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# Proposal for Minimum Wage for the Bangladeshi Tannery Industry in 2024

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## Study team

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# Acknowledgement

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# 1. Introduction

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# 1. Introduction

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- ❑ The government of Bangladesh **formed a new five-member wage board in August 2023** to propose a new minimum wage for the tannery industry
- ❑ The first minimum wage in the tannery sector was declared in 2011, **amounting to BDT 8,750**
  - Later, in 2018, **BDT 13,500 (for urban areas)** and **BDT 12,800 (non-urban areas)** were announced as the minimum wage for the tannery industry
  - However, in that revision, it was also decided that the **workers of the tannery industry would receive a 5 % yearly increment**
- ❑ The issue of minimum wage in the tannery industry is particularly **crucial than many other industries**
- ❑ The progress in the leather sector, the **second-highest exporting industry of Bangladesh**, largely depends on the performance of the **tannery industry**
  - **Export of leather and goods was USD 1,223.62 million in FY23**, a 1.73% decline from FY 22
  - **Export of processed skin was USD 123 million in FY 23**, a 20% decline from FY 22
- ❑ Without ensuring a living wage for the workers of the tannery industry, **achieving expected competitiveness**, and **productivity** will be difficult (Coviello, 2019)
- ❑ Competitiveness also depends on ensuring OSH of the workers, particularly for the tannery workers as they have to work in the presence **of hazardous substances and chemicals**
- ❑ **The implementation of a minimum wage is also vital for ensuring compliance with RBC and HRDD**, which are becoming more widely adopted on a global scale

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# 1. Introduction (Contd.)

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- ❑ The wage board comprising representatives of employers and workers is **discussing and negotiating** different **proposals** in regard to minimum wage
- ❑ In finalising the wage, as per labour law, **12 indicators** including the **cost of living, the standard of living, cost of production, productivity, price of products, inflation, nature of work, risk and standard, business capability, socio-economic conditions of the locality, socio-economic conditions of the country, other relevant factors** will be considered
  - Often the tripartite negotiation **ignores most of the variables** in the wage-setting process
- ❑ An **estimated wage analysis** considering these indicators with primary-level data should **contribute to** the discussion and negotiation in the formal tri-partite **dialogue process and influence the decision** on workers' minimum wage for the next five years
- ❑ Against this backdrop, **CPD is carrying out a study** targeting **the new minimum wage of the tannery industry in 2024**
- ❑ The study targets to analyse the **performance of different indicators related to enterprises and workers as per the BLA (2006)** and **propose a new minimum wage** for the tannery industry

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## **2. Objectives of the study**

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- ❑ The main objective of the study is to **propose a minimum wage for the tannery workers for 2024** which **could be considered as the benchmark for ensuring a living wage** for workers and thereby ensure workers' rights in the workplace.
- ❑ The **specific objectives** of the study are as follows:
  - a) To examine to what extent **different provisions of the minimum wage 2018** have been **implemented** in the tannery factories over the last five years;
  - b) To assess the **performance of key indicators** set in for reviewing the minimum wage for the workers;
  - c) To analyse the **structure and composition of the minimum wages** in the tannery sector in view of the changing livelihood requirements of the workers;
  - d) To **compare the minimum wage structure of Bangladesh** with other countries' tannery industries;
  - e) To **put forward a set of recommendations for the Minimum Wage Board** of the tannery sector including a minimum wage for grade 5 workers

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## **3. Method of the study**

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### 3. Method of the study

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- ❑ In order to estimate the minimum wage, Anker's (2011) method has been applied
  - According to **Anker (2011)**, the minimum wages of workers should take **into consideration several components** including (a) food and non-food expenses of the family; (b) the number of household members, (c) the number of earning members, and (d) ensuring a certain percentage of discretionary incomes or savings
  - The formula is illustrated below:

$$\frac{(\text{Food cost} + \text{Non Food Cost}) \times \text{Household Size}}{\text{Number of earners}} + X\% \text{ of Discretionary savings}$$

- ❑ The estimation of **food costs** involves the consideration of the ideal food basket **prepared by Amin (2024)**, tailored to age and work level
- ❑ On the other hand, in order to estimate the **non-food cost, household size, and number of earners**, data from the primary survey has been utilised
- ❑ The study has been conducted by collecting and analysing both **primary and secondary data**
- ❑ The main source of primary data was a survey conducted on **35 tanneries** and **105 tannery workers** (maximum variation sampling)
- ❑ All the surveyed tanneries are located in **BSCIC Hemayetpur Tannery Estate** (as more than 77% of the Bangladeshi tannery situated here)
- ❑ In addition to the survey, **5 KIIs and 1 EGM** with a range of relevant stakeholders have been conducted for the study
- ❑ A **literature review** has also been carried out to complement analysis of the primary and secondary data
- ❑ According to BLA, **12 indicators** must be considered in setting up the new minimum wage, including **competitiveness of the industry, workers' living cost, the standard of living, productivity, cost of production, employers' financial capability, inflation, socio-economic conditions, the risk involved with work**, etc.

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## **4. Review of peer countries minimum wage**

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## 4. Review of peer countries minimum wage

Table 1: Minimum wages in select Asian Countries with major tannery sector presence

Countries	Minimum wage in regions with major tannery presence (USD)
India (West Bengal) (2023)	117
India (Kerala) (2023)	146
India (Uttar Pradesh) (2023)	123
India (Tamil Nadu) (2023)	138
Pakistan (Punjab) (2023)	115
Bangladesh (Tannery sector only)	123
Vietnam (Average of minimum wages in different regions) (2024)	171
Indonesia (Average minimum wage of cities with major tannery industries) (2024)	186
Thailand (Average minimum wage of cities with major tannery industries) (2022)	255
Bangladesh (RMG sector only) (2023)	114

Source: Collected from different websites

- Most of the peer countries **have regional minimum wage** rather than sector-wise minimum wage except Bangladesh (**Table 1**)
- Provinces/regions with major tannery sector presence have been selected for **estimating average minimum wages** in countries for tannery workers
- Four provinces in India have a major tannery sector presence**, and except for **West Bengal**, all 3 provinces have higher minimum wages than Bangladesh's tannery sector minimum wage
- West Bengal **has a noticeably lower cost of living** than urban areas in Bangladesh such as Savar
- Among others only tannery workers in **Pakistan earn less than** Bangladeshi workers
- Vietnam is a major **player in the tannery and leather sector**, and their average minimum wage (averaged over four regions) **is 171 USD**
- The Thai average minimum wage has been calculated by taking into account the minimum wages of three major cities with large tannery sector presence, and the average monthly minimum wage stands at **USD 255**

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## **5. Overview of the survey samples**

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## 5. Overview of the survey samples

- ❑ The surveyed tanneries include a diverse category of respondents
  - Among the survey respondents, small tanneries are the most prevalent in terms of size (area-wise), **accounting for 68.6%** of the total (Table 2)
  - In terms of tannery type, those that process skin from raw to finish are the most prevalent among the surveyed **tanneries (42.9%)** (Table 3)
  - Except for one survey respondent, all are either members of **BTA or BFLLEA** (Table 4)
  - All the surveyed tanneries are **Bangladeshi-owned (100%)**, largely **(71.4%)** owned under sole proprietorship (Table 5 & 6)
- ❑ Most surveyed tanneries **primarily use chrome tanning (68.6%)**, with some using a combination of **chrome and vegetable processes (22.9%)**, showcasing a **mix of tanning methods in the industry** (Table 7)
- ❑ **Cow skin** is the most common form of rawhide (for **91.4% of surveyed tanneries**); however, **Calf, Goat, Sheep, and Buffalo** skin are also processed by tanneries (Table 8)
- ❑ Almost all the surveyed **tanneries (97.1%)** operate at their self-owned building (Table 10)
- ❑ As expected, none of the surveyed tanneries are LWG certified, however, only a few of them **(around 5.7%) claimed to have BSCI and REX certification (Table 9)**

Table 2: Size wise distribution (in %)

Category	Share (%)
Large	14.3
Medium	17.1
Small	68.6
Total	100

Table 3: Operation category-wise distribution (in %)

Category	Share (%)
Raw hide/skin to tanned	22.9
Raw hide/skin to crust	22.9
Raw hide/skin to finished leather	42.9
Tanned hide/skin to finished leather	5.7
Crust hide/skin to finished leather	5.7
Total	100

Table 4: Associations' Membership wise distribution (In %)

Category	Share (%)
Non-Member	2.9
BTA	82.9
Both BTA and BFLLEA	14.3
Total	100.0

Table 5: Ownership nature-wise distribution (in %)

Category	Share (%)
Full Bangladeshi	100.0
Total	100.0

Table 6: Ownership type-wise distribution (in %)

Category	Share (%)
Sole Proprietorship	71.4
Partnership	28.6
Total	100.0

## 5. Overview of the survey samples (Contd.)

Table 7 : Tanning method wise distribution (in %)

Category	Share (%)
Vegetable tanning	8.6
Chrome tanning	68.6
Both	22.9
Total	100.0

Table 8: Raw skin/hide type-wise tannery distribution (in %)

Category	Share (%)
Cowhide	91.4
Calfskin	25.7
Goatskin	42.9
Sheepskin	28.6
Buffalokin	25.7

Table 11: List of recognised certificates obtained (% of surveyed tanneries)

Category	Share (%)
None	88.6
BSCI	5.7
Rex	5.7

Table 10: Building ownership wise distribution (in %)

Category	Share (%)
Self-owned building	97.1
Rented building	2.9
Total	100.0

Table 12: Mean number of workers in a tannery over the years

Category		Male (Mean)			Female (Mean)			Total		
		2017	2022	2024	2017	2022	2024	2017	2022	2024
Overall		21	18	19	1	0	1	21	19	20
Size wise	Large	48	38	46	5	0	0	53	38	46
	Medium	14	16	16	1	1	2	15	17	18
	Small	16	14	15	0	0	1	16	14	16
Category wise	Raw hide/skin to tanned	8	8	8	1	1	1	9	9	9
	Raw hide/skin to crust	20	23	26	0	0	0	20	23	26
	Raw hide/skin to finished leather	20	19	21	2	0	1	22	19	22
	Tanned hide/skin to finished leather	18	12	9	2	1	2	20	13	11
	Crust hide/skin to finished leather	73	35	35	0	0	0	53	38	46



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## 5. Overview of the survey samples (Contd.)

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- ❑ The survey indicates that in terms of individual employment, the **industry is smaller** than other industries such as RMG
- ❑ The highest number of workers for one single surveyed tannery is around **80**
  - The average number of workers in each surveyed tannery is **about 21** (Table 12)
- ❑ The conducted survey also indicates the tannery is a predominately **male-workers-oriented industry** in Bangladesh
- ❑ The average ratio of male and female workers is **around 20:1**
- ❑ Over the past years (2017 to 2023), **no significant change in terms of employment** could be observed in the surveyed tanneries
- ❑ The assumption was that rawhide/skin-to-finished leather processes would **involve more steps** and therefore **employ a higher number of workers as the size of employment depends on the extent of the process undertaken by a tannery**
  - However, there are instances where other types of surveyed tanneries have a higher number of workers **mainly due to diversity in the capacity**
- ❑ The number of workers increases during the Eid Season; on average, according to the survey a single tannery **hired an additional 17 contractual workers during the Eid season.**
- ❑ The average number of additional recruits during the Eid season **has steadily increased since 2017 (from 11)**, possibly due to a rise in the **number of cattle sacrifices over the years**
- ❑ **In terms of trade unions, the tannery industry appears to have better coverage compared to RMG; 43% of the surveyed factories have trade unions in their factories**
- ❑ The survey carried out on tannery workers is **predominantly male (96%)** (Table 13)
- ❑ In terms of other demographic traits, the respondents include **diverse categories (Table 14 to 19)**
- ❑ Even with **over 16 years** of average work experience, more than **30% of surveyed workers** still remain on contractual terms (Table 14 & 16)

## 5. Overview of the survey samples (Contd.)

Table 13: Sex distribution of workers

Gender	Overall
Male	96.2
Female	3.8

Table 14: Age and work experience of the surveyed workers

Mean Age of workers	36.8 years
Mean years of working	16.4 years

Table 15: Educational attainment of workers across skill level

Category	Overall
Never went to school	3.81
Class 1- 5	47.62
Class 6 - 10	37.14
SSC passed	6.67
HSC passed	2.86
More than HSC	1.90

Table 16: Surveyed workers' type of employment

Category	% of surveyed workers
Contractual	32.4
Permanent	65.7
Not sure	1.9

Table 17: Surveyed worker's area of residence

Area	% of workers
Savar	95.2
Jigatola	1.9
Hazaribagh	1.9
Ashrabad	1.0

Table 18: Surveyed workers' skill distribution

Skill	% of workers
Highly Skilled	36.2
Skilled	46.7
Semi-skilled	16.2
Non-skilled	1.0

Table 19: Surveyed workers' trade union membership

Category	% of workers
Non-Member	62.9
Member	21.9
No trade union in factory	15.3

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## **6. Implementation status of 2018 minimum wage**

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- ❑ The survey data portrays a lack of **proper implementation of the 2018 minimum wage**
- ❑ While the minimum wage for each of the five grades was set by the wage board in 2018, till date, the majority of the surveyed tanneries (**around 69%**) **do not practice any sort of grading (Table 21)**
  - There appeared to be **hesitations over grading definitions across** those tanneries that practice grading
  - The grading is likely to be different from **what is described in the CBA and what is set by the government**
  - Unlike the wage board's classification method, some tanneries utilise a grading system with **four distinct categories**
- ❑ It was alleged that a **section of workers in the tannery industry is hired contractually** through a third party; the conducted survey found the same **28.6% of the** surveyed tanneries indicated that they practice **third-party recruiting (Table 20)**
- ❑ The mean minimum wage paid to the **workers increased over the years** (as per the response of the surveyed tanneries)
  - ❑ However, other than the year, 2024, the average minimum monthly wage **for other years (2020, 2022) remained** below **BDT 13,500 (Table 22)**
  - ❑ About **60% of the** surveyed tanneries paid **less than BDT 13,500 as** their monthly **minimum wage in 2024**
- ❑ According to surveyed tanneries, **there has been an increase in the per-hour overtime** rate from 2017 to the date (**BDT 48 in 2017 to BDT 65**) (**according to the workers survey it is BDT 68 in 2024**) (Table 24)
- ❑ The deviation of minimum wage payment is also reflected in the survey conducted on the tannery workers
  - ❑ At least **16% of the surveyed tannery workers**, despite working for more than a year in their workplace received less than BDT **13,500 as monthly wage, and 43% of the** workers despite working **for six years** received less than **BDT 15,881 (5% increment of current minimum wage till 2024)**
- ❑ Although the mean wage for the surveyed workers in **2024 is BDT 16,382 (without overtime and bonus) and BDT 17,320** (with overtime and bonus), the dispersion of these wages within the surveyed workers is really high (Table 25)

## 6. Implementation status of 2018 minimum wage

Table 20: % of surveyed tanneries hired contractual workers through third-party

Category		Share (%)
Overall		28.6
Size wise	Large	10.0
	Medium	10.0
	Small	80.0
Category wise	Raw hide/skin to tanned	20.0
	Raw hide/skin to crust	20.0
	Raw hide/skin to finished leather	50.0
	Tanned hide/skin to finished leather	0.0
	Crust hide/skin to finished leather	10.0

Table 21: % of surveyed tanneries practice grading

Category		CBA	Government	No grading
Overall		14.3	17.1	68.6
Size wise	Large	40.0	60.0	0.0
	Medium	16.7	16.7	66.7
	Small	8.3	8.3	83.3
Category wise	Raw hide/skin to tanned	0.0	0.0	100
	Raw hide/skin to crust	25.0	25.0	100.0
	Raw hide/skin to finished leather	20.0	26.7	50.0
	Tanned hide/skin to finished leather	0.0	0.0	53.3
	Crust hide/skin to finished leather	0.0	0.0	100.0

Table 22: Minimum wage payment by surveyed tanneries (in BDT)

Category	2017	2020	2022	2024
Mean	10963	11877	12812	13547
Median	10900	11500	12500	13000
Range	7000	11000	12000	12200
Minimum	8000	6000	7000	8000
Maximum	15000	17000	19000	20200

Table 23 : Minimum wage payment (with overtime) by surveyed tanneries (in BDT)

Category	2017	2020	2022	2024
Mean	13356	14291	15282	16161
Median	13500	14100	14800	15850
Range	7800	8500	9000	11100
Minimum	9200	9500	11500	11500
Maximum	17000	18000	20500	22600

Table 24: Mean per hour overtime payment by surveyed tanneries (In BDT)

Category	2017	2020	2022	2024
Mean	48	55	62	65
Median	45	52	60	65
Range	22	40	45	42
Minimum	38	40	45	48
Maximum	60	80	90	90

Source: CPD tannery survey 2024 : on tannery enterprises

## 6. Implementation status of 2018 minimum wage

Table 25: Monthly wage of the workers without overtime (in BDT)

	2022	2023	2024
Mean	15305	15771	16382
Median	15000	15500	16000
Std. Deviation	3327	3589	3736
Range	18000	18000	18200
Minimum	7000	7000	7000
Maximum	25000	25000	25200

Table 26 : Monthly wage of the workers including overtime (in BDT)

	2022	2023	2024
Mean	16800	17376	17320
Median	16100	17000	17500
Std. Deviation	3925	4208	4144
Range	23000	22500	20417
Minimum	7000	7500	7583
Maximum	30000	30000	28000

Table 27 : Tannery membership wise workers wage and workhour

Category	Mean workhour	Mean wage (excluding overtime, bonus, etc.)	Mean wage (including overtime, bonus, etc.)
TU Member workers	9	17189	18285
Non-TU member workers	9	16202	17180
TU is not available in tannery	10	15969	16513

Source: CPD tannery survey 2024 : on tannery workers

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## 6. Implementation status of 2018 minimum wage

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- ❑ **The average wage of workers who are members of a trade union or work in factories where trade unions are present appears to be higher than that of workers in factories where no trade unions exist (Table 27)**
- ❑ **59% of the surveyed workers indicated that they have zero awareness of any sort of grading system**
  - **71% do not know about the minimum wage set by the government**
  - **This higher number of unawareness regarding grading and minimum wage can be attributable to the finding of the survey that shows 86% of the workers do not get any sort of training on wage-related issues**
- ❑ **Under the current wage structure, there are no mechanisms of promotion from one grade to another, hence the issue of increment is highly crucial for this sector**
- ❑ **Not only in the paid amount but also deviations can be observed in terms of timely payment of wages**
  - **According to conducted survey 65% of the surveyed workers receive their wage in the second week of the month (Table 28)**
  - **Also, the amount of workdays is also very oppressive for the workers, more than half of the surveyed permanent workers even have to work for 7 days while the remaining work for 6 days (Table 30)**
  - **This situation is also similar for the contractual workers**
- ❑ **The mean work hours for the surveyed workers is 9.3 hours while about 12% of workers work for 12 hours daily on average**
- ❑ **The accountability of wage payment could have been enhanced by the use of MFS and DFS**
  - **However, none of the surveyed tanneries use these for wage payment**
- ❑ **The lack of implementation could be attributable to the weak monitoring of DIFE as the survey finds for around 46% of the surveyed tanneries, DIFE did not make a single inspection (in the last six years)**

## 6. Implementation status of 2018 minimum wage

Table 28: Average week of the month in which workers received their monthly wages

Week	% of workers
First week	11.4
Second week	64.8
Third week	20.0
Fourth week	3.8

Source: CPD tannery survey 2024 : on tannery workers

Table 29: Average week of the month in which factories pay wages to their workers (% of enterprises)

	2018	2022	2024
First week	25.7	17.1	11.4
Second week	71.4	80.0	85.7
Third week	2.9	2.9	2.9

Source: CPD tannery survey 2024 : on tannery enterprises

Table 30: Average workdays in a week

Category	% of workers
Contractual	
6 days	88.2
7 days	11.8
Permanent	
6 days	43.5
7 days	56.5

Source: CPD tannery survey 2024 : on tannery workers

Table: 31 Workers' entitlement of non-wage benefits

Type of Bonus	Entitled (% of workers)
Festival bonus (except Boishakh)	95.2
Festival bonus (including Boishakh)	9.5
Attendance bonus	19.1
Performance bonus	4.8
Provident fund	15.3
Gratuity	0.0
Health Insurance	5.7
Housing facilities	16.2
Leave with pay	39.1
Tiffin allowance (during duty)	14.3
Night staying allowance	5.7
Canteen facilities	29.52
Rationing	20.0
Yearly increment (as per CBA)	33.3
Yearly increment (as per BLA)	4.8
Dearness allowance	9.5
Worker welfare allowance	12.4
Workplace accidents compensation	48.6
Dedicated uniform	20.0

Source: CPD tannery survey 2024 : on tannery workers



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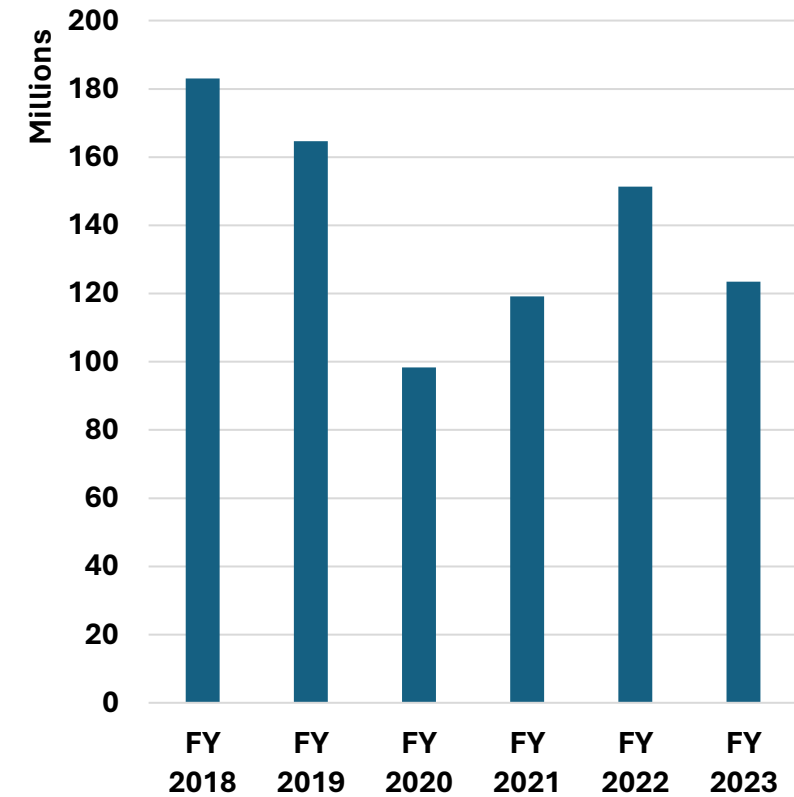
## **7. Business performance of tanneries**

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## 6. Business performance of tanneries

- ❑ The business **performance of the tannery sector** has not returned to **pre-COVID levels**
- ❑ EPB data shows that **tannery exports were over \$180 million USD in FY 2018** since then ranged **between \$90 to \$165 million USD (Figure 1)**
- ❑ Surveyed management reports indicate that the average business performance of the **tannery industry is somewhat poor in recent years**
- ❑ Monthly average domestic sales per surveyed tannery have declined in **2020 and 2022 (Table 34)**
- ❑ However, yearly **average exports by individual surveyed tanneries** have increased in recent years (Table 32)
- ❑ The fall could be observed (as per surveyed tanneries), in the average number of **brands worked with, export destinations, number of products exported as well (Table 33,35 & 36)**
- ❑ Both unit cost and unit price has increased simultaneously
  - The unit cost of the top exported product of surveyed tanneries increased by **27%** from 2017 to 2024 while its price has increased by **26%** (Table 39 & 40)
  - The unit cost of the top domestic product of surveyed tanneries increased by **19%** from 2017 to 2024 while its price has increased by **17%** (Table 41 & 42)
  - **The profit range however (price – cost) increased for both domestic sales and export in 2024**
- ❑ **Output per worker**, often considered as a proxy variable of productivity shows **consistent increase over recent years (Table 38)**

Figure 1: Export of HS Code 41



Source: EPB (2024)

# 7. Business performance of tanneries

Table 32: Average yearly export (In BDT million)

Category		2017	2020	2022
Overall		214.3	225.8	228.2
Size wise	Large	384.0	430.8	400.5
	Medium	172.8	207.8	236.6
	Small	111.8	120.0	148.8
Category wise	Raw hide/skin to tanned	N/A	60.0	72.0
	Raw hide/skin to crust	332.0	334.4	333.6
	Raw hide/skin to finished leather	188.9	201.2	199.0
	Tanned hide/skin to finished leather	N/A	N/A	N/A
	Crust hide/skin to finished leather	90.0	120.0	120.0

Table 34: Average yearly domestic sales (In BDT million)

Category		2017	2020	2022
Overall		91.3	83.5	82.5
Size wise	Large	N/A	N/A	N/A
	Medium	10.8	12.6	9.6
	Small	104.7	94.4	93.7
Category wise	Raw hide/skin to tanned	N/A	4.2	4.2
	Raw hide/skin to crust	27.6	39.0	54.2
	Raw hide/skin to finished leather	94.1	97.5	98.7
	Tanned hide/skin to finished leather	78.0	54.0	37.2
	Crust hide/skin to finished leather	250.9	230.4	219.1

Table 36: Average number of brands/buyers work with by each surveyed tannery

Category		2017	2020	2022
Overall		8.2	7.3	6.8
Size wise	Large	9.0	6.6	5.3
	Medium	13.8	11.0	9.3
	Small	7.0	6,5	6,4
Category wise	Raw hide/skin to tanned	9,7	8,4	7,3
	Raw hide/skin to crust	5,6	6,6	5,8
	Raw hide/skin to finished leather	8,4	6,9	6,7
	Tanned hide/skin to finished leather	7,0	5,0	5,5
	Crust hide/skin to finished leather	14,5	11,0	11,0

Table 33: Average number of export destination

Category		2017	2020	2022
Overall		4.5	3.7	3.4
Size wise	Large	6.0	4.6	2.8
	Medium	4.3	3.0	3.2
	Small	3.8	3.5	3.7
Category wise	Raw hide/skin to tanned	3.0	2.7	2.7
	Raw hide/skin to crust	4.6	4.1	3.0
	Raw hide/skin to finished leather	5.3	3.7	4.0
	Tanned hide/skin to finished leather	3.0	2.0	2.0
	Crust hide/skin to finished leather	3.0	4.0	4.0

Table 35: Average number of products exports

Category		2017	2020	2022
Overall		3.7	3.4	3.4
Size wise	Large	3.2	3.2	3.0
	Medium	4.5	4.2	4.0
	Small	3.5	3.2	3.3
Category wise	Raw hide/skin to tanned	3.0	3.3	3.3
	Raw hide/skin to crust	4.7	3.7	3.7
	Raw hide/skin to finished leather	3.3	3.5	3.6
	Tanned hide/skin to finished leather	3.0	2.0	1.0
	Crust hide/skin to finished leather	2.0	2.0	2.0

Table 37: Per month output by workers in million BDT (domestic sale + export/number of workers)

2021	2022	2024
1.12	1.41	1.57

Source: CPD tannery survey 2024 : on tannery enterprises

# 7. Business performance of tanneries

Table 39: Average unit cost (per square feet) of top exported product (In BDT)

Category		2017	2020	2022	2024
Overall		74	84	89	94
Size wise	Large	78	81	85	89
	Medium	72	87	98	106
	Small	72	84	87	92
Category wise	Raw hide/skin to tanned	N/A	95	95	108
	Raw hide/skin to crust	80	86	95	100
	Raw hide/skin to finished leather	69	82	88	94
	Tanned hide/skin to finished leather	N/A	N/A	56	63
	Crust hide/skin to finished leather	70	75	80	80

Table 40: unit price of top exported product (In BDT)

Category		2017	2020	2022	2024
Overall		88	94	102	111
Size wise	Large	83	81	88	98
	Medium	91	96	104	114
	Small	90	98	105	114
Category wise	Raw hide/skin to tanned	97	96	104	128
	Raw hide/skin to crust	89	93	103	108
	Raw hide/skin to finished leather	82	91	99	105
	Tanned hide/skin to finished leather	N/A	N/A	N/A	N/A
	Crust hide/skin to finished leather	120	125	125	125

Table 41: Average unit cost (per square feet) of top domestically sold product (In BDT)

Category		2017	2020	2022	2024
Overall		53	55	60	63
Size wise	Large	N/A	N/A	N/A	N/A
	Medium	53	55	63	65
	Small	53	55	59	63
Category wise	Raw hide/skin to tanned	34	37	40	44
	Raw hide/skin to crust	47	45	48	50
	Raw hide/skin to finished leather	63	66	70	73
	Tanned hide/skin to finished leather	36	43	51	59
	Crust hide/skin to finished leather	65	74	81	84

Table 42: Average unit price (per square feet) of top domestically sold product (In BDT)

Category		2017	2020	2022	2024
Overall		66	70	74	77
Size wise	Large	N/A	N/A	N/A	N/A
	Medium	60	61	65	74
	Small	67	71	76	78
Category wise	Rawhide/skin to tanned	41	43	48	51
	Raw hide/skin to crust	55	62	65	65
	Raw hide/skin to finished leather	75	81	86	89
	Tanned hide/skin to finished leather	N/A	N/A	N/A	N/A
	Crust hide/skin to finished leather	93	102	105	108

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## **8. Cost of living of tannery workers**

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## 8. Cost of living of tannery workers

### Food cost

- ❑ As food inflation rises, the **cost of food** has become a critical factor influencing the cost of living for tannery workers.
- ❑ Based on the food basket prepared by **Amin (2024)**, and collecting the current market price against those items, it can be estimated that the monthly standard food cost for an adult male and female, involved in manual labour, should be **BDT 5,886** and **BDT 4,900** respectively (Table 43)
- ❑ The conducted survey found that on average each **worker household consists of 4.6 members** (Adult: 2.6 & Children :2.0)
  - Taking that into consideration, the total household's standard food cost stands at **BDT 20,564 (Table 43)**

Table 43: Standard Food Basket for an Active Male Worker and Female Worker

Item Name	(Male) Required Intake in gram (Per Month)	(Male) Total Cost (BDT)	(Female) Required Intake in gram (Per Month)	(Female) Total Cost (BDT)
Flour/flour bread	3600	158.4	2700	118.8
Chickpeas	1200	120	750	75
Potato	1800	63	1500	52.5
Mustard Oil	300	66	300	66
Eggs	1800	337.5	1800	337.5
Chira	1350	108	900	72
Rice	9600	528	4800	264
Pulses (Thickened)	1350	210	1350	135
Chicken	2700	594	2400	528
Red Spinach	3000	150	1500	75
Lemon	300	12	300	12
Green Chillies	60	3.6	60	3.6
Spices	600	307.8	450	230.85
Oil	600	99	450	74.25
Banan (Ripe)	3000	300	3000	300
Parched Rice	1350	135	1350	135
Fish (Gangetic Koi)	2700	594	1800	396
Spinach	1500	150	1500	75
Milk	7500	750	7500	750
Mixed Veg	4500	1200	4500	1200

Source: Based on MR Amin (2024)

## 8. Cost of living of tannery workers

- ❑ While the standard family food cost should be BDT **20,564** the tannery workers are able to spend BDT **10,312 (half of the required)** (Table 44)
- ❑ Workers **are spending 39%** more on rice, which is consistent with the widely accepted evidence that workers spend disproportionately more on rice-related food items. Workers are spending less on protein (Table 44)
- ❑ Workers are **spending 93% and 40% less** on Milk and Meat items respectively (Table 44)
- ❑ The data shows there is also significantly less emphasis on vegetable items, where workers **spend 87%** less than what they ideally should (Table 44)
- ❑ There is a heavy emphasis on potatoes and oil, workers spend **147% more on potatoes and 20% more on** edible oil respectively (Table 44)
- ❑ The heavy emphasis on **carb food items** by workers is representative of widespread food expenditure behavior among workers who are involved in labour intensive sector
- ❑ One of the main reasons behind workers not being able to spend adequately on protein and vegetable items is the **high cost** of consuming protein and vegetables

Table 44: Workers' disaggregated food cost

Item	Mean occurring cost (BDT)	Total Ideal cost (BDT)
Rice	2106	1510
Wheat and other cereals	338	528
Potato, starchy root, tubers	544	220
Pulse	242	658
Sugar/Gur	185	N/A
Edible Oil	699	582
Vegetables	767	5805
Fruits	437	1190
Fish	1521	1887
Chicken	700	2139
Beef	516	N/A
Other meat	60	N/A
Egg	350	1287
Milk and milk products	208	2860
Spices and condiments	609	1027
Other foods	253	857.87
Miscellaneous	777	N/A

Source: CPD tannery survey 2024 : on tannery workers and Amin (2024)

## 8. Cost of living of tannery workers

### Non-food cost

- ❑ The non-food cost items were identified based on a study conducted by Anker (2007)
- ❑ The conducted survey on workers shows that the average monthly non-food cost of workers' families was **BDT 12,914 in 2023 (26% increase from 2022)** (Table 45)
- ❑ The cost of children's education increased by **35% in 2023** compared to 2022 (Table 45)
- ❑ Children's education accounts for the second largest portion of workers' monthly family non-food expenses, suggesting that workers try to spend a higher amount on their children education
- ❑ The health cost saw a **significant increase** compared to last year as well (29%) (Table 45)
- ❑ According to the perception of workers, they suffer from a variety **of diseases** due to working in the tannery industry (**65% from Allergies, 42% from Respiratory disease**, etc.) (Table 46)
- ❑ Moreover, unlike many other labour-intensive industries, tannery workers are involved in a range of risky activities (Table 47)
- ❑ Total ideal family cost of a worker (Food cost + Nonfood cost) in 2024 stands **at BDT 20,564+12,914= 33,478**

Table 45: Non-food cost for workers household in BDT

Non-food items (Avg total monthly family expense)	Monthly cost in 2022 (BDT)	Monthly cost in 2023 (BDT)	Increase by (%)
Children's education	1987	2689	35
Health	583	751	29
Rent	3480	3934	13
Utility expense	947	1143	21
Mobile recharge, internet and dish bill	576	738	28
Transportation	844	1061	26
Clothing and personal-care	721	907	26
Other/miscellaneous non-food item	1143	1691	48
<b>Total nonfood cost</b>	<b>10281</b>	<b>12914</b>	<b>26</b>

Source: CPD tannery survey 2024 : on tannery workers



## 8. Cost of living of tannery workers

Table 46: Prevalence of diseases among surveyed workers (after joining tanneries)

Diseases	% of workers
Skin disease	27.6
Gastrointestinal disease	4.8
Cardiovascular disease	1.9
Eye disease	32.4
Chronic headache	21.9
Allergies	64.8
Respiratory disease	41.9

Source: CPD tannery survey 2024 : on tannery workers

Table 47: Type of activities surveyed workers involved in their work

Activities	% of workers
Managing chemical	39.1
Operating machine	53.3
Lifting heavy materials	38.1
Manual handling of materials	6.7
Tolerate high level of noise	79.1
Working in hot and humid conditions	72.4

Source: CPD tannery survey 2024 : on tannery workers

## 8. Cost of living of tannery workers

### Livelihood scenario

- ❑ The highest **monthly average take-home** earning of a tannery worker is **reached during the Eid season**
- ❑ The latest amount earned during the Eid season by a worker is **BDT 17,933 (Table 48)**
- ❑ Contractual workers tend to earn slightly higher on **average (BDT 18,149) during peak seasons, possibly** due to their involvement with multiple factories **(Table 48)**
- ❑ The average family income of surveyed tannery workers in 2022 was **BDT 21,205.43, which** increased to **BDT 22,888.10 in 2023 (an 8% increase) (Table 49)**
- ❑ However, this **family income is insufficient** given the existing cost of living
- ❑ This **means the workers have to borrow** more or spend more from their **savings to live their lives**
- ❑ However, the findings of the survey suggest that in 2023, there was a **3% increase** in workers with zero savings compared to the previous year **and a 5% increase** in workers with zero borrowing
- ❑ The decline in savings and borrowing among workers could suggest **that they are saving less and using their existing savings to cover expenses**
- ❑ This behavior may be driven by uncertainty about **future income or the lack of significant improvements in their income levels**

Table 48: Mean monthly wage (in BDT)

Category		Mean wage (excluding overtime)	Mean wage (including overtime)	Mean wage (including overtime) during peak season
Overall		16382	17320	17933
Skill wise	Highly skilled	17803	18847	19585
	Skilled	16213	17158	17653
	Semi-skilled	13747	14423	15060
	Non-skilled	15500	16500	17500
Job type wise	Contractual	16475	17590	18149
	Permanent	16406	17284	17907
	Not sure	14000	14000	15167

Source: CPD tannery survey 2024 : on tannery workers

Table 49: Family income of surveyed workers (BDT)

Category	Average monthly family income in 2022	Average monthly family income in 2023
Mean	21205.43	22888.10

Source: CPD tannery survey 2024 : on tannery workers

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## **9. Proposals for minimum wage**

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## 9. Proposals for minimum wage

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### 9.1 Recommendations regarding minimum wage amount

If only inflation was considered for the current minimum wage, the amount become **BDT 18,378**

According to CPD's calculations

- Total food cost of a tannery worker's family = **BDT 20,564**
- Total non-food cost of a tannery worker's family = **BDT 12,881**

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**Total monthly cost = BDT 33,445**

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**Estimating wage applying Anker formula = BDT 22,776**

Where,

**Discretionary savings = 3%**

**Number of earning members = 4.6 (as per the survey findings)**

**Number of earning members = 1.5 (as per the survey findings)**

## 9. Proposals for minimum wage

According to CPD's calculations

Grade	Gross wage	Basic	House rent (50% of Basic)	Medical allowance	Transportation and communication Allowance	Children Allowance
Grade 1	39270	21645	10822	2000	1800	3003
Grade 2	33641	18292	9146	2000	1800	2403
Grade 3	29184	15634	7817	2000	1800	1933
Grade 4	25980	13726	6863	2000	1800	1591
<b>Grade 5</b>	<b>22776</b>	<b>11810</b>	<b>5905</b>	<b>2000</b>	<b>1800</b>	<b>1261</b>

Source: Prepared by authors

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## 9. Proposals for minimum wage

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- ❑ CPD proposes the 2024 minimum wage based on findings on factors such as **food cost, non-food cost, number of family members, and number of earning members**
- ❑ To ensure consistent grading practices in the tannery industry, CPD proposes implementing a **unified grading system** that incorporates all wage board and CBA-based grades into a **single framework consisting of five major grades** (Grade 1, Grade 2, Grade 3, Grade 4, Grade 5)
- ❑ In the current grading structure, a worker in the tannery **sector can not get a promotion** to a higher grade once that person starts working in a specified grade
  - Instead, the only way of wage improvement is through nationally set minimum wage increases, collective bargaining agreements (CBA), and yearly increments
  - **The US Office of Personnel Management** has outlined a practice called ‘**WGI**’ or **within-grade increases** where employees can advance from a lower subgrade to a **higher subgrade without changing their** overall grade
  - This practice allows for career progression while remaining within the same grade level
  - Only the permanent employees under **this system can obtain promotion** within the grade by completing the required time period for advancement to the next higher step
  - CPD proposes to follow a similar grading system where Grades 1 to 5 can have sub-grading **such as A, B, and C** where workers will be subject to promotion after certain years
- ❑ Recognising the growing burden of **child education costs** on tannery workers' families, the new minimum wage board should **explore integrating a child allowance** into the current wage structure
- ❑ The housing allowance and other wage components should be determined as a percentage of the basic wage rather than as a fixed amount
- ❑ Efforts **should be made to promote the use of Mobile Financial Services (MFS)** for paying wages to tannery workers, which would **improve transparency and accountability** in wage disbursement

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## 9. Proposals for minimum wage

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- ❑ The recruitment of contractual workers either directly or through a third party must be minimised to ensure workers receive the wage **that they are entitled to**
- ❑ DIFE must **provide distinct attention to the new minimum** wage payment in conducting their inspection in the **next 4 months**; there must be a progress **report produced every 4 months**, reviewing only the implementing status of the new minimum wage in the tannery industry
- ❑ Workers are substantially **unaware of wage** and their grades; a large-scale industry-oriented training programme must be implemented in cooperation with **workers, owners, and the government**
  - **The development partners have a crucial role to play in this regard**
- ❑ Despite being export-oriented, the share of female workers remains significantly low for the tannery industry
  - While some assumptions exist regarding the reason for this low number, it **is not clear what specifically demotivates/prevents female** workers from joining this industry
  - **Future research should be carried out** in order to find out the real scenario

**Thank you**