

Wage Struggle in Bangladesh

Summary

December 2016 marked yet another period of unrest in the Bangladeshi garment sector. The central issue is the minimum wage which was set in 2013. Based on the national legislation, the next regular minimum wage revision is not due until 2018. Workers, however, are demanding that their salaries increase without further ado, since inflation and the rising cost of basic needs have made the current minimum wage of BDT 5,300 simply insufficient to make ends meet. Garment workers are therefore demanding that the lowest wage in the sector be increased to BDT 15,000-16,000. That means that the current minimum wage would have to triple, which may seem like an unrealistic request. However, four different living wage calculations show that the workers' demand is, in fact, rather modest.

Legal Framework Minimum Wages Bangladesh

Bangladesh does not have a minimum wage act, but a Minimum Wage Board has been in existence since 2006 when the Labour Act was adopted. In 2013, the Labour Act was succeeded by the Bangladesh Labour Amendment Act.¹

The Minimum Wage Board determines the minimum wage. It is comprised of four members appointed by the government: a chairman, an employers' representative, a workers' representative and an independent member. Minimum wages must be increased at least every five years.² (In comparison: in Vietnam and Cambodia minimum wages are revised annually.) The Minimum Wage Board may also decide to raise the minimum wages ad hoc. Since its founding, the Board has only increased the minimum wage for the garment sector twice: in 2010 and 2013. Based on the five-year maximum period without revisions, the next wage review can be expected in 2018.

The 2013 Bangladesh Labour Amendment Act stipulates the Minimum Wage Board's obligation to annually increase wages by five percent. However, the inflation rate has been high over the past years: between seven and 12 percent on average,³ which means that the five percent annual wage increase has not been keeping up with the increased cost of living. In addition, the minimum wage is comprised of several components. At the time of writing, the five-percent mandatory annual increase only applies to BDT 3,000, which is the basic monthly pay. That means that nearly 45 percent of the minimum wage for workers in the lowest wage bracket remains unchanged.

Workers' actual wage depends on the type of work and the level of skill required. On those basis, the garment sector is divided into seven grades, with minimum wages being the highest in grade 1 and the lowest in grade 7.⁴ Most – especially female – workers receive the wage linked to grades 5,

1 van Klaveren, Maarten. 2016. *Wages in Context in the Garment Industry in Asia*. Amsterdam: WageIndicator Foundation. P. 19. Retrieved from <http://www.wageindicator.org/main/Wageindicatorfoundation/publications>

2 ILO. n.d. *Characteristics of minimum wage setting system and minimum wage levels*. Retrieved from http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/genericdocument/wcms_223988.pdf

3 World Bank. n.d. *Inflation, consumer prices (annual %), Bangladesh*. Retrieved from <http://data.worldbank.org/indicator/FP.CPI.TOTL.ZG?locations=BD>

4 Centre for Policy Dialogue Bangladesh & Berenschot. 2013. *Estimating a Living Minimum Wage for the Ready Made Garment Sector in Bangladesh*. Pp. 20-21. Retrieved from http://www.berenschot.com/publish/pages/2787/estimating_a_living_minimum_wage_for_the_rmg_sector_in_bangladesh_september_2013.pdf

6 or 7.⁵ In other words, as the salaries increase, the number of workers in the corresponding grades decreases. Additionally, the share of male workers increases in the better paying grades.

Those receiving the lowest monthly income earn a basic salary of BDT 3,000, complemented with: BDT 1,200 for housing expenses; BDT 250 for medical expenses; BDT 200 for transportation; and BDT 650 as food subsidy. The total minimum wage for workers in the lowest wage grade was therefore BDT 5,300 in 2013.⁶

Factory owners have been known to degrade workers after increases of the minimum wage to avoid paying a higher minimum wage. They have even added an informal eighth grade to avoid raising the wages, and they are paying workers in that grade less than the legal minimum wage.⁷

Historic overview of the minimum wage struggle Bangladesh

The minimum wage in Bangladesh has so far only been increased after serious protests and conflicts. The first minimum wage was set in 1983, at BDT 627. In the following two decades, the minimum wage was only adjusted in 1994, to BDT 940. Between 2001 and 2011, the purchasing power of garment workers actually decreased due to inflation, which was more than seven percent on average. The minimum wage in 2006 was BDT 1,662. That is an increase of 265 percent compared to 1983, but far below the living wage standard and even below the national poverty line (as calculated by the World Bank), which was set at BDT 1,730 per month.

Severe protests leading to clashes between workers and the police triggered the next minimum wage increase, in 2010.⁸ Workers' monthly minimum wage was raised to BDT 3,000. More unrest followed three years later, and the Rana Plaza collapse put a spotlight on the conditions in the Bangladeshi garment industry. Only after several workers had been killed in the violence surrounding the protests did the workers succeed in their demand for a higher monthly wage.⁹ However, their success was relative since the increase of the minimum wage to the current BDT 5,300 still means that workers are not being paid a living wage (see next section). In December 2016, workers started demanding a tripling of their monthly minimum wage to between BDT 15,000 and BDT 16,000.

Minimum wage in Bangladesh through the years

1983	1994	2006	2010	2013	2017?
BDT 627	BDT 940	BDT 1,662	BDT 3,000	BDT 5,300	BDT 16,000?

A living wage in Bangladesh

Several institutions have developed calculations to specify a living wage. They use different benchmarks and methodologies. Despite their differences all living wage calculations underline the fact that the current minimum wage falls short of meeting even the basic needs.

The Global Living Wage Coalition (ISEAL Alliance) calculated that a living wage in Dhaka should

5 Centre for Policy Dialogue Bangladesh & Berenschot. 2013. P. 25.

6 Marriott, Red. 2013. *Highs and lows of a wage rise – the new garment minimum wage*. Retrieved from <https://libcom.org/news/highs-lows-wage-rise-new-garment-minimum-wage-20112013>

7 Centre for Policy Dialogue Bangladesh & Berenschot. 2013. P. 20.

8 Associated Press. 2010. *Minimum wage for workers in Bangladesh raised after protests*. Retrieved from <https://www.theguardian.com/world/2010/jul/29/minimum-wage-workers-bangladesh-protests>

9 Devnath, Arun. 2013. *Bangladesh garment workers stage fresh protests after two deaths*. Retrieved from <https://www.bloomberg.com/news/articles/2013-11-19/two-bangladesh-garment-workers-die-in-protests-for-higher-wages>

be no lower than BDT 16,460 per month in 2016.¹⁰ The calculation is based on the assumption that the average family has four members, and of those 1.58 are full-time workers. The calculation also takes into account that there are significant differences between the costs of living within and outside of the city. In the satellite cities surrounding Dhaka the calculated living wage is therefore slightly lower: BDT 13,630.

The Wage Indicator Foundation (WIF) bases its calculation on their own Cost of Living Survey, in which respondents can indicate how much a specific item costs in their country. The calculation assumes that every family has 1.77 earners and 2.29 children to support from their income.¹¹ The World Bank's estimation that an adult needs 2100 calories per day is also a part of the calculation. According to WIF the living wage for garment workers supporting an average family in Bangladesh should be between BDT 12,200 and BDT 18,000.

The Center for Policy Dialogue Bangladesh and Berenschot used three different methodologies to calculate a living wage for garment workers in Bangladesh. The first methodology is based on the national upper poverty line. The second methodology focused on purchasing power and workers' real expenditures that were researched through focus groups. The final methodology is based on a model diet that takes into account energy and nutritional needs. On those basis, they assessed that a living wage amounts to BDT 17,786.¹²

The Asia Floor Wage Alliance based its calculation upon several assumptions. Firstly, the wage earned in the garment sector is assumed to be the main or the only family income. Consequently, it has to support not only the worker but also two additional 'consumption units', whereby one consumption unit equals: two adults; one adult and two children; or four children. Next, the AWFA assumes that an adult needs 3000 calories per day. It is also assumed that workers need approximately 50 percent of their wage to cover food expenses (based on food basket research and the resulting calculation of food costs for a family). Fourty percent of their wage is necessary to cover non-food expenses such as housing, childrens' education, transportation and medical costs. The final 10% is left for savings. The latest calculations, in 2015, estimated that a living wage in Bangladesh amounts to BDT 29,442.¹³

Living wage calculations for Bangladesh

Global Living Wage Alliance (2016)	Wage Indicator Foundation (2016)	Centre for Policy Dialogue Bangladesh & Berenschot (2016)	Asia Floor Wage Alliance (2015)
BDT 16,460 (Dhaka) BDT 13,630 (satellite cities)	> BDT 12,200 < BDT 18,000	BDT 17,786	BDT 29,442

Clearly, there is a large gap between these estimations and the current minimum wage. In reality, most Bangladeshi garment workers earn less than the 2016 World Bank Poverty Line Wage for Bangladesh, which was BDT 7,418 per month. To reach even the lowest living wage estimate, the current minimum wage would have to be increased by 230 percent.

10 Khan, M.E., Anker, Richard, Anker, Martha, & Barge, Sandhya.2016. *Living Wage Report – Dhaka, Bangladesh and Satellite Cities*. Global Living Wage Coalition. P. 9. Retrieved from https://www.isealalliance.org/sites/default/files/Dhaka_Living_Wage_Benchmark_Report.pdf

11 *Wage Indicator Wages in Context – Bangladesh*. Retrieved from <http://wageindicator-wages-in-context.silk.co/page/Bangladesh>

12 Centre for Policy Dialogue Bangladesh & Berenschot. 2013. Pp. 39-41.

13 Asia Floor Wage. n.d. *Asia Floor Wage. What is it and why do we need one*. Retrieved from <http://asia.floorwage.org/what>

Ongoing Unrest in Bangladesh

The latest period of unrest in the Bangladeshi garment sector started on 12 December 2016. Workers from the Windy Apparels Ltd factory went on strike, demanding an increase of the lowest wage to BDT 15,000 or BDT 16,000.¹⁴ The unrest soon spread to other factories in the area. This led to 59 factories having closed their doors until the end of protests, which brought 150,000 workers to the streets to demand a higher wage. Both factory owners and government forces were forcefully repressing the non-violent protests. On 20 December, when workers were to return to their factories, between 1,600 and 3,500 found out they were dismissed. In addition, between ten and twenty union leaders and human rights advocates had been detained and factory owners filed over 600 cases against workers who were accused of having caused the unrest.

The situation remained unchanged for more than two months, although several international organizations (Clean Clothes Campaign, Human Rights Watch and IndustriALL, among others) had urged the Bangladeshi government to rapidly release the imprisoned leaders.

After the unrest several brands stated to be in favour of an ad hoc wage review, and they urged the Bangladeshi government to implement a transparent and regular wage review mechanism so as not to be dependent on ad hoc decisions in the future. Among these brands were GAP, Levi Strauss, the North Face, Abercrombie & Fitch, C&A, Inditex, H&M and several other large western buyers. Even though this is an important first step, brands have done little to ensure the required (financial) input for the suppliers to meet all the costs and maintain reasonable margins.

Check <https://cleanclothes.org/news> for updates on the situation after mid-February when this factsheet was completed.

14 Clean Clothes Campaign. 2017. *Bangladeshi garment workers face mass firings and criminal charges*. Retrieved from <https://cleanclothes.org/news/2017/01/05/bangladeshi-garment-workers-face-mass-firings-and-criminal-charges>