



Exploring the socio-economic impact of the living wage gap: case studies from Bangladesh, India and Pakistan

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Executive summary

The report explores the socio-economic impact of the wage gap between the calculated living wage and the current wage of ready-made garment (RMG) sector workers from Bangladesh, India and Pakistan. Through a multi-country approach case study method, the study explores the implications of such wage disparities on RMG workers' lives and provides recommendations for closing the wage gap.

The RMG sector is a vital economic driver in South Asia, employing millions—predominantly women—and contributing significantly to national export earnings. Despite its economic importance, the sector is plagued by low wages and poor working conditions. Minimum wages are often inadequate, failing to support a decent standard of living for workers.

Objectives of the study:

- ▶ Assess current wage structures in relation to living wage benchmarks
- ▶ Analyse the socio-economic impacts of the wage gap on workers
- ▶ Explore practical solutions for closing the wage gap in the RMG sector

A mixed-methods, case-study approach was adopted using the Anker methodology to benchmark living wages. Data was collected from five RMG factories – two in Bangladesh, two in Pakistan, and one in India – utilising surveys, focus groups discussions, and stakeholder interviews. Over 296 workers participated in study of which 33% were women.



Key Findings

1. Prevalence of the Wage Gap

- ▶ A significant majority of RMG workers surveyed earn below the calculated living wage: 87% in Bangladesh, 78% in India, and 95% in Pakistan. The wage gap is especially pronounced among women and workers employed in lower grades. No worker is earning a living wage in the true sense, whereby they earn this wage from their first day on the job. Instead, workers who are earning equal to or above the calculated living wage are doing so on the basis of years of experience. This has resulted in incremental wage increases that places them in the upper wage range group.

2. Socio-Economic Impacts

- ▶ **Housing:** workers earning the calculated living wage live in poorer, semi-permanent housing, often paying a higher proportion of their income in rent, at the expense of affording other essentials.
- ▶ **Nutrition:** Diets among lower-income workers lack diversity with limited consumption of meat and protein-rich foods, thereby exacerbating nutritional deficiencies. Additionally, food price fluctuations are causing further strain, with many workers opting for cheaper, less nutritious alternatives or skipping meals in order to cope. This is likely to impact the overall health and productivity of workers.
- ▶ **Healthcare:** workers earning below the calculated living wage have difficulty in meeting medical expenses. The inability to afford healthcare also means they often delay seeking medical attention, which could contribute to long-term health complications and reduced work efficiency.
- ▶ **Overtime:** overtime work is essential for workers in the lower-wage range to supplement their income. They are heavily reliant on overtime, which may lead to health challenges and worker burnout, affecting productivity in the long term.
- ▶ **Loans:** workers are frequently taking out loans to pay for their daily expenses. The reasons for borrowing reveal the degree of financial distress, with loans being used to cover essential necessities like rent, food and medical care. Often, family support and overtime work, rather than disposable income, are required for loan repayment.
- ▶ **Savings:** savings are minimal or non-existent among workers earning below the calculated living wage, leaving them vulnerable to economic shocks.
- ▶ **Gender inequality:** women consistently earn less than men for comparable roles and bear greater financial responsibilities, further amplifying their economic vulnerability.

Systemic Challenges

The report identifies multiple systemic barriers:

- ▶ **Legal gaps:** living wages are not mandated by law in any of the three countries, which means employers are not obligated to pay them.
- ▶ **Lack of stakeholder dialogue:** there is limited structured engagement between buyers, suppliers, governments, and workers to find meaningful ways of close the wage gap among workers in the RMG sector.



- ▶ **Unsustainable purchasing practices:** buyer pricing models often fail to accommodate fair wages, with international brands unable to compel systemic change.
- ▶ **Capacity constraints:** Many factories lack the operational capacity or financial margin to raise wages independently.

Recommendations

To close the living wage gap improve conditions for RMG sector workers, the report recommends:

- ▶ Embedding living wages into national legal and policy framework.
- ▶ Promoting region-specific and phased implementation strategies towards closing the living wage gap
- ▶ Strengthening multi-stakeholder platforms for collective decision-making.
- ▶ Reforming buyer purchasing practices to support fair compensation.
- ▶ Enhancing factory-level capacity and efficiency.
- ▶ Empowering worker representation and ensuring gender-inclusive wage reforms.
- ▶ Using standardised data to support policy advocacy and tracking.
- ▶ Piloting scalable living wage initiatives across selected factories.

The report calls for urgent and coordinated action to institutionalise living wages as a human right and economic necessity, ensuring dignity and security for millions of RMG workers across South Asia.

Overview

According to the International Labour Organisation, the ready-made garment (RMG) industry employs over 94 million workers globally, 60% of whom are women workers.^I The sector has positively impacted the lives of many women and men by providing them with jobs and incomes to sustain themselves and their families. This is particularly relevant for South Asia, where the sector has, and continues to play a critical role in terms of export earnings and overall economic contributions.

In Pakistan, textile and apparel exports rose 9.67 per cent to USD 9.048 billion from July to December 2024, contributing 54.60% of total exports.^{II} Similarly, India's garment industry has seen impressive growth in 2024. According to the Ministry of Textiles, the sector's export value reached USD 17.3 billion in the fiscal year 2023-24, up from USD 15.4 billion in the previous year.^{III} In Bangladesh, the garment sector contributed export earnings of USD 47.38 billion for the fiscal year 2022-2023, accounting for approximately 84.6% of the country's total export earnings.^{IV}

Despite the importance of the RMG sector for many economies, the reality for the people who work in the sector is one low wages and long working hours. Ensuring workers earn a fair wage is essential to upholding human rights at work. However, minimum wages across the industry often fall far short of these standards, pushing workers into financial insecurity and limiting access to basic needs like food, healthcare, and education. In the RMG sector, wages are so low that many workers are unable to lead a decent life. This highlights serious concerns about wage-setting practices and their alignment with international labour standards.

Wage-setting mechanisms in the RMG industry often focus on reducing production costs in order to remain financially viable in an increasingly competitive global market. The business models of international brands and retailers perpetuates this issue by distancing them from their production sites. This results in limited visibility over working conditions, including fair wages. This is further exacerbated by workers' limited bargaining power, which weakens their ability to demand better pay and conditions.

Living wage is the wage level that is necessary to afford a decent standard of living for workers and their families, taking into account the country circumstances and calculated for the work performed during the normal hours of work.^V

A living wage should be earned from the first day at work, irrespective of grade or years of experience. Living wages are generally higher than minimum wages, however, they are also voluntary. This means employers can choose whether to pay living wages to workers, while payment of minimum wages is required by law.

Why conduct this study?

Paying workers a living wage improves their socio-economic conditions and overall quality of life. However, in most garment-producing regions, actual wages fall far short of living wage estimates. This gap forces workers to depend on overtime to supplement their income, thereby increasing workplace risks. Inadequate pay also limits access to essentials like food, housing, healthcare, and education, often resulting in poor living conditions and perpetuating poverty.

Addressing wage gaps through a living wage lens is not only an economic necessity but also a matter of protecting workers' rights. This study contributes to this by examining the impact of current wage structures on RMG workers in Bangladesh, India, and Pakistan, with a focus on the socio-economic impact of the gap between actual and living wages. It also seeks to inform wage policies and offer actionable insights for employers, buyers and industry stakeholders to ensure not just workers' survival, but a life of dignity and opportunity.

Objectives

- ▶ Analyse current wage structures and their socio-economic implications on workers' in relation to the living wage
- ▶ Assess existing challenges of implementing a living wage within the RMG industry
- ▶ Explore recommendations for closing the living wage gap in the RMG industry

Research design

- ▶ A case study approach was used, comparing workers from two factories in Bangladesh (located in Gazipur and Mymensingh), two factories in Pakistan (located in Lahore and Karachi) and one factory in India (located in Tamil Nadu). These factories were nominated by brands from the Partnership for Sustainable Textiles¹ as part of a project on living wages implemented by the Ethical Trading Initiative UK and the Ethical Trading Initiative Bangladesh.
- ▶ The research employed a mixed-method approach, combining both qualitative and quantitative data collection techniques.
- ▶ Primary data was gathered through worker surveys, focus group discussions with worker committees, and interviews with key industry stakeholders.
- ▶ Secondary data was sourced from relevant research reports.

¹ The Partnership for Sustainable Textiles is committed to a social, ecological and corruption-free textile and clothing industry – an industry that respects the rights of all workers, protects the climate as well as the environment, and acts with integrity and within planetary boundaries. As a multi-stakeholder initiative, the Textile Partnership brings together companies, associations, non-governmental organisations, standard settings organisations, trade unions and the German Federal Government to improve social and environmental conditions along global textile supply chains

Data collection methods

- ▶ A quantitative survey questionnaire comprising 86 questions, was designed to collect primary data from worker respondents. The questions explored issues around demography, housing, education, food, health, transport, clothing expenses, income, debt, savings and financial coping mechanisms; understanding of decent workplaces, social dialogue, human rights at work, national labour law and international labour standards. The questionnaire was translated in local languages in the case study countries.
- ▶ The study also conducted Key Informant Interviews (KIIs) with industry stakeholders, including factory management and labor representatives. Through the convening of multi-stakeholder dialogues in all three countries, recommendations on closing the living wage gap were gathered from industry stakeholders.

Sampling strategy

The study used a purposive sampling method as follows:

- ▶ **Bangladesh:** total sample size of 120 workers (55% male, 45% female)
- ▶ **Pakistan:** total sample size of 126 workers (78% male, 22% female)
- ▶ **India:** total sample size of 50 workers (68% male, 32% female)

Data analysis

The study used the Anker methodology as the basis for estimating living wages and exploring the socio-economic impact on RMG workers stemming from the living wage gap.^{vi}

The Anker Methodology builds on the basic needs' theory and human rights principles, ensuring that wages cover essential costs like food, housing, healthcare, and education. The methodology also recognises the need for wages to support workers' families. By using cost of living data and purchasing power parity (PPP), it provides an evidence-based framework for setting fair wages that promote economic stability and social well-being.

The Anker methodology formula is as follows:

$$\frac{(\text{Food cost} + \text{Non-food cost}) \times \text{household size}}{\text{Number of earners}} + X \% \text{ of discretionary savings}$$

Following this, **Bangladesh** has used the base research of living wage by the Centre for Policy Dialogue (CPD), which is based on the Anker Methodology and adjusted for the inflation rate of 2024 to estimate the living wage of **BDT 19,363 (USD 159)²**.

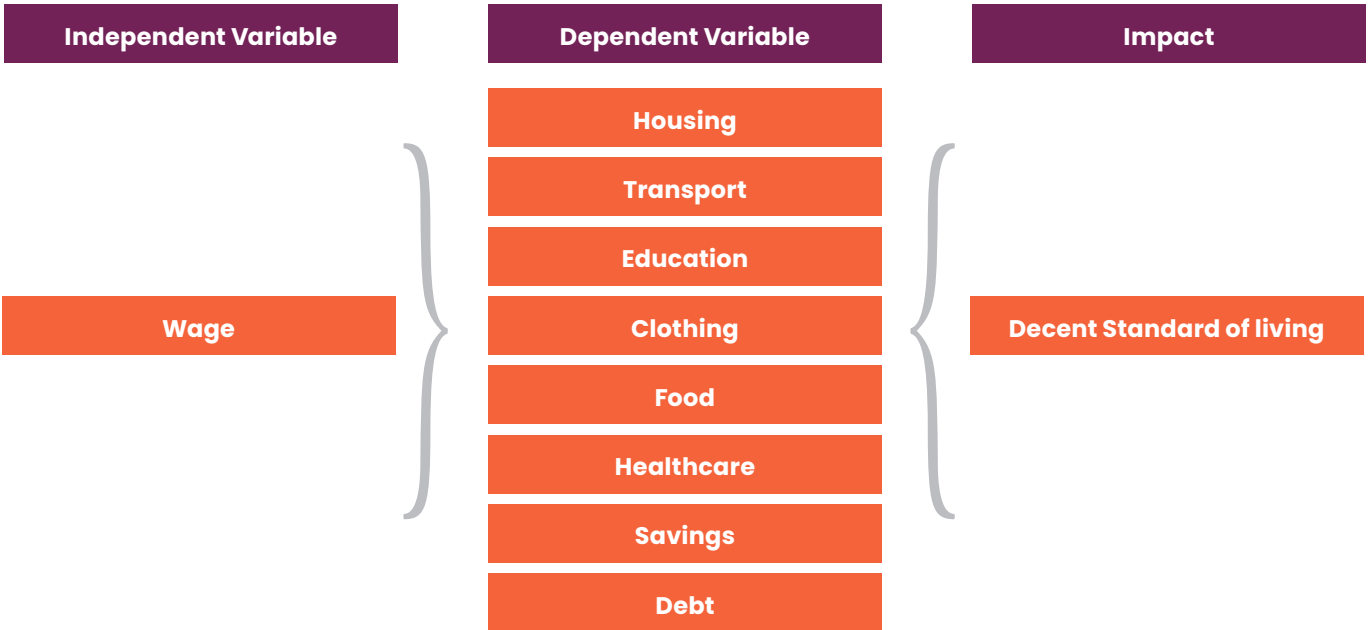
² Exchange rate: 1 USD = BDT 121.88

In India, Anker Research Institute’s living wage benchmark for the state of Tamil Nadu stands at **INR 19,323 (USD 226)³** per month (as of 2024). However, fo facilitate a more meaningful comparative analysis within the dataset where it was observed that only one worker earned above this wage level, an intermediate figure of **INR 14,000 (USD 164)** was used to categorise workers into higher and lower wage brackets. This served as a functional midpoint to assess how wage progression could contribute to improved socio-economic conditions for workers.

For Pakistan, a living wage benchmark of **55,012 PKR (USD 197)⁴** was applied drawing on research^{vii} conducted for the regions of Lahore and Karachi.

To help analyze income gaps and assess whether workers earn wages that meet basic living standards, two wage categories have been defined:

- ▶ **Upper wage range:** workers earning equal to or above the calculated living wage estimate (CLW)
- ▶ **Lower wage range:** workers earning below the calculated living wage estimate (CLW)



This research posits that the wage gap between the current wage of the RMG worker and the expected living wage directly affects their quality of life. Wage is treated as the independent variable, influencing a set of dependent variables representing key dimensions of socio-economic well-being.

³ Exchange rate: 1 USD = INR 85.5
⁴ Exchange rate: 1USD = PKR 279.2



Ethical considerations

Ethical guidelines were strictly adhered to during data collection across all factories. Enumerators received training to ensure respectful and sensitive engagement with workers. Informed consent was obtained from both factories and participants before the study commenced. Given the personal nature of the information collected, careful attention was paid to the language used in the survey. For key informant interviews (KIIs), permission was obtained to record responses and store photos. Confidentiality of all shared information was maintained throughout the research process.

Limitations of the Methodology

This research uses a case study methodology and focuses on a select number of RMG factories in Bangladesh, India and Pakistan. Although this approach offers comprehensive, context-specific insights, it has a number of limitations.

- ▶ As the sample included two factories in Bangladesh, one in India, and two in Pakistan, the results are not nationally representative.
- ▶ All factories involved in the study were Tier 1 establishments, which generally have better working conditions and compliance records compared to factories in lower tiers of the supply chain. As a result, the study fails to account for the realities faced by workers in lower tiers of the supply chain, where there may be more severe violations of labor rights.
- ▶ Another limitation is the comparatively small sample size, which limits how broadly the results can be applied.
- ▶ Although the overall aim of the study was the same across the three countries and the same survey instruments were used, some nuances in terms of data collection and analysis were evident. The different approaches provided country-specific perspectives that enhanced understanding of how living wage gaps impact RMG workers in various national contexts.

The need for living wage

The concept of a living wage has evolved over time through various frameworks and interpretations, each contributing to a better understanding of how fair wages impact workers' lives. Unlike the minimum wage, which is legally mandated but may not be sufficient to cover all essential expenses, a living wage considers the cost of food, housing, healthcare, education, and other necessities, along with a small margin for unforeseen circumstances.

This reflects the broader notion that living wages should not only cover a worker and their family's subsistence, but their long-term development as well. Accordingly, unlike a minimum wage which is set by political actors, a living wage is set by gauging a worker's "*minimum-level of wellbeing*".^{viii} Moreover, workers should live above the poverty line and earn their living wage during work hours.

Despite this understanding, a 2023 study by the South Asian Network on Economic Modeling (SANEM) found that Bangladeshi RMG workers earn an average of BDT 9,984 per month, which is less than half the estimated living wage of BDT 19,200–26,000.^{ix} Many have to work overtime to cover basic expenses, yet still fall short. Low wages force workers into overcrowded, multi-use housing, often spending under 30% of income on rent to save costs.^x

Other studies show that high rents (up to 40% of monthly income) push workers into debt, forcing them to take loans or store credit for food and medicine. Even when wages increase, financial instability persists due to pre-existing debts.^{xi} Without timely implementation of living wages, workers remain vulnerable, and sustained economic security remains out of reach.

Wage setting in the RMG sector

The RMG sector holds substantial economic significance, particularly in the Asian subcontinent. Countries like China, India, Bangladesh, Cambodia, Sri Lanka and Indonesia produce majority of the world's garments. Yet, according to the ILO's Decent Work Agenda, many RMG jobs in these countries fail to meet basic standards of decent work, which includes fair wages and safe conditions.^{xii}

Many wage-setting systems are ineffective due to structural issues, including power imbalances in global supply chains. International brands often deflect responsibility in paying living wages, citing competitive pressures or supply chain complexity. Although wages paid to workers comprise just 1%–3% of production costs, brands and retailers still struggle to factor living wages into costing and contracting.^{xiii} This limits the ability of employers in the industry to pay fair wages and discourages them from advocating for higher prices for products. At the same time governments are hesitant to raise minimum wages, fearing brands will relocate to other sourcing regions.

At the workplace level, wage theft is widespread and includes denial of overtime pay, maternity leave, severance, and other benefits. Employers frequently exploit loopholes and implement unfair practices such as cutting bonuses or demoting workers to lower pay grades, when wages are increased.

Without meaningful reforms in wage-setting mechanisms, buyer accountability, and government enforcement, garment workers across Asia will remain trapped in poverty despite their central role in global RMG supply chains.

Gender pay gap

In addition to being paid low wages, women workers, who form a large proportion of the RMG sector workforce, also face significant gender pay gaps. Despite performing the same tasks as their male counterparts, women often earn less due to discriminatory wage structures, lack of transparency, and limited access to higher-paying, skilled roles. This gap is further widened by systemic barriers such as weak labour protections, limited bargaining power, and cultural norms that undervalue women's work.

The gender pay gap not only reflects inequality within the sector but also perpetuates broader economic insecurity for women and their families. Addressing it requires enforcing equal pay standards, strengthening labor rights, and ensuring women's access to skill development and leadership opportunities within the supply chain.



Findings of the study

Summary of the wage gap

Across all three countries in the study, a significant wage gap between current wages, minimum wages and the calculated living wage has been identified. Moreover, no worker is earning a living wage in the true sense, whereby they earn this wage from their first day on the job. Instead, workers who are earning equal to or above the calculated living wage are doing so on the basis of years of experience. This has resulted in incremental wage increases that places them in the upper wage range group.

Country	Calculated living wage (CLW)	Minimum wage (MW)	Progressive Wage	Current Average Wage
Bangladesh	BDT 19,363	BDT 12,500 (35% lower than the CLW)	X	Average wage: BDT 15,475 • 20% lower than the CLW • 24% above the MW Average wage for female workers: BDT 14,338 Average wage for male workers: BDT 16,405
India	INR 19,323	INR 10752 (44% lower than the CLW)	INR 14,000 (28% lower than the CLW but 30% higher than the MW)	Average wage: INR 10,693 • 45% lower than the CLW • 0.5% below the MW Average wage for female workers: INR 9,875 Average wage for male workers: INR, 11,089
Pakistan	PKR 55,012	PKR 37,000 (33% lower than the CLW)	X	Average wage: PKR 39,966 • 27% lower than the CLW • 8% above the MW Average wage for female workers: PKR 38,796 Average wage for male workers: PKR 40,285

Bangladesh

a) Demography

- Distribution of respondents by gender: male **55%**, female **45%**. Total number of respondents: **120**.

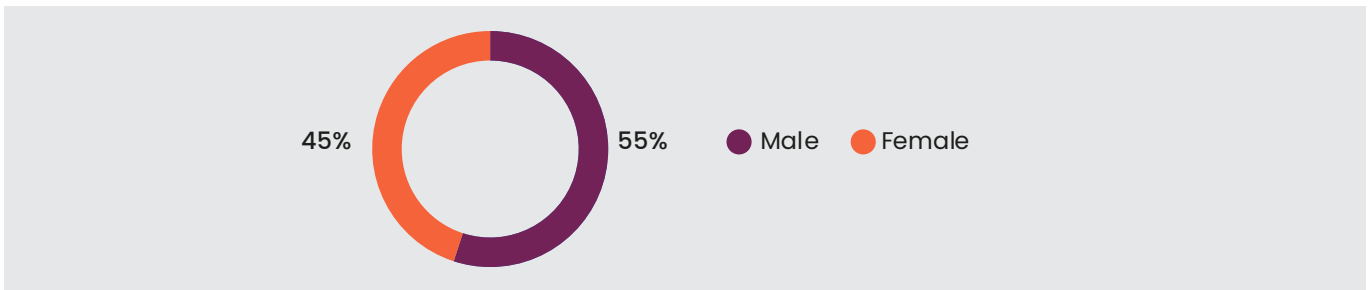
Table 1: Age profile of respondents (Bangladesh)

Age	Female	Male
Mean	29	32
Minimum	18	19
Maximum	44	57

Table 2: Household size (Bangladesh)

Household Size	Female	Male
Mean	3	3
Minimum	1	1
Maximum	8	6

Figure 1: Respondents by gender (Bangladesh)



- **Marital status:** majority of respondents in the sample are married (86%). This indicates family responsibilities that may influence financial priorities including spending behavior, capacity to save and overall financial stress.
- **Education level:** Male workers generally have a higher level of education compared to female workers. 18% of all respondents have no formal education.

Figure 2: Level of education (Bangladesh)

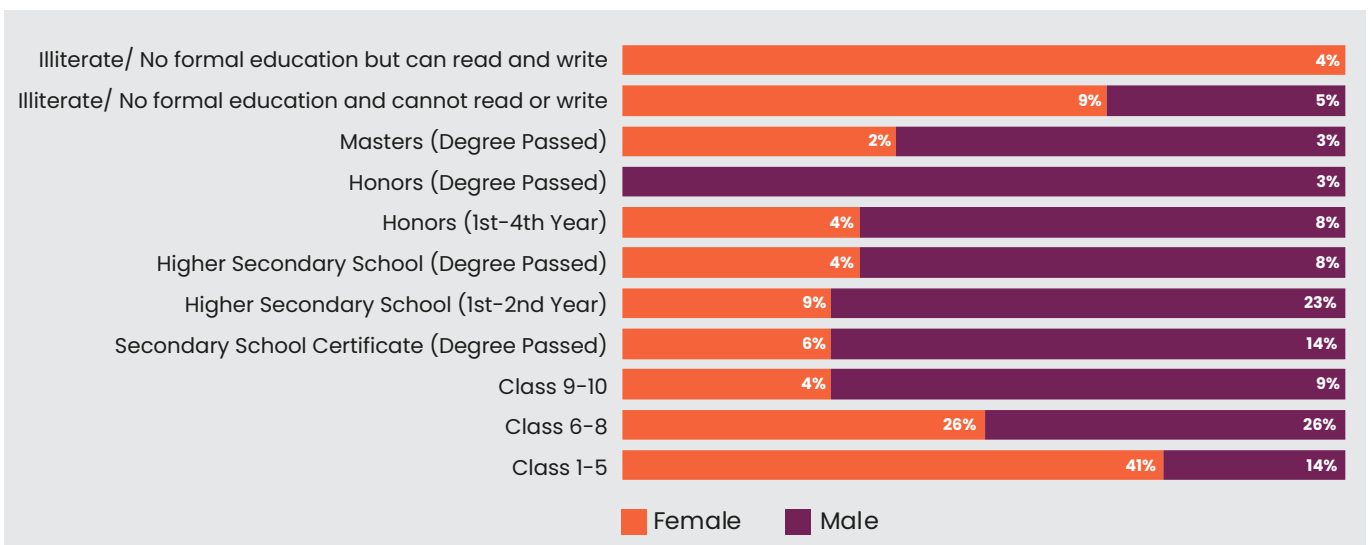
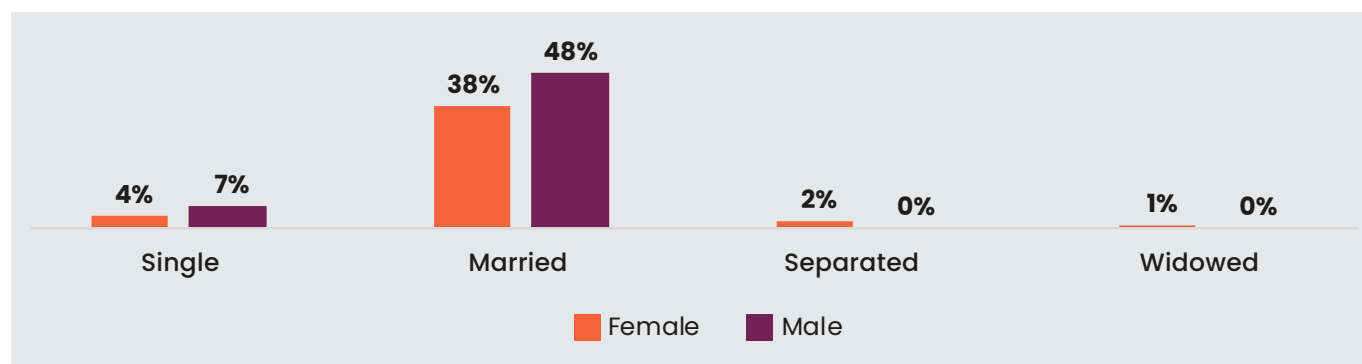
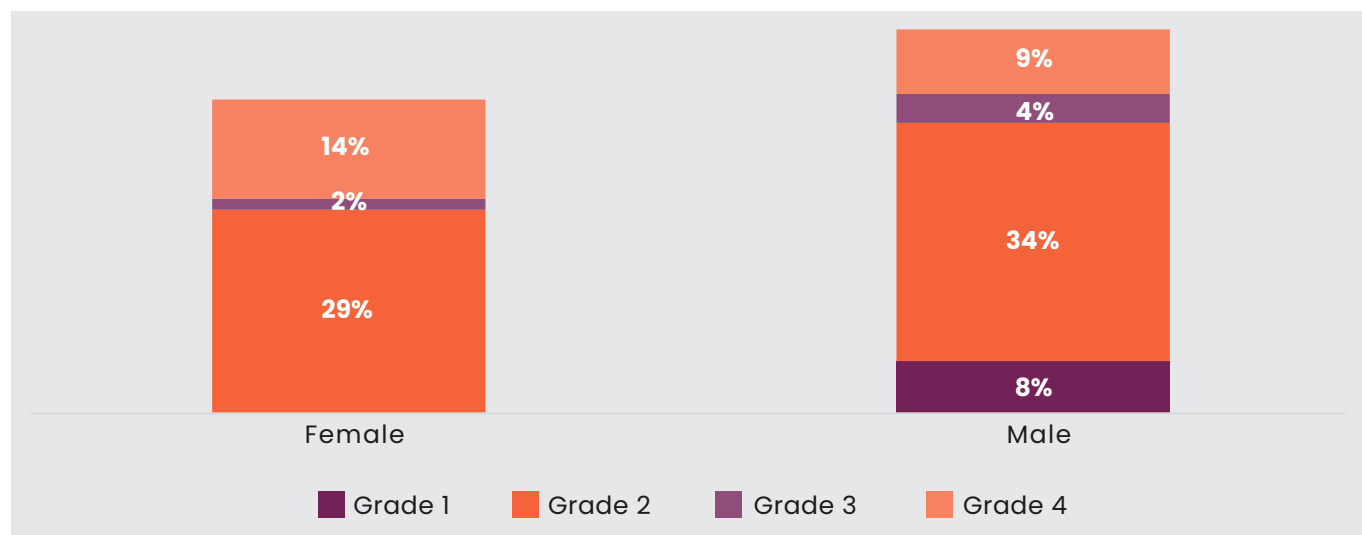


Figure 3: Marital Status (Bangladesh)



- **Grade segregation:** the largest proportion of the sample are in Grade 2 (29% of women workers 34% of male workers). Grade 3 and Grade 4 have lower representation. Majority of surveyed workers are in mid-grade roles rather than entry-level or top positions.

Figure 4: Distribution of workers by grade (Bangladesh)



Work experience

- **Experience at the current factory:** The minimum number of years of work experience reported by both male and female workers is four years, which accounts for 39% of the respondents. On average, male workers have 10 years of experience, while female workers have 7.9 years. The data shows a declining trend in the number of workers as years of experience increase. Female workers are more concentrated in the lower experience brackets, whereas male workers are more prevalent in the higher experience brackets.
- **Experience in the RMG sector:** The average number of years of experience in the RMG sector is 9.4 years for female workers and 12.9 years for male workers. A majority of workers (53%) have between 4 to 8 years of experience. The distribution shows that male workers are more likely to have 16 or more years of experience, while female workers are primarily concentrated in the lower experience brackets. Based on the sample data, men are more likely to have longer careers in the RMG sector.

Figure 5: Years of experience at the factory (Bangladesh)

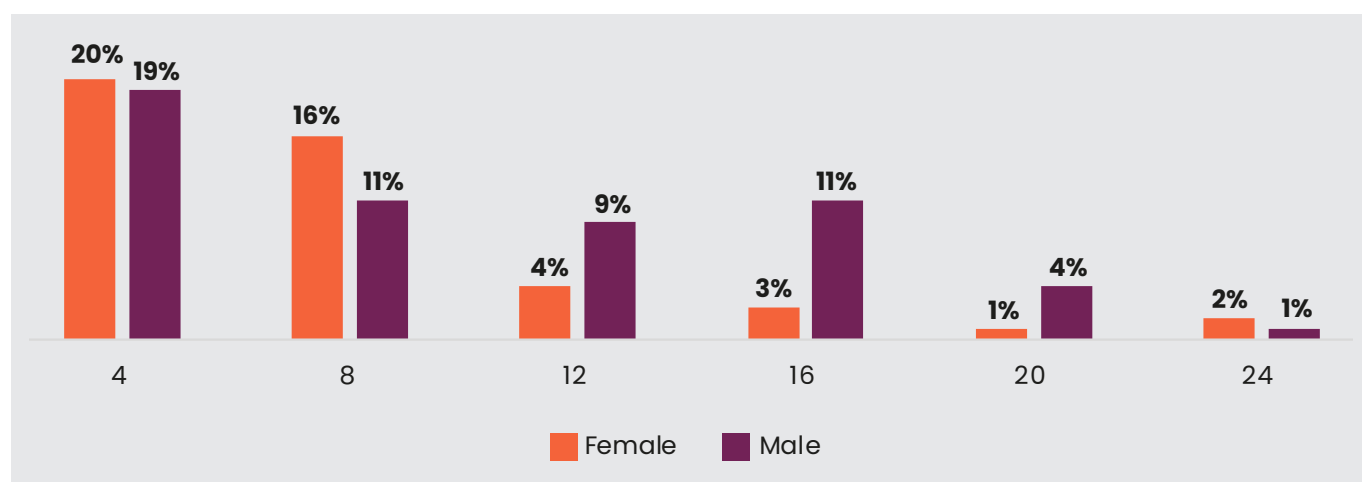
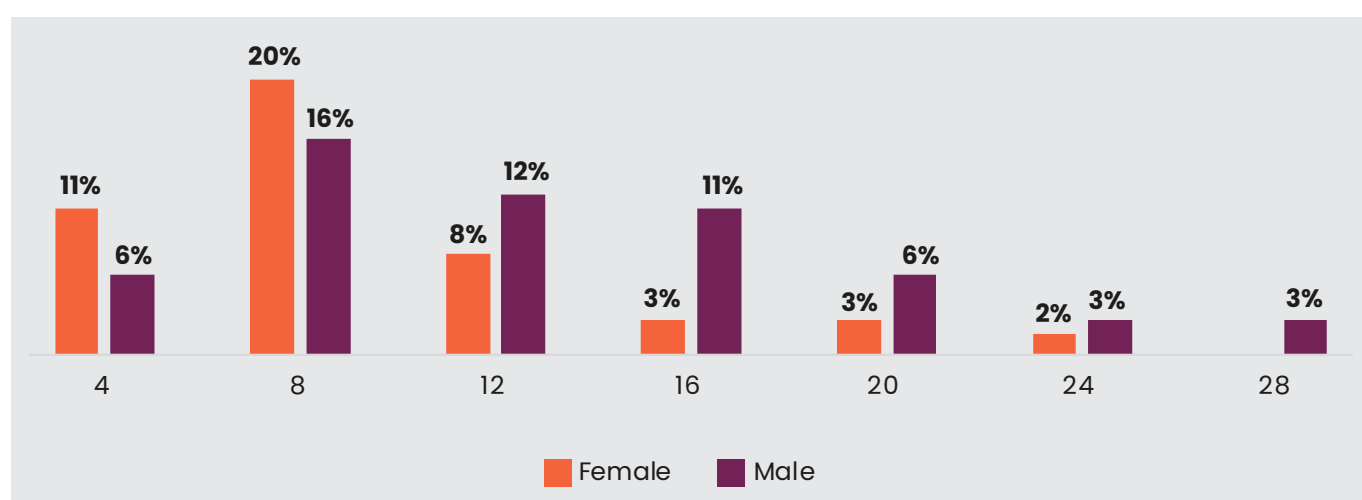


Figure 6: Years of experience in the RMG sector (Bangladesh)



- ▶ **Economically dependent members outside of the household:** the average number of economically dependent members outside the household is 1, with a maximum number of 5 members outside the household. This indicates potential financial strain on workers due to extended family obligations. Overall, 56% of workers support family members outside their household, which is likely to impact on spending, savings and debt accumulation.
- ▶ **Wage range:** A total of 13% (4% female, 21% male) of worker respondents are earning equal to or above the calculated living wage and 87% (96% female, 79% male) of workers are earning below the calculated living wage.

b) Socio-economic impact of the wage gap

i) Housing conditions

Table 3: Housing conditions (Bangladesh)

Income status	Sex	Kutcha (clay, bamboo, grass)	Tin shed	Semi Pucca (only brick walls and tin shed)	Pucca (brick)
Equal or above CLW	Female	0%	0%	0%	12%
	Male	0%	0%	50%	38%
Below CLW	Female	5%	14%	18%	14%
	Male	1%	5%	34%	11%

Among worker respondents who earn equal to or above the CLW, 50% live in pucca houses, while the remaining 50% reside in semi-pucca houses. In contrast, only 24% of workers who earn below the CLW live in pucca houses. Additionally, 24% of this income group live in kutcha or tin shed houses, indicating a higher level of housing insecurity.

With regard to gender disparities, a higher percentage of women (19%) live in kutcha and tin shed houses compared to men (6%), highlighting greater housing vulnerability among female workers. These findings have several implications:

- ▶ Wage levels significantly influence the quality and security of housing.
- ▶ Female workers, particularly those in lower wage brackets, face additional challenges in accessing safe and stable housing.

Among the worker respondents earning equal to or above the CLW, 81% live in accommodation without rent obligations, such as fully owned houses or factory-provided dormitories. Factory dormitories are considered a benefit provided by employers, while full house ownership may suggest generational inheritance or long-term family possession.

In contrast, 57% of workers who earn below the CLW live in rented housing, indicating a higher level of financial strain on their already lower incomes. Gender disparities are also evident in rental housing patterns. Among the 57% of workers earning below the CLW and living in rental housing, 31% are women.

These trends imply that workers earning below the CLW face greater financial burden due to rental costs, with female workers being particularly vulnerable in this regard.

ii) Food consumption patterns and coping mechanisms

The data show that workers earning equal to or above the CLW have a more balanced and varied diet. All respondents in this income group consume rice and vegetables daily, while many regularly eat protein-rich foods; 56.3% have meat, 75% have fish and 56.3% have eggs 4–6 times a week or daily. Additionally, 25% consume fruits and 50% drink milk with similar frequency. This higher protein intake and dietary diversity reflect greater financial stability.

In contrast, respondents earning below the CLW rely heavily on carbohydrates and have limited access to protein. While 99% consume rice daily and 79.8% eat vegetables regularly, only 13.5% have meat, 65.4% fish, 26.9% eggs 4–6 times a week or daily. This diet indicates a higher risk of protein and micronutrient deficiencies, especially among women.

Figure 7: Food consumption patterns for respondents earning below the CLW (Bangladesh)

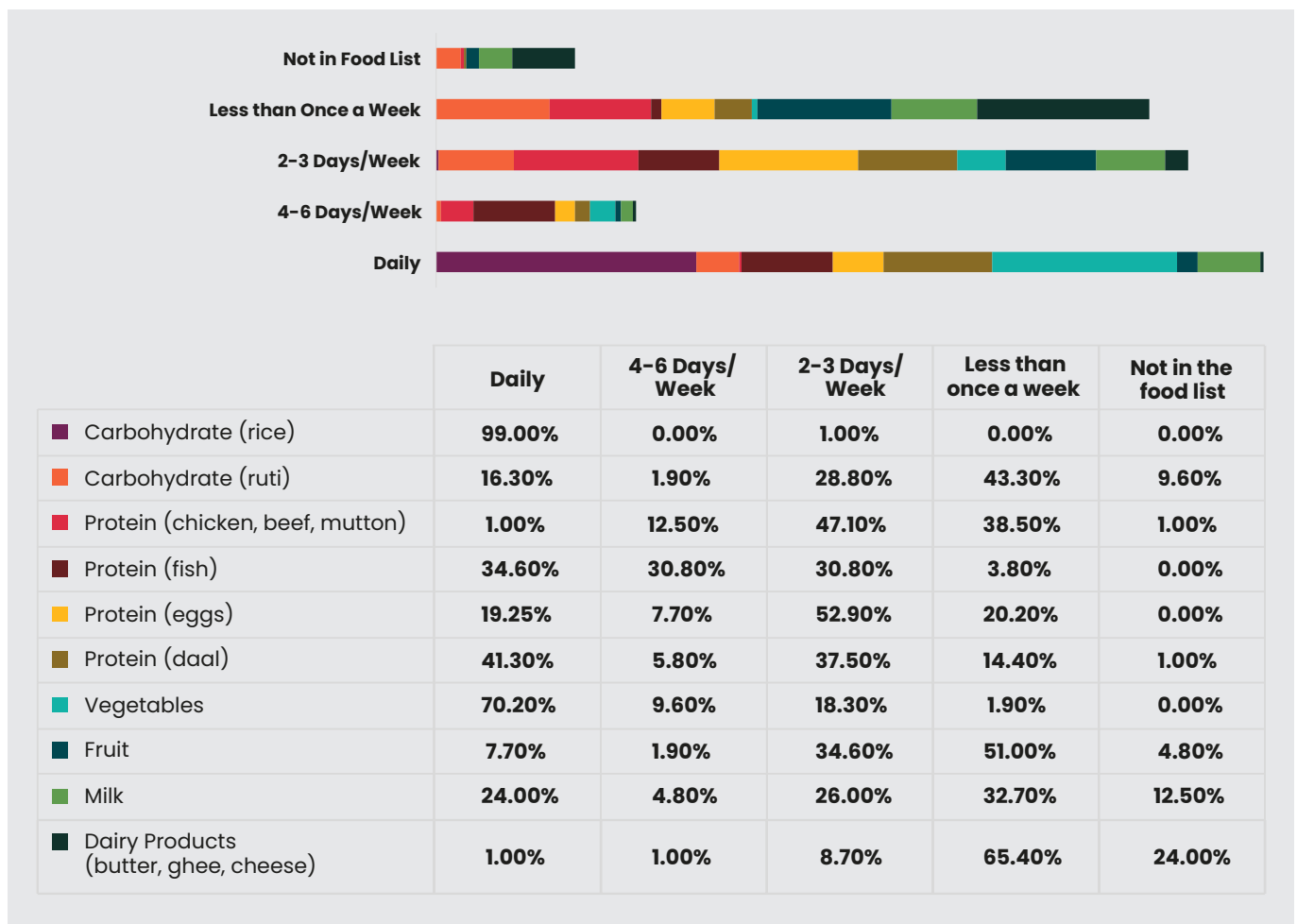
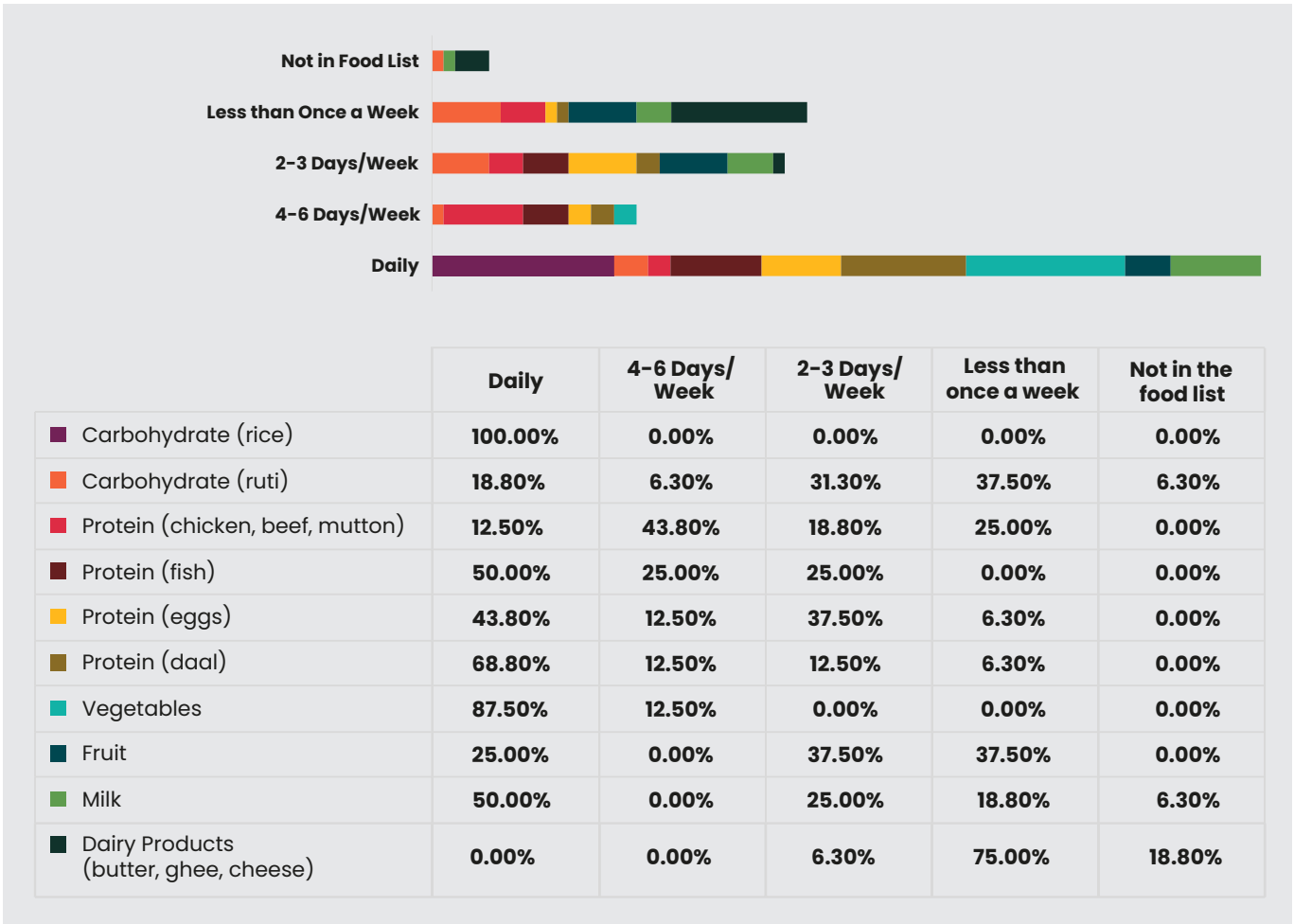


Figure 8: Food consumption patterns for respondents earning equal to or above the CLW (Bangladesh)



- **Coping mechanisms for food price hikes:** the table below indicates varied strategies to cope with food price hikes and highlights the disproportionate burden of food inflation on workers earning below the CLW. Coping strategies for lower income earnings indicate greater nutritional compromise, diverting income from other expenses or simply skipping meals to cope with food price hikes. In contrast, higher income earners are better able to absorb food price hikes, with a significant proportion making no adjustments.

Table 4: Coping mechanisms for food price hikes (Bangladesh)

Coping mechanism (multiple responses)	Equal or above CLW	Below CLW
Reducing food consumption	44%	57%
Switching to cheaper alternatives	19%	44%
Increasing food budget	19%	17%
Draw on savings	6%	5%
Borrowing money	0%	5%
Skipping meals	0%	4%
No adjustment needed	31%	13%

iii) Health and medical expenses

13% of respondents who earn equal to or above the CLW report having a family member with a chronic illness, compared to 32% of respondents who earn below the CLW. The average medical expenses are significantly higher for those earning below the CLW (BDT 1,231.32 / USD 10), in comparison to those earning equal to or above the CLW (BDT 481.25 / USD 4). This could mean poorer health outcomes for lower-income earners or delayed care leading to higher expenses.

On average, female respondents incur higher medical expenses than male counterparts across both wage groups, which could potentially link to women's caregiving responsibilities.

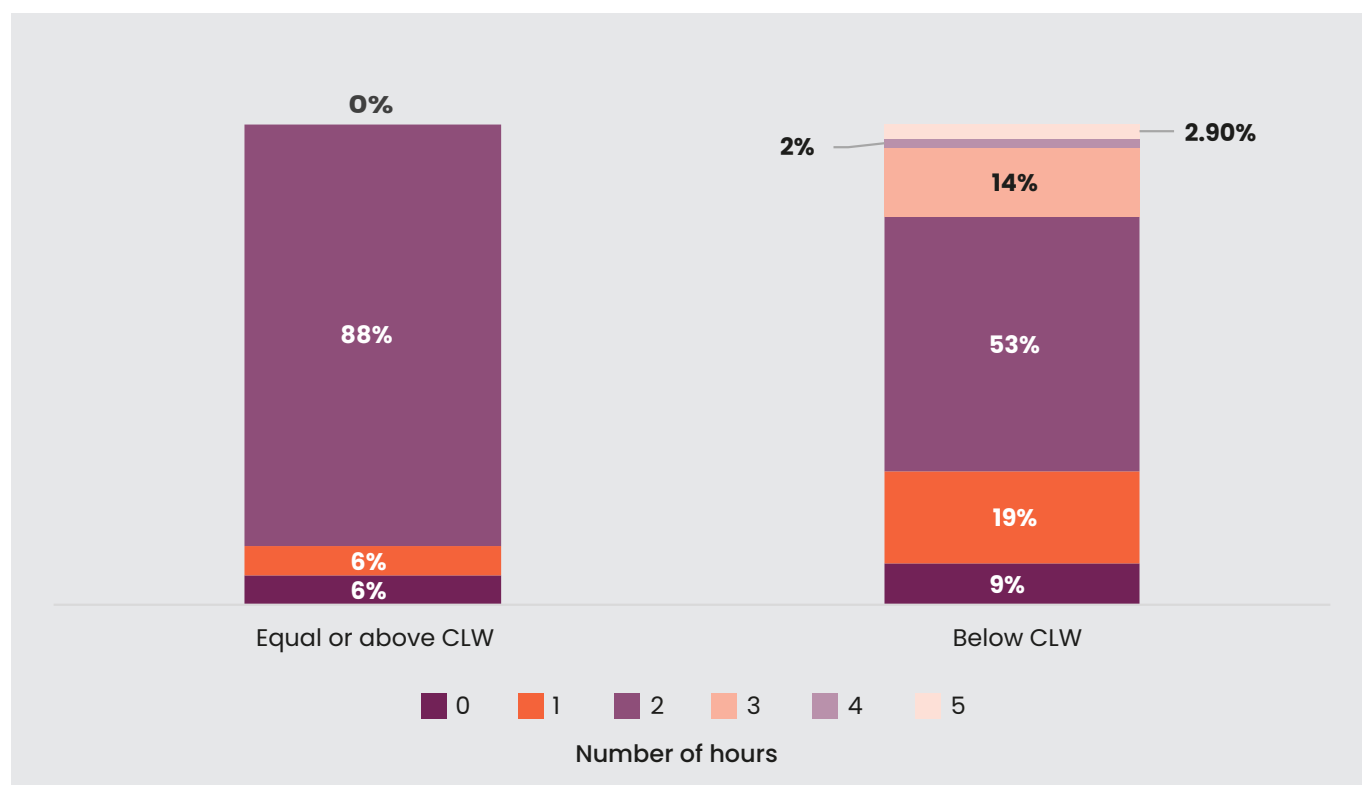
Table 5: Medical expenses (Bangladesh)

Income group	Sex	Medical Expenses (BDT)		
		Mean	Minimum	Maximum
Equal or above CLW	Female	600.00	200	1,000
	Male	464.29	0	2,000
	Total	481.25	0	2,000
Below CLW	Female	1,357.41	0	5,000
	Male	1,128.15	0	25,000
	Total	1,231.32	0	25,000

iv) Overtime

According to the Bangladesh Labour Act, a maximum of two hours of overtime per workday is permitted. None of the worker respondents who earn equal to or above the CLW reported exceeding this legal limit. Among workers earning below the CLW, 19% reported working more than two hours of overtime per day, while 53% work exactly two hours—significantly more than those in the upper wage group. Overtime participation is equally split between male and female workers, with each group representing 50% of those doing overtime.

Figure 9: Overtime hours (Bangladesh)



Reason for overtime:

- ▶ **Overtime for extra income:** 56% of workers earning below the CLW work overtime compared to 25% of workers earning equal to or above the CLW. This shows that lower-wage earners are highly dependent on overtime pay for financial stability.
- ▶ **Factory-mandated overtime:** 38% earning equal to or above the CLW compared to 16% of below CLW earners cite requirements by factories to worker overtime in order to meet deadlines.
- ▶ **Personal spending:** 13% of workers earning equal to or above the CLW do overtime for personal expenses compared to 4% of lower-wage earners.
- ▶ **Saving money:** 6% of those earning equal to or above the CLW use overtime work to increase their savings compared to 3% of workers who earn below the CLW.

v) Loans

None of the workers earning equal to or above the CLW reported having any loans. In contrast, 30% of workers who earn below the CLW reported taking loans. Among these, 19% of female workers reported taking loans compared to 11% of male workers. This may indicate that female workers have greater financial responsibilities or possibly better access to credit than their male counterparts.

Table 6: Access to loans (Bangladesh)

Income group	Sex	No	Yes
Equal or above CLW	Female	13%	0%
	Male	88%	0%
	Total	100%	0%
Below CLW	Female	31%	19%
	Male	39%	11%
	Total	70%	30%

The most common reasons for taking loans among those earning below the CLW include medical expenses (8%) and house repairs (6%). The high rate of borrowing for medical expenses reflects the significantly higher healthcare costs faced by this group. Borrowing for house repairs likely relates to the vulnerable housing conditions many lower-wage workers live in, such as tin sheds or kutcha houses.

From a gender perspective, 10% of female workers reported taking loans for medical treatment and house repairs, compared to only 4% of male workers. This suggests that women may bear a greater share of financial responsibility for household and medical expenses.

In terms of loan repayment, 26% of respondents rely on their regular income to pay back their loans, indicating limited disposable income. Additionally, 17% rely on overtime wages, reflecting financial inflexibility. Gender dynamics in repayment show that 12% of women depend on overtime income to repay loans, compared to 6% of men, further emphasizing the financial pressures faced by female workers.

vi) Savings

Table 7: Savings patterns (Bangladesh)

Wage Range	Sex	Average Savings (BDT)	Below Average	Equal or Above Average	No Savings
Equal or above CLW	Female	17,500	50%	50%	0%
	Male	12,250	43%	36%	21%
	Total	12,906	38%	44%	19%
Below CLW	Female	2,394	25%	38%	37%
	Male	3,375	65%	4%	31%
	Total	2,885	45%	22%	33%

Workers earning at or above the CLW are able to save significantly more than those earning below it. Among higher earners, women have the highest average savings of BDT 17,500 (USD 144) compared to BDT 12,250 (USD 101) for men. Notably, none of the women in this group reported having no savings, indicating more consistent saving behaviour.

In contrast, workers earning below the CLW face much greater financial insecurity. Only BDT 2,885 (USD 24) is saved on average, and 33% of these workers report having no savings at all. Among them, women are more likely to save at or above the average (38%) compared to men (only 4%). However, 37% of women in this group still report having no savings, reflecting ongoing financial pressure. Male workers earning below the CLW appear to be the most financially vulnerable. Majority (65%) of them save below average, and nearly one-third have no savings at all.

Overall, the data clearly shows that income level is a key factor in determining savings capacity, with lower-wage and male workers particularly at risk of financial instability. At higher wages, women save more than men on average and are more consistent in saving. At lower wages, women are more likely than men to save something, but both face high levels of financial stress.

vii) Interplay between income and expenses

Table 8: Analysis of income and expenses (Bangladesh)

Wage Range	Sex	Household expense (Avg)	Monthly RMG income without OT (Avg)	Monthly RMG income with OT (Avg)	Remaining balance from RMG income without OT	Remaining balance from RMG income with OT	Household income (Avg)	Remaining balance from total household income
Equal or above CLW	Female	18,975	20,950	26,200	1,975	7,225	47,450	28,475
	Male	17,679	22,554	26,868	4,875	9,189	26,340	8,661
	Total	17,841	22,354	26,785	4,513	8,944	28,979	11,138
Below CLW	Female	24,948	14,083	18,071	-10,865	-6,877	27,590	2,642
	Male	20,243	14,750	19,332	-5,493	-911	26,788	6,545
	Total	22,595	14,417	18,702	-8,178	-3,893	27,189	4,594

Workers who earn equal to or above the CLW demonstrate significantly better financial stability compared to those who do not. On average, their total household expenses amount to 17,841 BDT (USD 146), which is notably lower than the 22,595 BDT (USD 185) reported by workers earning below the CLW. Even without overtime, these workers maintain a positive monthly balance of 4,513 BDT (USD 37) from their RMG income. With overtime, this surplus increases to 8,944 BDT (USD 73). When total household income is considered, their remaining balance rises further to 11,138 BDT (USD 91), indicating strong financial resilience.

Gender differences are also evident within this group. Male workers earning equal to or above the CLW have slightly higher income balances both without overtime (4,875 BDT / USD 40) and with overtime (9,189 BDT / USD 75) than female workers. However, female workers have a much higher average household income of 47,450 BDT (USD 389), which likely includes additional earners. Despite higher expenses, they report a significantly larger final surplus of 28,475 BDT (USD 234).

In contrast, workers earning below the CLW struggle to meet their expenses. Their average monthly expenses exceed their RMG income, resulting in a deficit of 8,178 BDT (USD 67) without overtime and 3,893 BDT (32) even with overtime. Although total household income brings some relief, the average remaining balance is still only 4,594 BDT (USD 38), a much narrower financial cushion compared to those earning above the CLW.

Among lower-wage earners, female workers face the greatest financial pressure. Their household expenses are the highest at 24,948 BDT (USD 205), while their RMG income remains the lowest. This results in a substantial deficit of 10,865 BDT (USD 89) without overtime, and a still negative balance of 6,877 BDT (USD 56) even after including overtime income. Their final balance from total household income is just 2,642 BDT, suggesting minimal financial security.

In summary, earning equal to or above the CLW clearly enables workers to cover their expenses and save, without depending on overtime. On the other hand, workers earning below the CLW threshold face persistent financial deficits. Overtime helps reduce this gap, but it does not provide complete relief, especially for female workers, who remain the most financially vulnerable. This highlights the critical importance of fair wages in ensuring financial security.



India

a) Demography

- Distribution of respondents by gender: male **68%**, female **32%**. Total number of respondents: **50**

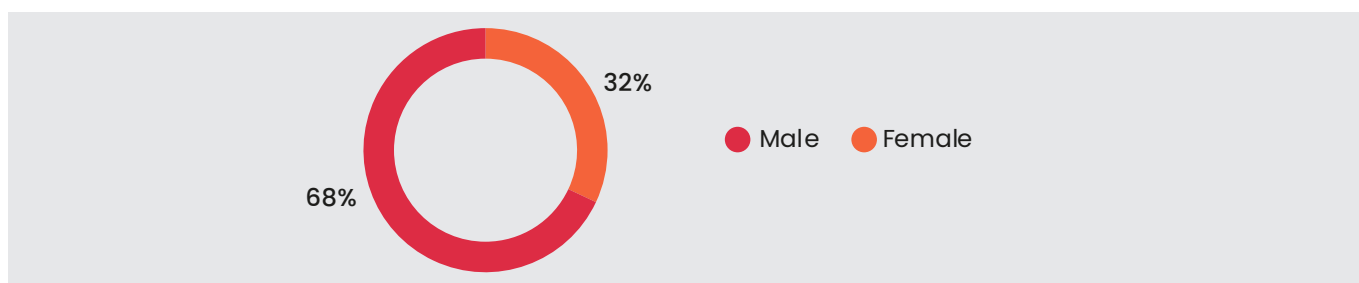
Table 9: Age profile of respondents (India)

Age	Female	Male
Mean	37	37
Minimum	22	20
Maximum	52	66

Table 10: Household size (India)

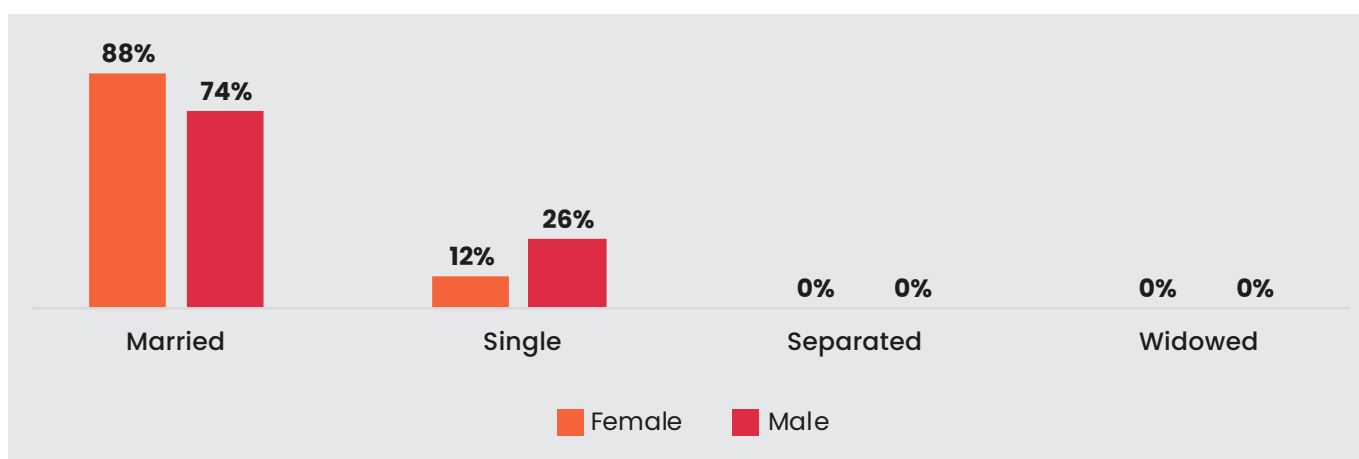
Household Size	Female	Male
Mean	4	5
Minimum	4	2
Maximum	6	8

Figure 10: Distribution of respondents by gender (India)



- **Marital status:** 88% of female and 74% of male respondents are married. This indicates family responsibilities that may influence financial priorities including spending behavior, capacity to save and overall financial stress.

Figure 11: Marital status (India)



- **Education level:** Majority of workers are educated at primary and secondary levels, with only 6% of males and 7% of females receiving their secondary school certificate.

- **Years of experience:** the average years of experience differs between male and female workers, with male workers averaging more than 14 years of experience compared to 10 plus years for female workers.

Figure 12: Level of Education (India)

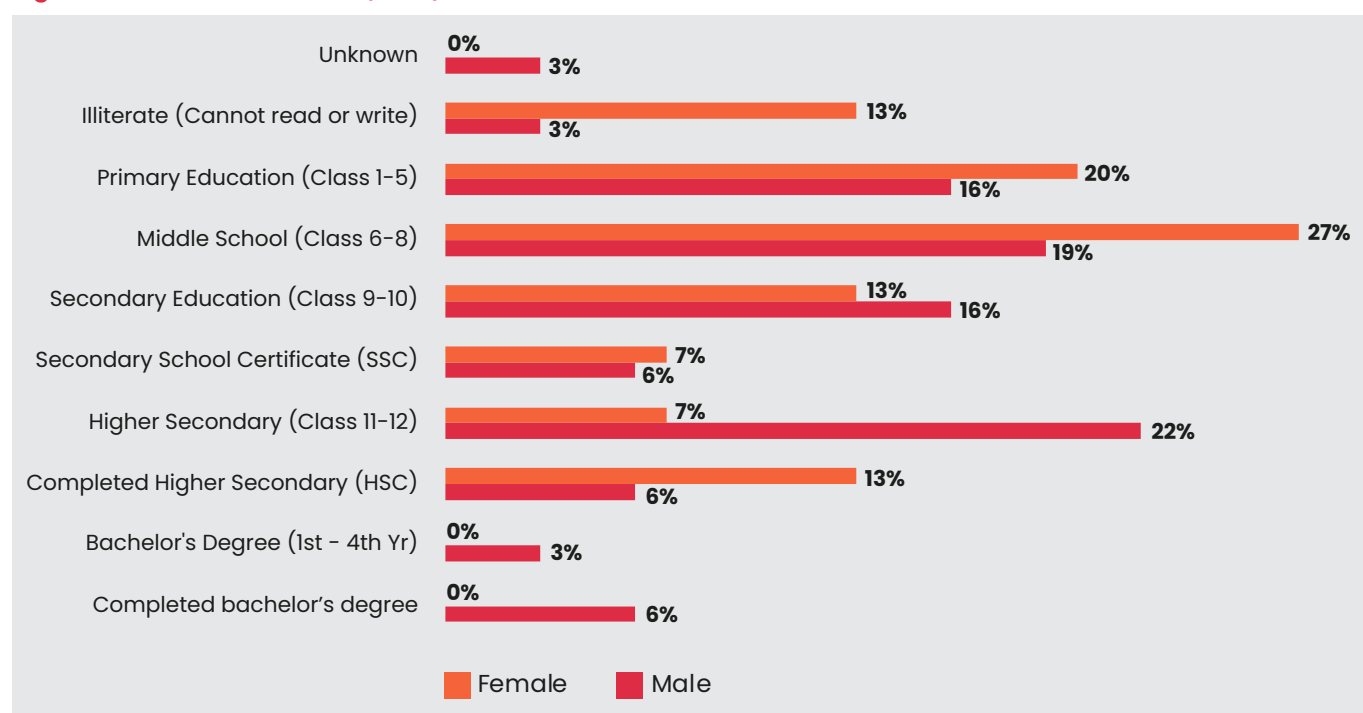


Table 11: Years of experience (India)

Years of experience	Female	Male
Mean	10.8	14.6
Minimum	4	1
Maximum	18	48

Table 12: Average monthly wage of respondents (India)

Designation	Earning equal to or more than INR 14,000 per month		Earning below INR 14,000 per month	
	No.	Average Monthly Wage (INR)	No.	Average Monthly Wage (INR)
Tailoring	7	14,571	22	11,049
Checking	2	15,840	7	10,828
Cutting	2	18,250	3	10,626
Helper	0	-	4	10,748
Ironer	0	-	1	11,000
Packer	0	-	2	11,000
Total	11		39	
Total average wage of workers	11	15,470	39	10,942

- **Wage range:** only 22% of workers earn above the CLW of INR 14,000 (USD 164), with an average wage of INR 15,470 (USD 181), whilst 78% of workers earn below the CLW of INR 14,000 (USD 164) with average wages of INR 10,942 (USD 128). It should be noted that the CLW for India represents a progressive wage that has been calculated to enable a comparative analysis of the data, rather the actual CLW.

b) Socio-economic impact of the wage gap

i) Housing conditions

The data indicates a clear association between income levels and housing quality. Workers earning equal to or above the CLW predominantly reside in pucca houses (82%) or semi-pucca structures (18%). No respondents in this higher income group reside in kutcha houses, in comparison to 13% of the lower income group.

When it comes to living space, workers earning equal to or above the CLW are nearly twice as likely to own their homes compared to those earning below the CLW (45% versus 23%). Conversely, 69% of workers earning below the CLW range rely on rented housing. These figures suggest that wage levels significantly influence both the likelihood of home ownership and the degree of independence in living arrangements.

Workers earning equal to or above the CLW also pay, on average, 25% more in rent, which may reflect access to better quality housing or more favorable locations. Meanwhile, some respondents in the lower-wage group pay as little as INR 1,000 (USD 12) in monthly rent, indicating that they may be living in highly basic, shared, or subsidised accommodation.

Figure 13: Housing conditions (India)

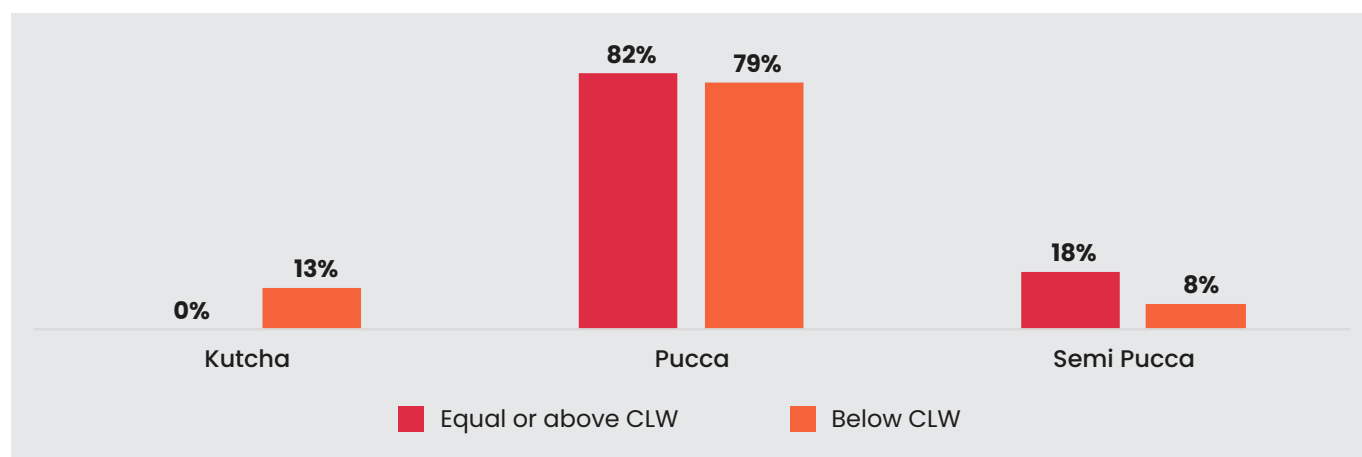
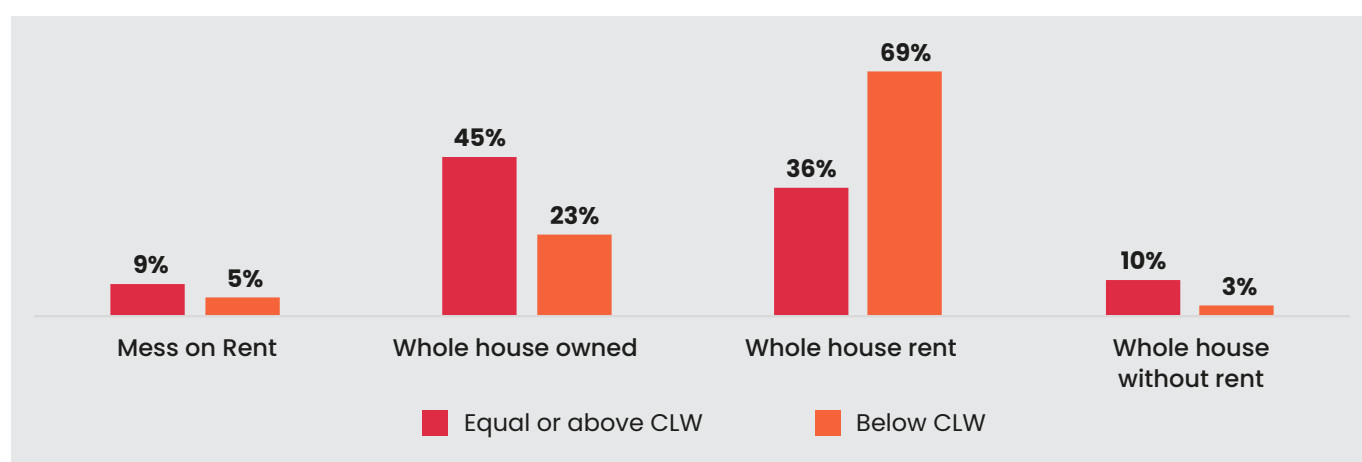


Figure 14: Housing tenure (India)



ii) Food consumption patterns

The basic food staples, such as rice, vegetables, and lentils, are consistently consumed across all wage groups. However, consumption of protein sources, fruits, and dairy products is low, particularly among workers earning below the CLW, suggesting a lack of dietary diversity and affordability. While animal protein intake is generally limited across both income groups, workers earning above the CLW tend to consume it more frequently and with greater variety, especially in the form of eggs and dairy products. Fruits are the most consistently neglected food group across all income levels, with especially low consumption among workers earning below the CLW. This pattern raises concerns about potential long-term micronutrient deficiencies.

Figure 15: Food consumption patterns (Equal to or above CLW) India

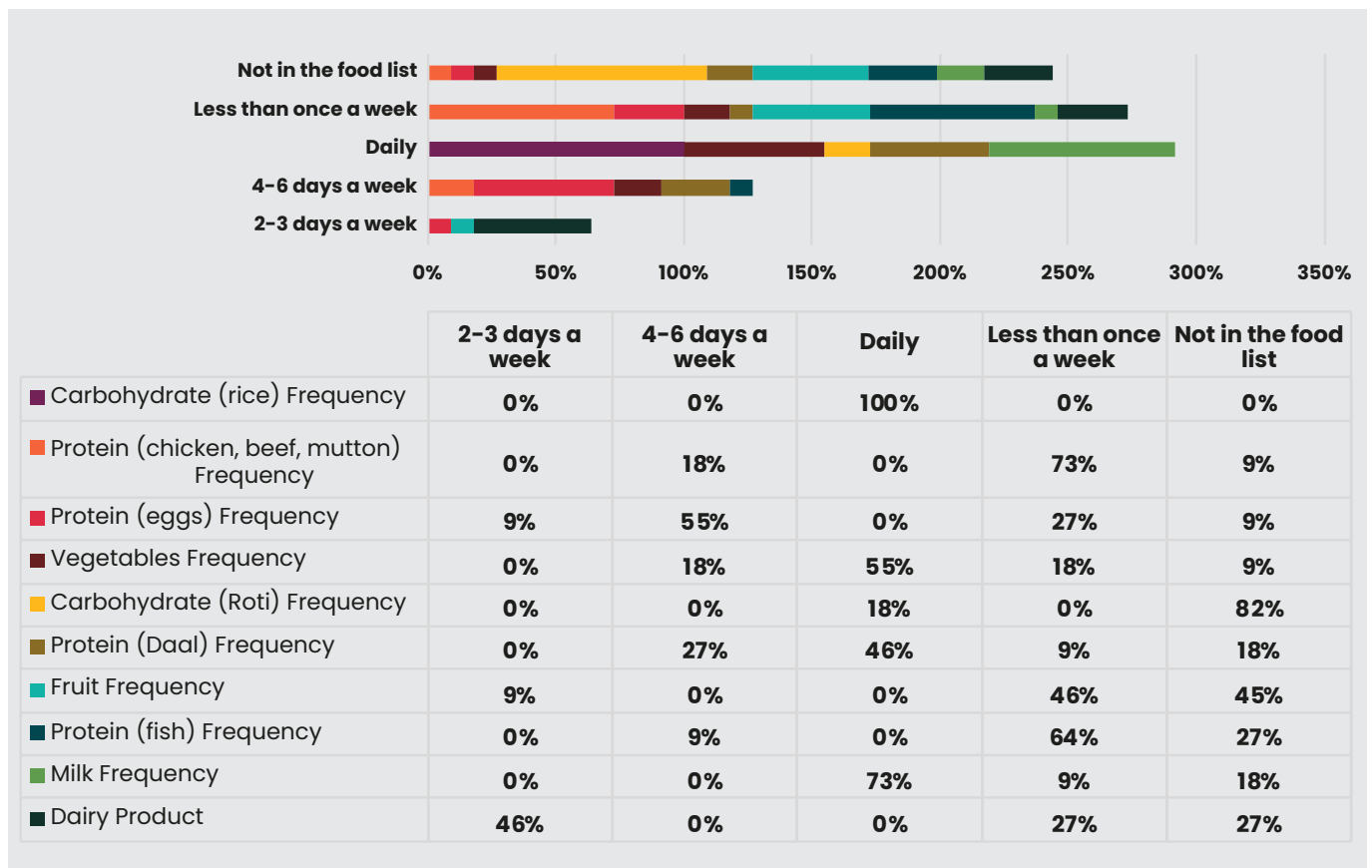
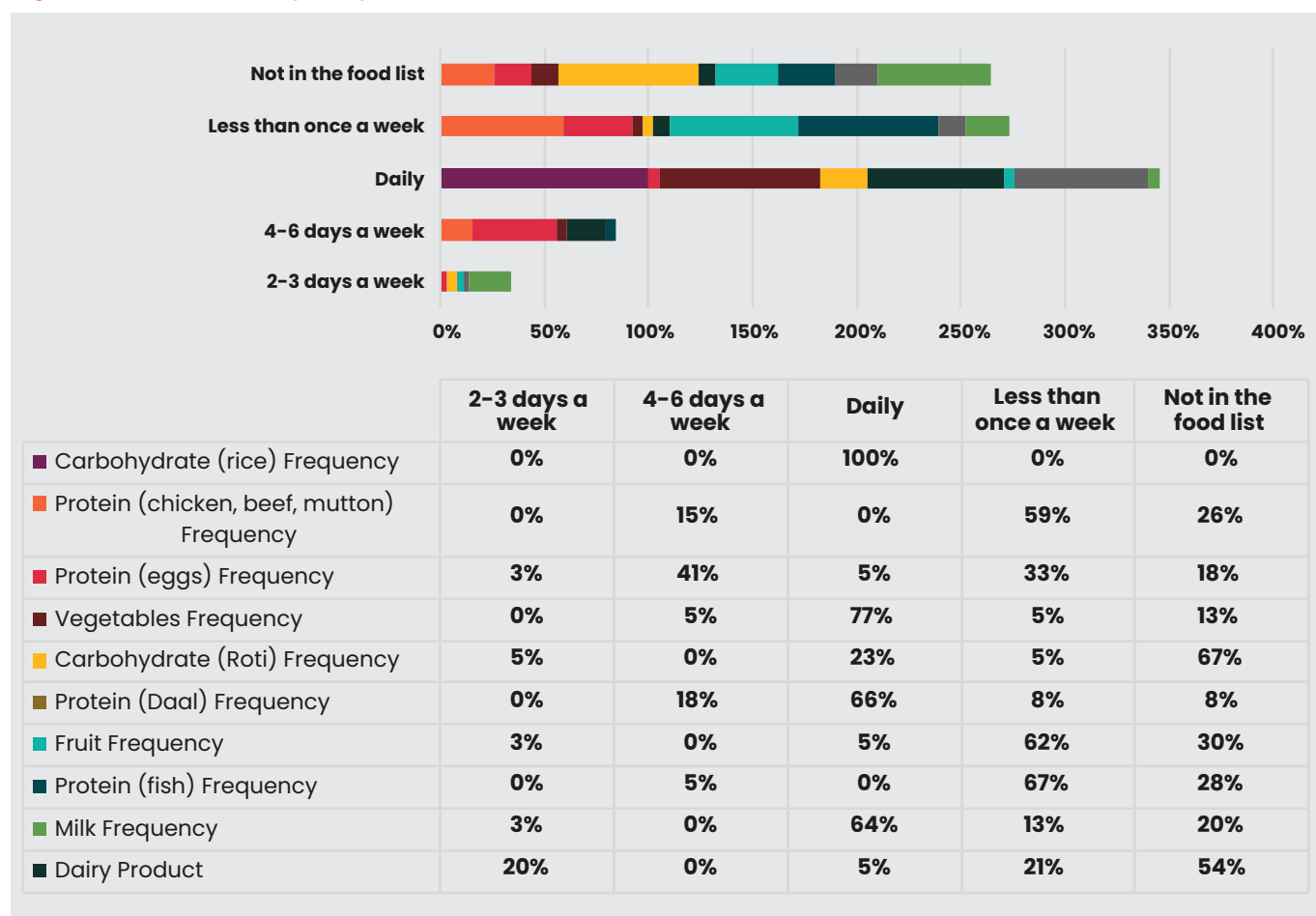


Figure 16: Food consumption patterns (Below CLW) India



iii) Health and medical expenses

No respondents in the study are completely free from financial stress related to medical expenses. A substantial proportion (54%) of all workers reported experiencing occasional difficulty in covering healthcare costs, while 38% face such challenges frequently. Workers earning below the CLW are disproportionately affected, with 95% reporting either frequent or occasional difficulties and only 5% stating that they rarely encounter issues.

Although workers earning equal to or above the CLW are in a relatively better position, 82% of them still report occasional or frequent struggles. This suggests that out-of-pocket healthcare costs remain a significant concern, even among higher earners.

Chronic illness is more prevalent in households earning below the CLW. In this group, 15% of workers reported having a family member with a chronic illness. In contrast, no respondents earning above the CLW reported any such cases, indicating a possible link between higher income levels and better health outcomes. Additionally, the non-response rate regarding chronic illness is higher among workers earning below the CLW (23%), which may reflect underreporting due to limited awareness or reluctance to disclose sensitive health information.

Figure 17: Challenges covering medical expenses (India)

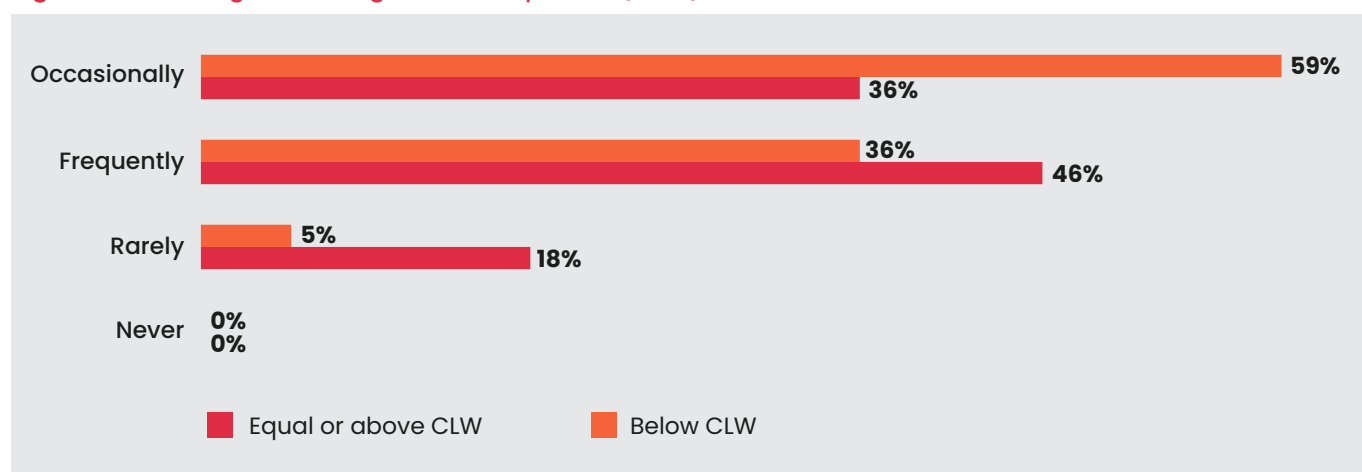
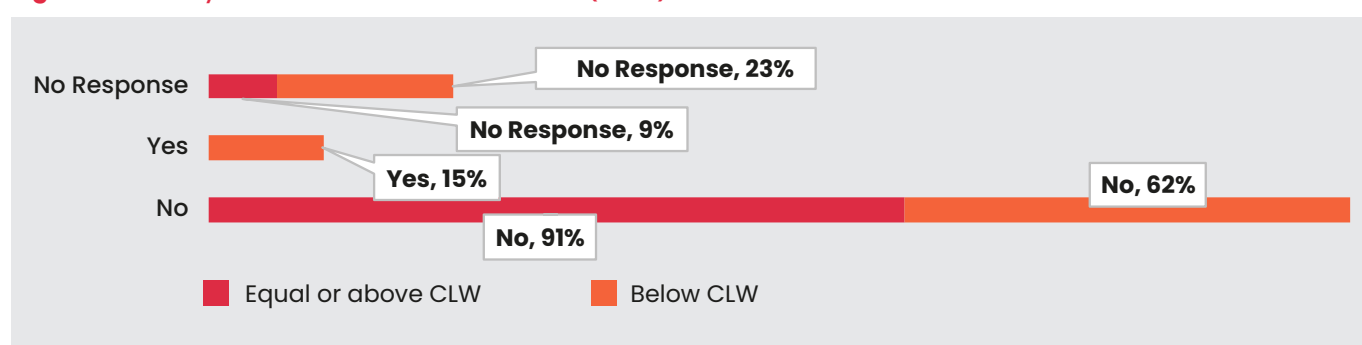


Figure 18: Family members with chronic illness (India)



iv) Overtime

All respondents reported engaging in overtime work, with 98% consistently working two hours of overtime each day. Among those earning below the CLW, 5% reported working more than the legal limit of two hours daily, likely as a way to compensate for inadequate base earnings.

Financial necessity was identified as the most common reason for working overtime, cited by 43% of workers earning below the CLW and 40% of those earning at or above it. However, a significant portion of respondents, between 57% and 60%, did not provide any reason for working overtime. This lack of disclosure may reflect hesitancy to discuss wage-related struggles or a broader lack of transparency around labor conditions.

Table 13: Average daily overtime (India)

Income group	2 hours/day	More than 2 hours/day
Equal or above CLW	100%	0%
Below CLW	95%	5%
Total	98%	2%

Table 14: Reasons for overtime (India)

Income group	Insufficient salary/ need for extra income	No response
Equal or above CLW	40%	60%
Below CLW	43%	57%
Total	40%	60%

v) Loans

Workers earning equal to or above the CLW are more likely to access loans, with 72% reporting loan usage, compared to 56% of those earning below the CLW. This suggests that a higher income level positively influences both loan eligibility and access.

Higher income earners primarily use loans for long-term investments, such as education (25%) and home construction (13%), reflecting financial planning for upward mobility. In contrast, workers earning below the CLW are more likely to take loans for immediate needs, including personal expenses (30%) and medical costs (9%), highlighting their ongoing financial stress.

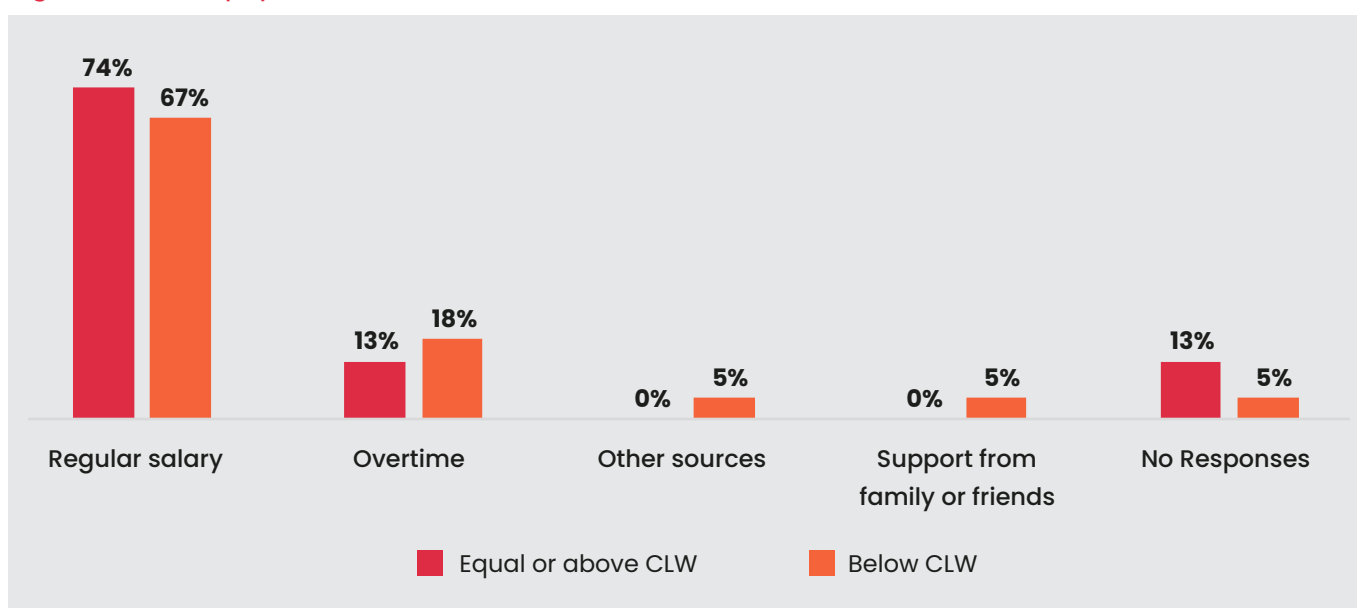
A significant portion of the higher income group (62%) did not disclose their reasons for taking loans. This could be due to privacy concerns or the use of informal lending channels. When it comes to repayment, both groups rely primarily on their regular salary. However, workers earning below the CLW are more likely to depend on overtime income (18%) and external support (5%) to repay loans, underscoring their tighter financial margins and vulnerability.

Overall, loan usage highlights the economic divide between the two groups. While workers who earn above the CLW tend to borrow for growth-oriented purposes, those below the CLW use loans to manage daily survival.

Table 15: Access to loans (India)

Income group	Yes	No
Equal or above CLW	72%	28%
Below CLW	56%	46%
Total	60%	40%

Figure 19: Loan repayment sources (India)





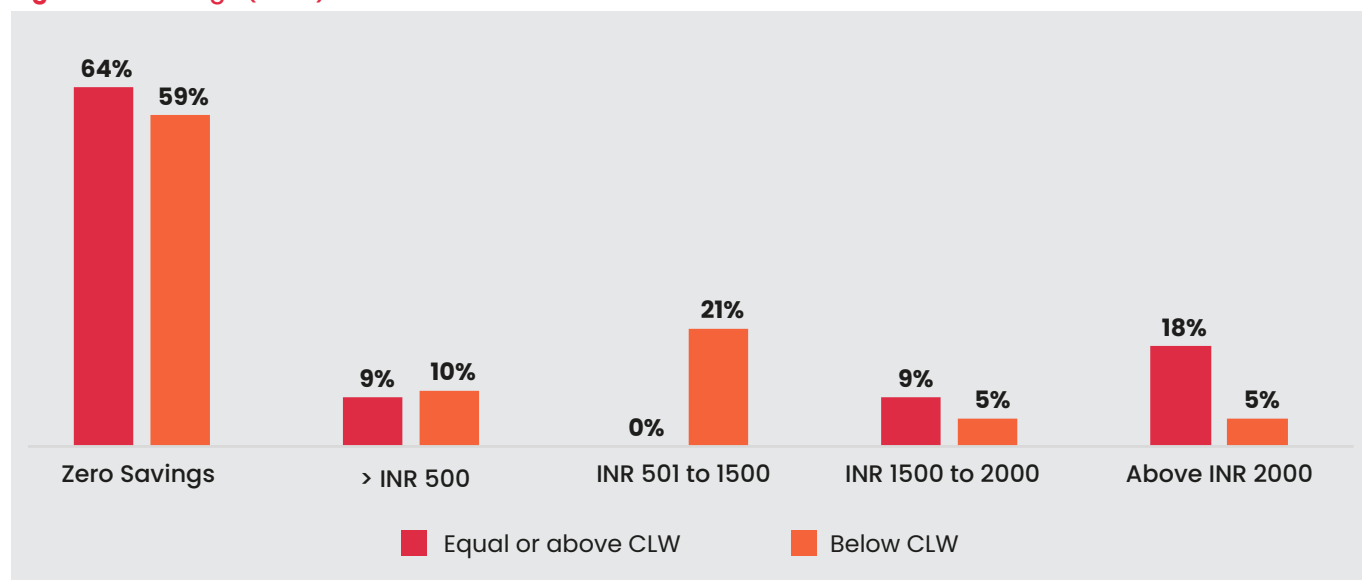
vi) Savings

60% of all respondents reported having no savings, regardless of their income group, highlighting widespread financial vulnerability caused by the wage gap. While workers earning equal to or above the CLW save more on average (INR 3,375 / USD 39.5), a significant proportion (64%) still report having zero savings.

Among those earning below the CLW, the average savings amount is lower (INR 2,013 / USD 23.5), yet a larger share (21%) manage to save modestly in the range of INR 501 (USD 5.9) to INR 1,500 (USD 17.5). This suggests that although savings behavior is present across both groups, the ability to save meaningfully is severely constrained for lower-income workers.

Regarding income sources, all workers earning equal to or above the CLW (100%) rely solely on their regular salary, which may indicate a level of financial stability. In contrast, 8% of workers earning below the CLW depend on additional income sources, revealing a need to supplement earnings in order to meet their needs. This pattern suggests that lower-wage workers are more likely to diversify their income sources.

Figure 20: Savings (India)



Pakistan

a) Demography

► Distribution of respondents by gender: male **79%**, female **21%**. Total number of respondents: **126**

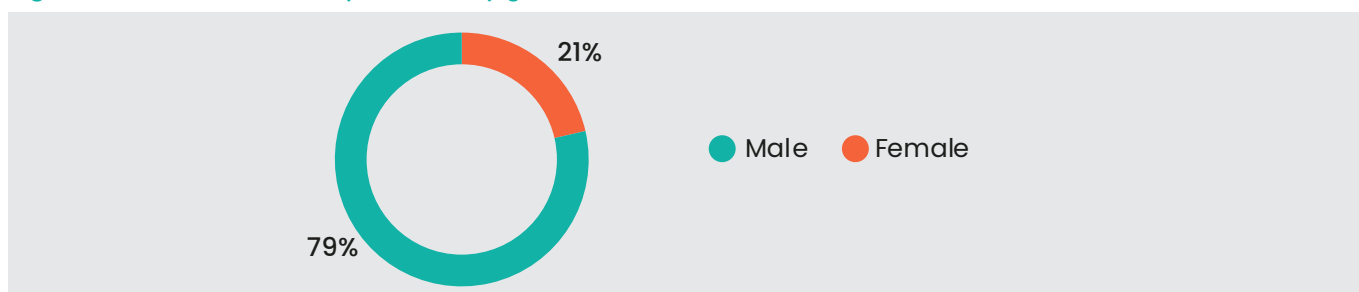
Table 16: Age profile of respondents (Pakistan)

Age	Female	Male
Mean	33	31
Minimum	19	18
Maximum	55	62

Table 17: Household size (Pakistan)

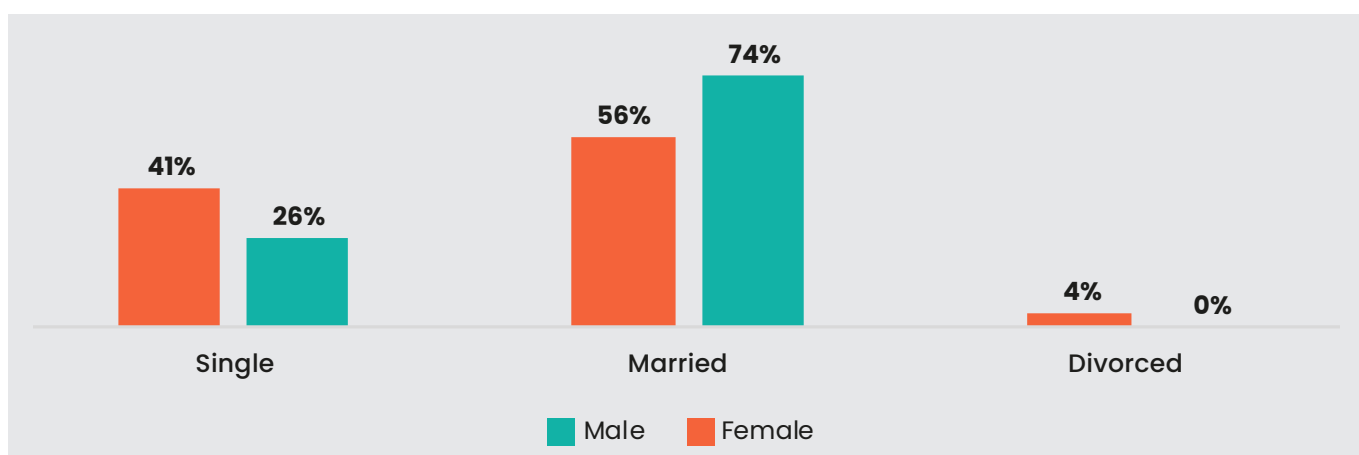
Household Size	Female	Male
Mean	7	7
Minimum	3	1
Maximum	12	27

Figure 21: Distribution of respondents by gender (Pakistan)



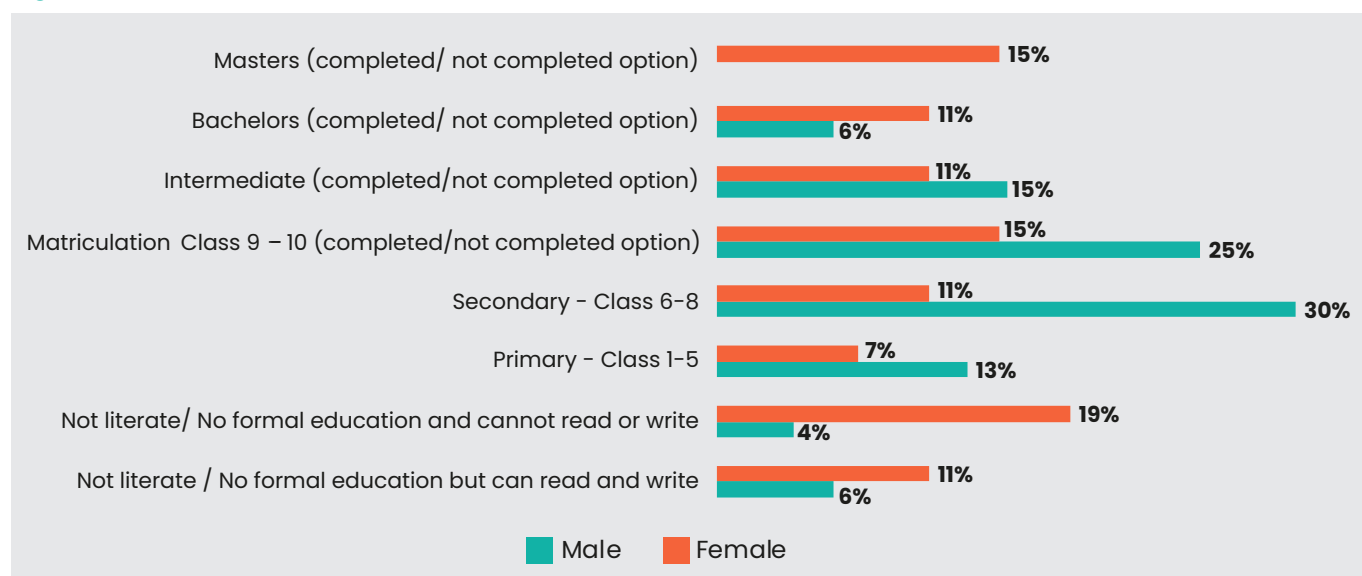
► **Marital status:** 56% of female workers and 74% of male workers are married. This indicates family responsibilities that may influence financial priorities including spending behavior, capacity to save and overall financial stress

Figure 22: Marital Status (Pakistan)



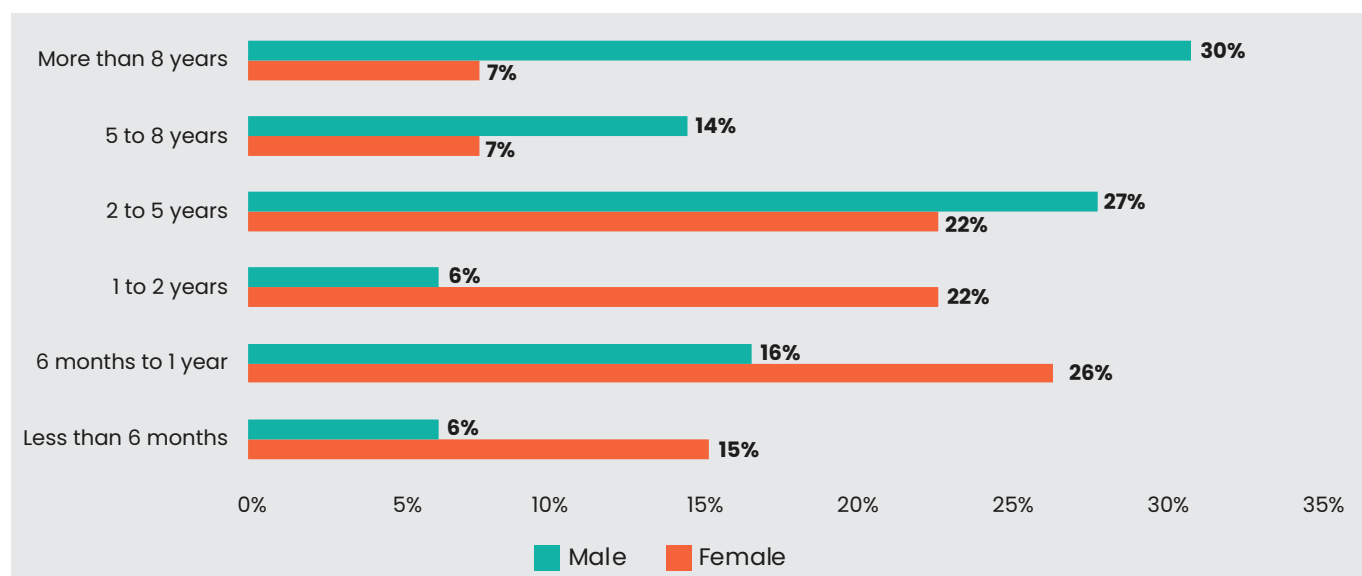
► **Education level:** Female workers show lower overall literacy and education levels compared to male workers. A larger share of women are either not literate (19%) or lack formal education despite being able to read and write (11%), while men show higher completion rates at the secondary (30%) and classes 9 to 10 (25%).

Figure 23: Level of education (Pakistan)



- **Years of experience:** Female workers tend to have shorter employment durations, with 63% having worked for less than two years, compared to only 28% of male workers. This may indicate higher turnover among women or a recent surge in hiring. In contrast, male workers show greater job stability, with 30% having over eight years of experience, compared to only 7% of women in the same category. Retention of workers appears to stabilize for both genders after the two to five-year mark.

Figure 24: Years of experience (Pakistan)



- **Wage range:** only 5% of workers earn equal to or above the CLW of 55,012 PKR (USD 197) while 95% of workers earn below the CLW.

b) Socio-economic impact of the wage gap

i) Housing conditions

The data shows a clear relationship between income status and housing quality. Among workers earning below the CLW, 68% live in pucca houses, while 32% reside in semi-pucca structures. In contrast, 100% of those earning at or above the CLW live in pucca houses, indicating that substandard housing is more prevalent among lower-income workers.

Workers earning below the CLW have an average monthly income of PKR 38,439 (USD 138) and spend PKR 13,596 (USD 49) on rent, which accounts for 35% of their income. This high rent-to-income ratio places considerable financial strain on their ability to afford other necessities like food, transport, and utilities. In contrast, those who earn equal to or above the CLW make PKR 70,500 (USD 253) on average and spend PKR 22,500 (USD 81) on rent (32% of income), making housing costs more manageable.

Housing conditions remain a major challenge for factory workers, with many struggling to afford decent living spaces, especially those earning below the CLW. The strong link between income levels and housing quality suggests that wage improvements could significantly impact living standards.

Figure 25: Housing structure (Pakistan)

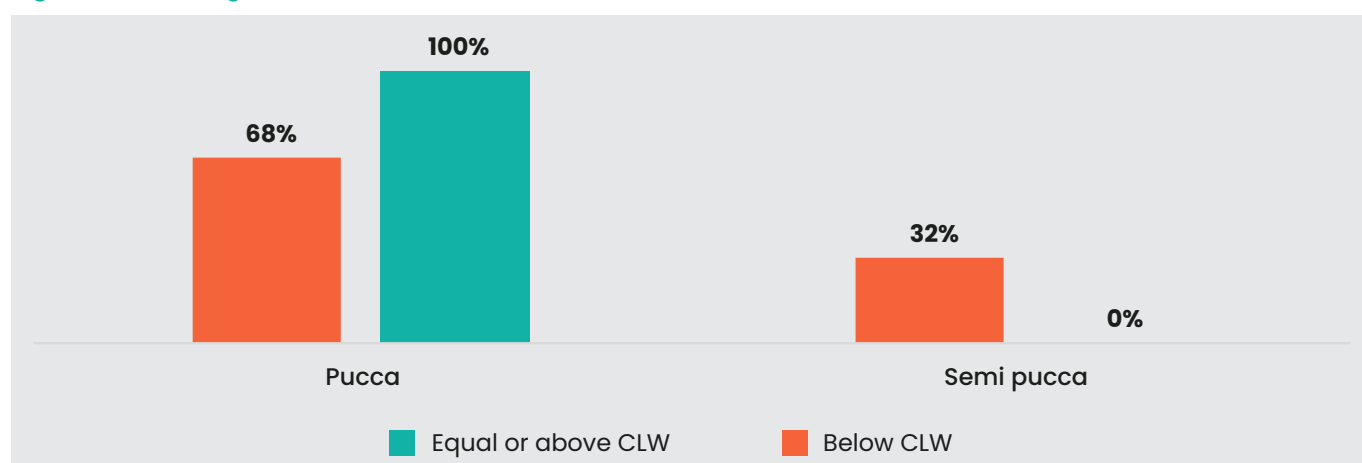


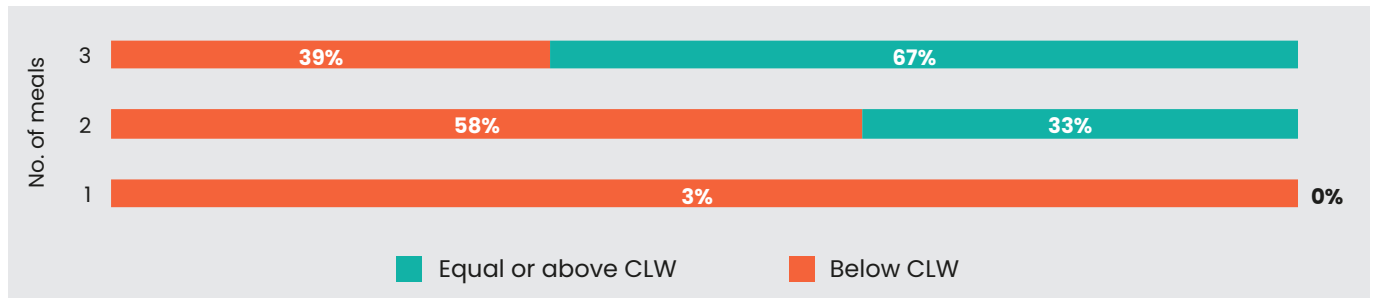
Table 18: Expenditure on housing (Pakistan)

Income group	Average Monthly income (PKR)	Average house rent (without utilities)	Percentage of salary
Below CLW	38,439.17	13,596.00	35%
Equal or above CLW	70,500.00	22,500.00	32%
Total	39,965.87	13,938.46	35%

ii) Food consumption patterns

Over 60% of workers earning below the CLW consume fewer than three meals per day, indicating widespread food insecurity. In contrast, 67% of living wage earners are able to afford three full meals daily, compared to only 39% of low-wage workers. 3% of workers in the lower-income group survive on only one meal per day, a clear sign of severe financial hardship affecting nutrition and health outcomes.

Figure 26: Frequency of food consumption (Pakistan)



Among workers earning below the CLW, 29% report skipping meals, with 8% frequently doing so, suggesting severe food deprivation for a significant portion of the workforce. While 71% report never skipping meals, this still leaves nearly one in three workers struggling with meal sufficiency due to financial constraints.

In contrast, workers earning equal to or above the CLW experience significantly less meal skipping, with only 2 out of 6 (33%) reporting occasional meal skipping, and just one worker (17%) frequently skipping meals. This aligns with previous findings that higher wages result in better meal consistency, as 68% of living wage earners consume three meals daily, compared to only 39% of low-wage workers.

Figure 27: Frequency of meals skipped (Pakistan)

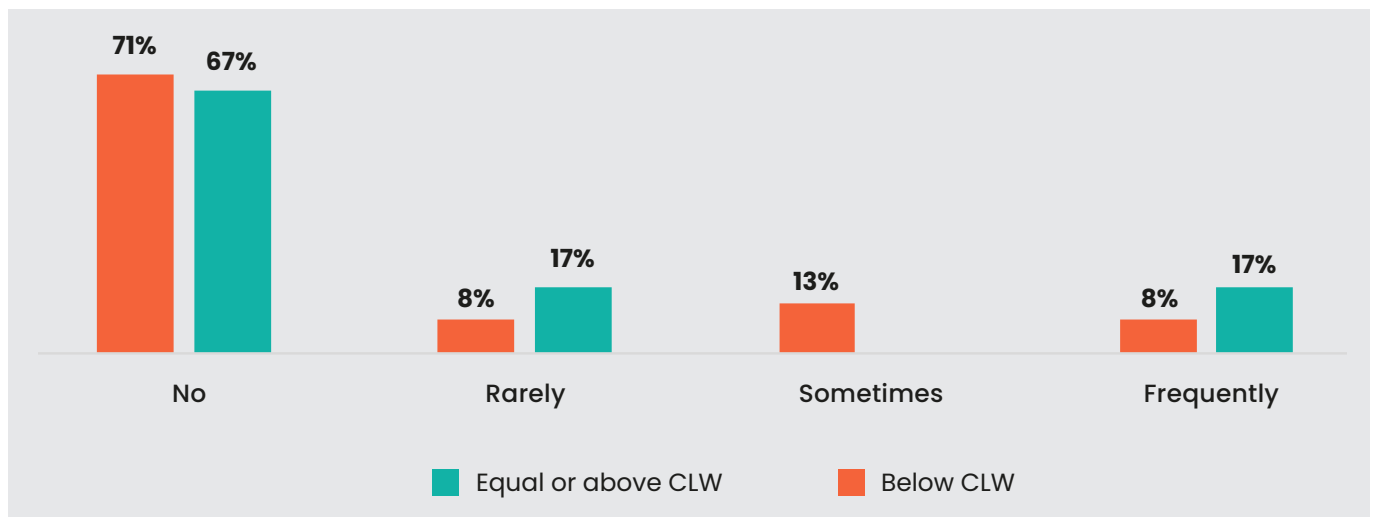


Table 19: Coping mechanisms for food price hikes (Pakistan)

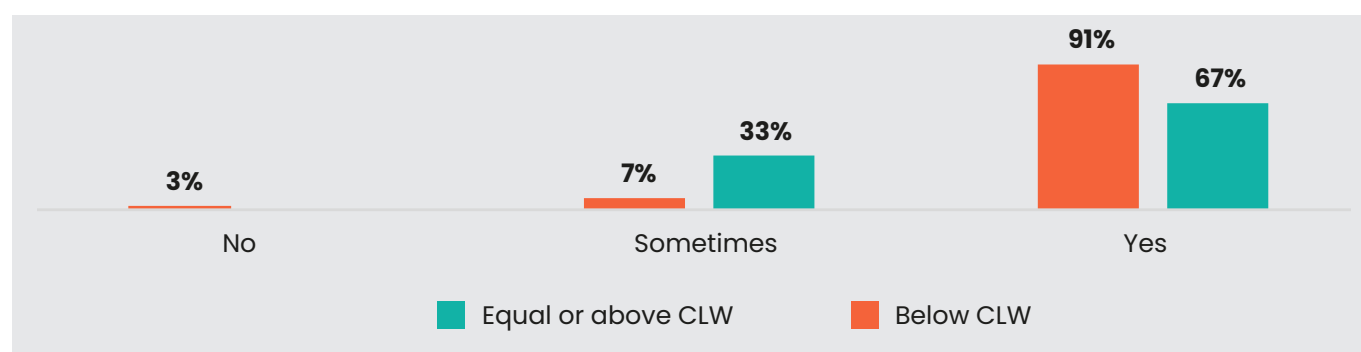
Coping mechanism for food price hikes (multiple responses)	Below CLW	Equal or above CLW
Adjust by buying less or switching to cheaper alternatives	68%	50%
Increase my budget to maintain the same food choice	12%	17%
Reduce consumption of certain food choices	32%	33%
Seek help or additional sources of food	3%	0.00%
Skip meals	14%	17%

Workers earning below the CLW are significantly more likely to compromise on essential food groups, particularly meat, protein, dairy, and fresh produce. About 85% frequently skip protein-rich foods, and 32% reduce their intake of certain foods like dairy and vegetables to manage food expenses. Additionally, 68% of lower income workers shift to cheaper or less nutritious alternatives, compared to 50% of workers who earn equal to or above the CLW, highlighting greater food quality compromises among the lower-income group.

Price fluctuations further worsen this situation. When food prices rise, 14% of those who earn below the CLW skip meals—compounding the 29% who already skip meals due to financial strain. This illustrates a clear link between income instability, food inflation, and reduced access to adequate nutrition.

iii) Health and medical expenses

The data highlights some disparities in access to healthcare based on income levels. Below CLW earners are more likely to seek medical attention, when necessary (91%), despite financial difficulties, whereas only 67% of workers in the higher-income group seek medical care consistently. However, 7% of workers in the lower-income group delay treatment, and 3% completely avoid medical care, highlighting significant barriers to timely healthcare access.

Figure 28: Access to medical services (Pakistan)

The data also reveals significant financial vulnerability among workers earning below the CLW when it comes to managing unexpected medical expenses, with many struggling to maintain economic stability in the face of health-related costs.

Table 20: Financial stability in handling unexpected medical expenses (Pakistan)

Financial stability in handling unexpected medical expenses	Below CLW	Equal or above CLW
Very Stable	7%	0%
Stable	63%	67%
Somewhat unstable	18%	17%
Very unstable	13%	17%

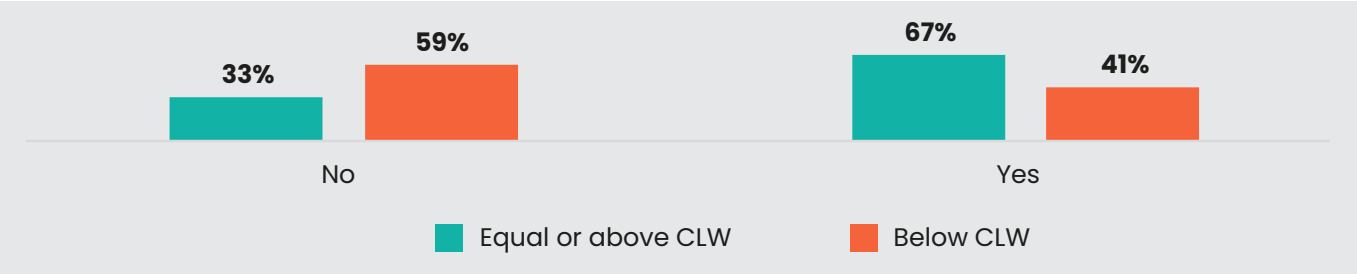
Among workers earning below the CLW, 63% consider their situation to be “stable”, while 7% describe their financial situation as “very stable” in terms handling unexpected medical expenses. However, 31% report instability, with 18% considering themselves “somewhat unstable” and 13% describing their situation as “very unstable”. This means nearly one-third of workers earning below the CLW experience financial hardship when facing medical emergencies.

For those earning equal to or above the CLW, economic stability is significantly higher, with 4 out of 6 workers (67%) feeling stable, but one worker each (17%) still reporting somewhat and very unstable financial conditions.

While most workers feel financially stable in handling medical costs, nearly one-third of lower income earners face instability, with some experiencing severe economic distress when medical emergencies arise. This aligns with earlier findings on the difficulty of seeking medical services when needed.

iv) Overtime

Figure 29: Overtime (Pakistan)



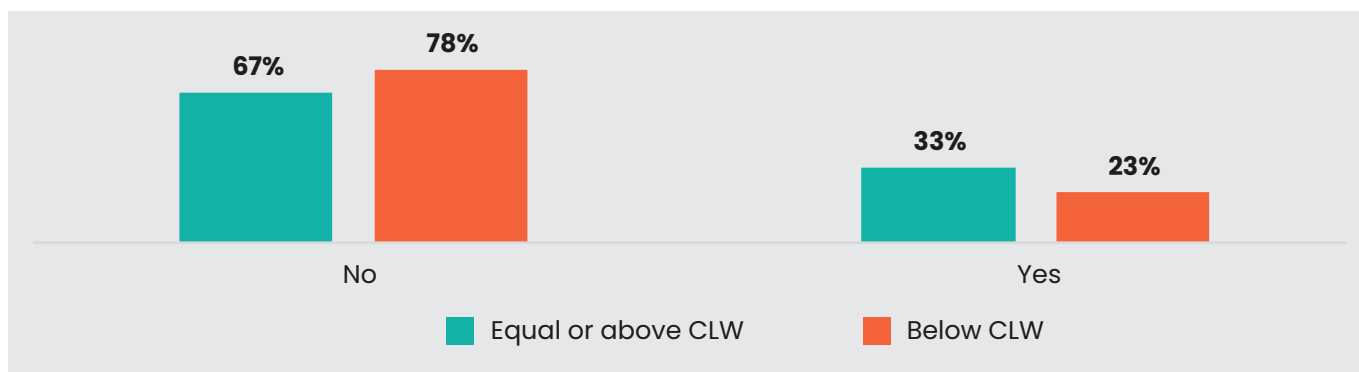
67% of workers earning equal to above the CLW report working overtime, while 33% do not, indicating their wages may be sufficient to meet their needs. In contrast, 41% of workers earning below the CLW work overtime, while 59% do not.

Overtime disparities also appear to be closely tied to the type of employment contract a worker holds. Salaried workers, who are more likely to be in the higher income group, tend to have greater access to overtime. This may be due to more formalized workplace policies, stable working hours, and predictable schedules that make the arrangement and compensation for overtime more feasible. In contrast, piece-rate and daily wage workers, who are likely to fall in the lower income group, show lower participation in overtime. This may be as a result of informal or non-standard employment contracts, a lack of guaranteed eligibility for overtime, and limited legal protections or financial incentives for working beyond standard hours.

v) Loans

Among workers earning equal to or above the CLW, 33% currently repaying a loan, while 67% are not. This suggests that a notable portion of higher income earners still rely on loans, potentially for investment, emergencies, or planned expenses. In contrast, among those earning below the CLW, only 23% have an ongoing loan repayment, while 78% do not. This may reflect limited access to credit among lower-income individuals, potentially due to poor credit eligibility or lack of collateral.

Figure 30: Loan repayment (Pakistan)



The data also shows that workers earning below CLW access loans for a wider range of reasons compared to those earning equal to or above the CLW. Specifically, workers earning below the CLW commonly take loans for medical bills (37%), marriage (30%) and education (30%). In contrast, individuals at or above the CLW only reported accessing loans for marriage and home building or maintenance. This suggests that lower-income individuals often use loans to cover essential and urgent needs while higher earners likely have enough income or financial support to cover such expenses without borrowing.

Table 21: Reasons for accessing loans (Pakistan)

Reasons for accessing loans (multiple responses)	Below CLW	Equal or above CLW
Education	30%	0%
Medical bills	37%	0%
Marriage	30%	50%
Home building or maintenance cost	11%	50%
Religious festival expenses	26%	0%
Other	11%	0%

Table 22: Primary source of loan repayment (Pakistan)

Primary source of loan repayment (multiple responses)	Below CLW	Equal or above CLW
Regular salary	82%	100%
Overtime	19%	0%
Business or investment income	2%	0%
Support from family or friends	13%	0%



The primary source of loan repayment for both income groups is their salary. Among workers earning below the CLW, 82% rely on their regular income to repay loans. For those earning a living wage or more, this figure rises to 100%, indicating full reliance on salary. However, workers earning below the CLW often need to supplement their income with secondary sources to manage debt. Specifically, 19% use overtime earnings for loan repayment, and 13% depend on support from family or friends. This reliance on external help suggests a degree of financial insecurity and limited independence among lower-wage earners.

vi) Savings

Workers earning below the CLW face significantly greater financial burdens than those earning equal to or above the CLW, particularly when it comes to the high cost of living, with 64.2% struggling compared to 33.3% of living wage earners. While both groups are affected by housing costs, workers earning below the CLW are more severely impacted. Insufficient income also hinders their ability to save, affecting 28.3% of compared to 16.7% of workers earning above the CLW. Additional challenges such as debt repayments, family responsibilities, and unexpected expenses are more prevalent among low-wage earners, though present at all income levels. Notably, only low-wage workers report education costs and discretionary spending as financial burdens, indicating less flexibility in managing non-essential expenses.

Challenges in closing the living wage gap: insights from Bangladesh, India and Pakistan

Disconnect between legal mandates and living wage realities

One of the most critical cross-country challenges is the structural disconnect between what the law mandates and what workers actually need to live with dignity. In all three countries, minimum wage is the only legally binding standard; there is no law requiring the payment of a living wage. As a result, buyers are not legally obliged to ensure payment of a living wage, and suppliers, constrained by tight margins and buyer-driven pricing, are also unable to pay more than the statutory minimum.

Compounding this problem is the fact that minimum wage-setting processes do not adequately consider the core components of a living wage, such as, the cost of a basic but decent standard of living, inflation adjustments, or regional cost-of-living variations. Instead, minimum wages are often influenced by political compromise, macroeconomic considerations, and industry lobbying. In India, zone-based wage-setting lacks transparency and varies significantly across states. In Pakistan and Bangladesh, while minimum wage boards exist, they rarely include independent technical experts or reflect comprehensive cost-of-living data.

This creates a regulatory blind spot where compliance with the law does not equate to fair compensation. Without legal recognition of the living wage as a right or a mandatory standard, meaningful wage reform remains aspirational and non-enforceable.

Absence of structured multi-stakeholder dialogue and action planning

Across all three countries, there is a notable absence of formal, ongoing, and inclusive multi-stakeholder dialogue mechanisms where key actors, such as, buyers, suppliers, government bodies, trade unions, and civil society can collectively deliberate on wage reforms and agree on actionable pathways. While fragmented consultations or buyer-led forums do take place, they are often ad hoc, uncoordinated, or dominated by a single actor, lacking continuity, shared ownership, or binding decision-making power.

As a result, dialogues remain scattered, superficial, or symbolic, failing to create a collective sense of responsibility or urgency. This gap perpetuates widespread unawareness among some stakeholders and reluctance among others, especially where the cost implications of wage reform are perceived as threats to competitiveness. Without a nationally recognized and legally mandated platform for participatory dialogue on wage reforms, meaningful progress on living wage implementation remains unlikely.

Purchasing practices and commercial constraints

In all three countries, current global purchasing practices present a structural limitation to sustainable wage improvements. Suppliers commonly operate under tight cost constraints and narrow profit margins, shaped in part by prevailing sourcing models that prioritize price competitiveness and short lead times. While these models reflect commercial realities in a highly competitive global apparel market, they can inadvertently restrict suppliers' ability to pay higher wages to workers.

Stakeholders across the study noted that buyers have substantial influence over factory-level pricing and planning, yet living wage considerations are not consistently reflected in purchasing terms. For instance, suppliers in Pakistan and India highlighted volatility in orders, last-minute changes, and pricing rigidity as barriers to longer-term wage planning. In Bangladesh, even high-performing, compliant factories often report challenges negotiating rates that would allow for meaningful wage adjustments without compromising other obligations.

Although many brands have made public commitments to improving labour conditions in their supply chains, formal mechanisms to integrate living wage benchmarks into costing and contracting are not yet widespread. Social audits and corporate responsibility programs tend to focus on minimum compliance, with less emphasis on wage sufficiency or proactive cost-sharing for improved remuneration.

Furthermore, the lack of cost transparency and absence of shared responsibility models makes it difficult for suppliers to raise wages unilaterally. Suppliers are cautious about increasing labour costs without corresponding commitments from buyers, especially in price-sensitive segments of the market. This hesitancy is further compounded by the fear of losing business to competitors offering lower prices.

Operational, planning, and capacity constraints

In all three countries suppliers face significant internal limitations that restrict their ability to implement wage improvements, even when the intent exists. These constraints stem not only from external pressures, such as buyer pricing, but also from structural challenges within the supplier ecosystem.

Suppliers in all countries operate within narrow margins, making it difficult to absorb the cost implications of wage increases. Cost volatility, energy crises (especially in Pakistan), and infrastructure investment requirements have further compounded their financial strain. Suppliers often bear the costs of continuous compliance upgrades, which limits available capital for wage restructuring.

Additionally, capacity limitations in factory-level planning and productivity impede the integration of higher wages into operational models. Many suppliers lack systematic workforce assessments, data-driven planning, or robust human resource systems to sustainably align productivity with wage goals. In Bangladesh and Pakistan, some suppliers express concern that increasing wages without cost-sharing mechanisms may create unhealthy competition and lead to worker attrition or wage mismatches across the market. In India, fragmented regulatory frameworks and the absence of sector-specific RMG laws further complicate planning and harmonisation across states.

Conceptual ambiguity and misapplication of the living wage principle

A fundamental challenge across Bangladesh, India, and Pakistan lies in the inconsistent definition, understanding, and application of the living wage concept—both in policy and in practice. While the term “living wage” is increasingly used in public discourse, its core principles are often misunderstood, diluted, or conflated with minimum wage frameworks, leading to confusion among suppliers, brands, and regulators alike.

First, living wages are not standardized across regions, and rightly so. Cost of living varies significantly based on geographic context, such as, urban versus rural, industrial zones versus small towns; which makes the calculation of a meaningful living wage inherently local. However, current minimum wage-setting mechanisms in all three countries do not systematically factor in regional cost differences, resulting in one-size-fits-all minimum wages that fail to meet basic needs in higher-cost areas.

Second, while the living wage is by principle a fair wage that ensures a decent standard of living, it remains non-mandatory and non-binding, unlike the statutory minimum wage. As a result, legal frameworks prioritize economic factors and industry affordability over workers’ actual needs, creating a structural gap between what is legally required and what is socially just. In practice, minimum wage levels often fall significantly short of the benchmarks that living wage standards suggest.

Third, the research reveals that even workers who are technically earning an amount equivalent to the calculated living wage are not actually receiving a “living wage” in the true sense. These workers often qualify for such wages only after years of service, skill development, or grade progression. This violates a core principle of the living wage—that it must be earned from the first day of employment, regardless of tenure or hierarchy. The current approach reduces living wage to a reward for retention or performance, rather than a universal standard based on human rights and decent work.

This conceptual ambiguity undermines the legitimacy and enforceability of the living wage agenda, making it harder for stakeholders to align on benchmarks, track progress, or hold actors accountable. Without a shared, operational definition that is recognized in both policy and practice and clearly distinguished from minimum wage efforts, institutionalization of the living wage will continue to face resistance, fragmentation, and confusion.

Recommendations for closing the living wage gap

Institutionalise living wage through legal and policy frameworks

All three countries lack a binding legal provision for paying workers a living wage. To address this, national wage-setting mechanisms must be restructured to integrate living wage standards in minimum wage provisions. The minimum wage should reflect actual cost-of-living data, inflation trends, and variations across different regions and industries. For example, wage boards must be reconstituted to include independent researchers, cost-of-living experts, and worker representatives.

Decentralised and contextualized implementation of living wage

Given the substantial regional disparities in living costs within each country, wage policies must be locally adaptable. This includes designing zonal or region-specific living wage benchmarks that consider the unique economic and social dynamics of each area. To minimize disruption, a phased and incremental approach to implementation is recommended. Such a strategy allows for industry adjustment and builds stakeholder buy-in, especially among suppliers concerned about competitiveness. Tailoring policy to local labour market structures will make implementation more feasible and ensure the outcomes align with workers' actual living conditions.

Strengthen multi-stakeholder platforms

A consistent gap observed across all three countries is the absence of structured, inclusive, and action-oriented multi-stakeholder dialogue. To address this, governments should support the establishment of platforms that bring together brands, suppliers, trade unions, worker representatives, civil society, and public agencies. These platforms should be empowered not only to facilitate dialogue but also to set context-specific wage benchmarks, mediate industry challenges, and co-develop implementation roadmaps. Institutionalising these bodies within national wage governance frameworks will help ensure transparency, collective ownership, and continuity.

Promote responsible purchasing practices

International brands have a critical role to play in enabling wage progression at the factory level. Sourcing models should be aligned with living wage objectives by incorporating pricing mechanisms that are transparent, predictable, and fair. This includes offering stable lead times, long-term supplier commitments, and cost-sharing for social compliance and wage improvements. Brands should also adopt procurement practices that encourage cooperation over competition, such as supporting multi-brand agreements that prevent undercutting. These adjustments will reduce commercial pressure on suppliers and make it financially viable for them to increase wages.

Enhance supplier capacity and business efficiency

Many suppliers currently lack the operational capacity to plan for or absorb the costs of wage increases. Building this capacity is essential to make wage improvements sustainable. Interventions should focus on improving internal planning systems, forecasting tools, and HR management practices. Factories need training and technical support to link productivity gains with wage progression in a structured manner. Additionally, wage costing models and efficiency frameworks can help suppliers better align their payroll budgets with the principles of decent work, without compromising competitiveness.

Empower worker voice and representation

Equitable representation of workers in wage-setting processes remains limited and fragmented across the sector. Legal protections for trade unions and workers' committees must be reinforced to ensure their meaningful participation in policy-making. At the same time, investments in capacity-building are required to strengthen these institutions internally. Workers in the RMG sector should be trained in negotiation, legal rights, and wage structures so that they can contribute effectively to dialogue on wages and collective bargaining. Special attention must be given to ensuring that women workers are represented and supported to take on leadership roles within these bodies.





Drive gender-inclusive wage reform

Women workers in the RMG industry face additional challenges in the wage landscape and must be centrally included in reform strategies. Wage-setting bodies and workplace committees should include women representatives and account for gender-specific vulnerabilities. Wage assessments must mainstream gender analysis to address disparities in pay, tenure, and working conditions. Supportive policies such as access to childcare, reproductive healthcare, and financial literacy initiatives will help reduce structural disadvantages faced by women in the workforce. Transparent wage audits can also be used to identify and close gender pay gaps in a measurable way.

Leverage data and evidence for policy advocacy

Wage policies must be grounded in robust, regularly updated, and context-specific data. Governments and independent bodies should undertake living wage assessments using standardised methodologies, such as those developed by the Anker Research Institute. These studies should feed into national databases that track wage levels, household expenses, and inflation. Making such data publicly available will improve transparency and foster accountability. The evidence generated should also be used to inform brand policies, consumer advocacy campaigns, and donor-funded programs aimed at wage justice.

Pilot living wage interventions

Pilot projects offer an opportunity to test, refine, and build momentum for living wage implementation. Governments, brands, and suppliers should collaborate to launch such pilot initiatives in selected clusters or factories. These should explore various models for wage-setting, productivity alignment, and cost-sharing. Importantly, the results must be independently evaluated and widely disseminated to enable sector-wide learning. Successful models can serve as templates for broader roll-out, proving that living wage implementation is both practical and scalable.

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