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# Waiting Game: Minimum wage-setting in Bangladesh's apparel industry

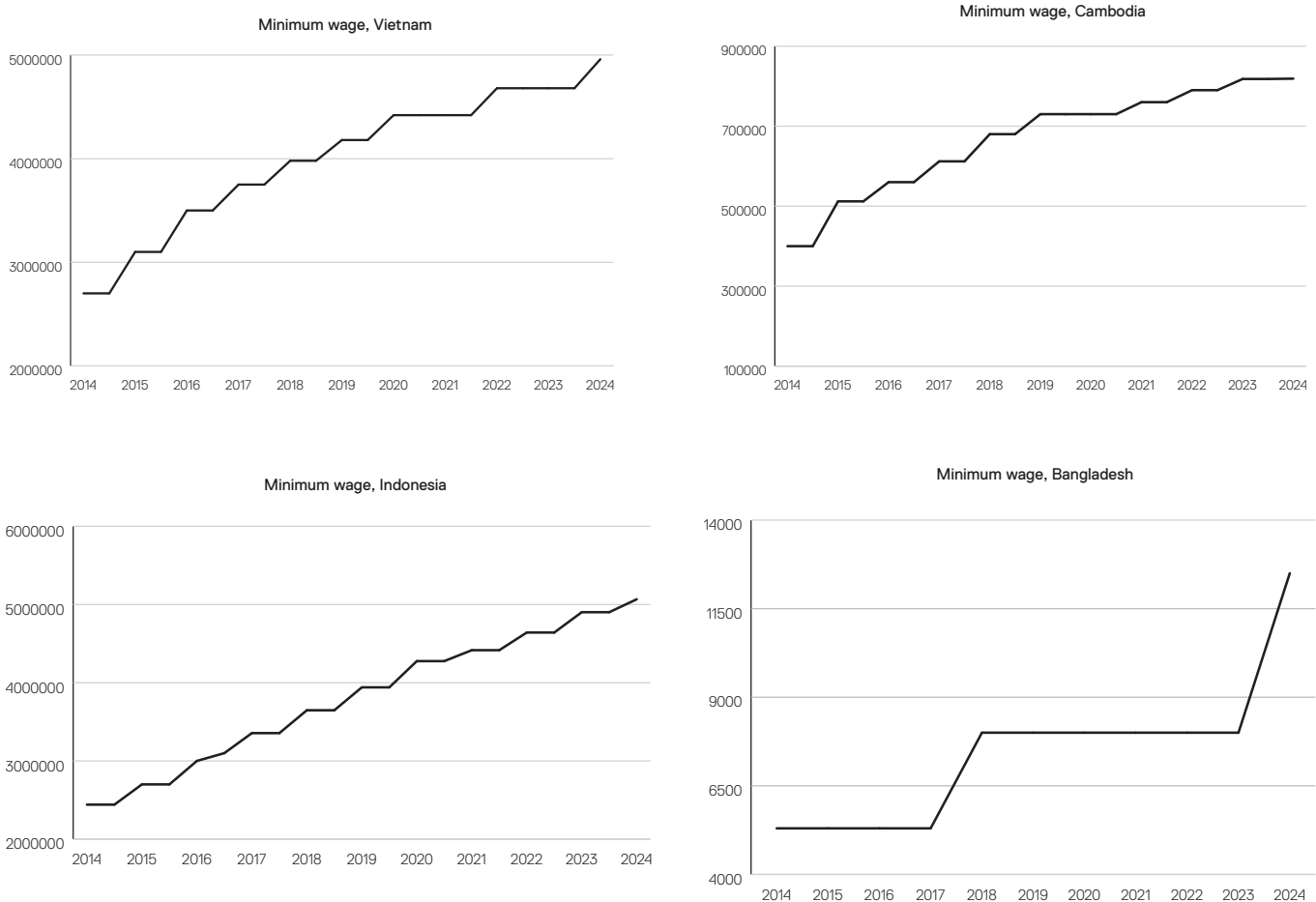
By Jason Judd, Brian Wakamo and Sarosh Kuruvilla

## Introduction

Minimum wage-setting is a now widely-used economic policy tool and its design plays a critical role in national poverty reduction efforts and industrial competitiveness. The two interests—needs of low-wage workers and their families, and the interests of business—are in tension and, in most developing economies, that tension is tested and adjusted in annual reviews of minimum wage levels.

The top apparel and footwear exporting countries including Vietnam, Indonesia and Cambodia all analyze, debate and revise minimum wages levels for apparel workers—and, increasingly, for all workers—every year. Motivated by economic fairness or seeking greater social stability or both, governments and industries have made largely predictable step-wise increases in wages for low-paid workers the norm.<sup>1</sup>

Figure 1. Minimum wage levels, Bangladesh, Cambodia, Indonesia, Vietnam, 2014 – 2024.



Sources: Vietnamese Ministry of Labour, Invalids and Social Affairs; Cambodian Ministry of Labour, Vocational Training and Labour Advisory Committee; Indonesian Ministry of Manpower and Jakarta Provincial Government; and Bangladeshi Ministry of Labor and Employment

1 These processes and their outcomes have a checkered history. The academic literature is rich with analyses. See, for example, <https://www.sciencedirect.com/science/article/pii/S0921800918306591#:~:text=In%20relatively%20poor%20countries%2C%20living,et%20al.%2C%202018>, <https://www.sciencedirect.com/science/article/pii/S2405844024011289> and <https://www.tandfonline.com/doi/full/10.1080/13563467.2021.1926954>. Our goal in this brief is to compare annual with delayed increases for workers in leading apparel producing countries.

Despite the high stakes for low-wage workers, their organizations and employers, annual reviews have made minimum wage-setting in these countries relatively boring and productive.<sup>2</sup>

Bangladesh reviews the minimum wage for apparel workers once every five years, most recently in 2023. The long delay [produces extreme tension](#) between workers, employers and government. No annual review means that workers' 'real'—that is, inflation-adjusted—[income can fall](#).<sup>3</sup>

In part as a result of the wage-setting policy, the purchasing power of manufacturing wages for workers in Bangladesh ranked lowest among top apparel producing countries in the 2024 apparel competitiveness investigation by the U.S. International Trade Commission, with monthly average earnings of USD 389 in PPP-adjusted dollars. That is, their wages buy less—significantly less—than comparable wages of workers elsewhere (USITC, 2024).<sup>4</sup> This pressure on workers persists despite rapid growth for the industry (see Figure 4 below), significant weakening of the Bangladeshi taka in recent years against the U.S. dollar—employers are paid by brands in dollars and pay workers in taka—and significant growth in per capita income in Bangladesh over the last decade, from 1,108 USD in 2014 to 2,529 USD in 2023.<sup>5</sup>

Worker organizations in Bangladesh again called for an annual [wage-setting process](#) and a new 2023 monthly minimum of BDT 23,000 (around USD 200) ([BILS](#), 2023). The 2023 wage-setting process again led to mass protests against employers and the Hasina government. Four workers were killed and [many more injured](#). One hundred sixty-one (161) workers were arrested and more than 40,000 are still at risk of arrest due to the use of open and nameless warrants, according to [the Clean Clothes Campaign](#). The Worker Rights Consortium [also notes that](#) “[w]orkers have faced significant violence, with at least four workers now dead, and dozens more seriously injured, with heavy police and military presence ... in industrial areas” during these protests.

The Hasina government and leading apparel employer organization, BGMEA, [rejected the demand](#). The [2023 minimum wage](#) was pushed up to BDT 12,500 (USD 113) from the BDT 8,000 (USD 75) rate set in 2018. The most recent increase for the first time includes automatic annual increases of five percent (on the 'base' wage, not the higher minimum wage) until the wage is revised in 2028. A pre-set annual increase is not an annual minimum wage review and is doubly problematic where prices paid by workers for basic goods and services are running high.<sup>6</sup> In the last two years, consumer prices generally have climbed at annualized rates of roughly 9 and 10 percent for Bangladeshis.<sup>7</sup> At current inflation rates, workers paid the minimum wage or close to it are 'under water', losing real income year-on-year.

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2 Annual reviews rather than bi-annual reviews are the norm in key apparel-producing countries. A review does not presume an adjustment.

3 The [Bangladesh Institute of Labour Studies estimates](#) that the minimum wage was 1957 BDT behind what it should have been in 2022 if it had been adjusted for inflation.

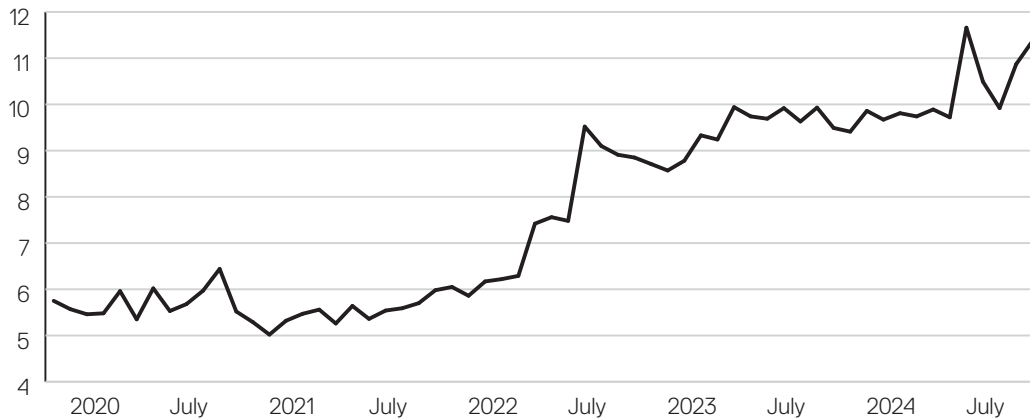
4 See Figure E.9 in the USITC 'Competitiveness' report.

5 World Bank national accounts data and OECD National Accounts data files, from the World Bank Data site, <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=BD>.

6 See the ILO's standards and guidance for wage-setting in C. 131 (1970) and accompanying R. 135 as well as its recent Experts report on wages policies.

7 Monthly inflation rates of 10 percent and higher in 2024 are comparable to bouts of inflation in 2011 and 2007 (11+ percent) in Bangladesh (12+ percent).

Figure 2. Bangladesh inflation rate, 2020 – 2024 (percent)



Source: Bangladesh Bureau of Statistics (via [Trading Economics](#), November 2024)

In their recent proposals for changes to the minimum-wage setting process, activist unions emphasize that minimum wage reviews must happen annually and that a genuine trade union representative chosen by labor federations—not a government-selected figure—be appointed to the wage board. Finally, unions call for the base wage (a smaller figure than the minimum wages) on which worker’s bonuses and allowances are based to be set at a higher percentage of the minimum wage. Other advocates argue for an overall restructuring and simplification of the base wage, bonuses and allowances system.

Some of the world’s largest apparel brands and retailers joined the call for higher wages and an annual wage-setting process though almost all refused to endorse the wage level proposed by activist unions.<sup>8</sup> And apparel brand commitments to hold their suppliers harmless—i.e. allowing rises in prices—when wages increase are not enforceable.<sup>9</sup>

## How delayed wage-setting impacts workers, employers

It is important to describe the pressures and sense of economic powerlessness that can accompany a once-in-five-year raise for low wage workers. Cornell GLI and BRAC researchers surveyed Dhaka apparel workers in early 2023 for our *Higher Ground?* reports (written with Schrodgers) on climate breakdown and apparel production. In the final year of a five-year wait for a change in the minimum wage, they reported that:

[T]hose interviewed for this report estimated spending BDT 3,500 (USD 31) for medicine and BDT 2,000 (USD 18) for electricity at home in the hottest months when fans have to run constantly to allow them to sleep. Monthly bills of this size equal 61 percent of average monthly rent payments of BDT 9,000 (USD 83) and workers reported borrowing against their personal belongings and paying high interest rates to afford electricity and medicines in May, June and July. (*Higher Ground?* 2023)

The Bangladesh industry’s price advantage has been maintained in part because of this downward pressure on real income for workers, as their low wages and the five-year review period works to keep production prices down and, therefore, competitive with larger countries like China.<sup>10</sup>

8 Patagonia endorsed a BDT 23,000 per month minimum wage in October 2024. See: <https://www.patagoniaworks.com/press/2023/10/3/patagonia-supports-minimum-wage-increase-for-bangladesh>

9 See, [for example](#), “We [brands] acknowledge that apparel brands and retailers sourcing in Bangladesh have a role to play in enabling the above recommendations. We are committed to implementing responsible purchasing practices to fulfill that role.”

10 UISTC Competitiveness report, Chapter 5: Bangladesh, <https://www.usitc.gov/publications/332/pub5543.pdf>

Employers in opposition to annual minimum wage-setting argue that a regular process will lead to larger average (annualized) increases than in the past. They worry that governments will raise wages to win votes or loyalty and that wage growth will outpace the growth in worker productivity and employer earnings that make higher wages possible. Rising labor costs in a labor-intensive sector will make their industry less competitive. There is not evidence to support this and the experiences of Vietnam, Indonesia, Cambodia and elsewhere in recent years undermine the argument.

Opponents also argue that apparel buyers will find other producers. Factories in Bangladesh will close and workers will lose. [As stated by](#) BGMEA President Faruque Hassan in 2023, “The implementation of the new wage structure would exert a huge financial impact on the factories. This will be challenging for many of our factories to implement the new wage in the current economic and financial circumstances.”

This argument assumes that buyers will not adjust prices to accommodate higher wage levels. One retailer—a long-time, large-scale buyer of Bangladesh-made garments—includes in its Bangladesh wages policy (internal) commitments to:

- assure that minimum wage increases are reflected in the prices paid, protecting increased labor costs as an itemized cost to suppliers
- not relocate production as a result of minimum wage increases
- urge the parties to consider the value of a more regular mechanism for minimum wage adjustment that will ensure that the wage increase is gradual with a frequency that provide increased business predictability
- recommend the government representatives and other relevant stakeholders to particularly consider risks of disproportional inflation effects to the most vulnerable worker groups in the statutory minimum wage setting process
- recommend an inflationary mechanism to adjust minimum wage levels on an annual basis to mitigate fluctuation and uncertainty

## **Cambodia: higher wages and higher growth, 2013 – 2023**

Would an annual process of reviewing minimum wages mean ruin for hundreds of thousands of Bangladeshi workers and inevitable decline for the industry? Or, would the industry adjust and grow?

A close analog for Bangladesh’s apparel industry is Cambodia. Despite some notable differences—overall size, local production of fabric and so on—they share enough similarities for a comparative analysis of their wage-setting processes. Both industries found their footing at around the same time in the late 1990s. Both survived and then thrived after the end of the protective Multifiber Agreement in 2005. Both depend deeply on apparel production for their export earnings—[84.6 percent](#) in Bangladesh and [62 percent](#) in Cambodia—but are eager to move on to higher-value production.

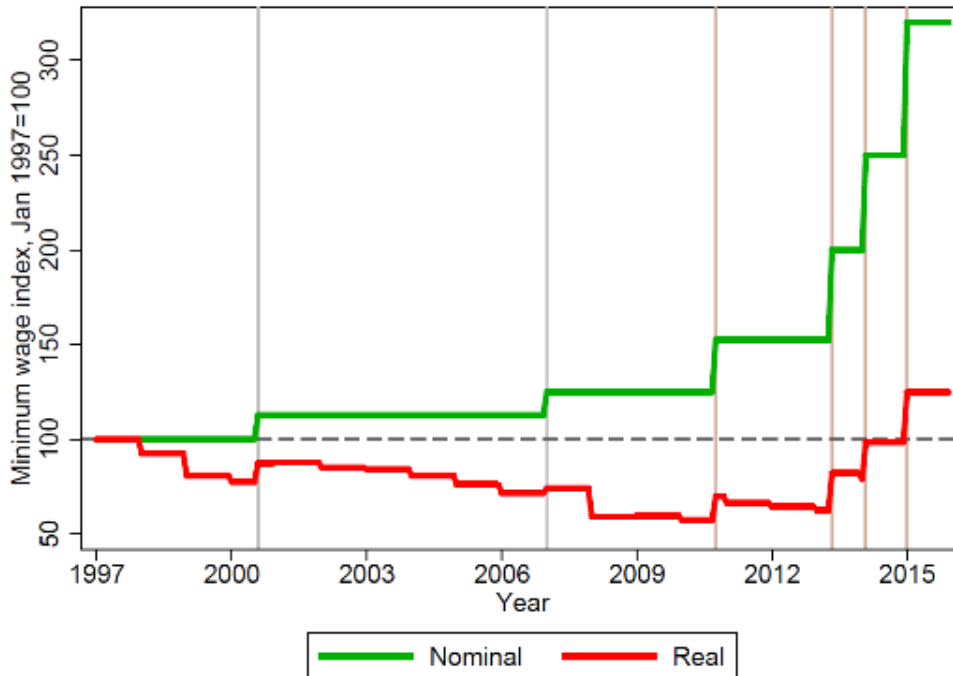
Both have apparel-only minimum wages. And Cambodia operated a five-year minimum wage-setting cycle until 2013. Employers and the government effectively—in the words of an industry leader there—“compressed” workers’ wages for a fifteen-year period. Inflation-adjusted change in the minimum wage in the years between occasional increases was negative. Workers earning the minimum wage would have taken home less pay in 2011 or 2012 than they did a decade earlier. And workers earning more than the minimum wage nonetheless felt the effect (i.e. the ‘stickiness’) of a deflationary minimum wage as it was the basis for their own (market or prevailing) wage levels.



What happened? A combination of strikes and living wage campaigns in Cambodia and abroad, a surging political opposition, government violence against workers—[five protestors were shot dead](#) in Phnom Penh in January 2014—and credible threats from apparel brands to leave or reduce orders finally broke the employers’ hold.

The government agreed to reopen the wage-setting policy and, with technical support from the ILO, established an [annual review](#) of the apparel sector minimum wage, requiring a tripartite Labour Advisory Committee made up of the government, employers, and workers to meet to set the minimum wage. They are required to take into account a set of social and economic criteria when recommending a new minimum wage figure each year.

Figure 3. Nominal and real minimum wage index for Cambodian garment workers, 1997 – 2015



Source: Shrestha, 2019. *The Impact of Minimum Wage Hikes on Employment and Wages in Cambodia*.<sup>11</sup>

Minimum wages began to climb almost immediately. A longtime leader of the industry association said, “the government sacrificed investors for workers” and an election victory. Between May 2013 and January 2016, the (nominal) monthly minimum wage increased 75 percent, from USD 80 to USD 140.

Inflation-adjusted (real) minimum wages had fallen so far in the wage-compression years that 25 – 33 percent increases in the minimum wage in 2013 and 2014 only returned real minimum wage levels to their 1997 levels. This compression, or wage lag, had been engineered in one of the world’s [fastest-growing economies](#) in that period.

The industry promised ruin and called in 2015 [for a halt](#): “We don’t want to increase wages since we did it last year. But if the government is set to increase it, we have to increase... [and] if we can’t do it, we have to close the factories.”

But the same industry leaders say that, in the early years after the change in policy, new annual minimum wages tended to lag the prevailing wages in the industry. That is, employers were already paying slightly more than the newly-agreed minimums in order to attract workers or to meet the terms of collective bargaining agreements. Minimum wage reviews

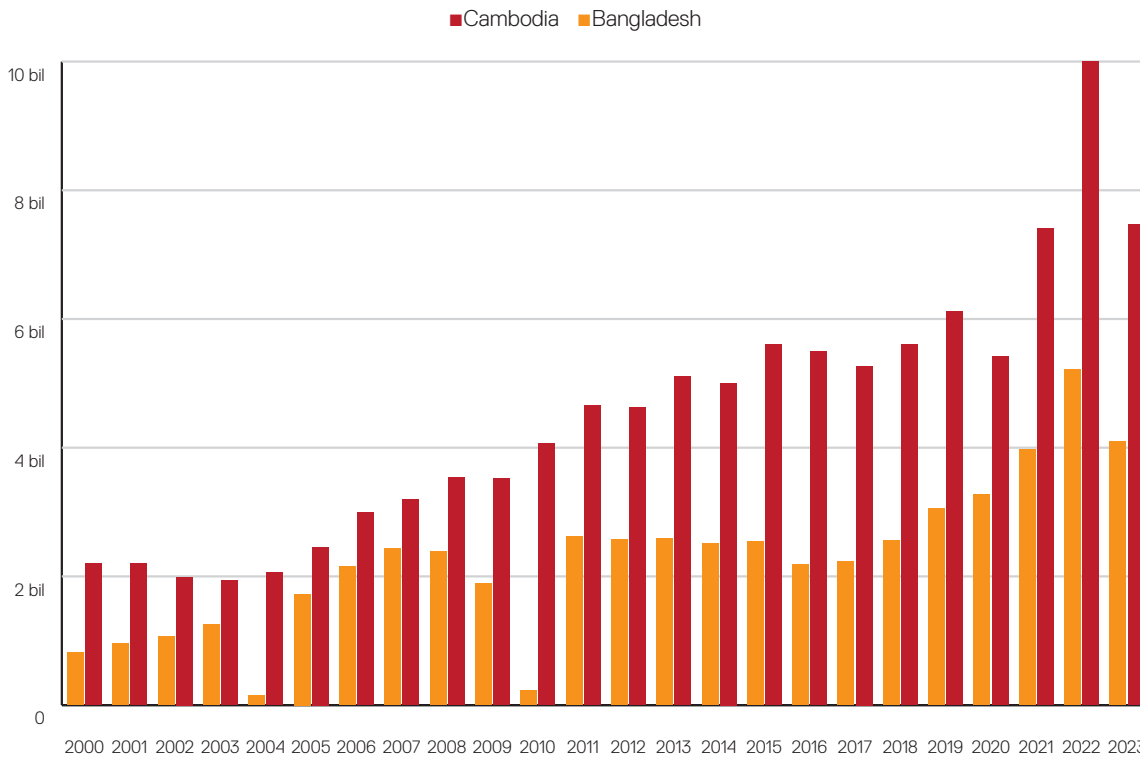
11 Shrestha, M. World Bank. (2019). *The Impact of Minimum Wage Hikes on Employment and Wages in Cambodia*. <https://documents1.worldbank.org/curated/en/147271556803838695/pdf/The-Impact-of-Minimum-Wage-Hikes-on-Employment-and-Wages-in-Cambodia.pdf>

resulted in higher minimum wage floors—an important policy result—but were not seen to be driving wage growth by themselves.

Has the change to an annual review of Cambodia’s minimum wage and higher wages driven away buyers, new orders and jobs in the last decade? No.

We show below Cambodia- and Bangladesh-U.S. apparel imports between 2005 – 2023. There was a lot going on in global apparel production and trade over the last two decades. China’s share of U.S. (and global) apparel imports surged and then began to wane. The Rana Plaza factory collapse in Dhaka killed more than 1,130 workers. Both worked to Cambodia’s advantage. But the collapse in orders and jobs that the industry had threatened did not happen as wages rose after 2013. Cambodia’s apparel exports to the U.S. between 2013 and 2023 grew at an annual average of 5.4 percent. Bangladesh-U.S. apparel exports grew in the same period only slightly faster at 5.9 percent.<sup>12</sup>

Figure 4. Value (nom. USD) U.S. Apparel Imports, Bangladesh and Cambodia, 2000 – 2023.



Source: GLI from OTEXA data

And the two industries have traded growth spurts—In the post-COVID period, Cambodia has returned to its long-term competitive position vis-à-vis Bangladesh. Brands and retailers stuck with Cambodia, making room for higher wages in their prices and, as expected, employers found some efficiencies.

And here from the ILO are the two industries’ records on export value growth, changes in gross value added—a measure of worker productivity—and employment growth through this period. Against both Bangladesh and the wider Asian apparel industry, Cambodia’s progress on these three measures during a period of rapid real wage growth is notable.

<sup>12</sup> See Figure 6 below for total (i.e. U.S. and world) apparel export growth rate comparison.

Figure 5. Compound annual growth rates of exports, gross value added and employment by subsector

	Exports (nominal, current US\$)	Reference period	Gross Value Added - Nominal	Gross Value Added - Real (constant 2010 US\$)	Reference period	Employment	Reference period
<b>Bangladesh</b>	11.3	2010-15	12.7	7.4	2010-17	1.8	2010-17
<b>Cambodia</b>	13.1	2010-19	12.2	8.3	2012-19	3.4	2012-19
<b>China</b>	3.1	2010-19	9.2	6.4	2010-17	-	
<b>India</b>	3.2	2010-19	5.4	4.1	2011-19	-4.6	2018-19
<b>Indonesia</b>	2.6	2010-19	3.1	3.6	2010-17	5.5	2010-15
<b>Malaysia</b>	1.9	2010-19	1.3	2.9	2010-17	-	
<b>Myanmar</b>	33.9	2010-19	-	-		12.4	2015-19
<b>Pakistan</b>	1.8	2010-19	7.0	3.4	2010-17	4.5	2010-18
<b>Philippines</b>	0.2	2010-19	0.6	-0.8	2010-19	0.0	2010-19
<b>Sri Lanka</b>	5.7	2010-17	7.3	8.6	2014-18	0.8	2010-18
<b>Thailand</b>	-1.4	2010-19	-1.5	-2.7	2014-18	-2.3	2010-19
<b>Viet Nam</b>	13.6	2010-19	12.5	8.6	2010-17	7.5	2010-19

GTF = garments, textiles and footwear; TXT = Textiles; WAP = Wearing apparel; L&F = Leather and footwear.

Source: ILO, 2022. 'Employment, wages and productivity trends in the Asian garment sector: Data and policy insights for the future of work'

From the same ILO analysis covering the period of its most rapid wage growth:

Cambodia had double-digit annual growth in exports across all three [garment, textile and footwear] sub-sectors over the past decade, and among the highest increases in real value added at an annual average of 8.3 per cent between 2012 and 2019... Overall, the GTF [garment, textile and footwear] sector had significant labour productivity growth and the highest increase in wages among all countries in our sample. Real average wages in the Cambodia's GTF sector increased at an average annual rate of 11.7 per cent between 2012 and 2019.<sup>13</sup>

These results belie claims from employers that a process of annual minimum wage-setting and higher labor costs lead inevitably to losses for workers, employers and their governments.

More evidence of the impact of wage-setting process and higher wages in apparel comes in a 2019 World Bank working paper.<sup>14</sup> Shrestha concludes that the 20 – 33 percent increases in wages in the 2008 – 2015 did not reduce employment in apparel and footwear production (Shrestha, 2019).

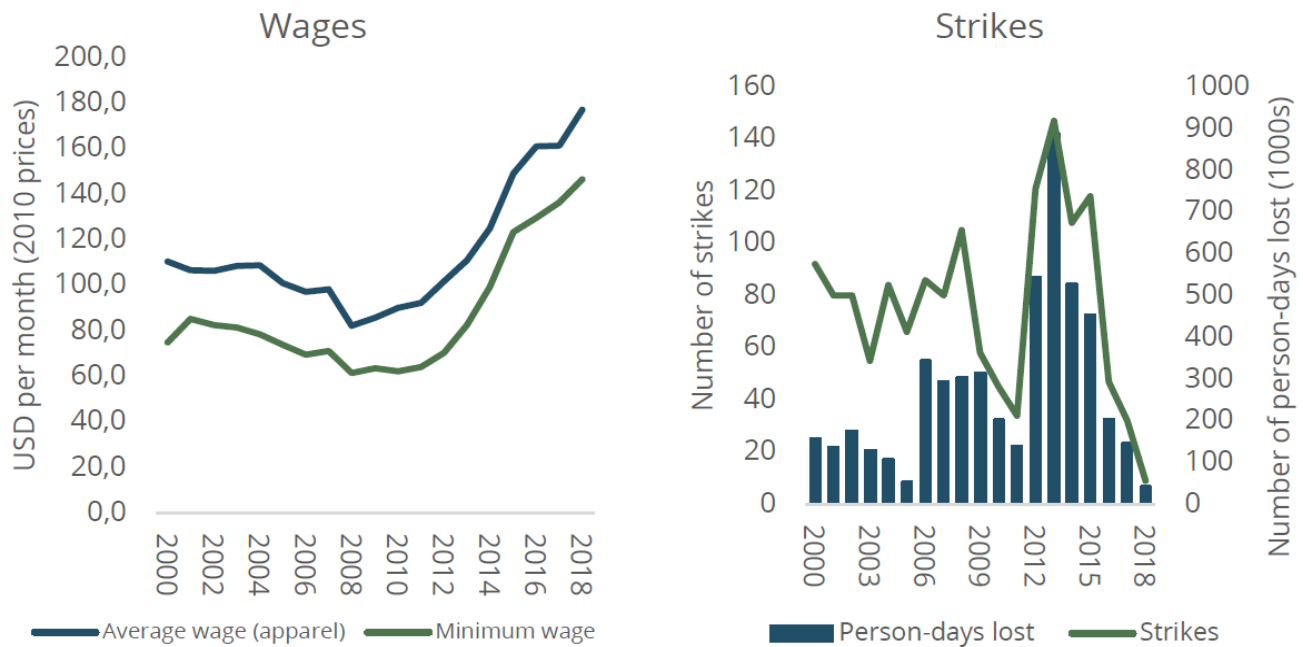
Finally, there is a relationship between Cambodia's post-2013 changes in wage-setting and the incidence of strikes. The dramatic decline in the number of strikes and person-days lost corresponds to the introduction of annual minimum wage reviews in 2013 and the suppression of activist unions, especially since 2017.

13 International Labour Organization. (2022). Employment, wages and productivity trends in the Asian garment sector: Data and policy insights for the future of work. [https://www.ilo.org/sites/default/files/wcmsp5/groups/public/@asia/@ro-bangkok/documents/publication/wcms\\_848624.pdf](https://www.ilo.org/sites/default/files/wcmsp5/groups/public/@asia/@ro-bangkok/documents/publication/wcms_848624.pdf)

14 Shrestha, M. World Bank. (2019). The Impact of Minimum Wage Hikes on Employment and Wages in Cambodia. <https://documents1.worldbank.org/curated/en/147271556803838695/pdf/The-Impact-of-Minimum-Wage-Hikes-on-Employment-and-Wages-in-Cambodia.pdf>



Figure 6. Wages (2010 USD) and strikes (person-days), Cambodia, 2000 - 2018



Source: Marslev et al., 2022. 'Rethinking social upgrading in global value chains around worker power'<sup>15</sup>

However, the decline in strikes also corresponds to the hollowing-out of democratic institutions including the Cambodia's labor arbitration body, [the crackdown on](#) the opposition Cambodian National Rescue Party in 2019 and the wiping away of human rights protections was punished by the European Union in 2020. EU ['Everything but Arms' trade preferences](#) for Cambodia were partially revoked.

## Conclusion

There is clearly need and room—both political and economic—for an annual review and wage-setting process in Bangladesh, organized and institutionalized by the new government with bona fide representatives of workers and employers. The experience of Cambodia's apparel industry in remarkably similar circumstances a decade ago indicates the steps, pace and scale for changes in wage-setting in Bangladesh's garment sector.

Concrete actions the government can take in the coming months include:

1. Institutionalize an annual review of minimum wages
2. Announce a review of the 2023-set minimum wage to take place in 2025
3. Collect explicit assurances from brands that they support via higher prices the increase in the minimum wage (including references to use of labor-costing and to the persistence of below-cost pricing by brands)
4. Distinguish in the wage-setting process (and social dialogue more generally) between bona fide worker representatives and others

<sup>15</sup> Marslev, K., Staritz, C., & Raj-Reichert, G. (2022). Rethinking social upgrading in global value chains around worker power. In Research Network Sustainable Global Supply Chains (2022). [Sustainable Global Supply Chains Annual Report 2022](#). Bonn: German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE).

5. Extend freedom of association and bargaining rights to workers in export processing zones as complements to democratic representation of workers and wage enforcement efforts

For immediate relief the government can require the planned 'inflation correction' of five percent be based on the whole minimum wage rather than the base wage.

With support for the above actions, the U.S. government, brands and retailers—and perhaps some of their Bangladeshi partners—and Bangladeshi unions and their allies can help move the interim government to endorse these outcomes. All are consistent with commitments and claims by brands and retailers as part of their long-standing voluntary labor programs.

Finally, brands and retailers can be expected to go beyond previous statements and endorse not only a new process but make sourcing commitments, show price forbearance and back specific wage levels or minimums (within the bounds of competition law).



Photo courtesy of ILO Better Work