

GARMENT WORKER DIARIES



MFO
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Pay Gaps in the Bangladesh RMG Sector

October 2019



Factories in the Mirpur area of Dhaka

Introduction and Summary

The Garment Worker Diaries collect weekly data on the economic lives of 1,300 workers in the ready-made garment (RMG) sector in Bangladesh. Microfinance Opportunities (MFO) and its local partner SANEM have been collecting data from these workers since January 2019. Included in the data we collect are their earnings from working in the factory and the number of hours they worked.

In this report, we use Diaries data from the first two months of 2019 to understand the extent to which workers' hourly wages varied across different types of factory, based on whether they are “**brand-facing**” or not, and across **industrial areas** of the country where the RMG industry is concentrated.¹ We also take a first look at whether hourly pay was different for **men and women**, taking into account their education levels, age, and the number of years they have been working in the RMG sector.

The analysis suggests that in January and February 2019:

- Workers in factories that appear on a brand list earned the equivalent of about Tk. 1,000 extra per month in comparison to workers in factories that are not brand-facing, for the same number of hours worked.
- Workers in the Savar industrial area earned about Tk. 830 per month more than in other industrial areas, for the same number of hours worked.

¹ The analysis is based on the July 31, 2019 data release, which covered the period from July 2018 to March 2019. The first three months of 2019 are the first months for which we have a full sample of 1,300 workers. Because workers are paid in the following month, we only have earnings and hours data for January and February—the earnings for work performed in March was only paid to the workers (and reported in the Diaries) in April.

- There was a pay gap of about Tk. 1,000 per month between men and women, for the same number of hours worked.

Methods and Sample

The Diaries data tell us that different garment workers work very different hours depending on the factory where they work, so the raw monthly salary data do not provide a clear picture of workers' pay. As a result, we calculated the hourly wages using all reported factory income from a month and dividing it by the number of hours they worked in the previous month. This reflects the fact that workers are paid for their hours worked in the following month, and sometimes that payment comes in more than one payment.

We used two criteria to determine whether a factory is brand-facing. One is whether it participates in a health and safety inspection system administered either by two international bodies, the Accord or the Alliance, or one of three Bangladeshi organizations, Bangladesh University of Engineering and Technology (BUET), and TUV-SUD and Veritas Engineering and Consultant (VEC).² It is reasonable to assume that factories that participate in these systems have a relationship with an international brand because the two dominant systems, the Accord and the Alliance, are initiatives spearheaded by international brands. The second method for determining whether a factory is brand-facing is to see whether the factory appears on any of the supplier lists of brands that publish their lists. You can find details on

² See for some discussion of inspections conducted by organizations other than the Alliance and Accord:

https://mole.portal.gov.bd/sites/default/files/files/mole.portal.gov.bd/page/a450d48a_cba1_49b7_ad7f_ac0df768ebbc/Activities%20related%20RMG%20Sector.pdf

how we determined whether a factory was on a supplier list or not [here](#).

The distribution of factories across these categories is as follows, with factories that fall into the brand-facing category highlighted in green:

| Factories | | Accord, Alliance, or Other Health and Safety Assessment | | |
|----------------------------------|--------------|---|------------|------------|
| | | No | Yes | Total |
| Matched to a brand supplier list | No | 100 | 139 | 239 |
| | Yes | 0* | 165 | 165 |
| | Total | 100 | 304 | 404 |

As might be expected there are no factories that appear on an international brand's supplier list that are not participating in some sort of health and safety inspection system. But there are factories that are participating in these systems and do not appear on a brand supplier list. The most likely explanation for this is that these factories are supplying an international brand but that brand has not published its supplier list.

The distribution of workers who are participating in our Diaries study is as follows:

| Workers | | Accord, Alliance, or Other Health and Safety System | | |
|---------|----|---|-----|-------|
| | | No | Yes | Total |
| | No | 186 | 322 | 508 |

³ The total number of workers in the analysis is 1,044, which is short of the full sample of 1,300 workers. This is because the analysis excluded data from respondents who did not work during the months on which the analysis is based, and also excluded data from respondents who had unusually high or low hourly pay rates due to some anomalies in how they

| | | | | |
|----------------------------------|--------------|------------|------------|--------------------------|
| Matched to a brand supplier list | Yes | 0 | 536 | 536 |
| | Total | 186 | 858 | 1,044³ |

The factories in our sample are distributed across the five garment producing regions in Bangladesh where most of its roughly 6,000 factories are concentrated.

| Industrial Area | Number of Factories | Number of Workers |
|-----------------|---------------------|-------------------|
| Chittagong | 59 | 139 |
| Dhaka | 88 | 274 |
| Gazipur | 119 | 305 |
| Narayanganj | 76 | 160 |
| Savar | 62 | 166 |
| Total | 404 | 1,044 |

The distribution of factories of different types across regions shows that some regions in the Diaries sample are more likely to be home to brand-facing factories than others: Gazipur and Savar stand out in this regard:

| Number of Factories |
|---------------------|
|---------------------|

were paid or how many hours they worked. For example, a factory may delay paying a worker or pay them for two months of work at the same time. These types of payments pattern can distort the analysis and produce misleading results.

| On brand supplier list | No | No | Yes |
|------------------------------------|----|-----|-----|
| Participating in Inspection System | No | Yes | Yes |
| Chittagong | 19 | 20 | 20 |
| Dhaka | 29 | 33 | 26 |
| Gazipur | 20 | 37 | 62 |
| Narayanganj | 21 | 28 | 27 |
| Savar | 11 | 21 | 30 |

Eighty percent of the workers whose data we used in this analysis are women.

The rest of this report documents our findings using econometric tools that allow us to isolate the impact of factory type and location on the hourly wages of workers.

Pay in Brand-Facing Factories

Is working in a brand-facing factory associated with better hourly pay? Our analysis suggests that the answer is “yes” and that there are differences in the strength of the association depending on whether the factory appears on brand list and, by definition, participates in one of the health and safety inspection systems, or does not appear on a brand list but does participate in a health and safety system.⁴

On average workers earned Tk. 43.9 per hour, which translates to Tk. 9,131 for a regular, 208-hours month. A worker who works in a factory that appears on a supplier’s brand list earns about Tk. 5 per

⁴ The analysis used Ordinary Least Squares regression with robust standard errors. The unit of analysis was the factory, and data were aggregated to the factory level. We also analyzed the data using respondents as the unit

hour more than one who works in a factory that is not brand-facing—that is it not on a published brand list and is not participating in one of the health and safety inspection systems. This translates into Tk. 1,040 in extra pay per month for 208 hours of work in a month. Given that the typical worker pays about Tk. 3,000 per month in rent, this means that a worker in a factory that is on a brand supplier list earns about 1/3 of the typical monthly rent more than their counterpart in a non-brand-facing factory.

A worker who works in a factory that is participating in a health and safety inspection system but is **not** on a published brand list earns about Tk. 2.3 per hour more than a worker in a factory that is not brand-facing. This translates into about Tk. 480 per month in extra pay for a typical 208-hour month. It also means that a worker that is working in a factory that is on a brand supplier list earns about Tk. 2.7 per hour more than their counterpart who is working in a factory that is not on a supplier list but is participating in one of the inspection systems. This translates into about Tk. 560 per month in extra pay.

The analysis takes into account factors that might affect a worker’s hourly wage:

- Region in which the factory is located
- Length of time a worker has worked in the garment sector
- Gender of the worker
- Age of the worker
- Education level of the worker

In sum, the analysis suggests that workers in factories that appear on a brand supplier list are better off in terms of hourly pay than those

of analysis, clustered by factory to check whether there were any substantive or statistical differences in the results. The results were consistent across the two models.

that work in a factory that does not appear on any list. But there is also some gain, in terms of pay, to working in a factory that participates in the Accord, Alliance or some other health and safety inspection system even if it does not appear on a brand supplier list.

Pay by Region

One of the factors the analysis of hourly wages took into account was the region in which the factory is located. The results of the analysis suggest that Chittagong, Dhaka, Narayanganj, and Gazipur all have roughly the same hourly wage rates, but workers in Savar, all else being equal, earn about Tk. 4 per hour more than their counterparts in other regions, which translates to about Tk. 832 per month.

Gender and Pay

Though we have a limited number of male respondents there are sufficient numbers for us to analyze the extent to which there is a gender gap in pay. As noted above, the analysis takes into account any differences there might be in the education level or years working in the RMG sector of men and women workers, their regional location, and the type of factory where they work. Taking all these factors into account the analysis suggests that there is a pay gap of about Tk. 4.8 per hour, which translates into just under Tk. 1,000 per month.

Conclusion

The analysis suggests that there were pay gaps due to factory status, industrial area, and gender based during the first two months of 2019. This period was one of change when the new minimum wage regulations were taking effect in Bangladesh. MFO is releasing a new set of data from the second quarter of 2019—April, May, and June.

We will update the findings in this report with these new data in the coming months.