



Event Report

Dialogue

on

Wage Policy and Employment Implications

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Submitted to



ILO Country Office for Bangladesh

Submitted by

Research and Policy Integration for Development (RAPID)



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Overview of the dialogue

International Labor Organisation (ILO) and Research and Policy Integration for Development (RAPID) jointly organised a dialogue titled “Wage Policy and Employment Implication” on 05 October 2023 at Sheraton Dhaka. Government officials, researchers, and representatives from different organisations joined the event. Dr Md. Kawser Ahmed, Member (Secretary) of the General Economic Division, Planning Commission, was present as Chief Guest, and Dr. Atiur Rahman, Former Governor of Bangladesh Bank, was present as Guest of Honour. The event was organised to facilitate a detailed discussion on the wage policy, exploring its connections with the prevailing National Employment Policy.

The goal was to gather diverse opinions from specialists in the field. The hurdles faced by Bangladesh’s labour market pose a substantial threat to the country’s economic progress, despite its impressive achievements in terms of economic growth, boasting a GDP exceeding \$460 billion and a decrease in poverty rates. Although immediate macroeconomic concerns such as inflation and foreign reserves are receiving attention, it is crucial to recognise that addressing the formidable challenges in the labour market is essential for shaping Bangladesh’s future.

Bangladesh is about to experience massive population growth, as 2.2 million new people enter the job market annually. A substantial 85 percent are in the informal sector, highlighting the urgency to create suitable opportunities for this workforce. Bangladesh currently does not have a formal wage policy. Instead, the country relies on the Minimum Wage Board, which establishes minimum wages for 44 industrial sectors. Terminologies such as “fair wages,” “minimum wages,” “living wages,” and “decent wages” are often used interchangeably but understood vaguely. This event sought to clear up these concepts and investigate how these could be incorporated into the forthcoming wage policy.



Mr. Neeran Ramjuthan, Program Manager of the Labour Administration and Working Conditions Cluster at ILO Dhaka commenced his speech by greeting all the participants and guests. He addressed the significance of the fair and equitable wage policy from a country perspective, emphasising its role in reducing income inequality and supporting overall economic development. In his speech, he highlighted the World Bank statistics indicating a consistent 6% GDP growth in Bangladesh over the past few decades. He pointed out the substantial contribution of the country's export revenue, primarily generated by the readymade garment industry, which serves as a significant formal sector employing a large portion of the labor force. Nevertheless, he also acknowledged the alarming wage disparity prevalent within this sector. In the final moments of his speech, he pointedly questioned the sustainability of the commendable economic growth in the face of the lingering issue of wage disparity.



Dr. M. A. Razzaque, Chairman of RAPID, shed some light on Bangladesh's present wage policy scenario. Besides that, he brought up the fact that Bangladesh does not have a formal wage policy. Whatever exists is a minimum wage court that sets wages for 44 different industries. In this context, he presented four questions to the participants, urging them to address these queries during the discussion.

1. What is the need for Bangladesh to have a national wage policy with wage-setting mechanisms and tools such as minimum wage, living wage, etc?
2. What are the challenges to having effective minimum wages in different sectors beyond RMG? What improvement can further be made?
3. How to reflect on gender pay gaps in wage policy? How to convince the employers what kind of incentive can be deigned (tax rebate, tax policies, etc.) to support national wage policy and its implementation?
4. What can be the employment challenges of having a wage policy and implementing it? How does it affect productivity, skills, and jobs in the country?

Dr Narayan Chandra Das, Associate Professor, BIGD, BRAC University, highlighted critical aspects of wage policies in Bangladesh. He drew attention to the gender wage gap, particularly in agriculture, and emphasised the necessity of understanding differences in work performed by men and women. Addressing the impact of inflation on wage adjustments, he stressed the need for a predetermined minimum cutoff to accommodate economic fluctuations. Additionally, Dr. Das underscored the role of minimum wages in sustainable poverty reduction, especially in extreme poverty contexts. He acknowledged the challenges the significant informal sector posed, constituting 85 percent of the workforce. He emphasised the importance of simultaneous efforts to address informality rates and ensure the effective implementation of minimum wage policies. Dr. Das also raised concerns about seasonality issues in various sectors, highlighting the need for profound understanding and rigorous research before policy implementation. He concluded by emphasizing the importance of studying sectoral systems and conducting thorough research before formulating effective policies.

Dr. M. A. Razzaque, Chairman of RAPID, raised concerns about the complexities surrounding wage determination and productivity in Bangladesh. His discussion highlighted the challenges posed by data limitations and emphasized the fundamental link between productivity growth and wage increases. He addressed the dilemma faced by the country, where despite significant industrial output growth, employment had decreased, indicating that the benefits of this growth might have yet to reach the workers due to stagnant minimum wages. The conversation delved into the segmented nature of the labour market, with disparities between skilled and unskilled workers, leading to a puzzling situation where economic growth appeared separated from improvements in the well-being of the bottom percentile of the population.

"Currently, Bangladesh does not have any formal wage policy. What exists is the Minimum Wage Court, which is responsible for determining wages for 44 different industrial sectors."



Ms. Khadija Akter, General Secretary of the Somnilito Garment Sramik Federation (SGSF), signified the urgent need to implement the national wage policy within the Readymade Garment (RMG) industry. She highlighted that the current minimum wage for RMG workers is BDT 800, significantly lower than the demanded BDT 23,000. This demand was determined based on the expenditure requirements of a four-member family, indicating the stark disparity between the current wages and the cost of living. Ms. Akter pointed out the challenges RMG workers face, especially concerning inflation, making it increasingly difficult to cover their expenses.

Additionally, Ms. Akter highlighted the distinction between formal and informal RMG workers. Formal workers can receive the minimum wage, which is still insufficient, while informal workers face variable wages below the prescribed minimum range. She expressed her concerns about the lack of decent work in the sector, particularly addressing the reduction of maternity leaves in the 2022 regulations, which further adds to the challenges faced by female workers. Ms. Akter's insights underscored the pressing issues within the RMG industry, highlighting the necessity for immediate attention and policy reforms to ensure fair wages and improved working conditions for all workers in the sector.

Dr M Abu Eusuf, Executive Director of RAPID, highlighted the pressing need for a national wage policy in Bangladesh, emphasizing its timeliness as the country approaches graduation in 2026. Stressing the importance of statutory protection for workers, he pointed out the gap between existing labour laws and their effective implementation. Dr. Eusuf justified the demand for a minimum wage of BDT 23,000 based on poverty line income statistics, urging equitable distribution to address rising income inequality. He underlined the necessity of considering both monetary and non-monetary benefits in the policy, such as leaves, sick leave, overtime, and transportation. Notably, he advocated for a comprehensive roadmap and action plan, emphasizing the policy's vital role in mitigating inflation's impact on the most vulnerable while maintaining equity within job roles. His dialogue underscored the urgency for a holistic approach, resonating with the essential message of fairness, equity, and effective implementation in shaping Bangladesh's National Wage Policy.

Dr. Anoop Satpathy, Wage Specialist, ILO Decent Work Team for South Asia, shed light on the historical context and intricate challenges associated with wage policy, specifically in the South Asian context. He emphasized the enduring need for an effective wage policy, tracing its origins to initiatives undertaken by countries like Sri Lanka in 1945. Dr. Satpathy stressed that the primary objective of any wage policy should be to address abysmally low pay, working poverty, and income disparities, mainly focusing on those below the median wage level. He pointed out the significant issue of the separation between the intention of policies and their implementation on the ground, highlighting the gap between policy objectives and their realisation. Dr. Satpathy argued for a holistic approach, advocating for the inclusion of minimum and collective bargaining wages within the policy framework. He underscored the importance of evidence-based dialogue, emphasizing the need for comprehensive data and indicators to determine adequate and balanced wages. Dr. Satpathy also urged for the independence of wage boards, inclusive representation, and the operationalization of living wage concepts, aligning them with international standards. Moreover, he called for delinking specific sectors from statutory

minimum wages and allowing bipartite negotiations to establish collective wage packages, thereby reducing and promoting adequate labour protection. His dialogue highlighted the multi-dimension nature of wage policy, emphasising the imperative for comprehensive and integrated approaches to ensure fair and inclusive labor practices.



"We must address abysmally low pay, working poverty, and income disparities, mainly focusing on those below the median wage level. A holistic approach, including minimum and collective bargaining wages, is imperative for fair and inclusive labor practices."

Dr. Shymain Wickramasingha, Research Fellow, University of Sussex Business School, provided valuable insights into the complexities of implementing and setting national minimum wages. She highlighted the case of Sri Lanka, where the National Minimum Wage Act was established in 2016, yet the actual wage rates have seen fluctuations, leading to a significant disparity. Dr Shymain also pointed out the potential counterproductive effects of setting a low national minimum wage, especially in industries like apparel governed by international ethical codes and labour regulations. Due to international standards, companies often pay higher salaries than the national minimum in such sectors. However, the challenge arises in local industries that might need help to match these higher wages, thereby sticking to the lower national minimum wage. She emphasized the difficulty in determining realistic minimum wage figures, mentioning calculations from organizations like the Asia-Floor-Wage Alliance, which indicate a higher minimum wage requirement. She underlined the need to address these diverse perspectives and conduct in-depth studies to establish a balanced and fair minimum wage system, acknowledging the intricacies of local industries and international standards.

Dr Deen Islam, Associate Professor of Economics, University of Dhaka, highlighted critical aspects of fair wage determination and its multifaceted impacts on society and the economy. He addressed that a fair wage should enable young individuals, regardless of their education and experience, to sustain themselves and support a family, emphasising the importance of creating conditions where one individual's income can provide for an entire family's decent living standard. Dr. Islam underlined the macroeconomic significance of fair wages, linking it to the prevention of brain drain and skill drain, which is essential for sustaining economic growth and preventing inequality. He emphasised the need to involve stakeholders, particularly employers, in formulating a national wage policy, advocating for a consultation to reduce disagreements. Additionally, he highlighted the importance of academic research in tying wages to productivity, especially in informal sectors. In empirical findings, he emphasised the necessity of pragmatic wage policies to ensure sustainable economic development. His dialogue stresses the interconnectedness of fair wages, financial sustainability, and social well-being, making a solid case for evidence-based, inclusive, and collaborative approaches in shaping comprehensive wage policies.

"In the end, it is essential to link wages to productivity. We must engage in more rigorous research, and the wage policy should be based on the insights derived from these studies."

Dr. Atiur Rahman, Former Governor of Bangladesh Bank, expressed his keen interest in the ongoing discussion, acknowledging the complexity of the topic. He emphasised the critical need for economists to establish a direct link between these discussions and the macroeconomic situation in Bangladesh, particularly given the pressing issue of inflation. He underscored the importance of adjusting wages in response to inflationary pressures but acknowledged the feasibility challenges. Dr. Rahman highlighted the impact of inflation on actual income, especially for the lowest-paid workers, whose purchasing power might be significantly eroded despite nominal wage levels. He highlighted the necessity of safeguarding the interests of these workers, alluding to the findings of the Global Wage Report 2022-23, which indicated a negative global wage growth rate despite increased real productivity. He echoed the concerns the ILO Director-General raised, emphasising the potential rise in income inequality and poverty if the purchasing power of low-paid workers is not maintained.

Furthermore, Dr. Rahman pointed out the delicate balance needed in the face of macroeconomic challenges, such as managing the external economy and dealing with inflationary pressures. He noted that these challenges might result in a credit crunch, potentially slowing down investment and job creation and increasing competition among workers for fewer jobs. Dr. Rahman emphasized the importance of incentivizing employers, particularly investors and entrepreneurs while protecting the interests of wage workers. Addressing the imminent graduation of Bangladesh from the LDC status, Dr. Rahman highlighted the need for the export sector to

enhance competitiveness and diversify, emphasising the importance of policymakers ensuring competitiveness without compromising workers' real wages. He stressed the prevalence of informality in the labour market, with approximately 84 percent of workers engaged in the informal sector, underscoring the importance of considering this reality when setting national standard wages.

Dr. Rahman called for a well-designed national wage policy that considers prevailing informality, macroeconomic challenges, and emerging issues related to LDC graduation and contextualises priorities accordingly. He emphasised the urgency of implementing policy measures to maintain wage workers' and their families' purchasing power and living standards. He proposed the adjustment of minimum wages as an effective tool, highlighting the importance of intense social dialogue, including collective bargaining, especially during crises. Additionally, Dr. Rahman drew attention to gender issues, emphasising the need to ensure that policy measures do not hinder the increased participation of women in the formal workforce. He underscored the significance of social protection measures and complementary initiatives, beyond mere wage adjustments, to improve the overall well-being of workers, particularly those in the RMG sector. He suggested a comprehensive mapping of workers, considering factors such as skills, age, locations, gender, and income expectations, as a prerequisite to devising effective policy measures for economic well-being.

In conclusion, Dr. Rahman appreciated the diverse and focused nature of the ongoing discussions, emphasizing the importance of considering global and local perspectives. He called upon all participants to remain mindful of the macroeconomic context, both locally and globally, in formulating a comprehensive wage policy for Bangladesh.

“Setting a suitable wage is a necessary condition but not sufficient condition to ensure wellbeing of the RMG workers. We must also focus on improving the living condition of these workers through better access to social safety net programmes.”

“While developing a wage policy or other interim policy measures, we must be taking care that such measures do not hinder the increased participation of women in our formal workforce”

Md. Nazmul Avi Hossain, Senior Programme Officer, International Labour Organization (ILO), addressed in the context of labour market institutions, including employment protection legislation, minimum wage, collective bargaining, and unemployment benefits, wages emerge as a central factor binding these elements together. He also mentioned that a well-defined national wage policy is essential for facilitating negotiations between employers and employees and serves as a crucial reference point for social protection and other benefits offered by employers. This significance of wages is further underscored in the context of the GDP equation, where wages play a pivotal role in influencing consumption, government revenue, and private-sector investment. Without a formalised wage-setting mechanism and a robust minimum wage policy,

achieving economic targets, enhancing government revenue, and stimulating private sector investment become formidable challenges. Therefore, establishing a comprehensive national wage policy is imperative for ensuring our country's economic growth and stability. These insights were shared during our event discussions and will play a vital role in shaping future policy decisions.

Dr. M. A. Razzaque, Chairman of RAPID, strongly recommended incorporating a particular policy section regarding labour market development in the upcoming 9th Five Year Plan. This section should delve into the intricacies of the labor market, specifically focusing on wage distribution and its impact on income and poverty levels. Utilising the new Household Income and Expenditure 2022 dataset, Dr Razzaque suggested conducting in-depth analyses to understand the relationship between wages and poverty. Additionally, he urged to assess the past decade's wage trends and how they have influenced overall poverty and inequality. This nuanced approach will provide valuable insights into the challenges of the labour market, guiding more informed and targeted policy decisions for inclusive development.

At the end of the discussion, The Chief Guest, **Dr Md. Kawser Ahmed, Member (Secretary) of the General Economic Division**, shared his valuable remarks. He addressed the deficiency in ground research and evidence, urging researchers to conduct extensive studies to facilitate the implementation of an effective wage policy.

In response to Dr. Deen Islam's remarks, Dr. Ahmed emphasised the urgency of retaining skilled workers within the country and highlighted the significance of decent work and fair wages. Additionally, he raised a crucial point regarding the upcoming LDC graduation, underscoring the necessity of enhancing competitiveness. He stressed that achieving this goal could reduce export revenue, which is intricately linked to the national wage and employment policy. Dr. Ahmed's remarks underscored the complex interplay between research, policy implementation, and economic sustainability in Bangladesh's labour market. He also endorsed the recommendation by Dr M. A. Razzaque, confirming the inclusion of a dedicated chapter in the 9th Five-Year Plan that will address employment and wage policy issues.

To the conclusion, **Md. Nazmul Avi Hossain, Senior Programme Officer, International Labour Organization (ILO)**, wrapped up the event by delivering the closing remarks. He thanked all the participants and guests for their attendance and for engaging in insightful discussion.