

- We have researched that Many factories have grown several times in the last ten years, few have grown more than 10 times
- Around 45% (1760) factories are 91 to 100 percent compliant in line with advanced international occupational health and safety standards. These factories have comparatively strong financial bases.

Financial Year	Export Earning (Billion USD)	Year on Year growth (%)	% of RMG to Total Export
2017-18	30.61	8.74	83.49
2018-19	34.13	11.50	84.21
2019-20	27.95	-18.12	83.00
2020-21	31.46	12.56	81.16
2021-22	42.61	35.44	81.82

Source: Export Promotion Bureau

IMPORTANT OTHER RATIONALE

- To qualify for GSP+ facilities in the EU markets, once fully graduated to a developing country status, an acceptable minimum wage certainly carries immense potential.
- As per current USD-BDT exchange rate, the last set minimum wage recalculates to BDT 10,388 (98USD X 106BDT) only, without any change in the base minimum wage.
- After inflation adjustment, the same figure further recalculates to BDT 12345 only in 2022.
- Current average wage taking (BDT 12794) is around 11% less than the upper poverty line wage calculation. Current RMG sector minimum wage (BDT8000) is around 78% less than the upper poverty line wage calculation. It is around 200% less than the banking sector minimum wage (Cleaner) declared in 2023.

Table: Current wage taking

Grades	Monthly income excluding OT	Monthly income including OT
7 th Grade	BDT10231	BDT12873
6 th Grades	BDT10873	BDT13747
Average	BDT 9914	BDT 12794

LEGAL CONTEXT

Law/Policy	National legal context
Labour Policy 2012	Wage must be sufficient to maintain a standard of living of the workers and their family members. It must be sufficient for physical and mental development and helpful for increasing productivity.
BLA 2006 (Section 141)	In making its recommendation the Wages Board shall take into consideration among others cost of living and standard of living.
The Constitution (Article 15, 15a, 15b & 5d)	Basic necessities of life, including food, clothing, shelter, education and medical care shall be secured. Employment at a reasonable wage shall be guaranteed. Right to social security shall be addressed.

International legal context

ILO, Convention No. 131, Article 3, 1970	Elements that deserve consideration in determining a wage are the 1) needs of workers and their families, 2) the cost of living, 3) social security benefits, and 4) the relative living standards of other social groups.
UN UDHR 1948	Just & favourable remuneration ensures for himself & his family an existence worthy of human dignity.
European Social Charter 1961	A fair remuneration sufficient for a decent standard of living for the worker & his/her family.

THE PROPOSITION

- Based on our research and calculation rationales, we propose to set following minimum wages for the Bangladesh's RMG industry:

3 different areas	3 different minimum wages (BDT)	USD (1USD=106BDT)
General	21,415	202
Dhaka	22,850	216
Satellite cities	21,000	198
Chattogram	20,400	192

- These are the most conservative calculations and are slightly above the upper poverty line cost of living for a reference family of 4 members.
- Maintain a minimum of 7-10% wage increase between two grades.
- Must add realistically achieved increments/benefits and work-years with the new revised minimum wage.
- Introduce calculating and paying dearness allowance at the end of each 6 months.
- Agree a tripartite social dialogue to systematically assess & monitor factory capacity to enable a full-fledged implementation within shortest possible time.
- Adopt a legal binding to protect labour cost separately during price negotiation with buyers. (On average, only a 10-12 cents more price for every single product must enable a decent minimum wage)
- Reduce the present 7 grades to 5 grades and identify and regroup all existing positions accordingly.



Die Zivilgesellschaft im Bündnis für nachhaltige Textilien



POLICY BRIEF RMG SECTOR MINIMUM WAGE: CALCULATION, RATIONALE, AND THE PROPOSITION

A decent minimum wage has direct bearings on productivity, export performances, economic growth, and on poverty reduction. The government has a firm commitment to ensure a productive wage as part of the SDG accomplishment processes. A decent minimum wage is important to qualify for the GSP+ facilities in the EU markets. There is a legal binding to review and fix the RMG sector minimum wage by 2023. Last but not the least, there cannot be any reason that workers in the world leading RMG factories are paid a subsistence wage which is well-below the poverty line cost of living. This policy brief exemplifies the calculation, rationale, and proposition of a decent minimum wage for the country's RMG sector.



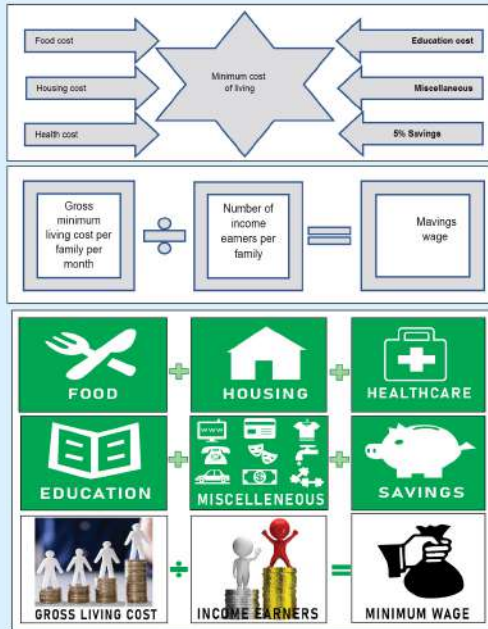
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THE CALCULATION

MINIMUM WAGE

The lowest wage to be paid to a full-time worker needs to cover the food cost, housing cost, health cost, education cost, and miscellaneous other costs like personal care, travel & communication, guest entertainment, clothing & footwear, household equipment, recreation, services costs, as well as some savings for the future. It is a minimum monthly wage, slightly above the upper poverty line cost of living for the worker and his/her dependents.



CALCULATION RATIONALES FAMILY SIZE

A reference family of 4 members

Reference family 1:

- **1 worker:** man/Woman; 19-59 years; 60-65 kg
- **1 spouse:** man/woman; 19-59 years; 60-65 kg
- **1 child:** girl/boy; 2-4 years; 9-10 kg
- **1 child:** girl/boy; 10-11 years; 25kg

BASIS

- BILS research:
 - 1) The average household size of RMG workers is 4.2.
 - 2) 86% of workers have children.
 - 3) For 33% cases, father/mother or both live together under the same roof.
- The fertility rate for urban Bangladesh is 2 and >5 child mortality is 45 per 1000 births. That means, the number of children born and surviving to age 5 is around 2.

Reference family 2:



- **1 worker:** man/Woman; 19-59 years; 60-65 kg
 - **1 spouse:** man/woman; 19-59 years; 60-65 kg
 - **1 child:** girl/boy; 2-4 years; 9-10 kg
 - **Parent/in-law:** 60 & + years; 65 kg
- According to the Household Income and Expenditure Survey (HIES), 2016, average household size in urban Bangladesh is 3.93.
- Parent's Care Act, 2013 compels every son/daughter to look after parents. Under no circumstances, children can send their parents to old homes.

INCOME EARNERS PER FAMILY



- 146 income earners per RMG worker household (BILS research).
- The gross minimum living cost is to be divided by 1.46 to determine minimum wage.
- This is the most conservative calculation. According to HIES 2016, in urban Bangladesh, each household has on average 1.33 income earners

FOOD & COST



- 2188 Kcal food per family members per day.
- This is based on WHO equation, and basal metabolic rate against age, weight, height, and size. All members in the reference family size are considered to have moderate physical activity levels.
- BDT 109.73 (1USD) is calculated as food cost (homemade) for 2188 Kcal food.
- Based on the listed food items given in the HIES 2016 that people in urban Bangladesh normally eat, a minimum dietary requirement of 2188 Kcal is recalculated.
- Calorie intake from beef and mutton is redistributed for chicken items.
- Prices are collected two times for two different months from four different Districts.
- Significant price variation of some food items between two months is observed.
- An additional 5% cost is added as waste and spoilage.
- A single gas burner costs BDT980 per month is to be added with the food cost of a reference family.

HOUSING



- Minimum 270-275 square feet (25/26 square meters) of livin space. The Indian government set a standard of 28-48 square meter; In Vietnam 30 sm; and in Kenya 32 sm;
- Cement walls and cement floor and roof does not leak;
- Comparatively healthy toilet and not more than eight (8) users;
- Kitchen is clean and not shared by more than two families;
- Water source inside the home arrangement;
- Environmentally in an acceptable location;
- Walking distance from the factory.

HEALTH COSTS



- A representative survey of 457 workers finds that the health cost is BDT1170 per RMG worker family per month.
- Families having old-aged members and/or >5 children, have higher health costs.
- This is consistent with the HIES 2016. Considering consumption costs ratio (4.57%), health cost calculates BDT1538 per month. Considering illness intensity (2.6 times a year), average outpatient medical expenses (BDT378) and respective medicine cost (BDT701), health cost calculates BDT 935 per family per month.
- Loss of workdays and income, caring cost to children, and cost for serious illness deserve consideration further to determine health costs.

MISCELLANEOUS COSTS



- Miscellaneous costs should include 1) costs for personal care (laundry, baby feeder/soap/toothpaste/toothbrush/coconut/oil/ snow-powder/hair clippers/lipstick/nailpolish/razor/shaving cream/ hair cut/mask & sanitizer/ sanitary napkin etc.), 2) travel and communication costs, 3) guest entertainment costs, 4) clothing & footwear costs, 5) cost for furniture and household equipment, 6) recreation and cultural costs, 7) cost for eating away from home, and 8) costs for various services such as Bkash/Dish/Internet and unforeseen others.
- As per the HIES 2016, miscellaneous costs is 14.58% of all consumption costs. Based on this, a simple one go approach can be followed to determine miscellaneous costs.

EDUCATION COSTS



- A representative survey of 457 workers finds that the education cost is BDT1103 per RMG worker family per month.
- Majority of children attend government school, close to their residences. A significant number of children study in madrassa which have relatively higher cost.
- Survey findings are consistent with the HIES 2016. As per HIES 2016, education cost is BDT1502 per household per month.

SAVINGS



- 5% savings. This is the most conservative assumption.
- Most common figure is a 5 to 10 percent savings margin.

RMG CAPACITY



- Second largest garment exporter in the world
- 35.44% export growth in 2021-22, with the highest export earning of nearly 43 billion USD.
- The export earnings ratio per worker has been more than double (BDT 1,421.843) between the last five years only.
- One CPD administered research finds that the employer's share of profit is highest (8.9%) and the labour cost is lowest (2.7%) in Bangladesh in comparison to Vietnam and China.
- 83% of workers claimed that their factories have tremendous financial capacity.