

# Clean Clothes Campaign



## Background Paper

# The Bangladesh Minimum Wage Struggle for 23,000 Tk

Facts, Figures & Explanations

August 2023

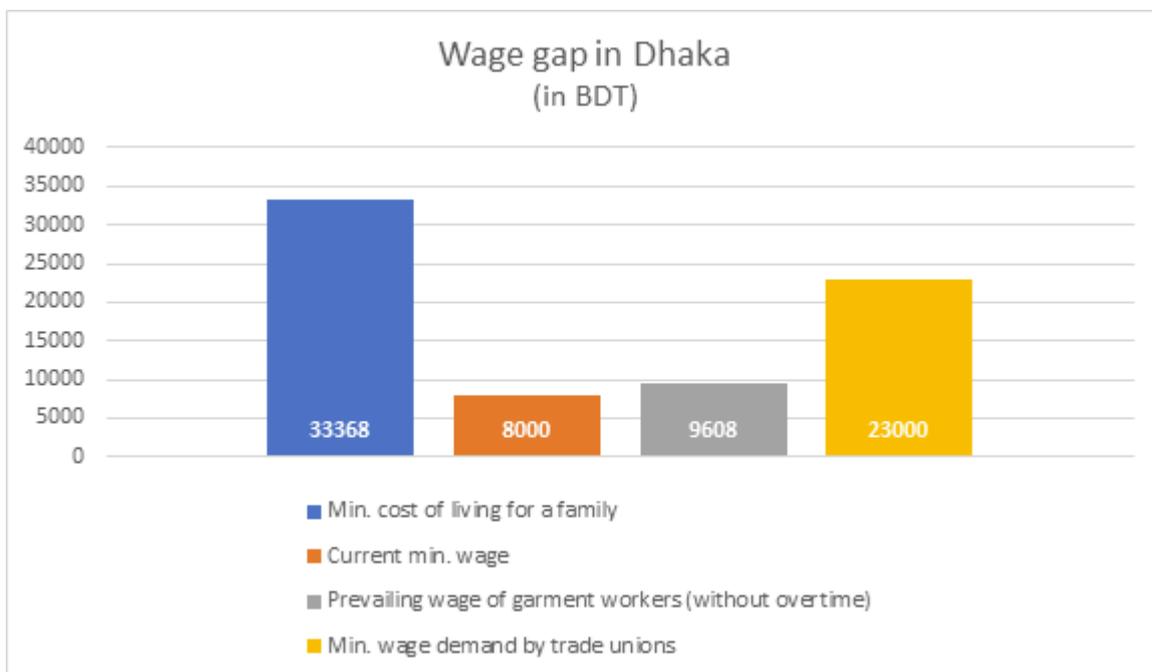


# 1. Why are Trade unions demanding 23,000 Tk?

## 1.1 Cost of living in Bangladesh

The demand for 23,000Tk is based on a study<sup>1</sup> done by the Bangladesh Institute for Labour Studies (BILS). This research builds on a cost of living study that was conducted in different areas in Bangladesh. The study calculates that a household of 4 needs at least 33,368 Tk to cover the basic costs of living in Dhaka. In satellite cities and Chattogram, where the cost of living is a bit lower, the cost of living was calculated at 30,494 Tk and 29,721 Tk respectively. Compared to the current minimum wage, the demand for 23,000 Tk might seem high, but the current minimum wage is not enough to cover the basic needs of workers and their dependents. Current prevailing wages of garment workers cover less than a third of the minimum cost of living for a family living in Dhaka.

**Figure 1: Current prevailing wages of garment workers cover less than a third of the min. cost of living of a family in Dhaka**



Data on cost of living and prevailing wage: BILS 2023.

1

[https://femnet.de/images/downloads/textilbuendnis/Mind\\_the\\_Gap\\_Decent\\_Work\\_Report\\_on\\_RMG\\_workers\\_in\\_Bangladesh\\_26-6-23.pdf](https://femnet.de/images/downloads/textilbuendnis/Mind_the_Gap_Decent_Work_Report_on_RMG_workers_in_Bangladesh_26-6-23.pdf)

**Table 1: To cover the bare minimum cost of living, a family in Dhaka would need at least 33,368 Tk.**

<b>Minimum monthly cost of living for a household of 4 in Dhaka, Bangladesh</b> Calculation by BILS, 2023		
	<b>Food</b>	<b>BDT 14,330</b>
	<b>Housing</b>	<b>BDT 10,000</b>
	<b>Education</b>	<b>BDT 1,256</b>
	<b>Health</b>	<b>BDT 1,287</b>
	<b>Miscellaneous</b> Transportation, Clothing, Personal Care, Communication, Furniture, Culture, Outside eating and other	<b>BDT 4,906</b>
	<b>Savings</b> +5%	<b>BDT 1,589</b>
	<b>Total min. cost of living                      for a household of 4 per month</b>	<b>BDT 33,368</b> (~ USD 307)

## 1.2 How do wages in Bangladesh compare to wages in other countries?

At the market exchange rate (as of July 2023), a wage of 8,000 Tk corresponds to 74 US dollars, 65 Euros or 56 British Pounds.

When adjusting for purchasing power, taking into account the differing costs of goods and services, 8,000 Tk remains a scandalous low income, and the 23,000 Tk demanded by trade unions would not surpass the poverty line in many countries. The 23,000 Tk demand is the bare minimum.

**Table 2: The purchasing power of a wage in Bangladesh**

A wage of ....	has a comparable purchasing power of an income of ...				
<b>BDT 8,000</b>	USD 253	GBP 171	EUR 185	CHF 261	AUD 363
<b>BDT 23,000</b>	USD 728	GBP 496	EUR 534	CHF 743	AUD 1,019
<b>... in Bangladesh</b>	... in the USA	... in the UK	... in Germany	... in Switzerland	... in Australia

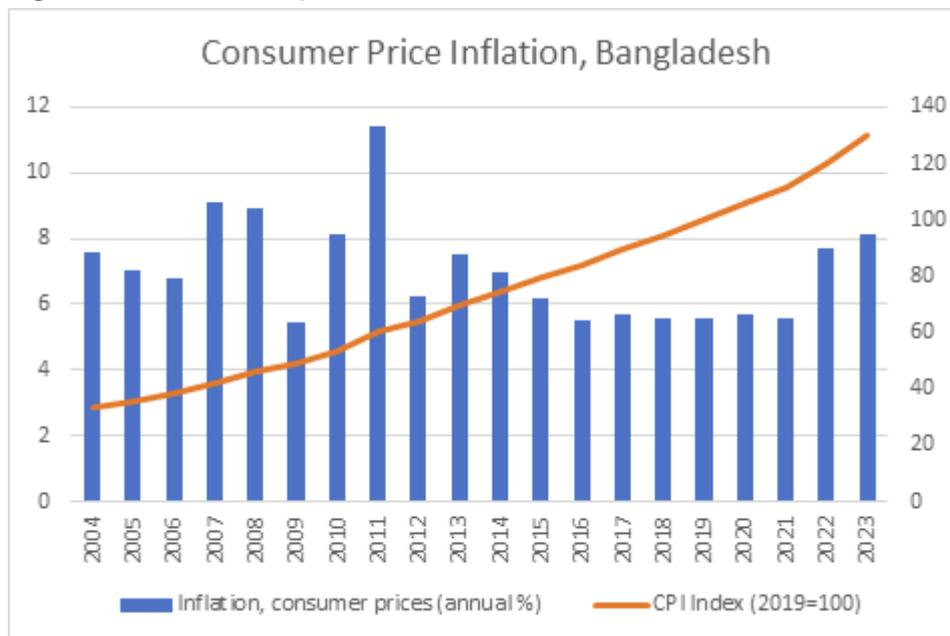
Conversion based on IMF implied PPP conversion rate 2023

## 2. How did workers' wages develop over the past years?

### 2.1 Inflation

The minimum wage for the garment sector was last revised five years ago. While unions were demanding an increase to 16,000Tk back then, the negotiations were stranded at a meagre 8,000Tk for workers in grade 7 - the lowest paid wage grade. The amount already includes allowances and bonuses. Apart from the Covid-19 pandemic and its huge impact on livelihoods and the income of Bangladeshi garment workers, the country also faced high inflation rates over the past five years.

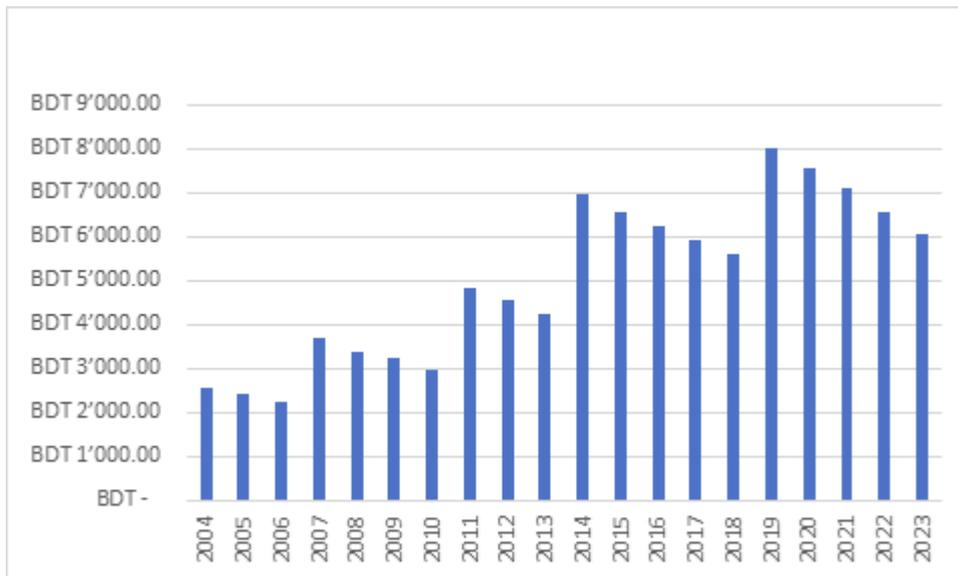
**Figure 2: Consumer price inflation 2004-2023**



Data: World Bank (2004-2022) and IMF (2023).

In real terms, the minimum wage decreased substantially over the last years. With a minimum wage in 2023, workers can afford less than with a minimum wage in 2014 (at that nominal at 5300 Tk).

**Figure 3: Real minimum wage development (Inflation adjusted, prices of 2019)**



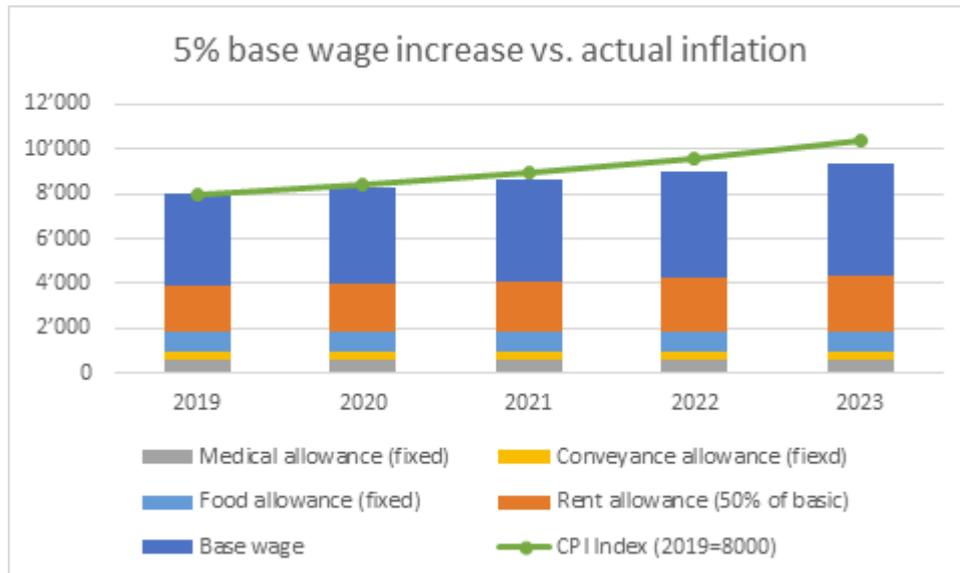
Data on inflation: World Bank (2014-2022) and IMF (2023).

## 2.2 Composition of the minimum wage in Bangladesh

The minimum wage in Bangladesh is composed of several wage elements. A worker's wage is dependent on the type of work that they do. Workers in the lowest wage grade (grade 7) earn a basic salary of 4,100 Tk that is complemented with 2,050 Tk to cover house rent expenses, 600 Tk to cover medical expenses, 350 Tk to pay for transport and 900 Tk as food subsidy. The total minimum wage was therefore set at 8,000 Tk in 2018<sup>2</sup> and implemented in January 2019.

In 2013, the government introduced an obligation to increase wages by 5% annually. This was presented as a solution to tackle inflation, but in practice, it falls short in several ways. Firstly, it is often ignored by employers, especially in the first years after introduction. Secondly, it only covers workers employed continuously with the same company. For new workers and workers who change workplaces, the legal minimum remains at 8000 Tk. Thirdly, the annual increase was limited to 5% and applies only to the base wage, not to allowance at fixed amounts. In consequence, even when applied, the 5% increase is below inflation and results in shrinking real wages (see Figure 4 for development 2019-2023).

**Figure 4: The 5% base wage increase falls short**



Data on inflation: World Bank (2019-2022) and IMF (2023).

### 3. Context and timeline of the 2023 Minimum wage revision

#### 3.1 Shrinking civic space

The minimum wage negotiations take place during a difficult year for the labour rights movement. The recent killing of trade union leader Shahidul Islam<sup>3</sup> is a painful reminder of the current state of civic space and the lack of space to organise in Bangladesh. Bangladesh remains a country with severe and systematic violations of freedom of association and the right to bargain collectively. In the most recent ITUC Global Rights Index, Bangladesh is ranked among the ten worst countries for working people with a rating of 5 - no guarantee of rights:

*“Workers’ rights in Bangladesh continued to be severely curtailed. Set up to attract foreign investment, the country’s eight Export Processing Zones prohibit workers from forming a trade union or freely expressing their rights. In the garment sector, which is the country’s largest industry and employs more than 4.5 million workers, attempts at forming unions were ruthlessly obstructed, while strikes were met with brutality by the country’s Industrial Police force. The authorities also frustrated the establishment of unions by imposing a draconian registration process.” ITUC, Global Rights Index 2022.<sup>4</sup>*

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<https://cleanclothes.org/solidarity-statement-clean-clothes-campaign-condemns-the-killing-of-union-or-organiser>

4 <https://www.globalrightsindex.org/en/2023/countries/bgd>

### 3.2 Minimum wage revision 2018-2019

Five years ago, workers and their unions [protested strongly](#) in response to the announcement of the new minimum wage of 8,000 Tk because it fell short of what they needed and of the 16,000 Tk they had demanded. Workers did not accept the very minimal increase, which was even smaller at higher pay grades. [Workers walked out of the factories](#) and started protesting. Factory owners and the government responded with violence and repression. On 8 January 2019, the police dispersed about 10,000 garment workers using water cannons, tear gas, batons, and rubber bullets, killing one worker and wounding over 50. On 13 January, after a small wage increase for workers in higher pay grades, workers were urged to return to their factories. Thousands of workers were fired and many were blacklisted by factory owners, who posted workers' names and photos outside of factory gates. At least 33 trumped-up criminal cases were filed by factory groups and industrial police, against hundreds of named and thousands of unnamed garment workers, which have [kept looming over people's heads for years](#).

### 3.3 Historical overview and legal framework of minimum wage revisions Bangladesh

The first minimum wage was set in 1983. Since then, it has only been revised 5 times.

1983	1994	2006	2010	2013	2018
627 Tk	940 Tk	1,662 Tk	3,000 Tk	5,300 Tk	8,000 Tk

The 2006 Labour Act<sup>5</sup> defines a procedure for fixing minimum wage rates for all sectors in Bangladesh. According to this procedure, established under Article 138 of the 2006 Labour Act, the government forms a tripartite Wage Board that is tasked with formulating a recommendation for a new minimum wage. They take into account the cost of living, standard of living, cost of production, productivity, price of products, business capability, inflation rate, economic and social conditions of the country. Following the Labour Act, the Wage Board is obliged to revise its recommendations if any of the aforementioned criteria change (within one to three years). In practice, this has not happened since the establishment of the Labour Act. After five years the minimum wage rates per sector are revised. Minimum wage rates are set on an industry basis and are binding on all employers concerned. Failure to pay workers the minimum wage is punishable by imprisonment for up to one year, or by a fine<sup>6</sup>.

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[https://www.ilo.org/dyn/natlex/natlex4.detail?p\\_lang=en&p\\_isn=76402&p\\_country=BGD&p\\_classification=01.02](https://www.ilo.org/dyn/natlex/natlex4.detail?p_lang=en&p_isn=76402&p_country=BGD&p_classification=01.02)

6

<https://wageindicator.org/labour-laws/labour-law-around-the-world/minimum-wages-regulations/minimum-wages-regulations-bangladesh>

Labour inspectors are authorised to ensure the implementation of labour law including minimum wage provisions. Workers who are paid below the minimum wage may appeal to the Labour Court.

## Main takeaways

- The demand for 23,000 Tk might seem high, but the current minimum wage is not enough to cover basic needs for workers and their dependents. Current prevailing wages of garment workers cover less than a third of the minimum cost of living for a family living in Dhaka.
- When adjusting for purchasing power, taking into account the differing costs of goods and services, 8,000 Tk remains a scandalous low income, and also the 23,000 Tk demanded by trade unions would not surpass the poverty line in many countries. The 23,000 Tk demand is the bare minimum.
- The purchasing power of the current minimum wage (8,000 Tk) is equivalent to 253 dollars in the US. The demanded 23,000 Tk would be equivalent to 728 dollars in the US. For Europe (Germany) the figures would be 185 EUR and 534 EUR respectively.
- In real terms, the minimum wage decreased substantially over the last years. With a minimum wage of 8,000 Tk in 2023, workers can afford less than with a minimum wage in 2014 (at that nominal of 5300 Tk).
- The recent killing of trade union leader Shahidul Islam is a painful reminder of the current state of civic space and the lack of space to organise in Bangladesh. Bangladesh remains a country with severe and systematic violations of freedom of association and the right to bargain collectively. In the most recent ITUC Global Rights Index, Bangladesh is ranked among the ten worst countries for working people with a rating of 5 - no guarantee of rights