

Long Hours for Low Pay in the ‘Formal’ Economy: the Lives of Bangladesh’s Garment Workers



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From July 2016 to August 2017 Microfinance Opportunities (MFO) conducted the [Garment Worker Diaries](#) project in three countries—Bangladesh, Cambodia, and India. In total, MFO’s local research partners collected data from 180 garment workers in each country, each week for a year.

The researchers collected data on how much the workers earned and spent each week, as well as how many hours they worked and the conditions in their factories. This blog is the first in a series of three blogs on what MFO found through its research. We begin with the findings from Bangladesh, with subsequent blogs on Cambodia and India.



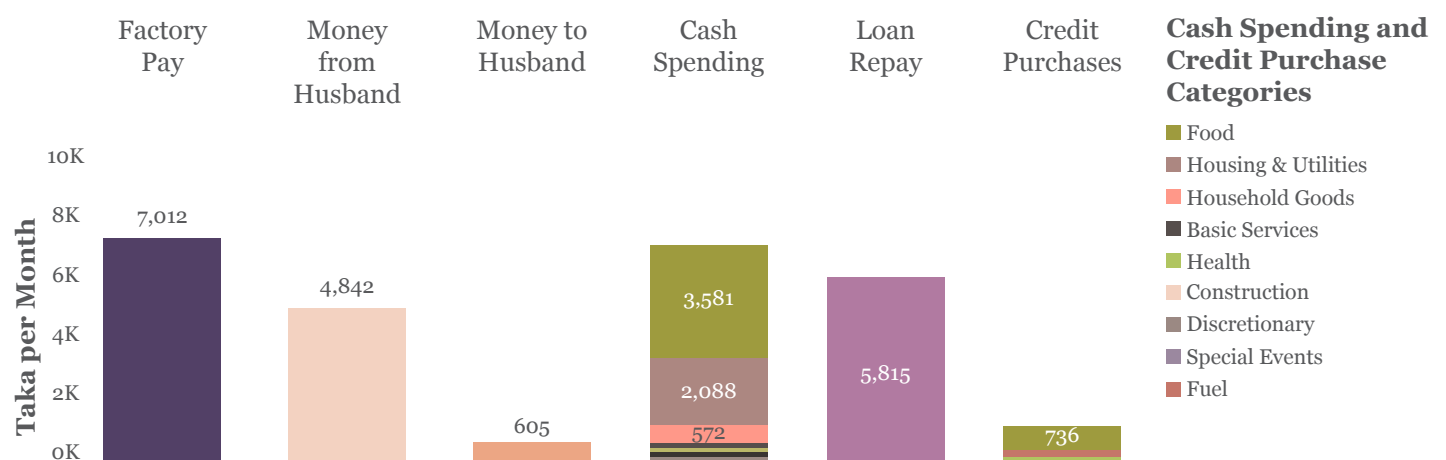
The informal economy employs [just under 90 percent of the labor force in Bangladesh](#), and those who earn their living through the informal economy tend to have very low incomes. But Bangladesh, and many countries like it, has a growing formal economy populated by organizations that are formally registered with the government and are, ostensibly, subject to regulations covering such issues as work hours, minimum wages, and health and safety in the work place. In Bangladesh, how do people employed in the formal economy fare?

The first lesson from the Garment Worker Diaries (GWD) in Bangladesh is that the formal economy in that country is not very formal: government oversight is lax and our research found countless violations of the law. The most obvious of these were violations of work hour and minimum wage laws. Under Bangladesh’s labor laws there is a limit of 60 hours work per week. Our data show that workers worked over the legal limit of 60 hours per week in over half the weeks covered by the GWD study.

Most workers’ net earnings were above the minimum monthly salary requirements, but after factoring in the increased overtime rate they should have been paid (at 2 times their regular hourly rate), MFO found that workers did not receive a legal hourly wage in at least half of the pay periods covered by the study. As a result, despite the long hours, workers, on average, earned about Tk. 8,500 per month equivalent to about \$100 based on the market exchange rate, which has the purchasing power of just under \$300 per month in North America and Europe, once the lower cost of living in Bangladesh is taken into account.

What the workers did with the money they earned depended on their role within the household. Take the example of two women we featured in the GWD project’s [Interim Report](#): Fatema and Halima. At the time of that report, they both earned about the same amount, around Tk. 6,000 per month, which later in the study went up to over Tk. 7,000 per month on average. But Fatema handled far more money than Halima, because she had access to loans and received money from her husband. With that money, Fatema paid rent, bought food, repaid loans, bought medicine, and sent money to friends and family.

Fatema’s Average Monthly Earnings, Household Transfers, and Spending during the GWD Study

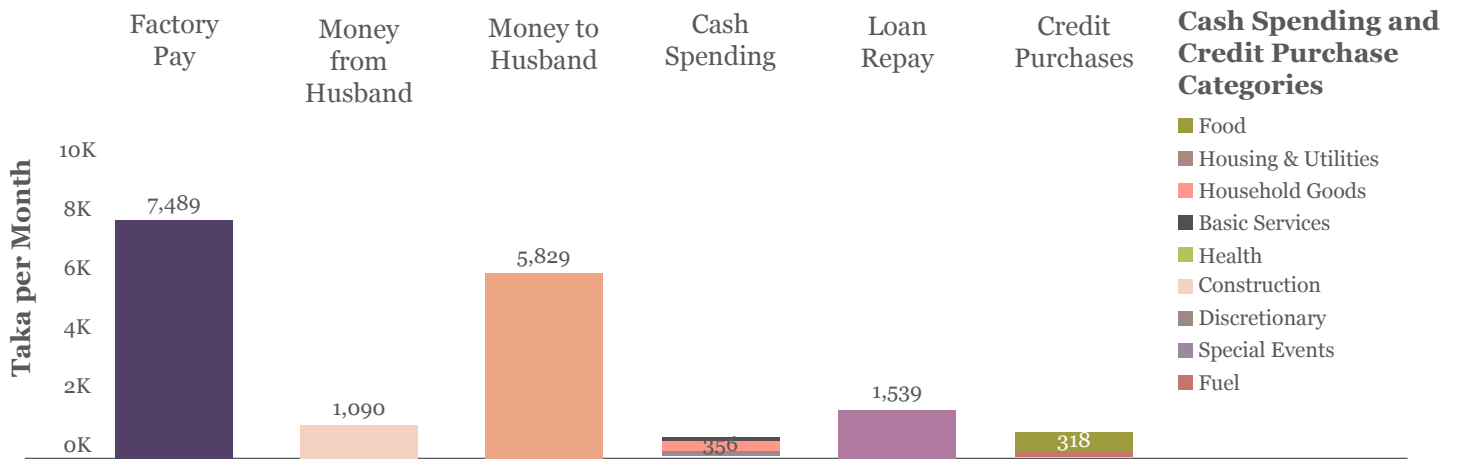


Note: The graph excludes Tk. 35,000 in loans that Fatema received over the course of the study, including a Tk. 25,000 loan from a microfinance institution (a formal lender) in March 2017 that was used to pay off a Tk. 24,000 loan from a moneylender (an informal lender)—a debt she repaid through her husband. The Tk. 24,000 loan repayment is also excluded from the Loan Repay bar in the graph.



In contrast, Halima handed almost all of her money over to her husband, who was responsible for making purchases for the household.

Halima’s Average Monthly Earnings, Household Transfers, and Spending during the GWD Study



Just under one-third of the women in the Bangladesh GWD study were like Halima—handing over most of their money to their husbands, while just under one-fifth were like Fatema—managing their own and their husbands’ money. The rest, about half the women, seemed to manage their own money, independently of their husbands, while their husbands or others in their household did the same.

Those women who did spend money spent most of it on non-durable goods and services and managing their debt repayments, which averaged about Tk. 2,200 per month, about one quarter of the average salary. Much of these debt repayments were to microfinance institutions and banks, but the women also incurred debt with local shop owners, which they paid off or paid down when they got their salaries. Not all the women workers were just getting by and in debt. Some of the more skilled, higher-paid workers were able to make some durable goods purchases during the study.

In sum, the women who participated in the Bangladesh GWD worked long hours for low pay. Though they worked in the formal economy, in factories that were, ostensibly, regulated by the government, their work hours and pay often violated Bangladesh’s labor laws. Many of the women did not control their earnings, but it is important to note that more than two-thirds did. But even those that did were not able to use their earnings to improve their lives—they needed the money to cover the necessities of life and to manage their debts to both formal and informal lenders.



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Guy has been the Executive Director of Microfinance Opportunities since 2012, and affiliated with the organization since 2007. During this time he has led numerous research projects on the financial capabilities of low-income communities and financial education projects. He has advised or led 16 Financial Diaries projects in 13 countries, collecting detailed information on how people manage their cash flows—their income, expenses, and use of financial tools. Guy is also co-principal investigator of the Embedded Education Project at Harvard, which focuses on how to deliver education, including financial education, to marginalized populations through organizations and networks that do not have education as their primary purpose.

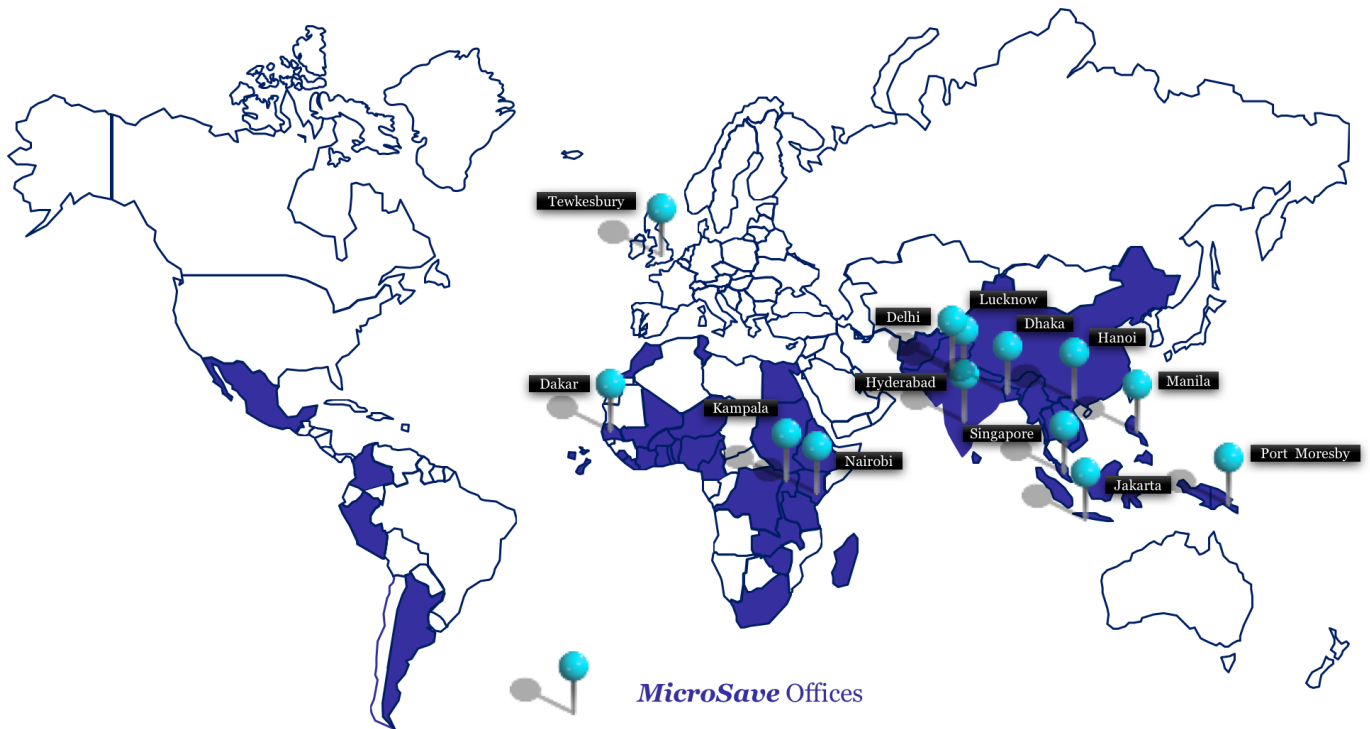
Before becoming Executive Director of MFO, Guy was a Lecturer in Public Policy at the Harvard Kennedy School where he taught courses in management and microfinance for 13 years. He received his PhD from the University of Chicago in 1994.

About *MicroSave*

MicroSave is an international financial inclusion consulting firm with nearly 20 years of experience, operating in eleven offices across Asia and Africa. Our mission is to strengthen the capacity of institutions to deliver market-led, scalable financial services for all. We guide policy, provide customised strategic advice and on the ground implementation support.

About MFO

Founded in 2002, Microfinance Opportunities (MFO) is a global nonprofit organization committed to understanding the economic realities of low-income individuals, households, and communities and informing evidence-based solutions to the challenges they face. MFO has been a global leader in the development and implementation of the Financial Diaries research methodology, which has evolved into the Worker Diaries and Energy Diaries methodologies. MFO also uses more traditional quantitative and qualitative research methodologies and “big data” analysis where appropriate. With its understanding of the realities of low-income people, MFO developed a financial education core curriculum that has been used across the globe in 64 different countries by 100s of different organizations.



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