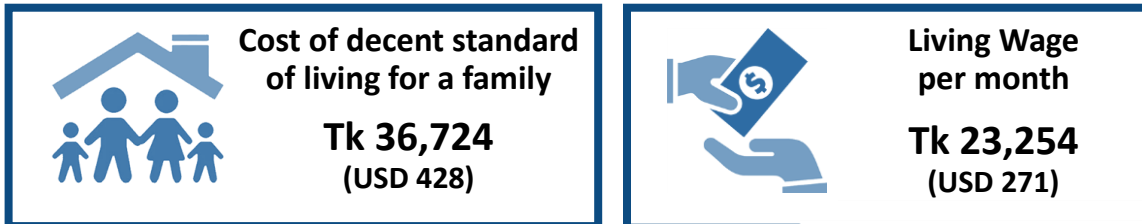


## Living Wage Update Report: Dhaka and Satellite Cities, Bangladesh, 2022

Living Wage Update Report No. 2022-04-28

### Dhaka City:



### Satellite Cities:



Photo credit: Marcel Crozet / ILO.

# Living Wage Update Report: Dhaka and Satellite Cities, Bangladesh, 2022

By:

*Lykke E. Andersen* \*

*Alejandra Gonzales* \*\*

*Agnes Medinaceli* \*\*\*

*Richard Anker* \*\*\*\*

*Martha Anker* \*\*\*\*

## **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 2022 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.

---

\* SDSN Bolivia, email: Lykke.E.Andersen@gmail.com

\*\* SDSN Bolivia, email: Alejandra.Gonzales@sdsnbolivia.org

\*\*\* SDSN Bolivia, email: agnes.medinaceli@gmail.com

\*\*\*\* Anker Research Institute, email: marthaandrichard@gmail.com

## 1. BACKGROUND

This report updates the Anker living wage and family living income expenses to 2022 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 by updating the March 2016 net living wage and family living income expenses to December 2021 by inflation, then adding expected inflation for 2022 according to the International Monetary Fund (IMF). This provides average living wage and living income expenses estimates for 2022. Without accounting for inflation, the net living wage estimated in 2021 would not be sufficient for workers to have a basic but decent standard of living in 2022 because the purchasing power of the living wage would have decreased. The gross living wage (aka living wage) is updated to 2022 by also taking into account income taxes and mandatory deductions from pay that workers need to pay on the updated 2022 living wage using laws in force by the beginning of 2022.

## 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 Tk 16,450 for Dhaka and Tk 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 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 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 CPI index in urban areas is calculated from monthly surveys of the prices of 151 food items as well as 271 non-food items.<sup>1</sup>

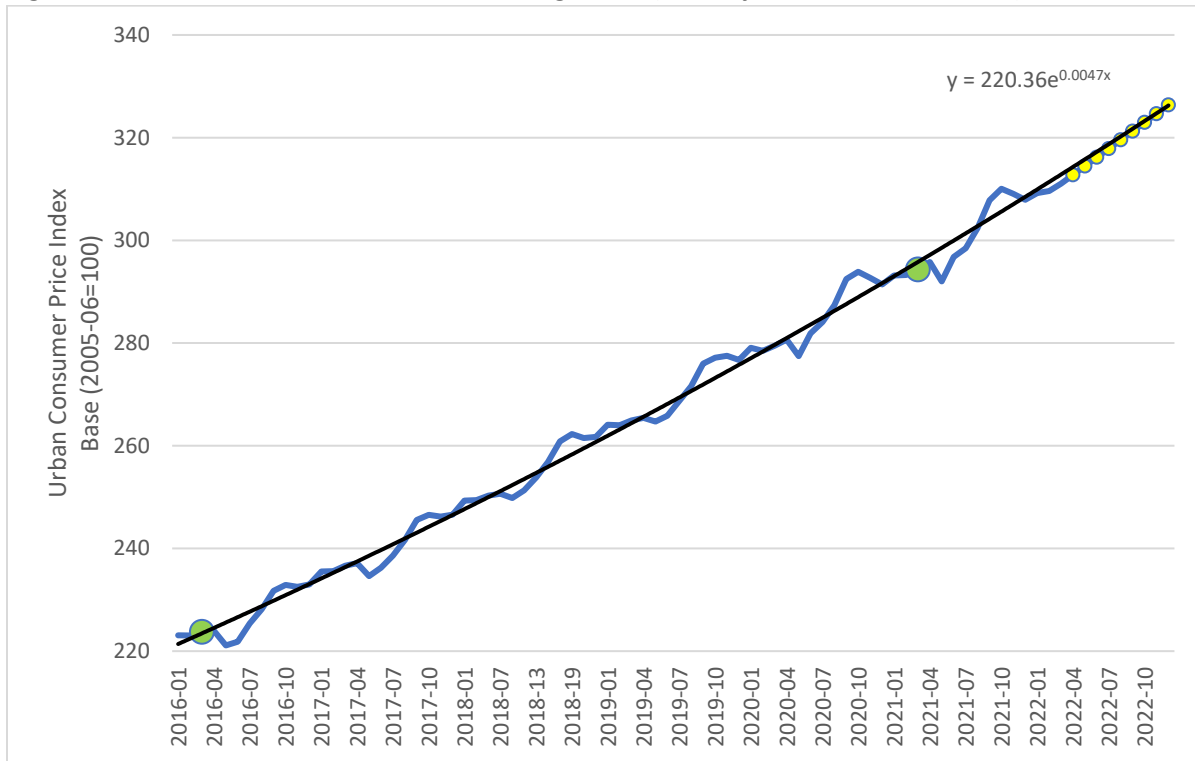
## 4. RECENT LEVEL OF INFLATION

Between March 2016 and December 2021, accumulated inflation amounted to 37.6% in the urban areas of Bangladesh. The IMF projects that the inflation rate in Bangladesh for 2022 will be 6%<sup>2</sup> and this projection was added to the Consumer Price Index numbers in Figure 1, while taking into account observed inflation for January, February, and March 2022.

<sup>1</sup> See <http://bbs.gov.bd/site/page/29b379ff-7bac-41d9-b321-e41929bab4a1/>

<sup>2</sup> See <https://www.imf.org/external/datamapper/PCPIPCH@WEO/BGD>. Information accessed 30 April 2022.

**Figure 1: Urban Consumer Price Index for Bangladesh (January 2016-December 2022)**



Notes: Green circles indicate the months of the original study and the earlier updates. Yellow circles show the forecasts for 2022. The black line is the fitted exponential trend.

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). This remains the only deduction, because current salaries, and the estimated living wages are well below the threshold for tax exemption (Tk 300,000/year).<sup>3</sup>

## 6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR 2022

The updated net living wage, or take-home pay, in Dhaka for 2022 is Tk 23,244 per month. The gross living wage (aka living wage), which also considers income taxes and mandatory payroll deductions, is Tk 23,254 per month for 2022. These are average estimates for the year 2022.

Regarding the Satellite cities, the updated net living wage, or take-home pay, for 2022 is Tk 19,245 per month. The gross living wage (aka living wage), which also considers income taxes and mandatory payroll deductions, is Tk 19,255 per month for 2022. These are average estimates for the year 2022.

<sup>3</sup>See <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-bangladeshhighlights-2021.pdf>

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

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

	March 2016 Original Study Date		2022 Update Report	
Exchange rate to USD	77.00		85.79*	
Currency	Bangladeshi Taka	USD	Bangladeshi Taka	USD
<b>Dhaka City</b>				
Living Expenses for Reference Family per Month	25,990	338	36,724	428
Net Living Wage per Month	16,450	214	23,244	271
Income Taxes and Payroll Deductions per Month on Living Wage	10	0.13	10	0.12
Gross Living Wage per Month	16,460	214	23,254	271
<b>Satellite Cities</b>				
Living Expenses for Reference Family per Month	21,520	279	30,408	354
Net Living Wage per Month	13,620	177	19,245	224
Income Taxes and Payroll Deductions per Month on Living Wage	10	0.13	10	0.12
Gross Living Wage per Month	13,630	177	19,255	224

\*Note: The expected average exchange rate for 2022 was calculated based on the average for the year so far (1 January 2022 – 29 April 2022), since there was no clear trend neither up nor down in this period.

Source: Authors' calculations.

## 7. REFERENCES

Khan, M.E., Anker, R., Anker, M., & Barge, S. (2016). *Living Wage Benchmark Report for Urban Bangladesh: Dhaka, Bangladesh and Satellite Cities*. Global Living Wage Coalition. Available online: <https://bit.ly/3y5LpIA>.