

WORKERS' VOICE

Update on implementation of the new wage structure in
Bangladesh's RMG industry



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1. INTRODUCTION

The Rana Plaza building collapse on April 24, 2013 drew the world's attention to the RMG industry in Bangladesh. Global media outlets, international stakeholders and human rights groups, but also worker rights and human rights groups inside Bangladesh, increased their pressure, demanding change and improvement in the country's largest industry.

One of the consequences of the disaster and the subsequent increase of tension and unrest was the government's decision to increase the legal minimum wage for RMG workers, which had not been adjusted since 2010, despite strong increases of basic living costs and high inflation rates.

On December 5, 2013, the government of Bangladesh issued the "Gazette on Minimum Wages 2013", which defines a new wage structure for the RMG industry with an increase of gross monthly minimum wage from BDT 3,000 to BDT 5,300 (77%). The new wage structure was put into effect legally on January 1, 2014.

Concerns remain, however, in regards to the implementation of the new wage structure in Bangladesh's RMG industry. Stakeholders, human rights and worker rights groups claim that the RMG sector has so far not succeeded in fully implementing the new wage structure. Statements in regards to the share of factories that have implemented the new wage structure vary from 87% (according to employer organization BGMEA) and 40% (according to local trade unions).

This report presents an analysis based on interviews with **215 RMG workers** from **83 different factories** in Dhaka District. The interviews were taken in the months **May and June 2014** by staff of the AWAJ Foundation. Aim of the analysis was to provide a preliminary evaluation of the current status in regards to implementation of the new wage structure and earning situation of the workers in general.

The worker interviews are ongoing and a future report based on a larger sample size will follow-up on this topic.



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2. SURVEY RESULTS

The wage structure for the RMG industry comprises 7 grades, ranging from grade 1, the highest paying grade to grade 7, the lowest paying grade (a table of the grade structure according to the “Gazette on Minimum Wages 2013” can be found in the appendix). Each grade’s gross salary consists of the following components:

- Basic salary
- House rent allowance
- Medical allowance
- Transport allowance
- Food allowance

During the structured interview, the respondent was asked about the amount of her/his basic wage in November 2013, prior to the official inception of the new wage structure, and about the amount of her/his current basic wage (time of the interview/May and June 2014). Both values could then be compared and correlated with the grade of the worker. With this method it was possible to identify whether the individual worker’s wage had been adjusted correctly in accordance with the new legal wage structure or not.

Considering the whole sample without distinguishing between the different grades, the following quantitative statements can be derived from the analysis.

The **monthly basic wage** of...

- **65%** of respondents was **correctly adjusted** according to the new wage structure
- **7%** was located even above the range corresponding to their stated grade, which means they were upgraded without being aware of it
- **28%** of respondents was **not correctly adjusted** to the new wage structure.



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By dividing the sample into the different grades, a more insightful interpretation becomes possible.

The largest group of workers in the sample that were subject to an incorrect wage adjustment are those in **grade 2**: According to the survey, the wages of **87% of workers under that grade have not been appropriately adjusted**. The majority of respondents within that group, however, did receive some wage increase. In connection with the fact that grade 2 is the second highest paying grade in the wage structure (and the highest paying grade represented in the sample of this survey), it can be assumed that many of these workers seem to accept so far that they have not been adjusted correctly.

In contrast to the workers under grade 2, the wages of the vast majority of grade 3 workers (76%) have been adjusted in accordance with the new wage structure. Although this might seem surprising at first glance, a closer look opens up an interpretation that indeed makes sense from an entrepreneurial, market-oriented standpoint. Grade 3 workers include senior machine operators, senior cutting workers, and senior quality inspectors. That is to say, this grade comprises the workforce that dominates the production performance of the factory. One can argue that from the perspective of the company's management these workers constitute the most important, i.e. valuable, section of their human resources.

These experienced workers are in high demand on the market and subject to great competition. The factory management should have keen interest in ensuring that these workers remain with the factory. Experienced workers are the backbone of the industry now and the major workforce. This interpretation is strengthened by the fact that grade 3 comprises the highest number of workers (in this sample 147 of a total of 215 interviewed workers, equaling a share of almost 70% of the total sample size).

One should also consider that in contrast to the (North and Central) European culture, the workers in Bangladesh, most of them female, share information on their earnings. Because this is the largest, i.e. strongest, section of the workforce, dissatisfaction and tension is more likely to arise and might result in the migration of these experienced and therefore highly sought-after workers to other RMG factories. Having said this, it is worth pondering whether the fact that a still quite



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significant share of grade 3 workers were subject to an inappropriate wage adjustment (24%) might also be an indicator for a significantly large group of factory owners/management who have not yet learned this lesson in basic human resource management.

Most (65%) of the **grade 7 workers** (lowest paying grade in the wage structure) had their wages correctly adjusted.

3. CONCLUDING REMARKS

In contrast to the dominant message conveyed by the – especially foreign – media, human rights groups and NGOs, it seems that the largest share of workers of this survey sample is located in the upper half of the wage range. 61% of the total sample earns a monthly gross wage of around BDT 6,800. This is not to say that Bangladesh's RMG workers' pay is satisfactory, especially when considering that a high inflation rate and greedy landlords are quick to absorb the wage increases of the RMG workforce. But it does show that the mainstream narrative of the RMG workers barely receiving the minimum wage is somewhat distorted.

In fact this survey, though based on a limited number of cases and therefore claiming to present no more than a preliminary tendency, does indicate a development in which it seems that the earnings of experienced workers has settled at a level significantly above the gross minimum wage of BDT 5,300. This is due to a new wage structure implemented by the government as a response to growing internal and external pressures in the wake of a disaster and is also dictated by the reality of a market competing for an experienced and competent workforce.

The existing non-compliance in regards to implementation of the new wage structure should therefore not be considered merely a categorical unwillingness to pay higher wages to the workers. Rather, the lack of complete implementation seems far more intentionally selective and based on the realities of the country's RMG industry. There might be no lack of young people, especially women, entering the market in search for a job each month, but recruiting and retaining experienced and capable workers is a very different story.



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APPENDIX

Wage structure according to “Gazette on Minimum Wages 2013”.

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

Detailed results of the study

Distribution of respondents by Wage grade 2010 and 2013										
Wage grade of 2010		Wage grade of 2013						Total	% of workers	
		G7 (3000-3269)	G6 (3270-3529)	G5 (3530-3799)	G4 (3800-4074)	G3 (4075-6999)	G2 (7000-8499)			
G7	Count	15	3			1	4	0	23	10,70%
(2000-2229)	%	65,20%	13,00%			4,30%	17,40%	0,00%	100,00%	
G6	Count	3	3						6	2,79%
(2230-2394)	%	50,00%	50,00%						100,00%	
G5	Count	2	2	2	3	1			10	4,65%
(2395-2614)	%	20,00%	20,00%	20,00%	30,00%	10,00%			100,00%	
G4	Count	2	2	1	7	2			14	6,51%
(2615-2869)	%	14,30%	14,30%	7,10%	50,00%	14,30%			100,00%	
G3	Count	3	3	7	23	111			147	68,37%
(2870-4999)	%	2,00%	2,00%	4,80%	15,60%	75,50%			100,00%	
G2	Count					13	2		15	6,98%
(5000-6499)	%					86,70%	13,30%		100,00%	
	% of workers	12%	6%	5%	16%	61%	1%	215		
	Gross salary around	5300	5678	6042	6420	6805	10900			



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AWAJ Foundation is a Bangladeshi non-governmental organization established in 2003. AWAJ Foundation's aim is to improve the general livelihood of workers by providing support in the form of legal rights counselling, health care services and training activities on subjects such as workers' rights, health and safety, hygiene and reproductive health. Furthermore, AWAJ seeks to build a bridge between workers and factory management, so that the legal rights and the demands of workers are better addressed.



Consulting Service International Ltd. (CSI) is a CSR consultancy established in 2004. The Hong Kong-based company is active in all major Asian markets and offers services such as strategic CSR planning & project management, factory qualification with a focus on management systems, workshops and trainings. CSI works closely with brands, manufacturers and local NGOs to develop the potential of Bangladesh's textile sector and contribute to sustainable and ethical social-economic development.

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