

Living Wage Update Report: Dhaka and Satellite Cities, Bangladesh, 2023

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Dhaka City:



Satellite Cities:



Photo credit: Marcel Crozet / ILO.

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Abstract:

This report provides updated estimates of family living income expenses and living wages for Dhaka, Bangladesh and its surrounding Satellite Cities, where most of Bangladesh's garment industry is located. The update for 2023 takes into account inflation and changes in payroll deductions since the original Anker living wage study carried out in March 2016 (Khan et al., 2016).

Keywords: Living costs, living wages, Anker Methodology, Bangladesh

JEL classifications: J30, J50, J80.

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1. BACKGROUND

This report updates the Anker living wage and family living income expenses to 2023 for Dhaka, Bangladesh and its surrounding Satellite Cities, where most of Bangladesh's garment industry is located. This update takes into account the amount of inflation since the original study in March 2016. This is done by updating the March 2016 net living wage and family living income expenses to June 2023 by inflation. This provides average living wage and living income expenses estimates for 2023. Without accounting for inflation, the net living wage estimated in 2016 would not be sufficient for workers to have a basic but decent standard of living in 2023 because the purchasing power of the living wage would have decreased. The gross living wage (aka living wage) is updated to 2023 by also taking into account income taxes and mandatory deductions from pay, that workers need to pay on the updated 2023 living wage. This is done using laws in force in June 2023.

2. LIVING WAGE AND LIVING EXPENSES FOR REFERENCE SIZE FAMILY IN ORIGINAL COUNTRY REPORT IN MARCH 2016

The original living wage report estimated the net living wage in March 2016 as BDT 16,450 for Dhaka and BDT 13,620 for surrounding Satellite Cities. This was the required take-home pay for workers for decency.

The gross living wage was only slightly higher, as garment workers earning a living wage did not pay income tax, nor social security contributions, but only a fixed monthly BDT 10 deduction (Khan et al., 2016). The living expenses for a basic but decent standard of living for a reference family of four in the original country report was BDT 25,990 for Dhaka and BDT 21,520 in Satellite Cities.

3. INFLATION RATE USED FOR UPDATE

Bangladesh Bureau of Statistics (BBS) publishes monthly Consumer Price Index (CPI) data at the national level, as well as indices for rural and urban areas. For this update report, we used the CPI index for urban areas of Bangladesh.

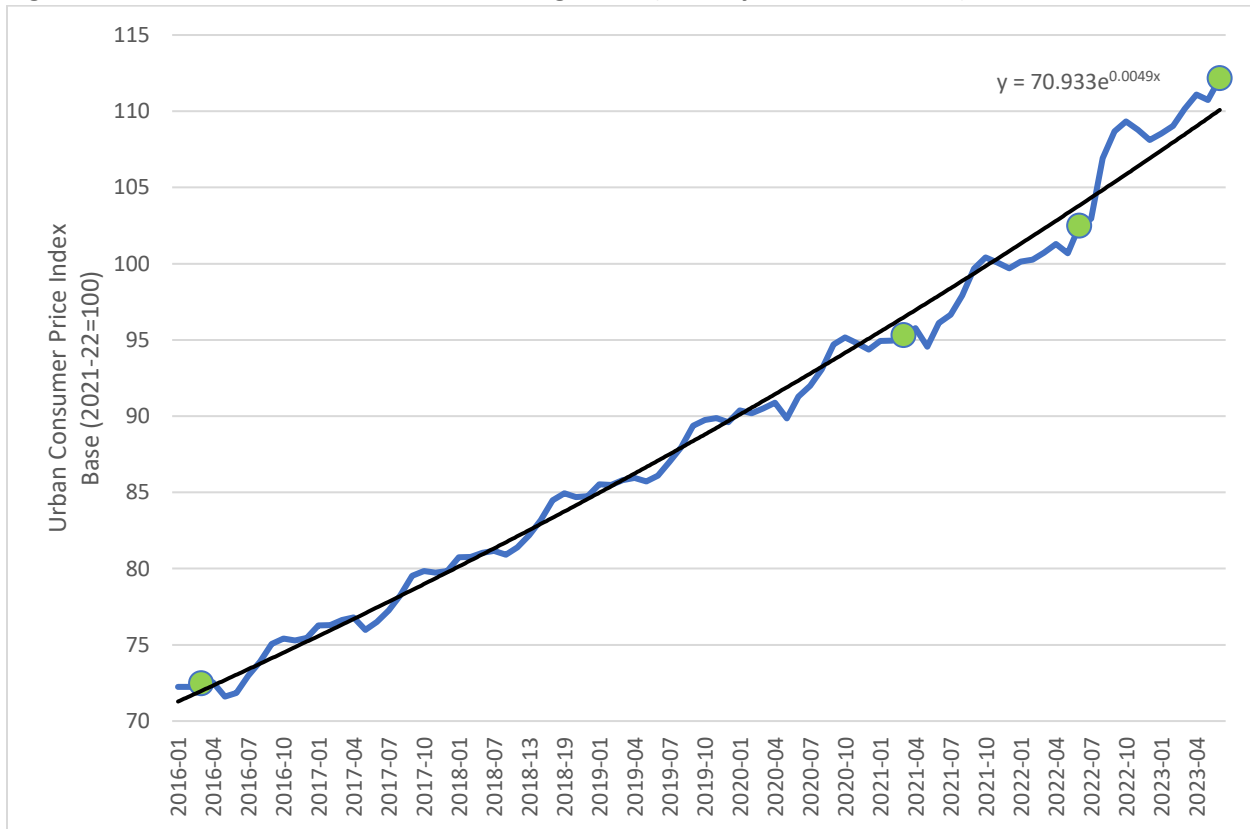
The urban CPI with an index reference period 2005-06=100 was updated to a new index reference period of 2021-22=100 from April 2023¹. This report uses this new urban CPI to update the March 2016 living wage to June 2023. This was done by calculating the new series backwards and piecing it together with the new series. This gave us the series shown in Figure 1 further below.

¹http://bbs.portal.gov.bd/sites/default/files/files/bbs.portal.gov.bd/page/9ead9eb1_91ac_4998_a1a3_a5caf4ddc4c6/2023-06-05-08-10-7554fe6c067ea3c7ab52ec9a529eb495.pdf

4. RECENT LEVEL OF INFLATION

Between March 2016 and June 2023, urban inflation in Bangladesh was 54.8% (see Figure 1). This is the inflation used in this report.

Figure 1: Urban Consumer Price Index for Bangladesh (January 2016 - June 2023)



Notes: Green circles indicate the months of the original study and the earlier updates. The black line is the fitted exponential trend.

Source: Authors' calculations based on CPI data from BBS.

5. MANDATORY DEDUCTIONS

In the original living wage study, workers earning the equivalent of a living wage in Bangladesh do not pay income tax, nor make social security contributions, but only pay a fixed monthly BDT 10 stamp duty (Khan et al., 2016). For Dhaka's Satellite cities, in 2023 this remains the only deduction, because current salaries, and the estimated living wages are well below the threshold for tax exemption (BDT 300,000/year).² However, workers earning the equivalent of a living wage in Dhaka have to pay 5% income tax in 2023.

²See <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-bangladeshhighlights-2023.pdf>

6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR 2023

The updated net living wage, or take-home pay, in Dhaka for 2023 is BDT 25,462 per month. The gross living wage (aka living wage), which also considers income taxes and mandatory payroll deductions, is BDT 25,497 per month for 2023. These are average estimates for the year 2023.

Table 1 provides details of the original and the updated living wages and family living expenses for Dhaka.

Table 1: Living Expenses and Living Wages for Dhaka, Bangladesh (in Bangladeshi Taka and US Dollars)

	March 2016 Original Study Date		2022 Update Report		2023 Update Report	
	BDT	USD	BDT	USD	BDT	USD
Family Living Expenses (1)	25,990	338	36,724	428	40,228	370
Net Living Wage (2)	16,450	214	23,244	271	25,462	234
Total mandatory deductions and income tax (3)	10	0	10	0	35	0
Gross Living Wage (2+3)	16,460	214	23,254	271	25,497	235
Exchange Rate to USD	77.00		85.79		108.59 ^a	
Source of Exchange Rate	Original Report		XE		Central Bank of Bangladesh	

Note: USD values are indicative only because exchange rates are volatile. ^aExchange rate is the average rate for June 2023.

Source: Authors' calculations.

Regarding Satellite cities, the updated net living wage, or take-home pay, for 2023 is BDT 21,081 per month. The gross living wage (aka living wage), which also considers income taxes and mandatory payroll deductions, is BDT 21,091 per month for 2023. These are average estimates for the year 2023.

Table 2 provides details of the original and the updated living wages and family living expenses for Satellite cities.

Table 2: Living Expenses and Living Wages for Dhaka Satellite cities, Bangladesh (in Bangladeshi Taka and US Dollars)

	March 2016 Original Study Date		2022 Update Report		2023 Update Report	
	BDT	USD	BDT	USD	BDT	USD
Family Living Expenses (1)	21,520	279	30,408	354	33,309	307
Net Living Wage (2)	13,620	177	19,245	224	21,081	194
Total mandatory deductions and income tax (3)	10	0	10	0	10	0
Gross Living Wage (2+3)	13,630	177	19,255	224	21,091	194
Exchange Rate to USD	77.00		85.79		108.59 ^a	
Source of Exchange Rate	Original Report		XE		Central Bank of Bangladesh	

Note: USD values are indicative only because exchange rates are volatile. ^aExchange rate is the average rate for June 2023.

Source: Authors' calculations.

7. REFERENCES

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