

Living Wage Update: March 2021

Dhaka, Bangladesh and Satellite Cities

Context: Garment Industry



Photo credit: Marcel Crozet / ILO

Dhaka:



Cost of decent standard
of living for a family

Tk 34,187
(USD 403)

Satellite Cities:



Cost of decent standard
of living for a family

Tk 28,307
(USD 334)



Gross Living Wage per
month

Tk 21,648
(USD 255)



Gross Living Wage per
month

Tk 17,926
(USD 212)

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1. BACKGROUND

This report updates the living wage and living expenses for Dhaka, Bangladesh and its surrounding Satellite Cities, where most of Bangladesh's garment industry is located.² The original study was carried out in March of 2016 (Khan et al., 2016), and it is necessary to take into account the inflation observed during the subsequent five years, in order to obtain a current estimate of living expenses and the living wage in Dhaka and surrounding Satellite Cities.

A lot has happened since the original living wage study was carried out in Bangladesh in March of 2016. The COVID-19 pandemic has been devastating for the garment industry, which employs more than 4 million workers and is responsible for more than 80% of the country's exports (Khan et al., 2016). When non-essential shops around the world were ordered to close to stop the virus from spreading, garment orders worth tens of billions of dollars were canceled. Just during the first few months of the pandemic (March-June 2020), Bangladeshi exports of apparel to the United States fell by USD 724 million compared to the same period in the previous year (Anner, Novo and Foxvog, 2020).

According to a survey by Kyritsis et al. (2020) for the Worker Rights Consortium of 396 garment workers across 158 factories in nine countries, many garment workers around the world saw their incomes fall dramatically during the pandemic. Some were permanently dismissed (27%), often without receiving severance pay or even salaries owed, while others were temporarily suspended without pay (11%). Many kept working at lower wages than before. Garment workers in Bangladesh have been protesting to receive at least outstanding wages and pension contributions.³

2. LIVING WAGE ESTIMATE IN ORIGINAL COUNTRY REPORT FROM MARCH 2016

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

¹ Prepared by Lykke E. Andersen and Alejandra Gonzales of SDSN Bolivia, with Richard Anker and Martha Anker.

² This is an update to "Living Wage Benchmark Report for Urban Bangladesh: Dhaka, Bangladesh and Satellite Cities," May 2016. Dr. M.E. Khan, Dr. Richard Anker, Ms. Martha Anker and Dr. Sandhya Barge, <https://bit.ly/3y5LpIA>.

³ <https://www.theguardian.com/global-development/2020/dec/10/i-thought-about-killing-my-children-the-desperate-bangladesh-garment-workers-fighting-for-pay>

Anker Living Wage and Living Income Research Institute –Founded by Richard Anker and Martha Anker, the Global Living Wage Coalition, and Clif Bar & Company. Social Accountability International (SAI) is the institutional host.

The gross living wage was only slightly higher, as garment workers earning a living wage do not pay income tax, nor social security contributions, but only a fixed monthly Tk 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 Tk 25,990 for Dhaka, and Tk 21,520 in Satellite Cities.

3. INFLATION RATE USED FOR UPDATE

Bangladesh Bureau of Statistics (BBS) publishes monthly Consumer Price Index (CPI) data for both rural and urban areas of Bangladesh. For this update report, we used the general CPI index for urban areas of Bangladesh.

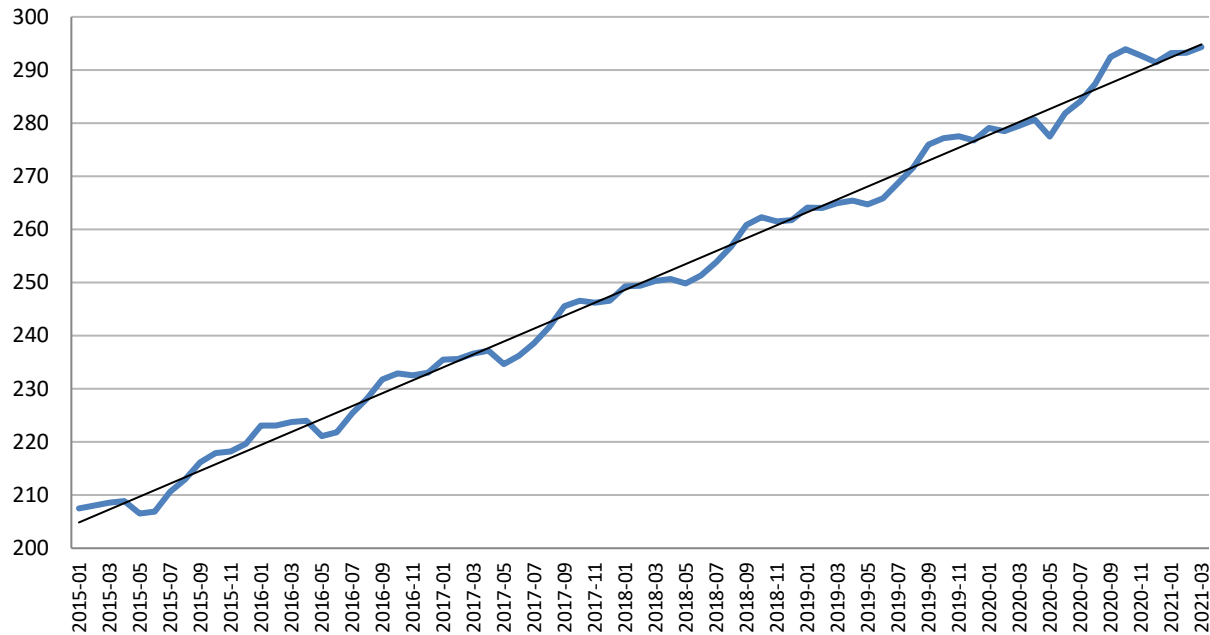
The general index in urban areas is calculated from monthly surveys of the prices of 151 food items as well as 271 non-food items.⁴

4. RECENT LEVEL OF INFLATION

Inflation in Bangladesh has been stable for several years at around 5% per year. Figure 1 shows the evolution of the General CPI for urban areas of Bangladesh between January 2015 and March 2021.

Prices in urban areas have increased by 31.5% between March 2016 (study month and year) and March 2021. We used this increase to update the living wage estimates from the original study for Dhaka and the surrounding Satellite Cities to March 2021.

⁴ For details see: <http://www.bbs.gov.bd/site/page/29b379ff-7bac-41d9-b321-e41929bab4a1/>

Figure 1: CPI Index for Urban Bangladesh (food and non-food), January 2015 to March 2021

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

5. MANDATORY DEDUCTIONS

According to the original living wage study, garment workers in Bangladesh do not pay income tax, nor make social security contributions, but only pay a fixed monthly Tk 10 stamp duty (Khan et al., 2016). However, that was because their actual salaries, and even the estimated living wages were well below the threshold for tax exemption (Tk 250,000/year for men and Tk 300,000/year for women) (Bank Asia, 2015).

With the inflation since 2016, the living wage in Dhaka has just passed the Tk 250,000 per year threshold, reaching Tk 259,656 by March 2021. Men earning that amount should pay 10% of the amount exceeding Tk 250,000, meaning Tk 966 per year or Tk 80 per month (about 1 USD) on the March 2021 living wage.

However, female textile workers (about 85% of textile workers in Bangladesh are women)⁵ would still be exempt from paying income tax due to their higher tax exemption threshold. For this reason, we ignore the small fraction of garment workers in Dhaka who are supposed to pay a very small amount of income tax. However, it is something to bear in mind for future living wage updates. In the Satellite Cities, the living wage is still well below the tax exemption threshold for male and female workers.

⁵ See Fact #9: <https://brandongaille.com/21-bangladesh-textile-industry-statistics-and-trends/>.

6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR MARCH 2021

The updated net living wage, or take-home pay, for March 2021 is Tk 21,638 for Dhaka City and Tk 17,916 for Satellite Cities. Table 1 provides details of the original and the updated family living expenses, as well as net and gross living wages for these two areas of Bangladesh.

**Table 1: Living Expenses and Living Wages for Dhaka and Satellite Cities
(in Bangladeshi Taka and US Dollars)**

Currency	March 2016 Original Study Date		March 2021 Latest Update	
	Bangladeshi Taka	USD	Bangladeshi Taka	USD
Dhaka City				
Living Expenses for Reference Family per Month	25,990	338	34,187	403
Net Living Wage per Month	16,450	214	21,638	255
Income Taxes and Payroll Deductions per Month on Living Wage	10	0.13	10	0.12
Gross Living Wage per Month	16,460	214	21,648	255
Satellite Cities				
Living Expenses for Reference Family per Month	21,520	279	28,307	334
Net Living Wage per Month	13,620	177	17,916	211
Income Taxes and Payroll Deductions per Month on Living Wage	10	0.13	10	0.12
Gross Living Wage per Month	13,630	177	17,926	212
Exchange Rate to USD	77.00		84.73	

Source: Authors' calculations.

7. REFERENCES

- Anner, M., Novo, S., and Foxvog, L. (2020). Unpaid Billions: Trade Data Show Apparel Order Volume and Prices Plummeted through June, Driven by Brands' Refusal to Pay for Goods They Asked Suppliers to Make. Research Brief. Center for Global Workers' Rights. Penn State College of Liberal Arts. October. https://www.workersrights.org/wp-content/uploads/2020/10/Unpaid-Billions_October-6-2020.pdf
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