

Fair Labor Association's Bangladesh Wage Trends Report and Recommendations

SUMMARY

In December 2023, the Bangladesh Minimum Wage Board [established the garment sector's updated minimum wage](#) as 12,500 Bangladeshi taka (BDT), equivalent to \$133. Prior to this decision, the minimum wage in Bangladesh has remained at 8,000 BDT (\$72.90) since 2018 – which fell below the World Bank Poverty Line for a two- to three-person household in 2022.¹ Fair Labor Association (FLA) companies have collected and analyzed wage data in factories in Bangladesh through FLA's Fair Compensation Dashboard.² This report shows that garment workers' wages have barely increased since 2019, despite high inflation. FLA is recommending steps companies should take to ensure workers in their supply chains in Bangladesh are paid a living wage.

ANALYSIS

Since 2018, FLA has [reported on](#) the average monthly wages of workers who are working in member company factories. According to this data, workers' monthly net wages increased 42.5% (3,312 BDT, or \$30) in 2019 after the minimum wage increase.³

However, over the last four years, the monthly average net wage increased only 0.95% in total. In comparison, just in the last year, [inflation in Bangladesh](#) increased 9.02% and workers' monthly average wage fell 4.6% in the same time frame.⁴

Using the 2022 Global Living Wage Coalition (GLWC)'s living wage [estimate for Dhaka](#) (23,254 BDT, or \$211.90) to compare the monthly average wage, the living wage gap for workers in Bangladesh is 12,040 BDT (\$109.70), which means the average monthly net wage was 51.78%

¹ The currency exchange in this report is based on end of day prices provided by Morningstar on September 19, 2023.

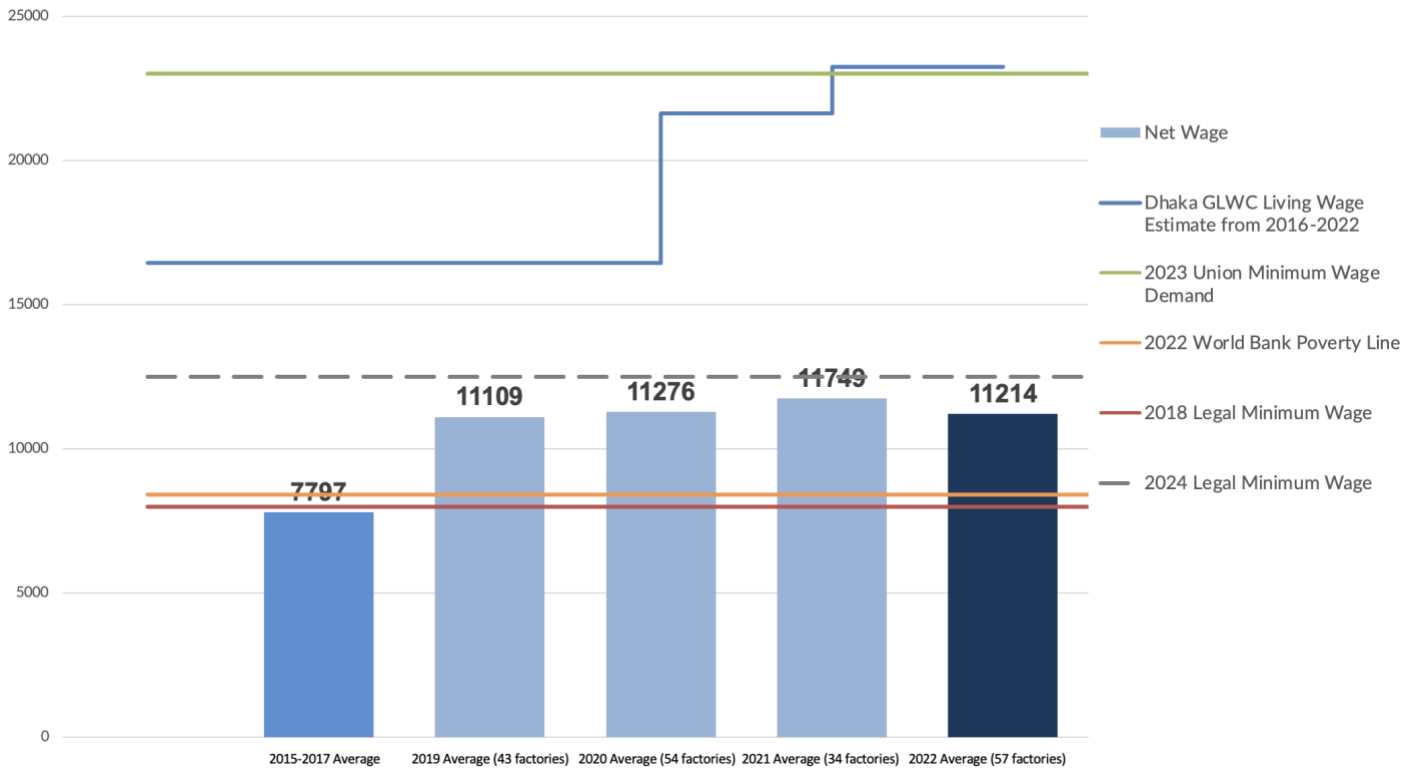
² Fair Labor Association's Fair Compensation Dashboard allows companies to calculate average worker wages in a manufacturing facility and measure those wages against living wage benchmarks. All FLA member companies are required to collect and analyze wage data from a representative sample of their supply chain. FLA's tools and dashboard are also available for use by non-member companies on a subscription basis.

³ FLA's net wage is used for living wage analysis and aligns with the Ankers' methodology for the Global Living Wage Coalition Estimates. It includes the basic or contracted wage, in-kind and cash benefits, and excludes taxes and deductions. The average does not include leave, incentive, nor overtime pay.

below the living wage benchmark in 2022. Figure 1 illustrates the minimal change in average worker wages in Bangladesh since 2018 from 188 factory data sets from FLA companies.⁵

Unions, civil society organizations, and multi-stakeholder initiatives advocated for the Bangladesh Minimum Wage Board to raise the minimum wage to 23,000 BDT (\$209.60) – an amount that reflects the Global Living Wage Coalition’s 2022 [living wage estimate](#) for Dhaka, Bangladesh.

FIGURE 1: WORKER'S AVERAGE MONTHLY NET WAGES FROM FLA COMPANIES, 2015-2022



RECOMMENDATIONS FOR FLA COMPANIES AND SUPPLIERS

With the new minimum wage for garment workers established and the need for continuous progress towards living wage, FLA recommends that:

- Buyers (FLA companies) should commit to working with suppliers to ensure costing and purchase orders cover the new minimum wage (12,500 BDT and 12,800 BDT in export process zones) labor cost in all applicable purchase orders as of December 1, 2023. Suppliers in Bangladesh must pay the new minimum wage, which should be covered in buyers’ purchasing prices, including for purchase orders confirmed prior to the minimum wage update.

⁵ This analysis is an aggregated from factories of FLA member companies sourcing in the years indicated (last updated on August 11, 2023). Therefore, the chart indicates general trends over time rather than change in any individual facility.

- Buyers should engage with their suppliers in Bangladesh and ensure that suppliers can provide feedback if purchase orders do not cover increased labor costs and resolve these issues with the support of purchasing departments and senior management.
- Buyers and suppliers should support workers' rights to freedom of association and collective bargaining and publicly denounce the use of violence against workers and human rights defenders.
- In 2024, Fair Labor Accredited companies and suppliers should update supply chain wage data analysis and actions taken to implement their company's fair compensation [blueprint](#). FLA companies and suppliers should develop sustainable plans with their suppliers and production facilities to improve purchasing and production practices that support progress of workers' wages to meet the GLWC estimates for Bangladesh.

APPENDIX: WAGE BENCHMARK METHODOLOGY AND REFERENCES

World Bank Poverty Line	
2021 value: 8,432 BDT	Source: World Bank 2011
<p>In an average month, 2011 Purchasing Power Parity (PPP) \$3.10/day is 2011 PPP\$94.29 per month per person. For two adult consumption units (ACU), the poverty line is 2011 PPP\$188.58 per month. According to the World Bank, the 2011 PPP conversion rate (based on private consumption) is 24.85. Converting from PPP to local currency, the 2011 poverty line is BDT 4,686.14. According to the International Monetary Fund's World Economic Outlook, 2011 Consumer Price Index (CPI) is 164.839 and 2021 CPI is estimated to be 296.60. Adjusting for inflation, the World Bank International Poverty Line is BDT 8,431.92 in 2021.</p>	
Gross or Net: Gross	

Legal Minimum Wage	
2018 value: 8,000 BDT	Source: Reuters
<p>The minimum wage is reported to be BDT 8,000 after negotiations with garment workers and factory owners, Reuters reported. Starting in early 2019, the highest-grade workers will be paid a minimum of BDT 18,257 per month. Workers are divided into six groups, with the lowest being Grade 6. The garment workers are Grade 6 and they receive the BDT 8,000 wage.</p>	
Gross or Net: Gross	

Legal Minimum Wage	
2023 value: 12,500 BDT	Source: Reuters
<p>The national minimum wage for workers was increased from 8,000 BDT to 12,500 BDT (\$114) per month effective on December 1, 2023.</p>	

Gross or Net: Gross

Global Living Wage Coalition Living Wage Estimate

2016 value: 16,450 BDT Source: [Global Living Wage Coalition](#)

The calculation assumes that the average family has four members and 1.58 full-time earners. The gross living wage for Dhaka BDT 16,460, and the net living wage for Dhaka is 16,450. These numbers are based on an updated GLWC living wage report published in May 2016.

Region: Dhaka

Urban or Rural: Urban

Household Size: 4

Gross or Net: Net

Global Living Wage Coalition Living Wage Estimate

2021 value: 21,638 BDT Source: [Global Living Wage Coalition](#)

The calculation assumes that the average family has four members and 1.58 full-time earners. The 2021 gross living wage for Dhaka is BDT 21,648 and a slightly lower living wage for satellite cities of BDT 17,926. The lower figure is most representative of garment workers. These numbers are based on an updated GLWC living wage report published in July 2021.

Region: Dhaka

Urban or Rural: Urban

Household Size: 4

Gross or Net: Net

Global Living Wage Coalition Living Wage Estimate

2022 value: 23,244 BDT Source: [Global Living Wage Coalition](#)

The calculation assumes that the average family has four members and 1.58 full-time earners. The 2022 gross living wage for Dhaka is BDT 23,254 and the net living wage for Dhaka is BDT 23,244. These numbers are based on an updated GLWC living wage report published in June 2022.

Region: Dhaka

Urban or Rural: Urban

Household Size: 4

Gross or Net: Net

Union Minimum Wage Demand

2023 value: 23,000 BDT

Source: [Bangladesh Garment & Industrial Workers Federation](#)

Gross or Net: Gross

ABOUT THE FAIR LABOR ASSOCIATION

The Fair Labor Association (FLA) promotes human rights at work. We are an international network of companies, universities, and civil society organizations collaborating to ensure that millions of people working at the world's factories and farms are paid fairly and protected from risks to their health, safety, and well-being.