

National Minimum Wage for Bangladesh's Workers:

Rational Standard and Rationality of National Minimum

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Introduction

The minimum wage is an attractive policy tool for poverty reduction and social justice. It is a simple and visible way for the government to show its commitment to support those at the bottom of the income distribution, requiring no significant direct government expenditures and can easily be targeted to the working poor. According to the ILO's Global Wage Report, minimum wages are a nearly universal policy applied in some form or another in more than 90 percent of countries in the world (ILO 2010). Considering the significance of minimum wage The International Labour Organization (ILO) has designated the minimum wage as an international labour standard¹ and has adopted three conventions relating minimum wage – the Minimum Wage- Fixing Machinery Convention, 1928 (No.26), The Minimum Wage Fixing Machinery (Agriculture) Convention (No. 99,) and the Minimum Wage Fixing Convention 1970 (No.131). Almost 90 percent of member countries have ratified ILO's either of the three conventions on minimum wages and many other countries have established minimum wage fixing procedures even though they have not ratified the relevant Conventions². In all these countries, the main question that policy-makers have to answer are not whether a minimum wage should be adopted or not; it is "How should it be operated?" and "At what level should it be set?" The concept of wage setting i.e., the compulsory wage structure imposed on employers by the State has been evolved in the global economic system to protect the poor workers from exploitation and deprivation.

The "minimum wage" concept had first been originated in New Zealand followed by Australia in the late 19th century in response to public demands for social justice among the workers³. Since that time, many other industrialized countries, as well as a number of developing countries had also carried out experiments with minimum wage regulation for the protection of workers judged to be mostly vulnerable. Bangladesh also introduced minimum wage regulations for the protection of workers, particularly for the disadvantaged group of wage earners. The Bangladesh constitution and Labour Law provide the national basis of minimum wage of all workers. But till now Bangladesh government do not introduce national minimum wage for the low wage earners.

In 2001, the government of Bangladesh had taken an initiative to introduce the national minimum wage. The government announced a monthly national minimum wage for small and medium industries TK. 1,200 (\$15.5) and Tk 1,350 (\$ 17.5) for major industries. The industry owners, however, vehemently opposed the decision. One employer with support of the associations moved to High Court challenging the

¹ International Labour organization. (2006). Minimum wage Fixing Convention, 1970, Geneva. <http://www.ilo.org/ilolex/cgi-lex/convde.pl?C131> (viewed lily ZS, iOOZ l. Accessed on. 03-03- 13.

² Biju Varkkey and Rupa Korde. (2012). "Minimum wage Comparison: Asian Countries", *Wage Indicator Minimum Wage Report Series 01*. http://www.wageindicator.org/documents/publicationslist/publications-2012/120627Minimum%20Wage%20Comparison_Aasian%20Countries_Representation.pdf. Accessed on. 03-03- 13.

³ Wendy Cunningham, (2007). Minimum Wages and Social Policy: Leassons from developing countries, World Bank. http://books.google.com.bd/books/about/Minimum_wages_and_social_policy.

validity of national minimum wage. The court stayed the government decision on the ground of procedural deficiencies to determine national minimum wage. Since then the government did not take any further initiative to rectify the procedural deficiencies and introduce new national minimum wage. Though, the government of Bangladesh has formed Minimum Wage Board in 2004 to determine 1 minimum wage for different sectors of the country and minimum wages for 48 sectors have been fixed by the board, no doubt that a large numbers of sectors are still out of the purview of the minimum wage structure. Therefore, introduction of national minimum wage may be a useful instrument to protect those at the bottom of the income distribution.

Demystifying Wage Debate

What is National Minimum Wage?

There is no universal definition on national minimum wage. The national minimum wage is usually considered as one of the most successful labour market interventions that improves the incomes of the low wage earners. (David Coats, 2007:9). At first ILO introduces the minimum wage regulation for ensuring workers' reasonable standard of life, but none of the instruments of ILO defines the term "minimum wage". The ILO conventions and recommendations use different terms – for example, Convention No. 26 uses the term "minimum rates of wages" (Article 1,3 and 4), and Convention No. 33 uses the terms "minimum rates of wages" "minimum wage rates" and "minimum rates". The terms "minimum rates" and "minimum rates of wages" are also used in the corresponding Recommendations Nos.30, and 89. Only Conventions No. 131 and Recommendation No 135 systematically uses the term "minimum wages, however do not provide any definition (ILO, 1992).

The ILO Convention No. 131 provides the minimum wage fixing machinery. This includes that the following six criteria have to be taken into consideration, while fixing the level of minimum wages for the workers:

- (a) needs of workers and their families;
- (b) general level of wages in the country;
- (c) cost of living;
- (d) social security benefits;
- (e) relative living standard of other social groups; and
- (f) economic factors which include the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment.

These similar criteria are however listed in the Minimum Wage Fixing Recommendation No. 135.

However, the standard definition of minimum wage is given by ILO in the International Labour Conference Report III. In this report the expert of ILO defines the term 'minimum wage' as "the minimum sum payable to a worker for work performed or services rendered, within a given period, whether calculated on the basis of time or output, which may not be reduced either by individual or collective agreement, which is guaranteed by law and which may be fixed in such a way as to cover the minimum needs of the worker and his or her family, in the light of national economic and social conditions" (Ibid, p. 13).

The ILO is not, however, the only international body that concern about the question of minimum wages. The United Nations Organization has also dealt with the question on a number of occasions which reflected in the Universal Declaration of Human Rights. Article 23 of Universal Declaration of Human Rights provides that "Everyone who works has the right to just and favorable remuneration ensuring for himself and

his family an existence worthy of human dignity” Article 7 of the International Covenant on Economic, Social and Cultural Rights recognizes the right of everyone to the enjoyment of just and favourable conditions of work, fair wages as well as remuneration for the workers as minimum as provide a decent living for themselves and their families.

Legal instruments adopted by different regional organizations also refer directly or indirectly to minimum wages. For example, Article XIV of the American Declaration of the Rights and Duties of Man declares "Every person who works has the right to receive such remuneration as will, in proportion to his capacity and skill, assure him a standard of living suitable for himself and for his family". The African Charter on Human and Peoples' Rights (Article 15) ensures the right of every individual to work under equitable and satisfactory conditions and to receive equal pay for equal work. The European Social Charter also states that “the contracting parties accept as the aim of their policy, to be pursued by all appropriate means, the attainment of conditions propitious to the effective realization of a number of rights and principles, including the right of all workers to a fair remuneration sufficient for a decent standard of living for themselves and their families.” (Ibid, P-5).

The above definition of minimum wage indicates that the minimum wage is generally linked to work and distinct from the broader notion of social protection. It attempts to protect workers from exploitation, assuring a minimum survival standard for them and that of their families, as well as it constitute a level which may not be undercut by employer, and whose application is guaranteed by law. Along with the minimum wage fixing machinery conveys the message that national minimum wage fixing authorities should try to strike a balance between economic and social concerns.

Are Other Wage Terms Different?

There are different names for different types of wages or wage dimensions, most notably, living wage, floor wage, fair wage and decent wage. This section tried to define each of them and investigate whether the other wage terms differs the term minimum wages.

a) Living Wage

The concept ‘living wage’ was first used by British miners like Hugh Lloyd Jones, Ira Steward in the late 19th century. Hugh Lloyd Jones used this term in his series of articles. Ira Steward used this concept in his unpublished manuscript, “The Political Economy of Eight Hours which was written between 1872 and 1883 (Glickman, 1997:66).

In 1912, CC Cotterill stated in his book “A living wage is that which is sufficient to enable those who receive it and those dependent on them to lead vigorous, full human lives” (quoted in Wilkinson, 2013). In the FWF Code of Labour Practices, the living wage is defined as “a wage paid for a standard working week meeting basic needs of workers and their families and to provide some discretionary income”. In this definition basic needs include— costs like housing (with basic facilities including electricity), nutrition, clothing, healthcare, education, drinking water, childcare, transport, and savings (FWF, 2012).

Lawrence Glickman's provides an effective definition of living wage: "It is a wage level that offers workers the ability to support families to maintain self respect and to have both the means and the leisure to participate in the civic life of the nation" (Pollin, 2007:104). The Catholic Education service defines living wage as that a living wage is that a person should be paid enough to live decently and to adequately provide for their family. At its heart is an ethical argument for preventing in-work poverty. (UNISON, 2012:2). Pollin and Luce stated that the living wage would be designed as it enable to lift the individual workers' wages to some point above the official poverty line for a family of four. (Pollin *et al.* 2007)

Apparel Industry Labour Rights Movement (ALaRM) defines the living wage as "a wage from an eight hour work that is enough to fulfill basic needs of the worker and dependent family and which recognizes hidden costs" (Quoted in Prasanna and Gowthaman: 5). It identified four types of "hidden" costs like;

- a) Out-of-pocket costs – e.g. transportation, protective clothing, or medical care;
- b) Foregone wages or benefits – e.g. unpaid overtime, vacation or sick leave;
- c) Human development costs – e.g. permanently-impaired health or reduced time with family and community;
- d) Costs to equity and self-esteem for women who frequently face sexual harassment or even violence in the workplace and community.

The UN Declaration of Human Rights also defines the living wage as – It is a wage that covers basic needs (including: nutritious food, clean and safe housing, education, clothing), as well as a small amount of discretionary income to satisfy cultural and educational needs; It is based on regular working hours (not including overtime), and supports workers dependents. (Bettina Musiolek, The Asia Floor Wage campaign –Decent income for garment workers in Asia, STWIND Institute, October 2011)

The above definition highlights that the living wage particularly addresses the amount of wage that should be earned in a standard working hours and by which workers are able to afford their basic needs like; food, housing, clothing, education and health care as well as other costs. It also allow for some savings or discretionary expenditure for workers and their families.

b) Fair Wage

Fair wages is an adjustable step that moves up according to the capacity of the industry to pay, and the prevailing rates of wages in the area of industry. The Fare Wage Network has provided both general and extended definition of fair wage. General definition of Fair wage refers to "Company practices that lead to sustainable wage developments". The extended definition of fair wage highlights to "Wage levels and wage-fixing mechanisms that provide a living wage floor for workers, while complying with national wage regulations (such as the minimum wage, payment of wages, overtime payments, provision of paid holidays and social insurance payments), ensure proper wage adjustments and lead to balanced wage developments in the company (with regard to wage disparity, skills, individual and collective performance and adequate internal communication and collective

bargaining on wage issues)". The Fair Wage network however identified 12 dimensions of fair wages which includes (Whitehead, 2012:2-3)

1. Payment of wages: A wage which is regularly and formally paid in full to the workers.
2. Living wage: A wage that ensures minimum acceptable living standards.
3. Minimum wage: A wage which respects the minimum wage regulations.
4. Prevailing wage: A wage which is comparable to wages in similar enterprises in the same sector.
5. Payment of working hours: A wage that does not generate excessive working hours and properly rewards normal working hours and overtime.
6. Pay systems: A wage that a) lead to a balanced wage structure/composition between the basic wage and additional bonuses and benefits, b) reflect different levels of education, skills and professional experience, as well as rewarding individual and collective performance, and c) comply with regulations on social insurance payments and paid holidays and is not dominated by disciplinary wage sanctions.
7. Communication and social dialogue: A wage on which workers receive sufficient information in advance (through an individual work contract), in the course of the production process (through regular communication channels) and at the time of the wage payment (with a detailed pay slip). The wage also is negotiated individually (with individual employers) and collectively – notably through collective bargaining – between the employer and the workers' representatives who are freely accepted in the company.
8. Wage discrimination and wage disparity: A system of equal wages for equal work that does not lead to wage discrimination and does not generate unjustified, too high and too rapidly growing wage differentials within the company.
9. Real wages: A wage that progresses at least in proportion to price increases.
10. Wage share: A wage that progresses proportionally along with enterprise sales and profit growth and which does not lead to a fall in the wage share in enterprise performance growth.
11. Wage costs: A wage whose progression does not lead to a dramatic reduction in wage costs within total production costs and as a percentage of employment.
12. Work intensity, technology and up-skilling: A wage that progresses along with changes in intensity at work, technological contents and the evolving skills and tasks of the labour force

The constitution of India has defined the fair wage as that level of wage that not just maintains a level of appointment, but seeks to increase it keeping in perspective the industries capacities to pay (Government of India, 2008).

c) Decent Wage

The decent wage improves the quality of life and enables to afford to live well. Decent wage should be able to fulfill the basic needs of workers like the secured housing, nutrient food, quality education, standard medical facilities, proper recreation, etc. It must ensure equal pay for the equal work. The labour movement of Bangladesh aims to ensure decent wages by negotiating good collective agreements.

What Purpose it Serves?

The need for determining national minimum wage for the workers is not an issue only of the developing countries but equally important for the industrialized economies. The main aim of national minimum wage is to provide a minimum amount of wage by which workers are able to ensure a reasonable and decent living standard for themselves and their families. The Minimum wage fixing recommendation (No.135) states that “Minimum wage fixing should constitute one element in a policy designed to overcome poverty and ensure the satisfaction of the needs of all worker”. Though there is a debate on introducing the minimum wage regulations.

Those who are opposed to minimum wage tend to believe that it increases unemployment and harms the low skilled workers. In contrast, the supporters of minimum wage say that it increases the standard of living, keeps people out of poverty and reduce inequality. They also state that as the minimum wage is set by negotiation and a collective agreement with between workers’ representative and employer’s representative and the government, the possibility of raising unemployment is less in this regard. The argument however reveals that the unemployment of minimum wages causes substantial reductions in income among a subset of families that are initially non-poor (Neumark and Wascher, 1997). In this section the purpose of minimum wage has been discussed in the terms of a) Poverty reduction and development goals; b) Reduction of inequality; c) Balancing efficiency and equity goals; and d) Enhancing voice.

Poverty reduction and development goals

The minimum wage is considered as an effective policy instrument for poverty reduction and achieving social justice. Throughout the world the minimum wage is believed to benefit the poor and near poor families by raising the incomes of low paid workers. The minimum wage laws impose wage floors that are often explicitly pegged to the wage needed for a family to graduate the poverty line.

Sutherland (2001) states in his paper that the NMW has the potential to have an impact on poverty rates in three distinct ways. The first; by increasing the earned income of low earners, household income may rise above the poverty line, though according to him this effect is quite small. The second way, he refers that the NMW can have an impact on poverty by making paid work more attractive and increasing the size of the financial gain from employment relative to out of work incomes. This reduction in the unemployment trap is hoped to encourage people into work and thereby reduce the number of poor households without paid work but two questions are important in this regard e.g. first, how many extra people will enter employment, given changes in incentives, and second, will their in-work incomes be sufficient to lift them above the poverty line? The third way – in

which the NMW can reduce poverty indirectly is – the NMW provides for the operation of in-work benefits such as WFTC. Extensive and generous in-work benefits would not be possible to introduce without a legal floor to wages or else wages could fall (in principle, to zero) without damaging the income levels of "protected" (in the sense of subsidized) groups. Thus where the introduction of the WFTC is seen to lift families above the poverty line, part of the "credit" for this should be due to the NMW in its under-pinning the in-work benefit structure and scale of benefit payment.

Neumark and Wascher (1997) estimate the effect of minimum wage on transition into and out of poverty and remarks that over a one to two year period, minimum wages increase both the probability that some families escape poverty and simultaneously some families become poor but finally it tends to boost the income of poor families that remain below the poverty line.

Reduction of inequality

Minimum wage is used to combat overall wage inequality and discrimination. For example; A study findings reveals that impute the national minimum wage floor for workers earning below minimum wage declined inequality by a considerable 9 percent points to 0.140 (Belser and Rani, 2010:18). Card and Kruger (1995) estimated that the impact of the change in the in the U.S. federal minimum in 1990-91 by using inter-state variation in wage changes over a three-year period, from 1989 to 1991. The authors regresses the state-specific change in the wage gap between the 90th and the 10th percentile wages on the state-specific fraction of workers affected by the change of minimum wage. Results show that the "fraction affected" by the minimum wage is a statistically significant predictor of the extent to which inequality has fallen within states.

It also reduces wage inequality across and within industry groups or sectors. Belser and Rani (2010:18) reveal in their study that due to impute minimum wage in agriculture and in the low productive service sector the wage inequality would decline by more than 15 percentage points, and in the manufacturing sector the wage inequality would decline by 10 percentage points. They however states that if they expanded the existing national minimum floor wage or state-level minimum wages to all workers, the impact would be quite substantial, especially in rural areas and in certain sectors.

Introducing national minimum wages not only reduce inequalities across and within sectors, but would also reduce the gender wage gap. Belser and Rani (Ibid:19) estimated two earnings functions with the log of actual daily wage earnings, and adjusted national minimum wage daily earnings for the year 2004-05 and the exponential of the sex coefficient provides an estimate of women's adjusted relative wage. The analysis was done for salaried and casual workers separately. Both the earnings functions are controlled for age, experience, schooling, occupation, industry, caste, size of the firm, region and state dummies. The results reveal that, if all workers receive at least minimum wages then, among salaried workers, the gender wage gap

would narrow from 0.84 to 0.90, i.e. by 6 percentage points. Among casual workers, the wage gap would narrow from 0.74 to 0.92, by 18 percentage points.

Why it is important for Bangladesh Economy and its Workers?

In developing countries, like Bangladesh, the labor market is characterized by very low share of waged employment and tends to be rather flexible. Workers' protection is often neglected, thus, in labor markets where labor is in surplus, there must be a minimum statutory protection for workers and national minimum wage may be an important instrument in this regard. The justification of setting national minimum wage in Bangladesh is numerous. It can play an important role in a) risk reduction b) needs promotion, and c) rights fulfillment of workers.

a) Risk reduction,

The minimum wage may constraints to workers posed by *risks* of various sorts e.g., returns to labor and production, the system of social transfer, income earning opportunities, job satisfaction, occupational health and safety, skill reproduction, and individual and collective representation. It is justified in utilitarian terms on the basis of real and potential losses arising from market failures and the ability of public action to prevent or compensate for these losses. Accident, illness, lock off, job termination.

b) Needs promotion,

Setting national minimum wage too is justified on the grounds of non-satisfaction of *needs* of workers e.g., income, job, skill reproduction, representation, and occupation health and safety. There are both moral and practical grounds. The moral case asserts that the satisfaction of basic needs of workers along with others is a good thing in, and of, itself. The practical claims rest on the argument that satisfaction of basic needs is good not only intrinsically, but also instrumentally since expenditure on basic needs of workers (e.g., education and training, health and hygiene, housing and sanitation) is considered as investment, not merely as consumption.

Workers work back-breaking overtime hours to earn a minimum living wage. Workers' family lives, health, and basic humanity are lost in the race to earn a minimum living wage. A new generation of children without parental care or education will lead to more child labour. Raising workers out of poverty leads to sustainable communities where new generations can lead a better future.

he presence of child labour is invariably linked to adults not being able to earn a living wage and often a lack of schooling opportunities. The lack of quality health and education services is often due to a lack of investment in staff; primary school teachers in Brazil, Mozambique and many other developing countries earn the minimum wage or less, which is a major cause of low quality of education.

Moreover a large number of tobacco workers live in overcrowded and unhealthy environment where basic services and utilities are either absent or grossly inadequate ⁵. Most of the workers houses are kancha huts made of bamboo, wooden boards or plastic. They always use

kancha or open or hanging latrine and kancha drains for their toileting. So, it creates health hazards some time throughout the year or in continuous form, because of environmental pollution.

c) Rights fulfillment

Another of the justification of setting national minimum wage comes from the arguments of fulfilling rights. This ground asserts that workers' as human beings have legally enforceable social, economic, political and civic claims. These claims however are asserted on two grounds. One is natural law; all humans have rights because of their inherent dignity. The other ground is that rights are legally binding obligation; human rights exist, because the majority of the world's states have ratified a certain number of human rights treaties, or because national constitutions confer rights on their citizens. According to the Article 25 of the Universal Declaration of Human Rights,

“ Everyone has the right to a standard of living adequate for the health and wellbeing of himself and of his family, including food, clothing, housing medical care and necessary social services, and the right to security in the event of unemployment, sickness disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.”

The United Nations International Covenant on Economic, Social and Cultural Rights of 1966 recognizes the fundamental right of everyone to be free from hunger. It however recognizes the right of everyone to maintain an adequate standard of living for himself and his family, including adequate food, clothing and housing, and to the continuous improvement of living conditions.

The impacts of raising the minimum wage include reducing poverty and income inequality, while furthering gender pay equity. Indeed the substantial gains of a national minimum wage are widespread, communities that have historically suffered and continue to suffer from discrimination in employment housing and beyond are particularly likely to benefit from a higher minimum wage.

15. It shall be a fundamental responsibility of the State to attain, through planned economic growth, a constant increase of productive forces and a steady improvement in the material and cultural standard of living of the people, with a view to securing to its citizens ♦

(a) the provision of the basic necessities of life, including food, clothing, shelter, education and medical care;

(b) the right to work, that is the right to guaranteed employment at a reasonable wage having regard to the quantity and quality of work;

(c) the right to reasonable rest, recreation and leisure; and

(d) the right to social security, that is to say, to public assistance in cases of undeserved want arising from unemployment, illness or disablement, or suffered by widows or orphans or in old age, or in other such cases.

Determinants and Current State of Minimum Wage in Bangladesh

Legal foundation of Minimum Wage in Bangladesh

The Bangladesh Labour Act 2006 ensures the minimum wage of Bangladesh. The Labour Law obliges the government to establish a 'Minimum Wage Board' to determine and declare the minimum rates of wages for workers in different private sectors. India has separate minimum wage legislation. The Minimum Wage Act of 1948 is still considered to this day to be one of the most important pieces of labour legislation in India. The 1948 legislation determines that the "appropriate government" should fix minimum wage rates payable to employees in a number of listed sectors (or "scheduled employments"). The Act has at least three important implications:

- a) firstly, minimum wages are set by different authorities in different types of companies;
- b) secondly, the minimum wage is set only—in certain employments or occupations and so not all wage-earners are covered: and
- c) thirdly, there exist now a large number of rates which sometimes differ widely across states, even for the same occupation.

Criteria and Procedure of Minimum Wage Fixing in Bangladesh

A number of criteria for fixing or determining wages have been identified in the existing literature which includes government order, job evaluation (adjudged the most valuable way of fixing wages), ability to pay (on the part of the employers), cost of living, collective bargaining and the effort of labour; the labour market situation (the interaction of supply and demand of labour in a relatively competitive labour market; the going rate (wages and salaries paid for comparable work by other institutions in the labour work or in the area or industry); and productivity (which has to do with measures of output per person) (MW implementation).

According to ILO Minimum Wage Fixing Convention 1970 (No. 131), the following six criteria, have to be taken into consideration, while fixing the level of minimum wages for the workers:

- (a) needs of workers and their families;
- (b) general level of wages in the country;
- (c) cost of living;
- (d) social security benefits;
- (e) relative living standard of other social groups; and
- (f) economic factors which include the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment

Considering the minimum wage fixing criteria listed in ILO, Bangladesh Labour Law 2006 provides the minimum wage fixing criteria. It declares that, in fixing minimum wages the Minimum Wage Board of Bangladesh should take into consideration – a)cost of living b)standard of living c) cost of production d)productivity d) price of products e) business capability f)economic and social conditions of the country and of the locality concerned and g)other relevant factors (BLA 2006, Section 141).

The Minimum Wage Board is the recognized body to introduce minimum wage in Bangladesh. According to the recommendation of the Minimum Wage Board (tripartite), the government determines the rates of minimum wages. Or else, pursuant to an application made by the employer or workers or both the parties, the government may consider fixation of minimum rates of wages for the workers of that establishment. However, if the Government thinks that the recommendation of minimum wage board is not, in any respect, equitable to the employers or the workers, it may refer it back to the Wages Board for reconsideration. When a recommendation is referred back, the board considers it after taking into account the comments made and information made by the government and put forward to the Government the revised recommendation. After receiving the revised recommendation, the Government declares the minimum rates of wages for workers concerned by an official Gazette notification. The minimum rate of wages declared by the Government is final and cannot be changed in any manner by any persons, in any Court or any authority (BLA 2006, Section 139-140).

The minimum rates of wages for any industry may be re-fixed after every five years as may be directed by the Government. The Wages Board shall review its recommendations if a change in the factors relevant to a recommendation so demand, and recommend to the Government any amendment, modification or revision of the minimum wage rates declared by the Government. However, no recommendation shall be reviewed earlier than one year from the date on which it was made, unless the special circumstances of a case so require, or any later than three years from such date.

State of Sectoral Wage Situation

In Bangladesh, minimum wage rates are fixed on an industry basis. The Wage Board may recommend minimum rates of wages and may specify the minimum rates of wage for time-work and piece-work and the minimum time-rates specifically for the workers employed on piece work. It shall indicate whether the minimum rates of wages should be adopted uniformly throughout the country or with such local variations. However the official current minimum wage level has not been identified. About 45 industries/ sectors are currently under the purview of sectoral minimum wages. Major sectors covered by sectoral minimum wage are mentioned in the following Table. This leaves behind a large section of industrial workers.

The categories of workers excluded from general coverage of the Labour Act 2006 [under Sec. 1 (4)] are too not covered by the minimum wage rate fixing procedure. The BLA 2006 exclude amongst others (a) offices of or under the Government; (b) security printing press; (c) ordnance factories; (d) establishments for the treatment or care of the sick, infirm, aged, destitute, mentally disabled, orphan, abandoned child or widow or deserted woman, which are not run for profit or gains ; (e) shops or stalls in any public exhibition or show which deal in retail trade and which is subsidiary or to the purpose of such exhibition or show ; (f) shops or stalls in any public fair or bazar for religious or charitable purpose ; (g) educational, training or research institutions ; (h) hostels and messes not maintained for profit or gains; (i) agricultural farms where less than ten workers are normally employed ; and (j) domestic workers.

Minimum Wage Coverage in Bangladesh (Major Industries)

Name of the industries	Declaration years of Minimum wage	Unskilled workers last minimum wage (Taka)
Construction and wood	2012	9882
Oil mills and vegetable products	2010	7420
Road & transport	2010	6300
Rabar Industries	1983	521
Rerolling miles	1994	1320
Tea Packaging Industry	1983	510
Rice Mill	1984	495
Plastic Industries	1983	520
Garments Industries	2013	5300
Tea garden	1987	402
Ship breaking	009	2250
Waste processing sector	012	5850

Bidi Industry	2007	1800
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Comparison of Minimum Wage against Standards in South Asian Countries

India

India is a country with multiple minimum wage rates, which vary across states as well as across jobs category within a state. According to the figures for 2009 published on the website of India's Labour Bureau, the central Government sets 48 minimum wage rates for different job categories, while various state governments determine minimum wage rates for 1123 job categories among the sectors "scheduled" India however is not an exception in relying on sectoral and/or occupational minimum wages rather than on a single national minimum wages.⁴ That means in India minimum wages are of general, regional, sectoral, occupational and particular categories e.g. age and skill coverage. The current National Floor Level Minimum Wage recommendation is Rs. 100/- per day⁵.

Pakistan:

The regulation of minimum wage was extended to the whole of Pakistan, and to all factories or places of work and to all workers except Federal and provincial government employees, mine workers (who had a separate law covering), and agricultural workers. There exists a national minimum wage as well as regional minimum wage coverage. the Punjab government website states, Punjab province fixes minimum wage rates that differ between industries and skills. In view of the Labour Policy 2010 and Supreme Court Orders, all the provincial governments (i.e. Punjab, Sindh, Khyber Pakhtunkhwa and Baluchistan) have fixed minimum wage rates for different (skilled and semi-skilled) workers and have notified these. Punjab and Baluchistan have notified minimum wage rates for 51 and 30 different industries respectively. Similarly, the Khyber Pakhtunkhwa government has also issued wage rates for all industries. The national rate of minimum wage for unskilled workers in Pakistan is Rs. 7,000 per month.⁶

Nepal:

Fixation of minimum wages in Nepal started only since 1965 for the workers involved in the manufacturing sector. The **Factory and Factory Workers Act** was enacted in 1959 as the first labour legislation with the provision of minimum wages covering the manufacturing sector only. A separate minimum wage is fixed for the workers in tea

⁴ Uma Rani and Palrick Belser,(2012). "Effectiveness of minimum wages in developing countries: The case of India" *International Journal of Labour Research*, Vol. 4, Issue 1. Geneva: International Labour Organization.

⁵ ILO, Travail Legal Database, <http://www.ilo.org/dyn/travail/travmain.sectionReport1>. Accessed on. 06-03-13.

⁶ Ibid

estates. But it is lower than the minimum wage in manufacturing industries. The minimum wage rates set in accordance with the Labour Act 1992 and Labour Rules 1993 apply to private sector workers and employees in enterprises of more than 10 workers, and in enterprises operating in industrial districts established by the government. In 2000, the government fixed the minimum wage for the agricultural workers as well⁷. The current level of minimum wage in Nepal is 4,600 rupees per month (unskilled workers in non-agricultural enterprises, excluding tea firms and the jute industry).⁸

Sri Lanka

There exists more than one minimum wage rate based on occupation, sector or for specific categories of workers like trainees/apprenticeship or piece-rate workers in Sri Lanka. Currently, minimum rates of wages apply to over 35 trades. Here, the minimum wage levels vary by industry, position and seniority, according to the terms of the relevant Wages Board decision.

One example is the Notification of the decision of the Wages Board for the Garments Manufacturing Trade, which stipulates the following range of minimum wage rates:

(i) Grade 1(a) - between 8,100 rupees and 8,900 rupees per month, depending on year of employment;

(ii) Grade V - 4,830 rupees per month.⁹

Minimum Wage by Country

Country	Minimum wage	Gross Annual wage (Intl. dollars)	% of 2009 GDP per capita
Bangladesh	3,000 taka a month for garment industry; set nationally every five years by the National Minimum Wage Board in a tripartite forum industry by industry	798	54
India	N/A; varies according to the state and to the sector of industry; state governments set a separate minimum wage for agricultural workers ^[13] The minimum wages are set according to Minimum Wages Act, 1948	N/A	N/A
Pakistan	8,000 Pakistani rupees per month, applying only to industrial and commercial establishments employing 50 or more workers	2,484	93
Nepal	6,600 Nepalese rupees a month for unskilled labor (6,600 rupees as a basic salary); 12,000	1,889	70

⁷ Ibid

⁸ Ibid

⁹ Ibid

	NRS for semi-skilled labor; 14,500 NRS for skilled labor; 18,000 or more NRS for highly skilled labor!		
Sri Lanka	6,750 rupees per month in 43 trades	1619	34

Minimum Wage of Bangladesh's Workers: Towards a National Standard

Minimum wage amount must have the capacity to fulfill basic needs of the workers and their family members. In Article-15 of the constitution of the Bangladesh a number of necessities has been declared as basic which not only includes food, cloths, shelter, education, and medical treatment; but also reasonable rest, recreation and leisure and social security are part of basic needs of the people of Bangladesh. Several studies have revealed workers spend most of their income just on food and accommodation purposes, although food-habit lacks required protein consumption and accommodation is not decent at all. Workers hardly spend on recreation purposes and they cannot afford for better treatment. In this regard the proposed amount should able to ensure the arrangement of the basic needs at a desired minimum level.

Needs of the Family Based on Poverty Line

Minimum wage aims at addressing the poverty condition of workers and their families. In 2000 BBS determined the required income level of poverty line of persons in urban area. BBS set the level at Tk. 724.56 for individual person. In the same year CPI (consumer price index) was 124.31 which has increased to 266.61 in 2011-12, a 142.30 point increase from the year 2000. If this increase of CPI is adjusted with the income level of 2000 (Tk. 724.56 for an individual) the level would stand at Tk. 1755.56. Thus a four-member family would require Tk. 7022.43 to come out from the net of poverty. Wage Policies of Bangladesh, April 2014, Bangladesh Institute of Labour Studies-BILS)

An estimate shows –

- ❑ Current PPP = 2005^{PPP} * [CPI_{current}/CPI₂₀₀₅]
- ❑ Current USD 1^{PPP} in Bangladesh = current^{PPP} = 2005^{PPP} * [CPI_{current}/CPI₂₀₀₅]
= 22.6 * (270.43/ 164.21) = 37.21
- ❑ Existing Poverty Line USD 1.25^{PPP} (World Bank) = 37.21 * 1.25 = 46.52
- ❑ Revised Poverty Line USD 1.51^{PPP} (ADB) = 37.21 * 1.51 = 56.19
- ❑ Individual need per month=
 - ❑ Current Poverty Line= (BDT 46.51 x 30 days)= BDT 1395.60
 - ❑ Revised Poverty Line=(BDT 56.19 x 30 days)= BDT 16857.70
- ❑ Family Need (2012) per month

- Existing Poverty Line = (BDT 46.51 x 30 days x 4.35 family members)= 6200.
- Revised Poverty Line = (BDT 56.19 x 30 days x 4.35 family members) = 7332.80
- Family Need (2014) per month adjusting average inflation rates= 8552.97

Needs of the Family for Daily Calorie Intake

Daily calorie intake" is one of the widely accepted and used standards of measuring poverty. Generally it is calculated that an adult person is required to take/consume at least 2122 kcal daily to maintain normal body functions. However the workers require to intake more calories since they work hard and are primarily engaged in laborious jobs. Generally it is estimated that 3000 kcal is required for a worker.

Needs of minimum amount of a adult for daily 2122 Kilo calorie

Name of Food Item	K. Calorie	Amount (gm)	Estimated Price					
			June, 12, 2006	August 3, 2008	October 1, 2009	May 25, 2010	January 3, 2013	September 13, 2014
Rice	1396	397	7.74	13.49	9.53	11.12	13.90	14.69
Flour	139	40	0.74	1.56	0.88	.88	1.28	1.24
Dal	153	40	2.04	3.00	4.56	3.12	4.00	3.92
Milk	39	58	1.62	2.61	2.61	2.61	3.48	3.48
Oil (Mastered)	180		2.00	2.32	2.32	2.40	2.20	1.74
Beef	14	20	1.78	2.28	2.64	3.00	3.36	3.48
Fish	51	12	7.68	6.72	8.16	8.64	9.60	9.60
Potato	26	48	0.42	0.43	0.86	0.33	0.49	0.62
Vegetables	36	27	4.00	4.80	6.00	6.00	4.50	6.00
Sugar/gur	82	150	0.98	0.70	1.16	0.80	1.04	0.86
Fruits	6	20	1.50	2.00	2.30	2.00	3.00	3.00
Cost of preparation	-	-	6.50	8.00	8.00	8.00	10	11.66
Total	2122		37.00	47.91	49.02	48.9	56.85	60.29

Family Food Cost

- Existing Calorie Intake based Poverty Line (2122 Kcal)= (60.29*30*4.35)=BDT 7867.84
- Revised Calorie Intake based Poverty Line (2430 Kcal, Ministry of Food June 2014)= (69.0*30*4.35) =**BDT 9009.83**

Workers' Families Needs

- Average Person Family (2430 Kcal, Ministry of Food)= (69.0*30*4.35)=BDT 9009.83

- Working Person Family (Barua 2010, University of Dhaka)
 - Male Worker Family (10 hours of work) requires 3294 Kcal=
(93.58*30*4.35)= BDT 12,213
 - Female Worker (10 hours of work) requires 3364 Kcal=
(95.58*30*4.35)=BDT 12,473

Workers and Their Families Living Cost

- Food Cost BDT 3584 (SAFE 2012)
- Average Current Food Cost as percentage of Total Cost= 40 percent

Projected Living Cost=BDT 8960

A picture of Family Budget reveals in a study of BILS (2013) is presented in the following Table.

A Picture of Budget for a family with 4 (Four) members

Area of Cost	Estimated Average cost/Month (Taka)
Food	8130
House rent	4500
Dress	1147
Medical	786
Education	905
Transport and communication	685
Recreation	230
Cosmetics and toiletries	907
Support to family	555
Festival	975
Guest entertainment	682
Total	19,502/=

According to Bangladesh Household Income Expenditure survey, average monthly family expenditure estimates the amount Tk.11200.

Average Monthly Household Expenditure

Region	Average Monthly Household Expenditure (2005-10)	
	2005	2010
National	6134	11200
Rural	5319	9612
Urban	8533	15331

Source: BBS and WB, 2010

Conclusion

The minimum wage fixing criteria do not represent precise models; nor do they pretend to give final and unequivocal answers to questions on how suitable minimum wage levels should be determined in a given situation to contribute as effectively as possible to the general welfare. The relative weight given to these elements, and to the anticipated impact of their interaction, is a subjective choice. Broad contradiction needs between (a) social needs; (b) ability to pay; and (c) macroeconomic issues. The need for balancing becomes important. Need to agree upon on what basis the wages would be provided for as a requirement to meet living wage provisions and what institutional modalities need to be placed for enforcing the statutory minimum. There is a broad consensus that the minimum wage indicates an amount of wage that helps workers live life along with their families with security, freedom and dignity. The minimum amount of wage should set in a way that reduces risks, fulfills needs and realizes rights of the workers. To introduce national minimum wage Trade Union need to come forward with the following program –

The programme could include bargaining with the government and the employers to introduce national minimum wage immediately.

They can also launch programmes to popularize the issue of minimum wage for workers with necessary arguments, information and instances.

The trade unions should continue guiding the workers to understand labour laws, labour rights and responsibilities of the workers in establishing decent industrial relations in the factories.

The organizations should continue bargain with the government to initiate welfare and social protection programmes for the workers as well as call for forming national minimum wage boards to ensure decent wage for workers.

They need to continue advocating and act as pressure group with major political parties of the country so that the political parties recognize the workers as legitimate constituency and their concerns and legitimate demands such as right to decent living is taken care of.

Furthermore, the workers' organizations need to enhance their capacity to articulate arguments in favour of decent national minimum wage and enhance their negotiating capabilities by coming up with a strong united voice and full and effective representation of workers in all future bipartite/tripartite negotiations so that workers win an equitable outcome – the minimum wage for a decent living.

Another argument is – if a minimum wage is set at the national level, many strong industrial sectors may reject to provide better minimum wage using the plea of national wage that may create further tension between owners and labours as well as the whole industrial activities may be stuck. But it is not exact at all.