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A study on labour rights implementation
in readymade garment (RMG) industry
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theory and practice

M. Monjur Morshed
University of Wollongong

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**A Study on Labour Rights Implementation in
Readymade Garment (RMG) Industry in Bangladesh
- Bridging the Gap between Theory and Practice**

A thesis submitted in partial fulfillment of the
requirements for the award of the degree

Master of Social Change and Development (Honours)

from

THE UNIVERSITY OF WOLLONGONG

by

**M Monjur Morshed
Centre for Asia Pacific Social Transformation Studies
(CAPSTRANS)
2007**

THESIS CERTIFICATION

I, M Monjur Morshed, declare that this thesis, submitted in partial fulfillment of the requirements for the award of Master of Social Change and Development (Research), in the Centre for Asia Pacific Social Transformation Studies (CAPSTRANS), University of Wollongong, is wholly mine unless otherwise referenced or acknowledged. The document has not been submitted for qualifications or other purposes at any other institution.

M Monjur Morshed

23rd August, 2007

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Abbreviations and Acronyms

ADB	Asian Development Bank
AGOA	African Growth and Opportunity Act
ATC	Agreement on Textile and Clothing
BBS	Bangladesh Bureau of Statistics
BGMEA	Bangladesh Garment Manufacturers and Exporters Association
BIDS	Bangladesh Institute of Development Studies
BKMEA	Bangladesh Knitwear Manufacturers and Exporters Association
CAB	Consumers Association of Bangladesh
CBI	Caribbean Basin Initiative
CM	Cut and Make
CMT	Cut, Make and Trims
EBA	Everything But Arms
EPB	Export Promotion Bureau
EPZ	Export Processing Zone
ETP	Effluent Treatment Plants
EU	European Union
FDI	Foreign Direct Investment
FOB	Free on Board
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GSP	Generalized System of Preferences
HPI	Human Poverty Index
ICFTU	International Confederation of Free Trade Unions
ILO	International Labour Organisation
IMF	International Monetary Fund
ITC	International Trade Centre
LTA	Long Term Agreement
LC	Letter of Credit
LDC	Least Developed Country
MFA	Multi Fibre Arrangement
MFN	Most Favoured Nation
MNC	Multi-National Corporation

MNE	Multi-National Enterprise
MoU	Memorandum of Understanding
NAFTA	North American Free Trade Area
NGO	Non Government organization
NIC	Newly Industrialised Country
NIP	New Industrial Policy
NLC	National Labour Committee
NTB	Non-Tariff Barrier
PRSP	Poverty Reduction Strategy Paper
RIP	Revised Industrial Policy
RMG	Readymade garment
SOE	State-Owned Enterprise
TCB	Trading Corporation of Bangladesh
TK.	Taka (Bangladeshi National Currency)
USTDA/TDA	US Trade Development Act
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
UNICEF	United Nations International Children's Emergency Fund
US	United States
USA	United States of America
VAT	Value Added Tax
WTO	World Trade Organization

ABSTRACT

The Readymade Garment (RMG) industry of Bangladesh has emerged as a competent garment producer in global garment business in recent times. This industry has successfully transformed Bangladesh into an export-oriented economy. The RMG industry also became the major foreign currency-earning sector with highest rates of absorption of industrial employment. Interestingly, women comprise more than 80 percent of the total labour force and most of them could be otherwise destitute or empty handed. In a patriarchal society like Bangladesh, the RMG industry effectively challenged the traditional view of conflating domesticity with femininity by allowing women of low-income backgrounds to move from the household to the labour market. Garment trade is regarded as a leading driver of globalisation. Though garment workers gain much by working in the garment industry the informal nature of job and adverse working conditions often threaten the livelihood possibilities of workers. This study focuses on the labour rights implementation in the RMG industry in Bangladesh. It is assumed that labour rights safeguard workers from negative consequences. It is also evident that labour rights increase labour productivity. Theoretically there are opportunities to establish labour rights in the RMG industry but in practice the picture is simply unsatisfactory. The recent labour unrest in Bangladesh is the outcome of longstanding violation of labour rights in the RMG industry. Labour rights can be ensured if Bangladesh Government can formulate and implement a comprehensive and effective labour law that incorporates labour rights in the RMG industry. The existing business model favoured multinational enterprises headquartered in developed countries and largely overlooks labourers' interests especially in developing countries. The organizations such as ILO, WTO, which are supposed to protect labourers from insecurity, vulnerability and injustice, are somehow problematic in relation to the implementation of labour rights in Least Developed countries. The RMG industry is the lifeline of Bangladesh economy and it has the potentialities to reduce poverty to a large extent by gaining increasing share in the world apparel market. Implementation of labour rights can ensure sustainable livelihood of the garment workers, which in turn enhances sustainability of the RMG industry.

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The thesis is dedicated to Bangladeshi readymade garment workers who continuously stitch the finest garment for the national economy and brings positive changes despite all the constraints.

Introduction

Background

The Readymade Garment (RMG) industry of Bangladesh tells an impressive story of the country's successful transition towards a major export-oriented economy. Starting its journey in the late 1970s with a relatively small investment, the industry flourished in 1980s and 1990s and has become the largest industry in Bangladesh. The contributory factors of the RMG industry in Bangladesh are global trading agreements, cheap labour cost, government policy support and dynamic private entrepreneurship. All these things have helped Bangladesh to gain a handsome share in the global garment business. From early 1990s onwards the RMG industry has become the largest foreign exchange earning sector in the economy. In 2005-06, Bangladesh earned nearly \$8 billion by exporting garment products and RMG covers over 75 percent of the total export of the country, having the lion's share of the country's foreign exchange. Contribution of RMG is very positive in Bangladesh economy, sharing 13 percent of the total national GDP (Ahmed and Hossain, 2006). Moreover the industry has become a vehicle for further industrialization of the country. After the end of the Multi-Fibre Agreement at the beginning of 2005 and the changeover to the New World Trade regime, it was feared that the Bangladesh's successful RMG industry would suffer, as it would lose business to countries like China and India. But fortunately for Bangladesh, so far this prediction has been proved wrong. In fact, the industry has continued to grow at a healthy rate of approximately 20 percent (Kumar, 2006). Now in Bangladesh, more than 10 million people's livelihoods directly and indirectly depend on this single industry and it accounts 40 percent of industrial employment (World Bank 2006). More than 2 million garment workers are working in approximately 4250 RMG units; of them over 85 percent are women.

Despite the impressive performance, the RMG industry has several problems especially in terms of labor rights. There is a growing concern that labour rights are often violated in Bangladeshi RMG industry. The empirical evidence suggests that labour rights have not yet been established in the RMG industry. Labour rights work as the safeguards against discriminatory labour practices and are the prerequisites for sound business and have been ratified by Human Rights Convention. Bangladesh is committed to secure labour rights for the well-being of labourers by virtue of ILO membership. But the outcome observed in the RMG industry is simply unsatisfactory. Instead of formal sector arrangements, an informal nature of employment persists in the RMG industry with negative consequences ranging from poor working conditions, to low wages, to repression. Garment workers have been demanding rights to establish their logical entitlements but garment owners systemically overlook those legal provisions. Against the longstanding deprivation there was a wave of resistance across the RMG industry in May, 2006 that caused a loss of around US \$70 million. Researchers, journalists, and labour right activists claim that the damage would not happen if government can formulate and implement a comprehensive and effective labor law that incorporates labour rights in the RMG industry. These critics also indicate the global prevailing business system which largely benefits business sectors in developed countries creates barriers in implementing labour rights not only in Bangladesh, but also in most developing countries. Thus the realities on the ground call for a fresh analysis and solution to the existing problems.

Aims and Objective of the Research

The thesis analyses the global RMG industry and growth and development of Bangladeshi RMG industry. It also explores the RMG labor market, trade liberalization policies in Bangladesh, and the global garment business chains. Though many issues are related to RMG industry, the study briefly analyses those issues with an emphasis on labour rights. This study intends to provide an extensive research that covers implementation of labour rights in RMG industry. Thus the major research question that as explored is: “how can labour rights be incorporated into the Ready Made Garment Industry?”

The major objective of the study is to conceptualize and understand Labour rights scenario in the Ready Made Garment (RMG) Industry in Bangladesh. The research project covers multiple dimensions such as economy, gender, labour standards, policies and practices. The research also discusses theories related to labour rights and garment industry such as sweatshop, division of labour, globalization and its impacts on the garment industry in Bangladesh. Here the intention is not to produce a meta-theory or a recipe for action. Rather the study intends to critically analyse theories associated with the research project and an interpretation of those theories in the real life scenario and search for a framework to set competing ideas and different visions and putting them into practice. Finally, the study recommends some suggestions for the benefits of the garment workers’ rights as well as the garment industry as a whole.

Aims of this research are as follows:

- To analyse the problems/issues of labour rights situation in the RMG sector in Bangladesh.
- To investigate and examine the legal provisions with an explicit aim to assess the adequacy/inadequacy of the laws in addressing the rights of the RMG workers.
- To provide a proposition as to how existing labour rights can be ensured and also to provide a rationale for the enactment of new laws if necessary.

Methodology

The study is conducted through Case study method. The case study accounts what has been happening in a business or industry over a number of years. Britha Mikkelsen (1995) argues research and development issues are best understood in a multidisciplinary perspective. Case study allows multiple sources of evidence. Moreover Case Study research method is an empirical enquiry that investigates a contemporary phenomenon within its real life context, when the boundaries between phenomenon and context are not clearly evident. Case Study method also involves detailed, holistic investigation; data can be collected over a period of time; data is contextual – relative to a certain industry; and it can use a range of different measurement techniques (Davies, 2005).

The research project is conducted through a sociologically-oriented and coherent analysis of the following literatures: historical materials; trade and labour policy reports of Bangladesh; journals, research reports, scholarly reports; newspaper and magazine reports; documents published by NGOs on labour issues; and Bangladesh Garment Manufacturers and Exporters Association (BGMEA) activity report, project reports. Given the nature of the study secondary materials are the chief source of data. An extensive but selective review of the relevant literature is completed. Research based on secondary data often runs the risk of being journalistic and often fails to be analytical.

This research strives to rise above such superficial review and arrive at a sociologically-minded and coherent analysis of the problem in question.

Structure of the Thesis

The study has been structured as follows: Chapter 1 provides an overview of global garment production and the features of expansion of global RMG chain. Here the detailed assessment of Bangladeshi RMG industry and its impact on economy has been analysed. Chapter 2 provides a brief summary of labor market in Bangladesh. It also identifies the characteristics of female garment workers, positive and negative impacts of garment employment on their lives, their positioning and collective actions in the society at a large. Historical background of labour rights and the situation of labour rights in Bangladeshi RMG industry have been outlined in chapter 3. An investigation of the recent labour unrest and new Labour Law 2006 is also discussed in this chapter. An attempt has been made in Chapter 4 to conceptualize globalization and trade liberalization and identify their impacts on Bangladesh economy. This chapter also discusses how labour rights are related with trade and globalization and concerning issues of labour rights implementation. In final section of this chapter an analysis done on sustainability of the Bangladeshi RMG industry. Finally, the conclusion summarizes the findings of the research and emphasises implementation of labour rights in RMG industry in Bangladesh.

Chapter 1

Global Relocation and Rising of Bangladeshi RMG Industry

In this chapter I present an overview of global garment industry and the features that led the shift and expansion of garment industry. I also examine the growth of RMG industry in Bangladesh and how it contributes to the Bangladesh economy. In doing so, this chapter elaborates on the employment patterns within the industry and the subsequent growth of other sectors as a result of this success.

1.1 Overview of the Garment Industry

Clothing is regarded as one of the basic needs of human being. From the early stage of human history it gained much more attention and developed overtime. The nature of clothing is so obvious and its presence so universal that we often overlook the brilliance of its invention. In considering what textile and clothing is, we must remember that the origin of the earliest and humblest cloth is lost to us; it pre-dates our recorded history, it precedes the age of metals and the invention of the wheel. As our civilizations have grown, so has fabric developed with us, an integral part of every cultural stage, a resource in every struggle, a comfort in the most personal and domestic spheres of our lives. Each of us has a relationship with fabric from cradle to grave (Gale and Kaur, 2002).

Before the first industrial revolution in Europe, tailoring was a skilled craft occupation carried out by ‘master tailors’ who cut and made up cloth purchased by their customers or by themselves to the specifications of their customers. The mechanization of production, starting with the invention of the sewing machine and the band knife in the 1850s, increased the rate at which garments could be made up and led to the emergence of a market in ready-made garments. As the market expanded, it became possible to subdivide the production process into a series of increasingly simpler tasks which could

be carried out by less and less skilled, and hence cheaper, labour, mainly women and girls (Kabeer and Mahmud, 2004).

The term “garment” is used interchangeably with “apparel” and “clothing”. The “garment” includes readymade woven garments as well as knitwear and hosiery. The products of the garment industry are very diverse ranging from industrial work-wear to basic shirt. The concept of “textile complex” or “textile chain” includes the ginning of fibre, spinning yarn, weaving fabrics and operations like dyeing, processing, printing, finishing the fibre and finally making the Readymade Garment (RMG). The final product is garment/apparel. Sometimes all these operations could be taken together in an integrated single industrial complex. On the other hand, these individual operations are also often considered separate industries. Therefore, the textile and garment manufacturing are considered two separate industries as well. A textile mill may limit its operations to only spinning yarn or weaving fabric. There may be an integrated textile mill that is commonly called “composite mills”. A simple composite mill may combine only two major manufacturing operations, namely spinning and weaving. Some composite mills combine additional operations like dyeing, printing, and processing. In some other cases, however, composite mills include garmenting as well (Siddiqi, 2005).

The production of garments evolved historically along broadly dualistic lines. One sub-sector was made up of women’s wear, which was characterized by considerable product differentiation, limiting the extent to which tasks could be subdivided for assembly line production, while seasonal fluctuations and changes in fashion served to limit the size of retail orders and hence the length of the production run. Men and boys outerwear, on the other hand, has always been a more standardized product, particularly at the cheaper readymade end, and lent itself quite early on to a greater subdivision of

operations, particularly in the machining stage. This led to a form of production in which each machinist only made one section of a garment ('section work') instead of making the whole garment (Kabeer and Mahmud, 2004).

Garment making is one of the world's most globalized industries. Almost every country, irrespective of its stage of development, is involved in garment manufacturing and trading. Many industrialized countries have had an important textile and garment manufacturing sector at some point in their history. In fact, almost without any exception, textile/garment was the first industry which a country was able to develop and eventually led to the development of other industries. Frequently, the growth of the garment sector has been seen as a first step on the road to industrialization, bringing growth and prosperity (War on Want 2001). Growth in the textile sector benefits other sectors through increased demand for material inputs or machinery and equipment. In addition, the textile and apparel sectors depend on the presence of many modern economic activities. Through developing export-oriented textile and apparel industries, a country acquires crucial knowledge and skills such as marketing, advertising, transportation, and communication. These advances highlight the importance of the textile and apparel industries to a country's development process (Siddiqi, 2005).

The garment industry needs relatively low level of technology that reflects a relatively small amount of investment. A garment industry can range from a very small unit which employing few people, to a large industry that employs thousand workers and production limit could be only a part of whole garment production such as dyeing, stitching. In terms of investment risks, both entry into and exit from RMG industry are relatively less expensive. The risks are low because the entrepreneurs need relatively a small amount of capital to start and if for some reason they want to move out of the

industry by disposing off the factory, it is relatively easy for them to find buyers with perhaps small loss.

By the 1950s, the growing concentration in the retail sector increased the business length and made production planning more possible. There was steady growth of larger manufacturing firms and of mass unionization across much of the industry which generated full employment during this period. At that time the labour market incorporated women on a much larger scale and directed to an organized trade union movement, all of which led to rising costs of labour in the industrialized countries. Competition for the mass clothing revolved primarily around price and the search for profit began to lead to the relocation of sections of the clothing industry, initially out of expensive urban locations within the developed countries, and subsequently to the low-wage economies. Eventually, the low wage countries welcomed the opportunity and had opted for open, rather than protective, economic policies and boasted a highly disciplined and non-unionized labour force which could produce the same quality goods at a fraction of the price (Kabeer and Mahmud, 2004: 135).

The expansion of labour intensive garment industry provides a potentially important avenue for developing countries to stimulate employment generation and reduce poverty. Most developing countries have a comparative advantage in terms of abundant supplies of labour and labour intensive production can provide employment opportunities for unskilled workers. The clothing sector is an example of a labour intensive sector that can play beneficial role, and developing countries (mainly in Asia) have been gradually increasing their dominance of this sector in recent years, with associated benefits for economic growth and poverty reduction (Siddiqi, 2005).

The apparel trade is considered as one of the most important, global export industries in the world. As a leading sector of globalization, the garment industry continues to increase its share in manufacturing communities in the world market. In fact, the growth is faster than any other trade in manufacturing activity. Due to its low technology requirements and high labor absorption potential, low and middle income countries were the most beneficiary and shared 70 percent of global apparel export, rising from \$53 billion to \$123 billion in 1993 to 2003 period (World Bank, 2006). During the last four decades global apparel exports and imports have increased substantially. All countries' clothing imports reached US\$ 198.9 billion in 2000, an increase of about 84% in 10 years since 1990, and are projected to increase further as garment making capacities in high cost, rich countries continue to decrease (Siddiqi, 2005). Oxfam (2004) reports that the clothing industry is one of world's biggest businesses: global consumers spent around US\$1 trillion buying clothes in 2000, with around one third of sales in Western Europe, one third in North America, and one quarter in Asia. The biggest profits lie in branding and retailing. For brand companies, image and reputation are intangible assets, but they can be worth billions: in 2003 the value of Nike's brand alone was estimated at US\$8.2bn, Gap's brand at US\$7.7bn, and Levi's brand at US\$3.3bn. Some retailers and brands use mid-chain suppliers to manage the production process, from fabric and component sourcing, design and product development, to identifying and negotiating with manufacturers, coordinating production, and logistics, packaging, and shipping services. Oxfam (2004) further argues that the mid-chain suppliers can become multi-billion dollar multinationals in their own right, but are barely known by name. Other retailers and brands aim to strip out the costs of mid-chain agents by setting up their own regional offices, and sourcing direct from factories that take on more steps and upgrade to be 'full package' suppliers themselves.

1.2 Shift and Relocation of Global Garment Production

The RMG industry is migratory in nature. It migrates from high-cost to low-cost countries and therefore tends to be easily globalized. Costs cutting and raised productivity are the main reasons for this tendency. The global economy is now dominated by the relocation of production where firms of developed countries shift their interests to developing countries. The relocation model is based on a core-periphery structure of production, with a relatively small core of permanent employees (located in developed countries) handling finance, research and development, technological organization and innovation; and a periphery consisting of dependent components of production process in developing countries. Garment business firms have found that the simplest way to undercut is to relocate production to a country where wages and production costs are lower. Another significant aspect is that the advanced countries are in a safe position regarding environmental and legal concerns, because most developing countries offer sites that do not impose costs like environmental degradation. Production costs are higher in developed countries as they need to invest for environmental issues. The production shift to the Third World has favoured the growth of economy of these countries and also pace the economy of the developed countries (Rahman, 2004).

The relocation of production is mostly dominant in the garment industry. The internationalization of garment manufacturing began earlier and has extended further than any other form of factory production. Developing countries can offer cheaper labour than industrialized countries, and the garment being a major employment source of this cheap labour, giving new opportunities for these countries to develop. Meanwhile, the developed countries use their new industrial base to move into more profitable, high-technology products such as cars and electronic goods. Even countries like Japan, South Korea, and Singapore shifted to high technology and more profitable production and less

profitable and low-technology products like garments moved to other developing countries (Siddiqi, 2005; Rahman, 2004).

Up until the early 1960s, the apparel industry in US and UK and some other European countries relied on domestic subcontracting; cutting and stitching operations were subcontracted to small garment factories mostly relying on the use of cheap female labour, while large-scale merchandising was undertaken by larger firms. Subsequently, as industrial wages began to rise, the apparel retailers in the developed countries found it more profitable to relocate production to lower-wage developing countries. In most cases, such out-sourcing took the form of subcontracting arrangements between the retailers in the developed countries and the garment manufacturers in the developing countries, development of communication system and networking geared the relocation. The retailers in the developed countries placed work-orders with the off-shore garment manufacturers, often through buying agents, and they also helped the garment makers in various ways to produce and ship the merchandise. Such sub-contracting reduced the risk of doing business with foreign partners since it did not require any foreign direct investment. In essence it was a triangular trade between the garment manufacturers and the foreign buying agent on the one hand, and the retailer and the buying agent on the other (Rashid, 2006).

Following the Industrial Revolution, Britain was the most important manufacturer of textiles and garments in the world, gradually to be challenged by the US and Germany in the late nineteenth century (War on Want, 2001). Siddiqi (2005) points out that the relocation/migration process of apparel industry began first within USA. The US firms have relocated their labor-intensive manufacturing operations from high-wage regions to low-cost production regions within USA. The American producers moved production to low-wage neighbour Mexico, and then subsequently to other low-wage countries like

Japan in the 1950s. From the 1960s, the level of wages and skills in Japan rose and Japan turned its interest to more profitable products such as cars, stereos and computers and as a result garment production then shifted to the Asian Tigers – South Korea, Taiwan, Hong Kong and Singapore in 1970s and they became successful exporters of garment products. But the trend of relocation of production did not stable there because of rising wage and successful trade union movement. The mid-1980s through the 1990s saw another migration of garment production, from the Asian Tigers to other developing countries – Philippines, Malaysia, Thailand, Indonesia and especially China. The retailers shifted their production orders to these countries.

As a result of the MFA quota restrictions, the Asian countries, which had used up their quota, initially established manufacturing platforms in other Asian countries, which were not in a position to fully utilize the available quota. Again garment production has expanded and shifted to a wide range of countries including Bangladesh, Srilanka, Pakistan and Vietnam. In South Asia, the relocation of manufacturing platforms from other Asian countries caused rapid expansion of garment industry during the last two decades¹, which has given a boost to job creation in the organized sector, which is otherwise less than ten percent of overall garment production in South Asian countries. The growth of RMG production in South Asia occurred largely due to the availability of quotas for export to the US and EU markets, low wages and ease of entry and exit for operating garment manufacturing. The migration of garment production certainly helps South Asian countries especially Bangladesh, Nepal and Sri Lanka, which have no resource endowment or historical tradition of garment exports.

¹ See- Garment industry in South Asia: Rags or riches? Competitiveness, productivity and job quality in the post-MFA environment; Edited by Gopal Joshi; South Asia Multidisciplinary Advisory Team (SAAT) International Labour Organization, New Delhi; 2002

Distance and national boundaries are no longer obstacles to trade or investment, and this allows corporations more freedom. Removing such barriers, together with new technology such as the Internet, has made it much easier for multinational corporations (MNCs) to produce and transport goods almost anywhere in the world. To attract corporations in their countries, governments of several developing countries have established Export Processing Zones (or Free Trade Areas) which carry incentives for foreign corporations to source there (War on Want, 2001). The focus is on speeding up production, cutting prices, and seeking locations offering ever-lower costs. Labour standards are usually far down the list of priorities – and workers bear the brunt of it.

From 1974, the industrialized world particularly the US, restricted imports of garments under the pretext of market disruption, named Multi Fibre Arrangement (MFA). This was a framework for bilateral agreements or unilateral actions that established quota limiting imports into countries whose domestic industries were facing serious damage from rapidly increasing imports. Since 1995, Agreement on Textiles and Clothing (ATC) has taken over from the MFA for 10 year period, from 1995 to 2004. Quotas were withdrawn gradually to allow time for both importers and exporters to adjust to the new situation. By 1 January 2005, the quotas came to an end. The quota system has been an extremely cost-effective method of bringing social and political stability to a very needy part of the world.

1.3 Features of the Migration and Expansion of Global RMG Chain

The garment industry experienced migration from one country to another and from one region to another for various reasons. According to Siddiqi (2005) three most important reasons for migration are (1) dynamics of wage differentials that change location specific advantages, (2) availability and non - availability of quotas under Multi Fibre Agreement (MFA), and (3) preferential market access under specific conditions other than MFA. The analysis of the three reasons of migration are summarize below.

1.3.1 Dynamics of Wage Differentials

Over the decades, garment production has dramatically shifted from high wage to low wage countries. The garment assembling/marketing is labour intensive by nature. If the cost of wages in an exporting country increase its products tends to be less competitive. Usually labourers in developed countries are well trained and disciplined and their efficiency is high. In developing countries labour is less efficient and they may take longer time to complete their task. One may assume production cost in developing countries should be higher but this does not happen to be so because labour cost is generally low which compensates inefficiency of the labourer in developing countries. (Siddiqi, 2005).

In garment production wage differences cannot be substantially reduced through automation to gain financial benefits. As labour intensive low technology operations tend to become less profitable because of higher wages in developed countries, business firms search for strategies that will minimize the cost of production. In the case of apparel industry, one such strategy is to relocate the plants in areas/regions where wages are low. As a result, apparel production tends to gradually shift from the developed to the developing countries that have an abundant supply of low-skill, low wage workers.

Over the past two decades, garment production has shifted from high wage to low wage regions. In the case of USA, US garment firms went to Mexico for lower labor wages which brought lower production cost and higher profits, particularly with US business firms used Maquiladoras². In Europe, the similar thing happened. British and German business enterprises moved to other European countries such as Spain, Portugal and several Central and Eastern European countries. Investors of the apparel industry have, for decades, shifted their factories around the world in search of new low-cost, competitive locations, knowing they will find workers wherever they go (Oxfam, 2004). By means of their abundant cheap labor, developing countries have thus emerged as abundant suppliers of garment products.

1.3.2 Availability of Quotas under MFA

Protection of the textile and clothing sector has a long history in the United States and Europe. In the 1950s, Japan, Hong Kong, China, India and Pakistan agreed to voluntary export restraints for cotton textile products to the United States. In 1962 a Long Term Agreement Regarding International Trade in Cotton Textiles (LTA) was signed under the auspices of the GATT (replacing a 1-year short-term agreement). The LTA was renegotiated several times until it was replaced by the Multi Fibre Agreement (MFA), which came into force in 1974. The MFA, as the name suggests, extended restrictions on trade to wool and man-made fibres in addition to cotton.³

The MFA quota system primarily designed to protect the domestic clothing and textile industry of the rich importing country, it is also partly designed to encourage the poor exporting countries to develop their manufacturing and export capabilities. Under

² Maquiladoras refer to manufacturing plants in Mexico that make exporting goods and parts.

³ Page-17, Nordås, Hildegunn Kyvik (2004) The Global Textile and Clothing Industry post the Agreement on Textiles and Clothing, World Trade Organization (WTO), Geneva, Switzerland.

MFA, an importing country can impose quota restrictions through bilateral negotiations with an exporting country. Market access is partly determined by the availability of quotas. As per provisions of MFA, initially a least developed country is usually granted quota free status, and can export an unlimited quantity of apparel of a given specification (in value or volume) to the market of the rich country. After reaching certain point of export capability the importing countries impose quota restrictions to the exporting country. In 1970s, large exporters like South Korea, Hong Kong, Taiwan, and Singapore experienced rising quota restrictions and tended to become less competitive. To remain competitive and retain position in the world market, these countries relocated their production units to those countries which had quota free status or larger quotas either under joint-venture or through foreign direct investment (FDI). MFA quota arrangement favored developing countries (e.g. Bangladesh, Srilanka, Vietnam) who previously had very limited exporting capacity. Similar factors explain why till today garment businesses migrated to countries (especially Caribbean and Sub-Saharan countries).

The MFA can be considered to be a blessing for small developing and least developed countries across the world. The protectionist quota system imposed on the import of RMG by developed nations welcomed by developing countries. Small nations around the world, particularly LDCs and developing countries, were able to develop RMG producing industries that could cater to the world market, without any significant pressure from other countries. In a sense, then, the MFA provided LDCs and developing countries with an even playing field in terms of RMG exports. This allowed the RMG industries in these countries to grow massively, with consequences including rising investment, rising employment, higher incomes and greater economic growth (Sobhan and Ajhar, 2006).

1.3.3 Preferential Market Access under Special Conditions Other than MFA

Sometime preferential treatment in the form of partial or complete duty-free status is accorded to certain categories of countries by the rich importer countries. To enjoy such benefit, an exporting country must belong to the group of the least developed countries or operate as a member of certain regional group like NAFTA. This is a privilege that partly determines, like quota privilege, the nature of migration apparel producers make from a group of countries to another. Preferential market access may be granted to a group of countries or to a regional bloc.

Developed countries provide Generalized System of Preferences (GSP) to least developed countries. An essential requirement for obtaining GSP facilities is that the export products of these beneficiary countries must satisfy the applicable rules of origin. Each developed country (or custom territory) has its own GSP scheme to provide preferential treatment to export products of developing countries and a set of rules of origin to go with it (World Bank, 2006). RMG exports to the EU by LDCs are governed both by the Generalized System of Preferences (GSP) facility, as well as by the extended Everything But Arms (EBA) facility, which allows LDCs to export most products to EU countries on a duty free basis. In recent times, the US has signed a number of regional and country-specific preferential trade agreements that provide for duty- and tariff-free trade between participating countries. Through trade agreements like NAFTA, CBI and AGOA, countries in North America, Africa and the Caribbean are able to avail of duty-free trade access to the US. At the same time, bilateral agreements with Jordan, Israel and Vietnam have given these nations the potential to become strong exporters. Canada uses a special condition for RMG trade with the LDCs from January 1, 2003. Canada has provided duty-free access to LDCs for goods that use raw materials from any of the 48 LDCs or Canada (Sobhan and Ajhar, 2006).

Beside the above mentioned features, Oxfam (2004) reveals a mix of four factors that diversify locations of garment production around the world. These are:

- **Low cost:** investors want quality, speed, and flexibility at a low price, so they seek cheap labour – as long as it comes with a stable economy, reliable electricity and phone lines, efficient shipping services, and easy access to fabrics.
- **Proximity to customers:** speed from the factory to the store is a premium for high fashion clothing, so drawing production closer to consumers. In the 1990s, US buyers turned more to Mexico and Dominican Republic; European buyers started sourcing in Morocco and Romania.
- **Government giveaways:** many governments attempt to draw foreign investors with tax holidays, investment allowances, and even a ‘union-free’ workforce, by setting up export processing zones.
- **Trade preferences:** shifting rich-country trade barriers keep garment investors on the move, in search of the latest tariff cuts. The African Growth and Opportunity Act (AGOA), giving sub-Saharan African exports duty- and tariff-free access to the USA, has drawn many Asian investors to set up garment factories in Kenya, Lesotho, and Swaziland. For 30 years the USA, Canada, and much of Europe have used quotas under the Multi-Fibre Arrangement to limit imports from developing countries.

1.4 Overview of the Bangladeshi Economy

Before exploring Readymade Garment (RMG) industry, it is important to discuss the Bangladesh economy in a brief. Bangladesh has a population of 144.2 million in 2005 and has been increasing at an approximate rate of 1.9 percent per year. It thus has the unwanted distinction of being the world's most densely populated country, and this overpopulation is at the root of many of Bangladesh's socioeconomic problems. Life expectancy of male is 62 years and female 63 years. The country has made impressive progress in human development by focusing on increasing literacy, achieving gender parity in schooling, and reducing population growth. In spite of numerous constraints, the economy has been on a steady growth path for the last 15 years (World Bank, 2006). The constraints include pervasive political instability and violence, endemic corruption and disregard for the law, frequent natural disasters, inefficient state-owned enterprises that are hotbeds of trade unionism, lack of political will to carry through necessary economic reform, inadequate infrastructure at all levels (power generation, roads and highways, port facilities), etc.

In 2006, Bangladesh achieved 6.1% GDP growth rate. The economy has proved to be resilient. Since 1990, it has grown at an average rate of 5% per year. Historically, Bangladesh is an agricultural nation; sectorally services constitute the largest portion of GDP with 51.7%. Industry accounts for 27.1% and Agriculture 21.2%. However, the distribution of the labour force is reversed, with most people still working in agriculture (61%), and followed by services (27%) and finally industry (12%). This imbalance between output and employment is indicative of a large amount of "disguised" unemployment and underemployment. Unemployment (including underemployment) is estimated to be about 40%. The poverty rate, as of 2004, is about 45% (BBS, 2006).

Jute was once the economic engine and main export earning commodity of the country. In late 1990s, jute was replaced by other products especially garment. Since 1990s, the economy of Bangladesh is fuelled by higher level of income through a sharp improvement in crop production, manufacturing earning especially garment workers' earnings and greater inflow of foreign remittances (Osmani, 2005). In 2006 Bangladesh exports worth of about \$11 billion. The main exporting items are cotton textiles, garments, tea, jute and jute goods, leather, frozen fish and seafood and exporting partners are USA, Germany, UK, France, and Canada. Bangladesh imports more than \$13 billion last year. The main importing items are machinery and equipment, chemicals, iron and steel, textile fabrics, foodstuffs, petroleum products, cement and importing countries are India, China, Kuwait, Singapore, Japan, Hong Kong, USA and EU (CIA, 2007).

Bangladesh is a Least Developed Country (LDC) of South Asia, it has paved its way to development by coping of with the present globalize economy. Bangladesh is now following free market economy but a number of industries are still in public sector. So it can be termed as a country of mixed economy. Bangladesh is a member of the World Trade Organization (WTO) and actively involved in the process and its activities. The country is playing an important role in the international trade negotiation talk and WTO activities as leader of the Least Developing Countries (LDC). The country has been actively reforming its economic, trade policies, taxation rules and system since late eighties to fit itself with the WTO mechanism. Globalization has opened new fields of business and trade horizon but at the same time because of open market economy many industrial goods have lost the local market itself.

1.5 Growth of the Readymade Garment Industry in Bangladesh

Bangladesh has a historical background in textile sector. Traditionally it has played an important role in the economy of this part of the subcontinent since the Mughal days through the British era to the Bangladesh days. If its hallmark in quality handloom production was represented by muslin, jamdani and silk fabrics, the efficiency with which subsequently woven and knitted the garments success story owes its origin to the skill that is perhaps ingrained (Hasan, 2006). Generally, an industry initially develops in response to domestic demand, and then subsequently turns to export once it becomes mature. Due to internal or domestic demand, the textile and apparel industry developed in most developed countries, and even in developing countries like India, Indonesia, Hong Kong, Thailand and similar other countries domestic demand stimulated to the growth their apparel industry. The evolution of the garment industry in Bangladesh, as in most CBI and Sub-Saharan countries, has not followed this pattern. In case of Bangladesh, domestic demand was too little to attract large scale investment which could not develop garment industry alone. The rise of the RMG industry in Bangladesh was largely due to growing demand in developed countries for cheap apparel. It was the external force, the urge of the high wage countries to relocate production facilities in the low wage countries that created a favourable environment to the growth and development of RMG industry in Bangladesh. It was primarily due to the migratory nature of the RMG industry, moving from high-wage to low-wage countries, that industry saw its development in Bangladesh (Rashid, 2006; Siddiqi 2005).

We should not forget that there was a small domestic, custom-made garments industry in the then East Pakistan (now Bangladesh) during the 1960s which working out of tailoring shops catering primarily to urban markets. Until early sixties, mostly individual garments made garments for the domestic markets, based on the specifications

provided by the individual customers who supplied plain cloths and fabrics. Mercury shirts, a Karachi based company, sourced a few consignments of shirts during 1965-68 made by some tailoring outfits operating in Dhaka, and then exported these to some European countries. There were a few tailoring groups in Dhaka who made a small quantity of export-quality shirts and children's wear on specific orders. They received orders from and supplied to Karachi-based firms. However, there was little investment in this industry during those days because of the very limited size of the domestic market. It was the global trend of relocation of production of garments from high-wage to low-wage countries, together with the bilateral MFA Quota system, that acted as the main driving force for the emergence and subsequent growth of the RMG industry in Bangladesh. Supportive government policies also played an important contributory role in this regard (Rashid, 2006: 7-8).

After independence in 1971, the government of Bangladesh established the Trading Corporation of Bangladesh (TCB) – a state trading agency. The TCB was entrusted with the responsibility of carrying out export-import activities, on behalf of the state. In the mid-seventies, TCB made the first export of RMG from Bangladesh to East European countries followed by counter-trade arrangements. But the volume and value was very small. Rashid (2006) reveals that the first consignment of private sector export of garments from Bangladesh took place in 1978 when M/S. Reaz Garments Ltd. exported men's shirts worth 13 million French Franc to a Paris-based firm, Hollander France. It established in 1960 as a small tailoring outfit and served domestic markets including Karachi (then capital of Pakistan). It was the first private direct exporter of garments from Bangladesh. In 1978, another garment factory, named Jewel Garments exported garment products to then West Germany. At that time, there were only 9 export-oriented RMG units in Bangladesh. Along with Desh Garments- the first hundred percent

export oriented garment factory, some other apparel-producing enterprises were set up in 1979, bringing the total number of firms in the industry to 22. By 1980, the number of firms in the industry increased to 47, but total RMG export from Bangladesh was less than US \$ 1 million (Rashid, 2006). Though in the initial years, by the early eighties, export volume was small, the export-oriented RMG industry was running well on its way to a historic place in the archives of industrial development in Bangladesh.

After implementation of MFA in 1974, quota restrictions were imposed on the exports from Southeast Asian countries and China. Later, it was extended to South Asia. In the seventies, large exporters like Hong Kong, South Korea, Taiwan and Singapore were already experiencing tough competition in the apparel export markets due to their rising wages. Quota restrictions further constrained their competitiveness. In response, they followed the footsteps of Japan. They relocated labor-intensive garment making in low wage ASEAN countries and China. According to Siddiqi (2005) many firms from Southeast Asian NICs relocated their production facilities or buying outfits in Bangladesh for four reasons: (1) initially, in the late 1970s and early 1980s, Bangladesh had quota free status; (2) later, when quotas were imposed on Bangladesh, the quotas were very large; (3) more importantly, labor cost was unusually low in Bangladesh, and (4) the government of Bangladesh provided special incentives to promote this export oriented industry. This migration of foreign buyers from quota restricted countries to Bangladesh contributed to the growth and development of RMG industry in Bangladesh.

During the early eighties, the Government of Bangladesh issued licences to many entrepreneurs for the duty-free importation of machinery to produce garments for export purposes. Consequently, the number of firms in the garments industry increased rapidly from 134 in 1983-84 to 685 in 1987-88. At that time, the value of RMG exports increased from US \$ 31.57 million to US \$ 433.92 million, a phenomenal growth indeed, as shown in Table 1.1. Bangladesh exported its garments to the North American and European markets in the early eighties; at that time, its exports were not subject to MFA Quotas in these markets, hence counted the spectacular growth. However, the very rapid growth of imports of apparel from Bangladesh prompted the US, Canada and the European countries to impose MFA Quotas on Bangladesh's garments exports in 1985. This had temporarily slowed down growth of the RMG industry in Bangladesh; there was a restrained increase in the number of firms from 744 in 1985-86 to 804 in 1989-90. In 1987/88, the RMG export share surpassed that of raw jute and allied products. This industry experienced an export boom in the 1990s because of the excellent quota negotiation with the US in 1984-85, allowing an advantage over China and India. The quota distribution policy was also flexible. However, the industry jumped up from 1990 onwards and remains the main export earning sector of the country.

Table 1.1: Comparative Statement on Export of RMG and Total Export

This image shows a full page of blank graph paper. The grid consists of small squares formed by thin black lines. There are 20 columns and 20 rows of squares. A thicker vertical line runs down the left side, creating a margin. A thicker horizontal line runs across the top, creating a header space. The rest of the page is filled with the standard grid pattern.

Source: Compiled from BGMEA⁴

The average growth rate of RMG exports during 1990/91-1997/98 was almost 21 percent per year. However, the growth rate of exports declined in the 1998/99-2004/05 period mainly due to exogenous factors like flood in 1988, the global recession in 2000, and the September 11 incidents in the US the following year (Siddiqi, 2005, Rashid 2006). In 2001-02, not only RMG export declined but also the total export decreased too. But interesting to note is that during that time RMG export was 5.68% less than the previous year but it counted 76.57 percent of total export which is so far the highest share of the total national export. The share of garments export in total

export earnings of Bangladesh climbed from 3.89 percent in 1983-84 to 73.28 percent in 1997-98 and has stayed around this level since then. BGMEA is expecting to double its export within 3 years from \$ 9 billion to \$ 18 billion per year if government provides adequate support and inclusion of updated system.

The RMG sector has become the lifeline of the Bangladesh economy - for jobs, income, and exports. More than 10 million people, directly or indirectly, depend for their livelihood on this industry, which accounts for 40% of industrial employment. The sector has played a far greater role in Bangladesh's growth performance. This very dynamic sector has become the main source of direct and indirect employment, a major source of foreign exchange earnings, which in turn helps finance a growing share of imports of vitally important capital goods and essential inputs. It has created significant additional positive externalities, including by being an important training ground for a growing number of new entrepreneurs (World Bank, 2006). In terms of GDP, RMG's contribution is highly remarkable; it reaches 13 percent of GDP which was only about 3 percent in 1991. This is a clear indication of the industry's contribution to the overall economy (Ahmed and Hossain, 2006). Foreign multinational companies played a catalyst role in promoting this particular industry in Bangladesh. They brought initial technology and other know-how with respect to the modern production of garments meeting international requirements. Simultaneously, through controlling product development and marketing operations, they have successfully linked Bangladesh as a competitive production base to the international market. They further contributed to diffusing technology and know-how to local firms by generating spin-offs (Murayama, 2005).

⁴More information available at www.bgmea.com.

1.6 Factors that Contributed to the Growth and Expansion of RMG Exports of Bangladesh

The emergence of an export-oriented RMG industry in Bangladesh can be traced to a confluence of policy trends at global and national levels. At the global level, the imposition of quotas on clothing exports from some of the early industrializing countries in East Asia led them to search for quota-free locations to set up garment assembly plants. At the national level, investment in the RMG industry was made even more attractive by changes that occurred around this time in the domestic policy environment (Kabeer and Mahmud, 2004). Most researchers and academics claim that cheap labor and quota advantage along with supportive government policies are the main contributory factors for rise and growth of RMG sector in Bangladesh. Some researchers overlook and few of them even deliberately ignored entrepreneurship is an important factor for the development of RMG industry. These contributory factors are discussed in the following sections.

1.6.1 Global Trading Agreements

Developed countries have been trying to control the global garment business through different strategies. In order to protect their clothing industry they imposed quota restriction and other agreements such as GSP, EBA, AGOA etc. though there is a motive to assist under developed or least developed countries by providing opportunity to do business in those developed markets. As Bangladesh is a member of Least Developed Country (LDC), it has the opportunity to export its RMG to developed countries' markets. The most noted agreements which help to grow Bangladeshi RMG are MFA and GSP. Thanks to protectionist measures like quotas that were imposed during this period, Bangladesh was able to take advantage of the available and cheap labour force into building an efficient export-oriented RMG industry targeted towards Europe and the

United States of America. Further assisted by the provision of duty free access to European markets, the export of RMG from Bangladesh rose steadily over the 1990s to stand at approximately 75% of the country's export basket today (Sobhan and Ajhar, 2006).

In 1974, the developed countries introduced Multi Fibre Arrangement (MFA) to protect their own textile and apparel industry against competition from the more efficient producers in developing countries, particularly in Asia. Quota restrictions were applied on developing countries that exported significant quantities of textile and apparel products to the developed countries. Countries like South Korea, Taiwan, Hong Kong and other major suppliers faced quota restrictions along with high labor wages in those respective countries. Until 1985, Bangladesh enjoyed quota free status. USA and large importers imposed quotas in 1986, but it must be admitted that the quota system has been an advantage rather than disadvantage for Bangladesh. The competitors of Bangladesh faced quotas much earlier than Bangladesh did. Eventually, they found Bangladesh a very attractive sourcing place for garment businesses. The quotas acted as a guarantee for certain quantities of export sales, helping to establish market presence, and acted as a way to emergence out of the MFA shield with its comparative advantage against other countries (World Bank 2005).

Even though Bangladesh enjoyed quota-free status in the North American market, its exports were subject to the payment of import duties. However, in the EU market, Bangladesh was not only exempted from MFA quotas but it also enjoyed preferential market access under the EU's Generalised System of Preference (GSP) which allowed duty-free access to Bangladesh's garment exports. Thus, Bangladesh's exports of garments enjoyed quota-free and duty-free access to the EU market. This was another

important factor which contributed to the emergence of the RMG industry in Bangladesh (Rashid, 2006). EU introduced the Everything But Arms (EBA) GSP scheme in 2001 which allows virtually all LDC export products to enter the EU market at zero tariffs when other countries had to pay full or concessional tariffs. This provided a considerable competitive edge to LDC garment exports that qualified for duty-free treatment in the EU market since the MFN (most favoured nation) tariff rates on RMG products were generally quite high (World Bank, 2006). Another important feature of the EU markets is that it offers duty free access of ready-made garments made with local fabric or yarn which precede backward linkage in exporting LDCs. As a LDC member, Bangladesh enjoyed quota free as well as duty free status in EU markets.

1.6.2 Government Policy support

The industry did not really take off until changes had been made in the domestic policy environment. Bangladesh had retained its pre-independence commitment to an industrial policy of import substitution which entailed a complex set of protective measures intended to curtail imports and build an industrial base to cater to the domestic market. Rashid (2006) characterizes the early 1970s as unfavourable initial conditions and was not encouraging for industrial development. At that time, the government was trying to rehabilitate the war-ravaged economy. By the end of the decade, however, a succession of crises, including a major cyclone, war, famine and political turbulence, together with declining receipts from raw jute and jute manufactures, the country's main export, and an increasing import bill, dominated by food imports, left the country with a precarious balance of payments situation. It also faced a growing deficit within the domestic budget due to virtually stagnant government revenue collection (Kabeer and Mahmud, 2004).

The RMG sector only started its major expansion in response to the market reforms that were undertaken from the early 1980s. These stimulated production of clothing (mainly for export) by opening up the economy to private trading, reducing restrictions on foreign investment, reducing import tariffs and providing incentives to investors (Rabinwotz, 2006). The most significant policy reforms in the industry sector were introduced through the New Industrial Policy (NIP) announced by the government in June 1982. The aim of the NIP was to stimulate industrial development through the private sector' and to that end it made fundamental changes in the industrial policy environment and promotional instruments. The NIP was revised in 1986, and the Revised Industrial Policy (RIP) further strengthened the process of liberalization set in motion by the NIP. The Industrial Policy 1991 reiterated the objectives of the NIP and the RIP of achieving a rapid expansion of the private sector and transforming the economy into a competitive market economy. For certain fast-moving items such as RMG, a notional system of duty payments was adopted in 1982-83. Under this system, exporters were exempted from paying duties and taxes on imports used in export production at the time of importation (Rashid, 2006). In order to mitigate import difficulties, the government introduced the system of bonded warehouse in the early 1980s. The bonded warehouse facility was a significant business-friendly policy support instrument that eliminated the duty-payment requirement and also substantially reduced bureaucratic hassles and delays.

A number of direct export incentive schemes were put in place while foreign direct investment was encouraged through the establishment of export processing zones outside Dhaka and Chittagong. Further incentives for stimulating investment in RMG were instituted in the early 1990s. Since the 1990s, the Government has increasingly supported private sector development through sound macroeconomic management and measures to open up the economy. Automatic registration was provided to projects

financed from non-government sources, and from 1991 no government sanction was required for private investment in 'free' sectors, provided the industry was set up with the entrepreneur's own fund. These reforms made it much easier for new investors to enter the RMG industry.

Garment sector has been helped by policy support provided by successive governments. This includes policy measures such as duty drawback facilities, tax holidays, cash assistance, income tax rebate facilities, zero tariff on machinery inputs, rebate on freight and power rate, bonded warehouse facilities, provision of import under back-to-back letter of credit, loans at concessional rate, export credit guarantee scheme, and related facilities (Ahmed and Hossain, 2006; Rashid, 2006; Siddiqi, 2005). At present government operates a cash compensation scheme through which domestic suppliers to export-oriented RMG units receive a cash payment equivalent to 5 percent of the net FOB value of exported garments. The 2004 budget also lowered the corporate income tax rate for the RMG industry from 30 to 10 percent for the period up to June 30, 2006. From 2005 the tax regime has been further changed, and a 0.25 percent tax at source will be deducted from the value of the export proceeds of Woven and Knitwear category. At the same time, income tax rate for textile manufacturers were reduced to 15 percent from its earlier level for the period up to June 30, 2008 (Ahmed and Hossain, 2006). The reduced tax rates and other facilities are likely to have a positive impact on the RMG sector. We can say that government policy reforms positively contribute to the growth of the RMG industry in Bangladesh.

1.6.3 Low labour cost and availability of required labour.

The RMG industry is a low-technology and labour-intensive industry. Hence, global relocation of this industry has been partly dictated by the availability of cheap labour in a potential supplying country. Being a labour-surplus economy, Bangladesh has always enjoyed low wages. The comparative advantage of cheap labor provides a competitive strength to Bangladesh. In international market, it is the price and quality, which determine the competitive position of a supplier. On the account of price, Bangladesh can beat most of its competitors. Price is related to cost of production which in case of apparel marketing (cutting, sewing, trimming and packing) is greatly determine by the labor costs. Wages in Bangladesh are remarkably low. But productivity is also low in Bangladesh. However, the unusual low wages compensate for the low labor productivity. Throughout the 1980s and 1990s, Bangladesh's garment industry was well positioned to take advantage of an abundant supply of domestic cheap labour. Abundant cheap labour was a comparative advantage and an important tool in the development of the Bangladesh garment industry in this period (Rahman, 2006). Bangladesh will probably continue to enjoy competitive advantages in international markets because it has virtually unlimited supply of cheap labor especially a large pool of women who can learn the technology operation necessary in producing RMG without much investment in terms of money and time. The pressure of the unemployed labour force and the very low standard of living allow the garment wage in Bangladesh to be kept at a level that is one of the lowest among competing countries. Bangladesh has a tremendous labor cost advantage can be seen by looking at the comparative hourly wages. The following table (1.2) shows that labor cost in Vietnam is now lower than Bangladesh.

Table 1.2: Labour cost in RMG sector in selected countries

Source: Gherzi et al (2002); cited in World Bank (2006)

About 85 percent of workers in the garment industry are women. It has been generally argued that entrepreneurs in the garment industry have preferred to hire more women because of prevailing beliefs that women are nimble and patient, more controllable than men because of their docile nature, less likely to join trade unions, and better at sewing. In addition to these reasons, another important reason why women have been preferred is that they are willing to “accept” lower wages than men. In most cases, employment in the garment industry has given them the first opportunity to earn wages, which are typically several times higher than what they could have earned doing domestic service, one of the very few other job opportunities open to them. According to Rashid (2006), three factors have been primarily responsible for the lower labour cost in the garment industry compared to most other industries in Bangladesh. First, the garment industry is characterized by a predominance of female workers who are prepared to accept lower wages than their male counterparts due to their lower opportunity cost of time. Second, the minimum wage fixed by the government has been lower for the garment industry compared to other industries. Third, garment entrepreneurs have succeeded in reducing labour costs by generally depriving workers of “decent” working conditions through side-stepping labour standards.

The key advantage of Bangladesh's clothing sector (besides quota access) has been low labour costs and its unit labour costs (ratio of wages rates to output) are currently around 30% lower than those of China and India (World Bank, 2006). In Bangladesh, the workers can be employed at a very low wages, not only in comparison to other competitor countries, but also in comparison to other domestic industries. The Minimum Wage Board set up by the government periodically fixes the minimum wage for different industries. For some unknown reasons, the average minimum wages fixed for the RMG industry has been the lowest. This has allowed the owners of garment firms to pay their workers lower wages than in most other industries. However, if the new wage structure⁵ implemented, the scenario will be changed and RMG industry will be no more the lowest paid industry.

1.6.4 Dynamism of Private Sector

The growth of RMG sector has produced a group of entrepreneurs who have strengthened and built a successful private sector in Bangladesh. The country was suffering from an acute shortage of entrepreneurs in the post-independence period due to the outflow of West Pakistani entrepreneurs who had dominated the East Pakistan (now Bangladesh) economy before independence. By the late 1970s, several Bangladeshi entrepreneurs decided to enter the business of manufacturing and exporting apparel. There was little encouragement from the government in this venture (Rashid, 2006; Siddiqi, 2005). In fact, in 1978 one industrialist had his application for a new garment factory rejected on grounds that the existing factories already represented an excess capacity. It was a difficult environment for exporting garments from Bangladesh; the entrepreneurs were not familiar with the technology, time-consuming to clear imported machines from the port, banks were unwilling to issue L/Cs for the import of fabrics without the importers

⁵ See Appendix D– The New Wage Structure for the RMG industry.

putting up considerable margins, the bureaucrats were inexperienced to deal with an export activity that depended on use of imported inputs, and trained workers and supervisors were scarce. However, the pioneering Bangladeshi entrepreneurs successfully managed to overcome these impediments with their ingenuity and imaginative thinking (Rashid, 2006).

An important entrepreneurial step was taken by Mr. Nurul Kader, a retired civil servant established Desh Garments under the joint venture with famous South Korean firm Daewoo in 1979. The Bangladeshi partner provided the necessary equity capital, and the Korean partner provided training and marketing facilities. A total of 130 operators/supervisors and managers including three women trained in Seoul, South Korea. Through this agreement, Bangladesh was for the first time integrated into the global commodity chain and an effective method of technology transfer also occurred in the areas of factory layout, stitching and packaging garments and marketing. As per joint venture agreement, Daewoo received orders from large retailers from USA and Europe throughout its world wide marketing network. Garment products made in Desh Garments located in Bangladesh and shipped to respective destinations. The agreement provided Desh Garment an assured international market for its production with the collaboration of Daewoo. This is indeed a milestone in the RMG industry in Bangladesh. Siddiqi (2005: 78-80) distinguishes five facts for that milestone⁶: (1) Mr. Nurul Kader, an ex-bureaucrat approved the joint venture proposal from Bangladesh government through his dynamism. In fact, that time it was quite difficult to get the approval because government bureaucracy was unfavourable to facilitate private business initiatives. Later other entrepreneurs followed his case. (2) It was really a win-win situation for both parties involved in that business agreement. (3) Through this deal, Bangladesh got exposure to

⁶ Page 78-80, Siddiqi, Hafiz, G.A. (2005) *The Readymade Garment Industry of Bangladesh*.

world apparel market, and proved itself, for the first time, as a good and profitable sourcing place for foreign buyers. (4) The success of Desh Garments encouraged other large buyers from different countries to come to Bangladesh to have apparel manufactured for export under various arrangements. (5) After getting experiences, many of those 130 trained people left Desh Garments and established their own factories. Thus RMG sector expanded rapidly within a short span of time.

During the early years of RMG industry, the buyers supplied all the fabrics and accessories or recommended the sources of supply from which Bangladeshi sub-contractors were required to import the raw materials under special arrangement. Cheap labor is available almost in unlimited number. A very small investment is necessary to train workers⁷. The primary role of the entrepreneurs is to use the skilled and semi-skilled labor to cut the fabric according to the given specifications, stitch and make the garments, pack and ship the consignments according to the predetermined schedules. From the original retailers' perspectives, they have their apparels without owning factories.

The entrepreneurs along with factory managers, production workers of Bangladeshi garments establish themselves in the world fashion market. Manufacturers and exporters regularly negotiate with world garment business retailers and leaders. Direct and frequent interactions with such world class retailers/traders of apparels create opportunities for the Bangladeshi manufacturers/exporters to get real life experience and much needed managerial and negotiation technology is continuously transferred to Bangladesh very effectively. This is indeed a great success for the entrepreneurs who establish themselves as successful business leaders not only in Bangladesh but also in the

⁷ Currently, higher capital required to run the garment business successfully. The modest capital requirement enables a large number of entrepreneurs to enter the industry. Successful entrepreneurs find it relatively easy to expand their operations by reinvesting profits, and thus avoid costly bank loans." This reduces capital costs of RMG operations (World Bank, 2006).

world fashion industry. Now the new generation entrepreneurs are following the successful path of their senior fellows. The successful entrepreneurs have established direct contacts with their ultimate buyers (retailers) and have developed sophisticated marketing strategies (Siddiqi, 2005). Some of them have already made a successful transition to high value apparel product such as dresses and suits. Many entrepreneurs, who started their career with garments, later diversified and explored other industries. Some have gone for backward linkages by diversifying into spinning, weaving, dyeing and or finishing operations. Some of them have become manufacturers of threads, buttons, zippers, and packaging materials (Siddiqi, 2005:66). Some have gone to businesses which are not directly related to RMG. More encouraging aspect is that female entrepreneurs are emerging in the RMG business. Siddiqi, (2005) further shows successful examples such as MS Shamsun Nahar Ahmed, a woman entrepreneur, established one of the oldest export-oriented garment factories – Baishakhi Garments in 1978. The number of women entrepreneurs has since increased. Besides, there are many women who are working in executive positions in the garment industry and successfully fulfilling their responsibilities. Some entrepreneurs have invested in foreign countries and export RMG from there. One such firm is Summan Group of Bangladesh that has gone to Cambodia and established a RMG factory under joint venture arrangement with local partners employing more than thousand workers.

Siddiqi (2005) refers that political instability in Sri Lanka, another dimension which helped to grow the RMG industry in Bangladesh. Due to political turmoil in Sri Lanka, buyers' and their agents or the middlemen who did the business in Srilanka discovered Bangladesh a place better than the war prone zone. Similar migration from Indonesia occurred when political riots disturbed normal operation of the apparel industry.

1.7 Structure, Production and Employment Pattern of the RMG

RMG factories in Bangladesh are concentrated in greater Dhaka and Chittagong district.⁸ Recently BGMEA and Bangladesh Small and Cottage Industries Corporation (BSCIC) signed a memorandum of understanding to set up a garment village in Munshiganj district. An estimated cost of 3100 million taka (US \$ 45 million) proposed, of that amount 1860 million taka is supposed to get from foreign loans or grants. The garment village is supposed to be completed in June 2009. Currently the garment industry can be differentiated into a number of segments. The first tier factories at the formal end of the industry are characterized by those in the EPZ⁹: they have direct links with international buyers, modern equipment, better quality assurance, a large relatively skilled and educated workforce and generally better working conditions than the rest of the industry. Second tier factories outside the EPZs also have a direct, often long-term, relationship with their buyers and hence some reliability in their orders. They vary in size from large to medium and also observe certain minimum labour standards, largely because of their dealings with buyers. There is, however, a third tier which merges imperceptibly with the informal economy. The size of this tier is not known but it is made up of small low-grade factories which have no direct relationship to buyers or the capacity to open a Letter of Credit. They work in small rented premises with 100 to 200 machines and largely rely on subcontracted orders from the larger factories which have taken on too many orders or need to meet a deadline. Apart from the 'Bideshi' (EPZ) factories and a few 'Bangla' factories outside which deal directly with buyers, the majority of employers appear to operate with an 'informal sector' mindset, adjusting their production to demand through a variety of means. Thus production lines are subcontracted or outsourced during peak

⁸ See Appendix B : Bangladesh Industrial Map

⁹ Garment workers called factories in EPZ as Bideshi (Foreign) and outside EPZ as Bangla (Local).

season and shut down at other times. Firms may also take on cheaper orders during the lean season to earn enough to pay their workers (Kabeer and Mahmud, 2004).

According to the BGMEA, there were 4300 member firms in 2004-05 of which 2275 were woven garment units, 700 were knitting factories, and 525 were producing sweaters; however, 1300 of these units were closed. In addition, there were 560 units which were exclusive members of the Bangladesh Knitwear Exporters and Manufacturers Association (BKMEA). Thus, the total number of active firms producing garments in Bangladesh in 2005 was 3560, of which 47 percent was woven units, 42 percent knit units, and 11 percent producing sweaters. Total employment generated by these enterprises is estimated to be 1.9 million production workers or 2 million if all employees are included. Most of these workers (an estimated more than 80 percent) are women drawn from the rural areas (Rashid, 2006).

A Ministry of Commerce study (2001)¹⁰ found that the RMG sector comprises the following four groups of firms: The first group of about 15 large companies own 220 manufacturing units, each with a capacity of 10,000 dozens or more per month. These are well established firms that source their own fabric and have direct marketing link overseas. Another 550 manufacturing units have a production capacity of 5,000 to 10,000 dozens per month who work mostly (60 per cent) on a CM basis for importers or buying agents. There are an estimated 1993 units each with a capacity of less than 5,000 dozens that work mostly on a sub-contracting basis. Finally there are about 200 units that are sick and not currently operating. About 65% of the factories produce woven garments, 20% are engaged in knitting, while the remaining 15% are involved in sweater production. During the early years the RMG industry comprised almost entirely of woven apparel

¹⁰ Cited in World Bank 2006.

manufacture. Last few years saw dramatic rise in knit products. It rose from a worth of US\$ 1850.36 million in 2003 to 3210.48 million in 2005. Where as woven products rose from US\$ 3398.84 million to 3689.60 in respective years. 1% of garment firms operate in EPZ, 63% of which have foreign ownership. The RMG that is produced in Bangladesh is primarily for export. The Bangladesh RMG industry has thus far concentrated on the US, EU and Canadian markets: about 47% of Bangladesh RMG exports are to the US, another 47% is to the EU, about 4% goes to Canada and the remaining 2% goes to other countries.

EPB data, as cited in World Bank (2005), show a relatively high degree of export concentration at the firm level. Of 2387 exporting RMG units in 2004, the top 500 firms exported 74 percent of total garments export, while 81 percent of total RMG exports was made by the top 650 firms. These firms belong in the large category (production capacity of 5,000 to 10,000 dozens per month) and employed 21% of the RMG employment. The remaining 19 percent of garments export was made by 1737 firms which can be considered as small (production capacity of less than 5,000 dozens per month) and employed 40% of the total RMG. The large firms source their own fabric and sell directly to foreign buyers, while the medium-sized firms work on a cut and- make (CM) basis for importers or buying agents. The small firms either sell to buying agents or work as sub-contractor for the larger firms. This means that out of the total number of 3560 firms in the RMG industry, about 1200 firms were either not exporting at all or were working as subcontractors. The numbers employed in RMG increased from 0.306 million in 1987–88 to 1.8 million in 2001–2002. It has been estimated that currently more than 2 million people are working in 4250 garment factories. At least another million are engaged in accessories and linkage industries (e.g. packaging, courier services).

Although exports to EU were much less than that to USA throughout the 1980s, the picture changed in the 1990s. By 2002-03, export of garments to EU was 55.43 per cent where as 42.67 to the USA. In 2005-2006, RMG export to other countries (outside US and EU markets) reached to double digits for the first time. Bangladesh needs to concentrate other markets such as Japan, Russia, Australia and other countries. The Table 1.3 shows the growing share of RMG exports to different regions.

Table 1.3: Region-wise Share of RMG Export

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Source: Ahmed and Hossain (2006)

In international markets, Bangladeshi RMG industry has got a considerable market share. In 2006 Bangladesh became the fourth largest supplier of garment products in Europe.¹¹ Based on the export data from January to August Bangladesh supplied RMG products a worth of 3.19 billion Euro, a growth of 35 percent. China, Turkey and India were 1st, 2nd and 3rd respectively. Growth of RMG products in US market increased too. According to Rahman and Anwar (2006) from 2004 to 2005 Bangladesh's share in US market increased from 2.42 percent to 2.69 percent. In 2005 Bangladesh became 10th top garment exporters in US, in 2004 its position was 14th, 19 percent growth than the earlier period.

¹¹ *The Daily Ittefaq*. December 10, 2006.

1.8 Growth of Other Sectors as a Result of RMG Growth

The forward and backward linkage industries and services such as textiles, accessories, transportation, and packaging have also been large beneficiaries. The RMG sector promotes the development of other key sectors of the economy, including textiles, banking, packaging, transportation, insurance and support industries. The success story also attracted foreign investors as a result of the reputation that the garment industry created. In fact, the RMG industry became a catalyst for further industrialization of the country. The following figure shows that imports in RMG industry decreasing overwhelmingly which means backward linkage industries supplying the much required inputs. BGMEA estimate shows that about 80 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. The textile industry has been developing which can supply over 3 billion yards of fabrics a year to the export oriented garment industry.

Figure 1.1: Trend of Back-to-Back Import

Source: Ahmed and Hossain (2006)

Almost \$2 billion worth of economic activity in areas such as banking, transport, insurance, packaging, real estate, utility services, and consumer goods has been generated in 2002. Approximately 70 percent of business at Bangladesh's Chittagong port is

garment related¹². It is estimated that port usage fees earned from the RMG sector account for more than 40 percent of the income of the port authority. RMG sector contributed about \$65 million in Fiscal Year (FY) 2002 to earnings of the shipping business of the country by way of port charges, C&F agents, freight charges, forwarding charges etc. Banking and insurance sector is also heavily depends on RMG sector. More than one-tenth of the commercial banks' asset portfolio belongs to the RMG and textile sector in the country. In 2001-02, 46.14 percent of the total export financing portfolio of the commercial banks went for RMG. A World Bank survey revealed that almost all firms (98 percent) are the clients of the commercial banks for working capital and procurement of machines and equipment (57 percent). Insurance also other beneficiary, all firms have their machines and plants insured. RMG has boosted investment climate of the country and other sectors like shipping and logistics, real estate, professional services like utilities, CA firms, engineering sector, and hotel and tourism (Bhattacharya, Rahman and Raihan 2002)¹³. Thus the RMG industry directly and indirectly impacts many other industrial, social, and financial sectors.

The chapter has demonstrated that multiple factors such as global trade regime, government policies, low labour cost and private sector help to grow RMG industry in Bangladesh. RMG industry not only becomes the main export earning sector, moreover, it also generates the growth of other sectors.

¹² Anisul Haque, Ex president of BGMEA- Success one Stitch at a Time; the Daily Star 15th Anniversary Special, February 4, 2006

¹³ For in depth analysis of contribution of garment industry, see Debapriya Bhattacharya, Mustafizur Rahman and Ananya Raihan, 2002.

Chapter 2

Labour market and Female Garment Workers in Bangladesh

The first part of this chapter discusses features of Bangladeshi labour market and the other part concentrates on female garment workers' livelihoods, positive and negative impacts of garment jobs, their social positioning and collective actions. The latter is of critical significance as increased participation in trade union activity has led to challenging assumptions about women's docile nature. Since women have begun to demand benefits such as permanency and maternity rights, there are employer fears of women becoming costly workers.

2.1 Overview of Labour Market Scenario in Bangladesh

The labour market is one of the most important aspects of any modern economy. By analysing the labour market we can draw a picture of the labour force and its various aspects such as labour participation, employment, unemployment, underemployment, economic sectors, working hours, and wages etc. moreover we can compare labour markets in different time-period and the share of male and females in the labour force. Rahman (2005) mentions the labour force as one of the most important mechanisms which transmits the benefits of economic growth to different groups in society. He emphasizes female's participation in the labour market as it provides women an access to income and it can be an effective means of socio-economic empowerment. Female labour force can play an important role in the economic growth of a developing country like Bangladesh and it can affect the dynamics of entire labour market. Mondal (2003) characterizes labour market of Bangladesh as (a) high growth rates of labour force, (b) low employment rate, (c) predominance of employment in agriculture followed by service

sector, (d) existence of high underemployment, (e) small share of female employment, and (f) low wage rates.

According to Bangladesh Bureau of Statistics (BBS) in 2002-03 there are a total of 81.8 million people are in the labour force of whom active civilian labours are 46.3 million and outside civilian workforce is 34.5 million. Non civilian workforce is characterized as household work, student and other inactive population. In 2002-03 there were 134.8 million people living in Bangladesh, among them 69.1 million male and the rest 65.7 million are female. Ratio of male per 100 female is 105 that explain roughly 50 percent of the total population is female. Among 44.3 active labours 34.5 million are male and 9.8 million women (see Table 2.1). Number of employed women compared to males is very low. Women's low share in the labour market reflects the traditional view in Bangladesh where male is the breadwinner of the family and women mostly do household work. Though the data shows among 2 million unemployed labour male is 1.5 million and female is only 0.5 million but it should be kept in mind that numbers of employed women are three times less than men. In the non civilian workforce, women's share is 29.3 million within a total of 34.5 million people. The rate of economically inactive women remains very high compare to their male counterpart. From 1995 to 2003 labour increased to 10.2 million among them 5.3 million male and 4.9 million female. Whereas at the same time number of employed person increased to 9.5 million which constitutes male 4.7 million and female 4.8 million which reflects that women got 0.1 million more job than men. Thus it is clear that day by day more women are entering into the labour market.

Table 2.1 Indicators of Labour and Manpower Sector

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Source: Bangladesh Bureau of Statistics (2006)

It is necessary to examine how workers participate in the labour market. However labour supply side of labour force participation is much bigger than the demand in Bangladesh. Male's participation in the labour market is consistent between different periods which is more than 85 percent, though in 1999-2000 labour force participation for male came to 84 percent but increased to 87.4 percent in 2002-03. There is a growing tendency of female's participation in the labour market. In 1990-91 women's participation was 14 percent which increased to 26.1 percent in 2002-03 (see Table 2.2). Within the timeline 12.1 percent more women participated in the male dominated labour market. This is a great achievement for women in the patriarchal society like Bangladesh. Kabeer and Mahmud (2004) argue that the urban manufacturing sector was a major factor behind this changing pattern of female labour force participation. The much pronounced 'feminization' of the labour force came into the light during the 1980s and 1990s when large scale female employed in urban manufacturing sector mostly in RMG industry.

Table 2.2 Labour Force Participation Rate in Bangladesh: 1991 to 2003

Source: Bangladesh Bureau of Statistics (2006)

The following table shows the growth rate of labour force, employment and unemployment between male and female in 2002-03. Growth of labour force shows significant number of women enter into the labour market which is almost double compared to men. In 2002-03 male's growth in employment is much lower than female labour. Women's employment growth is more than double but quality remains questionable due to education, marital status, gender roles, societal view etc. It should be noted that female unemployment rate is also higher than male. Under employment rate in 2002-03 is 37.6 percent. There are a total of 34.52 million economically inactive population in Bangladesh of whom 29.32 million women and 5.2 million male. Though women's share is increasing in labour force and employment growth rate, women's share in total underemployment is much higher than men (see Table 2.3). In the labour market, factors such as age, marital status and educational level influence participation of male and females differently. The latest data shows that in 2002-03 there are 19 million (41 percent of the total labour force) youth labourers (age 15-29 years) in Bangladesh, among them 13.5 million are male which is 37 percent of the total male labour force and a total of 5.5 million female which constitutes 53.3 percent of the female labour force. The data reveals that younger women are more economically active than younger men. Women who have never married have the highest participation in the labour force, whereas

unmarried men have a much lower participation rate than married men. Married men have the highest participation, while married women have the lowest participation in the labor market.

Table 2.3 Growth rates of Labour force, Employment and Unemployment in 2003.

Source: Bangladesh Bureau of Statistics (2006)

Compare to job demand, supply of labour is enormous. Within 1999-2000 to 2002-03, labour market provided jobs to 5.3 million labours. Agriculture, forestry and fishery provided 51 percent of the total employment. These jobs are concentrated in rural areas and reflected bigger number of labours compare to urban areas. The female growth rate of agriculture and forestry related occupation is subsequently high, which is 15.9 Percent, where as male growth rate is only 0.9 percent. In manufacturing and health and social work sectors women participation is higher. Traditionally women are responsible for household work. In 1999-2000 a total of 13 million people were engaged in household work, among them 0.2 million men and 12.7 million women. In 2002-03 total household work increased to 24.9 million where male were 0.5 and women 24.4 million (see Table 2.4). The increasing trend of women's household work is subsequently high in rural areas compare to urban areas. As the data shows, from 1999-2000 to 2002-03 inactive population lowered from 31.3 million to 9.5 million, more people are likely to be active in the labour market. In rural areas only 0.1 million female are inactive than men but the number remain same in urban areas. In urban and rural both areas number of inactive women lowered significantly.

**Table 2.4 Population by Economic Category, Sex and Residence
(15 years and over)**

Source: Bangladesh Bureau of Statistics (2006)

Child labour is a common phenomenon in the Bangladesh labour market. Poverty pushes millions of children to enter into labour force without any certainty. Most of the poor children are working in informal sectors. Government statistics in 2002-2003 shows that there are 42367000 children (5-17 years old) in Bangladesh, among them 7423000 (17.5 percent) are considered as child labours. Among those child labours 19.9% work in industrial sectors and 26.1% are in service sectors. Child workers work as regular workers 7.1%; paid domestic helps 1.2%; unpaid domestic helps 0.5%; paid day labourer 23.7%; apprentice 3.3%; self-employment 56.7%; unpaid workers 56.7% and others 1.2%.

2.2 Female Workers in Readymade Garment Industry: An Analysis

Bangladesh is predominantly a patriarchal society, which defines male's superiority over female and the ultimate fact is women are dependent on and subordinated to man in all spheres of life. Consequently, men practiced all sorts of power and authority on women in every aspect whether it is family, society or the state. The society is characterized by patrilineal principles of descent, patriarchal structures of family organization, the practice of female seclusion, and a marked preference for sons over daughters (Kabeer, 2004). One of the main features of patriarchal society is that *purdah* which refers to seclusion of women; literally means "curtain". As an integral part of patriarchal belief system, *purdah* controls female space, role, behaviour and as well as choice. As a result women have been forcibly or voluntarily excluded from public spheres including labour market (Murayama, 2005). Women are discriminated from their birth. In general, girls get less attention in their families which reflect lower participation in every aspect of the society. It is more prevalent among poor families because of their ignorance, limited resources, religious misinterpretations, and many other forms. Often poor girls are malnourished, illiterate which make them less competitive throughout their lives. Till today, in the twenty first century, many women in Bangladesh especially poor women are not only been discriminated in access to education and employment but also in access to basic life preserving resources such as health and food. In fact, Bangladesh holds the top position in terms of maternal mortality rate in South Asia.

Definition of working women is much contested in the feminist discourses. Often working women are counted as women who are working outside their houses. Within the household housewives usually work from dawn to midnight but have no recognition for their work. Men do not work in the 'house', because housework is women's obligation as well as responsibility. Women have always been involved in production. Rural women

who later migrated to cities and became wage labours were involved in different activities such as pre and post harvesting, livestock and poultry, gardening, etc. along with regular household chores. These jobs are regarded as unpaid household jobs. Agricultural activities no longer provide huge jobs. Moreover, chemicals, biocides, machine based modern agriculture displaced agricultural labourers mostly women significantly.

Bangladesh is a poor country and among its population women are considered the poorest group. Landlessness, lack of employment and above all family's survival force poor women to seek work and earn additional income. Employment opportunities for women have been severely limited both in numbers and types of employment. Many women are involved in uncertain, worst paid, confined and exploitative jobs in informal sector because of cultural restrictions on their mobility, barriers in marketplace etc. Poor women having little or no education are engaged in informal nature of jobs such as domestic servants, petty traders, casual wage labourers and even sex workers (Kabeer, 2004; Murayama, 2005).

Historically women's contribution remained invisible in the public domain of Bangladesh. Though women gained many more things which were restricted before but poorer sections of the women were neglected and ousted from the benefits of growing attention. Till today, women movements largely dominated by urban educated middle and upper class women. The rise of export-oriented garment manufacturing in the early 1980s brought first real opportunity for poor young women to work in the public sphere on a large scale. The RMG industry is generally considered to be a female-intensive industry, in the historical and cultural context of Bangladesh and introduced feminized labour force in the country. Most of female factory workers come from poor families and have migrated from the rural areas of Bangladesh in search of work. From 1980s and onwards

women constitute the incremental absorption of labour in Bangladeshi export-oriented industry, particularly in the garment manufacturing industry. In the RMG industry, women comprise more than 80 percent of the total labour force. Question may arise why large number of female workers are employing in RMG industry instead of male workers whose supply is also abundant? The most common answer is cheap labour cost in Bangladesh. Compare to other countries Bangladesh has an advantage of low labour cost and within the labour force cost of women's labour is cheaper. Paul Majumdar and Begum (2006:3) argues that beside women's cheap labour, some gender specific concerns such as (a) women are patient and nimble; (b) women are more controllable than men; (c) women are less mobile and less likely to join trade union; (d) women can do better in sewing since the job coincides with their traditional jobs; (e) women are secondary workers etc., would tend to encourage employers to recruit women in the garment industry. The reasons this workforce is predominantly female corroborate findings from elsewhere that women's disadvantaged position in the labour market is a "comparative advantage" (Kabeer 2004: 14).

Women's active engagement in the industrial labour force bore important social, cultural and political implications. There are debates on the nature of exploitation in the RMG industry where women are the main victims. But it is true that by working in RMG industry female workers are at least managing to earn a living. For many female workers, working in the garment factories is the only option. The RMG industry provided millions of jobs and unprecedented wage opportunities to unskilled young women who could be otherwise destitute or empty handed. The World Bank (2006) estimates that roughly 10 million people directly or indirectly depend for their livelihood on this industry, and it accounts for 40% of industrial employment, and about 2 million women are working in the garment factories. In most cases, before joining the garment industry, female workers

worked as unpaid labourers in their rural settings. Employment in the garment industry has given them the first opportunity to earn wages and a sense of pride. In fact, the income is typically several times higher than what they could have earned by doing domestic service, another common source of employment open to them in the urban settings. Kabeer and Mahmud (2004) report that the introduction of garment industry made the patriarchal structure flexible and a revealed preference for the female workers that effectively transformed in the labour force, both in terms of female participation rates in paid jobs and its diversification into the industrial sector.

This section is focused on female workers who are working in the readymade garment industry. In order to understand female garment workers different aspect of female workers such as age, education, marital status, occupational segregation and other related issues is being analysed in following pages. There is also an attempt to address positive and negative impacts and the consequences on the workers.

2.2.1 Migratory Status

In Bangladesh, men who can not find a viable source of income often migrated to cities in search of work. Most migrated men leave their families in their villages because in cities expenditure is several times higher than rural areas. Because of men's migration, women in rural areas had to fulfil added responsibilities both in the households and agricultural tasks left by their men. In rural areas it is quite difficult for women to manage livelihoods properly because of cultural restrictions, ignorance, patriarchal controls, very limited income opportunities etc. Under such complexities, rural livelihood mechanisms frequently collapse. Having no other alternative ways to maintain rural livelihood, young rural women also migrate to cities for wage income and often engaged themselves in informal sector jobs (Weist, Khatun and Mohiuddin; 2002).

RMG industry became a good option for these rural females who are unskilled and illiterate. Kabeer and Mahmud (2004: 148) reveals that at the initial stage of the RMG industry's expansion some women joined the industry who had been previously engaged in traditional occupations associated with women. New generation female workers are new entrants into the labour force. There is a change in the women's migration pattern. In the past female migration occurred in association with their male family members but recent data shows women migrating to the cities individually in search of their own work and most often their first choice is garment work.

Urban migration creates enormous pressures on female workers, but studies show that these migrated female garment workers feel better than their rural life. Most garment workers do not want to go back to their rural lives because of complexities and harsh realities. Research done by Weist, Khatun and Mohiuddin (2002) shows that among 221 garment workers 84 percent, (the vast majority) intends to remain in Dhaka while 16 percent do not intend to settle in Dhaka and more than one third of them desired to go to another country. Many respondents indicated that they migrated to Dhaka only to join garment factories. Though factors for rural to urban migration diversified because of different circumstances, the RMG industry has been absorbing a significant number of otherwise destitute and unemployed women. The surveys of 1990 and 1997 show that most of the migrants moved to Dhaka to undertake job in the garment industry (Paul-Majumdar and Begum, 2000).

2.2.2 Age

Compared to other sectors, female garment workers are younger. The established fact in the garment industry is that garment employers prefer younger women's nimble fingers and the rationale behind this is that nimble fingers are better suited to garment work. Another important reason is that employers can recruit younger female workers at a very low price (Paul-Majumdar and Begum, 2006). Female workers view is that garment management like to employ young women because they believe younger women are industrious and productive than workers in other age groups and can work longer shifts, can work at night, committed, ambitious, good learners, patient and easily controllable (Weist, Khatun and Mohiuddin 2002).

There were many child labourers working in RMG industry at the early phase of industry's expansion. In Bangladesh, poverty pushes thousands of children to work. Working in the garment industry might be seen as preferable by the children and their families especially for the girl child. Kabeer (2004: 17) shows findings from studies on child labour in Dhaka's urban slums have found that many parents preferred garment employment for their daughters because they believed the girls would face less sexual harassment there than in other occupations open to them and that working mothers saw work in local garment factories as a safer option for their young daughters to leaving them home on their own. Campaigns to eliminate child labour especially the Memorandum of Understanding (MoU) concerning child labour in the Bangladeshi garment industry was signed by the BGMEA, UNICEF and the ILO in 1995 dramatically reduce child labour in garment factories. It was reported that as many as 40,000 to 50,000 children were laid off. There was much speculation at the time that many of these children had taken up more hazardous work in the informal economy, including prostitution (ILO, 2004).

In other export industries female workers are older than male workers by one year, whereas female garment workers are on an average four years younger than male garment workers. Due to occupational hazard and workplace stress, female workers can not work for a long time. On average, women work in the garment factories for four to five years (Kabeer and Mahmud, 2004; Paul-Majumdar and Begum, 2006). Why there is less preference for older women in the garment factories in terms of management choice? Weist, Khatun and Mohiuddin (2002) identify that usually managerial people are reluctant to recruit older women workers because they are less patient, they suffer from superiority complexes, they tend to bother others and blame juniors for their incapacity to work, and said to become irrationally argumentative and disobedient to the factory management. They are said to often be absent from work, to suffer from diseases, and claim high salaries. The older garment workers do not accept this view point. Although added household responsibilities affect their capacity to work in factories, management's unwillingness to hire them is the main reason for their lesser presence in factories. They do not admit that they work less or their productivity declines at their age.

2.2.3 Education

Level of education generally low among female garment workers and that reflected in their efficiency, skill, consciousness and confidence. In rural areas, female regular attendance is jeopardized by following reasons: a) poverty puts a higher priority on acquisition of daily food than to education; b) parents disapprove schooling as it compromises household work; c) distance of school and lack of transportation; d) disturbance of delinquent boys on the way to and from schools; and e) religious restriction and seclusion (*purdah*). Even to some extent cultural belief is that if women become “too educated” men may not marry them (Weist, Mohiuddin and Khatun 2002).

In the urban context, the situation is almost the same. In general terms, both in rural and urban contexts, parents invest less on girl’s education than boys. Poor girls’ participation in Technical Training Centres (TTCs) and Vocational Training Institutes (VTIs) are extremely low which could provide access to employment. It is assumed that technical jobs are male’s jobs thus reflected by lower female enrolment mostly from middle class families. (Rahman, 2005: 15).

In the RMG industry, men are generally doing skilled jobs that require more education. Women are employed mostly in unskilled jobs, where less education is permissible (Paul-Majumdar and Begum, 2000). Male’s education is higher than female garment workers. Though the level of education rises over the last few years, the gender gap in education is still persists. A study completed in 2002 estimated mean years of schooling for female workers is 6.8 years and for male workers is 9; thus leaving a gender gap of 2.2 years (Paul-Majumdar, 2002 cited in Paul-Majumdar and Begum, 2006). Interestingly, the literacy rate of garment workers is much higher than that of the workers employed in the non-export industries. It is even higher among the workers in the garment factories located in the EPZ.

2.2.4 Marital Status

According to Paul-Majumdar and Begum (2006: 20) garment employers prefer unmarried or widow/separated/abandoned female worker because of the nature of garment manufacturing. Garment manufacturing is a line work where 25-30 workers work together to produce a unit of product. The work of the whole line discontinues if a single worker is absent. It is believed that married women go on leave frequently due to either childbirth, childcare or household chores. It is also believed that due to burden of child care and household chores, married women are not able to provide overtime work, which is almost mandatory for garment manufacturing. Therefore, garment employers are likely to prefer unmarried women. However maternity leave and maternity allowances, which the garment employers are reluctant to provide, is the most important reason behind their preference for unmarried women.

Paul-Majumdar and Begum (2000: 6) reveal the difference in marital status between female workers in export and non-export industries and also between female workers in EPZ and non-EPZ garment factories. Thirty-eight percent of female workers in the garment industry are currently married compared with 47 percent in the EPZ, 51 percent in non-export industries, and 57 percent in other (non-garment) export industries. Currently-married women's participation in the garment industry is even lower.

Garment factory managements' perception about married women is that they are having complicated family and marital problems that affect garment production. Management claim that married women frequently absent from factory work with excuses of child bearing and child care. As familial responsibilities increase over years, many senior workers resign due to disapproval of their in-laws. The prevailing societal view against women is "household duty is the main job for women" and factory work can be done as a supplementary pursuit (Weist, Mohiuddin and Khatun 2002). Findings of

Kabeer and Mahmud (2004) suggests that married women's life cycle is not suitable for garment work. Married women tend to quit the garment jobs and seek flexible work, allowing for the maintenance of domestic and childcare responsibilities.

2.2.5 Housing and Living Conditions

The majority of garment workers live in slum dwellings or in squatter settlements. Some of these dwellings are makeshift shelters constructed of materials like sheets of polythene, cardboard, or several layers of overlapping papers. This is the common type of shelter for most garment workers. They offer little security and little protection from rain. Others are thatched walls and roofs coated with cement or lime clay. Garment workers also living in brick made rooms in many slums. This type of housing have doors made of tin, iron or wood which offer a bit more security than the makeshift shelters. But rents of these rooms are relatively high, ranging from 650 to 1000 taka per month. Usually all the family members live in a single room.

Livelihood — needing an income to survive — is an everyday challenge for the urban poor. Poor households are more likely to send children to work (rather than to school), to cut back on medical care or to restrict food consumption. Garment workers are included under the broad category of urban poor. The majority of the urban poor in Bangladesh depend on a cash economy. In general, occupation profile of slum dwellers can be observed the following types of profession. Men usually work as day labourers, rickshaw pullers, construction labours, security guards, and transport worker while Women work as garments workers, house maids, child attendance and casual day labours.

Living accommodation for most garment workers so dismal and compromising that many workers prefer to remain inside the factory as long as they can – despite the unhealthy factory environment – in order to comfort from fans, lights and protection from rain. Most slum and squatters settlement dwellers lack sanitation facilities. Toilet and

shower facilities are the most serious problems perceived by garment workers. A toilet means a small booth built with rugs, sacks or coconut leaves over drains, canals, ditches or fallow low lying muddy waste-lands. These toilets present serious health problems to surrounding neighbourhoods. Women and girls shower with minimum privacy and with small amounts of water brought from outside (Weist, Khatun and Mohiuddin 2002).

Supply of water and electricity is available on the basis of capacity to pay extra money. Most slum dwellers have access to water and electricity through illegal connections. These connections are provided through corrupt channels. Though slum dwellers are paying higher service charge of different utilities than non-slum dwellers but getting worst quality. It is not uncommon for urban poor households to spend 10–20% of their cash income on water. A study undertaken by Weist, Khatun and Mohiuddin (2002) shows that dwellers collected drinking water from water tanks – illegally installed on Water and Sewerage Authority (WASA) designated for water supply to city dwellers, in some cases they collect water from other sources such as ponds, ditches and lake. They rarely boil water, so out breaks of diarrhoea, cholera, and other water born diseases are common. For electricity, they have to pay 80 taka per switch. For cooking, they use either firewood or stove. As they are paying higher charges, they often have limited money for food. Food security is a critical health issue for the urban poor — most households are food-insecure. They are suffering from poisoning associated with consumer products such as rice, cooking oil, bread, cake etc., as these are cheap and of low quality. Urban air quality is polluted from industry and vehicles, and indoor air can be especially toxic from fumes of indoor cooking stoves. Children are especially susceptible to lung disease from air pollution.

2.2.6 Gender Segregated Occupation and Economic Status

The following figure shows that generally, there are two types of positions available to women factory workers: 'helper' and 'operator'. A worker starts her job with the status of helper. Helpers do not perform any fixed work standardized by shop-floor division of labour. They are posted at several work-posts according to the kinds of work the respective factory performs at different times for different work orders.

Figure 2.1: sex segregation in Bangladesh garment factories (m=male, f=female)
Production Manager (M)

Cited in Weist et al (2002); Original source: Chowdhuri and Paul Majumdar, 1991.

The section of sewing and finishing is over represented by women, whereas the section of cutting, where the amount of monthly pay is highest, is least represented by them. Within the sewing section the job of supervisor is highly remunerative, and in the finishing section it is the job of a quality controller, which is highly remunerative. Though within those sections sewing helper and finishing helper positions are overwhelming captured by women and attract the lowest wage rates. Very few women are working as supervisors or quality controllers. Women are not employed in the cutting section since the job of cutting requires manual labor and it is socially believed that women are unable

to provide manual labour as reproductive function makes them physically weak. Of course, not all female workers are physically weak because of their reproductive function since it is found that village women do heavy work, like collection of water and fuel wood, pre and post-harvest activities. (Paul-Majumdar and Begum, 2006: 41-42). The employers with their perceived, patriarchal notions discriminate against the female workers regarding this type of remunerative job

Documented evidence on occupational structure of garment industry shows that women are employed in occupations that are mostly unskilled and temporary in nature. In these occupations wages are low. Moreover prospect of occupational mobility in these jobs is also very narrow. It is often argued that women are employed in these jobs since they are less educated, less skilled and their turnover rate is high. In fact, it is employers' discrimination against women that concentrates women in few jobs. Findings show that within the garment industry, tasks were allocated largely on the basis of gender and in the export oriented industry gender segregation in occupation is more than that in non-export industries.

Recent observation shows that the proportion of male workers in garment factories is increasing rapidly. Weist, Khatun and Mohiuddin (2002) identify following reasons for the changing pattern: 1) Management referred to a growing preference for better educated men over non literate or marginally literate women workers. 2) Absenteeism and dropout of women workers due to sickness, family or emotional problems makes them less dependable to factory managers. Male workers are coming to be considered more likely to show up for work partly because they are less occupied with family affairs. 3) Factory management is coming to perceive male workers as dynamic and equal to women in different work posts: help-line, cutting, finishing, ironing,

labelling, and packaging. Management complaints that women often make mistakes, take too long to learn, and too long to increase their productivity. According to management, women are less tolerant, and their tendency to quarrel is more intense than among male workers. 4) Management considers that women are less rational than men and harder to convince than men. They allege that women workers embarrass the management and waste their production time by repeated allegations of sexual harassment against male workers. These new criteria for selection of workers may come to replace the earlier criteria that favoured the selection of women. However, these negative perceptions, drawn by an overarching patriarchal perspective, compare to the positive impacts of women in the RMG industry.

2.3 Positive Impacts of Female Garment Workers' Employment

Being employees of the garment industry, female workers made significant gains. According to Kabeer (2004: 18) women valued the garment job as satisfactory and “proper” job in contrast to the casual forms of employment that had previously been their only options. Their ability to earn on a regular basis gave them a sense of self-reliance, of standing on their own feet. They also valued their access to new social networks on the factory floor, which replaced their previous isolation within the home; the greater voice they exercised in household decision-making because of the value of their economic contribution; their enhanced sense of self-worth; and, in some cases, greater personal freedom and autonomy (Kabeer, 2004). The following sub-sections deal with positive effects of female workers associated with their garment jobs.

2.3.1 Empowerment

The prevailing cultural belief in Bangladesh was that women do not have control over household decision making; they should not go out alone; they cannot buy for themselves; they must not live alone; they should not have any say on their marriage and so many things. Women usually have had secondary status. Though the view still persists,

women's employment in RMG industry challenged the traditional view of the society to a large extent. Almost 90 percent of female garment workers earned their income for the first time by working in RMG industry; even those were employed in other jobs gain more as wage rate is lower in other sectors compare to this sector (Paul-Majumdar and Begum, 2006). Kabeer and Mahmud (2004: 153) argue that previously female labor force faced considerable discrimination in the labor market and remained "invisible reserve army of the labor" but wage employment in the garment industry addressed the gender dimension of poverty.

Female's involvement in RMG industry generates income which provides a better status and considerable freedom within the family and the society as a whole. At the same time, income opportunities reduce their vulnerability and longstanding dependency on men (Bhattacharya, Rahman and Raihan, 2001). Garment jobs made significant positive impacts on female workers' lives. The overwhelming majority of female workers had made their own decision to enter factory work and consider the garment job as permanent way of life (Kabeer, 2004). Their economical contribution brings self-esteem among themselves and they are treated as valuable earning members in their families. Now female garment workers are capable to negotiate with dominant family members, can exercise choice in when and whom to marry (Kabeer and Mahmud, 2004). Garment job have also changed early marriage and child birth patterns significantly. Findings of survey in 1997 reveals that before joining garment work, female workers estimated age at marriage was 16 years while after joining RMG industry, age at marriage jumped to 20 years. In terms of child birth, estimated age was 17 years for female workers before joining garment job but after taking jobs, average age at child birth increased to 21 years. Early marriage and child birth at young age negatively affected female's health and lowered productivity. A study done by Paul-Majumdar in 2003 shows that 35 percent of

the married women have left their husband in villages and come to city in search of jobs in the garment industry (cited in Paul-Majumdar and Begum, 2006). The degree of empowerment is higher among female garment workers who are working in EPZ than non-EPZ factories.

2.3.2 Savings, Investment and Remittance

It has been established that female workers are better savers compared to male workers. Female garment worker's saving behaviour is higher than their male counterparts. According to Paul-Majumdar and Begum (2006: 84-85) show that on an average, female workers save 6 percent of their monthly income whereas male workers save 4 percent. Female workers are also more concerned about their future. 9 percent of them invested their savings on business, buying lands or houses. 19 percent of female workers further strengthened their future security by save their money in banks. Workers sent remittance to support their families living in their villages. Thus reemitted money improves the conditions of their family members as used for investment and consumption purposes. Remittance usually invested in land, poultry, agricultural production, small business etc.

2.3.3 Awareness

Factory floor is not only a working compartment, it is considered to be a platform to female garment workers where they share life enriching experiences among themselves. In Bangladesh, the opportunity cost of information is very high. Poor people are often misguided by imperfect information because of their low level of education, poor communication network etc. Female garment workers are aware that they have many constraints such as limited resources, lack of time, etc. The garment factory works as an information hub, whoever gains the information that very effectively circulated among garment workers. The workplace is considered as the second home to the garment workers (Paul-Majumdar and Begum, 2006: 96). In fact, garment factory work is the

most powerful network to female garment workers and it helps them in manifold ways regarding their day to day struggling.

Generally relationship between female workers and co-workers (male) is good. Usually they spend more time of their daily life in the workplace, most female workers consider and behave with each other as family members. Around 78 percent female respondent reported that in the garment factories behaviour with male workers either good or very good, and rest 22 percent faced hostile behaviour from their counterpart (Paul-Majumdar and Begum, 2006). Working with male workers provides female workers an opportunity to understand how boys are and help them to take decision about marriage. In many cases, female garment workers found their husbands on the factory floors.

Female garment workers realized that they should have education as garment jobs are related to competitive world. Moreover without education they can not get promotion. Paul-Majumdar and Begum cite example of garment workers' hostels running by an NGO, Nari Uddog Kendra, an NGO (in English it means Women Entrepreneurship Centre) there female workers receive basic education after 12 hours job. Female workers are sending their brothers and sisters to schools and providing expenses. Garment workers are also aware of the value of good health.

2.3.4 Social and Cultural Transformation

Poor rural women migrate to Dhaka and Chittagong, the two main cities where all the garment factories are situated, in search of jobs. Most often they face numerous problems such as livelihood, housing, communication, networks etc. Many female garment workers have developed a changing attitude and influenced social change to a greater extent. For example, Siddique (2005) notes that female garment workers challenged the patriarchal view where women were neglected and depended on the male's decisions and which emphasizes women are borne to bear and rear children. Now women can direct

themselves without guidance of men. The net effect of female garment workers' contribution on the society is very positive. Despite negative aspects, many female workers consider garment job as a better opportunity and enables them to live with dignity and self-identity. It is the garment industry which provides room for expanding possibilities of thousands of poor female for the first time in Bangladesh.

Among poor women, there is a widespread belief that garment workers enjoying better life style compare to other sectors. Kabeer and Mahmud (2004) refers a survey during post 9/11, when garment industry was suffering, 92 percent of interviewees who were looking for jobs preferred garment employment and even those who got jobs in other sectors, 50 percent of them would have preferred garment employment. Female garment workers also changed the socially constructed idea that women are secondary workers and supplementary wage earners. A survey done in 1997 showed that 35 percent female garment workers were the primary wage earners of their families. Moreover female garment workers' husbands involvement in household activities increased significantly. Those women who do not do overtime, their husbands on an average do 2 hours daily household work while who do overtime their husbands do household work 4 hours daily. Husbands value women's earnings which bring additional satisfaction in their families (Paul-Majumdar and Begum, 2006).

Though female workers earned relatively small amount, the female garment workers managed household income and expenditure effectively. Paul-Majumdar and Begum (2006) further elaborate that garment workers' nutritional food intake is much higher than non-garment workers and general people of Bangladesh. Though gender disparity in food consumption persists, it has improved over the years. They can eat at least twice in a day, where previously women workers sometimes ate once even starved.

Data on non-food items consumption level show that female workers roughly spent 13 percent, of their income on clothing, shoes, cosmetic, ornament etc., which is much higher than non-garment workers. Additionally, female workers effectively use public utilities such as transportation, and communication which were largely overlooked in the past (Bhattacharya, Rahman and Raihan, 2001).

2.4 Negative Impacts

Despite these seemingly positive impacts of female workers employed in the garment industry, a range of negative impacts on women are evident. These include: wage discrimination; insecurity; health problems; violence; and social marginalization.

2.4.1 Gender Discrimination in Earnings

In RMG production, female workers are predominantly concentrated in “low-skill, low wage” operations and, thus, are low paid. Export-based industries, particularly garment industries, have provided unprecedented wage employment opportunities for young women because their labour is comparatively cheap. Women are employed in this industry mainly to exploit the comparative advantages of their disadvantages, like the low price of their labour, their lower bargaining power, and their docility (Paul-Majumder and Begum, 2006).

The authors further reveal that within the RMG industry, gender differences in earnings is very high. In each and every category of job there is gender difference of earning. Male-female earning gap is highest in the job category of quality controller and lowest in the job category of folder. According to the findings of survey of 1990s, a female worker could earn about 66 percent of an average male worker’s earnings. But in 1997, their share in male workers’ earning dropped to 58.5 percent. The gender gap widens even in the female dominated job of operator. In 1990, a female operator could earn more than 86 percent of a male operator’s earnings. But in 1997, their share in the

male operator's earnings decreased to 68 percent. At the same time, a female supervisor was earning 73 percent of a male supervisor's earnings. The study done in 2002 reveals that a female supervisor's earning increased to 87 percent, 13 percent less than of male supervisor's earnings (Paul-Majumdar and Begum, 2006: 38-39).

Female workers are getting low wages because of their low education, low skill, and less experience. But even after controlling all these factors, female workers are discriminated by the garment employers. In the ILO Workplace Improvement Plans Guidance (2003) the investigation team found that in one factory female operators did not get the same wages as their male counterparts, though they had the same years of service and were doing the same job. Workers said that they were not allowed to see wages calculation when receiving their wages.

Workers often try to complement their low wages by working overtime. Overtime is a mandatory practice in the RMG industry. For married women, often it is hard to do overtime, even though it brings additional income (Kabeer, 2004). Unmarried women, on the other hand, often welcome overtime as a means of supplementing their wages. The problem relates to overtime is that employers seldom show overtime on their time cards. There is a common feeling of deprivation and being cheated in terms of overtime pay. Calculation of overtime is always considered fraudulent. Workers have to accept the overtime work hours calculated by the factory management. The workers' impression of fraudulent practice is rooted in the fact that when workers work until 10pm, completing five extra hours work, the official record book shows that they have worked only two extra hours. This serves multiple purposes such as apparently complying with local labour laws, satisfying foreign buyers about legitimate use of overtime and most importantly cheating of workers' hard-earned wage (War on Want, 2006). Overtime payment taken as security to ensure that worker does not leave. Moreover monthly payment is not paid

regularly. Employers are legally bound to pay monthly wages within a certain number of days but they violate this rule frequently.

2.4.2 Insecurity

Weist, Khatun and Mohiuddin (2002) elaborate that garment workers are living in a constant state of flux. Their employment status offer little security, their living accommodation knows little certainty. Additionally, living accommodations offer little physical and emotional security, which inferences with continuity in job location. Social relationships that arise in the context of such conditions are threatened or threatening.

Table 2.5: Occupational, Social and Residential Insecurity among Garment Workers

Source: Weist, Khatun and Mohiuddin (2002)

Among the occupational insecurities mentioned above, uncertainty of future occupation, dismissal, fear of disliking or loss of skills, fire hazards and occupational health (insecurities) are highly perceived by garment workers. Garment workers believe that usually people hate garment workers. The other highly perceived social insecurities are entrapment, lack of helping hand during emergency and trafficking. As garment workers usually work longer shifts without weekly holiday, they have little chance to get together with neighbours. Slum eviction is common in Bangladesh; there is a continuous tension among slum dwellers that they could be evicted any day. These occupational, social and residential insecurities are interrelated. For example, sudden dismissal can compel garment workers to take credit from informal moneylenders who lend at high interest rates, stop schooling of their children even some cases starvation. They become more vulnerable to unwanted realities such as sexual harassment or breaking conjugal relationships.

Though garment workers are working in an environment what is officially called “formal” sector job, in practice, the nature of job is more informal. The employers deliberately overlook legal provisions such as written contracts, good work arrangements, permanent status, and different social benefits. Garment workers can lose their jobs without any logical cause and notice even if they are working for a long time (Kabeer and Mahmud, 2004). In most of the cases, female workers are the main victims of sudden job lose. Garment employers perceived that female workers can be employed when they are needed and disposed of when they are not needed. Female workers livelihoods negatively affected with the temporary nature of garment job. Murayama (2005) shows that immediate impact of losing one’s job worsens food intake, housing, education of family members, savings, remittances, relationship with family members. The most severely

perceived problems are related to basic needs such as food intake and housing conditions, and many female garment workers forced to borrow money from others.

2.4.3 Health Impacts

The most perceived negative effects by female workers are the health hazards. Female garment workers suffer from diseases which arise after joining the garment factory. Garment worker perception of principal reasons for occupational health problems are: seating arrangement – congestion, unavailability of pure drinking water, in adequate number of latrines, suffocation – closed windows, factory and fabric dust, electricity failure. These health hazards create short-term and long-term health problems. Short-term health problems include headache, fatigue and drowsiness, dizziness, allergic reactions, nausea, depression are the causes of stifling conditions, closed doors and windows, frequent electricity failure and inadequate number of fans, high humidity, dusts, airborne cotton thread particles and fabric chemicals. The short-term problems often lead to long-term health problems. The most common long-term health problems are tuberculosis, asthma, repetitive intestinal tract infection, strain injuries, and stomach ulcers (Paul-Majumdar and Begum 2006; Weist, Khatun and Mohiuddin 2002).

Garment workers psychological status affects productivity but it is been largely overlooked in RMG industry. Paul-Majumder and Begum, (2006) mention mental health problems associated with work in the garment factories include job insecurity, heavy work load, unhealthy work environment, fear of sexual harassment, bad behaviour of the management, lack of child care facilities, claustrophobia and other phobias, and depression . To female workers factory work is so mindless and difficult that within three to four years it causes decay and devastation of body and soul. They lack physical and

mental stability, determination and confidence even after quitting garment jobs (Weist, Khatun and Mohiuddin 2002).

Garment workers lack time to consult with doctors and whenever they are severely sick they go to hospitals. Their low earnings compel them to avoid quality medical care. In most cases, they are treated by homeopaths or traditional healers because of cheaper service. Though there are some NGOs which provide health services to slums, garment workers can not get the services because of ineffective time-schedule. Another negative aspect of garment work is that garment factories do not provide medical facilities. Moreover, female workers have significantly less time for sleeping, rest and recreation than male workers which are essential for sound health.

2.4.4 Violence against Female Garment Workers

Violence against women is common in Bangladesh. Female garment workers are living in an environment where they become victims of violence whether it is workplace, street or residence. Within the household women continuously face verbal abuse, psychological torture, deprivation of food and other resources, beating and physical abuse by the male members. Outside home, they become victims of teasing, kidnapping, sexual harassment, beating by local touts, hijackers and even by co-workers. In most cases, female workers do not disclose the incidents because it is perceived that women are the suspect of sexual behaviour. If an unmarried female worker is sexually abused, it reduces her marriage possibility (Paul-Majumder and Begum, 2006).

At the work place, female workers work in a hostile, intimidating and sexually charged environment. Supervisors, linemen, line chiefs, and production managers abuse power and harass female workers verbally, physically and sexually. Workers accuse the following type of harassment: pulling hair, slapping, hitting, stroking, touching the

body, and even kissing. The other forms of harassment include winking, staring, whistling, standing very close and pinching. Female garment workers of non-EPZ (or “bangla” garment factories) face higher incidents of sexual pressure and coercion. There are no facilities in these factories for women to spend the night safely. Female workers, who have to work night shifts, are afraid of being raped inside the factory (CPD, 2004). Women who harassed by co-workers typically do not complain to the management because of perceived unimportance, threats by the perpetrator, losing status, humiliation; the only solution could be to leave. Management tend to do little to stop harassment, even though it negatively affected productivity.

Streets are the most risky place perceived by workers. Lead comments and whistling are very common on the streets. Commuters often behave very badly with female garment workers, and even in some cases they are harassed by the police. On public buses passengers, conductors and helpers target female garment workers and grab, grope, pinch them (CPD, 2004). In order to save money and avoid problematic transportation system, garment workers often walk long distances. Female garment workers are aware of the hostility through out their experiences. They walk in groups so that they can avoid harassment on the streets. Paul-Majumder and Begum (2006) note that many female garment workers left out from the labour market because of violence against them. Thus, violence against female garment workers affects their social, physical, psychological and working life.

2.5 Positioning in a Transit Society

Female garment workers in the garment factories are so uncomfortable that many do not want to do the job the next day. But they do not know where to go or what else to do. Limited opportunities, low skills, and above all, severe poverty force them to work and live in an unhealthy environment. Once they have left their rural origin, they cannot go back. Weist, Khatun and Mohiuddin (2002) elaborate that female garment workers' perception about their positioning in the society as *ferryghat samaj*. The word *ferryghat* literally means ferry terminal, the transit place on a water body on the way to one's destination; and *samaj* means society, the metaphor refers to their experience in the garment sector of urban Bangladesh. As the authors elaborate:

They have gotten off at the garment factories in life's journey, but without schedule or journey plan. They do not control the departure or arrival of ferries (hiring, firing, wages, etc., of the industry). Whether they take the ferry to another place depends on their absorbing circumstances in that moment. There are no plans; day to day logistics interfere with planning. Although there are no plans, some of the workers reveal dreams and chances.

The rich and middle classes distance from and remain unsympathetic and suspicious towards the "transit society". The changes, transformations, and degenerations are taking place within the "transit society" itself, and does not affect the others. In absence of interaction and cultural exchange between the classes, the "transit society" is marginalized and isolated. Weist, Mohiuddin and Khatun (2002) further argue that the livelihoods in the "transit society" affects in restrained ways, e.g., reluctance of local grocers to provide commodities on credit to workers, house owners demanding three to four months bond money for a room, and non-governmental organizations showing little care in programs designed for workers.

2.6 Female Garment Workers' Representation in Collective Organizations

Garment employers are reluctant to establish trade unions in the RMG industry. Without trade unions, employers can avoid workers' rights and able to suppress wages. Employers try to protect their factories from trade union presence and whoever is found to be linked with trade union activities is sacked, beaten up or subjected to false charges. Another reason for non-involvement in the trade union is the nature of job. It is quite difficult to organize workers because of the informal characteristics of RMG industry. In Bangladesh, the trade union movement is not popular because of their unsuccessful actions in the past. Only 5 percent workers in the formal sector are members of trade union (Kabeer, 2004). Female workers involvement is significantly low in trade unions. This non-involvement is largely because of previous bad practices of the trade unions. Most of the trade unions are linked to major political parties and they prioritize party decisions rather than the problems of workers. Few actions have taken on women's issues such as harassment, working environment, maternity leave, and child care. Male dominated trade unions reproducing patriarchal norms and values, treating female workers as subordinated and overlooking their problems (Kabeer and Mahmud, 2004). Female workers feel comfortable with networks based on their origin. Female workers usually got their jobs via relatives, friends, and neighbours from the same locality/district. Co-workers from the same district help each other in their problems.

More recently, however, female garment workers' involvement in the trade unions is increasing. Previously non involvement was an advantage of recruiting women in the garment factories at a larger scale. Later involvement with trade union becomes disadvantage. Paul-Majumdar and Begum (2006: 30) reveal garment employers' opinion that women's growing involvement with the trade unions is one of the main reasons for the reduction of female employment in the RMG industry. The employers reported that

the cost of employing women becomes very high if they engaged in trade union activities, they prefer male workers even though they have to pay male workers more. Employers fear that trade union ensures benefits concerning to female workers such as maternity leave, permanent job status, and other benefits which were largely overlooked.

In summary, the chapter has revealed that there is a growing involvement of women workers in the labour market. RMG industry provides wage opportunities to thousands female garment workers who were largely been marginalized by patriarchal system. It is also evident that female garment workers are victims of negative consequences and thus, immediate actions required to mitigate those drawbacks.

Chapter 3

Labour Rights in RMG Industry in Bangladesh

Day by day the world is being more interconnected and interdependent. In this globalization process there is a growing concern for workers' rights. If labour standards are suppressed, that poses negative impacts on development and thus exacerbating inequality. The movement for workers' rights has already caught the attention of the public worldwide, and has provoked responses from multinational corporations, international organizations like the International Labour Organization (ILO) and the World Bank, and domestic regulatory authorities. It has led to important but fragile cooperation between student groups, nongovernmental organizations (NGOs), and established trade unions. It is important to respect workers and highlight the importance of showing mutual support and solidarity to establish labour rights all over the world. This chapter presents an overview of international labour standards and how these manifest in the RMG industry in Bangladesh. It also examines the role of multinational corporations and their relationships to labour rights. In the final section of this chapter I explore the failure of the Bangladeshi government to ensure adequate provisions to workers, which contributed to the emerging labour unrest in the RMG.

The developed world views that developing countries are especially problematic in relation to implementing labour standards. Academics and activists from the first world or developed countries realize developing countries or third world countries use more child labour, have fewer laws against labour-related discrimination, lower minimum wages, and less overall protection of core standards (Hall and Leeson 2006). It has been assumed that consumers could express their concern by a willingness to pay relatively higher prices for goods and services that reflected higher labour standards. There is a

rising concern for Bangladesh Ready made Garment sector of a huge setback from the market end. Consumers in the EU or USA may start rejecting products from Bangladesh as they are produced in an “Abusive and Exploitative” (Cheap) manner without adhering to labour rights and working condition. Human rights groups and Trade Unions have also started campaign against the companies who are violating workers rights at the sourcing countries (Ahsan, 2006).

Like most countries, Bangladesh has various commitments to labor standards in place within its national legislation, including the right to form trade unions; while the export processing zones are the exception to this, they account for a very small minority of workers in this sector. It has also ratified seven of the eight ILO conventions pertaining to core labour standards (ILO, 2004). Although these various commitments are generally not observed in practice, they provide a supportive legal framework for workers’ struggles to improve their conditions at work.

3.1 A Brief History of International Labour Standards

Though before establishment of ILO there were efforts to address labour rights, several conferences on labour standards were held throughout Europe in the mid-to-late nineteenth century but achieved little success. However, this does not mean that individual countries did not raise labour standards. Great Britain was the first country to enact major labour legislation with the passage of the English Factory Act in 1802 (Brown 2001, cited in Hall and Leeson 2006). In the United States, the first non-slavery labour standard appeared in Massachusetts in 1842 when a ten hour maximum was created for child labourers under 12. Around the same time, other European countries such as Germany, France, Hungary, and Austria enacted their first labour standards. The development of labour standards in the nineteenth century occurred with virtually no

international coordination. It was not until the early twentieth century that countries began to negotiate bilateral agreements pertaining to labour issues. Prior to World War I these agreements were almost exclusively related to issues of migrant labour (Hall and Leeson, 2006). It can be argued that there has been a long history of the exploitation of labour by the ruling classes and even today labour rights are not established everywhere. According to the ILO, it was the Industrial Revolution in the nineteenth century and the related movement of ideas that served as a catalyst for the evolution of international human rights, and in particular of international labour standards. As the human cost of industrialization became apparent, there was increased awareness of the importance of protecting workers and establishing a universal set of international standards to ensure equal protection for all. In parallel, industrialists feared that they would lose out to competitors if they unilaterally improved working conditions. This led to the need for international social regulation in order to achieve a level playing-field for all parties (ILO 2003: 1).

The International Labour Organization (ILO) was established in 1919 with the aim of promoting social justice¹⁴. Developing international labour standards at the ILO is a unique legislative process involving representatives of governments, workers and employers from around the world. It initially included 44 member countries from four continents. In 1946 it became the first specialized agency of the United Nations and today has 178 members on six continents.

Workers' rights build on labour standards. International labour standards are legal instruments drawn up by the ILO's constituents (governments, employers and workers) setting out basic principles and rights at work. They are either conventions, which are

¹⁴ For more information log on to www.ilo.org

legally binding international treaties that may be ratified by member states, or recommendations, which serve as non-binding guidelines. In many cases, a convention lays down the basic principles to be implemented by ratifying countries, while a related recommendation supplements the convention by providing more detailed guidelines on how it could be applied. Recommendations can also be autonomous, i.e. not linked to any convention.

Conventions and recommendations are drawn up by representatives of governments, employers and workers and are adopted at the ILO's annual International Labour Conference. Once a standard is adopted, member states are required under the ILO Constitution to submit them to their competent authority (normally the parliament) for consideration. In the case of conventions, this means consideration for ratification. If it is ratified, a convention generally comes into force for that country one year after the date of ratification. Ratifying countries commit themselves to applying the convention in national law and practice and to reporting on its application at regular intervals. Technical assistance is provided by the ILO if necessary. In addition, representation and compliance procedures can be initiated against countries for violations of a convention they have ratified.

International labour standards have evolved from a growing international concern that action needs to be taken on a particular issue, for example providing working women with maternity protection. As a first step, the ILO Governing Body agrees to put an issue on the agenda of a future International Labour Conference. The International Labour Office prepares a report that analyses the laws and practices of member states with regard to the issue at stake. The report is circulated to member states and to workers' and employers' organizations for comments and is discussed at the International Labour Conference. A second report is then prepared by the Office with a draft instrument for

comments and is submitted for discussion at the following Conference, where the draft is amended as necessary and proposed for adoption. This “double discussion” gives Conference participants sufficient time to examine the draft instrument and make comments on it. A two-thirds majority of votes is required for a standard to be adopted. The following diagram reveals the formation and adoption of labour standard process.

Figure 3.1: Construction of Labour Standard

Source: ILO (2005) International Labor Standards: Rules of the Game for the Global Economy, page-15.

3.2 Labor Standards in RMG Industry

ILO sets two types of labour standards – core labour standards and other labor standards.

In following sections these labour standards and their practice in Bangladeshi RMG industry are described.

3.2.1 Core Labour Standards

The ILO's standing over the context of international labour standards stems from its position as the definer and “enforcer” of core labour standards throughout the world.

“Core” labour standards are those considered so basic and universal that according to the ILO (2006b) “they apply to all people in all States – regardless of the level of economic development.” The ILO defines four core labour standards according to the eight fundamental conventions. The eight fundamental conventions are:

- Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87)
- Right to Organise and Collective Bargaining Convention, 1949 (No. 98)
- Forced Labour Convention, 1930 (No. 29)
- Abolition of Forced Labour Convention, 1957 (No. 105)
- Minimum Age Convention, 1973 (No. 138)
- Worst Forms of Child Labour Convention, 1999 (No. 182)
- Equal Remuneration Convention, 1951 (No. 100)
- Discrimination (Employment and Occupation) Convention, 1958 (No. 111)

ILO sets the four following core labour standards according to the above mentioned conventions. The core labour standards are: (1) Freedom of association and the effective recognition of the right to collective bargaining (Convention Nos. 87 and 98); (2) the elimination of all forms of forced or compulsory labour (Convention Nos. 29 and 105); (3) the effective abolition of child labour (Convention Nos. 138 and 182); and (4) the

elimination of discrimination with respect to employment, remuneration, and occupation (Convention Nos. 100 and 111).

The ILO tries to achieve these standards in two ways. The first is through international conventions. As of 2006 the ILO had convened 186 conventions (ILO 2006a) covering everything from women working after dark to holidays with pay. Not all ILO members are required to ratify each convention, though the ILO advocates the ratification of all conventions. Since the ratification of a convention by a member government makes it law in the ratifying country, many countries do not ratify conventions even when they agree, and already generally comply, with the terms of the convention. The second way the ILO tries to achieve these standards is through the publication and dissemination of information on labour standard violations. The ILO uses peer pressure to leverage changes in labour standards in nations viewed as non-compliant with ratified conventions. This is important since it has no official authority to impose sanctions on standard-violating countries. Any one of the tripartite representatives from a member country can file a complaint that is then investigated by the ILO, which afterward publishes its findings. The majority of complaints come from labour organizations in advanced industrialized countries about employer or government practices rather than from parties in developing countries regarding human rights abuses. This has led some to criticize the process for focusing attention away from basic human rights and instead empowering special interests to create pressure for protectionist policies under the guise of labour rights (Maskus 1997 cited in Hall and Leeson 2006).

Moreover, there is a movement for adopting core labour standards universally in the business world. 'Social Clause' a system to link labour standards into the rules of WTO so that trade policy can be used as a tool to enforce standards. The idea behind this

suggestion is not new. Since the early nineteenth century there has been concern that international trade creates a prisoners' dilemma situation between countries. According to this argument, to avoid the competitive disadvantage of increasing costly labour standards, no nation does so, though all would prefer to. The feared result is a 'race to the bottom' in which labour rights are universally unprotected. As the ILO Constitution puts it, "the failure of any nation to adopt humane conditions of labour is an obstacle in the way of other nations which desire to improve the conditions in their own countries" (ILO, 2006).

Table 3.1: Ratifications of the Fundamental Human Rights Conventions by Bangladesh

Source: <http://www.ilo.org/iloex/english/docs/declAS.htm>

Bangladesh has ratified seven of the eight ILO core labour conventions on freedom of association and the right to organize and collective bargaining, discrimination and equal remuneration, child labour and forced labour. It has not ratified ILO Convention No. 138 (1973), *Minimum Age for employment*. Bangladesh also committed to ensure labour standards at Singapore, Geneva and Doha in the WTO Ministerial Declarations over 1996-2001 and in the ILO Declaration on Fundamental Principles and Rights at Work.

Detail description of the labour standards scenario in Bangladeshi Readymade garment industry is given below.

I. Freedom of Association and Collective bargaining

The right to organize and form employers' and workers' organizations is the prerequisite for sound collective bargaining and social dialogue. Combined with strong freedom of association, sound collective bargaining practices ensure that employers and workers have an equal voice in negotiations and that the outcome will be fair and equitable. Collective bargaining allows both sides to negotiate a fair employment relationship and prevents costly labour disputes (ILO, 2005). Moreover, Freedom of association is a fundamental political right, and labour organizations can play a key role in the development of responsive and democratic politics (DFID, 2004).

Bangladeshi export industries scattered across the main urban areas of the country. These vary in size, but generally, each unit employs between 300 and 500 workers. While unions are legally permitted here, employers strongly resist them using a combination of strong-arm tactics to intimidate organizers or bribes to buy them off. However, working conditions are generally good, reflecting a combination of pressure known as *social compliance* from international buyers, themselves under pressure from northern consumer groups and labour organizations, as well as rising awareness among employers themselves. The rest of the industry is made up of smaller factories and workshops, operating mainly on orders subcontracted to them by larger factories that would otherwise not meet buyers' deadlines. This segment of the industry merges unnoticeably into the informal economy: it features low pay and poor working conditions, and is generally ignored by the trade union movement which has always preferred to focus on the formal sector employees.

Legally Trade Union means any combination of workers or employers formed primarily for the purpose of regulating the relations between workers and employers or

among employees or among employers, or for imposing restrictive conditions on the conduct of any trade or business and include a federation of two or more trade unions.

The trade union movement is relatively weak in Bangladesh. Though the government has ratified ILO Convention nos. 87 and 98, the right to freedom of association and to collective bargaining at the workplace is not respected in the garment sector. Although the Bangladeshi Constitution formally provides for the right to form or join unions, there are many restrictions. Before a union can be registered, 30 per cent of workers in an enterprise have to be members and the union can be dissolved if its membership falls below this level. Unions must have government approval to be registered, and no trade union action can be taken prior to registration. Even after registration, workers suspected of carrying out trade union activities are regularly harassed. One popular ploy is to dismiss a worker for misconduct. A complaint to the Labour Court is of little use given the underlying corruption and serious backlog of cases, which, in some instances, can stretch back more than several years. Garment workers have been known to take their employers to court, usually with the backing of a non-governmental organization, and, more importantly, to win. But the fact that up to march 2004 there are 2660 cases are pending in 7 labour courts (Source: Director of Labour).

However, such legal actions have generally been on an individualized and sporadic basis rather than as part of a wider collective struggle. This failure to organize collectively can be partly attributed to the active hostility of employers within the industry to trade union activity (Khan, 2002 cited in Kabeer, 2004). However, employers' efforts to repress union activity have been made far easier by the failure of the trade unions themselves to take women workers' concerns seriously. Trade unionism is more than a hundred years old in South Asia, and most garment workers are aware of the unions'

existence. However, few are members; this is not a purely gender-specific phenomenon. Less than 5 percent of male workers, most of them located in public sector employment in the formal economy, belong to trade unions (Kabeer, 2004).

Kabeer also argues women's experiences with trade union movement in all over the world especially in developing countries are not satisfactory. One of the main constraints among trade unions in Bangladesh is that they practice a gendered behaviour pattern, ignore women's needs and priorities as workers. The dominated male members reproduce norms and behaviour that largely put women in a subordinate category. Another limitation is trade unions usually have strong links with political parties and act as industrial wings of political parties rather than be concerned about workers' interests. From women workers' perspective, mass collective action through trade union involvement remains a remote possibility in Bangladesh. In such contexts, alternative forms of organizations, various nongovernmental organizations, which work directly with them have championed women's needs and priorities through forms of collective action that are not necessarily rooted in trade unionism. In addition, new kinds of organizations are emerging that base themselves within the community and offer a much wider range of support services, including legal literacy, than do the traditional trade unions (Kabeer, 2004: 21-23).

Kabeer (2004) reports on the interview with a prominent labour leader and woman activist, Shireen Akhter of Kormojibi Nari¹⁵. She elaborates on women's agency in the workplace that takes a low key and less confrontational form. She emphasises the unceasing, individual struggles on a daily basis that combine their domestic chores and wage labour, and negotiation in a world that is hostile to the idea of women working for

¹⁵ Kormojibi Nari is an NGO working for working women.

pay. Today's garment workers take many more enterprise-based collective actions than they did in the early years of the industry, including sporadic "downing of tools," collective bargaining with management, and a willingness to take their grievances to court.

International Confederation of Free Trade Unions (ICFTU) published a report in 2006¹⁶ where ICFTU mentions- in Bangladesh workers who try to create a trade union are not protected before registration and are therefore often persecuted by their employers, sometimes by violent means or with the help of the police. Question arises whether the owners have their association then why are the workers resisted from having one of their own.

Trade unions have effectively been outlawed in Bangladesh's export processing zones (EPZs) since their launch in 1980, as the zones have so far been exempt from the major laws establishing freedom of association and the right to bargain collectively. Faced with the threat of losing trade preferences for its exports to the US and Canadian markets, however, the government was to allow trade unions into the zones as from 1 January 2004. It then caved in to pressure from Korean and Japanese companies based in the EPZ's, delaying its decision until it found a compromise solution: the decision was made that trade unions with full associational rights will be allowed to exist in EPZs after the last stage outlined, which will be after 1 November 2008. Employers in the EPZs have been consistently hostile towards trade unions, claiming that many of the companies would be ruined and jobs would be lost if they had to have unions. Garment workers outside the zones fare no better; rather they are struggling. The right to freedom of

¹⁶ ICFTU (2006) Internationally Recognized Core Labour Standards in Bangladesh: Report for the WTO General Council Review of the Trade Policies of Bangladesh, Geneva, Switzerland.

association and to collective bargaining at the workplace is not respected in the garment sector. Unions are registered in only 127 among 4000 factories and fewer than a dozen employers actually negotiate with them. Workers are regularly sacked, beaten up or subjected to false charges by the police for being active in unions. Some employers take advantage of the absence of trade unions to commit violations of international labour standards, such as sexual harassment, physical violence, unpaid overtime, child labour, non-compliance with minimum wage regulations and deplorable safety conditions.

II. Elimination of Forced and Compulsory labour

Although forced labour is universally condemned, millions of people around the world are still subjected to it. Not only is forced labour a serious violation of a fundamental human right, it is a leading cause of poverty and a hindrance to economic development (ILO 2006). The national law prohibits forced or bonded labour, including by children, and the Factories Act and Shops and Establishments Act provide for inspection mechanisms to strengthen laws against forced labour. However, the government has not enforced these laws adequately (ICFTU, 2006).

It is difficult to detect forced labour practice in the garment industry but there is existence of different forms of forced labour such as forced overtime, force retrenchment/retirement. In most of the garment factories, workers are forced to work 14 to 16 hours per day ignoring the labour law that states a maximum of 10 hours per working day. Though officially Friday is supposed to be day off, in practice most of the garment workers have to work on Friday. If anyone is absent on Friday then the worker would be verbally abused and/or six to eight hours wage would be deducted as punishment. Moreover, factory management set forcible targets for workers, which they

must meet before leaving the factory. If someone cannot finish target on time, the worker has to do work extra time in order to fulfil it.

Overtime is a source of dissatisfaction for workers, but not always for the same reasons. The worker's motivation for favouring overtime is solely financial, since substantial overtime at double rates means substantial additions to wages. Overtime payments represent an important, routinely expected component of earnings, and workers count on them. Without full payments or being paid on time, workers often worry and are anxious about the future. This results in low work quality and job dissatisfaction (ILO, 2003). For married women, the problem is mandatory overtime: given a choice, many prefer to go home to attend to their domestic responsibilities. Unmarried women, on the other hand, often welcome overtime as a means of supplementing their wages. Their problem is that employers seldom show overtime on their time cards, with a resulting lack of clarity regarding the rate of remuneration and the suspicion that they may not be getting their dues. If anyone raises questions about overtime payment he or she will be sacked eventually.

Overtime is forced, not optional; whenever factory management decides, workers are bound to work extra hours or lose their jobs. There is a common feeling of deprivation and being cheated in terms of overtime pay. Calculation of overtime is always considered fraudulent. Workers have to accept the overtime work hours calculated by the factory management. The workers' impression of fraudulent practice is rooted in the fact that when workers work until 10 pm, completing five extra hours work, the official record book shows that they have worked only two extra hours. This serves multiple purposes such as apparently complying with local labour law, satisfying foreign buyers about

legitimate use of overtime and most importantly cheating of workers' hard-earned wage (War on Want, 2006).

The workers do not get a weekly holiday or even annual leave. But the factory management do not compensate them with days off or overtime payments. Moreover garment workers are not aware of the legal provision on annual leave and, festival leave with pay. ILO (2003) observes that if workers do not know the national labour laws concerning leave with pay, they may not request the said leave. As a result, they may ask for leave without pay. If workers work throughout the year without taking any leave, the fatigue may be accumulated, this will result in poor quality and low productivity. If management does not know the legal requirements of annual leave with pay, they may not grant the leave to the workers according to the law. As a result, workers may lose their entitlement to annual leave with pay. Forced retrenchment/retirement is a common practice in Bangladesh. Garment owners usually sack workers without any particular reason.

III. Abolition of Child labour

Child labour is a violation of fundamental human rights and has been shown to hinder children's development, potentially leading to lifelong physical or psychological damage. Evidence points to a strong link between household poverty and child labour, and child labour perpetuates poverty across generations by keeping the children of the poor out of school and limiting their prospects for upward social mobility. This lowering of human capital has been linked to slow economic growth and social development (ILO, 2005: 33). A recent ILO study has shown that eliminating child labour in transitional and developing economies could generate economic benefits nearly seven times greater than the costs, mostly associated with investment in better schooling and social services.

Because of widespread poverty poor children frequently enter into the labour market and earn cash to feed their families. In the context of deeply patriarchal traditions and a general undervaluing of the girl child, working in the garment industry might be seen as preferable by the children and their families. Bangladesh laws do not allow work to be done by children. Moreover, studies on child labour in Dhaka's urban slums have found that many parents preferred garment employment for their daughters because they believed the girls would face less sexual harassment there than in other occupations open to them and that working mothers saw work in local garment factories as a safer option for their young daughters to leaving them home on their own (Kabeer 2004).

Bangladesh has a high proportion of child labourer to child population (14% for children aged 5-14 years and 18% for children aged 5-17 years) The official data (BBS-2002-03, survey) shows 4.97 million child labourers aged 5-14 years and 7.9 million child labourers aged 5-17 years. Many children begin to work at a very young age. In the government's National Child Labour Survey published in 2003, the government estimated that approximately 3.2 million children between the ages of 5 and 14 years worked. Working children were found in 200 different types of activities, of which 49 were regarded as harmful to children's physical and mental well-being. In informal activities, child labour abounds. There is a high rate of serious injury and death of children in workplaces. Answer to a specific question asked by the survey "What type of problems will be faced by parents if child stops work?" revealed that "living standards will fall" (69%), "hard to Survive" (8.1%), "difficult to run family business" (2.4%) and "household work will suffer" (2.9%).

The issue of child labour cuts across policy boundaries and is the cause and consequence of poverty, displacements, illiteracy and adult unemployment. Extreme

forms of poverty play a crucial role in encouraging child labour. This implies that child labour cannot be addressed in isolation. Among factors contributing to child labour are rapid population growth, adult unemployment, poor working conditions, lack of minimum wages, exploitation of workers, low standard of living, low quality of education, lack of legal provisions and enforcement, low capacity of institutions, gender discrimination, conceptual thinking about childhood, and so on. One or more of the above contribute to the large numbers of children working under exploitative or hazardous conditions; Several studies have recognized the interconnections between child labour and human deprivation- illiteracy, food insecurity, distress displacements, gender inequity, social and human underdevelopment, conflict situation and insecurity and poor governance (Global March against Child Labour- Bangladesh Country Report 2006).

The protection of children and young persons from work and at work is one of the basic principles of the Government of Bangladesh. The law defines a child who has not completed 14 years of age shall not be required or allowed to work in any factory. It defines a young person refers to both a child and an adolescent. “Child” means a person who has not completed 16 years of age, and “adolescent” means a person who has completed 16 years but has not completed 18 years of age. The law mentions Working hours for children as no child or adolescent can work in a factory: for more than 5 hours in any day; - between the hours of 7 p.m. and 7 a.m.; on two shifts that shall overlap or spread over more than seven and a half hours each; and on any day on which he has already been working in another factory. To employ a young person without sufficient legal protection, such as no requirement of a medical certificate, no reduced hours of work etc. may jeopardise the health, safety and morals of the young person. ILO (2003) recommends that “factory should request a medical certificate from young persons upon

recruitment. It should also obey all the requirements of the labour law concerning working hours, annual leave with pay and safety and health.

In late 1992 the spotlight was turned on the use of child labour in the Bangladeshi garment industry. Two events played a crucial role in the early formation of the agenda. The first was the introduction—or, more precisely, the use of this in Bangladesh—in the US Congress in August 1992 of the Child Labour Deterrence Act (also referred to as the Harkin Bill) to ban the importation into the United States of products manufactured using child labour. The second was the signing of a memorandum of understanding (MoU) on 4 July 1995, concerning child labour in the Bangladeshi garment industry; it was signed by the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), UNICEF and the ILO.

The MoU consisted of four key components: *an initial fact-finding survey* to identify the child workers; *a special education component* to be arranged by UNICEF in cooperation with local NGOs and in consultation with Bangladeshi authorities; *an income maintenance component*, which—primarily through regular payments of what was then approximately US\$7 per month—was to compensate (in part) for the lost income of the child workers who were to be taken out of employment; *a monitoring and verification component* led by the ILO; the agreement stated that verification ‘may involve unannounced factory visits’, but did not mention violations or sanctions (Neilsen, 2005).

BGMEA responded to the MoU by urging its members to remove under-age workers from their workplaces in conformity with the national Factory Act that set a minimum age for employment of 14 years. In an ensuing climate of fear and panic, abrupt dismissals of many thousands of child workers began in 1993. It was reported that as

many as 40,000 to 50,000 children were laid off. There was much speculation at the time that many of these children had taken up more hazardous work in the informal economy, including prostitution. UNICEF estimated in 2004 that there were 10,000 child prostitutes working in the country, but other estimates placed the figure as high as 29,000¹⁷.

Organizations in the developed world have conducted campaigns to eliminate child labour. As a result of these campaigns, many Bangladeshi children were dismissed from garment factories; yet, there was not enough space for these children where they could enjoy their normal life. Putting them out of garment jobs, can be likened to "throwing these children to the wolves". A scheme was established to put children in school, but this only helped a minority. Some have ended up in worse jobs such as brick-making, lugging bricks around in scorching heat for 12 hours a day, or begging on the streets. Some trade unionists in Bangladesh believe that consumers in the West are only concerned about ensuring that their clothes are untainted by children's hands, rather than the actual fate of these children (War on Want, 2001).

However, child labours continue to work in several garment factories. The National Labour Committee (NLC) published a report on November 28, 2006. On that report NLC mentions that an estimated 200 to 300 under-aged children, some 11 years old or even younger, are working at the Harvest Rich factory. These children are routinely beaten, Cheated of their wages by factory management. Moreover children are victims of forced overtime, excessive production goals, and unhealthy working conditions. The workers at Harvest Rich have no voice and no rights. Anyone daring to ask for their proper pay, or that their most basic legal rights be respected, can be attacked and fired. The rights to freedom of association and to organize are thoroughly denied. Before the

¹⁷ Addressing Child Labour in the Bangladesh Garment Industry 1995-2001: A synthesis of UNICEF and ILO evaluation studies of the Bangladesh garment sector projects; August 2004.

U.S. corporate monitors arrive for factory inspections, the children are either sent home, if there is time, or quickly hidden in the dirty bathrooms, the emergency stairwells or on the roof. Any worker saying one word of truth regarding factory conditions will be fired the moment the corporate monitor walks out of the factory. Over 100 child workers, some as young as 11, were fired on October 19 from the Harvest Rich factory in Bangladesh, where they sewed clothing for Wal-Mart and Hanes¹⁸.

IV. Elimination of Discrimination in Respect of Employment and Occupation

Millions of women and men around the world are denied access to jobs and training, receive low wages, or are restricted to certain occupations simply on the basis of their sex, skin colour, ethnicity or beliefs, without regard to their capabilities and skills. Freedom from discrimination is a fundamental human right and is essential for workers to choose their employment freely, to develop their potential to the full and to reap economic rewards on the basis of merit. Bringing equality to the workplace has significant economic benefits, too. Employers who practice equality have access to a larger and more diverse workforce. Workers who enjoy equality have greater access to training, often receive higher wages, and improve the overall quality of the workforce. The profits of a globalised economy are more fairly distributed in a society with equality, leading to greater social stability and broader public support for further economic development (ILO, 2005).

Though wages are generally higher in the garment industry than those prevailing in alternative forms of waged labour available to women especially compared to the informal sector, both in urban and rural areas gender differentials are generally lower

¹⁸ The National Labor Committee (NLC) (2006) The Disappearing Child Workers At the Harvest Rich Factory, New York, United States, more information on www.nlcnet.org.

(Bhattacharya and Rahman, 2001 cited in Kabeer, 2004: 16). The ILO Workplace Improvement Plans Guidance (2003) shows that its investigation team found the factory did not pay some female operators the same wages as their male counterpart, though they had the same years of service and were doing the same job. The management does not know the labour laws governing minimum wages. Workers said that they were not allowed to see the wages calculation when receiving their wages.

Legal provisions demonstrate specific rules for the employment such as Women shall have equal rights with men in all spheres of the State and of public life; No woman shall be allowed in any factory to clean, lubricate or adjust any part of machinery in motion; moreover women are entitled to get maternity benefits. The law prohibits discrimination; however, the government did not strongly enforce laws aimed at eliminating discrimination. Women, children, minority groups, and persons with disabilities often confronted social and economic disadvantages.

Female participation in the RMG sector in Bangladesh is confined mainly to the low-paid segments of the production process. In general, the level of wages in the RMG sector is low, for both males and females. The daily wage rate of RMG workers compares unfavourably with that of similar categories of workers in both the public and private sectors. Low wages go a long way in explaining the attractiveness of Bangladesh-made garment to foreign buyers. Abundant, readily available labour and its low opportunity cost lead to low wage levels, providing a comparative advantage to female labour in particular operations in the RMG production cycle. In RMG production, female workers are predominantly concentrated in “low-skill, low wage” operations and, thus, are low paid. Export-based industries, particularly garment industries, have provided unprecedented wage employment opportunities for young women because their labour is comparatively

cheap. Women are employed in this industry mainly to exploit the comparative advantages of their disadvantages, like the low price of their labour, their lower bargaining power, and their docility. (Paul-Majumder and Begum, 2000).

ILO (2003) states - a good policy on gender and non-discrimination at the factory level may help the factory select the right person for specific jobs, encourage people to contribute to their full potentials and eliminate discrimination-related stress. All these will contribute to improved productivity. It should be noted that any form of discrimination might produce psycho-social hazards that will result in workers' anxiety and affect productivity.

3.2.2 Other Labour Standards

Beyond the four ILO Core Labour Standards, workers, activists and consumers around the world care about a wide range of other standards – such as minimum wages, health and safety or working hours – that directly affect labour conditions. But their content and implementation vary according to national circumstances. The implementation of substantive labour standards also has a role in public policy for poverty reduction. Effective occupational health and safety regulations, for example, protect households from being plunged into poverty through injury or loss of working members (DFID, 2004). It has to be kept in mind that core labour standards and other labour standards are interrelated.

3.2.2.1 Employment Security

For most people, the key to escaping poverty means having a job. Recognizing that developing labour standards without addressing employment would be senseless, there is an urgency to create job opportunities for women and men to secure decent employment and income. As the number of garment factories increase every year, more workers get jobs. But the hidden fact is, garment factories recruit fewer workers than needed. Even garment owners sometimes do not recruit the same number of new staff compared to those who are fired. They put excessive work loads on to the existing workers and pay slightly higher wages. This is an unfair technique to reduce labour cost and increase profits.

Compared to other employment, job insecurity is higher in the garment industry. The termination of an employment relationship is likely to be a traumatic experience for a worker and the loss of income has a direct impact on her or his family's well-being. Even when people have jobs today, their level of insecurity and uncertainty has increased – they worry about being employed and whether they would be able to feed their families tomorrow, especially in a context where employers are seeking greater flexibility to hire and fire workers in response to intensified global competition, and where effective social protection is limited or non-existent. As workers have no choice, they are bound to take up the excessive workloads. Workers do not know the legal provisions on employment contracts. Workers do not get appointment letters; the laws do not require appointment letters to be provided to the workers. I would argue that in order to ensure of protection and job security, workers should be provided with appointment letters detailing the conditions of service. Any worker may lose her or his job anytime on any pretext. Moreover, management has the authority and practices to behave with the worker in any

manner they choose; there is no scope on the part of the workers to have any safeguards. Verbal abuse, harassment and also physical assault are common in many factories.

3.2.2.2 Wages

Most people work in order to earn money. The level of wages is the most significant source of dissatisfaction for workers in the garment industry. Employers in Bangladesh often deny that they have the power to improve the wages or conditions of workers, stating "it's the western corporations that set the price they give us. They tell us what they're willing to pay for garments and we have to deliver that price, otherwise they will go elsewhere" (War on Want; 2001).

Wages in the Bangladeshi garment industry halved during the 1990s in real terms, making the workforce the cheapest in the world. Workers have very few choices in enhancing their living standards. Compared to other things, the market price for the labour is very cheap, the price of almost everything including food, house-rent rose very sharply though labour cost especially in the garment sector was stagnant. The wage of garment worker consisting of taka 930 per month is insufficient for their survival and forces them to live much below the poverty line. According to the Consumers Association of Bangladesh (CAB), the cost of living in the year 2006 went up by 13.52 percent while the prices of essentials marked a 15.22 percent rise over the previous year. Over the past three months the price of essential commodities- like rice, sugar, cooking oil and water - has risen by 200 per cent and has made it virtually impossible for workers to support their families”¹⁹.

¹⁹ ETI Press Release; 8th June, 2006

Export-oriented RMG entrepreneurs in Bangladesh argue that low wages in the RMG sector reflect the low productivity of workers in the sector. Yet it is noteworthy that the overwhelming majority of the workforces in the RMG sector are non-unionized women workers. This has also enabled entrepreneurs to keep the wage levels depressed. Workers often try to complement their low wages by working overtime, which, in effect, is a mandatory practice in Bangladesh's RMG factories. Employers in Bangladesh put less emphasis on women's "nimble fingers" – indeed many considered male labour to be more productive – and more on the docility that comes with disadvantage.

A more frequent source of dissatisfaction related to irregularity is in monthly payments. While employers are not legally obliged to pay monthly wages on the same day each month, there is a legal limit to delays in payment that many employers violate regularly. Wages are often delayed, perhaps by two or three months, sometimes held back deliberately to ensure the worker does not leave, sometimes because employers themselves face delays in payments from buyers. Moreover workers are not aware of working hours; most of the workers usually work about 70-80 hours per week. Some fear that better wages and benefits will mean fewer jobs, leaving communities worse off. However, according to Oxfam (2004) this is not necessarily so: governments hoping to win investment on the basis of low wages have an out-of-date strategy.

3.2.2.3 Occupational Safety and Health

The ILO Constitution sets forth the principle that workers should be protected from sickness, disease and injury arising from their employment. In economic terms, the ILO has estimated that 4% of the world's annual GDP is lost as a consequence of occupational diseases and accidents. In the law, under the heading of Health and Hygiene the law

articulates cleanliness; disposal of wastes and effluents; ventilation and temperature; air pollutants; overcrowding; lighting; drinking water; latrines and urinal; fire safety; welfare.

In many garment factories there is no written policy or guidelines on safety and health, no health education programme. Managers and supervisors do not know their responsibilities of safety and health. Safety and health rules were not communicated to the workers. There was no system in place to consult workers on safety and health issues. There were no safety signs, posters or notices at the workplace. Moreover factories do not keep record of work related accidents (ILO Workplace Improvement Plans Guidance – 2003).

It has been recognized that in every factory, sufficient latrines and urinals shall be provided conveniently situated and accessible to workers at all times. There shall be at least one latrine for every 25 females or males. If the number of male workers exceeds 100, there shall be one latrine for every 25 males up to the first 100, and one for every 50 thereafter. The issue of toilets is a frequent source of complaints, particularly in relation to restrictions imposed on the number of toilet breaks workers are permitted to take. Garment workers view these restrictive practices, together with the long hours of work in confined spaces, as taking a toll on their health in the long run. ILO (2003) reveals that well-maintained washing facilities and toilets meet workers' most essential needs. These basic facilities, sufficient in number and maintained at good levels of hygiene, represent the "face" of a factory. Good washing facilities and clean toilets further help to maintain a good working atmosphere. But in actual practice the facilities are such that, dirt and grime can be ingested and cause sickness or disease. They are, in any case, unpleasant and demotivating. Unhealthy working conditions mean that workers face medical costs, and their working lives may be cut short. Garment factory workers commonly suffer

headaches, coughing, vomiting, fever, and physical exhaustion. Poor ventilation in lint-filled rooms can lead to debilitating respiratory diseases. Hired in jobs that demand highly dexterous and repetitive movements, many women suffer joint injuries and back, leg, and shoulder pain. Oxfam (2004) reveals a story of a Bangladeshi garment worker, who missed a day to go to the doctor. Her manager then deducted two days' pay, and she lost her full attendance bonus. On return she was told to do an extra eight hours of unpaid work to catch up with her target. In total, being unwell cost her 11 days' wages.

Large numbers of garment factories are housed in buildings that were constructed for residential purposes. They were not meant to stand the load of thousands of garment workers. On issues of health and safety, fire hazards in the industry have generated considerable attention in national and international media. However, the workers themselves do not frequently articulate this concern. This may reflect the fact that many employers have started to take more safety precautions; it may reflect that fires are not an everyday occurrence in the factories and hence not a part of workers' everyday consciousness; or it may reflect the fact that such fires are simply one more hazard in contexts where hazards of various kinds are endemic (Kabeer 2004).

On April 11, 2005 the "Spectrum-Shahriyar" garment factory collapsed eventually 64 persons died and 74 were injured. The Spectrum collapse was not the first, nor the last lethal accident in the Bangladesh garment industry. This year international attention was again focused on Bangladesh when within a short period of time four incidents at factories caused death and injury of many more garment workers²⁰. Here are some of the incidents that caused death and injury:

²⁰ www.cleancloths.org

- 2000: 53 died at Choudhury Knitwear
- 2001: 24 died at Maico Sweater
- 2002: 12 dead at Globe Knitting
- 2004: 9 died at the Misco Supermarket building
- 2005: 23 died at Shan Knitting; 64 died at Spectrum
- 2006: 63 died at KTS Textile Industries; 22 died at Phoenix; 3 died at Sayem Fashions

According to a recent study from the Bangladesh Institute for Labour Studies, 130 workers in the garment industry died on the job in 2005 and 480 were wounded.

Government offices for inspecting factories are inactive. It is supposed to monitor factories whether they are following laws including health and safety. It has been alleged that inspectors are often linked to factory owners. They usually take bribes and do not take necessary steps. Sometimes inspectors take actions that concern wages and job discrimination, but not for the health and safety measures.

3.2.2.4 Maternity Protection

Raising a family is a cherished goal for many working people. Yet pregnancy and maternity are an especially vulnerable time for working women and their families. Working mothers require protection to ensure that they will not lose their job simply because of pregnancy or maternity leave. Such protection not only ensures a woman's equal access to employment, it also ensures the continuation of often vital income which is necessary for the wellbeing of her entire family (ILO, 2005).

While the ILO Convention No. 183 provides for 14 weeks of maternity benefit to women, the Maternity Benefit Act, 1939 provides Bangladeshi women workers 12 weeks of maternity benefit - 6 weeks before delivery and 6 weeks after delivery. The

law defines the benefits as pregnant worker will get one hundred per cent of average daily earnings [calculated by dividing total wages earned during the three months immediately preceding the date the woman gives notice of pregnancy by the number of days she actually worked during that period] or one taka a day, whichever is the highest; no pregnant women shall be employed in any factory to lift, carry or move by hand or on head any material, article, tools or appliance; dismissal with notice is unlawful during maternity leave or at such a time that notice would expire during maternity leave. The law is ineffective as it states a woman worker will get the benefit only if she is employed by the same employer for a period of not less than nine months immediately preceding the day of birth. The law does not provide essential needs such as light work, limited working hours, child care centres, breast-feeding and leave while working before and after pregnancy. Moreover, it does not clearly define what would be the punishment if anyone violates the law. There are very few garment factories that properly implement the law; among them some factories provide only basic salary, some allow partial or full maternity leave but without pay. Most garment factories dismiss pregnant women workers. During pregnancy women workers do not get economical and psychological attention from the owners' side. Government inspection authority and the law as a whole is so inoperative that there is not a single case filed. As women workers are the dominant labour force in the garment industry, they want to enjoy secure and beneficial maternity.

3.2.2.5 Labour Inspection

International labour standards are usually applied through national law and policy. It is therefore vital that each country maintain a viable and active labour administration system which is responsible for all aspects of national labour policy formulation and implementation. Proper application of labour legislation depends on an effective labour

inspectorate. Labour inspectors examine how national labour standards are applied in the workplace and advice employers and workers on how to improve the application of national law in such matters as working time, wages, occupational safety and health, and child labour. In addition, labour inspectors bring to the notice of national authorities loopholes and defects in national law. They play an important role in ensuring that labour law is applied equally to all employers and workers (ILO, 2005). Studies show that the costs resulting from occupational accidents and illnesses, absenteeism, abuse of workers and labour conflict can be much higher. Labour inspection can help prevent these problems and thereby enhance productivity and economic development.

While labour administrations do exist in Bangladesh, they are neither efficient nor updated. An effective labour administration system is necessary in order to maintain and strengthen a developed labour market in the country. The government's Factory Inspection Office under the directorate of labour is responsible for overseeing if the factories have been built as per the rules and if they have got the essential safety measures. Enforcement by the Labour Ministry's industrial inspectors is weak, due to both the low number of labour inspectors and the endemic corruption and inefficiency among inspectors. The Bangladesh Department of Labour and Inspectorate of Factories was said to be lacking 'sufficient resources, staff and logistical support to adequately perform the task of monitoring labour laws (Neilsen, 2005: 565).

The Daily Star²¹ reveals that the Chief Inspector of Factories that only three inspectors are engaged in inspecting safety measures at as many as 15,000 factories under Dhaka divisional factory inspection office. And only 20 inspectors are now deployed to inspect around 50,000 registered factories in the country. Of them, four are working at the

²¹ Volume 05, Issue 86, March 17, 2006; available at www.thedailystar.net/magazine/2006/03/03/cover.htm.

head office, six at Dhaka divisional office and three at Chittagong, Khulna and Rajshahi divisional offices. Some other general inspectors look into violation of laws relating to factories, workers' wages and licences of factories.

Different kinds of registered factories, including garments units, are under their supervision. Each of them is supposed to inspect at least 10 factories a month. But apart from the registered ones there are thousands of small, unregistered factories in various sectors that are not under their jurisdiction and thus run unmonitored. The number of factory inspections and cases filed are amazingly high compared to the number of inspectors. In 10 years from 1996 to 2005, factories were inspected 442,462 times and 103,024 cases were filed. But that hardly improved the safety situation very little as evident from the number of accidents.

There are allegations that Inspectors are often keen to file cases because when they do so, factory owners negotiate with them and make payments for withdrawal of the cases. But they hardly file cases regarding violation of safety measures. Inspectors have not filed any case for violation of safety measures in the recent past. They filed cases mainly concerning wages and job discrimination. Rashid (2006) notes by bribing labour ministry officials garment producers keep their garment factories outside labour inspection.

3.2.2.6 Consultation

There is an absence of a consultation system in Bangladesh. The worker-owner relationship is also very crucial. In the garment industry owners and workers are hostile to each other. Government along with ILO, NGOs and other concerning bodies can set forth the framework for effective consultation. The consultation process will create improved attitudes of the concerning parties and provide a space to discuss and resolve immediate and future potential problems. Such consultation can ensure greater cooperation among

the social partners and stronger awareness and participation in matters relating to international labour standards, and can lead to better governance and a greater culture of social dialogue on wider social and economic issues. Though some sporadic actions has taken but an effective consultation system yet not developed in Bangladesh.

3.3 Multinational Enterprises and Labour Rights

Multinational Enterprises (MNEs) are global players. They have a potential global reach. The decisions regarding what and where to invest, not to invest, or to disinvest are taken to headquarters and escape national government's sovereignty. They invest according to market opportunities. However, employment law remains by and large national. Moreover governments remain local players and they are competing with each other for foreign direct investment (FDI) and trade of goods and services. National enterprises too are putting pressure on their respective governments to keep cost down and to liberalize the labour markets. Governments are bound to oblige and gradually adopt flexible labour conditions (Blanpain and Colucci, 2004).

The Brands and Retailers make enormous profit out of Readymade Garments mostly produced in the least developed countries including Bangladesh where they consider labour as a cheap resource. They are running for even cheaper sources. These Brands and Retailers are mostly from the developed countries where there may be heavy penalties for violating workers rights. But when these big companies from developed countries source products from abroad they don't value the workers rights that exists in their own country, and at the very same time they mostly ignore the national labour law at the sourcing countries. For maximizing profit these multinationals tend to put a huge number of workers in different least developed countries including Bangladesh into slavery like working condition with the lowest level of wage and the highest level of

industrial risks. On the other hand, the local industry owners who are mostly playing a tailoring role in this business lack expected capacity, knowledge and wisdom for running the industry efficiently. It seems likely that most are not interested in developing their industrial capacity. The only capacity they are showing so far is exploiting the labour force working at their factories at a highest level. They also consider labour as “Cheap” and that is their only capacity to compete in the global market (Ahsan, 2006).

Understanding the possibilities that access to waged work has opened up for women in contexts in which they had previously very little choice helps explain why they do not view their jobs in the unequivocally negative light that anti-sweatshop campaigners do (Kabeer, 2004: 21). She further argues that there is thus little doubt that while working conditions are not as dire as anti-sweatshop campaigners claim, they nonetheless leave much room for improvements. She raises questions why, then, do women workers endure these conditions with apparently little protest? And why do those who claim to have the workers’ interests at heart resist the idea of using internationally enforced sanctions to improve their labour standards?

By definition sweatshop is “a business that regularly violates both wage or child labour and safety or health laws” (U.S. GAO 1988 cited in Ross, 2004). The use of the term “sweatshop” and the associated sweated trades came to be highly associated with the system in which a manufacturer used an agent to assign or otherwise distribute work to workers labouring in their homes, producing low value goods and paying at a piece rate. There is a link between sweated working conditions and outwork, outsourcing. The worker is usually isolated and desperate for work and facing starvation. Workers have no or few choices of work to survive in unfair conditions but the factory owners have many choices and play strategic game (Ross, 2004). There is competition among workers because the number of workers outweighs the number of available jobs.

The garment industry is characterized by middleman contractors standing between the direct producers and the commercial customers who buy the product, coordinate the various vendor contractors, and then sell the commodity to the public. Moreover the contractor function is subdivided among subcontractors. When a business firm contracts to sew already cut clothing, the owner may subcontract any part of the sewing to another shop or some part of the process such as embroidery or button sewing (Ross, 2004). It seems these middleman contractors along with the global players of garment trade are either not aware or deliberately try to avoid and overlook labour rights.

Though multinational companies have signed a set of principles that provides decent working conditions and a living wage for the workers in their supply chains, but several research shows that those principles are not properly maintained (Labour Behind the Label, 2006). Multinationals, however, often outsource production and claim not to be responsible for labour standards in the factories of their subcontractors, while they still profit from the low labour costs and the disrespect for basic human rights in the workplace. Multinational Companies and their subcontractors are accused of breeding labour rights violations in developing countries. As for FDI, it is often alleged that multinational enterprises may be attracted to locate in countries with lower labour standards to take advantage of lower costs. In many developing economies like Bangladesh, the problem is mainly a lack of decent and productive work opportunities rather than outright unemployment. Women and men are working long and hard for very little because their only alternative is to have no income at all. There is an enormous pool of labour which, together with constant threats that transnational corporations will start sourcing elsewhere if wages become too high, makes workers terrified of losing their jobs (War on Want; 2001).

Labour Behind the Label (2006) publishes a report concerning why have working conditions got so bad that workers are prepared to risk job, life and limb? The report reveals that while poor government policy and the attitude of factory owners is an important part of the story, the price cutting tactics of low-cost clothing retailers sourcing from Bangladesh have been the driving force. The report further raises five following questions and highlights suggestions/recommendations that need to be assured by retailers.

FIVE QUESTIONS THE LOW-COST RETAILERS MUST ANSWER

Q.1. How much are the people producing the clothes you sell paid?

Low-cost retailers need to demonstrate that their price-breaking purchasing practices do not create conditions that make the payment of a living wage impossible, or force already low wages down yet further.

Q. 2. What hours do they work?

Low-cost retailers need to demonstrate that workers are not subject to excessive overtime or poorer terms of employment as a result of the way they place orders with suppliers.

Q. 3. Can workers defend themselves?

Low-cost retailers need to reassure that workers in their supply chains have the right to freedom of association, in practice as well as in theory. They need to demonstrate that they support suppliers whose workforce is unionized, even when this has an undesirable effect on prices and lead times.

Q. 4. Do suppliers take you seriously on workers' rights?

Low-cost retailers need to demonstrate that suppliers who do not meet their ethical standards are encouraged and obliged to improve. That also means integrating ethical concerns throughout the sourcing process.

Q. 5. ARE YOU REALLY SURE WHAT'S GOING ON?

Low cost retailers need to demonstrate that they have studied the impact of their purchasing practices on workers' rights. They need to make this information independent and public, along with the steps they have taken on other issues highlighted in this report, so that consumers concerned about the ethics of buying cheap clothes can shop easy.

3.4 Recent Labour Unrest in Garment Industry

For several years workers have repeated vital demands pertaining to their terms of work and their conditions of work. Their major points of discontent have included a stagnant minimum wage set in 1994 at Tk 930.00 (approximately Aus\$ 19), the lack of an employment letter or contractual agreements, arbitrary fixing of overtime payments, delayed payments, absence of weekly holidays, and non-enforcement of safety and health protection. Later, in 1997, the government refixed the minimum wage at 1550 taka per month. However, the private sector, including garment factory owners, did not recognise this. The garment sector workers demanded that private sector recognise the minimum wage and also demanded establishment of a minimum wage board. The government announced in July 2001 the minimum wage structure for the private sector workers, fixing Tk. 1,200 as minimum monthly salary for unskilled workers. But the Bangladesh Employers' Federation rejected outright the government proposal and a member of the federation, an owner of a garments factory, appealed to the High Court in November 2001, on the ground that the wage board which announced the minimum wages was not represented by the employers. The court found, on this technical ground, the government order illegal.

Since then, the government and the employers have happily passed time until the labour unrest in May, 2006. The government, which grants various kinds of 'incentives' to the private sector employers from the public exchequer on a regular basis, did not play any pro-active role to make the employers respond to the legitimate demand of adjusting the minimum wage. Most of the local factory owners make adequate money out of the industry to build lavish houses in the highly desirable upmarket areas of the capital, have their children's education and medical treatment abroad, and ride luxury cars, holiday at

tourist resorts across the world. It is much to the credit of workers that they continued to work under debilitating conditions for over a decade. The owners have denied the basic rights of their workers for a long time. But the garment workers, who make all these profits and benefits possible, are forced to live a miserable life in the city slums for years upon years. Lack of job security, lack of hygiene, lack of nutritious foods and health, lack of education for their children, lack of right to legitimate protest against ruthless exploitations, and so on are their daily destiny, which is carefully crafted, and perpetually nurtured, by the government, the factory owners, the Western buyers of the finished garments.

In recent years, however, labour rights activists who are in close contact with workers on the ground have warned of the consequences as wages and working conditions have worsened. Workers' frustration grew and grew, until in May this year it boiled over in waves of demonstrations and vandalism. On May 20, 2006 a small group of workers, who reportedly felt cheated by the management of FS Sweater Factory, started a demonstration. The problem arose with the workers of the knitting section. Although the piece rate per sweater was fixed at 50 to 60 taka, the authority gave them 25 to 30 taka without any discussion. As a result they received smaller amounts than they expected. They received payment on May 10. Some of them agitated inside the factory on the following day, May 11, 2006. They also smashed windows and equipment in the factory. As a result, the authorities arranged a meeting to discuss the matter. Some workers joined the meeting on behalf of the knitting section. At the meeting they submitted their 10-point demands, including that (1) no case would be filed against them and none would be arrested; (2) they would be informed about the piece rate per sweater and salary would be given accordingly; (3) their Tiffin bill, which was currently only 8 taka per head, would

be increased; (4) they would have a holiday on Friday; and (5) medical facilities would be provided.

The management assured them that their demands would be settled before 20th May. As a result of the meeting, the management also offered the workers of the knitting section 1000 to 2400 taka per head on 18th May 2006. The workers were very happy with the outcome. But on May 20, 2006 Aminul and Mujibor – two garment workers were arrested. The next morning the news spread throughout the factory and all the workers burst into agitation. The water and electricity supply was cut. However, by that time, the representatives of BGMEA came to the spot and told them that Aminul and Mujibor had in fact been arrested in connection with another case. The demonstrators did not pay heed to their speech and damaged the windows and equipment of the factory. Some of them were moving to the highway in a procession while police indiscriminately baton charged. The workers also pelted brick bats at the police. As the police were few in number, they retreated to the factory gate. The police caught a garment worker and started dragging him into the factory and at the same time another policeman shot him from behind. It appeared that he died on the spot. The killing actually added fuel to fire, eventually contributing to turn the spontaneously organized workers into a violent mob. There have been many such demonstrations in several other garments factories in the area on the same grounds. Large number of ready made garment factories and vehicles were damaged on May 20-23, 2006 during the labour unrest which started near the Dhaka Export Processing Zone in Savar and spread to the capital city. This was linked with the first incident. Incidents of violence occurred in and around the city including Uttara, Mirpur, Mohakhali, Tejgaon areas. Therefore, the uprising could not find any organized shape. There was no leadership. Objectives were not clearly spelled out. There was only display of anger. This was an

explosion, protesting against long suppressed deprivation, insult, harassment and super-exploitation. The whole country surprised to see several thousand garment workers resorting to siege of roads and damaging of public and private vehicles.

The garment sector is plagued with an endless list of pitfalls ranging from poor working conditions to low wages to frequent firing to gender violence. Against this backdrop there was a wave of demonstration across the RMG industry in the last week of May with severe damages done to at least 300 garment units and consequently a loss of around four billion taka (nearly US \$70 million) ensued. In fact, this is the worst industrial riot in RMG industry and the Bangladesh economy as a whole. There are different views of influential actors in Bangladesh about the disturbances.

The probable bases behind the outburst are as follows: protests of workers' exploitation, owners' unwillingness and political and economical instability (Kumar, 2006). While RMG factory owners and some other concerned people alleged that the attacks on the factories were a conspiracy. The local government and rural development minister, himself a former labour leader, claimed on May 23, before even initiating an investigation; that 'local and foreign' conspiracy was behind the violent outbursts. Some other ministers, including the finance and planning minister and the state minister of Home and Affairs also joined the conspiracy theorists. Earlier, on May 21, the Bangladesh Garment Manufacturers and Exporters Association, the apex body of garment factory owners, pointed its fingers at a 'blueprint' of a 'neighbouring country' to destroy the country's booming garments sector, 'by keeping buyers off the Bangladesh apparel industry'. Terming the 'outburst' a 'well designed conspiracy', BGMEA's acting president, told the media on May 21, 'When the garment industry is posting a robust growth and orders keep flooding the factories, the agents of a neighbouring country targeted Bangladesh's apparel industry ... The agents of the

neighbouring country are out to destroy our factories by instigating some unruly workers.’ Some factory owners accused ‘some NGOs receiving foreign funds’ of inciting the workers to impede the growth of the sector. But the factory owners, and the government, only found foreign conspiracy behind the ‘sudden outbursts’ of the workers, which means that they refuse to even recognize the grievances of the workers, and take into consideration the fact that the aggrieved workers can resort to agitation to realize their legitimate demands. The result was obvious: the workers continued to agitate the next day and the following day, until the government and the factory owners agreed to form a minimum wage board (Kabir 2006).

Most people including researchers, academics, and activists reject the labour unrest as ‘foreign conspiracies’ and recognize it as longstanding deprivation and owners’ inactivity to improve the RMG sector. Shirin Akhter, who has been working with garment workers for a long time, summarily strikes off the conspiracy theory. "This has been a part of our culture. We are always ready to put the blame on others to cover up our own faults,"²² Akhter has absolutely no doubt that what the garment workers did on those two days was a spontaneous expression of their long suppressed anger. The garment sector has long been overshadowed by many an unresolved issues. In a large number of garment factories, if not most of them, there is no standard salary structure, no minimum wage, and no security of job. Workers are made to work as if they were machines. After long hours of scheduled work they are often forced to work overtime and very often they are not justifiably paid for those extra hours. Even monthly salaries are not paid on time and sometimes they go on working for months without any salary because the owner's bill is stuck or something of that sort. Then they are often mistreated by the factory authority; female workers in particular have to bear continuous verbal and sometimes even physical

²² The Daily Star, June 2, 2006.

abuses. It's only natural that their anger will burst out one day, and that is exactly what happened during the above mentioned events.

It can never be denied that garment workers have long been deprived of their rights and government and BGMEA both did not follow labour standards. Though there were existing processes but they were not properly practiced. Violations of labour rights created an atmosphere where labourers no longer feel comfortable and the outburst was ultimate outcome. Many felt that the mostly negative attitude of garment owners about workers' rights might have led to this unfortunate situation. Garment workers who are the least rewarded section of society has now come to a head. They are sending a message to owners and political leaders that the industry cannot keep on neglecting them. Violence in the garment factories, for that matter in the industrial sector, threatens the economy as a whole. Some proposals to buy garments were cancelled as a result of the demonstrations as orders for garments would not be met in due time. Visiting foreign investors also left the country as the environment was not favourable. The actual loss resulting from the demonstrations will be realised in years to come. It is reasonable to assume that if the garment sector is the lifeline of the economy, then workforce is the lifeline of the apparel industry. So, the issue of workers' welfare should be any garment owner's priority number one.

The labour unrest brought employers, workers and government to the negotiation table to discuss and resolve issues of concern. A 10 point agreement²³ was signed among the parties involved and is supposed to follow in all garment unites. The government formed a minimum wage board to fix wage structure of the garment workers. On 5th October, 2006 the minimum wage board announced pay structure for the garment workers

²³ See Appendix C: 10 Point Memorandum of Understanding (MoU).

and employees and fixed 1662.50 taka as minimum monthly salary including basic salary, house rent and other allowances for entry-level garment workers. Though both parties were reluctant to admit the pay structure, garment workers demanded 3000 taka while garment owners proposed 1300 taka as monthly salary. The government declared a 7 graded minimum wage structure²⁴ for industrial workers on 11th October which reflects that the entry-level workers (grade 7) are entitled to get 1662.50 taka whereas minimum monthly salary for grade-1 workers fixed as 5140 taka and salary for apprentice workers set as 1200 taka per month. The board also fixed a 4 graded monthly salary structure for employees ranging from 3580 to 1851 taka according to the grades.

3.6 Bangladesh Labour Law 2006

Labours in Bangladesh had been waiting for a long time to get a comprehensive and democratic labour law. Previous labour laws were outdated, irrelevant and misleading. Before the Labour Law 2006, there were 51 labour laws of them 13 date back to British period, 25 were formed when Bangladesh was part of Pakistan and 13 have been passed after Independence. A through review of the labour laws is required which include present realities (Kabeer and Mahmud, 2004). More importantly a simplified labour law is required because previously among the different laws one contradicted the other and implementations of the laws were difficult. The rationale behind a new labour law was that it would simplify complexities of the earlier laws and its implementation can be easier. The government formed a law commission in 1992 to make a labour law and in 1994 the commission prepared a draft report. Finally, it took 12 years to form a labour law; Bangladesh Parliament passed the Labour Bill 2006 in 25th September. Law experts, labour leaders, researchers raised questions about the formation and quality of the labour law. During the labour bill passing session main opposition party walkabout the

²⁴ See Appendix D: New Minimum Monthly Salary Structure

parliament²⁵ and termed the law a “black law” as they said in preparing the law the government violate ILO conventions and the law largely ignored the labourers’ interest. Opposition parties claim the way the bill and report placed also violate the rules and procedures of the parliament.²⁶ The ruling party passed the law within a moment without any discussion. The labour leaders rejected the labour law and termed it as “unacceptable” and most “unfriendly” to the workers and it goes against workers’ rights movements. Labour leaders claimed that the labour law completely ignored the labour interests and only the industrialists’ interests were reflected in the law. The labour leaders titled the law as “a law by the owner, for the owner”. The government enacted the law from October 11, 2006. The Sramik Karmachari Oikya Parishad (SKOP) observed day long strike in October 15 as a sign of protest against the labour law.

New Labour Law, 2006 has increased the power of industrial owners over labourers. With the new law, industrial owners can exploit labourers and abolish labour resistance at any time, any moment. Some of its articles may protect owners in the courts. This statement was made by labour leaders and law experts after analysing the law. But industrial owners refuse the statement.²⁷ They are saying that each law has negative and positive sides. They think previously labourers had few legal rights and they were severely exploited, but the new law has increased provisions/opportunities for labourers and it provides more right to the workers. However, they admit that by viewing many articles it seems that owners get more power. They suggest those articles should be clear.

Government officials also admit that there are many loopholes in the new law. The government is trying to fill the loopholes by introducing amendments. From various

²⁵ The Daily Star, September 26, 2006.

²⁶ According to the Parliament rules the bill should put in place three days before passing as law for discussion.

²⁷ The Daily ProthomAlo, May 01, 2007.

discussions assumptions made by labour leaders and law experts, it seems that owners may get rid of legal processes even after committing serious crimes. The new labour law defines if a worker died of an accident that occurred at the workplace and the owner proved to be the cause of the mistreatment, in that case the owner will be jailed for a maximum four years. The victim who died will get 100000 taka as compensation. This compensation is very low compared to the loss of life and miseries of his/her family.

Article 211 says labourers cannot strike or lock out in the new factories or foreign owned or joint venture factories. Trade Union leaders say that since the new law provides great powers to the owners, they can foil labour movements by any means. Even owners can overlook logical demands of workers. Owners can use police to forcefully oust the fired worker from the house given by organisation where he or she was working. Interestingly, the law did not notify whether police can be used against owners for their offences.

To an employee the labour service book is very important. But under the new law, the service book will be kept in the owner's hand. The new law does not mention if a labourer wants to join another factory or leave the job how he or she will get the service book. It is really frustrating that workers cannot show their experience which is notified in the service book. Consequently they have to start the job as a new inexperienced worker in other factories and get less pay.

Previously a fired worker could get his or her payment within two days; the new law increased it up to thirty days. The law recommends the minimum wage bill will be revised every five years. But workers particularly the garment workers do not believe this as garment owners violated the earlier provision of revising the minimum wage every three years.

Article 100 says organizations can compel workers to work up to 10 hours. Though after 8 hours, labourers will get double payment for the rest 2 hours. Labour leaders think more than 8 hours of is a complete violation of labour rights as well as human rights. The law defines ‘work time’ as the period during which a labourer remains under the jurisdiction of the employer, excluding the time for lunch and rest. But it does not clearly state whether the lunch and rest time of workers will be excluded in counting the maximum 60-hour weekly work time or not. It also has created confusion about the responsibility of the employers for providing their workers with places for lunch and rest.

The law violates women’s rights: article 332 states about Behaviour towards Woman as “Where women are employed in an establishment, no one should make any such behaviour towards that woman worker, irrespective of her post or designation in the establishment, which is indecent or obscene or which is contrary to decency or modesty to her”²⁸. In this case, the perpetrator of bad behaviour or bad intention will be fined for 1000 taka or three months imprisonment or both. Women labourers view this punishment as ridiculous; they suggest punishment should be several times higher than the current provision.

The worst part of the law is the punishment for not providing 16 weeks maternity leave to women workers. If a factory owner does not provide maternity leave and benefits, owner will be fined for 5000 taka. Indeed, it is profitable for the owners to pay the fine rather than several months leave and benefits. In the context of garment industry,

²⁸ Halim, Md. Abdul and Masum Saifur Rahman (2007) The Bangladesh Labour Code, 2006; page – 242.

where more than 80 percent are women, garment workers are anxious because previously many garment owners were reluctant to provide maternity leaves and benefits.

Owners are saying that labourers should be aware of their responsibilities concerning the businesses which provide their means of living. They also say during the discussion sessions of the law preparation if labourers were also present, and then they could be informed. But labourers say that the government had not taken their opinions in to account while preparing the draft. Even an opposition member of the parliament (MP) who was a member in the parliamentary standing committee on labour and employment claims that he brought 56 amendments to the new law but the governments accepted none of them. If an MP was neglected in the process of the law formulation, it is easily understandable that workers' perceptions could not be counted in the problematic procedure.

The law came into being after long standing labour movements. Some analysts think that there are chances to modify the law through amendments and code of conducts. No one can deny, the law has many negative sides. The law enhances discrimination and mistrust between labourers and owners. The law overlooks labour interest; rather it provides discriminatory power to owners. Moreover, the law creates barriers for healthy owner-labour relationship. Legal experts suggest that the corrective measures should be taken immediately. The government set a sub-committee to improve the new law. The government is trying to introduce amendments and codes of conducts so that malpractice of the law will not happen and labour rights be established. Some legal experts and researchers think as the rules and codes of conducts are not yet fixed, there are chances to improve the law through modifications. While others especially workers think that the law should be repealed and a fresh law is required which will reflect the views and perceptions of the labour and address the current reality.

In sum, this chapter, drawing an outline of labour rights and how these rights are practiced in the RMG industry in Bangladesh. Recent labour unrest was the outcome of longstanding violation of labour rights and it identifies a comprehensive and updated legal process required to build a conducive industrial environment. From labourers' point of view, further efforts needed to incorporate voice of labours in preparing and implementing the labour law.

Chapter 4

Globalization, Labour Rights and Sustainability of Bangladeshi RMG Industry

This chapter conceptualizes globalization and trade liberalization and their impacts on Bangladesh economy. It also examines how globalization affects labour rights and in implementing labour rights what are the major issues of concern. At the end of this chapter I try to draw a brief sketch of sustainable RMG industry in Bangladesh.

4.1 Conceptualizing Globalization and Trade Liberalization

Globalization is one of the most commonly used words. If we don't clearly define, it remains a jargon. Though it does not mean that globalization is merely a jargon or buzz word, it seems likely that because of the inability to understand it. Some scholars claim globalization is not new: it started hundreds of years ago when traders sailed their boats, carrying goods from one part of the globe to another across the oceans (Frank, 1998). It became into popular usage in the 1980's to describe the increased movement of people, knowledge and ideas, and goods and money across national borders that has led to increased interconnectedness among the world's populations, economically, politically, socially and culturally.

Globalization in the broadest sense implies integration of economies and societies across the globe through the flow of technology, trade and it basically refers to a process that enables people, goods, information, norms, practices and institutions to transcend national jurisdictions through markets, technologies, interests and information flows (Sklair, 1991; Waters, 2001). Rahman 2005 also adheres to this definition and it is useful for my purposes since his analysis specifically focuses on the impact of globalisation on the Bangladeshi economy. He emphasizes that globalization

characterized four types of changes. First, it involves a stretching of social, political and economic activities across frontiers, regions and continents. Second, it is marked by the growing magnitude of interconnectedness and flows of trade, investment, finance, migration, culture, etc. Third, it can be linked to a speeding up of global interactions and processes. And fourth, the effects of distant events can be highly significant elsewhere and specific local developments can have considerable global consequences. Thus the boundaries between domestic matters and global affairs become increasingly fluid. Globalization, in short, can be thought of as the widening, intensifying and growing impact of worldwide interconnectedness. It causes an expansion in the volume and variety of cross border transactions in goods and services.

In conceptualizing globalization, Mittelman (2004) argues three possibilities. These are: (1) in a simple way, globalization is often understood as an increase in interconnections or growing interdependence on a world scale; (2) scholar defines globalization as a compression of time and space, speeded by new technologies; (3) globalization as a historical transformation. It is a transformation in the economy in that livelihoods and modes of existence change, political transformation where power gradually shifts above and below territorial states and forms a multilevel system, cultural transformation which changes traditional life styles and bring new hybrid system. The globalization process transforms economy, politics, culture and the society as a whole. Globalization, the multidimensional phenomenon interrelates and reinforcing with one another.

Globalization has brought in a new world order, which virtually influences everything that comes in our mind. It brings enormous benefits to the society at large. Revolution of communication technology further speeds the globalization process

dramatically. Telephone, television and the Internet have been closing the distances and boundaries. As the cost of communication reducing day by day, more and more people are integrated into the globalization process. Now information can be transmitted accurately less than a second from anywhere in the world to the destined place. The declining cost of communication and transportation creates diversified business opportunities which boosted economic growth. Through out the economic prosperity people are getting education, healthcare, and other necessary facilities which in turn bring improved quality of life.

Trade is regarded as one of the most powerful engines of globalization. A clear-cut definition of globalization could be integration of the market. Nowadays, trade liberalization is so obvious that it is synonymous with globalization. In a simplest way trade means import and export. Imports lead to consumption, while exports offer the opportunity to produce himself or herself as well as for the rest of the world and get paid as the reward for the production. Improving the quality of life appears to be the ultimate purpose underpinning consumption and production. Imports and exports happen at the same time. There is no country which only imports or exports, though quantity and volume varies differently in different countries. The most noted observation is that developed countries export machinery products to and import raw materials from developing countries, the opposite happen in developing countries.

Globalization simplifies the trade process on a global scale. Nowadays, products are neither local nor national, products are global. Products produced wherever and however, through import and export that can be reached anywhere in the world. Comparative advantage determines trading system. Distance, borders are no longer barriers; cheap labour, lower cost, communication system, networks and other related

issues decide the business cycle in any given economy. This is the crucial aspect of trade liberalization. Countries have reduced and continue reducing trade barriers, thereby integrating into a single open world economy. As countries open up their economies, the patterns of business change dramatically. Moreover, for doing trade easily countries set up bilateral, multilateral arrangements among themselves.

To attract investment countries have liberalized labour regulations and set up export processing zones with incentives. Multinational Enterprises (MNEs) took this opportunity overwhelmingly. They invest in developing countries and use the cheap labour which is considered their main comparative advantage compared to developed countries. It is often said that globalization lifted hundreds of millions of people out of poverty by relying on growing economic openness and provided many jobs in developing countries, especially manufacturing jobs for women, as they had few income opportunities. Globalization does not simply bring unprecedented benefits, it creates negative impacts too. Anti-globalization activists argue that globalization along with trade liberalization favours the advanced economies to the loss of weak ones, widens inequality between and within nations, leads to increased poverty and ultimately to instability and conflicts especially in the developing countries (Pew Research Center, 2003). Too much profit making behaviour of corporations pushes millions of labourers to work in deteriorating working conditions; labour rights remain a far cry. Moreover jobs are provided to skilled labourers; semi-skilled and unskilled labourers lose out in the labour markets. Whether globalization is a negative or a positive development, it must be understood that it has clearly changed the world system and that it poses both opportunities and challenges. Policies and strategies should be taken to reap the benefits of globalization and trade liberalization and distribute those benefits evenly. How

globalization and trade liberalization affects people, its extent and who are the winners and losers in Bangladesh, is discussed in subsequent sections.

Much like global discussions, globalization is a hot topic in academic and political discourses in Bangladesh. In those debates, proponents of globalization view it as an opportunity for Bangladesh to be incorporated into global integration through efficiency and competitiveness. Ahmed and Sattar (2004) note that globalization along with trade liberalization contribute positive effects in Bangladesh in multiple ways. Resources are being used in an improved manner and resulting higher output. Previously Bangladesh had limited markets, but now through trade openness it concentrates on bigger and diversified markets and economies of scale became larger. Global competition brought knowledge spill-over and promoting specialization. On the one hand globalization opens up policy choices to Bangladeshi policy makers to design, formulate and implement policy measures in an improved way. On the other hand, opponents view the globalization pattern in Bangladesh as being decided by the key agencies such as World Bank, IMF and WTO. Bangladesh has little option to influence the globalization process. Both of the versions appear to ring true for Bangladesh. By the wave of globalization the country emerged as a global producer of RMG industry and at the same time many State Owned Enterprises (SOEs) shut down because they lack capability to contest in the global competition. Whether globalization is positive or negative, there is no chance for Bangladesh to withdraw itself from the globalization process. It is indeed the government of Bangladesh's responsibility to take policy measures to mitigate negative sides of globalization and distribute benefits of globalization among its people.

Before analysing the effects of globalization in Bangladesh, let us briefly discuss the trade liberalization in Bangladesh.

4.2 Trade Liberalization in Bangladesh

Before independence Bangladesh's economy was largely controlled and dominated by Pakistanis. As part of Pakistan, all the policy reforms formulated in the central base was situated in West Pakistan. That time Bangladesh as its Eastern wing was regarded as a peripheral state of Pakistan. Interestingly, Bangladesh provided raw materials to the industries but industrial base was established in Pakistan. Even the domestic trade of Bangladesh was controlled by Pakistani businessmen. Rashid (2006) cites Bangladeshi industrialists 18 percent of modern industry assets, 47 percent owned by West Pakistani entrepreneurs, 34 percent by state-owned East-Pakistan Industrial Cooperation (EPIDC), and 1 percent by foreign investors. At independence in 1971, Bangladesh faced numerous challenges to rebuild and reconstruct the war ravaged economy. To establish industries, the government introduced import substitution and other protective measures such as investment sanctioning, import licensing and exchange controls, arbitrary exemptions, subsidized loans, control and regulations over activities of public and private enterprises. The government severely controlled almost everything and promoted an inward looking strategy. Socialist ideologies got much more attention thus government nationalized banking, insurance, manufacturing enterprises, and distribution of agricultural inputs; almost 92% industrial assets came under government control. Very few private enterprises existed and development of private enterprises was discouraged. The government imposed high tariffs up to 400% along with sales taxes, custom duties in order to collect more revenue and protect domestic industry. Then government had very low foreign exchange reserves, low export base and prohibitive import duties. During that time policy makers were largely engaged in treating the symptoms rather than attacking the root causes. According to several scholars the ultimate impact was a crisis balance of

payments and most of the public enterprises counted huge losses (Kabeer and Mahmud, 2004; Rashid, 2006; Siddiqi, 2005; Ahmed and Sattar 2004).

The beginning of trade reforms can be traced back to 1976. At that time the new government put forward market based economy. Though slowly, the government was removing controls and barriers. The first notable policy, “New Industrial Policy (NIP)” was introduced in 1982. The private sector got enthusiastic encouragement in that policy. Various reforms such as fiscal reform, financial liberalization, realistic and flexible exchange rates, reduced government intervention and managerial reform of public enterprises were taking place. It has been said that RMG industry got its momentum during that time.

In the 1980s, Bangladesh started to implement Structural Adjustment programs (SAP) under the guidance of IMF and World Bank. Bangladesh gradually took economic reforms to open up its economy. In 1986, the “Revised Industrial Policy (RIP)” was adopted; it extended and strengthened the privatization process initiated by the NIP. To attract Foreign Direct Investment (FDI), the government established Export Processing Zones (EPZs). The primary objective of an EPZ is to provide special areas where potential investors would find a congenial investment climate, free from “cumbersome” procedures²⁹. Various fiscal and non incentives offered to attract investment in EPZs such as tax holiday for 10 years, duty free import and export, relief from double taxation and exemption from dividend tax, permissible 100% foreign ownership, and the absence of labour union by law. Moreover, Bangladesh has set up Bangladesh Export Processing Zones Authority (BEPZA) for the effective operations in export processing zones.

²⁹ More information available at www.epb.gov.bd/bangladesh_epz.html

In 1990s, Bangladesh tried to accelerate its full potentials and the impact was rapid trade liberalization compared to the past. New democratically elected government enhanced the reform program and followed liberal capitalist model by removing government controls over trade and industry. Incentives were placed to facilitate export-oriented industrialization such as export performance benefits, duty free access to imported inputs, duty drawback system, bonded warehouse facilities, tax holidays and cash incentives, easy access to industrial credit and subsidies, and so on. According to Ahmed and Sattar (2004) the difference between liberalization of trade in the 1980s and 1990s is that in the former trade reforms were partial and piecemeal whereas since 1991 reforms were more systematic and comprehensive. The main objectives of trade policies in the 1990s were to promote competition and achieve neutrality of incentives between exports and import, and gradually focus trade facilitation the centrepiece of customs administration. Successive governments followed the export oriented industrialization and privatized inefficient public industries such as jute, paper, and sugar. Moreover, privatization of banking and communication were encouraged for the availability of competitiveness and better services. Mondal (2003) reveals that in the 1990s Bangladesh made significant progress in the area of trade openness by removing quantitative restrictions, reductions of maximum and average tariff rates along with flexible exchange rate. During that time RMG industry flourished and became the main export earning sector of the economy. To address pro-poor growth for Bangladesh, a labour surplus economy must concentrate labour-intensive production. Trade openness promotes production in accordance with a nation's comparative advantage, which in Bangladesh's case, would be in those production activities that have a relatively high labor to capital ratio (Ahmed and Sattar, 2004). The following table shows a comprehensive picture of policies in different times.

Table 4.1: Bangladesh Policy Regime Summary 1972-2002

Source: Ahmed and Sattar (2004) Trade Liberalization, Growth and Poverty Reduction: The Case of Bangladesh, p- 11.

Bangladesh introduced a new export policy titled “Export Policy 2003-06”. It is assumed that the export policy will improve export performance of Bangladesh. The government also hopes that it will generate resource utilization and employment opportunities within the economy in a better way. The goal of the export policy is to make Bangladesh economy strong and dynamic to face the challenges of rapidly changing world trade system. RMG industry is the main contributor of the export reservoir of the

country. Dependence on a single industry is not sustainable for any country. In order to sustain the economy Bangladesh need to produce new products with higher values, develop the designs and find new markets. The import policy for 2003–2006 aims at the following objectives: (a) capacity building of export related institutions to respond to globalization and to facilitate increased liberalization in the light of the WTO agreements; (b) Adopt new strategies for expanding export products and effective use of modern technology; (c) Develop necessary infrastructures and simplify import procedures to ensure production of maximum volume of exportable items and develop of a robust export supply capacity; and (d) create a business friendly environment which build new exporters and provide all the assistance to new and existing exporters; (e) in order to enhance competitiveness, competency and efficiency in the global trading the government will develop expert manpower on trade and equip trade bodies, businessmen and concerned people with necessary knowledge. At the same time, the trade policy emphasizes regional economic and trade cooperation and proper use of gained advantages. Under this policy the government announces various incentives and facilities. In case of the garment industry, domestic firms get 5 percent cash incentives. From 2004 garment exporters are exempted from the payment of Value Added Tax (VAT) for import of inputs and export of garments. Textile manufacturers are enjoying 15 percent reduced income tax from its earlier level and it will secured up to June, 2008 (Ahmed and Hossain, 2006).

4.3 Effects of Globalization on Bangladesh Economy

Bangladesh decisively integrated into the wave of globalization in the 1990s. From that time the impact of globalization on the Bangladeshi economy and lives of its people became a debatable issue (Osmani, 2005). As we mention earlier both positive and negative effects of globalization persist in Bangladesh. It has been estimated that more than 50 percent of Bangladesh economy are linked with the global economy through trade, services, FDI and foreign assistance. Compared to the past, Bangladesh increasingly connected with the rest of world and day by day the level participation growing. Globalization increased foreign capital, trade openness and technological flows in Bangladesh than most of the developing countries. Among the LDCs, Bangladesh is one of the pioneers that sustained growth for a long period. At the same time the rich – poor gap increased over time. Poor are being deprived of basic necessities that are supposed to be provided by the government. Privatization creates insecurities among poor and many people are trapped in the poverty syndrome.

In the subsequent sections, the effects of globalization in Bangladesh are analysed.

4.3.1 Accelerated Growth

From 1990s, Bangladesh has achieved on an average 5 percent GDP growth rate each year. Bangladesh is one of the few developing countries which maintained improved GDP growth for a longer time notably in the last two decades. Analyses according to Ahmed and Sattar (2004) shows that Bangladesh's growth performance over the past years is reasonably good. Better macroeconomic management along with greater openness of the economy through policy reforms and liberalization played an important role for the rising growth. Trade concentration of Bangladesh is remarkably improved, trade-GDP ratio rose from an average of 11 percent in 1972-1975, to 17 percent in 1990, and further to 30 percent in 2000. Both imports and exports grew as a share of GDP, with imports growing

from an average of 8% of GDP in 1972-75 to 18% in 2000, while exports expanded from 3% of GDP in 1972-75 to 12 % in 2000. Osmani (2005) shows the contributory sources of incremental growth of 1990s. Both industry and services contributed 41 percent, while agriculture made a relatively small contribution of 17 percent. Within the broad category of industry, the manufacturing sector shared 28 percent, out of which around 20 percent contributed by large and medium scale industries and the rest came from small-scale industry. Overwhelmingly, non-tradable sectors such as services, construction and small scale industry largely dominated in the incremental growth of 1990s.

Ahmed and Sattar (2004) reveal that three main sectors which largely influenced the improved growth are agriculture; manufacturing and construction and other sectors. The government removed barriers in 1980s to import agricultural inputs and concentrated on intensity of cultivation and adoption of high-yielding technology. Thus improvement reflected in higher production of agriculture and by the early 1990s Bangladesh achieved rice self-sufficiency. Rice production rate increased dramatically, in 2001 production of rice reached to 150 percent higher than in 1976, while rice production area was increased only 5 percent (World Bank, 2005). Within the agriculture, fisheries especially shrimp farming got much attention. During the mid 1990s, Bangladesh produced 4.1 percent of global shrimp production. Shrimp export rose from US\$ 10 million in 1975 to US\$ 440 million in 2004. In fact the shrimp sector is the second largest export industry after RMG. In the case of manufacturing, RMG is the main success story of Bangladesh's exporting history. During the 1980s and 1990s, the main manufacturing sectors such as jute, paper, sugar, and textile were losing market share both domestically and internationally; RMG industry emerged as a survivor of Bangladesh's economy. From the early 1990s, it became the main export earning sector in Bangladesh. in 2006 RMG export reached to around US\$ 8 billion from roughly 2 billion in 1990 and currently RMG shares more than

75 percent of total export (discussed in Chapter 2). Leather sector is another success story of export-oriented manufacturing industry of Bangladesh. In 1973, Bangladesh exported leather and leather goods a worth of US \$ 16 million, it rose to US \$ 140 million in 1989 and jumped to US \$ 250 million in 2002.

From 1980s, remittance from Bangladeshi workers working abroad gives a boost to the economy. This remitted money work as a main contributor of the total reserved money. It has been estimated that 7 million Bangladeshi people are living legally abroad. Form July, 2006 to April, 2007 foreign Bangladeshis sent more than 4.86 billion which was roughly 2.2 billion in 2001.³⁰ This growing remittance being invested in many more purposes especially in construction sector. The share of construction in GDP rose to more than 10 percent which was 8 percent in 90s. According to Osmani (2005) three groups of people enjoyed higher level of spending in the 90s – farmers who earned higher income by a sharp improvement of crop production, garment workers and their families, and those who benefited from growing inflow of remittance.

4.3.2 Employment Generation

Though unemployment is a major problem for Bangladesh economy but globalization brought up new employment opportunities in different sectors. The RMG industry alone provides 2 million jobs especially for unskilled women in poor families. Most of those women who are engage in RMG industry traditionally did not earn cash. Till today among the poor, women are considered the poorest group. In the 1980s export-oriented garment industry brought the first real opportunity for poor young women to work in the public sphere on a large scale and introduced feminized labor force. The important thing is that RMG industry which was brought into Bangladesh offered millions of jobs to women who otherwise would be destitute. Beside RMG industry, approximately half a million

³⁰ Daily Prothom Alo, 7th May, 2007

people are employed in the shrimp industry and women constitute a major segment of this labour force. In the leather sector almost 15000 people engaged. According to EPB data, in 1972-73 Bangladesh exported 25 products item to 68 countries whereas in 2004-05 it exported 162 type products to 173 countries of the global market. During that time period rate of exporting product type increased to 548 percent and markets rose to 154 percent.³¹ This improved trend reflected in increasing employment opportunities for people. Throughout the 90s agriculture jobs declined and off-farm and non-farm sectors such as trade and business, construction, transportation and professional services were dominant in the employment pattern. However, there is a decline in the manufacturing sector employment during that time. In 1985-86, 3.02 million people engaged in manufacturing activities and it rose to 7 million in 1989-90 and declined in 1995-96 to 4.10 million and slightly increased in 2000 to 4.30 million. The job reduction was due to the closure of state owned jute, paper, and sugar industries. World demand for jute products dropped dramatically and other industries were uncompetitive and ineffective. Historically in state-owned industries more people got job through political channel than the required. Osmani (2005) challenges the above mentioned government statistics. He mentions that the high employment growth in mid 1980s as absurd because that time manufacturing output was stagnating while in the first half of 1990s counted expansion of manufacturing output. Alternative estimates suggest manufacturing employment did not decline in the 1990s rather they increased at a faster rate than 1980s. From 1983 to 1989, only 0.05 million additional manufacturing jobs created while from 1989 to 1996 around 1.1 million new jobs were added. Though there was slow progress since 1996 to 2000, (0.7 million new jobs created) but that was better than 1980s.

³¹ www.epb.gov.bd/export_performance.html

4.3.3 Poverty Reduction

Mass poverty is the main problem in Bangladesh and thus, poverty reduction is the main challenge for Bangladesh Government. Throughout the 1970s, Bangladesh economy was regarded as one of the most vulnerable economy characterized by high population density, low resource base, prevalence of natural disasters, low savings, and low investment. All these resulted in a high incidence of poverty. Some authors argue that from mid 1980s and especially in 1990s Bangladesh deduced poverty in a respectable manner. There are competing interpretations of these claims. In this section I will firstly outline those who presently a generally positive appraisal of poverty reduction. This will be followed by alternative interpretations in the following pages.

Sen and Hulme (2004) show that from 1990s consumption poverty continues to decline for both the poor and the extreme poor, illiteracy and health deprivation, has declined dramatically from 61% in 1981/83 to 47% in 1993/94 and 36% in 2000. Between 1981 and 1993 the Human Poverty Index (HPI) declined 1.9 percent annually, while HPI declined at 3.5 percent between 1993 and 2000. The report reveals a comprehensive poverty picture of Bangladesh based on the income criterion: the chronic poor (31% of households), the never poor (25% of households), the ascending poor (26% of households, poor in 1987 but non-poor in 2000), and the descending non-poor (18% of households, non-poor in 1987 but poor in 2000). It is encouraging to note that more people left out from poverty than who are trapped into poverty. The ascending households are found to have improved their circumstances by accumulating human, physical and financial assets; diversifying their economic activities both within and outside agricultural arena.

Improved growth and employment opportunity reflected in poverty reduction. According to World Bank (2005) in 1990s Bangladesh achieved a respectable average 5 percent GDP growth and a modest poverty reduction. During that time poverty declined almost 10 percent. In order to reduce poverty in a much faster rate the government introduced an investment friendly climate, promote private sector led growth and reduce government control over commercial activities. In this regard exporting sectors helped to reduce poverty to below 50 percent of the total population. Labour intensive garment, leather and fish processing industries incorporate many poor people in the growth process and lift them out of poverty. Poverty declined at a faster pace in 1990s than 1980s. Throughout the 1980s, surplus labour absorbed into petty self-employment, later in 1990s labour got involved in larger and more productive enterprises. Salaried employment in large and productive enterprises was rewarding to the poor and worked as a tool for poverty reduction as it had minimum insecurity. Overall the employment pattern changed and real wages for unskilled labour jumped up because of trade liberalization and globalization in 1990s. Unskilled labour in manufacturing industries especially in RMG and leather industry gained much because of rising global demand (Ahmed and Sattar, 2004). The poverty rate dropped from 59 percent in 1991-92 to around 50 percent in 2000. Three globalization driven sources played crucial role in that growth lead poverty reduction – technologically biased crop production, readymade garments and workers' remittance. Globalization is not the only factor for reducing poverty but it has strengthened poverty reduction potential by creating an environment which offers remunerative employment. (Osmani, 2005: 18).

The other important thing is that Bangladeshi women who are historically poor got a chance to be employed in export oriented industries on a large scale and became respected earning members in their families and to a certain extent the society at a large.

The income earned by unskilled female garment workers is usually several times higher than alternative jobs available to them, such as house maid or casual day labour. By their earning power, female garment workers have achieved relatively better status and considerable freedom (Bhattacharya, Rahman and Raihan 2002; Kabeer and Mahmud, 2004; Paul-Majumdar and Begum, 2006).

The report by Sen and Hulme (2004) reveals that Bangladesh has succeeded in several areas such as lowering population growth, fostering women's empowerment, reducing aid dependence, achieving success in human development, enabling growth, maintenance of decent macroeconomic stability with marked outward orientation, striking the shadow of famine and attaining self-sufficiency in rice production, achieving effective disaster management capacity, advancing NGO as an alternative delivery mechanism and practicing democratic parliamentary systems. From a poverty reduction perspective, these achievements are only important but prerequisites. Bangladesh could have done better; it did not utilize its full potentials.

4.3.4 Growing Inequality and Insecurity among Poor

It has been established that globalization brought progress in Bangladesh in manifold ways. But it seems in that advancement poor people have not benefited much, despite the claims of those who say poverty has been reduced. In some cases their livelihood is challenged by globalization process. Globalization has not incorporated everyone in its arena; people must be integrated with resources such as education, technology, experience, skill. But poor people usually do not have those resources or in other words the simplified truth is that they remain poor as they do not have resources. There are continuous debates on whether globalization benefits the poor people or not. There is no denying that globalization along with foreign trade and business has made a positive

impact on Bangladesh as a whole but very few poor people and their families have enjoyed the benefits as much as the non-poor.

Traditionally, in Bangladesh a tiny proportion of the total population who are rich and powerful usually capture the lion's share of the benefits of the increased economic activity and social development programmes because their socio-economic strength enables them to get into the process and secure underlying benefits especially designed for poor and marginalized people. In almost every case, the market economy reforms favour the non-poor and penalize the weak and the marginalized. However, in some cases few poor people have benefited because the presence of poor people was needed to legitimate pro-poor programmes. Otherwise poor people do not have other options to get involved.

Bangladesh has attained a respectable GDP growth rate for last two years. The growth has not been shared between rich and poor proportionately. Moreover vulnerability among the poor increased overtime. Income gap between rich and poor is widening. According to government statistics, income level of the poor has decreased. The lower 50 percent of the total population earned 20 percent national income that illustrated growing disparity between rich and poor. Household income and expenditure survey shows that the disparity increased to 0.467 points in 2005 from 0.451 in 2000. Market price of essentials goes up incessantly and poor and lower, limited earning people find it very difficult to adjust living. According to the Consumer Association of Bangladesh (CAB), the cost of living went up by 13.52 percent and cost of essentials rose to 15.22 percent in 2006³². The rising expenditure along with no improvement of income level compelled poor people to live an almost inhuman life even people who marginally above the poverty line are threatened to be pushed below the poverty line. Malnutrition is

a common phenomenon among the poor because of food insecurity among the poor in Bangladesh. Around 65 percent children are victims of malnourishment. Different classes – rural and urban, men and women face vulnerability and insecurity differently. Women are severely trapped into the growing insecurity, vulnerability and violence against women has increased nowadays.

Critics of globalization argues that globalization compel poor people with their low endowment to live in poor communities which offers low levels of return. The inevitable marginalization entails rising inequality and intensifying insecurity. Recent religious militancy in Bangladesh is brought up from marginalization and poverty. Poor people often feel isolated from the rich people who have designed society where poor became poorer and rich became richer. The poverty reduction strategy often fails to address the reality of the poor. Bangladesh needs to assess opportunities and threats of globalization and create mechanisms for mitigating threats, utilizing opportunities and distribute benefits properly.

4.4 Globalization, Trade and Labour Rights

In the era of colonialism, poor countries exported primary commodities to the rich countries. And the rich countries, specialized in production of manufacturing goods exported to poor countries. Historically, people in colonies were forced to produce the much needed raw materials for exporting goods. In twentieth century, many colonies became independent and followed import substituting strategies in order to build industrial capacity. Kabeer (2004) cites, since 1970s several factors such as rising cost of labour in developed industrialized countries, improvement in transport and communication technology, trade liberalization and market deregulation radically

³² The Daily Star, 30th December

transformed the direction and pace of capital flows, goods, services and labour. These factors changes the international division of labour along with volume and pattern of international trade.

Relocation of labour-intensive production from first world to third world is primarily due to the wage differentials. Developed countries concentrate much more in capital-intensive production as capital-intensive production is highly profitable. Even in Asia, Japan was one of the main exporters of labour-intensive products in 1960s, later it changed its production pattern and moved to capital-intensive production. Interestingly, in the 1960s Japan exported garment products to rich countries but from 1980s and afterwards it has been importing garments from developing countries such as Sri Lanka, Indonesia, Bangladesh, Philippines. Though the rich developed countries are the main importers of labour-intensive products made in developing or least developed countries the poor countries' trade is dominated and determined by Multi-national Enterprises (MNEs) headquartered in developed countries. Lion's share of the profit goes to the MNEs and governments in poor countries with flexible laws and labour regulations are keen to attract the MNEs so that they can invest in their countries and use unskilled or least skilled labour of host countries.

To be integrated in the global system and gain competitiveness and efficiency countries especially developing countries lessen trade barriers, welcome FDI with attractive incentives, reduce over staffing and privatize state-owned enterprises (SOEs). These reforms could generate positive as well as negative effects in any economy; both can happen at the same time. It might lead to massive loss of good jobs perceived by workers and increase unemployment rate and new possibilities could emerge simultaneously (Rama, 2002). In Bangladesh context, it has been evident that many

labourers lost their jobs because of privatization processes and many new jobs are created by exporting sectors such as food processing, garments and footwear. From the workers' points of view, jobs in the SOEs offer more benefits and job security, but eventually many SOEs either shut down or privatized as they may lack competitiveness and counted huge losses. But jobs in export industries usually insecure and largely overlook benefits. In Bangladesh both job destruction and job creation happened at the same time. Many industrial units such as jute, paper, cotton, sugar, and several other sectors closed down because they were unable to compete both nationally and internationally while RMG, Shrimp, leather, and pharmaceutical sectors reveal increasing production trends.

The most common allegation on industries not only in Bangladesh but also against most developing countries is that they violate labour rights. Proponents of globalization argue that increased trade and FDI produce economic development and positively lead to the improvement in working conditions. Contrarily, opponents view that globalization may potentially leave many workers and inflict "race to the bottom" as countries fail to improve or enforce labour laws. The intention of labour rights is to improve the lives of workers every where. Brown, Deardorff and Stern (2002) cite that the motivation for the improvement was designed to cover humanitarian concern and mitigate social unrest which might be aroused from unhappiness related to work and livelihoods. There is an urgency to improve working conditions so the workers feel comfortable in the work place. The core problem is the enforcement of the labour standards in the real life settings. The ILO is the pioneer organization which designs and calls on governments to implement universal labour rights though its enforcement power is limited to monitoring and reporting abuse of standards.

There is no doubt that growth reduces poverty. But effective distribution of the growth is questionable. There are examples that globalization positively affects livelihoods of poor women such as in export processing zones. At the same time, traditional industries suffer under globalization. Beside domestic growth, international growth is not evenly distributed. Most of the growth output is shared by developed countries whereas poor countries remain in the vicious circle of poverty. The Oxfam Report (2002) shows that world trade could be operated as a powerful engine of poverty reduction and economic growth. But world trade consciously favours rich countries and overlooks poor countries. Only one percent increase in the world trade by Africa, East Asia, South Asia and Latin America could raise potential income and lift 128 millions people out of poverty. Reduced poverty would contribute to the development in other concerned areas such as child malnourishment and education. The report defines governing rules of world trade as rigged and act differently for rich and poor countries.

Oxfam (2002) reports detail analyses where it shows some distinguishing facts. Low income developing countries shares less than 3 percent of world trade whereas population is about more than 40 percent of the world population. Though developing countries are expanding exports faster than rich countries there is a big gap between rich and poor countries. During 1990s, rich countries' per capita value of exports increased to \$1938, whereas low income countries as \$51 and middle income countries to \$98. The access of developing countries to developed countries' markets is very much restricted. Rich countries impose four times higher tariff barriers which cost \$100 billion a year – twice as much as they receive aid. Beside the lack or limited constrained market access for the poor countries, they have been pressurized by the IMF and World Bank to open their markets at a much faster speed often without predicting damaging consequences. There is a growing debate in developing countries that World Bank and IMF are one of

the main barriers of development. Instead of poverty reduction, these organizations push millions people to the poverty syndrome through their policies, programmes and projects. Under the name of Structural Adjustment Programme (SAP) millions people in poorer regions have fallen into poverty. Moreover, they interfere on every occasion of poor countries. Even Bangladeshi garment workers' perception about World Bank and IMF is that they always do *matabbari* (bossing) and *khbardari* (paternalistic guardianship or supervision) without any permission (Weist, Mohiuddin and Khatun, 2002). The WTO is another international organization which is supposed to formulate and implement trade rules across the world but it serves the interest of developed countries and powerful Multinational Enterprises (MNEs) rather than benefiting poor countries. Activists, researchers, scholars especially in the South raise questions about the legitimacy of these organizations as they set conditions for the loans not aid granted to poor countries. Nazreen (2005) states that World Bank, IMF and WTO, key institutions of economic globalization create barriers to develop the economies of developing countries and they have established dependency on western countries. Oxfam (2004) cites policies of World Bank and IMF that faded labour rights in developing world. Under the name of "labour market flexibility" World Bank and IMF advices governments of poor countries to weaken labour laws and regulations and the resulting impacts are rigid contracts, limited collective bargaining, increasing overtime hours, lowering overtime payment and reducing gender-sensitive benefits.

Though globalization and trade open up income opportunities particularly jobs in export sectors for women in developing countries, at the same time women's share in traditional sectors such as agriculture, fisheries have lowered substantially. Even in export sectors women predominantly engage in lower segment of the workforce. Nazreen (2005) indicates a film titled *The Hidden Face of Globalization* which discusses the impacts of

globalization and free trade on women in Bangladesh. The film shows female garment workers work long hours with rare breaks in order to earn money much below the average wage. The working conditions usually expose them to diseases, but the workers cannot afford sick leave. The workers are verbally and physically abused to fulfil quota deadline. Women are discriminated in terms of the nature of job, wage structure, insecurity, facilities, and so on. The prevailing terms and conditions of the job available to women are somehow not favourable such as lack of contract, the absence of medical or maternity leave, no right to organize, no provident fund. Compared to men women's job insecurity level is much higher. Stress created from job insecurity, harassment, malnutrition generated by low pay result in exhaustion from forced overtime and unsafe working environments. All together they negatively affect women's health and livelihoods. Women's physical and emotional health is doubly burdened because they have to maintain responsibilities both as breadwinners and nurturer of the family. Poor working women usually do not complain; from their experience they have learnt that if they speak up about their uncomfortable feelings they would either be ignored or punished (Clean Cloths Campaign, 2005).

Women are producing the goods that advance export growth but are systematically left out from benefits brought by globalization and trade. Women working in assembly line considered their jobs as better than no job at all. But world trade is only enhancing marginal improvement for poor women rather than the alleged huge potential. It is not only poor working women and their families, but also their poor countries that get insignificant share from growing trade. There is a widespread misconception that strengthening rights will cut too many jobs. Though cheap labour is a dominant determining factor, there is no denying that investors are more likely to invest in a productive and skilled workforce. Evidence shows that better paid jobs and better working

conditions are prerequisites for improved productivity. Moreover that ensures a future productive workforce through schooling, health services, and nutritious food (Oxfam, 2004). A recent study done by Labour Behind the Label (2006) shows that increased wage advances quality and flexibility and strengthen competitive edge as improved wage boost up morale and productivity of the workforce and reduce absenteeism and worker turnover.

Multinational enterprises (MNEs) are the major beneficiaries of world trade and globalization. Oxfam (2002) claims that the annual foreign sales of top 100 corporations amount of \$2.1 trillion (based on 2000 data) which is equivalent to seven percent of global GDP and more than 25 percent of world trade. The amount is bigger than combined GDP of South Asia and Sub-Saharan Africa where one third of world population live. Corporations have changed the production pattern in developing countries; they created the sectoral shift in the labour force - from agriculture to assembly line (Nazreen, 2005). It has been alleged that corporations' prime motive is to maximize profit and overlook social responsibility. They usually do not share benefits with labour. Even to some extent they behave as if labourers are machines. For any business irrespective of type, size - objective is generating profit. But it is not the only objective; business must incorporate everyone who is relied on particular business and involved in different stages from labour to consumer. Empirical evidence suggest that corporations along with middle man contractors and factory owners of host countries push millions workers to work in poor working conditions and be poorly paid. The existing business model designed by big corporations and investors, that fits their business needs and largely overlook labourers' interest. This business system increases vulnerability as it encourages and ensures the development of flexible labour market but no assurance for future production. The profits and benefits are narrowly distributed and often sideline the

poor. If potentialities are properly used, trade and globalization would reduce poverty substantially and gain legitimacy (Oxfam, 2004).

In the prevailing trade rules, labour interests are not reflected very much. Traditional trade theories suggest economic development will incorporate labour's welfare by its improved growth. This trickle-down mechanism is out dated; now growing evidence suggests that for gaining better output, better workforce is needed. A healthy, skilled, better workforce cannot be build in a day; investments, incentives, willingness all are required. Critics also argue that globalization and trade increase insecurity among workers. Millions of workers in the developing world lose formal jobs, to be replaced by casual and informal jobs, leading to workers having no rights. According to Singh and Zammit (2000) the current globalization process emphasizes free trade, free movement of capital and labour market flexibility. Labourers' dissatisfaction arises from free movement of capital and labour market flexibility which disadvantage labour and affect the establishment of labour rights. The most effective economic benefit produces from the efficient application of capital and labour. Brown, Deardorff and Stern (2002) compare the economic benefit with a pie. The objective of the WTO, the highest governing authority of trade should assist to make the pie as large as possible accomplished through the forces of competition in free markets that guide resources into their most productive uses. The important thing is to divide the pie among different groups such as capital and labour, developed and developing, rich and poor, men and women. Trade can positively influence labour rights if it addresses labourers' interest properly.

4.5 Implementing Labour Rights: Areas of Concern

Labour rights have always been a very controversial issue because they are at the centre of the clashes between strong economic, political and ideological interests (Marshall, 2005). The arguments are often complex and contradictory. There is a 'trust' gap between developed and developing countries. At one level there is the persisting belief in the North that low wage in developing countries provides an unfair competitiveness than higher wage of North. Such belief prevails among trade unions, sections of the business sector and governments of developed countries. They are trying to enforce labour standards in the south and believe labour standards would ensure respect for human rights and prevent a race to the bottom in the global labour standards. By comparison, some in poor countries think that compulsory labour standards through WTO are the protectionist and punitive measures of the developed countries. Though there is no denial that developing countries should establish labour rights for the well being of labourers and their families and by virtue of ILO membership they are committed to do so. But there is a widespread belief especially among the developing countries that WTO serves the interests of the rich countries and multinationals and its policies do little for the prosperity of poor countries (Singh and Zammit, 2000). Some proponents of labour rights enforcement say that ILO has no "teeth" and suggest incorporating labour rights in to the WTO somehow and apply WTO mechanism to investigate trade violations and labour rights violations as well (Brown, Deardorff and Stern, 2002). ILO's legitimacy over labour issues is far better than WTO. Many have argued that ILO is the right organization relied on principles of voluntary participation, transparency, tripartite social dialogue and capacity building to achieve its objectives and this relatively "soft" approach is the strength of the

organization, not its weakness.³³ Moreover critics propose that pulling out the WTO's teeth and substituting them for a variety of softer, non-trade distorting mechanisms will improve the WTO compliance system.

The United States is one of the main proponents of free trade, encouraging developing countries to liberalize trade but does not follow WTO rules and regulations. Kabeer (2004) cites the 2002 US farm bill which approved subsidies more than \$180 billion to US farmers. The subsidies lead unfair competition where developing countries' farmers lose out. However, WTO, World Bank and IMF did not do anything for the violations though they set conditions to undercut subsidies in poor countries. In terms of core labour standards, US ratified only two out of eight conventions and its record is one of the poorest in the world. There are many more examples which show double standards by developed countries who attempt to link labour standards with trade. There is no assurance that linking labour standards with trade ensures labour rights in poor countries. NGOs, researchers, academics claim that malpractice of labour standards would rather create humanitarian disasters in poor countries.

Salazar-Xirinachs (2004) makes arguments for the assessment of whether labour provisions should be included in trade agreements. At first, in the common sense argument the emphasis is that literally there can be a linkage as trade and labour are related issues. But he raises questions whether there should be an income distribution clause in trade agreements as trade and income distribution issues are also related. In economic arguments he mentions four basic sets of economic issues: the race to the bottom, the idea that to compete with countries where low-wages prevail is unfair competition, the notion that trade liberalization without harmonization of labour standards

³³ Salazar-Xirinachs, José M. (2004) Should there be enforceable international labor standards?

is bad for wage dispersion and income distribution in the North, and the concern about job dislocation and displacement produced by competing imports. The “race to the bottom” phenomenon is based on the assumption that in the absence of international coordination, countries may deliberately lower labour standards to attract FDI or to gain competitive advantage. The author cites results of study reports which show no direct evidence that support the positive correlation of export performance or FDI with low labour standards. The second issue is that low wage competition is unfair competition fails to address solid evidence. The relative factor endowments such as skilled labour force, living standards, technology, and productivity determine the level of wage. Low wage may be an important factor but it does not ensure better production. The third issue indicates the idea that increased trade with low-wage economies, has contributed to wage dispersion and income inequality in the North. The early 1980s counted a fall in real wages in US, two main factors were supposed to be the reasons, one is international competition from low wage countries and the other is skilled- based technological change that demanded skilled workers. Recent study concludes that skill-biased technological change was the major cause. The final economic issue is job dislocation or job displacement which may happen because of trade and shifting pattern of comparative advantage. The response for the impact should be trade adjustment assistance including income support, retraining programmes, and other safety net mechanisms. The concluding remark he makes as:

“... by far the biggest contribution that trade agreements can do to improve living conditions and reduce poverty in small and less developed countries, is precisely the additional trade, investment and growth opportunities it might create for the countries concerned. If the trade agreement does not provide sufficient additional access to the large country market or does not generate sufficient additional growth and prosperity, compliance with international labour standards will probably not improve much, irrespective of what kind of labour chapter you include in the agreement.”

ILO has been criticized by researchers, activists for its operations, critics argue that the prevailing ILO system cannot keep up with the pace of globalization and did not do much for the benefits of ordinary labourers. Efforts should be taken to build a system which fits with twenty-first century conditions. The twentieth century employment model which exists in ILO based on the employment pattern that typically characterizes highly unionized, full time, fixed enterprises, and male dominated workforce. The traditional employment pattern replaced by a model that distinguishes jobs that are dominated by informal nature rather than formal, encourages a workforce which is less homogenous, less unionized, part time, casual. Moreover, new job markets offer few realistic aspirations and largely overlook benefits and safeguards for the workers. Though ILO took some initiatives to address persisting problems such as “Decent Work Programme”, but it is not clear that how and to what extent the learning will be adopted by the supervisory and standard settings arrangements of the ILO. Compared to complexities, the type and level of the initiatives are very nominal and can incorporate limited number of labourers though potentialities are huge. Another criticism is that ILO is largely dominated by developed countries that design, formulate and implement its various activities across the globe. The Governing Body of ILO is overloaded by Western representatives and generally fails to understand the context of poor countries. The unique “Tripartite” system of ILO that integrate governments, entrepreneurs and labourers in a single platform is somehow questionable as it does not reflected by the accurate representations and industrial relations. The labour leaders especially in developing countries mismatch the ideal type of trade union system because of their relationship with political parties. They are not committed to serve the interest of the ordinary labourers; they are more interested to represent themselves as ideological symbols. More importantly, it is not clear how labourers of informal sectors and self-employed can be

incorporated. Assumptions are made by governments that they will create a counter-balance mechanism to secure national interests including workers. But public sector involvement is increasingly diminished and governments offer many more benefits to attract foreign investment. Often the private sector along with foreign investment ignores labour welfare. The third party, the employers concentrate business as a profit making source only. They do not care about good industrial relation; they hardly create any space where workers' voice can be heard. The traditional ILO system poorly regarded the MNEs and their obligations to cooperate in establishing labour rights. It is even difficult to locate which MNEs are involved where, the rising of outsourcing makes the situation more complex (Alston, 2005).

War on Want (2001) portrays a picture of the typical outsourcing business. For example a UK based retailer which decides to buy readymade cloths from a Hong Kong based supplier, then the supplier contracts with a South Korean company situated in Bangladesh, and the cloth came from Malaysia. In this production process, the original retailers will never see where the products are being made. The report reveals that a medium sized US retail company sources textiles from 13000 suppliers; on an average the suppliers use five sub-contractors, thus the retailer sources from roughly 78000 different suppliers. The main objective of the retailers and suppliers is to source production where it is the cheapest and selling finished products where they are most expensive. Profit making is the highest and to some extent the only priority; labourers' well being is not the part of business. Though MNEs set voluntary codes of conduct which is supposed to guarantee basic rights of workers but in reality codes of conduct only exist in documents, and are mostly absent in real life. Labour Behind the Label (2006) shows workers in poor countries producing for MNEs, living in abject poverty but very few companies take the issues seriously. Most MNEs make a commitment to pay a living wage in their codes of

conduct but in reality workers are very poorly paid. In the Bangladeshi context, the report says the living wage is £30 per month but workers are getting a minimum £7 per month. The report demonstrates that in 2006 the global garment workforce is more tired, underpaid and unable to reap the benefits of globalization than before. In 2005, ten thousand workers in global garment chains were dismissed because of trade union involvement. Almost no company promotes freedom of association in their supply chains; only a few recognized that freedom of association is one of the basic needs and can actually help them to fulfil their commitments on to workers' rights. The report emphasizes three areas: living wage, freedom of association, and monitoring of verification. A total 37 companies who claim they pay a living or "basic needs" wage, encourage trade union and monitor and verify codes of conducts, were investigated. Out of that 37 companies, 26 made some information available, 16 accepted the principle of a living wage, only four demonstrated that they have taken steps to establish the principles in practice, only four made credible steps to give workers the access to freedom of association, and only three allowed involvement of local trade unions and labour rights organizations in factory audits. Retail and brand companies often claim that it is very difficult to monitor labour standards in their long and supply chains. Monitoring and verification of labour standards should not be so critical because the companies already achieved technical, product safety, quality, and delivery standards through those chains. Oxfam (2004) suggests ending the five following purchasing practices that undermine labour standards in garment supply chains:

- changing and delaying samples without extending shipping deadlines, often resulting in excessive overtime and sub-contracting;
- withdrawing when labour-standard violations are discovered, instead of working with the producer to become compliant;
- switching frequently between producers, undermining their commitments to long-term progress on labour standards;

- sourcing through agents and mid-chain suppliers who do not provide information on producers and workers down the chain;
- demanding improvements in labour conditions from producers without making the adjustments to price or delivery time required to make it possible.

From the developing countries' perspectives, there are deficiencies to establish labour rights such as they lack national labour laws which integrate labour rights, very limited expertise and resources to implement and monitor labour rights, misconception that establishing labour rights is costly and will cut jobs and lessen trade opportunities. Most of the developing countries somehow put less attention on labour laws. All ILO member countries are obliged to respect labour standards and should include those labour standards in their national laws. Countries have legislations which literally provide benefits and rights to workers but in reality governments fail to enforce labour laws properly. Governments have labour inspection mechanisms that are supposed to monitor labour rights violations in different workplaces. In most cases monitoring of labour rights remains ineffective because of very limited resources and bureaucratic complexity or labour inspectors are part of the corrupt practice. Governments especially in poor countries formulate trade policies in a way that investors and MNEs will get many benefits if they invest in the host countries. Even there is a competition among governments who can offer investors more benefits. Governments face rising pressures from local and foreign investors, from trade agreements. There is empirical evidence that shows World Bank and IMF advices and conditions have led many governments to develop labour laws that prioritize companies and undermine workers' rights. The most common strategy governments follow is that gain competitiveness by cutting labour costs, making labour cheaper and more flexible. The strategy in turn raised job insecurity, awful working conditions, low wages, long working hours and overtime, violence and harassment, absence of trade unions (Oxfam, 2004). There are national and international

rules to protect intellectual property of owners and foreign investors but not the owners of the labour. Elliot and Freeman (2003) suggest if capital needs protection from potentially corrupt and voracious government officials thus labourers also need protection from insecurity, vulnerability and injustice.

Among the four Core labour standards, the elimination of child labour and freedom of association and collective bargaining are particularly controversial to implement in developing countries. In developing countries, working children from poorest families enter the labour market and earn hard cash which is necessary for the survival of their families. The prevailing safety nets hardly assist poor children and their families in developing countries. Children are usually left out of industrial works because they lack skill, experience; and also due to pressure from Northern countries to keep children outside workplaces. Most children are involved in informal sector jobs even some children are victims of drug trafficking and prostitution. Trade Unions in developing countries are quite different from developed countries. Organized labour can negotiate with employers to increase their powers regarding workers benefits in the workplace. Trade Union can also work as a platform which enhances togetherness among workers. Moreover, freedom of association can address all other labour standards and could create a mechanism to find out solutions in terms of workplace problems (Elliot and Freeman, 2003). Employers in many underdeveloped countries are reluctant to promote trade union, they repress trade union activities by any means. At the same time the environment largely ignores or overlooks ordinary labourers' interests. Trade unions became part of political parties and try to serve political interests rather than the oppressions and mistreatments faced by workers. Elliot and Freeman (2003) further argue that trade unions in under-developed countries at times behave as elitist, corrupt, rent seeking institutions and underpin growth prospect. Evidence shows that many industries especially SOEs in

LDCs closed down for the malpractice of trade unionism. Findings show that not only the trade union is the main problem; in those countries trade unions are part of the process where politicians, policy makers and firms are also rent seeking, elitists, corrupt. Singh and Zammit (2000) suggest that the development of freedom of association and collective bargaining depends on the structure of the economy. Advanced industrial countries could implement trade union rights because of their improved and growth and limited micro enterprises including subsistence agriculture and low reserve army of unskilled low-productivity labour. Even NICs such as South Korea, Taiwan repressed trade unions during the early phases of their economic boom notably in 1960s and 1970s. By the end of 1980s, South Korea and Taiwan promoted trade unions more than the USA. During that time union members constituted 40 per cent of the labour force in Taiwan and 17.2 per cent in South Korea, compared to 15 per cent in the US.

There is a misconception that labour standards undermine comparative advantage and cut jobs. There is no empirical evidence that suggests low labour standards enhance growth, lower labour costs or attract FDI. There is another misconception that advanced countries force to implement Northern countries' standards to LDCs by promoting core labour standards. The ILO allows broad flexibility in implementing core labour standards and that widely differs among advanced countries. The other standards are not uniform across countries; most of them can be implemented at a relatively low cost. MNEs can assist to implement the other standards by practicing their codes of conduct and governments can ensure benefits by enforcing their national labour standards particularly in the areas of health and safety. The most common complaints against working conditions in LDCs are: dark, crowded, hot, noisy workplaces; no emergency exits or fire extinguishers; inadequate or no time to go to the toilet; no canteen or place to sit; abusive supervision; below minimum-wage payments; absence of written contracts; compulsory

overtime; sexual and other forms of harassment of workers; and late or short wage payments. All the factors mentioned here are relatively less expensive and more importantly that are violations of domestic and international law. Nowadays, consumers are more aware, they do care about labour conditions. Good labour conditions can work as a marketing tool for both: the consumer and MNEs or local firms that want smooth business with a positive image and avoid instability (Elliot and Freeman, 2003).

Labour rights are recognized as human rights in the universal declaration of Human Rights. So from the point of human rights it is also necessary to implement labour rights. From the above discussion, it is clear that the prevailing systems can not establish labour rights properly. It is difficult to define roles and responsibilities of involved parties such as international organizations, MNEs, governments, local business entrepreneurs, trade organizations, and labourers in establishing effective labour rights. In this case, ILO can play major role by allocating different roles to different players and monitor how everyone is performing. ILO also needs to identify risks and create a mechanism which can mitigate those risks competently. Though ILO did and does all the things but the existing system however fails to address everything properly. ILO must design, develop and implement its activities in a coherent way which fits with the ever intensifying globalization process. The other parties should incorporate through their positive involvement in order to establish labour rights as well as human rights.

4.6 Sustaining the Readymade Garment Industry

Bangladesh has over a decade long experience in the global integration of its garment production. But the sustainability of the RMG industry remains questionable. The global garment industry offers opportunities to grow more and enjoy a handsome share in the world garment business. At the same time, Bangladesh poses increasing vulnerability as it fails to address threats and risks associated with global garment business. It is often argued that Bangladeshi RMG industry lacks labour productivity, its backward and forward linkage is weak, business environment is not conducive, its low infrastructure, and most importantly it frequently violates labour rights. The most common allegation against the industry is that it could not establish a formal sector arrangement which would allow sustainable livelihoods to the garment workers. Garment employers are likely to hold absolute power and informal mindset. Fewer jobs and abundant supply of labour pushes millions of workers to work in poor working conditions and continue unfavourable livelihoods. The ambiguous legal arrangements and its ineffective performance increase the insecurity where most of the time labourers are victimised without any particular reason. The public perception of garment factory owners is that they have been getting considerable incentives from government to establish themselves as successful businessmen but are reluctant to follow rules of law and share their profits to improve working conditions. Sometimes owners did take some initiatives because of international pressures (Kabeer and Mahmud, 2004). There are very few garment owners who are supportive of the benefits for workers. On the other hand, as workers feel they are being cheated by owners, they are uncomfortable and do not consider them important part of the business. The absence of effective collective organizations which can work for the workers rather than political gains has extended the frustrations among workers. A good industrial system has not yet been established in Bangladesh which promotes prudent working relationship between owners and workers.

The existing uncertainty about the global garment business is another reason which broadens vulnerability. The global trading system does not ensure market access especially for garment producers of poor countries. Rahman (2006) cites an example of a garment factory which adopted the “high-road”³⁴ strategy but eventually shut down its production. The garment factory “Bantai” started its journey in Bangladesh as a joint-venture between Bangladeshi and Taiwanese partners. Throughout 1990s, the garment factory was economically successful and implemented and maintained sound working practices by offering safe and healthy working conditions, economic stability and other social benefits. Bantai implemented employment-friendly management policies and welfare programmes such as a health project, a family planning advisory service, education service for workers’ children, a savings schemes, a fair priced shop and entertainment programmes. Due to the benefits, workers responded positively and resulting production was much better than other garment factories. Up to 2001, staff-turnover and absenteeism was considerably low. Moreover, workers were so positively involved that there was no strike, unrest in the factory. Bantai became vulnerable when its Taiwanese partner left Bangladesh as he thought Bangladesh would not survive after the phase-out of MFA quotas. In 2003, two-thirds of the workers had to quit their jobs as the company could not keep them. Buying orders declined substantially and in 2005 the factory shut down its all operations. Though the mutual gains significantly impacted on the company and its workers, the other factors such as global political economy, backward and forward linkages, trading rules and policies play key role in successful participation in the world market (Rahman, 2006: 7).

³⁴ The “high-road” strategy refers to high productivity and high wages reflected by high standard of living.

The pressure groups such as international organizations, NGOs, Trade Unions, consumer groups often argue that garment manufacturers in LDCs do not follow ethical work practices. On the other hand, garment entrepreneurs claim that ethical practice can be ensured if ethical price gained and they could follow “high-road” strategy rather than the traditional strategy which emphasizes price lowering competitiveness by downsizing wages. Garment products sell in developed countries’ retail shop does not mean that major share of the price goes to manufacturers’ hand. Rather middleman brokers and MNEs largely determine the market price and with a minor share enjoyed by manufacturers. Empirical evidence shows many garment manufacturers systematically deprived their workers but it is also evident that the actions and decisions of MNEs, middleman contractors, prevailing trading system compel millions of workers to live and work in absolute misery (Oxfam, 2004). Moreover, high tariffs imposed by developed countries often minimize profitability of LDC’s garment business. Bangladesh roughly pays tax of US \$ 480 million against \$3.3 billion exports in a year whereas it exports to UK market a total of \$ 5.4 billion and pays tax of \$ 500 million.³⁵ Nobel laureate Professor Muhammad Yunus participated in a public hearing in the American Senate in May 16, 2007 where he urged duty and quota free access of Bangladeshi products to USA. He claims that this market access would certainly contribute to the economic development and poverty reduction in Bangladesh which would ultimately reduce religious militancy.

The World Bank (2006) cites a comprehensive list of criteria that largely determine sourcing decisions of garment products which includes: social and environmental compliance, preferential trade agreements, pre-production assistance, transportation costs, political environment, strong relationships between buyers and

³⁵ The Daily Prothom Alo, May 18, 2007.

suppliers, trade regulations/barriers, raw material/fabric access and supply, vertical integration, service and flexibility, communication skills. Although Bangladesh has already achieved a global reputation in garment production, that does not ensure its successful future. In order to be successful and gain sustainability Bangladeshi RMG Industry needs to be more active and concentrate on strategic decisions that shape the certainty of competitiveness. In the following sections, the key factors of the sustainability of RMG industry are discussed.

4.6.1 Infrastructure

Bangladesh's infrastructure is one of the main impediments for smooth economic operations. The infrastructure facility that Bangladesh has is simply inadequate compared to other competitors such as China, Cambodia, Vietnam. Inadequate infrastructure can be measured by interrupted and problematic energy supplies, complicated telecommunication system, lengthy and troublesome port and custom services, and ineffective transport linkages. These obstacles increase production costs and undermine profitability of garment production. World Bank (2005) data shows that power cost for Bangladeshi garment production is US\$ 6.75 per kilowatt-hour which less than china US\$ 7.10, Sri Lanka US\$ 7.78 and India US\$ 8.33 but higher than Indonesia US\$ 3.75 and Pakistan US\$ 6.00. Garment factories in Bangladesh do not enjoy uninterrupted electric supply. Bangladesh failed to generate new electricity though demand soars. Load shedding is a daily experience and alternative sources such as gas and diesel fuelled generator costs several times higher price than the actual price of electricity. Moreover, government increased the price of fuel which further increased the cost of everything. From 2001 to 2006 the government raised fuel price nine times.³⁶ State run telecommunication is not easily available due to bureaucratic procedures, sometimes it

³⁶ The Daily Star June 09, 2006

takes more than six months to get a telephone connection but privately owned mobile operators minimize the problems substantially. People are relying more on mobile because of easier procedure, low cost and more importantly its portability.

Bangladesh's export competitiveness is hindered by time consuming and costly customs and administrative procedures (Gajewski and Riley 2006). Imports of raw materials and finished garment export are channelled through Chittagong Port. The port authority and its procedures are not favourable to business operations. Bangladesh is having the longest lead time³⁷ among the major garment exporting countries. Most of the countries' average lead time is 60 to 90 days, China holds the shortest lead time which is 45 to 60 days, whereas Bangladesh's lead time is 90 to 120 days. Only Cambodia's lead time is equal to Bangladesh. Buyers insist on shorter lead time as garment business is customer driven and usually relies on particular seasons. Thus Bangladesh's longer lead time reduces its competitive strength (World Bank, 2006). Gajewski and Riley (2006) cite that inefficient and frequent redundant customs and administrative processes, and inadequate infrastructure at Chittagong port cause delays that increase production costs. The management of the port is not updated; the port authority manually handled clearance process rather than technological support, a total 48 separate clearance endorsements were required which in turn were manipulated by corrupt port officials. The Chittagong port is regarded one of the most insecure, inefficient and costliest ports of the world. Recently some measures have been taken to improve port operations. The government introduced time bound custom clearance processing system that reduces time from 11.65 days to 4.48 days in April this year, the port authority claims that 98 percent documents assessed within the time frame. Moreover, corruption stopped and employees became disciplined. It has been estimated that efficiency of the port increased to 30 percent and 40 percent

cost reduced³⁸. The business community termed the improvement as revolutionary and thinks the gaining competence significantly advance the business performance. The government is expecting to save 550 million taka in a year from Chittagong port if progress continues. Another bottleneck is the transportation system. The Dhaka-Chittagong economic corridor accounts for 40 percent of the total GDP. A recent ADB assessment suggests that a multimodal transportation system combining road, rail, ports and inland water would increase foreign trade potential by 20 percent and add 1 percent GDP growth³⁹.

4.6.2 Business Environment

Business environment in Bangladesh is not favourable; widespread corruption, political instability, bureaucratic red tape, fragile law and order all hamper business. Bangladesh is one of the most corrupt countries in the world; though few people are responsible for the endemic corruption the whole country suffers. According to Transparency International, the Berlin based organization, Bangladesh rated five times as the most corrupted country in the world. Corruption compels toll on all types of business. Custom office, the single institution possibly imposes bribes twice on individual business, once at import and later at export. In this case, the cost of garment business is reasonably higher as import and export are part of business operations. There are many stages where bribing is a common practice. World Bank (2005) cites a survey where 60 percent of 1001 firms reported corruption is the main barrier on their business operations. Garment factory owners are getting duty exemption on import of equipments and raw materials and incentives for exporting but in some cases bribes on every channel are equal to or higher than the incentive even ironically businessmen have to pay bribe to get the incentive. It has been

³⁷ World Bank (2006) defines Lead time or turnaround time as the time it takes from the receipt of a confirmed order or LC to the delivery of the product to the buyer (page, 26).

³⁸ The Daily Star May 11, 2007

estimated that bribes raise cost of knitwear manufacturing equipments by 6-10 percent. Thus corruption actually makes Bangladeshi products less price-competitive in the global markets than its competitors. Government authorities are the most responsible parties for encouraging corruption but there are businessmen who are also involved in corruption. There are allegations that some garment owners are manipulating government incentives provided for garment export. Recently law enforcers seized garment accessories worth 30 million taka from three business enterprises who imported those garment accessories under duty-free arrangement despite the fact that they do not have garment factories⁴⁰. The accessories were planned to be sold at higher prices in local markets. Though the government is taking some initiatives against corruption, it will take long time and rigorous efforts to get rid of corruption on a large scale.

Doing business in Bangladesh is somehow burdensome. Doing Business in South Asia 2007 published by World Bank reveals that as a reformer Bangladesh holds a global ranking of 88 and 3rd in South Asian region. Starting a business in Bangladesh required a cost of 88 percent of income per capita which is highest in South Asia. However, Bangladesh has a moderate performance globally in the categories of dealing with licenses, employing workers, getting credit, paying taxes but its worst performance not only in regional standard as well as global standard in registering property and enforcing contracts. Registering a property requires 8 procedures and a total of 425 days and cost of 10.5 percent of the property value whereas the regional average cost is 5 percent. Enforcing a contract needs 50 procedures and a delay of 4 years. A typical commercial dispute accounts for 46 percent costs in legal charge. Bangladesh also positioned itself as a bad performer in trading across borders and it ranked 134th in the world. On an

³⁹ The Daily Star, May 19, 2007

⁴⁰ The Daily Star, March 30, 2007

average 16 documents and 57 days require for import while export requires 7 document and 35 days. From garment industries' points of view the procedure is time consuming and ineffective as garment business has to deal with both – import and export. However implementation of all those reforms is a far cry from reality; reforms exist only in documents but hardly practiced.

Politics in Bangladesh is often destructive than constructive. According to Economist Intelligence Unit (EIU), Bangladesh ranked 75th among 165 democracies and grouped in the category of “flawed democracy”. EIU also put Bangladesh on the negative list. Bangladesh's business environment is largely hampered by political disorders. Political disasters often put business in a state of frustration because political parties put less or no attention to promote business. Because of its confrontational political behaviour, Bangladesh is often regarded as a politically unstable country. Strike, blockade, demolition are common practices among political parties. Garment businesses are largely affected by the political catastrophes; strikes, blockade not only delay business activities but also increase production costs and created a negative image in the business world. The pressing need of Bangladesh is to keep business and economy outside political disturbances and ensure a sound political atmosphere for a sound economy.

4.6.3 Capacity Building

Bangladeshi RMG industry could achieve more if it has had a sound competency level. The much required education, skill, training is very limited in the garment sector. After being more than 25 years in garment production Bangladesh is still reliant on cheap labour cost. Though there are some value added products Bangladeshi garment produces, garment factories mainly supply low-end cheap products based on cutting and making (CM) or cutting, making and trimming (CMT). Kabeer and Mahmud (2004) indicate the stitching only operations as “zero-service operations”. Bangladesh has limited capacity in

terms of design, marketing and sales services and resulting impact is low productivity, low profit. In this case research can make a big difference but research activities are somehow neglected in Bangladesh. World Bank (2005) demonstrates that Bangladesh lags far behind its competitor countries in terms of innovation potential. Bangladesh spends 0.03 percent of its GDP on Research and Development whereas China and India both spend 0.7 percent of their GDP. Data shows numbers of researchers are 51 per million populations in Bangladesh; only Pakistan is close that counts 78 per million and India and China are more than five times and ten times higher respectively. Bangladesh has to increase Research and Development allocation and activities in order to be competent in the world markets. The World Bank (2006) suggests one of the important strategies of Bangladeshi garment industry is to establish Research base, as the report states:

“...a comprehensive research centre built on public-private partnership should be established. Its role would be to gather and disseminate information effectively to local manufacturers on the latest developments in products and markets, including information on fabric developments, blends, colours, patterns, latest fashion trends and design forecasting, as well as providing customer service to foreign buyers purchasing from Bangladesh.”

Apart from low education of garment workers, quality of education is also poor among personnel involved in garment production especially at the managerial level such as merchandizing, accounts, sales and marketing, human resource, production and quality control. There are educational institutes in Bangladesh that provide degrees in textile and manufacturing but wide gap persists as real life learning is not included in the education system. Only one specialized government institute, College of Textile and Technology,

offers bachelor degree⁴¹. The other private institutes provide degrees related to apparel and textile is not affordable because of their higher tuition fees. Moreover, these institutions lack quality teachers and instructors. Recently BGMEA Institute of Fashion and Technology (BIFT) launched a graduate level course recently and expected to educate 200 graduates annually who will work in mid-level management positions in Bangladeshi apparel units⁴². In this case China and India are prominent, both countries invested huge amount on design, technology, marketing as well as educating future professionals. Bangladesh needs to invest a handsome amounts and efforts on these things very immediately.

Training is another area where Bangladesh severely lags behind most of its competitors. Training facilities are not properly arranged by both public and private organizations, very few garment owners actually realize training will necessary for increasing productivity and better management. Different organizations arranged trainings on a sporadic basis but frequent trainings are necessary as garment is business fiercely competitive and require skilled labour force. Last year government allocated 200 million taka under the “Extension of Social Safety Net” programme and the objective was to develop the skills of garment employees through training facilities, but ironically the work plan for the utilization of that resource is not yet designed⁴³. Day by day technological concentration is increasing, the garment industry would have gained if the provided allotment was used. Labour productivity is essentially important in RMG industry. Rahman and Anwar (2006: 25) cite information of women workers working in global

⁴¹ College of Textile and Technology offers Bachelor of Science in Textile Technology with Major in Yarn Manufacturing Technology; Fabric Manufacturing Technology; Wet Processing Technology; and Garment Technology.

⁴² The graduate level course was initiated in Dhaka on February 20, 2007 with support from BGMEA Institute of Fashion & Technology (BIFT) and SouthAsia Enterprise Development Facility (SEDF).

⁴³ The Daily Prothom Alo, May 26, 2007.

garment chain. Among the countries, Germany holds the highest position as a benchmark of 100 productivity level whereas Bangladesh is in the lowest position and its labour productivity level is only 20; other countries' labour productivity level are as follows – Cambodia 25, Pakistan 30, India 40, Indonesia 50, Thailand 65, China 75, and Mexico 75. Though Bangladeshi RMG workers are getting lowest salary in the world but low wage does not compensate productivity; for example, wage level in China is higher as between 1.7 and 2.5 times than Bangladesh but the labour productivity level of Bangladesh is 3.75 lower compared to China. The government also lacks trained officials to negotiate with international trade. Bangladesh's international trade relations have been suffering badly for quite a long time due to poor negotiation skills and lack of expertise in related government agencies⁴⁴. Only three out of 30 officials who got training on WTO issues are working in a WTO cell. It is a waste of resource as the trained trade officials are transferred to somewhere else. Bangladesh needs a pool of trade experts who can maximize gains from regional and global trade. Only one official of trade cadre is working in Bangladesh Mission abroad, the remaining 18 posts are filled by officials of administrative cadre who have no or little knowledge over international trade. Like lower productivity, the RMG industry also has limited market access. Bangladesh could not ensure global market access, a total of 21 out of 44 Bangladesh missions abroad failed to achieve their respective export targets.

Low FDI is another obstacle of Bangladeshi garment industry. In Bangladesh, government restricted FDI in RMG industry, FDI is concentrated only in EPZ and less than 15 percent RMG firms have foreign equity. In 2005, government removed restriction on FDI but Bangladesh RMG industry certainly missed out certain benefits from the presence of FDI. Potentially FDI could bring much needed knowledge such as improved

⁴⁴ The Daily Star, March 06, 2007.

technology, better management, designing, marketing, networking and sourcing. World Bank (2005) reports that in Bangladesh RMG firms financed by FDI have on an average 20 percent higher productivity than domestic firms. Government provides cash incentives (5%) to increase capacity of local garment firms. Garment owners claim that government does not release cash incentive timely⁴⁵ which hampers day-to-day transactions, constraints investment (technology, training, etc) and ultimately restrict productivity.

4.6.4 Compliance Issues

Compliance is defined as code of conduct, specification and or standard that must be followed by business organizations. There are two types of compliance; one is technical compliance and the other is social compliance. Technical compliance includes work ergonomics, work organization, material storage and handling, house keeping, product integrity, etc. whereas social compliance contains working conditions, employment conditions, occupational safety and health, welfare facilities, industrial relations, ILO Conventions (i.e., child labour, forced labour, discrimination), building Code, environmental management system (EMS), human resources management, and so on. Compliance is a prerequisite to import garment products to foreign countries. Compliance issues are recognized by ILO and WTO mechanisms. However, there are allegations that developed countries are taking protectionist measures under the name of compliance. In recent times, compliance got much more attention and it has been established that compliance is beneficial for the labourers, industrial owners and the society as a whole. Moreover it has become a precondition for trade. At present buyers and retailers are insisting on assurance of compliance in garment factories. Indeed, compliance especially the social compliance is considered to be an important advantage as well as competitiveness. Rashid (2006) notes in the global apparel market technical and economic

⁴⁵ BKMEA urged the government to release cash incentive a worth of 7000 million taka immediately.

standards such as low cost, product quality, timely delivery are not the only competitiveness; competency also depends on social standards.

There is no clear understanding as how to implement and monitor compliance. The concerned government agencies are overloaded by their own responsibilities they cannot perform because of rigid structures. The government mentions compliance monitoring primarily security measures such as Fire Safety, Building Safety, Environment Safety, and Security matters safety. But government fails to recognize job security and economic security are the important issues. Written contracts, full-time contract, permanent status and social benefits are also part of compliance. These negligence pushed workers to the labour unrest happened in May, 2006. Though the government, garment owners and labourers formed a salary structure, they did not implement them in the whole garment industry. Only few garment factories pay the salary according to the structure. In this case, the government and garment owners are accused of poor implementation of the salary structure. Rabinwotz (2006) cites example of Cambodia where labour standard is much improved than Bangladesh. Cambodia started to develop its garment industry in the mid-1990s. Cambodian labourers' have the same level of productivity and the same lead time but its garment industry is obviously a role model for other countries. As Rabinwotz states:

The government, factory associations, labour unions and international institutions have all played an important role in improving wage rates and labour conditions in Cambodia in recent years. Labour unions are very active in the clothing sector and have acted as mediators between workers and factory owners to settle disputes and discuss wages. As a result the minimum wage was increased from \$27 to \$40 a month in 1997 and then to \$45 a month in 2000, and the government has also made progress in enforcing ILO core labour standards in clothing factories.

But the picture is somehow different in Bangladesh; the RMG just recently took some initiatives to be compliant. The government formed a social compliance forum (SCF) in 2005⁴⁶. The government constituted two taskforces: one is a taskforce on labour welfare in RMG and another is the taskforce on occupational safety in RMG. The government also formed a compliance monitoring cell (CMC) to ensure implementation of the compliance issues in the units of ready made garments (RMG) sector⁴⁷. Compliance is still a major problem in the RMG industry. CMC has a severe shortage of manpower, instead of minimum ten skilled staff, it has only two. Though CMC has enough funds, it started with 200 million taka and UNDP provided another US \$ 120000 to reinforce the monitoring body⁴⁸. The government should recruit additional staff and provide necessary trainings so that CMC can properly operate its day-to-day activities. Environmental issues are also included in compliance. The garment industry pollutes the environment on a large scale, especially water pollution by textile, dying and knit manufacturing units. The government has set a timeline of October, 2007 to install effluent treatment plants (ETPs) in factories and says it cannot compromise polluted environment and hazardous condition. Less than 25 percent garment units are compliant. However the very slow progress, BGMEA has set a roadmap to make the local garment units fully compliant within the next three years⁴⁹. It has been argued that low level of social compliance may threaten the existence of RMG industry. There is no way to overlook compliance issues as it is precondition for garment business, all the necessary steps should be taken with sincerity.

⁴⁶ Rashid (2006) says the problems related to labour standards would not be happened if the Forum created a long time ago.

⁴⁷ See Appendix E: Work plan of the Compliance Monitoring Cell (CMC)

⁴⁸ The Daily Star, January 18, 2007.

⁴⁹ The Daily Star, May 09, 2007

The main finding of this chapter is that globalization increases challenges in relation to labour rights implementation. Prevailing business model does not incorporate labourers' interest and ILO, WTO mechanisms fail to ensure labour rights in developing countries like Bangladesh. To gain much from global garment business Bangladesh should take initiatives to increase labour productivity, develop human resource, reduce the cost and hassle of doing business by removing administrative and regulatory constraints and effectively implement and monitor compliance.

Conclusion

The labour-intensive garment industry has been relocated from rich to poor countries. Developing countries welcomed the relocation process as they have abundant supply of unskilled labour and have opened up their economies and took policy measures to gain much from this global shifting. Besides the cheap labour global trading systems such as the Multi Fibre Agreement, Generalized System of Preferences paced the restructuring of garment business around the world. My thesis has addressed the significance of the RMG industry in Bangladesh's the national economy. It started its journey in the late 1970s when its export basket was largely dominated by raw jute and jute products. But gradually jute industry lost its international market. During that time RMG emerged as a saviour of the economy and established Bangladesh as one of the major suppliers of garment products in the global apparel markets. Private entrepreneurs along with government policy support and large quotas in developed countries' markets boosted the growth and expansion of the RMG industry. From the 1990s RMG industry emerged as the main export earning sector and throughout the decade it shared almost 75 percent of the total export. There was a prediction that after the abolition of MFA quota system in 2005, the industry could no longer survive but interestingly the growth of the RMG industry has expanded than before.

The success of the RMG industry eventually led to the development of the other industries in the country and most importantly the industry provided millions of jobs to poor women who had been largely outside of the labour market. Wage employment in the RMG industry significantly addressed the gender division of poverty. Previously poor women had very limited earning opportunity and their contribution remained unrecognized. By doing garment work those poor, unskilled women, who were confined to be a part of the invisible reserve army, made themselves economically productive. This

in turn challenged traditional patriarchal views and offered opportunities for empowerment. As a whole the RMG industry has largely influenced the direction of social change and development of Bangladesh.

However jobs in the RMG industry remain discriminatory in nature. It is evident that garment owners are getting considerable incentives and encouragement from the government but are reluctant to share those incentives and growing profits with garment workers. Labourers in the Bangladeshi RMG industry have been denied their legal rights; they do not have appointment letters, usually work long hours in poor working surroundings, and are victims of forced overtime and irregular monthly payments. Workers are barred from forming collective organizations and the termination without any logical reason occurs frequently. Most of the cases poor female garment workers are the victims of such violations of labour rights. The situation was so harsh that it led to the worst labour unrest in the history of Bangladesh. Though rights activists and researchers had previously raised concerns about the longstanding deprivation of the RMG workers, it was after the labour unrest in May, 2006 that it became prominent in society at large. The outburst gives a message that labour rights in Bangladesh are far behind acceptable levels.

Incorporation into the global market and intensification of globalization is a reality for developing countries such as Bangladesh. Unequal development continues at the global and local levels. While developing countries have limited power to redress the imbalances at the global level, national governments can effectively implement existing policies that address rights of workers. The future of the RMG industry is at a critical point as concerned authorities especially government and garment manufacturers are taking ineffective measures to establish labour rights in RMG industry. The condition could be improved if the government took effective initiatives and garment manufacturers

were really interested to establish labour rights in the RMG industry. However, the government, garment manufacturers and labour leaders came to the negotiation table and took some decisions such as setting a new salary-structure for the garment workers, implementing 10 points demands in the garment factories, formulating a new Labour Law. Labourers often claim that those decisions only exist in documents, but in practice are largely overlooked. Many people are concerned that there is a possibility of labour unrest if garment owners fail to enforce those decisions in the garment units.

There is a misconception among garment owners that implementing labour rights require huge investments and may act as a barrier for FDI. However, in this thesis I have documented the findings of researchers who show this to be incorrect. Moreover, labour rights can certainly promote a prudent industrial relation which encourages a conciliatory and relatively harmonious relation among the various parties involved in garment business. Nevertheless, the existing business system increases vulnerability for developing countries as it is largely determined by and has benefited developed countries and multi-national companies. Within the current framework the prevailing business mechanism can do little to effectively implement labour rights in developing countries. Empirical evidence also suggests that one of the core standards “Freedom of Association and Collective bargain” can address other labour standards appreciably but in Bangladesh’s case industrial owners are unwilling to promote Trade Union and existing collective organizations do not serve the interests of ordinary labour. Trade Unions need to minimise their party-political character and incorporate women’s issues in practice.

Labour rights are legitimate rights and that have been approved by Human Rights convention and also included in the WTO business mechanism. Implementing labour rights in the Bangladeshi RMG industry is not an easy task. There are lot more initiatives

required in addressing problems, planning and certainly in implementation. Here the stakeholders namely government, garment entrepreneurs, international organizations such as ILO, World Bank, WTO and national and international NGOs and trade unions need much more coordinated efforts to implement labour rights in RMG industry in Bangladesh. In this case, labour law can play a crucial role as it contains labour rights legally and has to be respected and followed by all the concerned bodies. Labour law is the most useful thing in implementing labour rights irrespective of region or country. Moreover, by virtue of ILO membership, a country has to incorporate labour standards in its national legislations.

Much progress would have been made on the issue of labour rights if Bangladesh paid more attention to the content and enforcement of legal arrangements. Bangladesh can fulfil its commitments to labour rights by formulating and implementing labour law in a rigorous way. The process Bangladesh applied in formulating recent labour laws is not proper because the process largely overlooked the perceptions and demands of the labourers. As the title of the law shows “Labour Law” it must incorporate views and interests of labour in the real life scenario. The government, garment manufacturers, labour leaders and law experts everyone realized that the new Labour Law has many negative effects and it can create undesirable impacts in the economy. There is an urgency for the establishment of labour rights in the economy as a whole. Immediate action should be taken to modify the Labour Law and if necessary formulate and enact a new Labour Law. Another important thing is the effective enforcement of Labour Law in industries. It has widely been recognized that Bangladesh lacks resource shortage on performing a sound labour inspection in its industries. Limited resources such as staff shortage, lack of trainings and skills of the labour inspectorate has made Bangladesh vulnerable in the establishment of labour interests. Current labour inspection system may work for small

industrial units but it will not be adequate for thousand garment factories and million of labours.

Poverty reduction is Bangladesh's main priority and in this aspect RMG industry has been playing a vital role by providing employment to poor women that positively affect livelihoods, savings, accumulation of assets, and investment in education of children. Thus growth of the garment production will incorporate many poor families and offer them a better living. The sustainability of the Bangladeshi garment industry depends on infrastructure development, capacity building, increased productivity, compliance issues, and effective negotiation skills in the world business system. Currently apparel market access to developed countries increasingly determined by labour rights establishment of the supplying countries and it also became an important factor in competitiveness in the global garment business. Bangladesh's RMG products may loose global markets if it fails to implement labour rights immediately as Vietnam, Cambodia and other countries already started extensive campaign to establish labour rights in their countries. Though there is a possibility to increase more RMG exports globally, but we should keep in mind that a fall in garment exports will definitely adversely affect the poverty situation as well as national growth. Bangladesh should take necessary steps to sustain the RMG industry and build an image by implementing labour rights which is one of the main preconditions for ensuring global market access. menu, and press Enter to receive a sample thesis with special instructions. After printing, re-open the thesis template, and follow the instructions of the printed sample.

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APPENDICES

Appendix A: Export Data

QUANTITY AND VALUE OF WOVEN AND KNIT EXPORT DURING 2005

VALUE IN MN. US\$, QUANTITY IN '000 DOZ

QUANTITY AND VALUE OF WOVEN AND KNIT EXPORT DURING 2006

VALUE IN MN. US\$, QUANTITY IN '000 DOZ

RESERVED FOR USE BY THE USER OF THE SOFTWARE. THE USER OF THE SOFTWARE SHALL BE RESPONSIBLE FOR OBTAINING NECESSARY PERMISSIONS FROM THE APPROPRIATE AUTHORITIES FOR THE REPRODUCTION AND DISTRIBUTION OF THE SOFTWARE.

Value and Quantity Of Total Apparel Export

Appendix B:
Bangladesh Industrial Map

Source: Banglapedia

Appendix C:

10 Point Memorandum of Understanding (MoU)

To mitigate the unrest in RMG industry, representatives of government, BGMEA and labour leaders signed a 10 point MoU on 12th June, 2006. Prior to the tripartite agreement, three other meetings were held on 24th May, 1st June and 4th June for setting the terms and conditions of the MoU.

Source: Compiled from The Daily Star and The Daily ProthomAlo, June 13, 2006.

Appendix D:

New Minimum Monthly Salary Structure

Minimum Monthly Salary for Workers

Minimum Monthly Salary for Employees

Source: Compiled from The Daily Star, October 06, 2006.

Appendix E:

Work plan of the Compliance Monitoring Cell (CMC)

Sl. No :						
1	2	3	4	5	6	7
01.						
02.						
03.						
04.						
05.						

1	2	3	4	5	6	7
06.						
07.						
08.						

Source: Export Promotion Bureau (EPB), available at www.epb.gov.bd/PDF/CMC/Annex%20C.doc