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A study on labour rights implementation in readymade garment (RMG) industry in Bangladesh: Bridging the gap between theory and practice

M. Monjur Morshed
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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

TABLE OF CONTENTS

THESIS CERTIFICATION	I
TABLE OF CONTENTS	II
LIST OF TABLES AND FIGURES	IV
ABBREVIATIONS AND ACRONYMS	V
ABSTRACT	VII
ACKNOWLEDGEMENTS	VIII
INTRODUCTION	1- 5
Background	1
Aims and Objective of the Research	3
Methodology	4
Structure of the Thesis	5
CHAPTER 1: GLOBAL RELOCATION AND RISING OF BANGLADESHI RMG INDUSTRY	6 - 44
1.1 Overview of the Garment Industry	6
1.2 Shift and Relocation of Global Garment Production	11
1.3 Features of the Migration and Expansion of Global RMG Chain	15
1.4 Overview of The Bangladeshi Economy	20
1.5 Growth of the Readymade Garment Industry in Bangladesh	22
1.7 Structure, Production and Employment Pattern of the RMG	39
1.8 Growth of Other Sectors as a Result of RMG Growth	43
CHAPTER 2: LABOUR MARKET AND FEMALE GARMENT WORKERS IN BANGLADESH	45 – 78
2.1 Overview of Labour Market Scenario in Bangladesh	45
2.2.1 Migratory Status	54
2.2.2 Age	56
2.2.3 Education	58
2.2.4 Marital Status	59
2.2.5 Housing and Living Conditions	60
2.2.6 Gender Segregated Occupation and Economic Status	62
2.3 Positive Impacts of Female Garment Workers' Employment	64
2.4 Negative Impacts	69
2.5 Positioning in a Transit Society	76

2.6 Female Garment Workers' Representation in Collective Organizations	77
CHAPTER 3: LABOUR RIGHTS IN RMG INDUSTRY IN BANGLADESH	79-126
3.1 A Brief History of International Labour Standards	80
3.2 Labour Standards in RMG Industry	84
3.3 Multinational Enterprises and Labour Rights	110
3.4 Recent Labour Unrest in Garment Industry	114
3.5 Labour Law in Bangladesh	120
CHAPTER 4: GLOBALIZATION, LABOUR RIGHTS AND SUSTAINABILITY OF BANGLADESHI RMG INDUSTRY	126 - 176
4.1 Conceptualizing Globalization and Trade Liberalization	126
4.2 Trade Liberalization in Bangladesh	131
4.3 Effects of Globalization on Bangladesh Economy	136
4.4 Globalization, Trade and Labour Rights	144
4.5 Implementing Labour Rights: Areas of Concern	152
4.6 Sustaining the RMG Industry	162
CONCLUSION	177
BIBLIOGRAPHY	182
APPENDICES	187

List of Tables and Figures

Table 1.1: Comparative Statement on Export of RMG and Total Export	26
Table 1.2: Labour cost in RMG sector in selected countries	34
Table 1.3: Region-wise Share of RMG Export	42
Table 2.1 Indicators of Labour and Manpower Sector	47
Table 2.2 Labour Force Participation Rate in Bangladesh: 1991 to 2003	48
Table 2.3 Growth rates of Labour force, Employment & Unemployment in 2003	49
Table 2.4 Population by Economic Category, Sex and Residence	50
Table 2.5: Occupational, Social & Residential Insecurity among Garment Worker	71
Table 3.1: Ratifications of the Fundamental Human Rights Conventions by Bangladesh	86
Table 4.1: Bangladesh Policy Regime Summary 1972-2002	134
Figure 1.1: Trend of Back-to-Back Import	44
Figure 2.1: Sex segregation in Bangladesh garment factories	62
Figure 3.1: Construction of the Labour Standard	83

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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I would like to thank my supervisors Dr. Tim Scrase and Dr. Ruchira Ganguly-Scrase for their guidance and inspiration. Without your great support I could not have done whatever I have done. You will remain in my mind forever.

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.