

# 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.