



# CPD

**Working Paper**

**106**

**Minimum Wage in the RMG Sector of Bangladesh**  
*Definition, Determination Method and Levels*

Khondaker Golam Moazzem  
Saifa Raz



CENTRE FOR POLICY DIALOGUE (CPD)  
B A N G L A D E S H  
a civil society think tank

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Publisher

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First Published February 2014

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Tk. 50

USD 5

ISSN 2225-8175 (Online)

ISSN 2225-8035 (Print)

Cover design

*Avra Bhattacharjee*

C42014\_1WP106\_DGP

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The **Centre for Policy Dialogue (CPD)** was established in 1993 as a civil society initiative to promote an ongoing dialogue between the principal partners in the decision making and implementing process. Over the past 20 years the Centre has emerged as a globally reputed independent think tank with local roots and global outreach. At present, CPD's two major activities relate to dialogues and research which work in a mutually reinforcing manner.

CPD dialogues are designed to address important policy issues and to seek constructive solutions to these problems. In doing so, CPD involves all important cross sections of the society, including public representatives, government officials, business leaders, activists of grassroots organisations, academics, development partners and other relevant interest groups. CPD focuses on frontier issues which are critical to the development process of Bangladesh, South Asia and LDCs in the present context, and those that are expected to shape and influence country's development prospects from the mid-term perspectives. CPD seeks to provide voice to the interests and concerns of the low-income economies in the global development discourse. With a view to influencing policies CPD deploys both research and dialogue which draw synergy from one another.

CPD's research programmes are both serviced by and are intended to serve as inputs for particular dialogues organised by the Centre throughout the year. Some of the major research programmes of CPD include: *Macroeconomic Performance Analysis; Fiscal Policy and Domestic Resource Mobilisation; Poverty, Inequality and Social Justice; Agriculture and Rural Development; Trade, Regional Cooperation and Global Integration; Investment Promotion, Infrastructure and Enterprise Development; Climate Change and Environment; Human Development and Social Protection; and Development Governance, Policies and Institutions.*

CPD also conducts periodic public perception surveys on policy issues and issues of developmental concerns. With a view to promote vision and policy awareness amongst the young people of the country, CPD is also implementing a *Youth Leadership Programme*. CPD maintains an active network with institutions that have similar interests, and regularly participates in various regional and international fora. At present CPD is spearheading two global initiatives. *LDC IV Monitor* is an independent global partnership for monitoring the outcome of the Fourth United Nations Conference on the Least Developed Countries (UN LDC IV). *Southern Voice on Post-MDG International Development Goals* is a network of 48 think tanks from the developing South which seeks to contribute to the ongoing global discourses on post-MDGs. In recognition of its track record in research, dialogue and policy influencing, CPD was selected as one of the awardees of the Think Tank Initiative (TTI) through a globally competitive selection process.

Dissemination of information and knowledge on critical developmental issues continues to remain an important component of CPD's activities. Pursuant to this CPD maintains an active publication programme, both in Bangla and in English. As part of its dissemination programme, CPD has been bringing out CPD Occasional Paper Series on a regular basis. It may be noted in this connection that since November 2011, the Series has been re-introduced as **CPD Working Paper Series**. Dialogue background papers, investigative reports and results of perception surveys which relate to issues of high public interest are published under this series.

The present paper titled **Minimum Wage in the RMG Sector of Bangladesh: Definition, Determination Method and Levels** has been prepared by *Dr Khondaker Golam Moazzem*, Additional Research Director, CPD and *Ms Saifa Raz*, Research Associate, CPD. The paper was presented at a CPD dialogue on *Minimum Wage for the RMG Sector: Analysis and Proposal*, held on 24 September 2013, at the CIRDAP Auditorium, Dhaka.

**Executive Editor:** *Ms Anisatul Fatema Yousuf*, Director, Dialogue and Communication, CPD

**Series Editor:** *Professor Mustafizur Rahman*, Executive Director, CPD

# Acknowledgement

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The authors would like to register their deep appreciation to *Professor Mustafizur Rahman*, Executive Director, Centre for Policy Dialogue (CPD) and *Dr Debapriya Bhattacharya*, Distinguished Fellow, CPD for their guidance and valuable advice which have significantly contributed towards understanding of the issues of minimum wage of the export-oriented RMG sector of Bangladesh.

The authors gratefully acknowledge the cooperation and support of Berenschot International, The Netherlands, particularly *Dr Claudia Schlagen*, Consultant and *Dr Irina van der Sluijs*, Senior Consultant and *Professor Doug Miller*, Emeritus Professor of the Northumbria University in the United Kingdom. The authors have jointly worked with them in conceptualisation of the minimum wage in the context of Bangladesh and development of the methodology for its estimation. In this connection, authors would like to appreciate the cooperation and support made by The Royal Netherlands Embassy in Dhaka.

Finally, the authors would like to thank *Ms Farzana Sehrin*, Research Associate, CPD for her contribution in background analysis for the study.

Minimum wage in the RMG sector of Bangladesh is a debated issue, mainly due to lack of operational definition and method for calculation. This study is undertaken to come up with a definition and method for calculation of the minimum wage based on the ILO Minimum Wage Fixing Convention, 1970 (No. 131). The underlying principle of this definition is that minimum wage should be sufficient enough to meet the basic needs of workers and their families, and should provide some discretionary income. Based on the definition, the minimum wage has been estimated under three scenarios – poverty line, actual expenditure and aspirational diet. Considering the industry's capacity, the study proposed a phase-wise implementation of the minimum wage under which about 80 per cent of the proposed wage (Tk. 8,200) equivalent to Tk. 6,500 could be provided in the first phase.

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# Acronyms

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BEPZA	Bangladesh Export Processing Zone Authority
BGMEA	Bangladesh Garment Manufacturers and Exporters Association
CM	Cutting and Making
CPD	Centre for Policy Dialogue
EPZ	Export Processing Zone
FGD	Focus Group Discussion
HIES	Household Income and Expenditure Survey
ILO	International Labour Organization
MNC	Multinational Corporation
OHS	Occupational Health and Safety
PPP	Purchasing Power Parity
RMG	Readymade Garments
USD	United States Dollar



## 1. INTRODUCTION AND OBJECTIVES

Minimum wage of the export-oriented apparels sector or readymade garments (RMG) sector in Bangladesh is now in the process of revision under the guidance of the Minimum Wage Board. The Board was convened in June 2013; the previous revision of the minimum wage of the RMG sector was made in October 2010. The discussion and negotiation on sustainable livelihood of workers, particularly related to the minimum wage is taking place at a time when the RMG sector of our country is in the spotlight at both local and global levels because of poor physical and social compliance, particularly in relation to occupational health and safety (OHS) standards. The revision of the wage structure is also on the radar at all levels. A well-accepted revision of minimum wage is, therefore, of critical importance in order to rebuild the image of the RMG sector of Bangladesh.

The process and outcome of revision of the minimum wage in the RMG sector is a highly debated and contentious issue. There are three major concerns: *first*, no proper definition of the minimum wage is available under the national rules and regulations (Labour Act 2006; Amended Labour Act 2013); *second*, lack of an acceptable methodology which could be followed by the Board for estimating the minimum wage; and *third*, a dearth of available sector-specific and macroeconomic data on key indicators in the public domain. As a result, negotiation and discussion on the minimum wage have hitherto been carried out without proper definition and methodology, and also without proper information on relevant indicators. Consequently, the proposal made by the Minimum Wage Board often depends on the political will of the government. A proposal of the Board, based on sound definition and methodology, could significantly reduce the debate during the negotiation process, and could facilitate the process for finalising the revised figure for workers in a way acceptable to major stakeholders of the sector.

Against this backdrop the present study has been undertaken with three-fold objectives: a) provide a definition of a minimum wage based on globally accepted norms and legal structures; b) suggest a method for estimating the minimum wage for the RMG sector; and c) make some recommendations for going forward, on the basis of a number of observations made during this research process, including the required minimum wages. Such an initiative is new in the context of Bangladesh, particularly for the RMG sector value chain.

## 2. CPD INITIATIVES WITH REGARD TO MINIMUM WAGE IN THE RMG SECTOR

Centre for Policy Dialogue (CPD) has a long track record of conducting research and pursuing policy activism related to the RMG sector with a view to shaping various policies at national, regional and global levels. In previous initiatives on the revision of the minimum wage, CPD, on the request of the Board and major stakeholders, had submitted proposals which were actively considered by the Board. In continuation of those earlier initiatives, CPD decided to prepare this proposal for the consideration of the Minimum Wage Board. A major distinctive feature of CPD's present initiative is to follow, as far as possible, a scientific process in defining and identifying an appropriate methodology to determine the level of the new minimum wage, and thereby putting in place suggestions on the revision of the minimum wage. CPD's initiative has been strengthened with the involvement of the international experts from Berenschot, a Dutch research organisation, in cooperation with The Netherlands Embassy in Dhaka, Bangladesh.

The initiative has advanced in interactive process, starting with a multistakeholder discussion about the importance of consensus around a definition of minimum wage by taking a global perspective into account.<sup>1</sup> All major stakeholders including manufacturers, workers and retailers/buyers participated

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<sup>1</sup>This discussion took place during the Round Table on Living Wage organised at The Netherlands Embassy in Dhaka on 22 May 2013.

in the discussion and acknowledged the importance of ascertaining a methodology for determining a minimum wage for the RMG sector. In the follow-up activities, the CPD team met with key stakeholders to appreciate their views about the proposed research.

### 3. UNDERSTANDING THE MINIMUM WAGE FROM GLOBAL PERSPECTIVE

#### 3.1 Conceptual Issues of Minimum Wage

According to the International Labour Organization's (ILO) Minimum Wage Fixing Convention, 1970 (No. 131), the elements which are to be taken into consideration in determining the level of minimum wages shall, so far, as possible and appropriate in relation to national practice and conditions, include: (a) the needs of workers and their families, taking into account the general level of wages in the country, cost of living, social security benefits, and relative living standards of other social groups; and (b) economic factors, including the requirements of economic development, level of productivity, and the desirability of attaining and maintaining a high level of employment. In other words, minimum wage of workers should take into consideration basic needs of the family of the workers.<sup>2</sup>

The ILO Convention concerning Minimum Wage Fixing, with Special Reference to Developing Countries, 1970 (No. 131), provides some additional guidance stating that *workers' needs and those of their families* constitute a key criterion to be taken into account when setting minimum wages – whether by law or through collective bargaining.<sup>3</sup>

Various concepts and methods have been deployed to address and develop the core theme of ILO Convention No. 131 regarding minimum wage. The concept of living wage is found to be closer among various concepts on minimum wages, which means a wage that is sufficient to meet the basic needs of workers and their families and provide some discretionary income. Living wage has long been considered as a human right by the international community. Article 23 of the United Nations Universal Declaration of Human Rights (1948) states: "Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity."<sup>4</sup> In the last decade the concept of living wage has received renewed international attention, particularly as a key working condition of workers in international supply chains of multinational corporations (MNCs).

Recent research conducted for the ILO has indicated four common key elements of living wage which are used by various organisations.<sup>5</sup> These are:

- There is a clear overall consensus that a living wage should be sufficient to support a worker and his or her family;
- A living wage should support a basic living standard that is considered 'decent' or 'basic needs'. Basic needs include more than the necessities of life – food, clothing and shelter – as well as some discretionary income;
- The living standard supported by a living wage should be appropriate for the society and the time; and
- A living wage should be a take-home pay earned during normal working hours.

<sup>2</sup>Although Bangladesh is yet to ratify the Convention considering the unequal development of the employment and labour market in all sectors, given the global competitiveness of the RMG sector, the criteria related to the Convention 131 could be easily implemented for this particular sector.

<sup>3</sup>Anker (2011: v) (emphasis in italics by author).

<sup>4</sup>Article 25 of the United Nations Universal Declaration of Human Rights (1948) states: "Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control."

<sup>5</sup>Anker (2011: 23-24).

The living wage concept is of importance in the context of minimum wage setting in Bangladesh, because an ILO Committee of Experts declared in 1992: “the ultimate objective [of the ILO Minimum Wage Conventions] is to ensure to workers a minimum wage that will provide a satisfactory standard of living to them and their families.”<sup>6</sup>

### 3.2 Empirical Issues of Minimum Wage

The definition of minimum wage has been legally established in a number of developing countries. In some cases, the living wage has been considered as a benchmark for setting the minimum wage. Empirical evidences show that countries such as India, Brazil, Mexico and Namibia have included specific legal provisions with regard to the minimum wage that are referring to the living wage concept (Table 1).

**Table 1: Minimum Wage/Living Wage Concept in the Constitutions of Selected Countries**

Country	Statement in the Constitutions
Mexico (Constitution)	“The general minimum wage must be sufficient to satisfy the normal necessities of a head of family in the material, social and cultural order and to provide for the mandatory education of his children”
India (Directive Principle No. 43 of State Policy in the Constitution)	“Living wage, etc. for workers - - The State shall endeavor to secure, by suitable legislation or economic organisation or in any other way, to all workers ... a living wage ...”
Namibia (Article 95 in Principles of State Policy in the Constitution)	“Ensure that workers are paid a living wage adequate for the maintenance of a decent standard of living and enjoyment of social and cultural activities”
Brazil (Constitution)	“National minimum wage be capable of satisfying their basic living needs and those of their families with housing, food, education, health, leisure, clothing, hygiene, transportation and social security, with periodical adjustments to maintain its purchasing power”

Source: As cited in Anker (2011: 3-4).

The process for determining the minimum wage varies among countries. While India and China follow a decentralised policy in determining the minimum wage. Bangladesh, on the other hand, has opted for a nation-wide sectoral approach. In most cases major factors pertinent to the minimum wage include those which are related with basic needs of the workers and their families. Bangladesh is supposed to consider a mixed set of factors which include basic needs, as well as growth, productivity and capacity of the enterprises. Whilst actual pay may reflect a market wage, the determination of the minimum wage in the context of Bangladesh has yet to take all these factors into consideration on the basis of rigorous analysis.

## 4. MINIMUM WAGE IN THE RMG SECTOR OF BANGLADESH: RULES, REGULATIONS AND PRACTICES

### 4.1 Rules and Regulations regarding Minimum Wage

The setting of the minimum wage is an important policy instrument that can contribute to the socio-economic well being of workers in various sectors. The term minimum wage is, however, not defined in the Bangladeshi Labour Act 2006<sup>7</sup>, nor in the Amended Labour Act 2013.<sup>8</sup> Yet, an article in the

<sup>6</sup>ILO Committee of Experts (1992), as cited in Anker (2011: 1).

<sup>7</sup>ILO (2011).

<sup>8</sup>The definition of wage in the Act is rather more specified, and indicates a set of benefits which are not to be considered as wage including the value of any house accommodation, supply of light, water, medical attendance or other amenities, or any services excluded by general or special order of the government; any contribution paid by the employer to any pension fund provident fund; any travelling allowance on the value of any travelling concession; and any sum paid to the worker to defray special expenses entitled on him by the nature of his employment.

Labour Act related to wage setting in Minimum Wage Boards states that the cost and standard of living of workers should be taken into consideration while recommending a minimum wage for a sector: “In making its recommendation the Wage Board shall take into consideration *cost of living, standard of living*, cost of production, productivity, price of products, business capability, economic and social conditions of the country and of the locality concerned and other relevant factors.”<sup>9</sup>

#### 4.2 Structure of Minimum Wage

Although the minimum wage is conceptually to be set at a level which covers the basic needs of the lowest earned workers on the job-ladder, i.e. entry-level workers (grade 7 workers in case of the RMG sector in Bangladesh), the practice in the country is that revision has been taking place for workers of all grades (grades 1 to 7). In that way, it is a fixation of structure of wages of different grades instead of setting minimum wages. According to the last revision of the minimum wages, grade 7 workers should receive a wage of Tk. 3,000 per month of which Tk. 2,000 as basic, Tk. 800 as house rent (40 per cent of the basic) and Tk. 200 as medical allowances. However, an ‘informal’ grade below grade 7 has been introduced during the last revision of minimum wage in 2010 under the job title ‘trainee’. These temporary workers receive a lump sum of Tk. 2,500 per month. During the last revision, minimum wage for entry-level workers (grade 7) increased by 80 per cent, but a similar level of rise did not take place for workers in other grades (grades 3, 4, 5 and 6). The relationship between wage level and seniority (skill plus experience) was not reflected in the structure as evidenced by the low differentials between these grades – Tk. 322, Tk. 231, Tk. 308 and Tk. 357 respectively (Table 2). In other words, the minimum wage structure per se in the RMG sector provides little incentive for long-term workers of a same factory. This can be done through factory-based loyalty incentives. Thus, at present, there is a high labour turnover within the RMG sector as workers seek the best remuneration package for themselves. Some companies have been introducing informal sub-grades, for example, A, B, C and D with a view to recognising and remunerating different skills levels. This sub-grouping is confusing, and appears to be a bottleneck at certain grades for upward mobilisation of workers from one grade to the next.

**Table 2: Current Minimum Wage Structure (Effective since 1 November 2010)**

Grade and Main Posts	Basic	House Rent (40% of Basic)	Medical Allowance	Net Salary
Grade 1: Pattern Master, Chief Quality Controller	Tk. 6,500	Tk. 2,600	Tk. 200	Tk. 9,300
Grade 2: Mechanic, Electrician, Cutting Master	Tk. 5,000	Tk. 2,000	Tk. 200	Tk. 7,200
Grade 3: Sample Machinist, Senior Machine Operator	Tk. 2,870	Tk. 1,148	Tk. 200	Tk. 4,218
Grade 4: Sewing Machine Operator, Quality Inspector, Cutter, Packer, Line Leader	Tk. 2,615	Tk. 1,046	Tk. 200	Tk. 3,861
Grade 5: Junior Machine Operator, Junior Cutter, Junior Marker	Tk. 2,395	Tk. 958	Tk. 200	Tk. 3,553
Grade 6: Operator of General Sewing/Button Machine	Tk. 2,230	Tk. 892	Tk. 200	Tk. 3,322
Grade 7: Assistant Sewing Machine Operator, Assistant Dry Washing Man, Line Iron Man	Tk. 2,000	Tk. 800	Tk. 200	Tk. 3,000
Trainee	-	-	-	Tk. 2,500

Source: Adapted from Bhuiyan (2013).

<sup>9</sup>Labour Act 2006 based on: Bangladesh Employers’ Federation, *A Handbook on the Bangladesh Labour Act 2006*, August 2009 (paragraph 141); and *Unofficial English Translation of the Bangladesh Labour Act 2006 (XLII of 2006)* in Dhar, N. and Ahmed, N. on *Labour and Industrial Laws of Bangladesh* (paragraph 141); both cited in ILO (2011) (emphasis has been given in italics by author).

### 4.3 Pay Elements other than the Minimum Wage

#### **Overtime Payments**

There is an overtime culture in the Bangladesh RMG sector, necessary for workers to achieve a take home pay which comes anywhere near to meet their basic needs. Existing research clearly shows that dependency on excessive overtime to attain a level of earning just to meet the living cost is harmful to workers' health and general well-being (Caruso *et al.* 2004). In the interests of a sound work-life balance, a minimum wage needs to be based on improved compensation for normal working hours. For this reason overtime is not included in calculation of a minimum wage in the present study.

#### **Fringe Benefits**

Fringe benefits, such as attendance allowance, transport allowance, festival bonus and production bonus<sup>10</sup> are also not treated as part of the basic wage in this research. There are a number of reasons for taking this approach. First, these are not guaranteed by law and there is a wide variation in their implementation within the RMG sector. Whilst attendance allowance and festival bonuses are paid by most of the sampled employers of this study, and with some degree of certainty practiced across the sector, the paid amount vary per employer, and employers use different ways to calculate these two fringe benefits. The production bonuses based on individual or group production quota or targets was not included either, since these are highly variable, and where targets are not met they become compensation for overtime.<sup>11</sup> Third, attendance allowance is a problematic element of pay since they can foster 'presenteeism', where workers attend work to earn their allowance, even though they may not feel fit to work.

#### **Annual Leave Encashment**

Another monetary benefit being provided by a number of factories in the sample is the annual leave encashment, i.e. pay received for not taking statutory earned leave. This is also not treated as wage for the same argument as not treating overtime as wage. In addition, not all factories have provision for this benefit.

#### **In-Kind Benefits**

In-kind benefits, such as food, transport, medical care and childcare are not provided by all employers, and are not guaranteed by law either. From the stakeholder consultations during this study, it was concluded that very few factories provide meals, transport or childcare. And if they do, little is known about their quality and uptake. This makes it very difficult to monetise the value of these benefits for the workers.

### 4.4 Minimum Wage in the RMG Sector in Selected Asian Countries

Workers in the RMG sector of Bangladesh are the lowest paid among the major competing countries in Asia (Table 3). This is valid for calculating wage both in terms of current USD (United States Dollar) as well as in terms of Purchasing Power Parity (PPP)<sup>12</sup> USD. A part of this difference in the wage rates

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<sup>10</sup>For grade 7 workers, the attendance allowance, transport allowance, festival bonus and production bonus are 7.2 per cent, 3.0 per cent, 9.7 per cent and 0.4 per cent of the basic wage respectively.

<sup>11</sup>Worker Rights Consortium (2013: 30).

<sup>12</sup>Purchasing Power Parity is a theory which aims to determine the adjustments needed to be made in the exchange rates of two currencies to make them at par with the purchasing power of each other.

can be explained by the difference in productivity of worker in these countries. However, even if adjusted for productivity, the difference in wage rates between Bangladesh and other Asian apparels-producing countries likely remains.

**Table 3: Brief Comparison of Wages of Selected Asian Countries in 2011**

Country	Monthly Prevailing Wage* in Local Currency Unit <sup>1</sup>	Monthly Prevailing Wage in Current USD <sup>2</sup>	Monthly Real Wage in Currency Converted to USD PPP (Base: 2001) <sup>3</sup>
Bangladesh	4062	52	91
Cambodia	70**	70	126
India	4422	70	170
Indonesia	1287471	114	187
Vietnam	2306667	109	255
Philippines	7668	175	233
China	1363	223	325
Thailand	7026	221	337

Source: 1. Worker Rights Consortium (2013); 2. Calculated using www.xe.com; 3. Worker Rights Consortium (2013).

Note: \*Excluding overtime, but including certain fringe benefits; \*\*Wages in Cambodia are denominated in USD.

## 5. METHODOLOGY FOR CALCULATING MINIMUM WAGE

### 5.1 Methodology of the Study

The present study was carried out in three stages. At the first stage the conceptual and methodological frameworks were developed. At this stage, theoretical and empirical issues with regard to the minimum wage were studied, commencing with an ILO study on this issue. At the second stage, CPD carried out focus group discussions (FGDs) in August 2013 with RMG workers at three locations including Ashulia, Tongi and Rampura in the Dhaka district. This was done to collect information about workers' income and expenditure as well as to understand the variation in the cost of living at different locations. A total of 65 male and female workers of different grades participated in those FGDs. The collected information, albeit from a relatively limited sample, provided benchmark information about workers' income and expenditure. At the third stage, detailed analysis was carried out based on the collected data and available secondary data using Government statistics on the household income and expenditure of different strata, which are close to the living standard of RMG workers.

At an early stage it became clear that it was going to be necessary to approach the task using three levels of analysis: *first*, deriving a minimum wage to meet the upper poverty line as laid out in the national statistics; *second*, deriving a minimum wage figure required to meet the current expenditure of the individual/family; and *third*, deriving an aspirational minimum wage figure which would meet the basic needs of a family based on sound nutritional requirements.

### 5.2 Definition of Minimum Wage

The minimum wage is defined in this study as a wage that is sufficient to meet the basic needs of a worker and his/her family, and provide some discretionary income. Conceptually basic needs mean more than the necessities of life – food, clothing and shelter.<sup>13</sup> Additional elements used in the definition of basic needs are clean water, healthcare, childcare, transportation, education, energy and

<sup>13</sup>Anker (2011: 23).



some discretionary income or savings.<sup>14</sup> In other words, basic needs are not simply the nutritional and non-nutritional requirements at 'poverty level'; rather it means requirements higher than that level. Different nutritional requirements of male, female and children in the family need to be taken into account while estimating the minimum wage for workers. A major part of basic needs are related with non-food needs as listed above.

### 5.3 Generic Formula

In order to determine what the minimum wage in the RMG sector would be, one would need to calculate the cost of living of a worker and his/her family. A generic formula is displayed in the box below.<sup>15</sup>

$\frac{[(\text{Food Cost} + \text{Non-Food Cost}) \times \text{Household Size}] / \text{Number of Earners}}{+ X\% \text{ Discretionary Income or Savings}}$
---

Whilst there is a consensus on the elements of the formula, determining the values for each of these elements is somewhat subjective.<sup>16</sup> The 'basic needs' of a worker as a citizen would vary with time and place, and with development level of a country. Estimating the household size and the number of earning members in a household is also often problematic. However, it is possible to make a substantiated minimum wage estimates by using information from the national statistics and primary research on household size and household expenditures.<sup>17</sup> Yet in acknowledging that calculation of a minimum wage is not as straightforward as it seems, and that "there is not one specific number which represents the real minimum wage."<sup>18</sup> The present study has accessed three different sources of data for calculating a minimum wage to address the issue of subjectivity.

### 5.4 Main Considerations in Calculations of a Minimum Wage

#### *Two Units of Analysis*

As established above, the minimum wage is a family concept. Yet, a large number of workers in the Bangladeshi RMG sector are young and unmarried. Therefore, the following two units of analyses are used in this study when calculating a minimum wage.

#### *Married Couples with Children*

RMG workers having their own 'nucleus' family are very common in Bangladesh. The average size of such a household in this research is based on the Household Income and Expenditure Survey (HIES) 2010, more specifically, the national average household size in urban areas for the monthly per capita income groups between Tk. 3,000 and Tk. 5,000. This equals an average family size of 4.08.<sup>19</sup>

The number of fulltime earners per household is based on the national average number of fulltime earners per household in urban areas for the per monthly capita income groups between Tk. 3,000 and Tk. 5,000. This equals an average number of fulltime earners per household of 1.44.<sup>20</sup> Often the

<sup>14</sup>Anker (2011: 95-98).

<sup>15</sup>The formula for living cost as stated by Anker (2011: 116) is:

$$\frac{[(\text{Cost of Model Diet per Person} / \text{Food Share of Household Expenditure}) \times \text{Household Size}] / \text{No. of Fulltime Workers per Couple}}{+ 10\% \text{ for Emergencies}}$$

<sup>16</sup>Anker (2011: 5).

<sup>17</sup>Idem.

<sup>18</sup>Anker (2011: 11).

<sup>19</sup>BBS (2010: 215, Table 8).

<sup>20</sup>ibid.

second member of the family is found to contribute towards part of the family expenses which implies a fewer number of 'effective' earners in the family.

Since the focus of the present research is on the workers of grades 7, 6 and 5, and the average age of workers for this group is about 23 years, the study takes the assumption that the workers are relatively young, and if they have a family, the children are in the age category of 1-3 years old.

For purposes of calculating nutritional requirements in a later stage, it is also assumed that the family of 4.08 members to be composed of one moderately working man, one moderately working woman, two children aged 1-3 years old, and 0.08 moderately dependent woman.

#### *Unmarried Workers – Not Necessarily Single*

Although there are no official statistics on the marital status of RMG workers, it is widely known that a large part of the workers in the lower grades are unmarried. However, in most cases these workers maintain an extended family. This requires that a calculation be undertaken which takes into account the expenditure patterns of workers in this category.<sup>21</sup>

#### ***Focus on Workers in Lower Pay Grades***

Interviews with different stakeholders indicated that approximately 60 per cent of the workforce are concentrated in the lower grades 7, 6 and 5 of the payscale. Most of the workers in these grades are female. For the purpose of examining wage levels in terms of their capacity to cover basic needs, the present study focuses on the mode (i.e. most common) wage rather than the median or mean wage. Therefore, this research focuses on the wage paid to workers in these most populated pay grades.

This also implies that the calculation of minimum wage(s) carried out in this study is intended to establish a 'floor' for the lower grades. It is acknowledged that a further debate may be required regarding the 'fairness' of the current grade system in terms of hardship of different functions grouped under the grades. These are of course separate issues which may need to be addressed by the Minimum Wage Board and the Government of Bangladesh.

#### ***Focus on Cost of Living in Wage Determination Process***

The present study focuses on the aspects *cost of living* and *standard of living* that should, according to the Labour Act 2006, be taken into account when setting minimum wages. Other aspects that the Minimum Wage Board may take into account, according to the law, include cost of production, productivity, price of products and business capability, but those are not dealt in this study. It is recommended that similar pieces of research be undertaken in advance of future wage determinations.

Sampled workers of this study combined both unmarried and married, having children. Yet, as argued above, even the single workers belong to an extended family and share responsibilities in terms of living cost of the family. Thus, minimum wage for workers is considered from the perspective of meeting the basic needs of the family of workers.

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<sup>21</sup>The number of dependents that single workers have in a village is not well-captured in the national statistics. However, based on BBS (2010: 215, Table 8), when the average number of fulltime earners is 1 or close to 1, the number of dependents ranges between 3.25-3.75. This study, however, is not going to calculate the cost of living for these dependents in the village, but rather work with the actual figure of money sent home every month as reported in the FGDs. Note on money sent home to families: in methodology 2 this was included as a non-food expenditure, but the amount of money sent home was separately asked in the FGDs. This was applicable for both unmarried and married workers and families.



The cost of living include costs of food and non-food expenditures of a family. There is an over-simplified perception about cost of living where food costs are considered as a substantive part of the total expenditure. In a Bangladesh urban setting, both food and non-food costs are equally important for garment workers. Thus, the method for minimum wage calculation should properly address both food and non-food costs of garment workers.

### **Export Processing Zones Not Taken into Account**

Wages in Export Processing Zones (EPZs) are not taken into account in this study. One reason for setting this criteria is that wages in the EPZs are not set by the Minimum Wage Board. Wages in EPZs are determined by the Bangladesh Export Processing Zones Authority (BEPZA), and are currently slightly higher than the non-EPZ minimum wages. Another reason for not taking EPZ factories into account is that only 5 per cent of garment exports are produced in EPZ areas.

### **Focus on Greater Dhaka Urban Area**

Whilst there are differences in the cost of living between different RMG production centres<sup>22</sup>, the Minimum Wage Board at present makes recommendations on a *national* minimum wage. The present study focuses on three production centres within the greater Dhaka urban area which more or less represent the scenario for RMG workers overall. Moreover, since Dhaka is the highest living cost zone, it is deemed to be appropriate to use this as the benchmark.

## **6. ESTIMATION OF THE MINIMUM WAGE**

In order to make a credible and realistic contribution to the Minimum Wage Board deliberations, the present study has chosen not to calculate one single minimum wage, but to make calculations based upon three different methodologies:

- i. A methodology based on the upper poverty line, drawn from the national statistical data on family and dependent size and using the upper poverty line values;
- ii. A methodology based on existing expenditures and purchasing power, drawn from up-to-date data from workers' focus groups;
- iii. A methodology based on a model diet which incorporates nutritional values of dietary intake instead of energy values alone.

The basic formula for calculation of a living minimum wage mentioned in the previous section will be used in this study for all these methodologies.

### **6.1 Minimum Wage based on the Upper Poverty Line**

In order to determine different poverty lines, the HIES 2010 calculation shows that the fixed food basket composed of 11 different food items, corresponding to the required minimum calorific intake (for adult) per person per day is 2,122 kilocalories. The cost of this food bundle per person per month was Tk. 1,018 for the Dhaka urban area in 2010.<sup>23</sup>

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<sup>22</sup>Anecdotal information indicates that the cost of living is lower in Chittagong, for example.

<sup>23</sup>BBS (2010: 181-186, Appendix C).

To arrive at the total food cost for a family, it is assumed that the family consists of 2.08 adults consuming 2,122 calories, and 2 children aged 1-3 consuming 1,060 calories each.<sup>24</sup> For a single worker, food costs are equal to the poverty line food costs corrected for inflation.

The ratio of food to non-food cost is determined by using the ratio of food poverty line<sup>25</sup> to upper non-food allowance. The ratio is 57 : 43.<sup>26</sup>

Table 4 presents the detailed estimates of required monthly income for workers having families in case of upper poverty line. The estimated required monthly income for the married worker is Tk. 6,919.

**Table 4: Estimation of Required Monthly Income for Married Workers in case of Upper Poverty Line**

Household size	4.08
No. of earners	1.44
<b>Required Monthly Income</b>	
<b>Component</b>	<b>Amount</b>
Per person food cost in 2010	1,018.00
Family food cost in 2010	4,153.40
Food cost in 2013 after inflation adjustment	5,679.40
Non-food cost (43% of total cost)	4,284.40
Total cost for a family	9,963.80
<b>Estimated Required Income for a Married Worker = (Food + Non-Food Costs)/1.44</b>	<b>6,919.30</b>

**Source:** Authors' estimation based on BBS (2010) data.

**Note:** The average size of the family for urban area at the income level of Tk. 3,000-5,000 is 4.08; and the number of earners in the family at the same income level is 1.44.

## 6.2 Minimum Wage based on the Actual Expenditure

The three FGDs carried out in three locations under this study have revealed little difference between structure of households between married and unmarried workers. In most cases, the unmarried workers live with their parents, and their other family members are involved in jobs. The effective participation of unmarried workers in jobs is rather high compared to those of the married workers. Hence, the question is raised as to why the entry-level rate should be considered as a wage of a 'single' worker.

A major observation from the field survey is that non-food cost is a major expenditure for workers and their families. The ratios of food to non-food costs for families of married and unmarried workers are likely to be 50.1 : 49.9 and 47.8 : 52.2 respectively. In fact, non-food consumption expenditure is found to be more important for unmarried workers. There is a difference in the ratios of food to non-food consumption between sample workers and the national average of the urban Dhaka region. Similarly, the size of the family is relatively small compared to the national trend (see Table 5). Furthermore, for a large number of families and in the case of unmarried workers, if there are more than one earner in the family, they are not always fulltime earners. So the non-fulltime earners contribute relatively less to the family income. All these worker-level information is very important to understand the structure of the family, nature of participation in the job market and composition of household expenses.

<sup>24</sup>The calorific intake for children is based on recommendations in National Institute of Nutrition (2009). In the case of a child, the poverty line food costs are  $1,060/2,122 =$  approximately 50 per cent of the food costs of an adult per month.

<sup>25</sup>This is equal to the poverty line food cost, as explained above.

<sup>26</sup>The ratio in terms of BDT is Tk. 1,018: Tk. 775 (2010 prices) (BBS, 2010: 185, Appendix C, Table A1).

Tables 5 and 6 present the detailed estimates of required minimum wage for workers having families and unmarried workers based on actual expenditures. Analysis of data reveals that the average monthly expenditure for sample married workers is about Tk. 10,350. Based on the FGDs, these workers have an average family size of 3.2 and an average number of earning members of 1.6. The required monthly income hence will be Tk. 6,430. As the contribution of the other earning member of the families is likely to be less (i.e. only 24 per cent), 'effective' monthly income of these married workers would be about Tk. 8,349. The comparable figures for unmarried workers are Tk. 4,937 and Tk. 7,174 respectively.

**Table 5: Estimation of Required Monthly Income for Married Workers to Meet Actual Expenditures**

Household size	3.20
No. of earners	1.61
No. of effective earners	1.24
<b>Monthly Expenditures for the Family</b>	
<b>Component</b>	<b>Amount</b>
Food cost	5,180.10
Non-food cost	5,172.30
Total food + non-food costs	10,352.40
Estimated required monthly income = (Food + non-food costs of the family)/No. of earners	6,430.00
'Effective' monthly income = (Food + non-food costs of the family)/No. of effective earners	8,349.00

Source: Authors' estimation based on data collected from the FGDs in August 2013.

**Table 6: Estimation of Required Monthly Income for Unmarried Workers to Meet Actual Expenditures**

Household size	3.13
No. of earners	1.86
No. of effective earners	1.28
<b>Monthly Expenditures for Unmarried Worker</b>	
<b>Component</b>	<b>Amount</b>
Food cost	4,405.70
Non-food cost	4,776.60
Total food + non-food costs	9,182.30
Estimated required monthly income = (Food + non-food costs)/No. of earners	4,936.70
'Effective' monthly income = (Food + non-food costs)/No. of effective earners	7,173.70

Source: Authors' estimation based on data collected from the FGDs in August, 2013.

### 6.3 Minimum Wage based on a Model Diet

Existing attempts to quantify the basic food needs have tended to focus solely on calorific values.<sup>27</sup> The present study attempted to derive a minimum wage figure which would allow Bangladeshi workers to access a food basket which includes the required daily allowances in terms of energy (kilocalories), macronutrients (fat, carbohydrates and protein) and micronutrients (vitamins and minerals). Such a model diet listing a number of food items and their amount that should constitute a person's daily intake, does not (yet) exist for Bangladesh. However, for the sake of a healthy workforce and a healthy society, such a calculation, whilst aspirational, would make a useful contribution to the debate.

<sup>27</sup>See for example, the calculations made by Merk (2009).

A model diet has therefore been derived from an extensive study on nutritional requirements for South Asia.<sup>28</sup> This study provides a model diet for a moderately working man. Some of the food items in this diet have been replaced by comparable food items that are more common in Bangladesh. Moreover, the model has been converted to diets for a moderately working woman and for a child in the age category 1-3 years old, taking into account the energetic value requirements as well as nutritional requirements (for example children need relatively more calcium than adults).

Based on the model diet and family size (4.08) and composition (1 moderately working man, 1.08 moderately working woman and 2 children aged 1-3) as explained above, one can calculate the quantity of food requirement on a monthly basis.

The cost of this monthly family food basket are furthermore calculated using a price list for Bangladeshi food products in the Dhaka urban area circulated by the Ministry of Agriculture ([www.dam.gov](http://www.dam.gov)). In the case of a single worker, the same calculation is based on the model diet for a moderately working man only.

A model of the non-food items for a person's needs does not exist in the Bangladeshi context, nor does a consensus on the non-food items required to meet a worker's basic needs, since these are – more than food items – and various largely with the level of societal development. As part of this methodology, the non-food costs are therefore calculated on the basis of the average ratio of food non-food costs, as reported by workers in the FGDs.

Tables 7 and 8 present the detailed estimates of required minimum wage for workers having families and unmarried workers in case of aspirational model diet. The estimated required minimum wage for married and unmarried workers would be Tk. 14,857 and Tk. 6,750 respectively. However, this estimation needs to be adjusted to include some discretionary income. There are international benchmarks for discretionary income which can be considered in this case (e.g. 10 per cent).<sup>29</sup> In the current context of the Bangladesh RMG sector, there is absolutely no room for savings.

**Table 7: Estimation of Required Minimum Wage for Married Workers based on Aspirational Model Diet**

Household size	4.08
No. of earners	1.44
<b>Component</b>	<b>Amount</b>
Daily food cost	
Male	117.90
Female	107.30
Children (2)	131.40
Total daily food cost for a family	356.60
Monthly food cost for a family	10,696.90
Monthly non-food cost for a family (50%* of total cost as per the FGD)	10,696.90
Total monthly food + non-food costs for a family	21,393.70
Required monthly minimum wage = (Food + non-food costs)/No. of earners	14,856.70

**Source:** Authors' estimation.

**Note:** \*Assumed on the basis of the responses received in the survey with married workers.

<sup>28</sup>National Institute of Nutrition (2009).

<sup>29</sup>Anker (2011: 113-116).

**Table 8: Estimation of Required Minimum Wage for Unmarried Workers based on Aspirational Model Diet**

Household size	3.25
No. of earners	1.00
<b>Component</b>	<b>Amount</b>
Daily food cost (average of male and female)	108.00
Monthly food cost	3,240.00
Monthly non-food cost (52%* of total cost as per the FGD)	3,510.00
Total monthly food + non-food costs	6,750.00
Required monthly minimum wage = (Food + non-food costs x household size)/No. of earners	6,750.00

**Source:** Authors' estimation.

**Note:** \*52% non-food cost is calculated based on the average ratio of food and non-food costs as reported in the FGDs with unmarried workers.

## 7. ASSESSMENT OF COST OF LIVING, PREVAILING WAGES AND GAP WITH ESTIMATED MONTHLY INCOME

### 7.1 Cost of Living

The FGDs with the workers reveal that non-food cost is equally important as food cost for the garment workers. Overall expenditure as well as its distribution varies in different locations (Table 9). For example, the highest overall expenditure is observed in Tongi, followed by Ashulia and Rampura (Dhaka) which partly reflect the general perception of differences in the expenditure pattern. In contrast, the distribution of consumption of food and non-food items varies in the opposite direction, from the share of high food ratio in Rampura, followed by Ashulia and Tongi.

**Table 9: Distribution of Food and Non-Food Costs in Different Locations**

Component	Ratio of Food : Non-Food Costs		
	Ashulia	Tongi	Dhaka
Food	50	55	44
Non-Food	50	45	56
Total	100	100	100

**Source:** Authors' estimation based on the data collected from the FGDs in August 2013.

Table 10 presents the average costs of major food and non-food items for married and unmarried workers. Among the food items, the cost of rice constitutes over one-fifth of total food costs both for married and unmarried workers. In case of the main non-food items, costs differ between married and unmarried workers. The main non-food items include house rent (15.3 per cent and 7.7 per cent respectively), education (12.9 per cent and 6.9 per cent), medical (5 per cent and 4.3 per cent), and mobile bill (4.7 per cent and 5.9 per cent) respectively. Because of a limited family income, workers often have to borrow a part of expenditure their monthly expenditure. The average monthly borrowing for married and unmarried workers range between Tk. 770 and Tk. 1,830 respectively.

**Table 10: Distribution of Monthly Food and Non-Food Costs for Married and Unmarried Workers**

Component	Married	Unmarried
<b>Food</b>	<b>5,180.00</b>	<b>4,406.00</b>
Of which: Rice	1,118.00	997.00
<b>Non-Food</b>	<b>5,172.00</b>	<b>4,777.00</b>
Of which:		
House rent	789.00	367.00
Education	665.00	330.00
Medical	261.00	206.00
Mobile phone bill	242.00	281.00

Source: Authors' estimation based on the data collected from the FGDs in August 2013.

## 7.2 Prevailing Wage

For the purpose of this research, the study defines the prevailing wage assessed in this section as the regular wage, exclusive of overtime, fringe benefits, and in-kind benefits. Wage data have been collected from different sources: a) data from three European retailers with a combined supply base of 412 factories<sup>30</sup>; b) wage data from 11 factories that are suppliers to European brands and retailers that are members of the Fair Wear Foundation, a multistakeholder supply chain initiative based in the Netherlands; and c) the three FGDs with workers.<sup>31</sup> Data obtained from these sources are not in all cases comparable.<sup>32</sup> Not all sources provide data per grade and separate overtime and fringe benefits from the regular wage. This is also dependent upon the quality of different payroll systems used in supplier factories.

Table 11 shows prevailing wage data from the retailers which include wage-related information of 160 factories, of which Retailer 1 provided data of 106 factories and Retailer 2 provided data of 54 factories. There is a difference in the structure of wages between the two, perhaps due to asymmetry in factories on various accounts. It is interesting to note that in all cases workers reported lower figures than retailers based on the data obtained from their suppliers, in some cases differences are substantial (approximately Tk. 2,000).

The FGDs carried out by CPD reveal that workers did not even receive the legally entitled wages (Table 12). Basic pay for different categories of sample workers were at best on par with the level set in the Minimum Wage Board of 2010 which reflects little changes in the basic pay over the last three years. More importantly, the allowance for house rent which is supposed to be 40 per cent of total basic pay is much lower than the legally entitled limit. In some cases, house rent is provided on a lump sum basis instead of the legally provisional level. Medical allowance is provided as per the legally entitled level. Thus, workers' legally entitled payments should be ensured first and should be adjusted properly, taking into account conditions such as the years of experience, skill and length of service.

<sup>30</sup>It is acknowledged that some of these retailers may be sourcing from the same factories.

<sup>31</sup>Given the short period in which this research has been conducted, wage data could only be collected from a few sources which were readily available. There are no accessible statistics on wages of different grades in the RMG sector available at the Ministry of Labour or the Bangladesh Garment Manufacturers and Exporters Association (BGMEA). Moreover, only a few European and American brands and retailers collect data on wages paid by suppliers beyond a verification of whether the minimum wage is being paid. Hence, only a limited number of export-oriented factories have been covered, and the wage figures presented in this section are not representative for the RMG sector in Bangladesh as a whole. It provides, however, a 'snapshot' of the current situation.

<sup>32</sup>In cases where the wage data are provided per grade, an important methodological issue is the incorrect and unclear application of the grade system. Practically all stakeholders consulted have pointed out the practice of workers being officially assigned a lower grade than where they would technically belong according to the work they perform. This reduces overtime payments which are calculated as a percentage of the basic legal minimum wage per grade. Moreover, it implies that in the event of an increase of the legal minimum wage, such workers will continue to benefit less.

**Table 11: Comparison of Prevailing Wages in Different Factories**

Criteria	Supply Base of Brand/Retailer 1	Supply Base of Brand/Retailer 2	FGDs with Workers
Number of factories	106	54	
Number of factories in EPZ	9	11	
Average regular wage, excluding overtime and fringe benefits (month)			
Grade 5	5,305	3,973	3,329
Grade 6	4,550	3,525	3,161
Grade 7	3,768	3,300	2,925
Average earnings including overtime, but excluding fringe benefits (month)			
Grade 5	6,500		4,454
Grade 6	5,500		4,200
Grade 7	4,921		3,786
Average earnings including fringe benefits, but excluding overtime (month)			
Grade 5	5,947	5,754	3,865
Grade 6	5,167	5,306	3,796
Grade 7	4,260	5,081	3,373

Source: Authors' estimation based on the data collected from retailers and the FGDs in August 2013.

**Table 12: Structure of Wages and Other Allowances Received by Sample Workers**

Grade	Wages in Legally Entitled Payment (Tk./Month)				Wages with Other Payments (Tk./Month)					
	Basic Pay	House Rent	Medical Allowance	Actual Wage	Attendance Allowance	Transport Allowance	Production Allowance	Total Overtime Allowance	Festival Bonus	Take-Home Pay
Grade 3	3,434	1,012	227	4,673	289	41	0	1,268	318	6,588
Grade 4	2,805	673	203	3,682	293	33	95	1,134	336	5,573
Grade 5	2,586	543	200	3,329	286	0	0	1,125	251	4,991
Grade 6	2,445	516	200	3,161	278	33	0	1,039	324	4,835
Grade 7	2,204	517	204	2,925	158	67	8	861	215	4,234
Average	2,833	723	211	3,767	264	38	23	1,115	297	5,505

Source: Authors' estimation based on the data collected from the FGDs in August 2013.

Workers, however, receive various other kinds of payments which increase the overall take-home pay of the workers. These additional payments include attendance allowance, transport allowance, production allowance and overtime payments; the three out of four being mostly related to enhancing production. These additional payments ensure an average wage of grade 7 workers of Tk. 4,150 which is about 42 per cent higher than the legally entitled salary of the workers. In other words, the legally entitled wages of workers have to be met first before factoring in production-based and other non-legally entitled allowances for workers. There are variations in the payments of different allowances in different locations which lead to differences in the overall receipts of workers.

### 7.3 Assessment of the Shortfall between Cost of Living and Prevailing Wage

There is a huge gap between the required level of monthly income and the existing regular wage received by the workers (Table 13). Even between the monthly take-home pay and the required monthly income, a gap remains. The highest gap exists when a comparison is made between the



**Table 13: Gap between Actual Wage Received by Workers and Required Monthly Income in Different Scenarios (Tk./Month)**

Issue	Monthly Income	Actual Monthly Income/Expenditure	Monthly Income
Basic + Housing + Medical	3,292*	3,138	3,292*
Monthly take-home pay (grades 5,6 & 7) based on FGDs	4,686	4,686	4,686
	<b>Poverty Line</b>	<b>Actual Expenditures</b>	<b>Model Diet</b>
Required Monthly Income	6,919	8,349	14,856
Gap between (3) and (1)	3,627	5,211	11,564
Gap between (3) and (2)	2,233	3,633	10,170

**Source:** Authors' estimation based on the data collected from the FGDs in August 2013.

**Note:** \*As per legal entitlements.

prevailing wage and a living wage based on a model diet. The lowest gap exists in relation to the upper poverty line calculation, which needs to be bridged by necessary adjustment of minimum wages.

## 8. RECOMMENDATIONS

Based on the findings of this study, CPD would like to make the following specific recommendations to the Minimum Wage Board with respect to entry-level workers.

- i. The Minimum Wage Board should consider accepting the definition of minimum wage as a wage which meets the basic needs of these workers and their families and provides an element of discretionary income as savings.
- ii. The Minimum Wage Board should consider accepting the method suggested for calculating the minimum wage for workers.

$$\frac{[(\text{Food Costs} + \text{Non-Food Costs}) \times \text{Household Size}] / \text{Number of Earners}}{+ X\% \text{ Discretionary Income or Savings}}$$

A major strength of this method is that, on one hand, it considers family as the consumption unit, and at the same time, it considers number of income earners as the earning unit. Thus, the expenses for the needs of the family are not suggested to be burdened only on the income of the RMG workers, rather a part will be shared by another earner of the family.

- iii. The Minimum Wage Board should consider accepting the concept of family as the unit of estimation of workers' minimum wage since most of the workers, either married or unmarried, bear part/full responsibility for their family. Moreover, those workers who are 'single' are found to live with family in urban areas. Thus, it is better to consider worker's family as the unit of measurement for the minimum wages.
- iv. The study found that non-food cost is equally important as food costs for both married and unmarried workers. Workers have to spend a significant amount for housing, medical treatment, transport and mobile phone bills. Because of living in an urban environment, workers have tried their best to spend as much as possible to ensure the minimum required family needs. It is recommended that the Minimum Wage Board pay due attention to both food and non-food costs of living in calculating the wage of workers.
- v. The study estimates a revised minimum wage using three separate methodologies: poverty line data from national statistics, workers' actual income and expenditures based on FGDs, and a living



wage based on an aspirational model diet. The minimum wage levels for the entry-level grade generated using these three methodologies would therefore be as follows: Tk. 6,919 at the poverty line; Tk. 8,349 at actual worker expenditures; Tk. 14,857 based on an aspirational model diet.

Since the minimum wage should not be higher than the national average wage level, the present paper does not recommend the aspirational figure (Tk. 14,857) based on a model diet, at this time. However it is noted that workers' income needs to be increased sufficiently to ensure maintaining healthy living for their families.

Since a minimum wage should be higher than the poverty line, the study recommends a minimum wage for grade 7 workers to be set around at least Tk. 8,200.

This constitutes a 173 per cent pay increase for grade 7 workers. The difficulty of implementing this increase across the board by all types of factories at a time is acknowledged. In this context, an appropriate mechanism needs to be identified in order to implement the minimum wage at the factory level.

- vi. Taking into consideration of the limitations of different categories of factories, the Board may consider implementing the minimum wage in a phase-wise manner. In that consideration, the minimum wage for the first year could be about 80 per cent of the required level which will be about Tk. 6,500. To achieve this target, a basic salary of Tk. 4,300 with 40 per cent house rent (Tk. 1,700) and lump sum of Tk. 500 as medical allowances would need to be provided. The rest 20 per cent could be provided in the second year after inflationary adjustment.
- vii. The revision of the minimum wage as proposed will require more fund to the manufacturers to bear the additional wage costs. The adjustment of rise in wages could be implemented better if retailers and buyers are ready to accommodate the additional expenses related to workers' wages in the cutting and making (CM) charges. This would not be difficult for buyers/retailers to accommodate since a large number of European and North American retailers have agreed to work on improving social and physical compliances for RMG workers including upward revision of minimum wages for ensuring sustainable livelihood for them.
- viii. It was observed that workers are less aware about their entitlements related to minimum wage as well as the grade to which they belong to work in the factory. Lack of awareness about those issues left the workers unable to get the benefits in full. The FGDs show that in most cases workers received less as house rent allowances against the entitled amount; often house rent is provided at a lump sum basis, which is very low. In fact, most workers show interest on monthly take-home payment instead of what is legally entitled for them as wages because of a lack of awareness. This has adverse implications in case of hiring and setting basic wages for those unaware workers. The Minimum Wage Board should request the Ministry of Labour to implement the minimum wage as per agreed terms and conditions.
- ix. A further observation related to the existing wage structure is that it is unattractive for workers. The wage difference between the lower grades are very low; and re-grading is not a common human resource management practice amongst manufacturers. The low wage level inevitably means that workers will seek to maximise their earnings wherever they can. The resulting high labour turnover in the RMG must be detrimental to factory performance. Moreover, productivity bonuses are insufficient to improve efficiency. Often the production benefit provided to the workers is based on unrealistic production targets which workers have to make up by working excessive overtime. The Minimum Wage Board may consider proposing fixing the tenure for workers in each specific grade provided workers in their working life get the opportunity to work at the upper grades (grade 3 and above).
- x. It is recommended that similar pieces of research undertaken on other aspects is considered by the Minimum Wage Board while setting minimum wages. Other aspects may involve cost of

production, productivity, price of products and business capability, which were not being dealt with in the present study.

- xi. Finally, it is recommend that a longer term research should be undertaken into wages in the RMG sector – all levels and structures in a broad range of factories – with the aim to building wage statistics in a publicly accessible database (there are no wage statistics available at present in Bangladesh), and monitor wage developments closely and systematically. These data should be made public and transparent for all stakeholders involved. This will help business and trade unions because both parties agree that there is a lack of reliable and systematically gathered data. This longer term research should also deeply look into the relationship between wages and productivity levels. If productivity rises because of a healthy and happy workforce living on a decent living standard instead of under the poverty line, the business case for a living wage in the RMG sector in Bangladesh would become stronger.

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