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# Falling behind: Minimum wage-setting in Sri Lanka's apparel industry

By Jason Judd, Avi Hossain and Brian Wakamo<sup>1</sup>

# INTRODUCTION

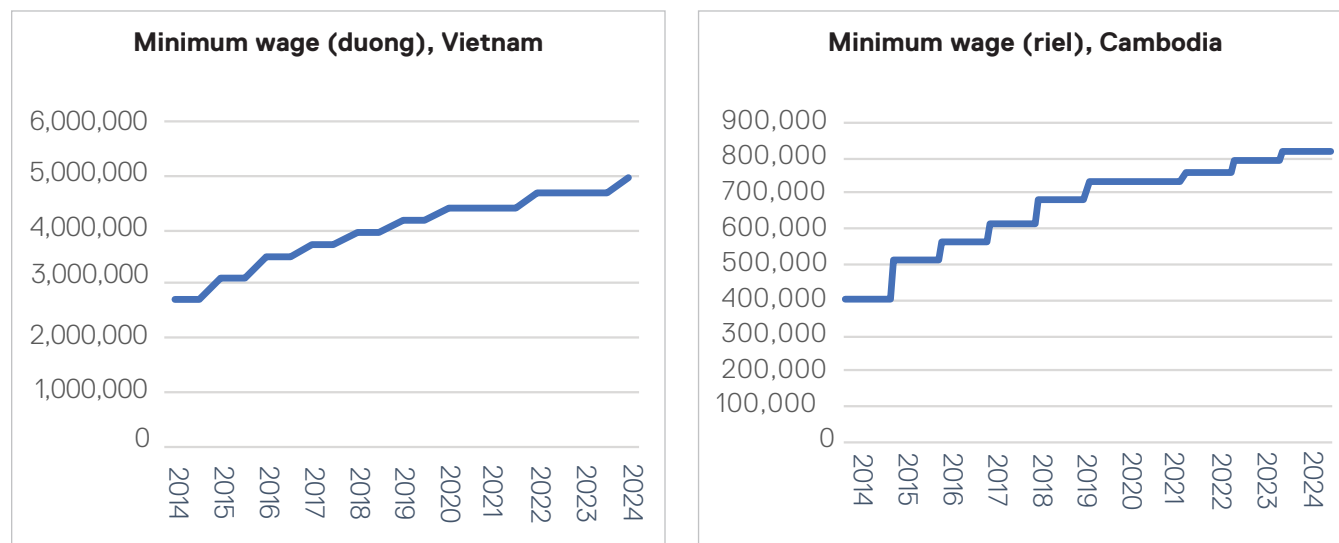
Sri Lanka has revised its national minimum wage, including wages for its 360,000 apparel workers, in 2024 and 2025 and again in 2026—a period of profound economic change for the country. We provide in this policy brief an analysis of the government’s wage-setting process and changes in the minimum wage’s value and purchasing power over the last 15 years. Our analysis takes account of the impacts of Sri Lanka’s recent economic crisis and compares wage-setting in competing apparel industries, including a close look at wage-setting in one of Sri Lanka’s competitors, Cambodia. We find that Sri Lanka’s irregular, start-stop minimum wage-setting policy prefers employers over workers, especially in times of economic crisis and is largely out-of-step with changes in the apparel industry and industrializing economies generally over the last two decades. We conclude with policy recommendations for government, manufacturers, workers and their organizations and the leading buyers of Sri Lankan apparel.

## Minimum wage-setting in leading apparel industries

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

Among the top apparel and footwear industries—Vietnam, Indonesia, Cambodia and China—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 annual, step-wise and largely predictable increases in wages for low-paid workers the norm.<sup>2</sup> But Sri Lanka, like Bangladesh, is an outlier.<sup>3</sup>

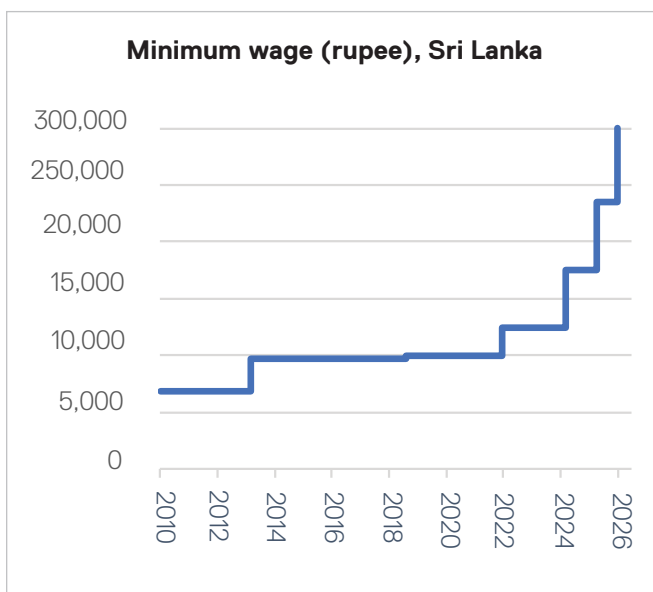
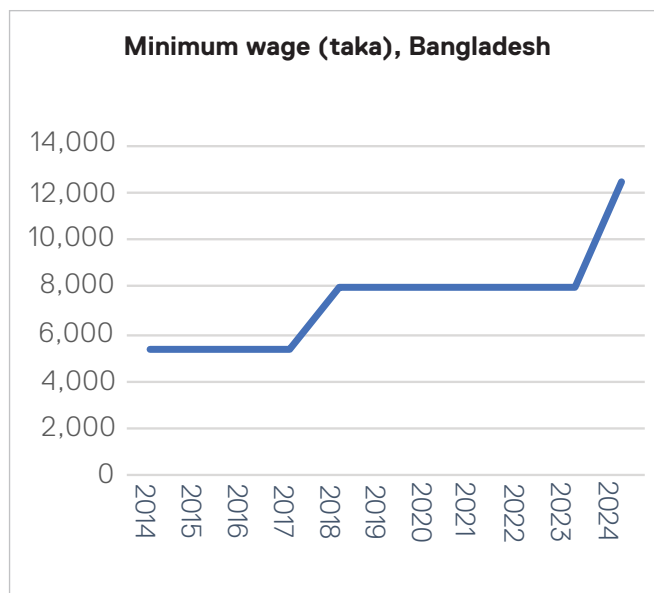
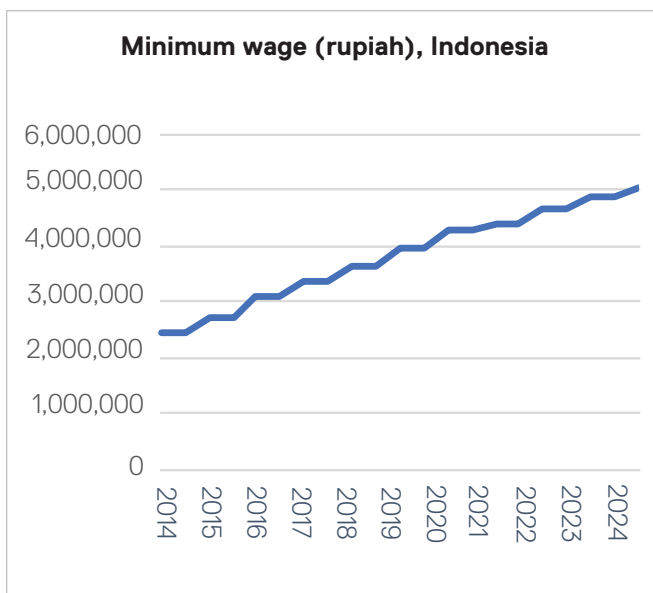
**Figure 1: Apparel worker minimum wages (nominal) in five key apparel-producing countries, 2014 - 2024**



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<sup>2</sup> These processes and their outcomes have a checked 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.

<sup>3</sup> The Bangladesh Labour Amendment of 2025 requires implementation of a national minimum wage and re-assessment of it every three years, replacing a five-year cycle for revision of apparel workers’ minimum wages.



Sources: Vietnam Ministry of Labour - Invalids and Social Affairs, Cambodia Ministry of Labour and Vocational Training, Labour Advisory Committee, Bangladesh Ministry of Labor and Employment, Indonesia Ministry Of Manpower and Jakarta Provincial Government, Sri Lanka Ministry of Labour, all via WageIndicator.org or governmental website

## Minimum wage-setting in Sri Lanka

Sri Lanka **has a varied system** of minimum wage-setting in which Wage Boards appointed by the Labour Minister and divided between employers and worker representatives set wages by industry (and District Wage Committees can adjust wages by trade). Sri Lanka maintains no rhythm or requirement for regular reviews and adjustments of minimum wage levels.

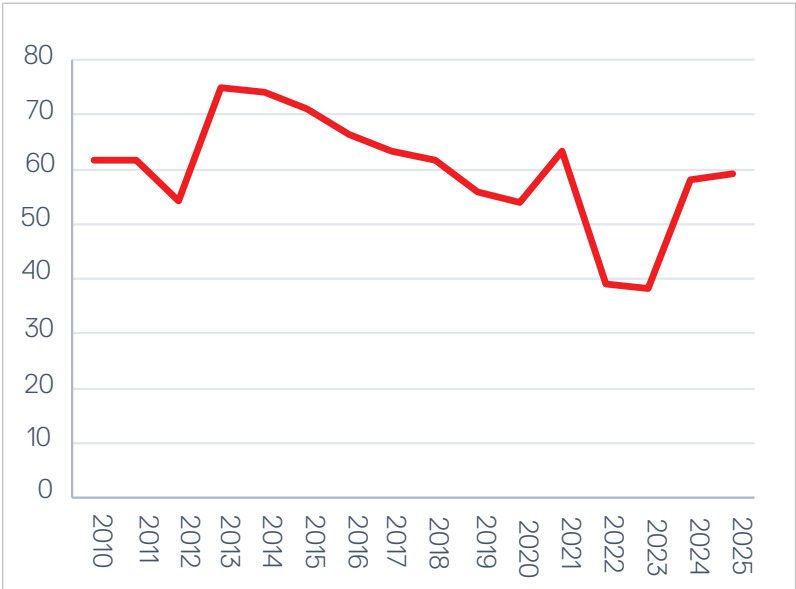
A **national minimum wage** for the private sector—including apparel workers—was introduced in 2016 while other sectors such as **tea and rubber plantations** can have higher wages as decided by their Wages Boards. From 2016, for example, minimum daily wages for tea plantation workers were LKR 500 while the daily minimum for apparel workers was LKR 400. In 2024, monthly minimum wage levels showed a persistent gap: tea plantation worker minimum wages were as high as LKR 23,500 per month but LKR 17,500 per month for apparel and other industrial workers.

Looking more closely at minimum wage for apparel workers in Sri Lanka between 2010 to 2025, a period that saw a long expansion of the industry's exports, we note increases from LKR 6,900 in 2010 to LKR 9,660 in 2013 and again to LKR

12,500 in 2016. Following a period of economic crisis, devaluation and rapid inflation, it was raised to LKR 17,500 in 2024, to LKR 23,500 in 2025 and LKR 30,000 in 2026.

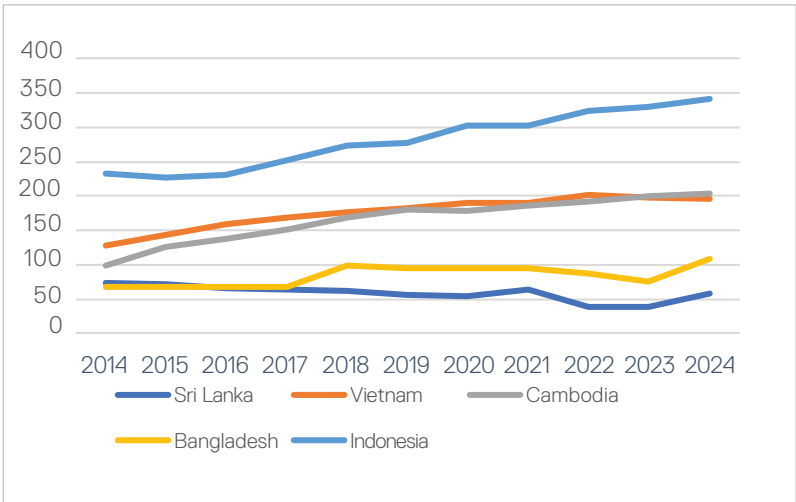
How do apparel minimum wages in Sri Lanka compare to minimum wages among competing producers? In Figures 2 and 3 below, we convert nominal minimum wage levels to U.S. dollars for Sri Lanka and four competitors. The dollar lens allows us to compare minimum wages across producing countries as global apparel and footwear producers and buyers see them.

**Figure 2: Apparel minimum wages (nominal USD), Sri Lanka, 2010 - 2024**



Sources: Sri Lanka Ministry of Labor, converted to USD using average monthly exchange rate data, [Central Bank of Sri Lanka](#)

**Figure 3: Apparel minimum wages (nominal USD), Sri Lanka and competitors, 2010 - 2024**



Sources: Vietnam Ministry of Labour - Invalids and Social Affairs, Cambodia Ministry of Labour and Vocational Training, Labour Advisory Committee, Bangladesh Ministry of Labor and Employment, Indonesia Ministry Of Manpower and Jakarta Provincial Government, Sri Lanka Ministry of Labour; wages converted to USD using average monthly exchange rate data of Central Bank exchange rates for [Sri Lanka](#), [Vietnam](#), [Cambodia](#), [Bangladesh](#) and [Indonesia](#).

Sri Lanka's monthly apparel minimum wage rose to USD 74 in 2013—its peak. The dollar value of apparel minimum wages fell thereafter, year on year, until 2020. In this period, Sri Lanka's minimum wage lagged every major competitor and manages to keep company only with Bangladesh, an industry that effectively suppressed minimum wages in this period (see Judd, 2025).

Sri Lanka's main apparel employer group, the Joint Apparel Association Forum (JAAF), disputed the relevance of minimum wages as a gauge of progress or pay. It **argued** in the 2021 contest over minimum wage levels that “Sri Lankan apparel workers are paid substantially more on average than any other apparel producing country in Asia [and] Sri Lankan apparel worker's take-home earnings is far higher than the legal minimum wage in the country”. The Secretary General of JAAF **added**, “Our position is that our companies are already paying the best they can, and well above the minimum wage.”

The resulting increase in the purchasing power of Sri Lanka's minimum wage in 2021—to USD 63—was short-lived. Its value collapsed to USD 38 as Sri Lanka's economy fell into crisis in 2021 - 2022 and the rupee was devalued. The 2024 increase in the minimum wage pulled its dollar value up to USD 59, still a considerable discount on its previous levels in absolute terms and in its purchasing power.

The Japanese External Trade Organisation **named Sri Lanka's recent wage crisis** as the worst in the Asia region. The **Asia Development Bank (ADB) found** that the March 2024 minimum wage increase was deeply insufficient, in part due to its failure to keep up with inflation. ADB also noted that the women are disproportionately affected by low wage levels as they make up the majority of minimum wage earners.

Worker leaders concurred. Anton Marcus, General Secretary of the Free Trade Zones & General Services Employees Union, **said in response to** the 2024 rejection of the union's proposed minimum wage that “the cost of living is very high, and because no one is willing to work for less, the factories have already been recruiting at a minimum of 18,000 Sri Lankan rupees (USD 60). But how can they live within that amount? Many are migrant workers, mostly female, mostly breadwinners.”

### **Inadequacy of Sri Lankan minimum wage**

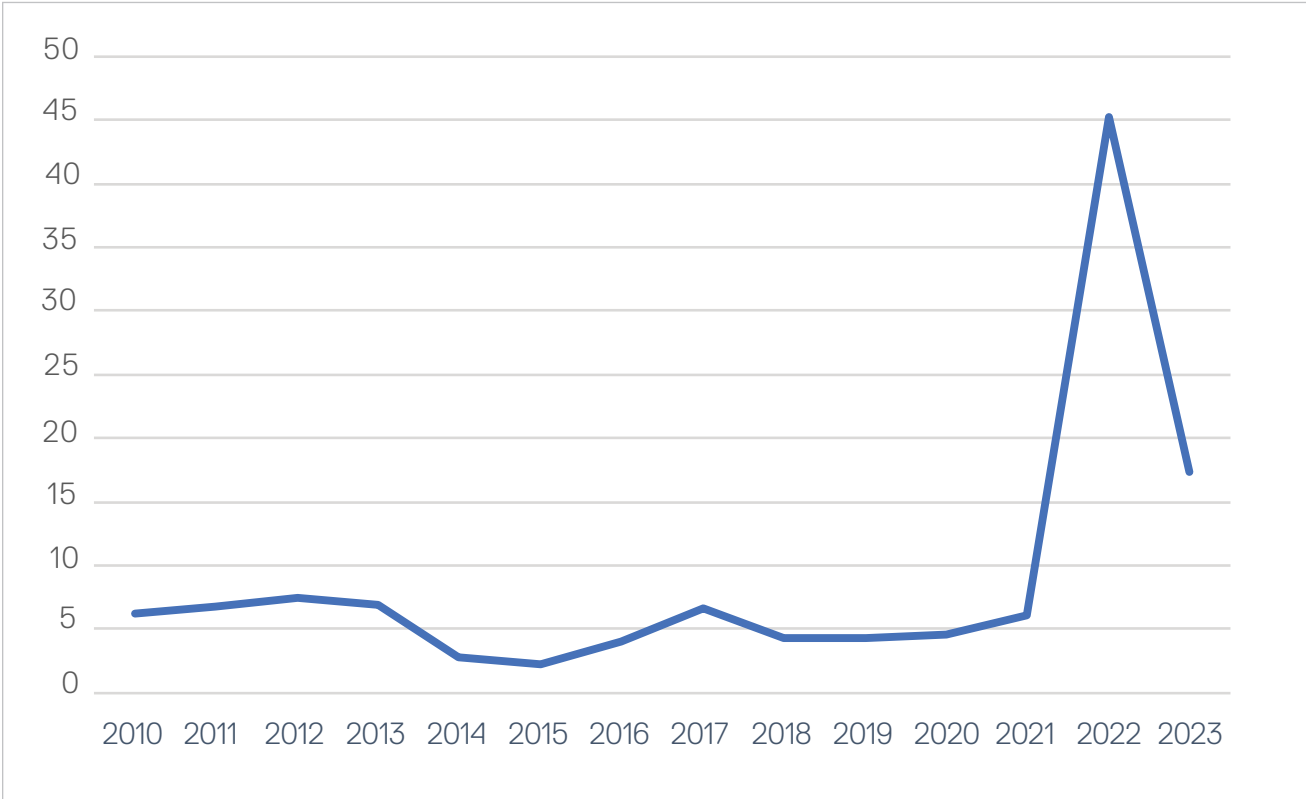
We are also interested in the real—or inflation-adjusted—value of the Sri Lankan minimum wage. This lens allows us to see the changes in the value of the minimum wage from the perspective of workers. They count on minimum wages (and actual earnings) to grow at least as quickly as the rate of increase of the prices they pay for food, housing, transportation, education and more.

Figure 4 depicts inflation in Sri Lanka between 2010 and 2024. As noted above, minimum wages (in LKR) grew slowly in the decade before the 2022 economic crisis (2010-2021) but inflation averaged around 5.16 percent per year.<sup>4</sup> The **spike in prices** that followed—characterized as a bout of hyper-inflation—in 2022 cut deeply into the living standards of low-wage workers in the Sri Lankan economy.

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<sup>4</sup> International Monetary Fund World Economic Outlook, Inflation rate, average consumer prices in Sri Lanka, October 2025: <https://www.imf.org/external/datamapper/PCPIPCH@WEO/LKA?zoom=LKA&highlight=LKA>

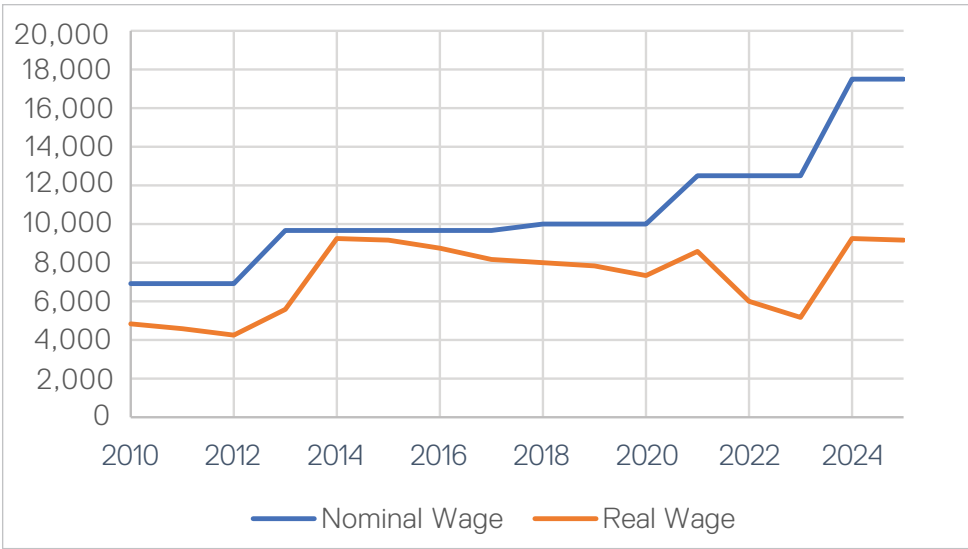
**Figure 4: Inflation rate, Sri Lanka, 2010 – 2024**



Source: International Monetary Fund World Economic Outlook, 2025.

In this 15-year period of overall growth for the apparel industry in Sri Lanka, the real (inflation-adjusted) value of the minimum wage fell in ten of the 15 years in this period and only regained its 2013 value in 2025 (Figure 5). For workers earning at or near the minimum wage, income fell gradually in the period before the economic collapse and precipitously thereafter until minimum wages were revised following the crisis. And even higher-wage workers—including some in apparel—can feel the downward pull as their wage levels are tuned to changes in minimum wages.

**Figure 5: Sri Lankan minimum wage in the apparel industry, nominal vs real (LKR), 2010 - 2024**



Source: GLI, calculated from Central Bank of Sri Lanka data on monthly nominal minimum wages, adjusted for average monthly CPIs for year-to-year real wages.

## Sri Lanka's currency devaluation and wages

Following the economic collapse and debt default in 2022, the Sri Lankan rupee's value against the U.S. dollar fell around 45 percent in 2022 and 33 percent in the following year.<sup>5</sup> Despite the sharp devaluation and accompanying price inflation, the monthly minimum wage for apparel workers was unchanged (LKR 12,500) until 2023.

The currency devaluation had divergent impacts in the apparel industry. For apparel manufacturers whose overseas orders are set in U.S. dollars (or euros or yen), there was no immediate reduction in income from buyers. Sri Lankan apparel exports values set a record in 2022 (USD 5.6 b.) and were down 18 percent in 2023 before climbing again in 2024.<sup>6</sup>

The collapse in the value of rupees meant that employers paying the minimum wage—or whose wage levels were based on the minimum wage—the cost to employers of those wages in dollars declined by 38 percent in 2022 and a further 3 percent in 2023. That is, employers' labor purchasing power increased dramatically.

For apparel workers, the devaluation led to consumer price inflation around 50 percent inflation on average in 2022 and 17 percent in 2023.<sup>7</sup> That is, the purchasing power of the minimum wage fell rapidly.

As noted above, the economic turmoil of 2021 - 2023 later produced a fall-off in orders and, therefore, earnings for both employers and workers.<sup>8</sup> But the short-term effects of the devaluation radically widened the gap between the economic experience of employers who saw the dollar-value of their labor costs fall dramatically and their workers who suffered a surge in rupee costs (and as a share of household spending) for food, fuel, housing, education and more.<sup>9</sup>

### Minimum wages and apparel workers' actual earnings in Sri Lanka

Actual earnings—as opposed to minimum wage levels—for Sri Lanka's apparel workers over this period are largely unknown. Buyers and manufacturers of Sri Lanka-made apparel report that they pay wages well in excess of the applicable minimum but do not disclose aggregate average monthly earnings for workers. Likewise, Sri Lankan government and apparel industry data do not reveal actual monthly earnings for apparel workers.

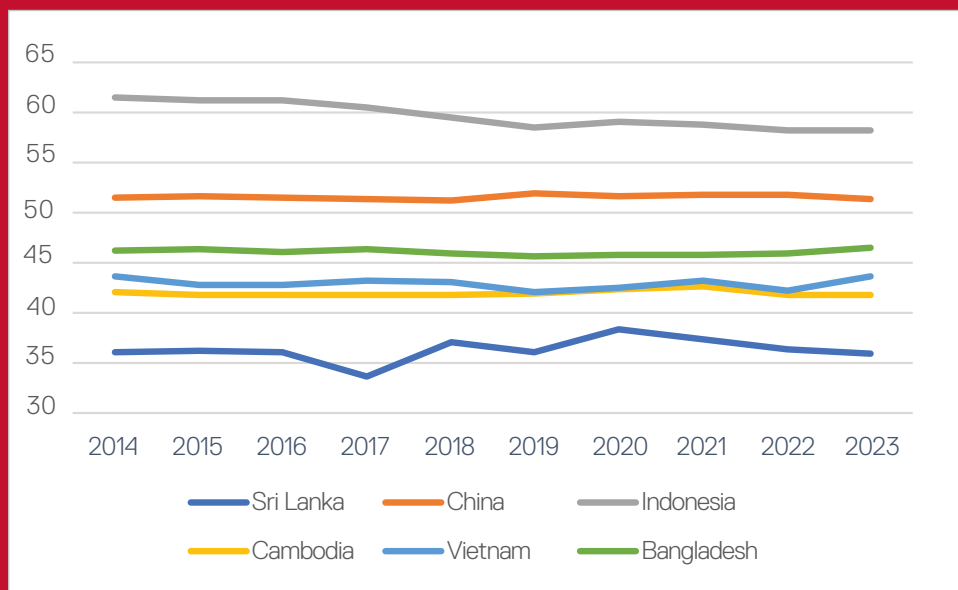
To measure and compare actual earnings in apparel production, we rely here on two indicators in the available data: reported average manufacturing worker wages from Sri Lanka's recent labor force surveys (LFS) and a high-level macro-economic measure, the labor income share. Survey data shows that the median monthly earnings for manufacturing workers—of whom approximately one-third are apparel workers, and among the lower-paid in this category—were LKR 37,000 (USD 120) in 2023. This is considerably higher than the Sri Lankan legal minimum wage for apparel workers but roughly equal to the apparel minimum wage in **Bangladesh** (USD 113) and almost half of the 2023 apparel minimum wage in **Cambodia** (USD 200).<sup>10</sup>

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- 5 Central Bank of Sri Lanka, Exchange Rate Movement-Rupees per USD, <https://www.cbsl.gov.lk/en/rates-and-indicators/exchange-rates/USD-LKR-Indicative-rate-chart>
  - 6 Joint Apparel Association Forum Sri Lanka, Textile and Apparel Exports in US\$ MN, <https://www.srilankaapparel.com/data-center/yearly-performance/>
  - 7 International Monetary Fund World Economic Outlook, Inflation rate, average consumer prices in Sri Lanka, October 2025: <https://www.imf.org/external/datamapper/PCPIPCH@WEO/LKA?zoom=LKA&highlight=LKA>
  - 8 Joint Apparel Association Forum Sri Lanka, Textile and Apparel Exports in US\$ MN, <https://www.srilankaapparel.com/data-center/yearly-performance/>
  - 9 World Bank, Inflation, consumer prices for Sri Lanka [FPCPITOTLZGLKA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/FPCPITOTLZGLKA>, December 5, 2025, and Central Bank of Sri Lanka, "CCPI based headline inflation recorded at 69.8% on year-on-year basis in September 2022"; <https://www.cbsl.gov.lk/en/news/inflation-in-september-2022-ccpi>, September 30, 2025
  - 10 Both Bangladesh and Cambodia's apparel industries have considerably lower productivity (industry earnings/worker) than Sri Lanka.

## Measuring economic power in Sri Lanka

Labor income share (or ‘labor share’) provides additional context on wage levels and the economic predicament of apparel workers in Sri Lanka. Labor share indicates the percentage of Sri Lanka’s gross domestic product (GDP) that goes towards wages, salaries, and other benefits paid to employees and the self-employed. The labor share broadly reflects the balance of power between labor and capital (or employers) in the economy. A declining labor share suggests a shift towards higher profits for employers. A growing share for labor indicates a shift toward worker income and welfare. Figure 6 depicts changes in the labor share in Sri Lanka and competitor countries over the last decade. Sri Lankan labor share values lag its competitors considerably.

**Figure 6: Labor income share as a percent of GDP in six apparel-producing countries, 2014 – 2024**



Source: ILO modelled estimations, ILOSTAT, 2025. A final broad measure of the economic standing of Sri Lanka’s apparel workers standing is income inequality, represented here by the ILO Global Wage Report’s (2024-25) D9/D1 measure—the ratio of the economy’s highest earners to those of the lowest.<sup>11</sup> Even before the Sri Lankan economic crisis, this ratio was higher—that is, more unequal—in Sri Lanka (10.8) than in all of its competitors for which the ILO makes data available: India (6.8), Pakistan (5.0), Bangladesh (4.9), Philippines (4.8), Myanmar (4.2), Cambodia (4.0) and Vietnam (2.7).

This inequality is reflected, too, in Sri Lanka’s per capita gross domestic product (GDP), a standard measure of an economy’s general level of development. In 2023 it **stood at roughly double** the levels for Cambodia and Bangladesh, countries with higher applicable minimum wages. And finally, as an indicator of the gap between the needs of Sri Lanka’s low-wage workers and the interests of their employers, the **2025 living wage for urban families** is LKR 115,291 (USD 375), more than LKR 85,000 higher than the 2026 minimum wage applicable in Sri Lanka’s apparel industry.

<sup>11</sup> The D9/D1 ratio is a measure of wage inequality, specifically comparing the wages of the highest earners (90th percentile) to the lowest earners (10th percentile). A higher D9/D1 ratio indicates greater wage inequality, while a lower ratio suggests a more equitable distribution of wages. ILO Global Wage Report 2024-25. [https://www.ilo.org/sites/default/files/2024-11/GWR-2024\\_Layout\\_E\\_RGB\\_Web.pdf](https://www.ilo.org/sites/default/files/2024-11/GWR-2024_Layout_E_RGB_Web.pdf)

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

Can employers in a relatively low-margin industry afford to raise real wages and remain competitive? An analogue for Sri Lanka's apparel industry is Cambodia. Despite some notable differences in overall size and product specialization, there are similarities important for our analysis of wage-setting processes.

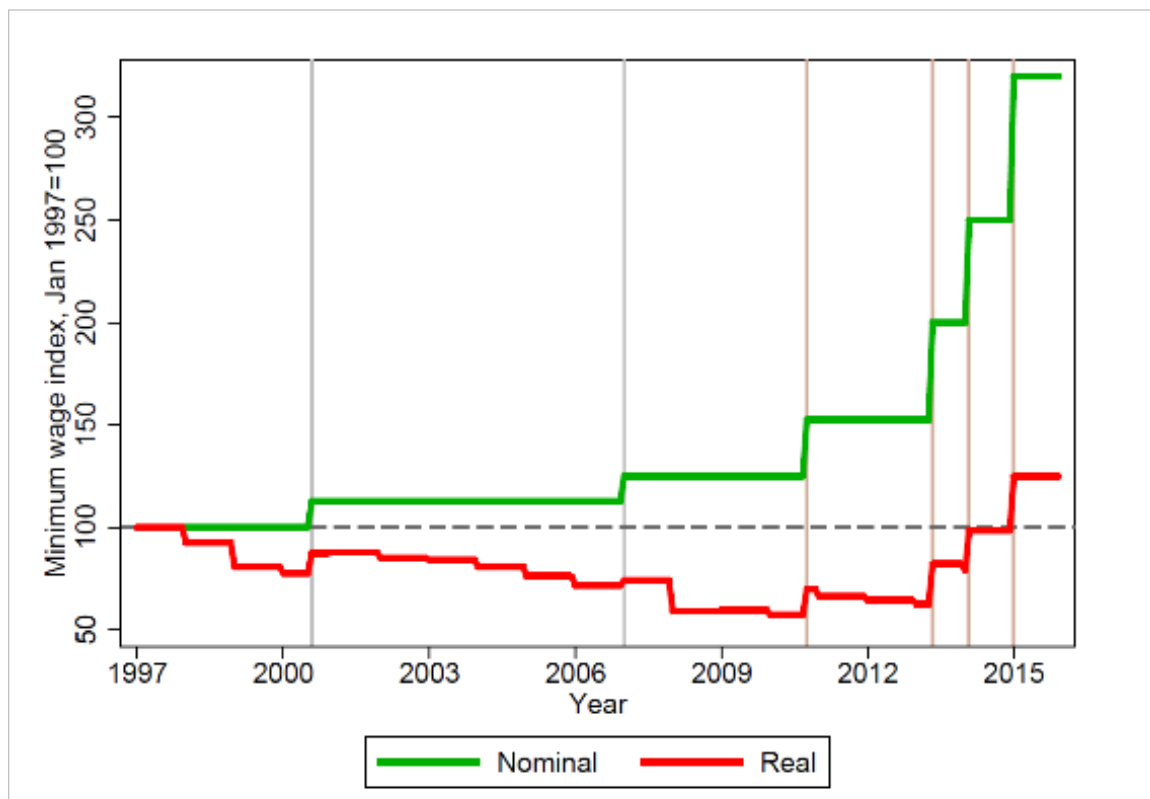
Both industries found their footing at around the same time in the late 1990s. Both survived and then thrived after the end of the protective Multifiber Agreement in 2005. Both depended significantly on apparel for their export earnings but have been eager to move on to higher-value production.

Sri Lanka's minimum wage-setting has required lengthy waits between revisions. Cambodia operated a five-year minimum wage-setting cycle. Cambodian employers and the government effectively—in the words of an industry leader there—“compressed” workers' wages for a fifteen-year period. As in Sri Lanka, the value of inflated-adjusted minimum wages in the years between occasional increases was negative.

Cambodia abandoned this approach more than a decade ago. What changed? 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 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 meet to set the minimum wage. Each year they are required to take into account a set of social and economic criteria when devising a new minimum wage figure.

**Figure 7. Nominal and real minimum wage index for Cambodian garment workers, 1997 – 2015**



Source: [Shrestha, 2019](#)

The real value of 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.

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 says that each new annual minimum lagged the prevailing wages in the industry. That is, employers were already paying more than the newly agreed minimums in order to attract workers or to meet the terms of collective bargaining agreements. New minimum wages raised the floor but were not seen to be driving wage growth by themselves.

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 had been engineered in one of the world’s **fastest-growing economies** in that period.

Did an annual review and real wage growth drive away buyers, new orders and jobs? No. Cambodia’s apparel exports to the U.S.—its largest market—between 2013 and 2023 grew at an annual average of 5.4 percent.

## RECOMMENDATIONS

Now out of step with the apparel industry in Asia—excepting Bangladesh—Sri Lanka’s wage-setting mechanism and minimum wage levels for apparel workers are due for an overhaul. Based on our analysis above, we make three recommendations to guide policymakers, employers, worker organizations and campaigners, apparel buyers and investors:

One, assess and revise minimum wage levels for apparel workers (and other industries) annually. As a matter of business planning, it will reduce uncertainty for employers, workers and apparel buyers, and make it more likely that minimum wages—as a matter of straight-forward economic justice—will keep pace with changes in consumer prices.

Two, adopt living wages rather than subsistence as a goal of policy and a measure against which to gauge progress of wage-setting policies for apparel/industrial, plantation and other workers.

Three, buyers should engage government, employers and worker organizations directly to communicate expectations for a change in Sri Lanka’s minimum wage-setting policy. The cost of goods with higher minimum and actual wages for Sri Lankan workers need to be reflected in fair prices.

Finally, overseas buyers and their Sri Lankan partners should stop relying on misleading references wages ‘considerably higher than the minimum wage’. They should instead publish annually aggregate average monthly earnings for apparel to workers, disaggregated by gender, role, base pay, bonuses and overtime.



Photo courtesy of ILO Asia-Pacific