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**EXECUTIVE SUMMARY**

*When the Rana Plaza building collapsed in Dhaka, Bangladesh* on April 24, 2013 the world took notice. The deaths of more than 1,000 garment workers — and the images of a crumbling factory — immediately focused the attention of the apparel industry, the news media, advocacy organizations, and consumers around the globe on the unsafe working conditions faced by women and men making clothing in Bangladesh.

No less deserving of widespread public attention is the ongoing problem of poverty wages among garment workers in Bangladesh today.

Although the issue of low wages is often out of the public eye, the findings of this report make tangible the urgent need for progress on wages in Bangladesh. Across all 18 factories studied for this report, the Fair Labor Association (FLA) found that not a single garment worker among the more than 6,000 whose wages were studied was earning income even close to a living wage, measured against any living wage benchmark. The average worker would need an 80 percent pay raise to begin earning wages equal to even the most conservative living wage benchmark under consideration in this report.

When the FLA began studying worker compensation globally in 2015, researchers found that garment workers in Bangladesh were achieving the lowest purchasing power of all the 21 countries studied at that time, and that the minimum wage in Bangladesh fell below the World Bank Poverty Line. This report presents an expanded and mostly non-overlapping data set in which average wages sit just above the World Bank Poverty Line but still significantly below all the living wage benchmarks, with workers on average earning 2507 taka (around $30) per month more than the legal minimum wage.

To supplement their income, all workers in this study were depending on overtime, which accounts for more than 20 percent of the average worker’s wages. Half of all workers studied were regularly working more than 60 hours a week, despite the negative effects on worker health and wellbeing of such long hours, and a growing body of evidence suggesting that excessive overtime has a negative effect on the factory’s bottom line. FLA best practices call for a regular workweek of no more than 48 hours, and regular and overtime hours of no more than 60 other than in exceptional circumstances not in the employer’s control.

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The Role of Production Planning and Worker Representation

While all factories represented in the FLA sample fell short of the union and living-wage benchmarks, the FLA’s data analysis found that the highest wages correlated strongly with factories where assessors found fewer violations related to poor production planning or inadequate worker representation.

• Production Planning — FLA standards require employers to set production targets at levels that do not require overtime. In factories where FLA assessors found production planning based on assumed overtime, workers earned a lower net wage overall and worked longer overtime hours. In this study, factories that planned production based on regular overtime were typically expecting at least ten hours of work per worker per day. Workers in factories with overtime-dependent production were also often found to be working more than six days consecutively without a break (in one instance, as long as 19 days).

• Worker Representation — FLA standards require employers to respect workers’ right to organize, even where union organizing is prohibited by law. In Bangladesh, workers’ freedom of association is not protected consistently throughout the country, resulting in some factories where the strongest legal form of organizing is through “worker participation committees.” This study showed that factories that supported worker organizing or participation — in whichever legally permissible form — also tended to provide higher net wages. This finding illustrates the importance of strong freedom of association provisions, both at the factory and national levels. Overall, the FLA emphasizes that “participation committees” cannot be considered a sustainable alternative to functioning unions, and supports strengthening workers’ right to freedom of association under Bangladeshi law.

Conclusions and Recommendations

This study demonstrates that worker needs are not being met and confirms the urgency for all stakeholders in Bangladesh to act. Remedying factory conditions that result in low wages is a shared responsibility of buyers and suppliers. Together, buyers and suppliers must engage in honest dialogue on prices and costing in pursuit of a shared goal of fair compensation for workers.

At the same time, with garment workers’ wages in Bangladesh closely tied to a
legal minimum wage that is set too low — below the World Bank poverty line — the government must act as well. Government action on union demands for a higher minimum wage would profoundly improve conditions for workers throughout the garment industry. The FLA recommends that buyers sourcing from Bangladesh express their support for a higher minimum wage to the Bangladeshi government, and confirm with their suppliers that they will financially support any price adjustments necessary to accommodate a rising minimum wage.

Finally, regardless of action or inaction by the government, the FLA highly encourages collaboration between buyers and suppliers to develop systems that support fair compensation for workers. Specifically, the FLA recommends that brands and suppliers collaborate on responsible purchasing and production planning that does not rely on overtime, and that they support workers’ right to organize and to participate in improving conditions in the workplace.

The poverty wages found by the FLA’s 2016 global report on compensation persist in Bangladesh today. Garment workers in Bangladesh continue to work excessively long hours for very little money, while both government and industry often fail to protect their interests. They deserve better. Lasting improvement depends on all stakeholders — the government, workers and unions, civil society, and brands and suppliers — stepping up now to play their part in improving wages that are among the world’s lowest for garment workers.

**FLA WORKPLACE CODE OF CONDUCT ON COMPENSATION:**

Every worker has a right to compensation for a regular workweek that is sufficient to meet the worker’s basic needs and provide some discretionary income. Employers shall pay at least the minimum wage or the appropriate prevailing wage, whichever is higher, comply with all legal requirements on wages, and provide any fringe benefits required by law or contract. Where compensation does not meet workers’ basic needs and provide some discretionary income, each employer shall work with the FLA to take appropriate actions that seek to progressively realize a level of compensation that does.
**INTRODUCTION**

**Apparel workers** are some of the most vulnerable workers in the world. They work long hours for pay that is often inadequate to meet their most basic needs. This is especially true for workers in Bangladesh. The World Bank reports that the world market share of Bangladeshi exports doubled between 1995 and 2012, with apparel accounting for over 80 percent of exports from the country. This impressive growth, however, has not sufficiently benefited workers. Globalization has led to fierce competition and an unprecedented pressure for lower prices, quick turnaround, and endless supply, leading to low wages that put garment workers in Bangladesh at risk.

Within this context, some of the principal apparel sourcing countries are also those where workers face the steepest economic challenges. The FLA’s 2016 report, “Towards Fair Compensation in Global Supply Chains,” showed that apparel workers in Bangladesh have the lowest purchasing power of all manufacturing countries studied by the FLA. Most notably, the minimum wage in Bangladesh falls just below the World Bank International Poverty Line. This means, quite simply, that at current wage levels, apparel workers in Bangladesh will remain in poverty and at a very high risk of not being able to provide for themselves or their families.

In 2016, the FLA found that apparel workers in Bangladesh achieved the lowest purchasing power of 21 manufacturing countries studied.

The FLA’s 2015 data showed the urgency of the situation for apparel workers in Bangladesh. This report expands upon that analysis with detailed wage data collected about 6,000 workers in 18 factories over three years and identifies the gap between actual wages and living wage benchmarks. This expanded wage data, along with information from the FLA’s factory assessments, should guide brands, suppliers, governments, civil society, and other stakeholders towards developing solutions that ensure workers have sufficient wages to meet their basic needs and have some discretionary income.

The Fair Labor Association and its stakeholders are committed to ensuring that workers receive fair compensation. In 2011, the FLA revised its Code of Conduct to explicitly state that “every worker has a right to compensation for a regular work week that is sufficient to meet the workers’ basic needs and provide some discretionary income.” Since that time, the FLA and its affiliates have been working to realize this commitment, with the recognition that worker compensation is a complex issue requiring joint solutions and deep partnerships.
Toward Fair Compensation in Bangladesh

Industry Growth and Workers’ Rights

The apparel industry in Bangladesh has experienced enormous growth over the past 20 years, spurred at least in part by low wages and a vast workforce in need of income. In 1997, there were 2,726 garment factories in the country employing 1.5 million workers; by 2017 those numbers ballooned to at least 4,482 factories and more than four million workers. In 2016, the ready-made-garment sector in Bangladesh represented 81 percent of overall national exports and 12 percent of GDP, a number which has remained relatively consistent in subsequent years.

In 2017, the International Trade Union Confederation (ITUC) listed Bangladesh as one of the top ten violators of workers’ right to collective bargaining and related freedom of association activities. Civil society organizations such as Human Rights Watch have reported worker abuse and a fear of retaliation. Several high-profile incidents have resulted in catastrophe, most notably the Tazreen factory fire in 2012 that killed more than 100 people, and the Rana Plaza factory collapse in 2013 in which more than 1,100 people were killed and thousands were injured. Despite these risks, a 2013 survey of buyers from US and European apparel brands found that most were planning to continue or increase their sourcing from Bangladesh, with 86 percent citing lower labor costs as one of the three top advantages to sourcing from that country.

Within this context health and safety problems have been the focus of numerous multi-brand initiatives, including the Accord on Fire and Building Safety in Bangladesh and
the Alliance for Bangladesh Worker Safety, which are doing essential work in protecting workers from physical harm. At the same time, it is equally urgent to address worker wages and the effect that poor compensation has on worker well being. Collective bargaining efforts such as those led by Action, Collaboration, Transformation (ACT) demonstrate the importance of collaboration between industry and unions on better wages for workers. With many issues facing garment workers in Bangladesh all at once, health and safety — while critically important — must not be the only focus of sector-wide efforts for improvement.

The Minimum Wage in Bangladesh

In the aftermath of the Rana Plaza tragedy, which sparked worker protests across the country, the Bangladeshi government moved quickly to increase the minimum wage by 71 percent. However, since that time the minimum wage has remained static. Unlike in other sourcing countries, the Minimum Wage Board is only required to increase minimum wage levels once every five years, which does not allow wages to keep pace with annual inflation of 5 to 7 percent. As the end of the most recent five-year period approaches (in 2018), pressure is mounting to increase the legal minimum wage. In November 2017, the Bangladesh Garment Manufacturers and Exporters Association requested that the Minimum Wage Board double the minimum wage and worker organizations continue to advocate for more than a threefold increase, up to 16,000 taka per month (around $200). Meanwhile, FLA data show that most worker wages remain closely tied to the current legal minimum. For workers, flat pay combined with rising inflation exacerbates an already daunting wage gap.

Structure of the Minimum Wage

Bangladesh has a complex minimum wage system, with wage levels set according to skill and sector. Within the garment industry there are seven grades, ranging from Grade 1 (Highly Skilled) to Grade 7 (Lower Skilled), plus an additional “Apprentice” grade. Each grade has a separate minimum wage made up of basic wage, housing allowance (40 percent of basic wage), and medical allowance (a fixed rate for all grades). Workers are given a 5 percent annual increase on the basic wage portion to adjust for cost of living; however, this annual increase is calculated as a cumulative ratio based on length of employment and only applies to the basic wage portion, which is a relatively small percentage of the overall minimum wage formula. Therefore, in reality, the 5 percent increase on the basic wage is not available to many, particularly where factory turnover is high. In addition, there are slightly different minimum wage rates applicable for factories within Export Processing Zones (EPZs), where the majority of factories in this report are located. The wage ladders in this report present the lowest wage that is applicable to the workers covered in the FLA’s sample.
In order to improve workers’ quality of life and financial resources for basic needs, it is essential to have a realistic and detailed understanding of worker wages, including factors such as incentive bonuses, cash and in-kind benefits, piece rate, and other aspects of pay which are not measured in many data-gathering exercises. The FLA’s wage data collection tool measures aspects of pay through a sample of workers among four occupations in individual factories. These aspects of pay are standardized between countries, regions, and individual facilities to allow for accurate comparison. The tool also includes guidance for assessors and facilities that is publicly available on the FLA website.

In our 2016 report, “Toward Fair Compensation in Global Supply Chains,” the FLA reported factory wage data by converting local national currencies into a Purchasing Power Parity adjusted international dollar. This conversion allowed for comparisons of workers’ economic realities across many countries and currencies at once. Because the focus on this report is one country only — Bangladesh — the FLA reports wage figures in the local currency, Bangladeshi Taka, as well as US Dollars.
The data in this report was gathered over three years (2015 – 2017) and represents more than 6,000 individual workers from 18 factories. Facilities were randomly chosen from FLA affiliate factory lists, with different factories selected each year. Wage data was gathered from factory personnel using the FLA Wage Data Collection Template, against which FLA assessors performed verification checks. In addition to the wage data, FLA staff reviewed detailed reports and compliance findings from each SCI assessment; this multi-faceted view of factory conditions gives additional insight into the compensation data.

**FLA Definition of Net Wage**

One of the more challenging debates around compensation has been the definition of a net wage. Through extensive consultation with stakeholders, the FLA has adopted the following definition:

\[
\text{COMPENSATION} = \text{BASIC CONTRACTED WAGE} + \text{CASH BENEFITS} + \text{IN-KIND BENEFITS} - \text{MANDATORY TAXES AND LEGAL DEDUCTIONS AND TAXES}\]

This definition includes all aspects of real pay or wages earned during regular hours, meaning that overtime earnings are excluded. This is particularly important in Bangladesh, where overtime is common; excluding overtime hours provides a truer picture of what workers are able to earn in a legal 48-hour workweek. Additionally, the inclusion of cash and in-kind benefits ensures a full depiction of worker compensation.

**The Importance and Difficulty of Defining a Living Wage**

The definition of a living wage is widely debated, and for good reason; without a full and complete understanding of what

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**SELECTION OF WAGE BENCHMARKS IN BANGLADESH**

For Bangladesh, FLA has selected a range of wage benchmarks that reflect the most recent thinking and methodologies. Where necessary, the FLA has made numerical adjustments to wage benchmarks to make each figure consistent and comparable; adjustments include conversion to net monthly equivalents, adjustment for inflation, and extrapolation of basic needs for households.

**The National Upper Poverty Line** (Tk 4,986.74) is published by the Bangladesh Bureau of Statistics using a Cost of Basic Needs method to calculate a food poverty line, estimating a non-food poverty line by sampling the expenditures of households near the food poverty line (the National Upper Poverty Line is the sum of the food and non-food poverty line).

**The Local Legal Minimum Wage** (Tk 5,290). The current legal minimum wage was set in 2013 by the Bangladesh Minimum Wage Board, and applies to seven groups of workers categorized by ‘Grade’ or experience. This report focuses on the lowest minimum wage paid to the least experienced workers (Grade 7 workers) as its Local Legal Minimum Wage Benchmark.

**The World Bank International Poverty Line** (Tk 6,784.17). The World Bank considers a daily wage of 2011 PPP$3.10 as an internationally comparable metric for poverty. This figure is not to be confused with the World Bank International Extreme Poverty Line of 2011 PPP$1.90 a day.

**The Global Living Wage Coalition (GLWC) Estimate** (Tk 13,620). This living wage estimate is published by the...
workers need, it is difficult to know how to calculate a living wage. The lack of clear living wage guidelines is often cited by buyers as one of the main barriers to progress on wage issues. In this report, the FLA has carefully chosen a range of wage benchmarks to reflect the diversity of measures and judgments of stakeholders including governments, employers, labor rights organizations, unions, and multilateral institutions. These wage benchmarks provide important context for actual compensation data but do not represent endorsement of specific compensation levels as goals. Most importantly, these benchmarks illustrate a simpler point: wages remain near World Bank poverty levels. While the size of the wage gap may vary depending on the wage benchmark chosen, in Bangladesh the average worker is making far from a living wage by any measure.

The wage data collected for this study is self-reported by factories, with verification from FLA assessors. With double-bookkeeping often prevalent at factories in countries with poor governance, FLA assessors’ cross-checking may not catch inflated compensation figures reported by factories practicing double bookkeeping.

In addition, this report relies on reported by 18 factories supplying to companies participating in the FLA program. This is not a large enough sample size to be representative of all Bangladeshi factories, and the sample may also suffer from selection bias. Because the population of all Bangladeshi factories differ from the population of FLA Bangladeshi factories, this study may report a smaller living wage gap than a wider examination of countrywide factory conditions might have found.

GLWC using the Anker Methodology and is calculated using three expenditure groups (food, housing, and essential needs) with an added small margin for emergency events.

The Worker Minimum Wage Demand (Tk 16,000) was made by 150,000 garment workers during a strike in December of 2016, and is meant for the lowest paid category of workers.

The Asia Floor Wage (Tk 36,384.90) is published by the Asia Floor Wage Alliance and is meant to cover all of Asia. The figure assumes income is spent on food, non-food necessities, and discretionary spending at a proportion of 50, 40, and 10 percent, respectively. Unlike the other wage benchmarks, the Asia Floor Wage is calculated under the assumption that a worker supports herself or himself plus two-adult-equivalent dependents (all other wage benchmarks listed assume only a two-adult-equivalent household).

The FLA has adjusted these wage benchmarks to reflect net values. All wage benchmarks have been adjusted to account for Income Taxes and Bangladeshi Revenue Stamp when applicable. For more information on applicable Income Taxes and the Bangladeshi Revenue Stamp, see the Appendix on page 26.

In addition to reflecting net values, all wage benchmarks are adjusted to monthly values, in 2017 Bangladeshi Taka, and converted to USD using 2017 average exchange rates or to PPP international dollars using 2017 average conversion rate. All adjustments for inflation, and Purchasing Power Parity, relied on data from the International Monetary Fund’s World Economic Outlook Database. For more information on the methodology used for adjustments, please see the Appendix on page 26.
Toward Fair Compensation in Bangladesh

**IDENTIFYING THE WAGE GAP**

The data presented in this report illustrate a significant gap between what apparel workers in Bangladesh earn and what they need to live a dignified life. On average, workers in Bangladesh earn the equivalent of 7,797.10 taka ($97.29) per month; the next highest rung on the ladder, the Global Living Wage Coalition benchmark for Dhaka’s satellite cities, is 13,620 taka ($169.95) per month. Workers and unions cite a higher benchmark — 16,000 taka ($200) per month — as their preferred legal minimum wage, and the Asia Floor Wage Alliance cites an even higher benchmark as their living wage estimate (36,385 taka; $454) per month. Other civil society organizations, worker representatives, or companies may come to different conclusions about what level of income...
“fair compensation” or a “living wage.” The FLA does not designate a precise minimum that affiliated companies must reach. Nonetheless, the gap of 6,041 taka ($72.66) per month between average worker wages and even the lowest suggested living-wage benchmark demonstrates the scale of the challenge for companies committed to achieving fair compensation for workers. To achieve this level of pay, wages would need to be raised by almost 80 percent.

**Factory-Level Comparison: Progress Towards Benchmarks**

While all the factories in this dataset met legal minimum wage requirements, average wages sit just above the World Bank poverty level. None met the next highest living wage benchmark (Global Living Wage Coalition) and all were far below the worker minimum wage demand and the Asia Floor Wage. Among all factories in the sample, the average wage gap compared to the various benchmarks is:

- 5,847.26 taka ($72.96) vis-à-vis the Global Living Wage Coalition (GLWC) benchmark,
- 8,217.26 taka ($102.53) vis-à-vis the worker minimum wage demand,
- 28,612.16 taka ($357.02) vis-à-vis the Asia Floor Wage.

While some factories in our sample have a marginally smaller wage gap in comparison to the average, there is a clear pattern across the sample.
Implications for Workers

This large wage gap has important implications for Bangladeshi workers. Among other significant consequences, low wages contribute to grim living conditions for workers. In Bangladesh, garment factory workers often live in crowded urban slums where sub-standard housing is the norm. The Global Living Wage Coalition’s in-depth analysis tells us that average rent in Dhaka’s satellite cities for an acceptable standard of housing is 7000 taka ($77.40), or 89.8 percent of average net pay for a worker in our sample.\textsuperscript{xxii} When adding in the cost of essential utilities, this cost rises to 7900 taka ($87.35), or 101.3 percent of average net pay for a worker in our sample. This is a significant gap, and as a result most apparel workers live in conditions that are unacceptable by most, if not all, global standards. Bangladeshi garment workers and their families typically live in non-standard construction housing built of tin or other substandard material, with several people sharing a room and multiple people sharing kitchen and sanitary facilities.\textsuperscript{xxiii} The effects of these poverty conditions are far-reaching and lifelong; inadequate water supply, poor sanitation, and other environmental hazards lead to shorter lifespans, a high risk of injury and disease, and compromised physical and mental development.\textsuperscript{xxiv}

In addition to poor living conditions, factory employees in Bangladesh endure extremely long working hours. Overtime is the norm and is a consistent practice of the apparel supply chain; a full 100 percent of workers in our sample regularly worked overtime, and 50 percent of workers in our sample worked more than 60 hours during at least one week per month. This finding mirrors what workers
report in interviews: women interviewed for the Garment Workers Diary reported working over 60 hours per week almost 50 percent of the time.\textsuperscript{xxv} Even with overtime earnings, the wage gap persists; the average worker in the Garment Workers Diary sample earns 9,751 taka ($121.67) with overtime included, an amount that is still far below living wage estimates. Furthermore, overtime accounts for more than 20 percent of the average worker’s wages in FLA’s dataset. The FLA’s definition of fair compensation — along with all of the living wage benchmarks presented in this report — are explicitly based on a regular, legal workweek. While there is widespread consensus on this point among civil society organizations and other advocates,\textsuperscript{xxvi} the current reality for workers is much different. While overtime wages may allow workers to get somewhat closer to a living wage, this comes at a significant cost to workers’ basic quality of life. Long hours significantly increase the risk of physical injury, fatigue, and mental strain while also making it more difficult for workers to care for their families.\textsuperscript{xxvii}
Meanwhile, a growing body of evidence suggests that long hours have a negative effect on factory efficiency and productivity. Still, excessive working hours are ubiquitous in Bangladesh factories. In all assessed factories, workers exceeded the daily working hour limit (10 hours) and/or weekly working hours limit (60 hours) set by local law or FLA benchmarks, respectively. For example, in one factory, workers in the wet processing department worked up to 81.5 hours per week and 12 hours per day during two weeks of one month; maintenance and housekeeping workers worked up to 88 hours per week and 15 hours per day during the same period.

Finally, the data demonstrate that the lowest paid workers are even more dependent on overtime than their peers. As shown below, those workers in our sample with the lowest net wage (excluding OT) also had the highest number of overtime hours, while those with a higher net wage worked fewer hours overall.

**Average Wages and the Legal Minimum**

As shown above, worker wages in Bangladesh are still closely tied to the legal minimum wage and this wage appears to be a primary factor in determining compensation levels. This is consistent with FLA’s global analysis in 2015, which found that half of all factories...
and two-thirds of the 21 countries assessed had wages hovering near the legal minimum. Exceptions tend to occur in those markets where workers have relatively greater influence in collective bargaining or where labor is in shorter supply; one example of the latter is China, where average compensation is 1.59 times the legal minimum. Bangladesh, on the other hand, has experienced significant growth in urban, working age populations. These workers tend to have low levels of formal education and are heavily reliant for their livelihoods on the informal sector; as such, they have little leverage in choosing jobs. Furthermore, as discussed below, Bangladeshi labor laws provide little support in terms of requiring or enforcing collective bargaining rights — especially in Export Processing Zones (EPZs.) Adding to the challenge for workers is the fact that the legal minimum wage has not increased since 2013, while inflation has continued to grow at between 5 and 7 percent annually.

The relationship between wages and pricing is part of a conundrum faced by buyers and suppliers that illustrates the complexity of the trading relationship. On the one hand, many buyers report that their suppliers are unwilling to raise wages above the minimum wage. Particularly in contract facilities in which several brands are operating, buyers say they feel that they lack leverage to demand changes to compensation. On the other hand, suppliers report that buyers are often unwilling to raise their prices even to meet minimum wage requirements. In a 2016 global survey conducted by the ILO, 83 percent of suppliers in Bangladesh reported that their customers were unwilling to accommodate a price increase in their products due to a statutory increase in the minimum wage. These complex power dynamics — along with the perception on both sides that the other is unwilling to raise wages — means that wages remain stagnant as long as the legal minimum wage does not increase.
Wages are not an isolated factor in the workplace, and a factory’s compliance — or non-compliance — with related workers’ rights standards can give further insight into the many factors contributing to low wages. The data in this study was collected as part of FLA’s much broader factory assessment process which goes beyond conventional audit procedures and focuses on a systemic approach to remediation based on a root cause analysis. By incorporating wage data collection into the assessment procedures, the FLA acknowledges that wages are part of a much larger ecosystem. Indeed, an analysis of assessments from factories shows a correlation between low wages and non-compliance with certain factory-level workers’-rights standards, which can in turn guide efforts to progressively raise wages.

Worker Representation

Workers’ ability to engage in collective bargaining is severely curtailed in Bangladesh, which has a long history of tension between factory owners and unions as well as an incomplete patchwork of laws around the right to organize. In fact, some reports place the overall level of worker unionization at less than 2 percent country-wide. Significantly, unions are prohibited by law in factories operating

FACTORY ASSESSMENT PARTIAL SUMMARY

In Bangladesh, FLA assessors reported the following findings related to wages and hours of work

1. LEGAL VIOLATIONS

• Overtime Premium. In nine factories, workers were not paid in full for the overtime work they performed. In one case, the factory did not pay the workers at the legally required premium rate (200 percent of the regular rate) for work on a rest day. In another case, workers were compensated at the premium rate for only up to two hours of daily overtime, but at the regular rate for work beyond that.

• Timely Payment. Seven of the assessed factories delayed wage payments to workers beyond what the law allows. Delays typically concerned termination payouts, which, according to local law, must be paid within seven days of the termination of the contract. Some factories hold final payment until the next regular pay period, which compromises workers’ ability to collect their severance pay, if, for example, they have relocated shortly after termination.

• Social & Fringe Benefits, Holidays, Leave, and Bonuses. In seven factories, assessors found legal violations with the administration of benefits, holidays, bonuses, and — most often — with payment for unused leave. For example, several factories compensated workers for all unused leave at the end of the year, although Bangladeshi law requires no more than 50 percent of unused leave to be paid out annually, with the remainder carrying over to the next year. The practice of compensating workers for all unused leave, which may seem advantageous to employees, has two drawbacks: (a) with all unused
inside the Export Processing Zones (EPZs); instead, these factories are required to institute “participation committees” with representation from both management and workers. Worker representatives are elected to these committees and meet with factory management periodically, normally once or twice a month. While participation committees may serve workers better than having no representation at all, they tend to have less leverage in a workplace than functioning unions and there is a high possibility of undue influence from factory management.xxxvi

The FLA Workplace Code of Conduct states that “employers shall respect all laws, rules and procedures protecting the rights of workers to organize, bargain collectively, and participate in strikes consistent with ILO principles and jurisprudence.”xxxvii Factories that violate the standard requiring respect for worker organizing within the narrow limits defined by Bangladeshi law report lower net wages overall. This speaks to the important role of worker representation in wage setting.

hours cashed out, workers are left with no leave at the beginning of next year, should the need arise to take time off, and (b) since the payment for unused leave is calculated based on the last pay period’s wage, workers lose out on additional earning that would have resulted from wage revisions at later dates.

2. FLA CODE OF CONDUCT VIOLATIONS

- **Daily and Weekly Hours of Work.** In all assessed factories, workers regularly exceeded the daily working hour limit (10 hours) and/or weekly working hours limit (60 hours) set by local law or the FLA Code, respectively. For example, in one factory, workers in the wet processing department worked up to 81.5 hours per week and 12 hours per day during two weeks of one month; maintenance and housekeeping workers worked up to 88 hours per week and 15 hours per day during the same period.

- **Consent by Female Workers for Night-time Work.** According to local law, factory management must obtain consent form female workers for work beyond 10pm. This regulation was put in place to address the safety concerns of this group of workers related to nighttime commuting, but compliance is not regularly enforced by local authorities. In two of the assessed factories, female workers were found to be working beyond 10pm without written consent.

- **Rest Day.** In seven out of 18 assessed factories, workers were not provided a rest day in accordance with the local law which requires 24 consecutive hours of rest in a seven-day work period. In the case of one factory, most of the workers worked for 26 days continuously without a rest day during one month. These workers were not provided with compensatory days off.

- **Meal and Rest Breaks.** In seven of the factories, workers were not provided the adequate amount of break time. For example, when there is overtime work, after six continuous hours of work, a one-hour break is required by Bangladeshi law. However, in one of the assessed factories, only a 30-minute break is provided for work conducted between 2 and 8pm.
even at the factory level, and is particularly resonant given the already low level of worker representation in EPZ factories. In the absence of a union alternative, brands and suppliers must be diligent about listening to workers and ensuring that they have a substantial role in setting wage levels.

The FLA Workplace Code of Conduct further requires that “worker representatives shall have the facilities necessary for the proper exercise of their functions, including access to workplaces.” Factories in Bangladesh that do not provide proper physical facilities for worker Participation Committees or other worker representation — and therefore have minimal allowance for workers’ right to organize — report lower net wages overall.

Both correlations exemplify the need for larger scale advocacy around collective bargaining and the right of workers to organize in Bangladesh. Although the Bangladeshi government has ratified ILO conventions No. 87 on freedom of association and No. 98 on the right to organize and bargain collectively, its labor laws fall short and include regulations that make unionization difficult. Even outside of EPZs, unions must reach a registration threshold of 30 percent before they can register through the Ministry of Labor. Approval for registration is only around 50 percent, with numerous reports of factory management blocking registration.

In addition, there have been several high-profile incidents of worker retaliation such as the arrest and detention of protesting workers, union leaders and workers’ right advocates after the 2016 protests in Ashulia on the outskirts of Dhaka. A collective approach, such as that utilized by the “Action, Collaboration, Transformation” group (ACT), is increasingly seen as a way for industry actors and unions to bring pressure on governments while also...
taking an active role in addressing wage issues. Businesses, civil society organizations, universities, and other stakeholders must continually advocate for increased protections for workers’ rights to freedom of association and collective bargaining to be built into the framework of Bangladesh’s labor laws.

**Production Planning**

The data in this report point to purchasing and production practices, such as poor sourcing and production planning, that contribute to or exacerbate lower wages for workers. FLA standards require that “employers shall not set production targets, piece rates or any other incentive or production system at such a level that workers need to work beyond regular working hours ... excluding overtime, in order to make at least the minimum wage or the prevailing industry wage, whichever is higher.”

In cases where FLA assessors report factories depending on overtime for regular production planning, daily production tends to require eight regular hours and two overtime
hours of each worker. Since overtime is already built into production planning, work beyond regular hours is expected and any unforeseen complication (such as late delivery of materials or high absenteeism) leads to even more overtime. In addition, the data illustrate that excessive overtime goes hand in hand with longer work weeks; in all but two factories with overtime-dependent production planning, workers worked consecutively for more than six days (in one incident, as long as 19 days). FLA standards require that “workers shall be entitled to at least 24 consecutive hours of rest in every seven-day period. If workers must work on a rest day, an alternative consecutive 24 hours must be provided within the same seven-day period or immediately following.”

Both poor planning (with assumed overtime), and failure to provide one rest day in every seven correlate with lower worker net wages in the factories studied for this report. Because of the compounding effects on workers of poor purchasing and production planning, it is essential that buyers and suppliers work together to plan accurately for production conditions that support regular working hours and fair compensation. While buyers argue that they have little
control over a suppliers’ production planning, particularly in multi-brand facilities, suppliers express frustration around short lead times, last minute changes, and other purchasing practices that affect their ability to stay on target. In one supplier survey conducted by ETI and Inwork, only 17 percent of suppliers worldwide reported having sufficient lead time, with a lack of accurate or clear technical specifications often exacerbating the issue. While the problem of poor production planning may have multiple causes, it is clear that workers bear the consequences. For this reason, factories and their buyers must communicate, cooperate, and find solutions for ensuring that production planning — including targets and incentives — is set realistically so that workers do not need to work extra hours in order to meet their needs.

The Fair Labor Association and its affiliates are committed to the joint goal of ensuring that workers receive fair compensation, as reflected in the FLA’s Workplace Code of Conduct. The data collected during the FLA’s Sustainable Compliance Initiative assessments – some of which is presented in this report – is only one piece of the larger work that the FLA and its stakeholders are undertaking to address fair compensation.

In 2018, FLA affiliates are using the FLA’s new Wage Data Collection Toolkit to gather comprehensive wage data within their own supply chains and map it against living wage benchmarks. This is not data for data’s sake. Rather, this mapping will allow brands to understand where wages are lowest, spark action-oriented conversations between buyers and suppliers, and set strategies for working with other stakeholders and industry peers. As affiliates use the new toolkit, they will share what they learn with the FLA and with each other. Together these stakeholders will then build a menu of joint strategies and actions to address wage gaps in a sustainable and just way.

More information about the FLA’s Fair Compensation work can be found at www.fairlabor.org/global-issues/fair-compensation.
The data in this report confirm that apparel workers in Bangladesh continue to earn poverty wages. On the national level, wages are closely tied to the legal minimum wage — which is set near the World Bank poverty level — and workers have extremely limited avenues for collective bargaining. On the individual supplier level, factories that plan their production around assumed overtime and limit workers’ participation in workplace improvement are even more likely to pay low wages. These factors together create an extremely difficult environment for garment workers, who work excessively long hours and still subsist on poverty wages.

Remediating conditions inside factories that result in low wages is a shared responsibility of buyers and suppliers. Together, buyers and suppliers must engage in honest dialogue on prices and costing in pursuit of a shared goal of fair compensation for workers. For their part, buyers must also go beyond factory auditing to actively engage in creating systems that can lead to change.

At the same time, the data contained in this report confirm that stronger government advocacy is necessary to increase legal minimum wages and worker collective bargaining rights. Buyers, suppliers, and civil society should support the efforts of workers and unions to raise the minimum wage, and all stakeholders should advocate for workers’ right to freedom of association throughout Bangladesh. Finally, retailers, universities, and other institutional purchasers can help advocate for change. In the wake of the Rana Plaza disaster many universities and collegiate licensees divested from Bangladesh. Universities whose licensees are sourcing from companies in Bangladesh should begin a dialogue with these businesses to determine what role they can play in supporting higher wages for workers.

The data in this report shine a bright light on the critical situation for workers in Bangladesh. Their wellbeing depends on all stakeholders — buyers and suppliers, workers and unions, civil society and government — playing their part to improve wages that are among the world’s worst for garment workers. The recommendations above provide several starting places, but the end goal will not be reached until all companies pay wages to workers that will help them break the cycle of poverty. The time for action is now; workers’ lives depend on it.
END NOTES


ii The World Bank Group, Bangladesh Country Snapshot, October 2015

iii The minimum wage in Bangladesh has multiple grades. Grades 4-7 (outside the Export Processing Zones [EPZs]) and grades 5-6 (inside EPZs) fall below the World Bank Poverty Line values. The wage ladders in this report use grade 7, converted to net values as noted in the Appendix, because it is the lowest grade applicable to workers in this sample.

iv The complete FLA Workplace Code of Conduct with all accompanying benchmarks and definitions is found at http://www.fairlabor.org/our-work/labor-standards


vi According to the Bangladesh Garment Manufacturers and Exporters Association, the total export figure for the ready-made-garment (RMG) industry in 2016 was USD 28,149,840,000, http://www.bgmea.com.bd/home/pages/tradeinformation; According to the International Monetary Fund World Economic Outlook, the gross domestic product (GDP) of Bangladesh in 2016 was USD 227,901,000,000, https://www.imf.org/external/pubs/ft/weo/2017/01/weodata/weorept.aspx?pr.x=61&pr.y=12&tsy=2016&ey=2016&scsm=1&ssd=1&sort=country&ds=.&br=1&c=513&s=NGDPD&grp=Q&a=

Accordingly, in 2016 the RMG industry accounted for 12.35 percent of the GDP of Bangladesh.

vii Unlike in other sourcing countries, the Minimum Wage Board in Bangladesh is only required to increase minimum wage levels once every five years, which does not allow wages to keep pace with annual inflation of 5 to 7 percent. Wage Struggle in Bangladesh, Clean Clothes Campaign Factsheet, February 2017, https://cleanclothes.org/resources/background/background-wage-struggle-bangladesh-december-2016/view


x The Global Sourcing Map – Balancing Cost, Compliance and Capacity. The McKinsey Group, 2013

xi https://actonlivingwages.com; ACT is a foundation jointly created by global brands and retailers in the garment and textile sector and IndustriALL, the global trade union federation representing garment and textile workers. Brands, retailers and IndustriALL realised that purchasing practices facilitating the payment of living wages, through the establishment of industry-wide collective bargaining requires collaboration among brands and between companies and trade unions.

xii https://data.worldbank.org/indicator/FP.CPI.TOTL.ZG?locations=BD

xiii Wage Struggle in Bangladesh, Clean Clothes Campaign Factsheet, February 2017

xiv Sourcing Journal, “Bangladesh Wages May be Set to Double,” November 21, 2017


xvi Bangladesh Gazette published by the Authority; published December 5, 2013; accessed December 2, 2017

xvii Wage Struggle in Bangladesh, Clean Clothes Campaign Factsheet, February 2017


xix The basic contracted wage is the wage earned during basic contractual working hours, namely excluding overtime.

xx The FLA calculation for piece-rate workers includes only incentive pay earned in regular working hours. Compensation = Basic contracted wage + [Monthly] Productivity bonus in Incentives + Cash benefits + In-kind benefits – Legal deductions and Taxes.


xxii Dr. M.E. Khan, Dr. Richard Anker, Ms. Martha Anker, and Dr. Sandhya Barge; “Living Wage Report: Dhaka, Bangladesh, and Satellite Cities,” published by the Global Living Wage Coalition, May 2016

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xxv “Bangladesh Working on Two Fronts: Gender Relations and Factory Conditions,” Garment Worker Diaries, 2016, Garmentworkerdiaries.org


xxviii Ibid.


xlii In this sample, factory non-compliance with this part of the FLA Code is correlated with a lower net wage (-0.40) as well as more overtime hours per worker (0.40).

xliv Inwork Issue Brief No. 10, “Purchasing practices and working conditions in global supply chains: Global Survey results,” ILO, June 2017


xxxvii In this sample, factory non-compliance with this part of the FLA Code is correlated with a lower worker net wage by a factor of -.28.


xli In this sample, factory non-compliance with this part of the FLA Code is correlated with a lower net wage (-0.45) as well as more overtime hours per worker (0.38.)

xlii In this sample, factory non-compliance with this part of the FLA Code is correlated with a lower net wage (-0.40) as well as more overtime hours per worker (0.40.)
### APPENDIX

#### BANGLADESH BENCHMARK TABLE

<table>
<thead>
<tr>
<th>BENCHMARK</th>
<th>METHODOLOGY</th>
<th>CALCULATION NOTES</th>
<th>SOURCE</th>
<th>MONTHLY VALUE</th>
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<tbody>
<tr>
<td>National Upper Poverty Line</td>
<td>• Food and Non-food component poverty line calculated using Cost of Basic Needs Method (CBN) • Food poverty line based on 2,122 calories per person daily - 2010 values were inflated from original calculation in 2005 • A non-food poverty line is estimated by the cost of non-food items by households near the food poverty line • The Upper Poverty Line is the sum of the food and nonfood poverty lines • In 2010, the upper poverty line at the national level is 1270.93 (1545.96 in urban areas)</td>
<td>• Assuming an urban household with two adult consumption units and one earner, the national poverty line is Tk3091.92 • According to the IMF’s WEO, Bangladeshi 2010 CPI is 145.561 and 2017 CPI is 235.236 • Adjusting for inflation, the National Upper Poverty Line is Tk4,996.74 in 2017 • With a monthly Revenue Stamp of Tk10, the net figure for the National Upper Poverty Line is Tk4,996.74</td>
<td>Bangladesh Bureau of Statistics</td>
<td>Tk4,996.74</td>
</tr>
<tr>
<td>Local Legal Minimum Wage</td>
<td>• Legal Minimum Wage is based on a Grade System • Workers are categorized by Grade (1 through 7), where Grade levels are determined by job position and experience • The lowest paid grade (Grade 7) is Tk5,300</td>
<td>• With a monthly Revenue Stamp of Tk10, the net figure for the Local Legal Minimum Wage is Tk5,290</td>
<td>Bangladesh Minimum Wage Board, 2013</td>
<td>Tk5,290</td>
</tr>
<tr>
<td>World Bank International Poverty Line</td>
<td>• The World Bank International Poverty Line is International dollar 2011 PPP$3.10/day • The daily rate is then converted into a monthly basis, assuming two consumption units and one earner • This figure is then adjusted using the World Bank’s PPP conversion rate (based on private consumption) and the IMF’s World Economic Outlook CPI</td>
<td>• On an average month (365/12), 2011 PPP$3.10/day is 2011 PPP$94.29 per month per person • For two adult consumption units (ACU), the poverty line is 2011 PPP$188.58 per month • According to the World Bank, the 2011 PPP conversion rate (based on private consumption) is 24.85 • Converting from PPP to local currency, the poverty line is Tk4686.14 in 2011 • According to the IMF’s WEO, 2011 CPI is 162.249 and 2017 CPI is 235.236 • Adjusting for inflation, the World Bank International Poverty Line is Tk6794.17 in 2017 • With a monthly Revenue Stamp of Tk10, the net figure for the World Bank International Poverty Line is Tk6,784.17</td>
<td>World Bank 2011 Eyyübiye</td>
<td>Tk6,784.17</td>
</tr>
<tr>
<td>Living Wage Estimate (Global Living Wage Coalition)</td>
<td>• The Global Living Wage Coalition (hosted by ISEAL Alliance) have calculated a living wage for garment workers in Dhaka and in satellite cities around Dhaka, to take into account significant differences in living costs • The calculation is based on the cost of acceptable minimum levels of food (based on a model local diet), quality of housing, and other costs including healthcare and education</td>
<td>• The calculation is based on the assumption that the average family has 4 members and 1.58 full-time earners • The living wage for Dhaka is therefore calculated as BDT 16,460 and a slightly lower living wage for satellite cities of 13,630. The lower figure is most representative of garment workers • Our net value is less 10 Taka (Revenue Stamp)</td>
<td>Global Living Wage Coalition 2016</td>
<td>Tk13,620</td>
</tr>
<tr>
<td>Worker Minimum Wage Demand</td>
<td>• In January of 2018, Ready Made Garment (RMG) trade unions’ federation demanded a Tk16,000 fixed minimum wage • The Tk16,000 figure is broken down by a fixed basic wage (Tk10,643), house rents (Tk4,257), and transportation and medical allowances (Tk1,100)</td>
<td>• A monthly gross income of Tk16,000 is an annual gross income of Tk192,000, which is less than the lowest payable income tax bracket • With a monthly Revenue Stamp of Tk10, the net figure for the Worker Minimum Wage Demand is Tk15,990</td>
<td>Dhaka Tribune, 2018</td>
<td>Tk15,990</td>
</tr>
<tr>
<td>Asia Floor Wage</td>
<td>• The Asia Floor Wage Alliance’s Asia Floor Wage figure (latest revision found from 2017 - PPP$1181) is based on a 3000 kcal diet for a three-adult-equivalent household with a single earner, based on East and Southeast Asian countries and applicable to manufacturing industries • The figure assumes that 50% of monthly income is spent on food, 40% is spent on non-food necessities (clothing, housing, travel costs, children’s education, and health costs), and 10% is proportioned for discretionary spending • For 2017, food basket research was done in Bangladesh, providing a more accurate conversion factor of 31.9 • In order to obtain a net figure, an Income Tax and Revenue Stamp are deducted from the gross figure</td>
<td>• Using the 2017 figure (PPP$1181) and the Bangladesh conversion factor (31.9) means the gross figure for 2017 is Tk37,661 • A monthly gross income of Tk37,661 is an annual gross income of Tk451,932 • Assuming a female worker, no income tax is applicable on the first Tk300,000 and a 10% income tax is applicable on the next Tk400,000 • A 10% income tax on the applicable income of Tk151,932 is an annual tax of Tk15,193.20 or a monthly tax of Tk1,266.10 • With an effective monthly income tax of Tk1,266.10 and a monthly Revenue Stamp of Tk10, the net figure for the Asia Floor Wage is Tk36,384.90</td>
<td>Asia Floor Wage Alliance</td>
<td>Tk36,384.90</td>
</tr>
</tbody>
</table>