groups. As (Md.Sirajul Islam, 2014) observes, “The answer does not get solved by simply accusing distinctive


individuals or searching hidden clues, but the definite cause may be acutely embedded in the labor-owner relations”. Thus, 4 million garment workers are going through this miserable phase of exploitation. Nevertheless, if this interruption further continues, it would have a devastating impact on the macro-economy of Bangladesh in no time.

1.2 Problem Statement

A major feature of the Bangladesh RMG industry is its reputation of delivering the products at the cheapest price possible. But people who are working day and night for the expansion of this export industry live below the poverty line. From the beginning, entrepreneurs of RMG have been interested in hiring workers who are too timid to stand up for their rights so that they can gain administrative command over them. Moreover, in Bangladesh, the cost of living is generally much above than what the employees actually get paid which is only about $66.49 per month

Rate of inflation has always been around double digits for the last few years, so it’s indispensable for this sector to adopt regular wage revision and increment policy. But none of the wage reviews to date was willingly welcomed by the labor groups because the wage adjustments were too little and they came too late to keep up with the ever increasing inflation. Thus labor unrest is nothing new in Bangladesh in quest of appropriate wages and benefits, particularly over the past couple of years. Different committees are however looking for an amount satisfactory to all individuals by contacting with various investors. (Salam, 2014)

- First, there’s an absence of macroeconomic concrete data and systematically gathered reliable records specifically for this sector.
- Second, additional benefits except wages are not properly cited in the labor law which calls for more clarity upon these matters. Moreover, owners of the factories sometimes

set the allowances based on their own wish. This clearly highlights the lack of proper government policies for benefit facilities & wages in the labor law framework; and

- Third, very minor attempts have been made from the administration to support and defend the demands of this labor community.

1.3 Research Objective

The purposes of this analysis are cited below.

(i) Review the general trend of RMG industry worker’s wage in Bangladesh.
(ii) Provide some international comparison.
(iii) Suggest conflict resolution Processes to improve the situation for the betterment of this sector.

1.4 Research Structure

This report with a multi-dimensional, cross-country comparison examines wage related struggles of the Bangladesh garment industry workers at national and global levels. It continues with a brief background discussion of wage struggle in RMG industry in section one followed by the literature review in section two. Section 3 reviews the methodology. Afterwards, in section 4, the findings have been analyzed by assembling different authentic empirical studies of BILS, CSI, CPD, BGMA ILO and WB National Reports. This section of the report particularly explores the reality of minimum wage practices, investigates how minimum wages are set for the RMG of Bangladesh, and documents multiple forms of employer non-compliance including overtime practices. Finally, section 5 reflects on the depicted situation and sets out recommendations on how to promote worker’s voice in improving dialogues with collective bargaining institutions. The last chapter, section 6 shows the conclusions of the report addressing the research objectives presented in the previous section 1.4.
Chapter 2

2 Literature Review

Opinions vary among different stakeholders regarding the circumstance behind the wage struggle in RMG sector. However, there might have different point of views about the probable mechanism to address such issue in future. In this chapter, opinions of various researchers and authors regarding the cause and solution of the wage struggle in garment industry of Bangladesh will be reviewed. Consequently, on the basis of the opinions of these researchers, further study will be formulated to achieve the objectives set out by the researcher.

(Tamanna, 2010) mentions, although many industrial analysts saw sabotage behind the violent outburst of labor unrest, interestingly the blame game is always implanted in people’s own opinions & thought process. While some stakeholders mentioned it as just a case of international conspiracy, referring as "conspiracy from across the border", others pointed it as a political issue. According to the president of Bangladesh Economic Association (BEA), “the prevailing wage labor unrest situation in the RMG sector was an explosion of anger that remains unresolved for long.”

In the 1990s, the widespread presence of child labor and abuse Bangladesh RMG factories was the highlighted feature of many American and European ‘anti-sweatshop’ movements. Even after putting child labor to an end from this industry, poor wage structures and working condition appear next on frontlines. The recent blow of frequent accidents in this industry have shown nothing but to prove the risky & insecure lives of RMG workers (Dev Nathan, 2016).

(Salam, 2014) mentioned in his report that compared to international standards, below par wages are given to the employees. Therefore, it seems like unpaid wages & wage rate are the most apparent causes of conflicts in the garment sector. Being paid at a nominal amount which is 5,300 taka, or about 65 USD, the garment workers aim to gain above this rate by performing overtime. This surely tricks them out from individual leisure hours which can be detrimental to their physical and mental activities. Being held up to work on holidays or late at night time is a common complaint by the garment workers and on top of that, they are often deprived of their rightful overtime pay. In the true sense, they have little time left for their recreational activities.\textsuperscript{13}

It’s agreed by many researchers that deferred payment of wages & interestingly, unregulated overtime policies are a major source of disappointment for the employees. Most of the times, it’s not possible for many of them to keep up with the living costs without going for overtime, often up until six to eight hours on a regular basis. Partly agreeing with the following requirements, (MAHFUZ) added “job satisfaction” as another one of the main elements that has an effect on the productivity of RMG sector alongside the workplace environment. His studies demonstrate, “job satisfaction has a lot more impact on a worker’s productivity than the circumstance of the work place”.\textsuperscript{14}

In a report presented by (ILO, 2013), low wages and impoverished working environment in RMG industry have disabled the feasible path of growth and perhaps, leaded to few of the most awful tragedies in this industry. As an instance they mentioned, lowest wages are paid to the workers of Bangladeshi garment sector among the other apparel exporting countries.\textsuperscript{15}


\textsuperscript{14} MAHFUZ, M.(N.d), “Disputes in garments industry of Bangladesh” Retrieved from textile-society: \url{http://textile-society.blogspot.com/2013/12/disputes-in-garments-industry-of.html}

A CPD study titled “Bangladesh Apparel Sector in Post-MFA Era” reports, continuing conversation is required among employees and administration, specifically regarding the management of hiring arrangements and other demands. Moreover, a “grievance officer” need to be appointed to manage the factory level misconducts in order to improve Labor relations with the respective enterprises.\(^\text{16}\) (Khan, 2011)

Some experts claim that since there are no trade union facilities in the garments industries, dissatisfaction of the workers regarding wage issues went beyond control. They recommend that just as the owners have the right to select their own representatives, the workers also should have the same right of association and trade union facilities, so that they can select their own representatives to bargain with the owners.\(^\text{17}\) (Khaled, Problems of Bangladesh Garment sector and their solution, An Islamic Perspective, N.d) Though some researchers stated that labor union is a powerful instrument to address the justified rights of the labors but according to Libcom (2006), most of the trade unions seem to be tools of political parties for fulfilling political goals than improving workers conditions.\(^\text{18}\) (Tamanna, 2010)

Apparently, most studies that are reviewed here highlight the fact that without even going into in-depth inquiry, anyone can notice the frequent infringement of Labor Acts in our industrial sectors. The negligence of maintaining labor standards & labor rights by the management authority has made these provisions of law ineffective in this sector.

\begin{flushright}


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Chapter 3:

3  Methodology

This review is mainly based on secondary sources to determine the gaps in the present wage board framework & security system of the garments workers in Bangladesh. Secondary data were collected from official documents of garment industries, research articles, annual reports, various journals, thesis papers, newspapers, online news, survey reports, BGMEA annual reports, and files. While doing this part of the research, the existing literature is involved in evaluating the implementation of labor law practices. Through the application of this approach, findings have been assembled and restored suggesting better conflict resolution process along with propositions for necessary reformation of employee voice.
Chapter 4:

4 Empirical Findings

4.1 Garment worker’s wages: sector wise comparison

The one factor that takes Bangladesh’s garment industry towards being competitive is “cheap labor”. Simultaneously it’s a challenge to fix, since Bangladesh rose to its position mainly due to the low wage structure. It’s a well-known fact that the garment business, usually looks for the next most inexpensive pair of hands.19 (Knack, 2017) While low cost continue to fuel the export growth, Bangladesh serves a major advantage by providing the lowest wages out of the main garment producing countries according to World Bank records. As international companies generally approach with a cost-cutting strategy, and wages are also considerably on the rise in China, even Chinese garment companies are attempting to shift to Bangladesh.

Table 1: Comparative Wages in apparel industry across Asian nations (As of 29 December 2017)

<table>
<thead>
<tr>
<th>Country</th>
<th>Daily minimum wage</th>
<th>In US$</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In Country Currency</td>
<td></td>
</tr>
<tr>
<td>Thailand (Baht)</td>
<td>300.00 - 310.00</td>
<td>9.20-9.51</td>
</tr>
<tr>
<td>Malaysia (Ringgit)</td>
<td>30.67 - 33.33</td>
<td>7.54-8.20</td>
</tr>
<tr>
<td>Philippine (Peso)</td>
<td>340</td>
<td>6.82</td>
</tr>
<tr>
<td>China (Yuan Renminbi)</td>
<td>33.33 - 73.00</td>
<td>5.10-11.17</td>
</tr>
<tr>
<td>Cambodia (Cambodian Riel)</td>
<td>18,666.67</td>
<td>4.67</td>
</tr>
<tr>
<td>Pakistan (Rupee)</td>
<td>433.33</td>
<td>3.94</td>
</tr>
<tr>
<td>Vietnam (Region I &amp; II) (Dong)</td>
<td>110,666.67 - 125,000.00</td>
<td>4.89-5.53</td>
</tr>
<tr>
<td>Indonesia (Rupiah)</td>
<td>44,591.50 - 111,858.33</td>
<td>3.29-8.26</td>
</tr>
<tr>
<td>Myanmar (Kyat)</td>
<td>3,600.00</td>
<td>2.67</td>
</tr>
<tr>
<td>Bangladesh (Taka)</td>
<td>176.67</td>
<td>2.15</td>
</tr>
</tbody>
</table>

Source: Adapted from National Wages and productivity Commission.

Thus, Bangladesh turns out to be an increasingly attractive destination to make clothes at an inexpensive rate.\textsuperscript{20} (Marc Bain, 2015)

As it can be seen from the above table 1 that daily minimum wage of Bangladesh garment workers remain the lowest in the world compared to other nations. Similar information is mentioned by (Nick, 2015) that Bangladesh offers the lowest monthly minimum wage in RMG export industry among the Asian nations which is almost about $67 per month.\textsuperscript{21} Thus, the advantage of having the lowest possible wage has been transformed into a powerful comparative advantage for the manufacturers of Bangladesh. (Khaled, Problems of Bangladesh Garments Sector and their Solution– An Islamic Perspective, N.d) Needless to say, requests & claims of the periodic minimum wage structure improvement is evident and reasonable.

4.1.1 Comparative wage scenario in Bangladesh

Minimum wage board of Bangladesh has so far declared minimum wage for different sectors across the country. However it’s a big matter of disappointment that RMG workers rank at the lowest level in terms of the fixed minimum wage rate.

Table 2 shows a comparative scenario of minimum wage in different sectors across the country. Garments workers’ wage of the country is not only less in comparison to the wage amount of other competing country’s workers, they get least even among the workers of other sectors within the country. Table 3 shows a comparison of RMG worker’s minimum wage with other industries. Here, setting the minimum wage figure of Tk 5300 as only a reference value, how many more times the workers of other sectors get than the RMG are evaluated.

\textsuperscript{20} Marc Bain, J. A., “The thing that makes Bangladesh’s garment industry such a huge success also makes it deadly”, April 24, 2015. Retrieved from Quartz: https://qz.com/389741/the-thing-that-makes-bangladeshs-garment-industry-such-a-huge-success-also-makes-it-deadly/

Table 2: Comparative wage scenario in Bangladesh.

<table>
<thead>
<tr>
<th>Name of the industries</th>
<th>Minimum announced wage(Taka)</th>
<th>Declaration years of Minimum wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction &amp; Wood</td>
<td>9882/-</td>
<td>2012</td>
</tr>
<tr>
<td>Tannery</td>
<td>9,300/-</td>
<td>2011</td>
</tr>
<tr>
<td>Oil mills &amp; Vegetable products</td>
<td>7,420/-</td>
<td>2010</td>
</tr>
<tr>
<td>Road Transport</td>
<td>6300/-</td>
<td>2010</td>
</tr>
<tr>
<td>Rerolling Mills</td>
<td>6,100/-</td>
<td>2011</td>
</tr>
<tr>
<td>Cold storage</td>
<td>6050/-</td>
<td>2012</td>
</tr>
<tr>
<td>Rice Processing</td>
<td></td>
<td>2012</td>
</tr>
<tr>
<td>Semi-experienced</td>
<td>7140/-</td>
<td>2012</td>
</tr>
<tr>
<td>Inexperienced(servitor)</td>
<td>5850/-</td>
<td>2012</td>
</tr>
<tr>
<td>Waste processing</td>
<td>5850/-</td>
<td>2012</td>
</tr>
<tr>
<td>Glass &amp; silicates</td>
<td>5300/-</td>
<td>2011</td>
</tr>
<tr>
<td>Salt</td>
<td>General workers (8) Hours salary per 265 BDT which is Tk. 6890</td>
<td>2011</td>
</tr>
<tr>
<td>RMG</td>
<td>5300/-</td>
<td>2013</td>
</tr>
</tbody>
</table>

Construction and wood sector gets 1.86 times more than the wage of RMG sector and tannery sector workers get 1.75 times more than the RMG wage. The workers of road transport get 1.18 times more than the wage of RMG sector, cold storage gets 1.14 times, re-rolling sector gets 1.15 times and workers of rice-processing sector get 1.35 times more than the RMG wage. (Mostafiz Ahmed, 2013)\(^\text{22}\).

Salt workers get Tk. 265 daily for 8-hour work. As per this amount the monthly minimum wage of this group of workers stands at Tk. 6890 which is 1.3 times more than that of the RMG workers. Glass and silicates is the only sector where the workers get the same amount as the RMG workers which is BDT 5300 Tk. Hence, no wage difference can be found between this two industries. Besides, oil-mills and vegetable product sector gets 1.4 times than the RMG workers’ wage in Bangladesh.23

Table 3: Comparison of RMG worker’s minimum wage with other industries

<table>
<thead>
<tr>
<th>RMG workers’ minimum wage</th>
<th>Some sectors having minimum wage</th>
<th>Times more than RMG wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>5300/-</td>
<td>Construction &amp; Wood</td>
<td>1.86</td>
</tr>
<tr>
<td></td>
<td>Tannery</td>
<td>1.75</td>
</tr>
<tr>
<td></td>
<td>Oil mills &amp; Vegetable products</td>
<td>1.4</td>
</tr>
<tr>
<td></td>
<td>Road Transport</td>
<td>1.18</td>
</tr>
<tr>
<td></td>
<td>Rerolling Mills</td>
<td>1.15</td>
</tr>
<tr>
<td></td>
<td>Cold storage</td>
<td>1.14</td>
</tr>
<tr>
<td></td>
<td>Rice Processing</td>
<td>1.35</td>
</tr>
<tr>
<td></td>
<td>Waste processing</td>
<td>1.1</td>
</tr>
<tr>
<td></td>
<td>Glass &amp; silicates</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Salt</td>
<td>1.3</td>
</tr>
</tbody>
</table>

4.2 Current minimum wage scenario in Bangladesh

4.2.1 Recent declared Wage Structure 2013 for the garment workers of Bangladesh

On December 2013, the government took immediate step to increase the minimum wage from US$39/month to US$66.49(5,300 Tk) with an increase of 76.67% in the wake of the Rana Plaza tragedy. But this was still considerably less than what the workers had claimed.(dailystar, 2013)

Table 4: “Gazette on Minimum Wages 2013”.

<table>
<thead>
<tr>
<th>Grades</th>
<th>Basic (BDT)</th>
<th>House rent</th>
<th>Medical allowance</th>
<th>Transport allowance</th>
<th>Food allowance</th>
<th>Gross salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>8,500</td>
<td>3,400</td>
<td>250</td>
<td>200</td>
<td>650</td>
<td>13,000</td>
</tr>
<tr>
<td>2</td>
<td>7,000</td>
<td>2,800</td>
<td>250</td>
<td>200</td>
<td>650</td>
<td>10,900</td>
</tr>
<tr>
<td>3</td>
<td>4,075</td>
<td>1,630</td>
<td>250</td>
<td>200</td>
<td>650</td>
<td>6,805</td>
</tr>
<tr>
<td>4</td>
<td>3,800</td>
<td>1,520</td>
<td>250</td>
<td>200</td>
<td>650</td>
<td>6,420</td>
</tr>
<tr>
<td>5</td>
<td>3,530</td>
<td>1,412</td>
<td>250</td>
<td>200</td>
<td>650</td>
<td>6,042</td>
</tr>
<tr>
<td>6</td>
<td>3,270</td>
<td>1,308</td>
<td>250</td>
<td>200</td>
<td>650</td>
<td>5,678</td>
</tr>
<tr>
<td>7</td>
<td>3,000</td>
<td>1,200</td>
<td>250</td>
<td>200</td>
<td>650</td>
<td>5,300</td>
</tr>
</tbody>
</table>

Source: WORKERS’ VOICE Update on implementation of minimum wages, July 2014[^24]

It has been argued that minimum wage needs be fixed on a rate that helps meeting up the minimum main necessity of the least wage earner. While there exists 7 categories of distinctive ranks, the changes in the midst of each of those ranks seem to be noticeably less. As it can be perceived from the following tables (4 and 5), the relationship between the level of wage and senior position is thoroughly not controlled correctly at the time of the disbursement of payments. Thus, the gap of pay amounts in the middle of two different ranks of workers is perhaps very little to hold them at the same company in the long run. The outcome of this eventually increases revenue yet deteriorates the productivity.\textsuperscript{25} (Salam, 2014)

\textit{Table 5: Rate of increase in The Proposed Wage Structure 2013 for the Garments Workers of Bangladesh}

<table>
<thead>
<tr>
<th>Class</th>
<th>Wage Year 2006 in Taka</th>
<th>Wage Year 2010 in Taka</th>
<th>Rate of Increase</th>
<th>The proposed Wage Structure 2013</th>
<th>Rate of Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grade 1</td>
<td>5,140</td>
<td>9,300</td>
<td>80.93%</td>
<td>13,000</td>
<td>39.78%</td>
</tr>
<tr>
<td>Grade 2</td>
<td>3,840</td>
<td>7,200</td>
<td>87.50%</td>
<td>10,900</td>
<td>51.39%</td>
</tr>
<tr>
<td>Grade 3</td>
<td>2,449</td>
<td>4,120</td>
<td>68.23%</td>
<td>6,805</td>
<td>65.17%</td>
</tr>
<tr>
<td>Grade 4</td>
<td>2,250</td>
<td>3,763</td>
<td>67.24%</td>
<td>6,420</td>
<td>70.61%</td>
</tr>
<tr>
<td>Grade 5</td>
<td>2,046</td>
<td>3,455</td>
<td>68.87%</td>
<td>6,042</td>
<td>74.88%</td>
</tr>
<tr>
<td>Grade 6</td>
<td>1,851</td>
<td>3,210</td>
<td>73.42%</td>
<td>5,678</td>
<td>76.88%</td>
</tr>
<tr>
<td>Grade 7</td>
<td>1,662</td>
<td>3,000</td>
<td>80.51%</td>
<td>5,300</td>
<td>76.67%</td>
</tr>
<tr>
<td>Apprentice</td>
<td>1,200</td>
<td>2,500</td>
<td>108.33%</td>
<td>4,810</td>
<td>92.40%</td>
</tr>
</tbody>
</table>

\textbf{Source: Adapted from Khaled (N.D)}\textsuperscript{26}


\textsuperscript{26} Khaled, S. M., “Problems of Bangladesh Garment sector and their solution, An Islamic Perspective”, \textit{Thoughts on Economics}, Vol. 20, Issue No. 03, pp. 29, Table 1
As it can be seen from the table 5, the new adjustment was 76.67 % but apparently, quiet less than what employees had been claiming. Nonetheless, it’s still considerably lower compared to China, where an individual garment worker’s minimum wage goes from US$154 to US$230 per month, and according to the International labor Organization, the monthly base in Cambodia is US$80.27 (Reuters, 2013) As quoted by Fair Labor Association, “The purchasing power of average compensation in Bangladesh dropped lower than the World Bank poverty line in comparison with other influential clothing manufacturers like China and Vietnam, where compensation is 2.5 times the poverty line on average”28 (Human Rights Watch , 2017).

Figure 3 shows the recent Asian cross country comparison of Minimum wage in clothing industry 2015 vs 2016. It can be seen, with the dynamics of apparel manufacturing changing globally, minimum wages in clothing industry among the Asian countries have gone through potential & updated wage adjustments from 2015 to 2016 except in Bangladesh.29 (Nick, 2015)


Figure 1: Asian cross country comparison of Minimum wage in clothing industry 2015 vs 2016

Source: Adapted from BizVibe blog³⁰

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4.2.2 Workers’ Reaction to the New Wage Structure 2013

For decades, the requests for wage increases couldn’t be safeguarded by the RMG industry in order to keep the country’s competitiveness going in the international apparel marketplace. Based on some garment workers’ statements, the adjustment mirrored in the 4th wage frame doesn’t seem to be sufficient in comparison to increased expenditure for daily necessities. (cleanclothes, 2017)\(^\text{31}\). This is perhaps the reason behind all the conflicts among the workers regardless of the announcement of a reviewed wage structure back in 2013.

*Figure 2: Annual Average Inflation Rate (%)*

![Annual Average Inflation Rate Graph](image)

**Source: Bangladesh Bureau of Statistics (BBS)**

On December 2016, a new phase of unrest began in the Bangladeshi garment sector. Minimum wage remained the main concern in this dispute which was last adjusted in 2013. Workers, therefore, are raising voice for an increased salary, because the growing price of necessities haven’t been keeping up with the existing wage of 5,300Tk. As it can be observed from the following figure 4, the rate of inflation seems to be intense throughout the last few years. In a country where inflation is over 7.13 percent, how this will allow the workforce to survive with the ascending price hike is still a puzzle economists are piecing together. Moreover, the yearly

increase of 5% can only be applied to the main necessities and not to additional expenses (Research Initiative for Social Equity Society, 2013)

4.3 Impact of irregular periodic wage review:

A number of interrelated issues regarding the wage struggle arise from evidences mentioned in different reports. One of the few issues is the ‘efficiency’ of minimum wage setting. While looking into the implementation of the wage system, this report mentioned matters specifically regarding the stop-go method of wage adjustments in Bangladesh. It can be noticed in the following figure 3 that long phases of no adjustment in the minimum wage are usually settled down by short periods of hurried catch-up which can often bring in a greater burden on the employers. This indicates that the value of minimum wage doesn’t seem to be recognized as a consistent measure for a reasonable payment. (Damian Grimshaw and Rafael Muñoz de Bustillo, 2016)

Figure 3: Trend in real & nominal values of garment industry minimum wage (Bangladesh 1985-2015)


33. Damian Grimshaw and Rafael Muñoz de Bustillo. “GLOBAL COMPARATIVE STUDY ON WAGE FIXING INSTITUTIONS AND THEIR IMPACTS IN MAJOR GARMENT.” ILO and GIZ (2016), P.89.
Moreover, minimum wage rules require to have a periodical minimum wage evaluation on a regular basis. As we can see from this cross country representation depicted below in figure 6, during the phase of 2000-14, an intense price increase of about twenty-four percent or above has been experienced by all the 7 countries except for China & Cambodia. Thus, the significance of allowing to have a regular revision of minimum wage is undeniable. (Damian Grimshaw and Rafael Muñoz de Bustillo, 2016)

*Figure 4: Price level in 2014 in sample countries*

In this case, Bangladesh provides a noticeable contrast. While wage structures are regularly updated & reviewed by many countries, Bangladesh is yet to take a bold step regarding this matter. In the last thirty years, Bangladesh has adjusted the minimum wage merely about 4 times. During the period of 1994 to 2006, on average Bangladesh experienced an inflation about five percent each year which resulted in a major fall in the level of real earnings (Damian Grimshaw and Rafael Muñoz de Bustillo, 2016)

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34. Damian Grimshaw and Rafael Muñoz de Bustillo. “GLOBAL COMPARATIVE STUDY ON WAGE FIXING INSTITUTIONS AND THEIR IMPACTS IN MAJOR GARMENT.” ILO and GIZ(2016), P.70.Fig.7.4
35. Damian Grimshaw and Rafael Muñoz de Bustillo. “GLOBAL COMPARATIVE STUDY ON WAGE FIXING INSTITUTIONS AND THEIR IMPACTS IN MAJOR GARMENT.” ILO and GIZ(2016), P.69.
36. Damian Grimshaw and Rafael Muñoz de Bustillo. “GLOBAL COMPARATIVE STUDY ON WAGE FIXING INSTITUTIONS AND THEIR IMPACTS IN MAJOR GARMENT.” ILO and GIZ(2016), P.69, Fig. 7.3.
Grimshaw and Rafael Muñoz de Bustillo, 2016). The following table 6 shows the chronological record of wage adjustments over the last few decades.

**Table 6: Minimum wage of RMG industry in Bangladesh over the last few years**

<table>
<thead>
<tr>
<th>Year</th>
<th>Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>BDT 627</td>
</tr>
<tr>
<td>1994</td>
<td>BDT 940</td>
</tr>
<tr>
<td>2006</td>
<td>BDT 1,662</td>
</tr>
<tr>
<td>2010</td>
<td>BDT 3,000</td>
</tr>
<tr>
<td>2013</td>
<td>BDT 5,300</td>
</tr>
<tr>
<td>2017?</td>
<td>BDT 16,000?</td>
</tr>
</tbody>
</table>

Source: Clean Clothes Campaign, 2017.

However, regardless of the major changes constituted in the wage system throughout the phase of 2006 to 2013, prompt steps need to be taken in order to institutionalize periodic revision of the minimum wage. So that, the cost of living measures can be revisited. Many researchers claim the current Tk. 5,300 minimum wage to be insufficient for a worker in the face of rising inflation & living cost. (ILO, 2013) Cambodia can be used as the suitable representation to demonstrate the importance of strengthening the collective voice of the workers & trade unions. This active movement was mainly pushed by the Cambodian labor unions in the clothing sector who have played role as intermediaries between workers and factory owners to settle conflicts and discuss potential wages. (ILO, N.d)

Hence, the garment workers are insisting for their voices to be heard about improving the wage from five thousand Taka to fifteen to sixteen thousand Taka. This suggests, the existing minimum wage is insufficient for the living requirements of the garment workers.

37. Damian Grimshaw and Rafael Muñoz de Bustillo. “GLOBAL COMPARATIVE STUDY ON WAGE FIXING INSTITUTIONS AND THEIR IMPACTS IN MAJOR GARMENT.” ILO and GIZ(2016), P.70.


40. ILO (n.d.), “Wages and productivity in the garment sector in Asia and the Pacific and the Arab States.” P. 5.
wage needs to get threefold. This might appear to be an impractical request but 4 diverse measures living wage confirm that these employees' claims in fact make sense (cleanclothes, 2017). This is explained more in the next section 4.3.1.

4.3.1 A living wage in Bangladesh

Speaking of revisiting the cost of living measures, different associations approached with different estimations to identify a wage for living. Various standards along with approaches are used in this case. In spite of their diversities, the following table shows how existing minimum wage is so low that it can hardly meet the basic requirements.41 (cleanclothes, 2017)

Table 7: Bangladesh’s living wage estimations

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>BDT 16,460 (Dhaka)</td>
<td>&gt; BDT 12,200</td>
<td>BDT 17,786</td>
<td>BDT 29,442</td>
</tr>
<tr>
<td>BDT 13,630 (satellite cities)</td>
<td>&lt; BDT 18,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Certainly, a huge difference can be noticed in the middle of these assessments and existing minimum wage.42 (cleanclothes, 2017) This implies that present minimum wage must go up by two hundred and thirty percent with a view to move to even the lowermost measure of living wage. Therefore, stakeholders, worker rights groups and human rights suggest carrying out better strategies to form a contemporary wage framework at an effective scale.


4.4 Labor Productivity and wage ratio comparison

Following Figure 5 displays the connection amongst average productivity of labor and average wages in the case of eighteen industrial regions.

*Figure 5: Relative labor productivity and wages in 18 manufacturing sectors.*

![Graph showing the connection between productivity and wages](image)

Since there’s a noticeable positive correlation between wage and labor productivity, this certainly implies increased wages progress productivity. On the contrary, increased payment can be fostered if the right capital spending are made & invested to spur efficiency.  

(Damian Grimshaw and Rafael Muñoz de Bustillo, 2016) As mentioned by Yamagata and Yunus, labor productivity has consistently been a major concern of RMG firms of Bangladesh. (Yamagata., 2012)

The following comparative figure 6 shows a considerable productivity gap across the region, mirroring an in general low productivity of the RMG sector. In Bangladesh, productivity of RMG sector was lower than one thousand dollar according to the surveys of National Labor Force.  

(ILO, N.d)  

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43. Damian Grimshaw and Rafael Muñoz de Bustillo. “GLOBAL COMPARATIVE STUDY ON WAGE FIXING INSTITUTIONS AND THEIR IMPACTS IN MAJOR GARMENT.” ILO and GIZ(2016), P.64, Figure: 6.7.

44. Damian Grimshaw and Rafael Muñoz de Bustillo. “GLOBAL COMPARATIVE STUDY ON WAGE FIXING INSTITUTIONS AND THEIR IMPACTS IN MAJOR GARMENT.” ILO and GIZ (2016), P.64.
Figure 6: Labor productivity comparison in 3 industries across 8 countries (recent accessible year)

Source: World Bank. 46

It has been discussed in various sources that RMG workers of Bangladesh are considerably not much productive compared to other competing nations. Figure 7 highlight the comparison of productivity gap between Bangladesh and other RMG exporting countries like Cambodia, India, China, and Pakistan. Here Bangladesh has a productivity rate of only seventy seven percent in comparison with China’s hundred percent. 47 (garmentstech, 2014)

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45. ILO (n.d.), “Wages and productivity in the garment sector in Asia and the Pacific and the Arab States.” P. 5.

46. ILO (n.d.), “Wages and productivity in the garment sector in Asia and the Pacific and the Arab States.” P.5, Figure: 6.

Figure 7: Comparison of Labor Productivity across Bangladesh, India, Pakistan, China and Cambodia

Source: adapted from (Salam, 2014)\textsuperscript{48}

4.5 Non-compliant payment practices

The empirical research of different studies precisely reveals two forms of non-compliant behavior\textsuperscript{49} (Damian Grimshaw and Rafael Muñoz de Bustillo, 2016). Firstly, the workers are categorized into informal A, B and C groups, based on how they apparently match with probation or training periods. But in reality, this exercise is often applied as an advantage for delaying their legitimate least possible amount. Groups like these don’t seem to be identified or mentioned in the official communal contracts. Moreover, the employers have become habituated to hiring each workers based on an oral agreement.

\textsuperscript{48} Salam, M. A., “Minimum Wage in Bangladesh’s Ready-made Garment Sector”, McLean Global Consulting, Inc. (Bangkok, Thailand: NIDA, June 2014), P.19, Figure:3.

\textsuperscript{49} Damian Grimshaw and Rafael Muñoz de Bustillo. “GLOBAL COMPARATIVE STUDY ON WAGE FIXING INSTITUTIONS AND THEIR IMPACTS IN MAJOR GARMENT.” ILO and GIZ(2016), P.78
Secondly, the employer is often found to be misleading the workers regarding the matching of job types with job grades which permits them to avoid giving employees their rightful wages based on the respective job categories. Following case study No. 1 offers some actual life experiences of few employees in the RMG factories of Bangladesh.50

All of the above demonstrated events in the following case study indicate a disappointment faced by employees which leaves them no option but to change their workplaces very frequently.

50. Damian Grimshaw and Rafael Muñoz de Bustillo. “GLOBAL COMPARATIVE STUDY ON WAGE FIXING INSTITUTIONS AND THEIR IMPACTS IN MAJOR GARMENT.” ILO and GIZ(2016), P.78, Box No. 8.1.
Nevertheless, these employees usually are assigned to ID cards but the job reference is general for all the workers rather than specifying the particular job grade. This completely mirrors the absence of collective wage bargaining power and union presence from the workers side in these workplaces.

4.5.1 Overtime practices in Bangladesh

Based on the empirically drawn facts, each of these mentioned 6 countries generally have an arrangement for overtime payment practices and payment by results system.

Table 8: Non-compliance & wage disbursement arrangements in RMG sector across 6 countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Time rates</th>
<th>Piece rates</th>
<th>Overtime pay</th>
<th>Unpaid conditions?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>✓</td>
<td>✓</td>
<td>1.5 x basic rate (statutory)</td>
<td>Extensive</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- unpaid holidays and overtime</td>
<td>- no mechanism to match job grade with worker’s skill and rate of pay</td>
</tr>
<tr>
<td>Cambodia</td>
<td>✓</td>
<td>✓</td>
<td>- excessive overtime demanded (legal maximum of 2 hours per day)</td>
<td>No available information</td>
</tr>
<tr>
<td>China</td>
<td>✓</td>
<td></td>
<td>No available information</td>
<td>Extensive</td>
</tr>
<tr>
<td>Pakistan</td>
<td>✓</td>
<td></td>
<td>- endemic underpayment linked to piece rate pay and home-based work of women</td>
<td>Medium</td>
</tr>
<tr>
<td>South Africa</td>
<td>✓</td>
<td>✓</td>
<td>- union resistance is sometimes effective</td>
<td>1.5 x basic rate (statutory)</td>
</tr>
<tr>
<td>Turkey</td>
<td>✓</td>
<td></td>
<td>Common</td>
<td>- miscalculation of overtime wages</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- double book-keeping of wages means large part of wage bill is unregistered</td>
<td></td>
</tr>
</tbody>
</table>

Table 8 shows a clear instance of how poorly the payment condition of Bangladesh is handled and managed. While low wages and extensive working periods seem to be a widespread issue specifically in garment producing countries, payment system based on overtime usually is a serious additional compensation advantage for the employees. In Bangladesh, regardless of its constitutional groundwork, overtime wages are habitually held back by the employers without any reasonable cause.

51. Damian Grimshaw and Rafael Muñoz de Bustillo. “GLOBAL COMPARATIVE STUDY ON WAGE FIXING INSTITUTIONS AND THEIR IMPACTS IN MAJOR GARMENT.” ILO and GIZ(2016), P.76, Table No.8.1
52. Damian Grimshaw and Rafael Muñoz de Bustillo. “GLOBAL COMPARATIVE STUDY ON WAGE FIXING INSTITUTIONS AND THEIR IMPACTS IN MAJOR GARMENT.” ILO and GIZ(2016), P.76
4.5.2 The role of union and collective bargaining

Collective bargaining is enormously important due to its intriguing control over delivering freedom to the respective unions & communities. In the following table 9, it can be observed that, such institutions are barely present in Bangladesh garment industry.

Table 9: Social dialogues & collective bargaining records in RMG sector across 6 countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of unions</th>
<th>% of factories unionised</th>
<th>Collective bargaining at industry or enterprise level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>10 unions in RMG factories</td>
<td>2.2% (10/447 RMG factories)</td>
<td>Enterprise level Negligible</td>
</tr>
<tr>
<td>Cambodia</td>
<td>2,900 (2013 data)</td>
<td>Approx. 3 in 5 workers</td>
<td>Enterprise level Negligible</td>
</tr>
<tr>
<td>China</td>
<td>--</td>
<td>--</td>
<td>Examples of sub-province multi-employer agreements</td>
</tr>
<tr>
<td>Pakistan</td>
<td>--</td>
<td>--</td>
<td>Enterprise level Negligible</td>
</tr>
<tr>
<td>South Africa</td>
<td>1 union, very well organised</td>
<td>--</td>
<td>Enterprise level (plus significant group level) agreement, the largest with Teksi union covers approx. 15,000 workers</td>
</tr>
<tr>
<td>Turkey</td>
<td>5 unions with more than 1,000 members (plus 11 small unions)</td>
<td>Approx. 10% union density of (registered workforce)</td>
<td>Enterprise level (plus pilot industry agreement covering 140,000 workers)</td>
</tr>
<tr>
<td>Vietnam</td>
<td>--</td>
<td>6% of all registered textile enterprises</td>
<td>Enterprise level</td>
</tr>
</tbody>
</table>

Source: ILO commissioned national reports; authors’ compilation.

While there are about three hundred labor unions currently exist, due to various issues they don’t seem to be having an effectual impact towards the labor community, which include:

- participation banning by the employers within the factory area,
- about one hundred and forty-four unions got dislocated;
- numerous unions got shutdown

In Bangladesh, enterprise collective bargaining is in a rudimentary level as the first formal effort only began in 2011 in garments industries. Extreme pressure of work, intimidation, harassment incidents, termination and physical abuse faced by the employees are a common issue these days. This leads the workers to seek alternative ways for their collective voice.

53. Damian Grimshaw and Rafael Muñoz de Bustillo. “GLOBAL COMPARATIVE STUDY ON WAGE FIXING INSTITUTIONS AND THEIR IMPACTS IN MAJOR GARMENT.” ILO and GIZ(2016), P.82
54. Damian Grimshaw and Rafael Muñoz de Bustillo. “GLOBAL COMPARATIVE STUDY ON WAGE FIXING INSTITUTIONS AND THEIR IMPACTS IN MAJOR GARMENT.” ILO and GIZ(2016), P.82
55. Damian Grimshaw and Rafael Muñoz de Bustillo. “GLOBAL COMPARATIVE STUDY ON WAGE FIXING INSTITUTIONS AND THEIR IMPACTS IN MAJOR GARMENT.” ILO and GIZ(2016), P.82
56. Damian Grimshaw and Rafael Muñoz de Bustillo. “GLOBAL COMPARATIVE STUDY ON WAGE FIXING INSTITUTIONS AND THEIR IMPACTS IN MAJOR GARMENT.” ILO and GIZ(2016), pp. 83 , Table No. 9.1
Chapter 5

5 Recommendations

Building on the evidences offered in this analysis, a list of eight main conflict resolution processes is presented in order to refine the activities of different associations, committees and companies involved.

- To decide the minimum wage, the wage board needs to take the entire family into consideration rather than the single garment worker. Thus, it will facilitate an individual to get settled with a proper minimum wage required to lead a decent family life.
- Benefits other than wages should be clearly defined and stated in labor law.
- Making a sudden adjustment in wages could have a negative effect on the medium and small factories. Considering this, a 2-3 phase strategy of minimum wage ought to be executed so that the owners of medium and small units get sufficient amount of time period in order to deal with the new condition.
- Active and genuine social dialogue among government, employers and trade unions to strengthen the Intra–organizational relationship.
- Collectively bargained wage agreement should be allowed for every garment workers so that the necessary double-layered protection can be provided.
- Written contracts should not be violating any of the agreements that is settled orally at the time of hiring and transparency should be maintained thoroughly.
- A general difficulty while conducting an analysis in this segment is the absence of concrete statistical data. Hence, the ground of primary level data needs to be solidified as this measure needs the support of rigorous evidence-based research and current statistical information.
- And finally, this research highly recommends a permanent agency which should be formed for periodic wage review or uprating of the minimum wage in this sector. That committee should especially approach with a once a year wage increment system to cope with the inflation of the nation.
As mentioned by Sengenberger, “there is no ‘one best way’ to plan a completely effective country minimum wage system”. He also alerts, “Universality of minimum wage principles ought not to be confused with uniformity of country application.” However, Bangladesh goes through several difficulties amongst these 8 aspects based on the facts examined in the analysis.

While searching for cross country data about those workers who generally get paid a lesser amount of minimum wage in Bangladesh, no consistent and systematically assembled archives have been found which could be notably useful for this specific analysis. Hence, this study would like to highly encourage other researchers to mention this particular issue with concrete data in future longer term studies.

57. Damian Grimshaw and Rafael Muñoz de Bustillo. “GLOBAL COMPARATIVE STUDY ON WAGE FIXING INSTITUTIONS AND THEIR IMPACTS IN MAJOR GARMENT.” ILO and GIZ(2016), P.89.

58. Damian Grimshaw and Rafael Muñoz de Bustillo. “GLOBAL COMPARATIVE STUDY ON WAGE FIXING INSTITUTIONS AND THEIR IMPACTS IN MAJOR GARMENT.” ILO and GIZ(2016), P.89.
Chapter 6

6 Concluding remarks

There is no denying about the RMG industry’s massive contribution to the country’s economic growth. Being a densely populated country, Bangladesh is able to utilize their labor surplus to contribute extensively in the Garment Industry market and begin the process of building an industrial economy. But these achievements cannot be maintained if the demands of the people who made all these possible are persistently ignored for any longer. The growing frustration of the workers are nothing but the consequences of treating them as a marginalized sector on a regular basis. The evidences delivered in this report therefore aim openness and sound policy framework in quest of building better working environment for employees in Bangladesh garment industry. Considering how crucial RMG sector is to the economy, new actions require an institutional background within its own context by bridging together current mechanisms and new ones where both the public & private sector gets an equal access with the maximum possible policymaking process. That way, a positive cycle of development can be enrolled in the labor rights and labor policy system for decades to come.
References


Damian Grimshaw and Rafael Muñoz de Bustillo. (2016). GLOBAL COMPARATIVE STUDY ON WAGE FIXING INSTITUTIONS AND THEIR IMPACTS IN MAJOR GARMENT. ILO and GIZ.


ILO. (N.d). Wages and productivity in the garment sector in Asia and the Pacific and the Arab States.


Yamagata., M. Y. (2012). The garment industry in Bangladesh. IDE - JETRO.


Appendix 1

Table 10: Categories of Working Class by Designations

<table>
<thead>
<tr>
<th>Class</th>
<th>Categories of Working Class</th>
<th>Wage in Taka per Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grade 1</td>
<td>Pattern master, Chief quality controller, Chief cutting master, Chief mechanic, Chief electrician, Collar master and Graphic designer</td>
<td>TK.13,000</td>
</tr>
<tr>
<td>Grade 2</td>
<td>Mechanic, Cutting master, Asst. Pattern master, Asst. Collar master, Asst. Graphic designer</td>
<td>TK. 10,900</td>
</tr>
<tr>
<td>Grade 3</td>
<td>Special machinist, Senior swing machine operator, Senior winding machine operator, Senior knitting machine operators, Senior linking machine operator, Senior cutter, Senior quality inspector, Senior marker, Senior line leader, Senior over lock machine operator, Senior kwacha machine operator, Lay man, Senior auto cutter, Senior marker etcetera.</td>
<td>TK. 6,805</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Grade</th>
<th>Position</th>
<th>Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Swing machine operator, Winding machine operator, Knitting machine operator, Linking machine operator, Dry man, Packer, Over lock machine operator, Line leader, Auto cutter, Cad operator, Lay man, Bundling man, Rib cutter, Tag man, Printer, Quality operator etcetera.</td>
<td>TK. 6,420</td>
</tr>
<tr>
<td>5</td>
<td>Junior swing machine operator, Junior winding machine operator, Junior knitting machine operator, Junior linking machine operator, Junior dry man, Junior packer, Junior over lock machine operator, Junior line leader, Junior auto cutter, Junior cad operator, Junior bundling man, Junior lay man, Junior rib cutter, Junior tag man etcetera.</td>
<td>TK. 6,042</td>
</tr>
<tr>
<td>6</td>
<td>General swing, machine operator, Ordinary winding machine operator, Ordinary printing machine operator, Ordinary linking machine operator, Ordinary auto cutter.</td>
<td>TK. 5,678</td>
</tr>
<tr>
<td></td>
<td>Apprentice</td>
<td>TK. 4,810</td>
</tr>
</tbody>
</table>