

**A STUDY OF LABOR MARKET CONDITION ON THE BANGLADESH  
READYMADE GARMENT INDUSTRY**

**By**

**Ahmed Anisul Hoque**

**THESIS**

Submitted to  
School of Public Policy and Management, KDI  
in partial fulfillment of the requirements  
for the degree of

**MASTER OF PUBLIC POLICY**

2001

**A STUDY OF LABOR MARKET CONDITION ON THE BANGLADESH  
READYMADE GARMENT INDUSTRY**

**By**

**Ahmed Anisul Hoque**

**THESIS**

Submitted to  
School of Public Policy and Management, KDI  
in partial fulfillment of the requirements  
for the degree of

**MASTER OF PUBLIC POLICY**

2001

**Professor LEE, Ju-Ho**

## **ABSTRACT**

### **A STUDY OF LABOR MARKET CONDITION ON THE BANGLADESH READYMADE GARMENT INDUSTRY**

**By**

**Ahmed Anisul Hoque**

The Readymade Garment (RMG) Industry is the most successful event in the economic history of Bangladesh. It is the single biggest multi-billion-dollar export earning industry; it is the nontraditional exporting industry with the greatest prospect for labor-using growth. At present, over seventy five percent of the total export earnings is from the RMG industry, and it employs near to 1.6 million of people of which about ninety percent are women. As the industry recruits, available, unskilled, semiskilled, and little educated workforce, the wage payments to the workers are lower, sometimes below the minimum wage. This wage cost advantage is the most significant factor of the RMG industry expansion in the economy. But the labor productivity is very low like wages; in fact, it is comparable with any other South Asian country. Unfortunately, the owners not only exploit the workers paying low wages, but also provide poor quality of working conditions, medical, leaves, and other facilities. On the other hand, there are so many uneven problems and challenges, like political instability, bureaucratic corruption, poor backward linkage industries, etc., to affect the comparative advantage of the industry in producing garments. Thus this paper will investigate the contribution of the RMG industry as the employer of large population, as well as the conditions of those working people. If the present trend of growth and expansion of the

industry remains ongoing, then it can be expected that the Bangladesh economy have a great chance to get rid of the curse of poverty. But if the existing problems and the upcoming challenges can not be faced proficiently, the economy will have to face serious difficulty and growth will remain stand still.

*Dedicated*  
*To My Parents*

## **ACKNOWLEDGEMENTS**

This paper is made possible under the supervision of Professor LEE, Ju-Ho of KDI School of Public Policy and Management, Seoul, Korea. I owe a special debt to him for his constructive criticisms and valuable suggestions. Many people have also given their precious time, good thinking and generous support to this paper. First of all, I would like to thank Professor Monir Quddus, Chairman, Department of Economics, University of Southern Indiana, USA, for his encouragement. I, also, am grateful to Professor Shaheen Akter, Dean, School of Social Science, Shah Jalal University of Science and Technology, Sylhet, Bangladesh, and many of my colleagues for generously sharing their time and ideas.

## TABLE OF CONTENTS

List of Tables	viii
List of Figures	ix
Key to Symbols	x
<b>I. INTRODUCTION</b> ... ..	1
<b>II. REVIEW OF LITERATURE</b> ... ..	5
<b>III. EXISTING LABOR CONDITION IN THE GARMENT INDUSTRY...</b>	12
A. Wage Structure in the RMG Industry	13
<b>Reasons of Wage Variation in RMG Industry</b>	13
B. Working time, Overtime, and Monitoring System	18
<b>Wages and Other Payments System</b>	20
C. The Unit Labor Cost	21
D. Women Labor in the industry	24
E. Child Labor	29
F. Roles of Labor Unions	35
<b>IV. PROBLEMS AND CHANLLENGES FOR THIS INDUSTRY... ..</b>	42
A. Political Instability	42
B. Weak Backward Linkage Industries	49
C. Corruption and other Rent-Seeking activities	51
D. Attitudes of International Organization	52
E. Politics of Quotas in the RMG industry	54
F. Natural Disasters	55
<b>V. CONCLUSIONS</b> ... ..	57
<b>APPENDICES...</b> ... ..	62
<b>REFERENCES...</b> ... ..	66

## LIST OF TABLES

<b>Table 1.</b> Employment of workers, supervisors, and managers	20
<b>Table 2.</b> Unit Labor Cost for Production of T-shirt	22
<b>Table 3.</b> Comparative Wage Cost in the RMG industry	23
<b>Table 4.</b> Wage Differentials by Gender	27
<b>Table 5.</b> Characteristics of child labor in the RMG industry	32
<b>Table 6.</b> Growth of RMG Exports and Share in National Export	62
<b>Table 7.</b> Employment of male and female workers in the RMG sector	63
<b>Table 8.</b> Yearly Contribution of the Garment Sector to Various Sectors	63
<b>Table 9.</b> BGMEA Membership	64
<b>Table 10.</b> The cost of Bureaucracy and Corruption for a Garment Exporter	64

## LIST OF FIGURES

<b>Figure 1.</b> Trend of Export earning of Bangladesh from the RMG	2
<b>Figure 2.</b> Employment of Female Workers in the RMG industry	25
<b>Figure 3.</b> Contributions to National Export Earnings of Various Sectors	62

## Key to Symbols

ALF	American Labor Force
BBS	Bangladesh Bureau of Statistics
BGMEA	Bangladesh Garment Manufacturers and Exporters Association
BGWUC	Bangladesh Garment Workers Unity Council
BIDS	Bangladesh Institute of Development Studies
EPZ	Export Processing Zone
GATT	General Agreement on Tariff and Trade
GDP	Gross Domestic Product
ILO	International Labor Organization
LDC	Less Developed Country
LFS	Labour Force Survey
MFA	Multi-Fibre Arrangement
MOU	Memorandum of Understanding
NGO	Non-Governmental Organization
NGWF	National Garment Workers' Federation
RMG	Readymade Garments
TDA	Trade and Development Act
Tk.	Taka ( <i>Bangladeshi Currency; \$1=Tk. 55 approximately</i> )
UNICEF	United Nations Children's Fund
UPL	University Press Limited
WTO	World Trade Organization

## I. INTRODUCTION

The miraculous success in the Readymade Garment (RMG) industry is definitely one of the biggest developments in the economic history of Bangladesh. It is only two decades by which from unfavorable<sup>1</sup> initial conditions RMG industry has become the single multi-billion-dollar manufacturing and exporting industry in the economy. Fetching only \$6.4 million of apparel exports in 1981, this garment sector has now (during 2000-2001) earned \$4860.12 million, which is seventy six percent of the total export earnings of the economy. It is now enjoying the status of the fifth largest garment exporter to the European Union and ranks the top six apparel suppliers to the USA since 1995 (BGMEA 2001).

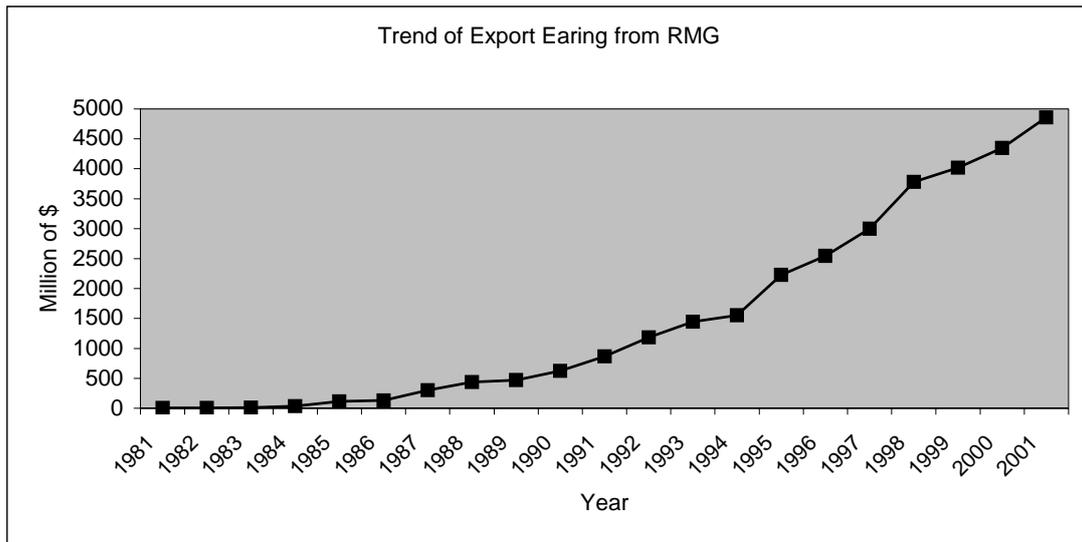
This success is remarkable not only for earning huge dollars but also for creating millions of job opportunities, because unemployment and underemployment are the major economic and social problems for the economy of Bangladesh. High demand for semiskilled and unskilled laborers have made the RMG industry as the most flexible job market for millions of people, who have a little scope to compete in the competitive job market. In 2001, the industry employs close to 1.6 million workers, whereas, during 1981-82 this figure was only 4200, with its share of employment in the manufacturing industry increasing from a mere two percent to forty percent plus. During the period

---

<sup>1</sup> At the late of 1970s and early 1980s, when Bangladesh was largely loosing its main export earning jute industry in the world market. Unfavorable business environment because of law saving rates, lack of government assistance to the private sector, military dictatorship, low level literacy of the population, slow and corrupt bureaucracy, political instability.

1983 to 2000 the average annual growth of labor absorption rate in the RMG industry was over fifty percent<sup>2</sup>.

**Figure 1.** Trend of Export earning of Bangladesh from the RMG



Source: BGMEA. *The Readymade Garment Industry of Bangladesh: Challenges and Prospects*. RDTI Cell, Dhaka: BGMEA, 2001

Even though the "value added" from the RMG export is not so large<sup>3</sup>, the availability of a large number of unskilled and semiskilled workers for employment has been the main contributing factor in the growth of the garment industry in Bangladesh. On the other hand, about ninety percent of the workers employed in this sector are women, constituting almost seventy percent of the nation's manufacturing sector. This is because of, available, Bangladeshi women provide cheaper labor than Bangladeshi men. This industry has uplifted those women who are mostly neglected, even though the average wages to the women workers were at least thirty three percent lower than the men

<sup>2</sup> The calculated value of the annual growth of employment in the RMG sector is 57.6 percent

<sup>3</sup> Only twenty-five to thirty percent of garment exports is value-added because of most fabrics and accessories are imported under back-to-back arrangement.

workers<sup>4</sup>. They are radically transforming the socio-economic conditions of the country. The industry virtually has also created a vast scope for employment in all level of production including management, supervision, etc.

This study is mainly aimed to investigate the existing situations of the labor that are already employed in the garment sector, such as women and child labor conditions, and their wages and conditions of working. In general, most of the workers in the garment factories are from not-well-earned families, and are women. They are not aware of their productivity, low payments, poor working conditions, and their rights, where jobs are the only satisfaction. The pressures from the management group and vulnerability from own side make most of them less interested on bargaining with their basic rights, *i.e.* involve in the labor union activities. At the same time, it will be tried to focus whether this trend of labor absorption would continue or not. That is the constraints of more investment in this sector. The focal consideration drive up the selection of the RMG industry springs from its fundamental importance in the economy of Bangladesh. It is the single biggest and only multi-billion-dollar export earning industry for Bangladesh; it is the largest employer of unskilled and semiskilled needy women workers; and it is the sparkling exporting industry with the greatest prospect for labor-using growth. It is believed that the impact of the RMG export industry is certainly one of the most significant social and economic development in contemporary Bangladesh economy and also viable and desirable to the economic adjustments.

---

<sup>4</sup> Choudhuri and Mazumder (1996:44) showed that, at the late of 1980s, if a man received \$39 per month, a woman received only \$26 for the same work.

This paper is structured to have further four sections. Next Section, Section II looks at the review of literature and case studies on various aspects of the RMG industry. Here it is interesting to note that most of the studies highly emphasizes on women workers, as well as some skepticism about this unexpected boom in this industry. Section III investigates various issues of employed laborers in this sector. No doubtfully, low wages saw the seeds of the RMG industry in Bangladesh, but dedicated and easily controlled female workers are an important factor to bring this sector to its present position. But the owners are highly exploiting those workers providing poor working conditions, facilities, and restricting from union activities. Suddenly boosting in any sector of the economy, most time, in economics thought as an illusory matter. By only two decades RMG expanded sharply so that there are always fears of unexpected shocks are consciously considered. The challenges in further expansion are always in our mind. Therefore in Section IV some factors, that has been faced and might be challenged for the existence of this industry are examined. Finally, Section V concludes some policies and recommendations to make the path of the industry smooth.

## II. REVEIW OF LITERATURE

The low income and surplus labor society of Bangladesh, were both significant reasons behind the expansion of the RMG industry in the economy. Lewis (1954), in his model, showed that the modern industrial sector must expand rapidly to be able to absorb the surplus labor from the traditional sector for successful modernization of the entire economy. Other authors in Development Economics discussed models of "export-led" growth with trade as the "engine of development", and models where one sector of the economy receives a "back push" from the state which allows this sector through "backward" and "forward" linkages to spread the seeds of industrialization.

We can recognize elements of these models in this real world case study, Bangladesh with readymade garment export. Producing garments is a manufacturing activity, selling these readymade clothing products overseas is a trade activity. Garment production employs semiskilled and skilled labor and management in a factory setting. There are interesting economies of scale in the production, marketing, and financing of this industry; and important linkage with the rest of the economy can be identified. The fact that most of the product is exported makes the garment industry even more attractive as it helps the economy deal with one of the important constrains identified in the literature – the foreign exchange constraint. As the industrial sector creates skilled jobs with above-average wages, this enables the economy to deal with another crucial constraint – the available pool of savings. Breaking this constraint will allow the economy to free itself from the dreaded poverty trap. Let us not forget entrepreneurship. Thousand of young managers and entrepreneurs are trained in this sector and the rest of the business

community receives a powerful shot-in-the-arms to boost the confidence. The salutary sociological implications cannot be ignored. Most of the new jobs have gone to an important group in the labor force, one that is usually discriminate against – women. In Bangladesh, the economic power that women have achieved through half a million well-paying jobs in the garment sector will have far-reaching beneficial consequences in the years ahead. There are very few negatives in the story.

Although the industry has become very prominent and many studies have been done on various aspects, there is little literature available on labor aspects specially. Of the various aspects of the labors in the industry, the problems and the working conditions of female workers had received the greatest attention. Choudhuri and Mazumder (1996), in their baseline study investigated the economic, social, and health condition of the garment workers, especially female workers, in Bangladesh. Wide spread poverty and flexible employment in this sector has created itself as a popular job field for the semi-skilled and little literate women. Only the RGM industry alone absorb about fourteen percent of the female employed in the manufacturing sector and sixty five percent of those employed in the medium and large scale enterprises. With a sample size of 673 garment workers, of which 428 were female, they identified the gender differential in wages and other facilities provided by the garment factories to the workers, as well as other social and health problems of the working women. From their survey, several important issues came out. Such as the reasons of paying low wages, sometime below the minimum wages to some female, to many workers. Lack of skill, high turnover rates, and minimum education are main reasons for lower payment to the female workers. At the same time, female workers with higher education and skills or experiences received higher salaries than that of men workers. Higher effective demand for labor and lower

opportunity costs, illiteracy, lack of skill and availability of female workers being gear of the RMG industry in Bangladesh. On the other hand, defining "secondary earners", most female workers (seventy percent) had been contributing to their family income on average at the rate of fifty four percent, which potentially is helping these poor families to come out from the poverty trap. Finally, they recommend some policies and suggestions for better treatment for the female workers.

The lack of proper monitoring system for implementation of minimum wage roles from the government side and weaken bargaining status, many times nonexistence of labor unions in many factories, from workers' side both has created the scope for entrepreneurs to violate the minimum wage and other facilities roles to the RMG workers. Hossain and Brar (1988), Choudhuri and Majumder (1996) showed that many garment workers were interested in joining union to get bargaining strength with the factory owners for various demands. While many other workers were not interested, try to avoid union activities to get rid of job loosing panic. Then it would not be surprising that many other workers do not know what it is.

According to Mondal (1992), wage is a "critical" element of the cost of production affects the rate of the return and profitability of an enterprise and on its further growth, in manufacturing sector. So, entrepreneurs always try to limit the trade unions' pressures of wage raising and other demands. On the other hand, wage determination acquires special importance in an economy where capital is scarce, labor abundant and productivity is low. Ahmad (1988) explained the factor productivity as well as the labor productivity and economics of the RMG industry and discussed its robustness and long-term viability. He found that productivity in Bangladesh was low but comparable within the South

Asian region. The comparative advantage of Bangladesh readymade garment industry is largely dependent on non-unionized female workers whose wages are low and the government has taken no steps to fix effective minimum wages for them. He also ran several regression functions to estimate the factor productivity in this sector. His findings were: market destination had important implications for productivity; in the case of labor productivity, ownership showed a negative sign, because factories use labor more intensively without being subject to union pressures.

Hossain (1993), Quddus (1996) investigated and evaluated the performance of entrepreneurs and their contribution in the success story of the RMG industry. Hossain (1993) had gone one step more remarking that not only dynamism and sincerity of the entrepreneurs but also hard working and dedicated labor force are working behind this golden story.

In a recently study, Quddus and Rashid (2000) present the RMG industry as the most successful event of the economy, where entrepreneurs are the heroes. No doubt workers have been paid lower wages and poor facilities, but they are able to have at least jobs. But they are the entrepreneurs who are taking the risk by investing in this industry, facing many obstacles, such as political uncertainty, bureaucratic steps, various rent-seeking activities as well as natural disasters. They included a chronological history of garment industry. If the economy is to be changed from its existing vulnerable situation, raising export-led investment should be the main target, where entrepreneurs would be the main concern.

On the other hand, pessimistic ideas have come out from various scholarly writings. For example, Sohban (1993), one of the most renowned Professors of the country, wrote that there were no readymade panaceas in the promotion of the private sector while the entrepreneurial tradition had remained weak. In the same paper, however, he argued that the response from the small and medium entrepreneurs has been impressive and demonstrate that private entrepreneurship has great promise in areas where markets are secure, investment finance needs are modest, technology assimilation is easy and a system of back-to-back financing of letters of credit provides a ready supply of working capital free of hassles of import regulation. Thus garment sector is a demonstration of what some sensible policy support directed to entrepreneurs, dealing within their financial level and managerial competency.

Then it would not be a surprising that the World Bank until recently pays little attention and appreciation to the industry. To enhance the development process the bank could support the industry in many ways providing workers training or entrepreneurs technical or managerial assistance. In fact so far the bank did nothing. However, when, in 1996, it was asked about the lack of recognition and direct involvement of the bank in this dynamic sector of the economy, the country chief replied, "That is not the job of the Word Bank". He pointed out that the job of the bank is to "create conditions" for the private sector flourish, and not to pick winners and losers in the economy. From experiences it can be said that donor countries and organizations trying to help in development and poverty alleviation of Bangladesh always focus upon the troubled sectors of the economy, and ignore sectors that are performing well. Actually, the bank was doubtful about the sustainability of the industry because of weak backward linkage industries in the economy. Finally, the bank had to come down from it position and made

an arrangement with BGMEA to support the industry in various ways, although these reports are yet to be practiced. The World Bank (1996) identified that under-employment caused by the low demand for labor, not the unemployment, is the most significant problem in Bangladesh's labor market. According to the Labor Force Survey (LFS) 1996, 34.6 percent of the labor force was under-employed. But the workers with little education and lack of skill, working in the garment sector, is really very hard to identify, whether they are under-employed or employed with their wage level. The study showed that the low wage and high productivity of the garment workers is the key point of the success of this sector.

Cookson (2000) explained the impacts of Trade and Development Act (TDA) 2000 on Bangladesh readymade garment industry. He criticized the US policies in this Act that provide some special conditions that on the face of it work against Bangladesh. In TDA 2000, Sub-Saharan countries were given duty-free and quota-free access to the US garment market. Caribbean countries were also given these statuses if they use US fabrics in the garment production and export these to the USA. Whereas for Bangladesh the growth on quotas is still stagnant, which is, in fact, a heavy restriction on exports for a matured industry. He argued that quota system was beneficial for Bangladesh, because it gave time for the industry to develop and to learn the skills in production, marketing, and pricing. But by this time the industry is matured enough, even though there are many fears about the competitiveness after the quota free regime in 2005 and onwards. But the passage of TDA 2000 makes much more dramatic position of the industry. He argued that the RMG industry must be competitive. If it fails to maintain a reasonable market share then the entire economy will experience great difficulty and economic growth will stall, as there is no other industry in the economy to compensate its losses. However,

there are sufficient opportunities to improve productivity and infrastructure that the competition from TDA 2000 can be withstood. He also emphasized on factor productivity, improved financial assistance, and investment on the linkage industries and on human development for the RMG industry.

The industry also could take the attention of many international scholars. Krueger (1993) pointed out the incoherence of the United States policy toward the developing economies citing the case of Bangladesh garment industry. At the beginning, the US authority actively argued the government to promote this labor-intensive industry. As a result the government provided sufficient assistance to the entrepreneurs, and the industry was rapidly expanded. Soon after the boom, in 1986, US trade officials confronted Bangladeshi authorities eager to negotiate quotas that would restrict RMG exports to the USA.

### **III. EXISTING LABOR CONDITION IN THE RMG INDUSTRY**

The widespread poverty, high population density, and underdevelopment, make the Bangladesh economy as a labor surplus society, which are factors behind low wages, mainly responsible for the rapid expansion of the RMG industry. On the other hand, hard working and dedicated large female work force, relatively relaxed quota-status all are working behind the success of this sector.

The creation of remarkable employment opportunities by RMG industry in Bangladesh is definitely a gift for the nation. During the 1980s, aggregate employment growth kept pace with labor force growth, at three percent a year, only by absorbing the additional workforce in very low level occupations in the informal sector. It is currently estimated that the labor force is growing at almost twice the rate of population growth, which implies greater burdens on planners to create additional jobs. The aggregate employment increased in the first half of the 1990s at a somewhat faster pace than the population and this trend have continued the latter years of the decade. An increase in the participation rate is especially for women accounts for this. The share of agriculture in total employment has declined a trend that is likely to continue with further improvements in agricultural productivity and continuing rural-urban migration. The shift in the labor force to urban areas has been directed importantly to the service sectors, where trade, transportation and communication services in particular have provided expanding employment opportunities. A striking development has been an apparent decline in the share of employment in the manufacturing sector between 1990-91 and 1995-96. Although the sharp expansion, until recently, of garment industry has strongly increased

its demand for labor, especially female labor, the lack dynamism in much of the industrial sector, especially in the state-owned enterprises, has significantly inhibited productive employment opportunities. Markedly higher economic growth rates and labor market flexibility will be a prerequisite for expanded job opportunities and reduced unemployment and poverty in Bangladesh

### **A. Wage Structure in the RMG Industry**

More than one million of female labor force absorbed by the MRG sector largely impacted on the over all economy, at least a hope for the neglected and low-income group families to come out from the poverty trap. Low wages pay could not restrict the employment expansion, because of the available supply. According to Keynes (1936: 289), " ...as the effective demand increases, employment increases, though at a real wage equal to or less than the existing one, until a point comes at which there is no surplus of labor available at the then existing real wage; *i.e.* no more men available unless money-wages rise *faster* (from the point onwards) than prices".

#### ***Reasons of Wage Variation in the RMG Industry***

Assuming perfect wage flexibility in the RMG industry, market clears at the lower wage, sometime below the minimum wage, where availability of workers seeking for jobs exceed the number of workers which firms wish to hire. Individual firm in the competitive garment market hires workers as a "wage-taker" with a perfect elastic labor supply curve at a lower wage level. In contrast, workers in the RMG industry

"independently" supply their labor services having low level of skills and education, with limited choice - as a means of playing almost no role in wage determination in absence of "collective" bargaining capability. Therefore, the management is solely responsible for wage determination in the industry.

Choudhuri and Mazumder (1996) explained some ways of wage determination, and reasons of wage variation made by the entrepreneurs in the RMG industry. Sometimes, they pay below the minimum wage to some unskilled workers, although they worked, on an average, the same number of hours as the rest of the work force. At the same time, they were paying very high wages to some workers. For explaining the wage variation, the garment workers had been grouped into four categories.

In *the first group*, the sewing and finishing helpers were included. It is likely that in these jobs:

- (a) Given that less reliable information is available for this category of the workers, the uncertainty with respect to their productivity is shifted from the employers to this group of workers.
- (b) These group of workers do not have any work experience, hence are likely to paid low.
- (c) Most of these workers also lacked necessary skills, they are not explicitly included in the minimum wage legislation. On the other hand, about thirty one to thirty eight percent of them were illiterate so they are less likely to have any other meaningful opportunity.

- (d) Since these jobs are disproportionately filled by the young workers who may be described as relatively unstable with relatively loose attachment to the labor force were paid less.
- (e) This group is likely to face the high turnover rates.
- (f) Since most of these workers were females and unmarried, they are considered "secondary" workers, as they can often rely on other "primary" members of the family for support.

The *second category* included workers who were employed as cutting helpers, iron-men, and folders. These jobs had seventy five per cent male workers. Of these workers, about twenty percent were highly skilled, and only about twenty percent received less than the minimum wage of the unskilled workers. It is likely that:

- (a) These workers are mostly in the active age group fifteen to twenty nine years, and have education at least up to secondary level. But as more young males were in these jobs, their turnover rate is likely to be high. Hence, they are likely to be paid a relatively lower wages.
- (b) They had very little work experience prior to entering the garment industry and hence are likely to be paid low.
- (c) Of these workers, the iron-men are likely to be marginally better off as they have some work experience. But most workers employed as cutting helpers, and in folding are inexperienced. Hence their pay is likely to be lower.

In contrast to the mentioned two groups, workers in the third, and fourth group were paid higher wage. Some reasons are discussed below.

In *the third group*, skilled workers, like operators were included. These workers were likely to have stable job, and about eighty percent of them were highly skilled. Hence, for those workers:

- (a) There are overhead cost of scrutinizing, placing, and lying off such workers; costs which are positively related to the wage level of the skilled groups.
- (b) The fringe benefits, and overhead costs tied to an employee have increased over time because of the preference of workers, and employers. These increases are both a cause and effect of the large amount of firm specific on the job training.
- (c) These workers were mostly females and married who are likely to stay on the job. They got moderately higher pay and their turnover rates were likely to be low.
- (d) Since these workers have mostly secondary (forty one percent) or primary education (9.3 percent), they are likely to earn more than the previous group.

The *last group* of workers consisted of workers who had specialized skills such as cutting masters or cutters, supervisors, and quality controllers. These workers are highly skilled, and hence highly are secured in their job as:

- (a) The employers are likely to know more about the experience of these workers. So it is likely that there will be less variability in job offer.
- (b) For these highly skilled workers, the overhead cost of labor is likely to be high.
- (c) Some of the highly skilled workers have foreign training. For example, the "Desh" garment industry along with the Korean firm "Daewoo" had trained a large group of mid-level managers in 1979. Their collaboration included six-month training of Bangladeshi garment workers in Korea. For on-the-job training, 130 workers were selected and at least college level education was required. It is important to note that fourteen of them were women. That was the first time the female workers had

received training abroad in this industry. The workers learnt not only production skills but also the whole system of production, marketing and management that "Daewoo" had developed over the years. Their experiences were invaluable not only to "Desh" garment but created a good number of future managers and entrepreneurs for the Bangladesh garment industry. This group of highly demanded workers is known as "Korean" and their salaries are very high.

(d) Along with the production manager, this group can be included in the management of production side. Therefore, they are paid quite high.

The above, it is shown that there existed a dual labor market: secondary and primary. The secondary workers were those who were paid below the minimum wage of unskilled workers as they were young unmarried, mostly female, mostly illiterate, have no experience, were secondary earners, and mostly of rural origin. These workers were most insecure in their jobs. It may be that, due to availability of such workers, wages are depressed below the minimum wage. If the minimum wage is strictly enforced, about one-third of the workers will lose their jobs. Some entrepreneurs suggested that an acceptable minimum wage would be Tk.500 per month.

Low wages, undoubtedly, one of the most crucial reasons of coming garment industry to Bangladesh. At the same time availability of labor ensure the lower wages. Development experts argue that once economic growth takes off, market forces will assure an increase in adult wages and a diminution of child labor. But there is no evidence that exploitation is temporary and that as Bangladesh economic growth proceeds, income will be distributed more equally. Nor is there evidence for the claim, popular among development economists, that as productivity improves, wages will naturally rise. Indeed,

it is common in developing countries that wages fall as productivity rises. From 1980 to 1989, a period studied by the World Bank, productivity in Bangladesh as a whole increased by twenty percent, but real wages increased not at all.

## **B. Working time, Overtime, and Monitoring System**

Looking at the working conditions and time schedules of the RMG workers, any one will think that it is exploitation, but this is the reality. According to the Labor Act, the normal working hours in the industry is eight hours a day. Usually in Bangladesh it is from 7.30 or 8 A.M to 4.30 or 5P.M. But almost in all factories, the overtime working culture is existed. The overtime working time also vary according to season of demand. The peak season is from October to January, while the slack season is from March to June. In the peak season a worker has to work on average eleven to twelve hours. It varies according to the job category. Since the finished products of the sewing section have to be ironed and packed, the supervisors and finishing helpers have to work for longer time. Most of the time, when the orders have to be delivered on time, the workers in the finishing section have to work the whole night, usually up to 3 A.M. Sometimes, sewing operators also have to work for the whole night. In such cases without overtime payments the workers are provided with some additional facilities. During the peak season workers have to work in the holy days. Normally, workers are given lunch break during the work times on average one-hour and no break before the lunchtime.

According to the Bangladesh Factory Act 1965, the hourly overtime payment is calculated as twice of the hourly basic salary. Usually basic salary is considered to be

sixty percent of the monthly payment. Interestingly, most of the average workers do not know what are their basic salaries, they know only the total payments they received at the end of the month and think that are their basic<sup>5</sup>. According to some studies, on average a worker earns 107 percent of his/her wage rate as overtime, where a male worker earns little higher (108 percent) than a female worker (106 percent).

Another fact might be thought that why the average productivity can not fall for the low wage. Uncertainty theories apply that higher salary is provided to satisfy a worker to work more, if the monitoring system is expensive. For the RMG industry in Bangladesh, as the monitoring system is not expensive it is possible to make the workers work efficiently, with the available wages at the maximum output. From the Table 1, the cautious monitoring or supervising structures in this industry can be understood. During 1990-91, on average, there was one supervisor per thirteen workers; one manager per 138 workers and ten supervisors available. This tight monitoring structure ensures the workers and supervisors to work with their maximum efforts. On the other hand, as the labor regulations and legislation do not secure the workers<sup>6</sup>, it is very easy to fire any worker by supervisor or by manager, or any supervisor for any negligence by the manager. Without sacking, sometimes workers are finned by monetary deduction for absent and negligence in work.

**Table 1.** Employment of workers, supervisors, and managers

---

<sup>5</sup> Choudhuri, Salma and Mazumder, Protima Paul. *Garment Workers in Bangladesh: Economic, Social, and Health Conditions*. Research Monogram 18, Dhaka: BIDS. 1996: 38

<sup>6</sup> Owners usually do not give the appointment or contract letter to the workers, and service books are not maintained.

<b>Year</b>	<b>Workers</b>	<b>Supervisors</b>	<b>Managers</b>
1981-82	4,200	315	28
1982-83	6,400	480	44
1983-84	24,000	1,800	172
1984-85	99,350	7,451	720
1985-86	323,200	24,240	2,348
1986-87	346,850	26,014	2,520
1987-88	362,250	27,169	2,632
1988-89	391,950	29,396	2,848
1989-90	405,700	30,428	2,948
1990-91	514,050	38,554	3,736

Source: Quddus, M and Rashid, S. *Entrepreneurs and Economic Development: A remarkable story of garment exports from Bangladesh*. Dhaka: UPL 2000: 231

### ***Wages and Other Payments System***

The garment workers are not only the lowest paid workers in Bangladesh, but often paid with delay and irregularity their wages and other payments. Laws permit to receive the monthly salaries within seventh of the next month, but in garment sector there is no fixed timing of wage payments. Some firms pay salaries by the first week of a month, some pay by the second week, even in some cases there is three or four months delayed. It was observed that most irregularities in payments were with regards to the payments of the overtime earnings. Available reports indicated that the average overtime per worker was eighty-one hours a month. The overtime work was monitored by the "time keeper", and the "time cards" were used for counting the overtime work. It is a usual practice that the firms keep one-month payment of overtime as security money to deter a worker from

leaving the firm. Even though the management declared that security money would be paid if the worker gave one-month notice prior to leaving the firm, but in most cases it is fraud. In many cases the workers received overtime payments after two or four months, while for many firms there was no regularity in this payments.

### C. The Unit Labor Cost (ULC)<sup>7</sup>

The unit labor cost in the garments of Bangladesh is probably lower than any other South Asian country.

The Table 2 shows that Bangladesh's unit labor cost for the item "T-shirt" is much lower than in the comparators. Similarly, for "Jeans" and "Man's shirts" and supported the same conclusion of Bangladesh's competitive superiority in the garment sector *vis-à-vis* the other South Asian comparators. Two important key factors determining unit labor costs are wages and productivity work in favor of Bangladesh. The low wages more than offset the lower skilled and productivity of Bangladeshi workers as compared to the workers in competing manufacturing nations such as Sri Lanka and the Philippines. In "T-shirt", it has the lowest wage of all countries and highest productivity among all comparators, except India. The wage premium<sup>8</sup> Bangladeshi garments workers received is lower than that received by workers in all comparators except Sri Lanka.

---

<sup>7</sup>  $ULC = \frac{ewL}{Q}$ , Where, e is the inverse of the exchange rate, w is the wage rate in domestic currency, L is the number of the workers, and Q is the quantity of output.

<sup>8</sup> Wage Premium, PR =  $\frac{wage}{opportunity\ cost}$

**Table 2.** Unit Labor Cost for Production of T-shirt

<b>Country</b>	<b>Unit Labor Cost (\$/shirt)</b>	<b>Wages (\$/year)</b>	<b>Productivity (shirt/worker)</b>
Bangladesh	0.11	290	2,536
West Bengal	0.33	595	1,828
India	0.26	668	2,592
Pakistan	0.43	1,343	3,100
Sri Lanka	0.79	570	719

Source: The World Bank. *Bangladesh: Labor Market Policies for Higher Growth*. Dhaka: UPL, 1996

Moreover, productivity differences do not erode this wage advantages. If the wage premium is used as a measure of market segmentation and distortion, the garment labor market in Bangladesh is less distorted than in all comparators except Sri Lanka.

In Bangladesh the average wage of garments workers is some seventy four percent above the agricultural wage rate. This may appear high, but it is still better than in West Bengal, Sri Lanka, and Pakistan. The above table also indicates the importance of productivity in determining competitiveness. Bangladesh's productivity advantage in this sector is responsible for nearly a thirty three percent advantage over West Bengal, and for as much as a twenty seven percent advantage over Sri Lanka.

On the other hand, if wage cost advantage is compared with the USA or other industrial countries, a widespread bandwidth could be inferred. From the Table 3 it can easily be realized with concern that even if combined efforts of US unions, activists, and Bangladesh garment workers succeed in multiplying Bangladesh wage rates by two or three times (a dream), Bangladesh garment manufacturing will still be enjoying enormous labor cost advantage.

**Table 3.** Comparative Wage Cost in the RMG industry

*In US dollar*

<b>Country</b>	<b>Wage per hour</b>	<b>Wage Cost per shirt</b>	<b>Wage index with US as base</b>
USA	7.53	1.76	100
Hong Kong	1.40	0.46	26
South Korea	1.53	0.53	30
Sri Lanka	0.35	0.14	8
India	0.40	0.15	8.5
Bangladesh	0.25	0.10	6

Source: Ahmad, Muzaffer, "Readymade Garments Industry in Bangladesh", *Bangladesh Journal of Political Studies* 9. 2, Dhaka, 1988: 102

## **D. Women Labor in the Industry**

Labor market discrimination against women is a problem all over the world. In almost all societies women have less power than men, receive less for their work, and less control over household resources, and in many countries they receive less education. Two types of discriminations against the women in Bangladesh labor market are serious as compared with others. These are the "employment discrimination", and the "wage discrimination". The employment discrimination in Bangladesh manifests itself perhaps most significant in the fact that women have very little access to formal employment. In South Asia, it is enormous that Bangladesh have one of the lowest female economic activity rates<sup>9</sup>. In all sectors, except the formal public sector, working women in Bangladesh earn less. But the faster growth and greater job opportunities in the RMG industry benefits women even though the wage discrimination against them is almost persistent. This situation is not bad for them as they have very little access to better-paying jobs in the public or private sector with their educational and other qualifications.

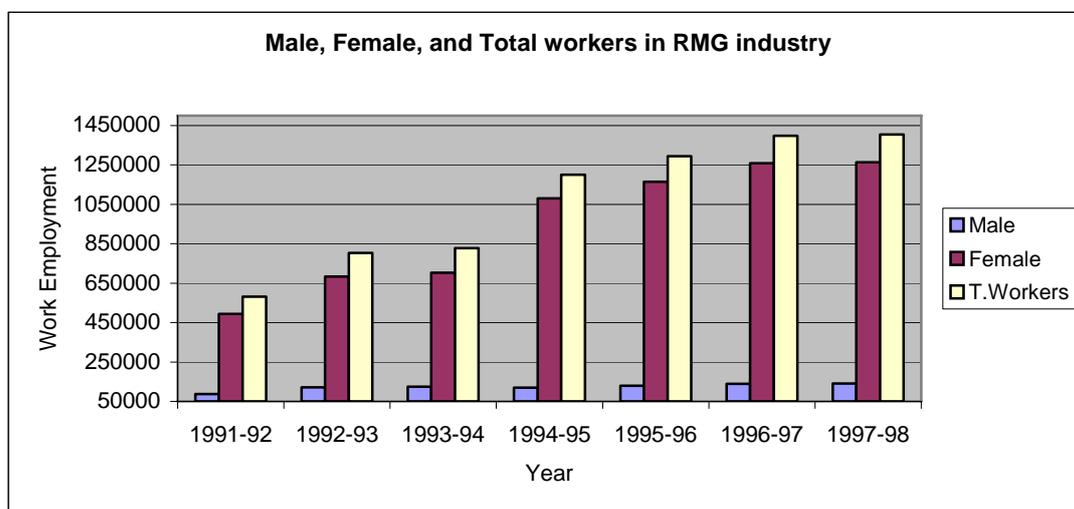
However, recruiting female laborers in the RMG industry is a strategic decision consciously made by the manufacturers mainly for two reasons: a) Sewing is traditionally women's work in Bangladeshi society, so any woman who does not have any experience, would have some practices in sewing by tradition. This advantage has been taken. Therefore, they initially recruit women laborers at the operator level, not generally at the supervisory or managerial level that needs institutional qualifications; b) Women laborers are not conscious about the unionization of workers. Therefore, the women workers in Bangladesh are naturally dexterous with sewing machines,

---

<sup>9</sup> It is around eleven percent whereas in India it is twenty percent, and in Sri Lanka it is thirty two percent (World Bank, 1996)

hardworking, more manageable than their male counterparts, and in abundant supply helped further the cause of employment in the garment factories. The number of the women workers in the sector is remarkable. Currently around ninety percent of the working force in the RMG industry is women. Figure 2 shows the employment position of female workers in the garment as working stability.

**Figure 2.** Employment of Female Workers in the RMG industry



Source: Quddus, M and Rashid, S. *Entrepreneurs and Economic Development: A remarkable story of garment exports from Bangladesh*. Dhaka: UPL 2000: 54

According to LFS (1996), 77.6 percent females were reported as unpaid family helpers as compared to 17.2 percent males in Bangladesh. Even though fifteen percent of the formal jobs are theoretically reserved for the women, most time they are unable to get these. Government labor market interventions, such as minimum wages, maternity leave, restrictions of women's working at night largely restricted them to be employed in many formal sectors. On the other hand, the female workers in the RMG sector with lower wages have basically very low opportunity costs. Therefore, they are employed in this sector where the employers largely ignore the minimum wages, maternity leave, etc. Many entrepreneurs stated that they did not provide maternity benefits because workers

did not ask for these. The female workers are also unaware about the minimum wage and that forty two percent of women are paid less than the minimum<sup>10</sup>.

In Table 4, it is shown that even though the female workers are paid lower wages, in some cases it is opposite, such as for the literate female workers. In fact there are few female workers beyond education level X, and they are paid twelve percent higher wages than men are. In contrast, middle class and higher classes female with higher education rarely enter in garment with better paid jobs. From a sample size of 673 garment workers, Choudhuri and Mazumder (1996), showed that of them seventy eight percent were found literate and only twenty two percent illiterate, *i.e.* can sign their names. There existed a significant difference between the education levels of the male and female workers. Only ten percent of the male workers were illiterate, while for female it was thirty percent. About seventy five percent of the male workers had education beyond primary level, for female it was only thirty six percent. And by education, the wage differential was around seventy six percent to eighty six percent.

The entrepreneurs stand many reasons in favor why they pay low wages, sometimes below the minimum wage, not only to the female workers but also to overall work force. First of all, most of the women workers in this sector have come from the low income group families with little education, and most of the time they are vulnerable, who have little bargaining power with the employers. Sometimes, they are satisfied with this low wage as they have negligible opportunity cost. On the other hand,

---

<sup>10</sup> The World Bank. *Bangladesh: Labor market policies for higher growth*. The World Bank, Dhaka: UPL, 1996: 42

**Table 4.** Wage Differentials by Gender

(Tk./worker/month)

<b>Characteristics</b>	<b>Male (1)</b>	<b>Female (2)</b>	<b>Difference <math>\frac{1}{2}X100</math></b>
<b>Job Category</b>			
Quality Controller	2196	1075	49.0
Cutting master	2602	2000	76.9
Cutting helper	890	780	97.8
Supervisor	2316	2426	104.7
Sewing operator	1237	1069	86.4
Sewing helper	597	438	73.4
Iron man	971	540	55.6
Folding	997	804	80.6
Finishing helper	964	558	73.0
<b>Marital Status</b>			
Married	1871	1138	60.8
Unmarried	1080	715	66.2
Widow	-	934	-
Divorced	850	736	86.6
Abandoned	-	475	-
Separated	1000	1000	100.0
<b>Education</b>			
Can sign	811	620	76.4
Up to class V	863	746	86.4
Up VI to X	1334	1047	78.5
Above class X	1687	1884	111.7
<b>Total Job Length (in month)</b>			
0-6	750	542	72.3
1-12	1048	675	64.4
13-24	1046	583	55.7
25-48	1370	888	64.8
49-72	1793	1189	66.3
73-96	2149	1444	67.2
97+	3666	1656	45.2
<b>Average</b>	<b>1344</b>	<b>886</b>	<b>65.9</b>

Source: Choudhuri, Salma and Mazumder, Protima Paul. *Garment Workers in Bangladesh: Economic, Social, and Health Conditions*. Research Monogram 18, Dhaka: BIDS, 1996:47

participation of women labor force is often claimed to have negative impact on their reproductive behavior, and when counterpoised, women in their reproductive age are less expected to participate in the labor force.

It is also important to know to what extent female employment in the garment industry has enhanced the welfare and social mobility of women in the low-income group. Women participation in the formal labor market leads to important changes in intra-household relationships. A study on female garment workers showed that fifty seven percent of them have control over their salaries – this is very different from the situation in rural areas, where women are generally prevented from claiming a right over family incomes. They spend a higher portion of their incomes on education of family members than male workers in the same enterprise do. However, most working women prefer a formal job in garments, even if they are paid below the minimum wage or are not given maternity leaves, to being an unpaid helper in agriculture. Sometimes, many female garment workers have to face some bad comments as well as harassment by people, like "women get spoil in the garment industry", or "night work spoils women". Some also claimed that "people talk badly about the garment industry", for nothing.

Actually, these things could not have any impact on the women working in this industry. Because, for a low-income family a female garment worker contributes to enhance the family income largely. Their incomes also have given them personal freedom of choice. They have a promise to change in the quality of life. They have not only learnt to earn and spend their income, but also have acquired new social roles to play.

## **E. Child Labor**

Child labor is a problem all over the world. According to UNICEF calculation in 1991, eighty million of child laborers aged ten to fourteen were engaged in economic activities all over the world, majority of them were unpaid helpers on the family farms. Only a small portion of child workers was engaged in casual wage works in urban areas. Country-wise evidence indicates that high rates of child labor are linked to poverty and underemployment and to poor quality or availability of education. Children in poor families work to support their family incomes, as the incomes of their parents either very low or uncertain. However, when the incomes of parents rise, they choose to send their children to school rather than to work.

In many sectors of the Bangladesh economy, underage workers are employed in large number. The World Bank (1996) reported more than six million children between the ages five to fourteen were listed economically active, which was twenty percent of all children in this age group, and twelve percent of the labor force. Many children were working long hours in unhealthy conditions in the urban informal market. In societies such as Bangladesh, where the widespread poverty, the severe paucity of gainful employment, and the lack of school opportunities for children result in great pressure on women workers not only to find whatever employment are available for themselves but also to try to find works for their children. In garment factories if children come with their mothers or relatives since lack of day care facilities, in case of any hiring practices these children receive preference by the management to encourage these mothers or relatives. That is employment opportunities for children are essential because of their families' extreme poverty or in order to protect children from worse fates than factory

employment, may be true for individual child. In Bangladesh, the elite characteristically insists that factory works are better alternatives for poor children than rag picking, crime, or prostitution. This is similar to the comment of the World Bank consultant David Lindauer on Harvard Business Review several years ago. He stated, "If [children] were not in the factory, they might be separated from their mothers and working as maids, or at home on consignment, or in local [non-exporting]...factories. Even worse, they might be begging, or scavenging.... [We] can not solve the problem of child labor in a poor country by prohibiting... contractors from hiring anyone under age of fourteen... [It] will not change the fundamental circumstances of the... labor market. When wages and household incomes rise, families can afford not to require their children to work (or accompanying their mothers to work)".

Until mid 1990s, child labor in the garment factories was a serious problem. According to BBS Labor Force Survey (1990), there were 5.7 million ten to fourteen years old children working in Bangladesh. Nearly all the child workers in export industries were found in the garment factories, ranging in ages from eight to fourteen. A study done by the Asian-American Free Labor Institute (AAFLI) estimated that twenty five to thirty thousand children work in the RMG sector, mostly in subcontracting industries. Some estimates suggested that the number of child garment workers could be near fifty five thousand. On the other hand, defining child labor for Bangladesh is a contradictory fact. According to the Bangladesh Factory Acts children under the age fourteen were prohibited working in factories, but a person aged ten years and above is considered to be in the working population<sup>11</sup>. So, the number of child laborers less than ten years would be much lower than the estimated figures.

---

<sup>11</sup> see any Labor Force Survey, published by Bangladesh Bureau of Statistics

In 1993, NBC News profiled a Bangladesh Wal-Mart contractor where 300 children worked up to twenty hours a day and then slept on the factory floor. In response, Wal-Mart promised a "vendor certification" plan to eliminate child labor. On the other hand, to overcome foreign media and inspections, management fired all child workers on the day a foreign buyer or team toured factories. Once the foreigner departed, children were rehired. In general, eight to eleven years old children, who worked as "helpers", often worked seventeen hours a day, six or seven days a week, earned less than Bangladesh's legal minimum wage<sup>12</sup>, were not paid legal mandated compensation for overtime in excess of forty eight hours a week. Child laborers were mostly engaged as sewing helpers and finishing helpers, which are the lowest paid jobs in the garment industry. Choudhuri and Mazumder (1996) found that the average monthly payments were Tk.464 and Tk.624 for sewing helpers and finishing helpers respectively that included wage, overtimes, bonus, etc. It was evident that child labor constituted about a third of the total helpers implied that the availability of child laborers was probably depressing the wage for these job categories. While both the parents and the society agreed these child workers were productively employed, because those parents could not afford to send them to school. To have an idea about the child labor characteristics in the garment industry, Table 5 had been constructed

based on an eighty-nine child labor sample size from the work done by Choudhuri and Mazumder (1996).

---

<sup>12</sup> The Minimum Wage Board of Bangladesh prescribed Tk.627 the minimum wage for an unskilled manufacturing worker in 1984. In 1994, the Government had declared Tk.930 as the minimum wage for a general manufacturing worker.

**Table 5.** Characteristics of child labor in the RMG industry

<b>Characteristics</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
<b>Origin</b>			
Rural	13	53	66
Urban	6	17	23
<b>Marital Status</b>			
Unmarried	19	67	86
Married	-	3	3
<b>Education</b>			
Can sign at best	8	32	40
Up to Class V	10	34	44
Class IV to Class X	1	4	5
<b>Previous occupation</b>			
Maid servant	1	2	3
Laborer	3	-	3
Student	5	23	28
Household work	5	33	38
Others	5	12	17
<b>Present occupation</b>			
Cutting helper	-	3	3
Operator	2	9	11
Sewing helpers	10	49	59
Iron man	1	-	1
Folding	1	1	2
Finishing helper	5	8	13
<b>Total Child Labor</b>	<b>19</b>	<b>70</b>	<b>89</b>

Following these contexts in most of the developing countries all over the world, as well as in Bangladesh, the US Senator Tom Harkin placed a bill entitled "The Child Labor Deterrence of 1993" in the US Senate and was passed. That resulted in an embargo on exports from nations suspected of using child labor in their export industries. After that threat the situation was completely changed in the Bangladesh garment industry. Due to this type of international pressure and other local NGO activities, BGMEA finally determined to eliminate child labor from the garment industry. After negotiations with, and collaboration of ILO and UNICEF, BGMEA signed a Memorandum of Understanding (MOU) on July 4, 1995, aiming of child labor elimination, and to

establish the basic rights of the children. Finally BGMEA took pride in declaring "child labor free" Bangladesh garment industry since November 1, 1996. Senator Tom Harkin visited Dhaka in the second week of January 1998. The Senator had good things to say about the country's apparel industry, particularly regarding the freeing of child labor.

Under the MOU sign several actions were taken for the working children. Such as establishment of schools for child workers, providing stipend to supplement their incomes, and introduction of skill training activities, etc. One of the examples of rehabilitation child workers of RMG industry was, on the late of 1995, one thousand children who previously worked in this sector were enrolled in 353 schools, where the tuition fees being paid by the industry. Each student received a monthly Tk.300 per month until the child reached at the age fourteen. In the second phase, BGMEA had started a new education program for the fourteen plus age group of the former child labor students who had completed their schooling under MOU but now willing to further continue their studies. The new program, *Earn and Learn* started from July 4, 1998 on the third anniversary of signing of the historic MOU on Elimination of Child Labor from the garment industry of Bangladesh. Currently, 142 students were enrolled in this program. There the classes are held in the morning and after 10 A.M. the student can work to receive a decent salary. According to MOU, a monitoring and verification system developed by the ILO overseas compliance; and monitoring teams make unannounced visits to factories and schools, reporting violations to a steering committee for action.

A ILO study stated that "...there is no denying that child labor is still very much a reality in the apparel sector", although it is "extremely difficult to give exact figures, particularly for the segment involved in world markets, because of the complex

subcontracting arrangements in operation". At present it is assumed that still there is five to twenty percent of the work force in the RMG industry is under the age of fourteen. There are some reasons of child labor employment in this industry. First of all, as in Bangladesh, over ten years age a person is counted as working population, therefore less than fourteen years age as a criterion to select child labor is sometime confusing. For example, early marriage is a traditional culture for Bangladeshi societies. There are many married girls under fourteen years, mainly migrated from the rural areas, working in the RMG factories, seems to be adult, who are difficult to be identified as children, as in Bangladesh birth certificate is yet to be maintained properly. So, denying them to access to the factory works may lead them frustrated and to wrong ways, because, the alternatives of working for poor family children are not commonly attending school. Second, many parents or mothers working in garment factories or in other sectors feel insecure to leave their young girls in home alone. As there are some chance to be sexually abused, even of ending up as prostitutes. So, works can protect them.

The entrepreneurs invest in the garment industry mainly due to the wage cost advantage in Bangladesh. So, little cost advantage from child labor recruitment might not be ignored. But the most entrepreneurs denied this argument stating that where adult labors are available and cheap, it is unimportant of recruiting child labor for little cost advantages, as there are many risks associated with the child workers. They agreed that sometime they have to recruit many child laborers, which is not for the cost advantages but on a humanitarian ground. Many times the management has to employ child workers due to the pressures from their family members who also work in the same factory. In many cases, all the eligible members of a family work in the same factory, which raise the productivity, working in a team, and reduce the turnover of the workers. Sometime a

mother refuses to work as she has a daughter aged ten to fourteen years, who can not be left alone at home for social risks. Thus to keep the skilled adult worker, the management often have to employ the child labor.

## **F. ROLES OF LABOR UNIONS**

The Constitution of Bangladesh guarantees freedom of association, the right to join unions, the right to form a union (with government approval), with the exception of workers in the state-owned enterprises, civil servants, and security-related government employees. Under Bangladesh's Factory Act 1965 and Industrial Relation Ordinance 1969, trade unions are required to be registered by Government Registrar of Trade Unions. To be registered, a union's membership must include at least thirty percent of the workers in the establishment or group of establishments in which it is formed. Bangladesh have a large number of unions having strong links with political parties represent a small fraction of the labor force. In 1992, there were 4,065 registered unions from different sectors, with a total membership of 1,648,783. Unions represent only some three- percent of the labor force, or one-third of formal workers (World Bank 1996). The pattern of the trade union structure in Bangladesh can be characterized as generally weak in conducting collective bargaining activities at the enterprise level except during periods of political upheaval when the trade unions temporarily developed a strong aggressive character. A large number of weak, highly politicized unions appear to characterize industrial relation in most South Asia and may be due in part to a long tradition of ties between political parties and unions in the Sub-Continent. For example,

as early as 1969, a report of the Indian National Commission of Labor recognized that union multiplicity is a serious problem and suggested that the election of a strong collective bargaining agent as a remedy.

At present there are as many as 170 labor unions in the RMG industry in Bangladesh, where most of these unions are inactive. These unions movement has been effective neither in organizing the workers nor in bargaining with the owners on improving workers benefits. Due to the majority of the workers are young women<sup>13</sup>, unions are approaching to ineffectiveness, sometimes they are even in formation of union. Employers recruit women workers who are ready to accept low wages, sometimes below the minimum wages, and poor working conditions. Their social status make them to be easily controllable than men workers, where getting a work is the destination of a poor female worker; she is less mobile and less likely to engage in the labor union activities. In contrast, young workers are usually less interested than older workers in union activities in influencing and determining union goals<sup>14</sup>. The threats from the management of firing and deducting wages make the young workers afraid of and inactive in union activities. The entrepreneurs indulge in breaking up to trade unions and are normally not skilled in negotiation, and feel frustrated in facilitating with any benefit to labor. Choudhuri and Mazumder (1996) mentioned that management of some RMG factories opposed union activities, and they dismissed any male workers when they joined the trade unions.

Therefore, relatively more male workers (thirteen percent) than the female (three-percent) felt that there was no need for a trade union. In many cases, workers in the

---

<sup>13</sup> About forty percent of workers are aged fourteen to nineteen.

RMG have no knowledge about the trade union, some have never heard of it, and some even do not think about it. Because they know one of the most common costs of union membership is the possibility of being fired by employers, hostile to union activities. One of the simplest examples of the consequences of trade union activities could better be understood by a union action in the 1980s, in a garment factory, where the union leader was a woman. The factory was closed down by the workers for one day in their various demands, the management was assaulted. Then the owner closed down the factory for three days. There was a change of ownership beyond their knowledge. When the workers came back the factory, they were not allowed entrance, as the new management recruited new workers and all previous workers were fired. They workers could not move any more for this unjustified dismissal as their leader was sent abroad by that time by the new owner.

Recently due to many NGO activities for increasing awareness about Labor Acts and trade union, such as unjustified workers dismissal, improving wages and working conditions, has been making garment workers more conscious about their right and laws, even though it is at the minimum level. Minor factory-based union activities such as strike by garment workers demanding better working conditions, higher wages, back pay, or protesting dismissal have been reported frequently in the news papers. Disputes between workers and factory management regarding compensation for work competed are a common issue. But no large movement against the factory owners or the BGMEA was successful. Even though most unions were linked to the political parties, in RMG sector no direct or indirect support to the garment workers had, generally, given by the government party or parties in opposition. This is partly because at the owners level the

---

<sup>14</sup> McConnell, Campbell R. and Brue, Stanley L. *Contemporary Labor Economics*. Second Edition, Singapore: McGraw-Hill Book Co. 1989: 233

members have connections with the major political parties and they have deep pockets to support these parties. In 1995, after two years work AFL-CIO had fielded organizers and lowers in Dhaka to advise garment workers of their rights under widely ignored Bangladesh labor laws, and to encourage organization of a union - the Bangladesh Independent Garment Union (BIGU). The Bangladesh Government refused to recognize the union's right to engage in collective bargaining, stating the official reasons: only at enterprise level unions, not industry-wide organizations, could be recognized for such purposes. But the government had recognized industry-wide unions in other sectors, not dominated by exporters. One can assume this because of entrepreneurs might be able to manage the government things like: most of the workers recruited in the industry were unskilled, so minimum wage roles should not be considered; the industry is highly time-constrained for timely production, so weekly forty eight hours working time or work hour limit should not be practiced; the women working time should be extended for garment industry from 7P.M to 11P.M; and many other factors.

Labor unions at the national level became increasingly interested on the garment workers in 1991 when a fire in one of the factories caused the death of several workers. Locked steel gates preventing outsiders from entering the factory premise and workers from leaving without permission is common in most garment factories. This increases the chance of death in case of accidental fire or other accidents. Due to the accident the workers arranged a movement on the issue of compensation for the victims of the fire and for proper investigation of the cause of the fire and deaths.

On the other hand, the conditions of the garment workers have consistently made them to be more organized to fight for their rights. In general, the working conditions in garment

factories are worst and inhuman. Most factories do not have sufficient sanitation system and water supply. Working places are crowded and noisy. There is no job security. Owners are habituated not to give workers appointment letter or contact letter, no service book maintained. Garment workers are the lowest paid workers in Bangladesh, but their average working time per week is the highest. The owners care the labor laws very little. In most cases workers do not get medical leaves, weekly holiday, maternity leaves, and festival leaves. There is no provident fund, gratuity, medical facilities, transportation facilities, or housing. There are discriminations in wages and dignity for women workers. Human Rights, ILO Conventions, Women Rights, Trade Union Rights, and Labor Laws are violated in the garment industry. In most cases workers work seven days in a week and more over they forced to work eighty to 100 hours in a week.

Under these circumstances, several movements had been organized under the National Garment Workers Federation (NGWF)<sup>15</sup> and the Bangladesh Garment Workers Unity Council (BGWUC) to improve the situation. Most recently, on July 1, 2001, NGWF and six other federations in BGWUC had called a dawn-to-dusk strike of the whole garment sector in the country, where thousands of garment workers took to the streets to press their demands. Their demands included implementation of the six-point charter that was submitted to the BGMEA on March 24, 2001. Those were: a) A new wage structure for the garment workers on the basis of a basic minimum wage of Tk.1800 per month (unskilled); b) Ensure the health and safety of garment workers; c) Necessary steps for the development and expansion of the garment industry and its markets; d) Implementation of trade union rights in the garment sector and trade union rights for the

---

<sup>15</sup> NGWF was established in 1984. There are twenty-eight plant unions affiliated with the federation and have 931 factory committees.

EPZ workers; e) Separate industrial zones for the garments industry. Settlements, schools and hospitals in the zones; f) Implementation of the Memorandum of Agreement signed between the MGMEA and the BGWUC in 1997 and 2000 (about their appointment letter, identity card, service book, weekly holiday, maternity leave, etc.) But the outcomes were: at least ten people, including two policemen, were injured; thirteen garment workers were arrested; and about seventeen garment factories were damaged by elements hired by some owners, alleged by the striking workers.

Quddus and Rashid (2000) tried to explain the attitude of the management toward the union activities. The management believed that foreign elements, international labor organizations in conjunction with local NGOs, incite the workers to organize and to fight for their rights. They believed that this should be controlled as it is against the "national" interest. Therefore, the owners try to resist this trend often forcefully and by illegal tactics.

Today's success of the RMG industry is just not only based on cheap labor, but also on their dedicated hard working, skills, discipline, positive attitude and preserverence. A possible explanation, as offered by HIID (1990), may be that Bangladeshi workers simply want to share the prosperity of the economy and they can afford to suffer transitory losses for permanent gains in the future. On the other hand, when the economy is sluggish and wages continue to be stagnant, workers tend to be cautious. So, they do not jeopardize their jobs by going on unnecessary actions, such as strike, street demonstrations etc. The workers in the garment factories just want some better payments and working conditions. Therefore, BGMEA, at least, should create the environment for a decent union activity at the industry level, to share the feelings of the prosperity to, and

to raise the productivity<sup>16</sup> of, the workers. Because, the workers deserve all the help and support that their employers, the state, and the society can provide them. In fact, a well-fed, healthy, and economically secure person will be the most productive and motivated employee. Recently, the US Government has been insisting Bangladesh Government that trade unions right be allowed to workers in the Export Processing Zones. Taking its cue, the BGMEA has been encouraging its members to make real improvement in the conditions of the workers in garment factories.

---

<sup>16</sup> According to Freeman and Medoff (1984) unions make a positive contribution to productivity and efficiency. They analyze that if a group of workers is dissatisfied with its conditions of employment, it has two potential means of response. These are the "exit mechanism" and the "voice mechanism". The "exit mechanism" simply refers the leaving or exiting the present job and in search of a better one- as a means of reacting to "bad" employers and "bad" working conditions. In contrast, the "voice mechanism" entails disputes between workers and the employer to improve working conditions and resolve worker grievances. In this way unions can provide workers with a "collective voice" to communicate problems and grievances to management and to press for their satisfactory resolution. Unions can also positively affect productivity through reducing turnover, primacy on workers' seniority and security, managerial efficiency, etc.

#### **IV. PROBLEMS AND CHALLENGES FOR THIS INDUSTRY**

The export earning growth in the RMG sector was around eighty percent over the last two decades, and over twenty percent during 1990s, which is a significant factor to attract many entrepreneurs to investment more in this sector. Definitely more investment impacts on the labor market: the high effective labor demand in the RMG sector of Bangladesh ensures enormous job opportunities.

But there are many price as well as non-price factors working behind discouraging further investment in the RMG sector. Political instability, weak backward linkage industries, bureaucratic longitudes and corruption, private rent seeking activities, natural disasters, and others are some of the very common factors in the economy of Bangladesh.

##### **A. Political Instability**

Political stability could one of the most important determinants of the labor absorption in the economy as well as in the garment sector.

It would be better to introduce the political situation of Bangladesh prior to going at the impacts of unstable political environment on the RMG industry. Since 1991 the Bangladesh Government has been run by the elective government that is in the democratic form, if we take the definition of "democracy" from the thought of Haynes (1996). According to his definition, democracy exists when three conditions are fulfilled: a) regular, competitive elections take place; b) there is free participation of individuals

and groups in the electoral and political process; c) democratic leaders and institutions are autonomous, *i.e.* they are able to govern the system without undue pressures from special interest groups in society like the military.

But the degree of democracy is also an important factor, because in the presence of democratic government there is no certainty that the political situation would be stable, if the "role of law" were absent. The existing political situation of Bangladesh may be an example to understand the unstable political environment in presence of the democracy.

Even though the main reason of political instability is the same everywhere, ousting the party who is in the power by opposition parties, but the style of political instability varies from country to country. In Bangladesh the main instrument has been used to create political unrest is so called *hartal*, a countrywide or locally strike which closed down all activities.

According to Hossain (2000), political system in Bangladesh at present is neither a democracy (although elective government has been running the power for one decade) nor an absolute autocracy but a "hotchpotch" system combining the worst elements of the two. Such a system inherently exploitative in character as it creates ample opportunities for a thin layer of the elite to amass fortunes but does not do much good for the common people or the society as a whole. This is precisely the reason why the national politics has lately turned into a game of elite conflicts. Using different symbols and slogans, the political elite has sharply divided the society along feudal lines. In doing so, Bangladesh's political elite has created a predatory state in which politicians, bureaucrats, big businessmen, and leaders of trade unions or even professional bodies

continue to engage in primitive form of capital accumulation. The common perception is that Bangladesh's political instability is fundamentally a self-inflicted national indulgence on trivial issues in which all society groups willingly or unwillingly shows their proclivities. Though this perception has some truth, it does not tell the whole story. Any attempt to identify factors that might have caused political instability in Bangladesh would require an investigation of the social, cultural, and political traits that create social and political disharmony rather than a unified force for economic prosperity.

A fragmented political culture, the political cultures of most Third World countries, is more prone to political instability and disruption than an integrated one. Unlike fragmented political cultures, integrated ones marked by diffuse political trust among social groups and a conspicuous absence of the social paranoia that characterize fragmented cultures. Depending on the strength of existing political institutions and the measures a regime is willing to take in order to maintain itself, fragmented political cultures lead to either strict conformity or intransigence and open revolt. The political system of Bangladesh is inherently unstable, and subjected to violent overthrow or maintained through highly coercive means. It requires considerable energy and much sacrifice in terms of human life, submissive conformity to systems with fragmented political cultures are more likely than their revolutionary overthrow. The political establishment appears increasingly threatening, its institutions increasingly irrelevant, and its ideology and propaganda sophisticated and offensive. Politics becomes a field of practice for in vain. Official political activities bear little resemblance to accepted cultural practices, they are underlying assumptions viewed as alien and inconsequential.

This unstable political environment, mainly due to the *hartals*, that both in terms of scope and effects, goes far beyond from strike: all economic activities come to a standstill and create widespread violence, have deeply and adversely impacted garment exports from Bangladesh. The damages made by *hartals* are both immediate and long-term. The battles are mostly fought on the streets of Dhaka and Chittagong cities, where most RMG factories are situated. As a result, the garment business that is very sensitive to deadline, transport facilities, and export-related paper works in government offices, financial institutions and at the port is rather severely impacted. Many foreign buyers have cancelled their orders due to the prolonged political impasse, and hence, some factories currently do not have regular work orders through out the year. Therefore, many firms fail to provide salaries their workers on time, sometime some workers are sacked to reduce the cost burden. Due to the frequent *hartals*, the entrepreneurs often have to bear an additional cost of paying to the picketers for keeping their factories open during *hartal* hours, in order to meet the buyers time demand. Sometimes, the manufacturers have to send their shipment by air to meet their deadlines.

In March 1996, after two years struggle, the combined opposition parties were successful in ousting an elected government. During that time, continuous *hartal*, mass violence, picketing, interrupted the rapid growth in the garment exports. Beside that immediate earning loss, the loss of goodwill in the eyes of foreign buyers was a long-term loss that the industry would only be able to overcome with time. This type of environment favors the uncertainty that the foreign buyers dislike, as they have to operate business with tight schedules. The garment industry of Bangladesh lost considerable momentum and goodwill in the global garment markets during that period. Many buyers shunned it as an unreliable trading partner because of those experiences. Beside the short-term damages

from cancellation of orders that one can estimate, the long-term consequences are more difficult to estimate. Certainly, the exports and the industry growth are behind the schedule because of the domestic instability. In 1993 the BGMEA had predicted that the industry would reach the export target of three billion dollars by 1995. In fact this figure had been achieved in 1997. This would suggest that largely because of political instability the industry has fallen by two years. Even though it is not possible to quantify the exact figures of losses due to *hartals*, but according to the entrepreneurs the RMG industry suffers a loss at least \$2 million for one-day *hartal*.

There is unanimous consensus among the development analysts that political stability is an essential prerequisite for fostering private investment. One strong theoretical argument underlying the negative relationship between political uncertainty and private investment is based upon the effects of uncertainty on productive decisions encompassing investment, production, or labor supply. A higher incidence of political instability is associated with increasing policy uncertainty, particularly, in the event of frequent government changes. In such events, risk-averse economic agents may hesitate to take economic initiatives or may "exit" the economy by investing abroad. Conversely, foreign investors prefer a stable political environment, with less policy uncertainty and less insecurity about property rights.

Svensson (1998), in his model yielded some testable predictions regarding the link from political instability to the quality of property rights, as well as the link from property rights to investment. These predictions hold up when confronted with cross-country data for about 100 countries. In particular, once the quality of property rights is controlled for, the different measures of political instability and polarization employed have no direct

effect on private investment. Thus, a possible link between political instability and investment was identified.

Much literature identified political instability broadly in two ways. The first one emphasized executive instability. The first approach defined political instability as the "propensity to observe government changes". These changes can be "constitutional" i.e. take place within the law, or "unconstitutional". The basic idea is that a high propensity to executive changes is associated with policy uncertainty and, in some cases, with threats to property rights. It is to be noted that the "propensity" to executive changes is distinct from the actual frequency of changes. The second one is based upon indicators of social unrest and political violence. The second approach to measure the political instability did not focus directly on executive changes. Socio-political instability was measured by constructing an index, which summarized various variables capturing phenomena of social unrest. Alesina and Perotti (1993) constructed such an index and used as an explanatory variable in regression where the dependent variable was investment. He found a significant negative correlation between investment and socio-political instability.

As political uncertainty can be construed from different dimensions, several authors used various indicators related to political instability in their regression equations. For example, Barro, (1991, 1996) uses a set of "objective" political instability variables namely, assassination, revolution, political executions, and war casualties into the directly specified regression equations. In all the studies, Barro found a systematically negative linkage between political instability and investment in the developing nations.

One major source of political instability is the unequal income distribution. The rich literature on income inequality and economic growth suggests numerous adversaries of inequality on economic growth. As for explaining private investment behavior, one can notice over the recent years, the contribution of a number of commendable studies from different analytical perspectives with powerful insights (Alesina and Perotti, 1993). However, there are several indirect "channels" through which income inequality may dissuade private investment. A number of researchers, namely, Alesina and Perotti (1993), and Ozler and Rodrik (1992) postulate "political transmission process" through which income inequality impacts upon private investment. The former study investigates the validity of two propositions, first, "more unequal societies are more politically unstable: in particular, political stability can be enhanced by the presence of a wealthy middle class", and secondly, "political instability has adverse effect on growth and investment". In other words, impact of inequality on private investment is explored via the political instability channel.

This unstable political environment created a fragile property right structure in the RMG sector, which in term weaken the interest of the entrepreneurs to invest more, hence the economy is loosing a great chance of employment opportunities for huge unemployed people.

### **B. Weak Backward Linkage Industries**

At present, in the RMG industry the value added is, on average, thirty percent, which is lower than any other export product. Even though thirty percent value added is a respectable number which has remain stagnant for the last one decade indicate that the backward linkage industries that directly feed into the garment sector have not

adequately developed. Estimate shows that about eighty percent of garment accessories like cartons, threads, buttons, labels, poly bags, gum tapes, shirt boards, neck boards etc. are now being produced in the country, contributing to the national GDP. But, the textile (spinning, weaving, finishing etc.) industry is just budding.

On the other hand, presently, the total fabric requirement in this industry is about three billion yards, of which about eighty five to ninety percent are to be imported from countries like Korea, Taiwan, Hong Kong, China, India, Singapore, Thailand, Indonesia, etc. For which the export-oriented RMG entrepreneurs have to pay around \$2 billion yearly. Fabric requirement is increasing at the rate about twenty percent per annum.

In the era of globalization, countries like Bangladesh are not getting much trade benefits, as endorsed by the principles of WTO. Especially the major industrial base and exporting sectors of Bangladesh – the RMG sector has been experiencing the constraint of high duty/tariff while exporting apparels to the USA – the single-largest destination of Bangladeshi garments. As the MFA is going to be phased out on December 2004, the RMG sector of Bangladesh will naturally face strong optimism and challenges posed in terms of total globalization and trade liberalization. Local exporters will be in trouble if fabrics supplies stop providing their fabrics when there will be a global quota-free regime. China and India, two major suppliers of fabrics of the country's garment industry, will use their fabrics in their own forward linkage industries during the quota-free regime and they will have the advantage of less lead-time. Other South-East Asian countries, which are much more developed in their backward linkage industries, will also enjoy the maximum benefits of "rules of origin" and higher value addition from the free trade. Besides, this economy also is facing problems like poor infrastructure facilities, raw

material shortage, and lack of strong and competitive trade policy and many more. Moreover, the international customers are reluctant to source apparels from a country that cannot ensure shorter turn-around time while exporting. Procurement of raw materials from abroad and then manufacturing them to finished products in the country is time-consuming and this leads to higher lead-time for Bangladesh. The international buyers and customers do not at all deserve this.

There is hope about the backward linkage industries in the economy, even though World Bank questioned about its viability. The main linkage industry, the textile, has existed in Bangladesh for a long time and has been catering to the domestic market, meeting the chunk of the demand. The fabrics demand for garment production could not be met due to lack of modern technology in the textile industry. But it is growing in a slow process. It is natural, because it cannot respond as rapidly as the garment industry as both investment requirement and the gestation period are much longer in the textile industry.

Prospect for a huge textile industry capable to supply over three billion yards of fabrics a year to the export oriented garment industry has also been developed by the industry. This offers a tremendous opportunity for further industrialization in Bangladesh.

### **C. Corruption and Other Rent-seeking Activities**

Although the unit labor cost in the RMG sector is the lowest in South Asia, unit production cost is not very low because of bureaucratic corruption and other rent-seeking activities. Corruption and bribery are almost "institutionalized" in Bangladesh. In the international survey on corruption, made by *The Transparency International*, identified

Bangladesh as one of the most corrupted nations consistently. During the Year 2000 Bangladesh was ranked top. A World Bank study showed that the payment made to bureaucrats add significantly the production cost. According to the entrepreneurs at least \$100 million has been paid to the government official each year. While talking with several RMG entrepreneurs, they told that they have adjusted to this corrupted system to run their businesses. Some of them mentioned that if they were able to do business without paying bribes, could pay more their workers, or employ more.

Once again, corruption introduces uncertainty, gives extraordinary power to a few, and reduces confidence in the fairness of outcomes. This discourages the participation of many potential entrepreneurs in the industry, which in term contract creation of job opportunities.

#### **D. Attitude of International Organizations and Nations**

The success and impact of the apparel industry has not been sufficiently appreciated by many organizations and nations. The World Bank until quite recently has not believed the growth of this industry to be a substantial development towards poverty alleviation in Bangladesh. In most of the World Bank publications, the garment industry had received scant attention, and negative predictions, like some academics that treated this boom in the industry as a temporary "bubble" phenomenon. Further, there had never been any direct or substantial involvement of the World Bank in this sector. According to Piere Landill, the resident head of the World Bank office in Dhaka, the Bank's job is to "create conditions" for the private sector flourish, and not to pick winners and losers in the economy (Quddus and Rashid 2000). Experiences tell us donor countries and

organizations trying to help in development and poverty alleviation of Bangladesh always focus upon the troubled sectors of the economy, and ignore sectors that are performing well. From the South Korea and other tiger economies' experiences suggest that this strategy is flawed and should be abandoned.

The World Bank could provide the garment entrepreneurs with technical and managerial training support; it could provide ideas on global markets and how to penetrate these markets; it could assist the BGMEA with technical issues on quota management. Unfortunately there was no support from the Bank in the area of technology transfer, in industry-wide projects supporting infrastructure or institution building, in product and market diversification, or in quality control. Finally in November 1997, for the first time the World Bank got together with the BGMEA for funding projects related to technical and manpower training, market and product diversification and other challenges facing the industry. The details of the project are yet to be worked. Today the RMG export industry is a near five-billion-dollar industry and does not need the Bank's assistance as desperately as in the early years when it was struggling to survive. From the flurry of reports coming out the World Bank, it seems the RMG industry, finally, has caught the attention of the Bank which now wants to learn a lesson of this industry and use them as a model for other sectors

On the other hand, roles of the US policies toward this industry are also mysterious. Especially imposition of quotas by US on the RMG exports under Multi-Fibre Arrangement (MFA). During the early years of the garment industry, the US authorities actively urged the government to promote manufactured export of labor-intensive goods. Policies changed as a result, and some clothing exports soared in response. Soon after the

boom, the US trade officials confronted Bangladeshi authorities eagerly to negotiate quotas that would restrict RMG exports to the United States. Such restriction has been placed since 1986 (Krueger 1993).

In her study, Krueger (1993) also tried to point out the US roles toward the developing countries, setting an example of economic policy towards South Korea. South Korea received a great deal of aid when it was needed most, as well as, received a welcome open for its exports to US in the early years. The Korean business, especially *cheabols*, took full advantage of these policies and in a remarkably short period they emerged as major economic players in the world markets. The US justifiably proud of the success of its policies, used Korea as a "showcase" but grew increasingly uncomfortable and even hostile as Korea's exports to the US markets became capital intensive, technologically sophisticated and large.

### **E. Politics of Quotas in the RMG industry**

The success of the Asian tiger economies, and the change in the outlook of the politicians and bureaucrats in Bangladesh against socialist planning had helped the garment industry in its "infancy" and the "take-off phase". But the sudden and dramatic imposition of the steep of quotas in the US and the European markets had negatively impacted on the garment sector over the years. The RMG industry had grown in Bangladesh because of comparative advantages in producing labor intensive products. So, imposing quotas, a protectionism policy, was in fact a restriction on expansion of huge job opportunities. For example, during 1986, within three months of imposition of quotas, perhaps five hundred factories had closed down, and thousands of jobs were lost in this industry. But, eventually the industry came out of this shock stronger than before.

Bangladesh, like other developing countries, is a committed member of the WTO, pursuing the GATT principles to help maximizing the global output and consumption. The WTO recognizes the needs of the LDCs for favorable treatment by way of duty-free/quota-free market access to enable easy transaction to the open market economy, without which the developing nations, especially countries like Bangladesh will never be able to benefit from the up-coming free-trade regime. Bangladesh has been persistently advocating at all international forums on behalf of the Developing Countries for duty-free/quota-free market access for all LDC products, on a non-reciprocal basis, to help improve and strengthen the economies of the LDCs.

#### **F. Natural Disasters**

The people of Bangladesh have been struggling against the natural hazards to survive for thousand of years. Cyclones, floods, droughts are very common parts of human life of this peninsula. As the RMG is a labor-intensive industry, any kind of natural disaster affects not the business only but also impacts on the economic and the health conditions of the entire work force. So, one can define losses from natural disasters in three ways. First, these effect directly damaging infrastructure, that is capital loss; second, income losses from cancellation of shipments or production loss; third, affecting poor workers in loosing home and health, hence reducing the productivity. As post flood period diarrhea, and other water flow diseases spread epidemically. Examples of cyclones and floods could best help to infer the level of destruction in Bangladesh by these.

In 1991, one of the most devastating cyclones in the history of Bangladesh hit Chittagong, where seaport and many factories are in, were largely damaged. The "Desh" Garment's main plant, the biggest and modern factory in Asia outside South Korea at that time, was damaged beyond repair. Many other factories faced the same condition.

The floods are the worst and the common problem in Bangladesh, as it hits every year, more or less, in some or most areas. The floods in 1988 and 1998 were among the worst natural disasters in people and the economy of Bangladesh in the recent memory. The floods of 1988 devastatingly hit most of Bangladesh including Dhaka, where the most of the RMG factories are located.

While in 1998 floods in the summer months caused widespread disruption in the economy<sup>17</sup>. The floods collapsed the transport network system of almost the entire economy. The only main Dhaka- Chittagong road was under water for several weeks. Which is the main transportation link connecting the production units, mostly situated in and around Dhaka and the port city of Chittagong from where the raw materials and the finished products for and of RMG industry are shipped in and out. The BGMEA chartered a plane to ferry garment shipments directly to the Chittagong airport. But it was not possible to ship all orders both for cost margin and availability. Due to that reasons, firms which could not deliver their shipments timely, had to suffer from the order cancellation losses, which translated to workers by pending salaries. During the flooding periods many workers were unable to attend in works, production standstill, most severely where factories were in ground floors, went under water. Many entrepreneurs lost their businesses, as a result many workers were sacked temporarily to reduce the cost and lost burden.

---

<sup>17</sup> It impacted thirty million people for three months, caused in excess of 1,100 deaths and partially washed away 15,000 kilometer of roads, hundreds of bridges, and as many as five million homes.

## V. CONCLUSIONS

This paper has mainly tried to focus on the conditions of the garment sector laborers and challenges and problems for this industry that may resist further employment expansion. Focusing on the problems of expansion of the industry basically originated from the intention that if there is less investment there is less scope for employment. And creating huge job opportunities are a crying need for Bangladesh at this time.

According to the World Bank (1998), the Bangladesh economy needs near about fifty millions of jobs by the year 2020, a long run vision, to survive in this modern and globalize world. Within a very few years crop agriculture, the largest present employer, will no longer be able to absorb additional labor. Therefore, rapid development industries, especially export-led manufacturing and spin-off employment in the service sector, must be the creator of most of the jobs. So, high economic growth efficient, labor-intensive and based on export-oriented production- opens the broadest path toward industrialization and global competitiveness. That hope is not ill founded. The large employment potential of the informal sector, particularly the non-farm rural sector, and export-led manufacturing sector are already evident.

The RMG sector is a good prototype because it is a successful labor-intensive strategy that is the kind of all of faster growing regions have developed. The striking point is that, of the last decade, so far the RMG sector is the only sector of its kind that has developed.

Labor productivity, proper environment, healthy and safety at workplaces, stability of employment, social security and improved living conditions of workers, notably young female workers, child labor free workspace, are all important elements in securing a continuing global competitiveness of Bangladesh's garment industry. Entrepreneurs are trying to comply with the core labor standards that is a crying need of the hour.

The garments sector of Bangladesh has provided employment to large number of women workers. But the wage discriminations, dignity for female workers, working conditions, and other facilities could hardly resist the violation of Human rights, ILO conventions, or Labor laws. Some like to define this "super-exploitation" as an impact of capitalist globalization. The hope is that various steps have been taken to facilitate them. The BGMEA is trying to encourage its members to improve the workers real conditions. Toward the proper housing facilities for female garment workers "model hostels" building are under consideration. Recently, fire in the factories is being a problem and panic for the workers. This is often been ignored resulting in fatal accidents, which has claimed many lives. To face this problem all garment factories have made emergency exits, BGMEA has been providing "Fire Prevention & Safety Training" to workers and other employees of the factories, and have arranged other anti-fire activities. At present six medical centers has been running by the BGMEA to provide better health to the workers from where eight hundred thousand garment workers are ensured of free health services. Interestingly, entrepreneurs and the BGMEA emphasize on workers health, insurance, productivity, welfare, etc. issues, but most of the time they are silent about the better wages, and any financial payments to the workers. Actually it is not a long-term problem, as according to Cookson (2000) the workers can receive better wages and

benefits and the competitive position of the industry can be significantly improved for the post quota world.

On the other hand, according to the World Bank (1998), for the garment sector future comparative advantage will increasingly depend not just on cheap labor but on technologically skilled labor that is relatively cheap. So, to raise factor productivity and profitability in the RMG industry, investment on technology and modern machinery, training for employees and entrepreneurs, establishments of R&D institutions, product diversification, market search etc. all are important factors. But if the political condition is not stable it is not possible to have a stable macroeconomic policy environment. Which is one of the preconditions for rapid growth that gives priority to private-sector-driven growth and industrialization and support to export-oriented production with less uncertainty.

Political instability is the main obstacle to our economic prosperity. The RMG industry is suffering a loss of \$2 million every day due to *hartal*. But surprisingly the garment factories have managed to survive despite the *hartals* that are increasing in frequency and intensity. The adjustments include all night shifts and other tactics difficult for workers but necessary for business faced with such uncertainties regarding transportation and work schedules.

The industry should establish enough backward linkage industries to cope with the challenges from 2005 and onward after the MFA agreement phased out. In order to establish Backward Linkage Industry, especially the Textile sector, BGMEA suggests to build a Textile Village immediately. Project loan should be granted at eight percent interest rate refundable in ten years duration, as well as earmark thirty percent of the total

loan disbursed for investment to be allowed for setting up backward linkage industry and importing machinery through the private as well as the state owned banks. To exploit the maximum benefit of potential textile industry of the economy by immediately establishing sixty moderate-size composite textile mills, capable of producing thirty million yards of fabrics per year per factory to face the demand. The BGMEA also suggested government to allocate \$400 million in the 2001-2002 budget for establishing backward linkage industries in the economy

In contrast, government should take pragmatic steps to face the challenges and make sure the sustainability of the industry. In the RMG and related sectors, to reduce the heavy dependency on imported inputs and to increase the domestic value added of exports significantly above the current rate of about thirty percent, government policies have been aimed at promoting backward linkage with a view to attaining self-sufficiency in textiles. Access to adequate credit facilities for new investment and working capital, as well as reduced import duties for needed machinery and the quantitative restrictions on textile imports, are part of this policy strategy. However, an efficient development of these backward linkages can be achieved only if progress is made with the overall structural reform effort, particularly to provide an environment conducive to viable private investment in these sectors and to eliminate trade restrictions that results in smuggling of textile products from neighboring countries.

If all these necessary steps successfully have been implemented the country will definitely gain a stable export-led industrial section. Which will not only ensure the higher wages and better working conditions for the workers, but also can create employment opportunities for millions of peoples.

## **APPENDICES**

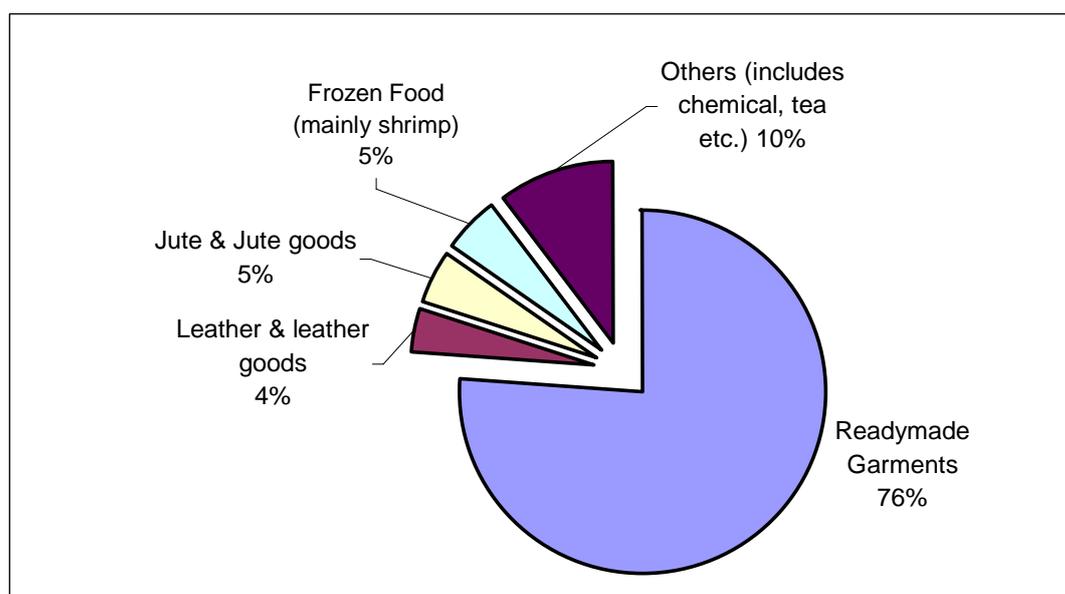
## APPENDIES

**Table 6.** Growth of RMG Exports and Share in National Export

<b>Year</b> (Fiscal Year) July – June	<b>Export of RMG</b> <b>from Bangladesh</b> (In million of \$)	<b>National Export of</b> <b>Bangladesh</b> (In million of \$)	<b>Share of RMG in</b> <b>National Export</b> (In %)
1983-84	31.57	811.00	3.89
1984-85	116.2	934.43	12.44
1985-86	131.48	819.21	16.05
1986-87	298.67	1071.61	27.74
1987-88	433.92	1231.20	35.24
1988-89	471.09	1291.56	36.47
1989-90	624.16	1923.70	32.45
1990-91	866.82	1717.55	50.47
1991-92	1182.57	1993.90	59.31
1992-93	1445.02	2382.89	60.64
1993-94	1555.79	2533.90	61.40
1994-95	2228.35	3472.56	64.17
1995-96	2547.13	3882.42	65.61
1996-97	3001.25	4418.28	67.93
1997-98	3781.94	5161.20	73.28
1998-99	4019.98	5312.86	75.67
1999-2000	4349.41	5752.20	75.61
2000-2001	4860.12	6467.30	76.00

Source: RDTI cell, BGMEA, Dhaka, 2001

**Figure 3.** Contributions to National Export Earnings of Various Sectors



Source: Bangladesh Export Promotion Bureau, Dhaka, 2000-2001

**Table 7.** Employment of male and female workers in the RMG sector

Year	Workers	Male	Female
1991-92	582,000	87,300	494,700
1992-93	804,000	120,600	683,400
1993-94	827,000	124,050	702,950
1994-95	1,200,000	120,000	1,080,000
1995-96	1,294,042	129,000	1,165,042
1996-97	1,397,564	139,756	1,257,000
1997-98	1,404,000	140,400	1,263,000

Source: Quddus, M and Rashid, S. *Entrepreneurs and Economic Development: A remarkable story of garment exports from Bangladesh*. Dhaka: UPL 2000: 54

**Table 8.** Yearly Contribution of the Garment Sector to Various Sectors*(In million of Tk)*

Sector	Contributions of the RMG industry (Approximate Estimates of one year)
Bank	1000
Insurance	175
Electricity	380
Water Supply	57
Transportation	180
Local Transportation	225
Consumer Products	90
Clothing (for local use)	112
Rent for Factory Premise	32
<b>Total</b>	<b>TK. 2,251 million</b>

Source: RDTI Cell, BGMEA, Dhaka, 2001:4

**Table 9.** BGMEA Membership

Year	No. of Members	Growth Rate
1990-91	834	
1991-92	1163	39.45
1992-93	1537	32.16
1993-94	1839	19.65
1994-95	2182	18.65
1995-96	2353	7.84
1996-97	2503	6.37
1997-98	2726	8.91
1998-99	NA	-
1999-2000	3200	-
2000-2001	3300	3.10

Source: RDTI Cell, *Trade Statistics 197-98, 2001*, Dhaka: BGMEA  
Average Growth Rate over 16 percent

**Table 10.** The cost of Bureaucracy and Corruption for a Garment Exporter

(Figures were made on 1992; Tk. per year)

Items	Initial Cost		Yearly Renewal Cost	
	Official	Bribes	Official	Bribes
Trade license	1,500	2,500	1,500	500
Sign board	12	NIL	12	NIL
Import trade control	2,000	2,000	2,000	500
Export trade control	1,000	2,000	1,000	500
EPB registration	500	1,000	500	200
Textile registration	500	10,000	NIL	NIL
Bond license: customs	300	20,000	300	45,000
Factory license	70	1,500	70	200
Fire license	4,750	1,000	4,750	500
BGMEA membership	5,000	NIL	5,000	NIL
Joint stock registration	3,800	4,000	NIL	NIL
Joint collaboration	50,000	50,000	NIL	NIL

Source: The World Bank. *Manufacturing Sector in Bangladesh: Selected Issues II*, Washington D.C.: The World Bank, 1992: 41

## **REFERENCES**

## REFERENCES

- Ahmad, Muzaffar. "Readymade Garments Industry in Bangladesh", *Bangladesh Journal of Political Economy* 9. 2, 1988: 94-122
- Alesina, Alberto, and Perotti, Roberto. "Income Distribution, Political Instability, and Investment" *NBER Working Paper 4486*, Cambridge Mass.: National Bureau of Economic Research, October 1993
- Bangladesh Bureau of Statistics. *Report on Labour Force Survey in Bangladesh 1989-90*. Dhaka: Bangladesh Bureau of Statistics, 1990
- Bangladesh Bureau of Statistics. *Report on Labour Force Survey in Bangladesh 1995-96*. Dhaka: Bangladesh Bureau of Statistics, 1996
- Barro, Robert. "Economic Growth Determinants of Economic Growth: A Cross Country Empirical Study", *NBER Working Paper 5698*, Cambridge Mass.: National Bureau of Economic Research, 1996
- Barro, Robert. "Democracy and Economic Growth", *Journal of Economic Growth* 1, 1996: 1-27
- Barro, Robert. "Economic Growth in a Cross Section of Countries" *Quarterly Journal of Economics* 106, 1999: 407-443
- Barro, Robert. "Institutions and Growth, an Introductory Essay", *Journal of Economic Growth* 2, 1996: 145-48
- BGMEA. *BGMEA Newsletter*. Various and Special Issues, Dhaka: Bangladesh Garment Manufacturers and Exporters Association
- BGMEA. *The Readymade Garment Industry of Bangladesh: Challenges and Prospects*. Dhaka: Bangladesh Garment Manufacturers and Exporters Association, 2001

- Bhattacharya, Debapriya and Rahman, Mustafizur. *Seeking Fair Market Access for Bangladesh Apparels in the USA: A Strategic View*. Dhaka: Centre for Policy Dialogue, 2000
- Campos, Nauro F, and Nugent, Jeffrey B. "Who Is Afraid of Political Instability?", *CEPR Discussion Paper Series No. 2555*, London: Centre for Economic Policy Research, 2000
- Choudhuri, Salma and Mazumder, Protima Paul. *Garment Workers in Bangladesh: Economic, Social, and Health Conditions*. Research Monogram 18, Dhaka: Bangladesh Institute of Development Studies, 1996
- Cookson, Forrest E. *Trade and Development Act 2000 and the Bangladesh Garment Industry*. Draft, Dhaka, November 2000
- Freeman, Richard B. and Medoff, James E. *What Do Unions Do?* New York: Basic Books Publishers Inc., 1984
- Haynes, Jeff. *Third World Politics: A concise Introduction*. Oxford: BlackWell Publishers, 1996
- HIID (Harvard Institute of International Development). *An Economic Analysis of Industrial Disputes in Bangladesh*. Working Paper No. 18, HIID/ESEPP Project, Dhaka: Bangladesh Planning Commission, 1990
- Hossain, Akter. "An Anatomy of Hartal Politics in Bangladesh", *Asian Survey XL*. 3, May/June 2000: 508-529
- ILO (Asian Regional Team for Employment Programme) and World Employment Programme. "Employment Challenges for the 90s" Printed in India, 1990
- International Monetary Fund. *Bangladesh: Recent Economic Developments*. IMF Staff Country Report No. 00/25, Washington D.C.: International Monetary Fund, March 2000

- Kamrava, Mehran. *Politics and the Society in the Third World*. London: Routledge, 1993:135-150
- Keynes, John Maynard. *The General Theory of Employment, Interest, and Money*. New York: Harcourt Brace & Company, 1936
- Krueger, Anne. *Economic Policies at Cross-Purpose: The United States and Developing Countries*. Washington D.C.: The Brookings Institution, 1993
- Lewis, A. "Economic Development with Unlimited Supplies of Labour", *The Manchester School* 2, 1954: 139-191
- McConnell, Campbell R. and Brue, Stanley N. *Contemporary Labor Economics*. Second Edition, Singapore: McGraw-Hill Book Com, 1989
- Mondal, Abdul Hye. *Trade Unionism, Wages and Labor Productivity in the Manufacturing Sector of Bangladesh*. Research Report No. 133, Dhaka: Bangladesh Institute of Development Studies, 1992
- Ozler, Sule and Rodrik, Dani. "External Shocks, Politics and Private Investment: Some Theory and Empirical Evidence", *Journal of Development Economics* 39. 1, 1992
- Quddus, Monir and Rashid, Salim. *Entrepreneurs and Economic Development: A remarkable story of garment exports from Bangladesh*. Dhaka: The University Press Limited, 2000
- Rahman, Shamsur. *Impact of Institutional Uncertainty on Private Investment: An Empirical Study in Selected East and South Asian Countries*. A dissertation, KDI School of Public Policy and Management, Seoul, Korea, 1998
- Rodrik, Dani. "Policy Uncertainty and private investment in developing countries", *NBER Working Paper 2999*, Cambridge Mass.: National Bureau of Economic Research, 1989

Rothstein, Richard. "The Case for Labor Standard", *Boston Review*, online, Boston, December-January 1995-96

Sohban, Rehman. "From Theology of Empiricism: Reappraising Bangladesh's Experience with Economic Reform", *M. N. Huda Memorial Lecture*, Bangladesh Economic Association, Dhaka, May 8, 1993

The World Bank and Bangladesh Center for Advanced Studies. *Bangladesh 2020: A Long-Run Perspective Study*. Online, Dhaka: Draft, May 1998

The World Bank. *Bangladesh: Labor Market Policies for higher Employment*. Dhaka: The University Press Limited, 1996

The World Bank. *Manufacturing Sector in Bangladesh: Selected Issues II*, Washington D.C.: The World Bank, 1992

U.S. Department of State. *Bangladesh: 1998 Country Report on Economic and Trade Practices*. Washington D.C., 1998