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Minimum Wages in Bangladesh

An Analysis of their Present Status

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AN ANALYSIS ON MINIMUM WAGES IN BANGLADESH

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Author's Introduction

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Setting the Context

This national status paper provides glimpse of overall situation of the workers especially the garments worker of Bangladesh. It highlights the current minimum wage condition in Bangladesh.

Introduction

Bangladesh has a huge population with cheap labour force. Sometimes it is called as a labour surplus country with 156 million people. The amount of total GDP is increasing day by day. Now the total GDP of Bangladesh is \$286.27 billion (nominal; 2018) \$758.17 billion (PPP; 2018). Despite the gradual rise of GDP the disparity between the rich and poor are increasing.

It is well known that Workers' welfare has been formally guaranteed in the Constitution of the Peoples' Republic of Bangladesh. Section 14 of constitution dictates that,

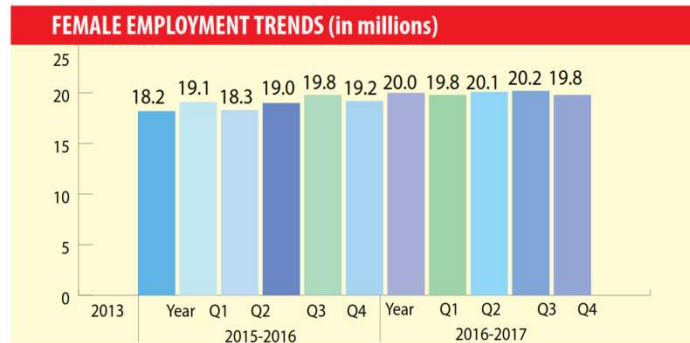
"It shall be a fundamental responsibility of the State to emancipate the toiling masses, the peasants and workers, and backward sections of the people from all forms of exploitation".

Section 15 of constitution also mentions the right to guarantee employment at a reasonable wage and the right to social security. Besides the aim of the National Labour Policy of 2012 is to ensure an investment friendly atmosphere by creating productive, exploitation free, decent, safe, and healthy workplace for all active citizens and to establish workers' rights and dignity of work. The government of Bangladesh had enacted the Labour Law of 2006, amending it later in 2013. Recently on September 2018 the government approved a draft of the Bangladesh Labour (Amendment) Act, 2018. It is waiting for the parliament's approval. Moreover, Bangladesh Labour Rules were also introduced in 2015. These policies are all in place to ensure the rights of workers of Bangladesh

* Description of current actual states of labor sector

According to the Labour Force Survey 2016-17, Bangladesh's current employed population is 60 million from total 62.5 million working population. Since 60 million people are employed so 2.5 million people are remaining unemployed. The unemployment rate remained at a constant 4.2%,. According to the survey the size of the female labour force in Bangladesh increased at a significantly more rapid rate

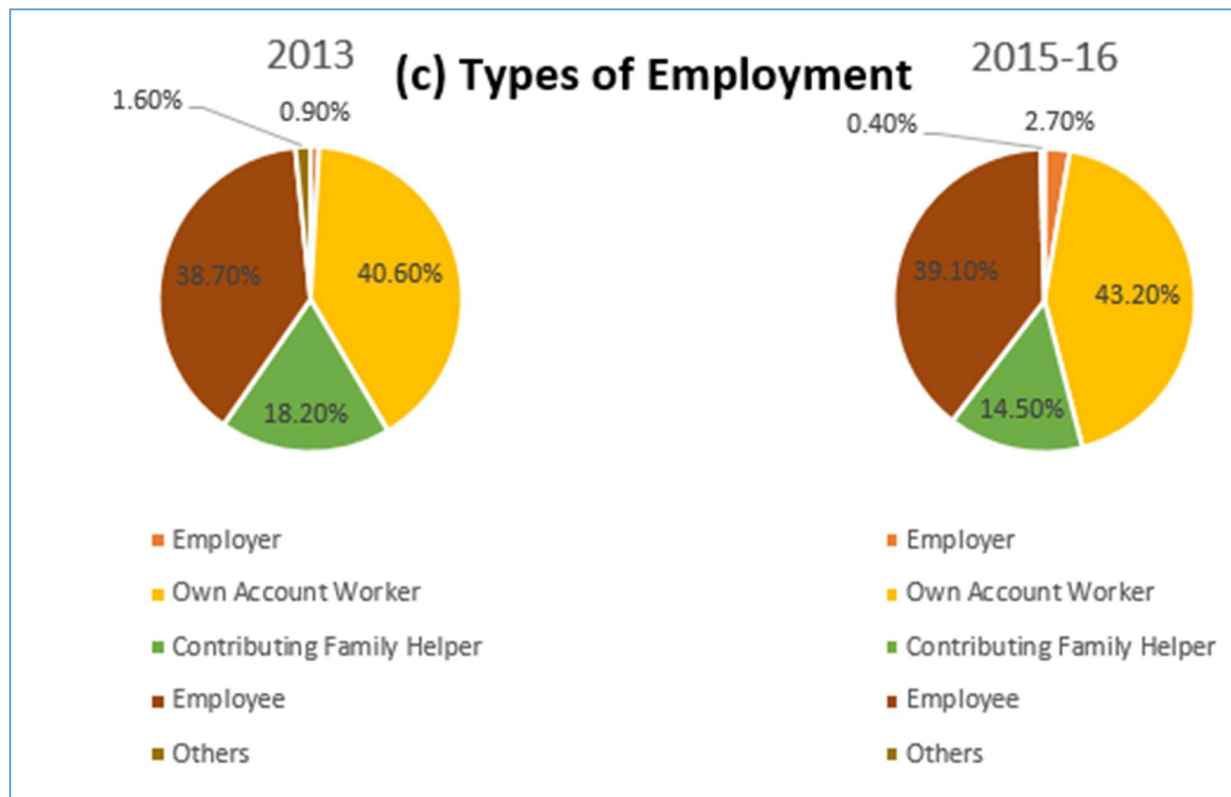
than that of men from the 2013-14 fiscal year. According to the LFS report of 2015-16 as compared to the figures of LFS of 2013-14 the size of female labour force increased by 4.6%, while the male labour force increased by only 1%.



The total labour force increased by 1.4 million, or 2.3%.

The graduate unemployment rate is also increasing. This currently hovers around 9%, compared to 6.7% in the 2013 study.

Besides the new job creation is decreasing from 13.3 lacs, during 2010-13 to just 4.7 lacs in 2013-16 periods.



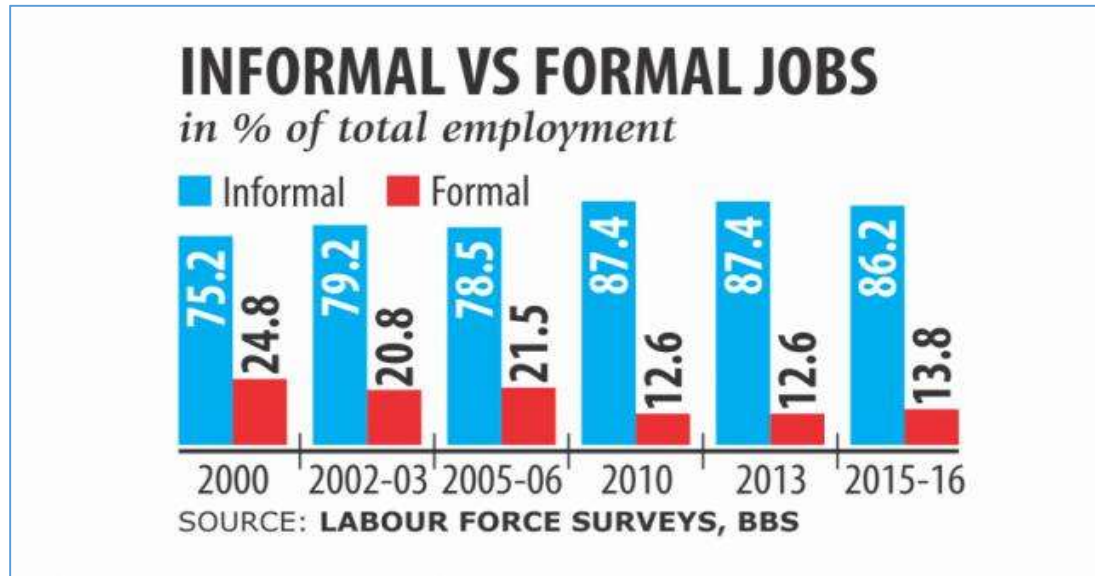
Source: Labour Force survey 2016-17

Another noticeable thing is that employment in the service sector is growing at the expense of the agriculture sector.

***Formal and informal sector:**

According to the 2010 Labour Force Survey, 87 per cent of the labour force was employed in the informal sector in Bangladesh. Those working in the informal economy include casual wage labourers, self-employed persons, unpaid family labour, piece-rate casual workers, and other hired casual labour. Dhaka city has become the breeding ground of informal sector activities. If we look at the the Dhaka City we will find that majority of them are engaged in informal sector.

The sixth Five Year Plan (SFYP) of Bangladesh (2011-2015) recognizes the vulnerability of workers in the informal economy and states “This calls for changing the structure of employment by withdrawing labour from low productivity agriculture and informal jobs (also known as sectors with disguised unemployment) to higher productivity jobs in the manufacturing and formal services” (SFYP document, March 2011, p. 46).



Source: BBS-2018

The BBS ----- report shows us that employment in the informal sector has been increasing constantly. It is a great challenge for us to transform the informal sector into a formal one. According to the Labour Force Survey (LFS) 2015-16, Bangladesh 86.2 percent labour force is engaged in some type of informal employment, which is higher than the figure of 75.2 percent in 2000 .It is noticeable for Bangladesh that the economy has been going through a structural transformation from agriculture based to manufacturing based. However that transformation is more prominent with respect to output than employment. In terms of output contribution agriculture now contributes only 15-16 percent of GDP. But in terms of employment share Agriculture contributes to a level as high as 40 percent!.

Changes in the size of Labour Force and Composition Year Population Working age

Year	Population		Working age		Employed		Unemployed	
	Male	Female	Male	Female	Male	Female	Male	Female
1999-00	64.09	60.26	38.30	35.90	31.1	7.9	1.1	0.7
2002-03	68.33	65.08	41.20	39.60	34.5	9.8	1.5	0.5
2005-06	70.04	67.26	43.01	41.58	36.1	11.3	1.2	0.9
2010	74.15	73.59	47.85	47.74	37.9	16.2	1.6	1.0
2015-16	79.6	78.9	48.4	50.3	41.76	17.77	1.3	1.3

(Source: Basak, 2013 and BBS, 2017)

Labour force participation rate in percentage (aged 15 or older by age group, sex and area)

	Rural			Urban			Bangladesh		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
15-29	69.7	32.8	50.6	69.4	31.1	48.6	69.6	32.3	49.9
30-64	94.8	44.4	69.5	94	32.5	64.4	94.6	41	68
65+	54.6	11.9	35.7	44.1	8.2	28.6	52.3	11.1	34.2

(Source: BBS, 2017)

Minimum Wage and Social Protection

The minimum wage is an important policy tool for poverty reduction and social justice for any country. The social and economic safety of the working class is closely connected with the minimum wage. The working Class of Bangladesh are demanding to increase the minimum wage in every sector.

Generally wage is determined by market forces. Naturally it is closer to the level of bare minimum subsistence cost. In informal sectors this wage is often below the subsistence level. Our poverty statistics show that at least 12% of our population do not receive a wage to cover 1800 kcal wage goods expenditure. They are the extreme poor section of our society and are mainly concentrated in the informal sector of the economy. The economic growth generally bypasses them because of the non inclusive nature of our economic growth.

How the recent economic growth had failed to reach the bottom people is clearly manifested in the following table depicting the increase in inequality index of Bangladesh in the recent period.

Table 5
Income Share Analysis: The Palma Ratio (per cent)

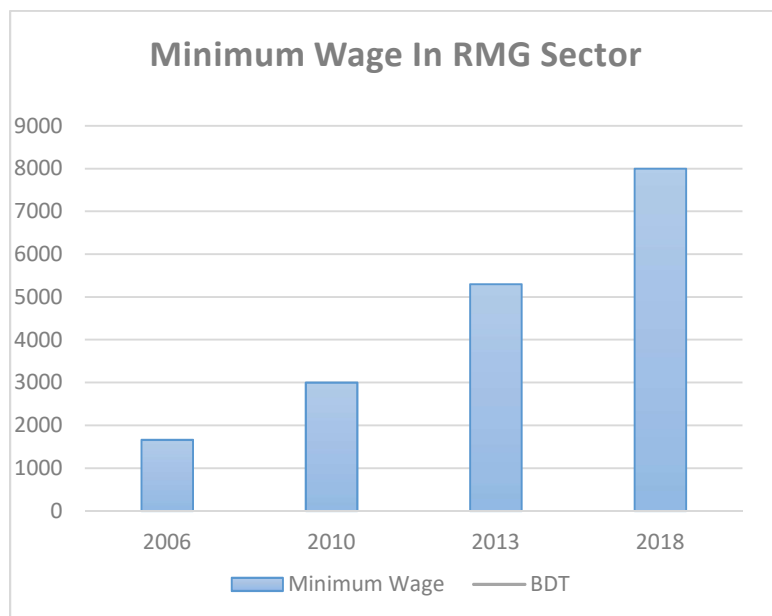
Income share (%)	1980s	1990s	2000s
Bottom 40%	18.22	16.30	14.34
Middle 50%	51.53	49.72	48.92
Top 10%	30.25	33.97	36.75
Palma Ratio	1.66	2.08	2.56

Notes: Palma ratio is the ratio of income shares of the top 10% and the bottom 40% of the population.

Source: Household Income and Expenditure Surveys of the Bangladesh Bureau of Statistics (various rounds).

The official minimum wage is generally confined to the few modern formal sectors and therefore it can not offset the pernicious effects of growing relative deprivation of the bottom sections of the society engaged mainly in the informal sectors.

The government has however recently raised the minimum monthly wage for 4.4 million garment workers to TK8, 000 from the existing TK 5,300. It was declared at 14 September 2018. It will be implemented from this December-2018. The workers will get the new wage in January next year. In that wage 4,100Tk is regarded as a basic wage, TK 2,050 is for house rent, TK 600 for medical allowance, TK 350 for conveyance allowance and TK 900 will be for food expenditure. By getting the declaration the workers of this huge RMG sector remains unsatisfied. Some trade union leaders rejected the proposed hike and urged the prime minister to review it as soon as possible. They demand that the minimum monthly wage be fixed at TK 16,000. It is not possible for the RMG workers to get the minimum social protection with this minimum wage.



The new wage was fixed following Bangladesh Labor Law which has a provision to fix wages after a five year interval. In 2006 the minimum wage was 1662.50, in 2010 the minimum wage of RMG sector was 3000, in 2013 the minimum wage of RMG sector was fixed at 5300 and recently the wage has fixed at 8000 TK. It can be easily said that the minimum wage which was determined by the government for workers is not adequate to maintain a decent life. Majority of the garments workers is not able to earn enough to meet their basic needs.

One important question is whether the increase in the nominal wage was able to offset the increase in the cost of living of the workers engaged in the formal sector. As shown in the figure the minimum nominal wage has increased during the last seven years (2006—2013) by almost 381 percent. The latest report shows that the consumers price index has increased from 181.73 (2012-13) to 245.22 (2017-18) which means that at least cost of

living in Bangladesh has increased by 35 percent. This again implies a real positive improvement of real wage at least in the garments sector since 1913.

However another study proves that the rise of real wage in general lagged behind the rising productivity of the workers. In a background paper of the seventh five year plan S.R. Osmani presented the following findings—

Real wage Growth and Productivity Growth

(Per Annum)	Nominal Wage	Food CPI	Real Wage	GDP Per Worker
1981-1989	12.43	9.52	2.91	0.25
1989-2000	5.44	5.31	0.13	2.34
2000-2010	8.94	8.17	0.77	3.18

The table shows that during the period of 1989—2010, the GDP per worker or productivity of worker had increased at a higher rate than the rate of increase in the real wage. This is a clear sign of social injustice against the workers.

Status of labour rights in the country

- The Bangladesh Government has not established enough development toward protecting basic worker rights in Bangladesh, including the important rights of free expression and freedom of association, or strengthening overall access to rule of law for workers and civil society activists.
- In Bangladesh a large number of workers work in RMG sector. But very few garments factory are compliant and maintain the law. Most of the factory does not ensure safety of the workers. Workers work in unhygienic and hazardous environment. So the workers become sick. Garments and fire is closely related to each other. But in Bangladesh most of the factory has a very few fire extinguisher and the buildings are so congested that many accidents are happening every day.
- Many trade unions are actually bribed and are serving the purpose of the factory owners.
- Building a culture of Occupational Safety and Health and the skills to implement it is a major challenge for the RMG sector.
- Besides Monitoring system to oversee factory safety issues is not satisfactory.
- The number of trade unions has increased a little bit since Rana Plaza, with 481 registering after the disaster, but that they still need improvement in their capacity to implementing labour rights.

Policies and Laws

Policies and Laws related to Minimum Wage and Social Protection

Bangladesh has labor laws that specify employment conditions, working hours, minimum wage levels, leave policies, health and sanitary conditions, and compensation for injured workers. Freedom of association and the right to join unions are guaranteed in the constitution. In

practice, compliance and enforcement of labor laws are inconsistent, and companies frequently discourage the formation of labor unions.

- Under the newly draft labour law of september-2018 to form trade unions at factories the workers' need 20 percent participation . Presently the workers need 30 percent Participation to form trade union. Besides The draft also declared that to finish the registration process of a trade union by 55 days instead of 60. These are slight improvements in the new draft law.
- Recently approved labour law ensure mandatory eight-week maternity leave and other benefits within three days of submission of necessary documents. The owner will face penalty of Taka 25,000 on charge of depriving an expectant mother of maternity leave.
- The newly approved law has also given ban on child labour in factories. If any owner of the factory employs child workers they will have to pay a fine of Tk 5,000. Although the labour law has approved new laws but the implementation is not noticeable. The main reason behind the lack of enforcement of labor law is ignorance of employer and worker. So unhealthy work environment, low wages, discrimination, child labor and many illegal practices in the workplace are very common in Bangladesh which are overlooked by the legal authority.
- According to the new law, 51 percent workers would be required to enforce any work abstention or lock-out. Before the strike/lock up workers would require the consent of 61 percent of total workers. The new law proposed reducing the jail term of a worker for taking part in any illegal lock-out to six months from one year.
- The registration process of a labour organization would be resolved within 55 days. Before this law it was 60 days.
- In the export processing zones-EPZ. Unions are not yet permitted.

Status of Implementation

Finally Bangladesh has taken newly passed minimum wage. The draft of the Wage board finalized in 23rd October. The apparel workers in Bangladesh will get Tk 8,000 wage from December 1 2018. It is a pressing issue that RMG workers of Bangladesh are paid salaries considered below poverty lines by them and therefore are caught in a poverty trap. Recently Bangladesh have set the statutory minimum wages which is insufficient to provide workers with a decent standard of living. This issue has called for action to be taken by both governments and employers to take responsibility and undertake measures to increase wages for workers. The debate around the living wage has caught increased attention the past few years. For many years Bangladesh garment workers and Major Trade unions are demanding a higher minimum wage. This year Bangladesh had a chance to increase it.

- **Polices and laws that prevent guaranteeing minimum wage and social protection services**
Although the basic wage for the garments worker has been increased in the newly passed law. But this is not sufficient. Because it will not ensure the demand of the general workers

for the social and economic protection. Social protection is an important dimension in the reduction of poverty and it should cover multidimensional deprivations like health, education and shelter.. It is an approach towards thinking about the processes, policies and interventions which respond to the economic, social, and political and security risks and constraints which poor and vulnerable people usually face, and which if taken will make them less insecure and less poor, and also enable them to participate in economic growth more effectively.

- **Status of international conventions and covenant on minimum wage and social protection**

According to ILO the social security and protection is very important ensuring labour rights. ILO's Social Security (Minimum Standards) Convention, 1952 (No. 102) ensured Social protection.



Social protection floors are nationally-defined sets of basic social security guarantees which secure protection aimed at preventing or alleviating poverty, vulnerability and social exclusion. These guarantees should ensure at a minimum that, over the life cycle, all in need have access to essential health care and basic income security.

National social protection floors should comprise at least the following four social security guarantees, as defined at the national level:

Such guarantees should be provided to all residents and all children, as defined in national laws and regulations, and subject to existing international obligations.

- **Institutional mechanism to implement the minimum wage and social protection services**

Nature of the problems in relation to implementing the minimum wage schemes

1. The owners of the factories and Government did not accept the legitimate demand of the workers.
2. Workers' Rights are highly violated in the factories.
3. Mass people were not conscious about the workers' rights.
4. Civil Society has showed negligence towards workers right.
5. Forming labour union is difficult and there are many restrictions.
6. Lack of Knowledge of Bargaining of the trade union leaders.
7. Lack of legal advisory system.
8. Because of job insecurity workers are not engaging with the labour movement.
9. There is not enough budgetary provision for guaranteeing social security for all citizens.

- **Labour movements/trade union movements for minimum wage and labour rights**

There are many trade unions and national federation of unions in Bangladesh. But their national and sectoral organized strength is poor and insufficient. Maximum workers of Bangladesh are out of trade Unions. The number of members of basic trade unions in garments sector is not increasing at a consistent rate with the increase in the size of the working force. . The trade unions are politically bound, divided and constrained. Many trade unions are associated with the Government directly or indirectly. The majority of them remain silent in the time of raising the workers' voice for a just demand. When the newly minimum wage was passed some of them had congratulated the governments. Some others demanded a higher wage. General workers were divided and the issue could not generate any militant movement.

The left leaning trade unions are still raising their voices. They are not satisfied with the government decisions. But they are not becoming able to organize a huge movement like 2006 wage movement of Bangladesh. In general the trade union movements in the nationalized sector as well as in the private sector are weakening day by day.

Recommendations

Finally some recommendations can be considered by the SAAPE for improving the lot of our workers in Bangladesh:

- Government needs to undertake a set of measures to improve work condition of the workers and make all the industries in the export sector compliant. This is necessary for the national as well as class interest of the workers.
- Minimum Wage should be increased from 8000 TK to 16000 BDT. This is a major demand of the trade unions. At least the majority of the workers are united in their demand here.
- The minimum nominal wage should be yearly revised taking into consideration of both productivity increase and cost of living increase of the concerned workers.
- Trade union Rights should be implemented to all the formal sectors and gradually instituted for the informal working sector too.
- Media can and should play a great role to uplift the voice of the workers about their legitimate labour rights.
- Civil society can do advocacy on wage and labour rights issue. Freedom of press, expression and media should be ensured.
- Labour law should be implemented all the formal and informal working sector of Bangladesh.
- Labour rules should be propagated in all spheres of working space.
- Finally, to maintain a stable economy labour rights should be preserved.
- SAAPE should engage with the national campaign which will have regional significance
- Providing a list of possible legal actions that national civil society could challenge at court/government authority, para-legal authority etc.
- Providing a list of possible urgent policy actions where a lobby could be done to change the policies in favour of labour both at formal and informal sector

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