

**Report on**

**Problems and Prospects of Garments Sector in Bangladesh  
--An overview in the context of recent global Recession**

**COURSE:BUS-498**

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## Letter of Transmittal

30, December 2009

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**Dear Sir,**

It is my pleasure to submit this project which titled is **Problems and Prospects of Garments Sector in Bangladesh-An overview in the context of recent global Recession** that has been prepared as an integral part of BBA requirement I have tried my best to follow the ideal model in preparing this project

In this topic this is very important to find out the real prospect and problems of the Garments Sector and compare the global recession how much affected in our RMG sector. As a result; I got the opportunity to prepare project on the above topic. While preparing this report I read many journal, Article and research paper. It was a great learning experience for me.

However, I still hope that my **humble endeavor** of some concrete worth to you. I shall be pleased to provide further information on this project whenever necessary.

I hope you would find this paper up to your expectation. I would be grateful to receive your suggestions and comments regarding this.

Thanking you,  
MD. Golam Kibria

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## Executive summary

Emergence of the global market has heightened the role of trade in world economy and made industrialization as an integral system of global trade and production. Bangladesh economy at present is more globally integrated than at any time in the past. The MFA phase-out will lead to **more** efficient global realignments of the textile and clothing industry. After the introduction of Agreement on Textile and Clothing (ATC), the RMG industry of Bangladesh is facing new and unique challenges. The phase out was expected to have a negative impact on the economy of Bangladesh. But recent data reveals that Bangladesh absorbed the shock successfully and indeed RMG exports grew significantly. Due to a number of steps taken by the industry (e.g., successful in diversifying products and markets, increased backward integration, high level of investment, and supportive policy regime), Bangladesh still remains competitive in RMG exports even in this post phase-out period. But much more needs to be done (e.g., removal of structural impediments, establishment of training and research institute, sharing of knowledge and technology) in order to maintain the competitiveness in the RMG market.

## Abstract

The phase-out of the quota is likely to have particular significance for the export of Bangladesh apparels to the US market. (Multi fiber arrangement)MFA's impacts are not much related to a question of our \$2 billion exports to the USA; or the \$5 billion worth of exports made by Bangladesh globally. Rather, it is a question of how Bangladesh's entire economy will be affected by the issue of quota phase out. RMG exports constitute about 75% of Bangladesh's annual export and provide direct employment to 1.5 million females and indirectly an additional 8 to 10 million people. The global clothing trade is evolving on a continuous basis and that the phase out of quota restrictions and forming of trade blocs has become a reality. Moreover, Bangladesh is convulsed by fierce class struggles, centered on the country's garment industry. Many tens of thousands of workers have gone on strike, blocked roads, attacked factories and other buildings, demonstrated, fought the police and rioted in the streets. Every day comes news of fresh strikes in a variety of industries —mainly the ready-made garment (RMG) sector, but also mill workers, river transport workers, rail workers, journalists, lecturers and teachers. The revolt began on 20 May2007 with garment workers' strikes in the Bangladeshi capital Dhaka — beginning in a small number of factories over issues including the arrest of worker activists and non-payment of wages. By 23 May2007 this struggle had been generalized, with action at a much larger number of factories and demonstrations across the city. A massive army and police presence around garment factories, in some cases completely blockading and creating check points for entry to Export Processing Zones, temporarily calmed things; but strikes continued to take place at numerous factories, leading to solidarity strikes from nearby workplaces and semi-spontaneous demonstrations.



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## Chapter – 1

# Introduction & Over View of Garments Industry



## **1.1-Title:**

Problems and Prospects of Garments Sector in Bangladesh -An overview in the context of recent global Recession

## **1.2-Report objectives:**

Identify the Prospects and Problems of Garments Sector in Bangladesh -An overview in the context of recent global Recession. When Problem is identified after that I find out some solutions of the problems. Garment Industry large-scale production of readymade garments (RMG) in organized factories is a relatively new phenomenon in Bangladesh. Until early sixties, individual tailors made garments as per specifications provided by individual customers who supplied the fabrics. The domestic market for readymade garment, excepting children wears and men's knit underwear was virtually non-existent in Bangladesh until the sixties. So I will try to find out the facts that will be helpful to the women and children.

There are many type of problem in RMG sector-

1. Order problem. Now are getting few orders and it is a major problem now a day. I try to find out why we get less order.
2. Employee satisfaction: Now a day employee says they are not satisfied, so I try to find out why they are not satisfied.
3. Environment problem: Many garments have this problem. Environment means working environment. Much employee work in unclean, danger and small area. It is very bad for there physical health and mental health

### **1.3-Scope:**

This research has taken into account the RMG industry of Bangladesh. The role of the RMG sector in our national economy can hardly be over-emphasized. There has been a steady development in our RMG export field during at least the last decade and a half but in the last few years it has been unique. The export of RMG recorded an average growth of 21.53% since 1994-95, which grew to 76.05% by the year 1999. (INTERNET)

### **1.4-Limitations:**

I have tried to collect detailed information about Prospects and Problems of Garments Sector in Bangladesh -An overview in the context of recent global Recession. The garment industry has played a pioneering role sector in Bangladesh. But still I believe that there is some lacking in my collected information which I gathered from the website and other sources were not easy to get relevant information. In spite of the difficulties I have kept no stone untouched to make the report as much informative and analytical as possible. Data unavailability was the biggest obstacle to this research. . If I can visit more and more garments and collect real life problem than I can make the research successful. But it is very difficult for me because for this I need more time and money. Many garments are not allowed for interview.



## **1.5-Methodology:**

This research is exploratory in nature. Mainly I prefer secondary source of information has been used to finish this study. After collecting the information I will analyze all the information and entered to the computer to find out real situation of the RMG sector of Bangladesh how much affected in the context of recent global Recession.

1. Primary data: From garments I collect those data by taken interview.
2. secondary data: From website newspaper and book Ii will collect those data

## **1.6-Outcome:**

I have prepared this project on one of the most prominent sectors of Bangladesh .This is the garments Sector which has a huge contribution in our economy. Here I am trying to find out the Prospects and Problems of Garments Sector in Bangladesh -An overview in the context of recent global Recession. The garment industry has played a pioneering role in the development of industrial sector of Bangladesh. Though it took a rather late start i.e., in 1976 but it soon established its reputation in the world market within a short span of time. Recently garment products are now one of the main export items of the country. Besides, enriching the country's economy it has played a very important role in decreasing unemployment. At present there are more than two thousand four hundred garment factories in the country employing more than 18 lack labors. 85 percent of the labor force is women.

## **Over View of Garments Industry:**

Industry Large-scale production of readymade garments (RMG) in organized factories is a relatively new phenomenon in Bangladesh. Until early sixties, individual tailors made garments as per specifications provided by individual customers who supplied the fabrics- The domestic market for readymade garment, excepting children wears and men's knit underwear was virtually non-existent in Bangladesh until the sixties. Since the late 1970s, the RMG industry started developing in Bangladesh primarily as an export-oriented industry although; the domestic market for RMG has been increasing fast due to increase in personal disposable income and change in life style. The sector rapidly

attained high importance in terms of employment, foreign exchange earnings and its contribution to GDP. In 1999, the industry employed directly more than 1.4 million workers, about 80% of whom were female. With the growth of RMG industry, linkage industries supplying fabrics, yarns, accessories, packaging materials, etc. have also expanded. In addition, demand for services like transportation, banking, shipping and insurance has increased. All these have created additional employment. The total indirect employment created by the RMG industry in Bangladesh is estimated to be some 200,000 workers. In addition to its economic contribution; the expansion of the RMG industry has caused noticeable social changes by bringing more than 1.12 million women into labor force. The economic empowerment of these working girls/women has changed their status in the family. The attractive opportunity of employment has changed the traditional patriarchal hegemony of the fathers, brothers and husbands. Most working women/girls can now choose when to get married or become mothers. The number of early MARRIAGES is decreasing; so is the birth rate; and the working girls tend to send their little brothers and sisters to school, as a result, the literacy rate is increasing. They can participate in family decision-making. Most importantly, the growth of RMG sector produced a group of entrepreneurs who have created a strong private sector. Of these entrepreneurs, a sizeable number is female. A woman entrepreneur established one of the oldest export-oriented garment factories, the Baishakhi Garment in 1977. Many women hold top executive positions in RMG industry. The RMG industry is highly dependent on imported raw materials and accessories because Bangladesh does not have enough capacity to produce export quality fabrics and accessories. About 90% of woven fabrics and 60% of knit fabrics are imported to make garments for export.

The industry is based primarily on sub-contracting, under which Bangladeshi entrepreneurs work as sub-contractors of foreign buyers. It has grown by responding to orders placed by foreign buyers on C-M (Cut and Make) basis. During its early years, the buyers supplied all the fabrics and accessories or recommended the sources of supply from which Bangladeshi sub-contractors were required to import the fabrics.

However, situation has improved. At present, there are many large firms, which do their own sourcing. The hundred percent export-oriented RMG industry experienced phenomenal growth during the last 15 or so years. In 1978, there were only 9 export-

oriented garment manufacturing units, which generated export earnings of hardly one million dollar. Some of these units were very small and produced garments for both domestic and export markets. Four such small and old units were Reaz Garments, Paris Garments, Jewel Garments and Baishakhi Garments. Reaz Garments, the pioneer, was established in 1960 as a small tailoring outfit, named Reaz Store in DHAKA. It served only domestic markets for about 15 years. In 1973 it changed its name to M/s Reaz Garments Ltd. and expanded its operations into export market by selling 10,000 pieces of men's shirts worth French Franc 13 million to a Paris-based firm in 1978. It was the first direct exporter of garments from Bangladesh. Desh Garments Ltd, the first non-equity joint-venture in the garment industry was established in 1979. Desh had technical and marketing collaboration with Daewoo Corporation of South Korea. It was also the first hundred percent export-oriented company. It had about 120 operators including 3 women trained in South Korea, and with these trained workers it started its production in early 1980. Another South Korean Firm, Young ones Corporation formed the first equity joint-venture garment factory with a Bangladeshi firm, Trexim Ltd. in 1980. Bangladeshi partners contributed 51% of the equity of the new firm, named Young ones Bangladesh. It exported its first consignment of padded and non-padded jackets to Sweden in December 1980. Within a short period, Bangladeshi entrepreneurs got familiar with the world apparel markets and marketing. They acquired the expertise of mobilizing resources to export-oriented RMG industries. Foreign buyers found Bangladesh an increasingly attractive sourcing place. To take advantage of this cheap source, foreign buyers extended, in many cases, suppliers' credit under special arrangements. In some cases, local banks provided part of the equity capital. The problem of working capital was greatly solved with the introduction of back-to-back letter of credit, which also facilitated import of quality fabric, the basic raw material of the industry. The government assigned high priority to the development of RMG industry.

Till the end of 1982, there were only 47 garment manufacturing units. The breakthrough occurred in 1984-85, when the number of garment factories increased to 587. The number of RMG factories shot up to around 2,900 in 1999. Bangladesh is now one of the 12 largest apparel exporters of the world, the sixth largest supplier in the US market and

the fifth largest supplier of T-shirts in the EU market. The industry has grown during the 1990s roughly at the rate of 22%. In the past, until 1980, jute and jute goods topped the list of merchandises exported from Bangladesh and contributed more than 50% of the total export earnings. By late 1980s, RMG exports replaced jute and jute goods and became the number one in terms of exports. In 1983-84, RMG exports earned only \$0.9 billion, which was 3.89% of the total export earnings of Bangladesh. In 1998-99, the Export earnings of the RMG sector were \$5.51 billion, which was 75.67% of the total export earnings of the country. The net foreign exchange earnings were, however, only about 30% of the figures quoted above because approximately 70% of foreign exchanges earned were spent in importing the raw materials and accessories to produce the garments exported. Both external and internal factors contributed to the phenomenal growth of RMG sector. One external factor was the application of the GATT-approved Multi fiber Arrangement (MFA) that accelerated international relocation of garment production. Under MFA, large importers of RMG like USA and Canada imposed quota restrictions, which limited export of apparels from countries like Hong Kong, South Korea, Singapore, Taiwan, Thailand, Malaysia, Indonesia, Sri Lanka and India to USA and Canada. On the other hand, application of MFA worked as a blessing for Bangladesh. As a least developed country, Bangladesh received preferential treatment from the USA and European Union (EU). Initially Bangladesh was granted quota-free status. To maintain competitive edge in the world markets, the traditionally large suppliers/producers of apparels followed a strategy of relocating RMG factories in countries, which were free from quota restrictions and at the same time had enough trainable cheap labor.

They found Bangladesh as a promising country. So RMG industry grew in Bangladesh. By 1985, Bangladesh emerged as a strong apparel supplier and became a powerful competitor for traditional suppliers in the US, Canadian and European markets. Since 1986, Bangladesh has been increasingly subjected to quota restrictions by USA and Canada. RMG industry suffered setback in a number of countries in the 1980s. Some countries had internal problems, for example, Sri Lanka; and some other countries of Southeast Asia experienced rapid increase in labor cost. Buyers looked for alternative sources. Bangladesh was an ideal one as it had both cheap labor and large export quotas. The EU continued to grant Bangladesh quota-free status and GSP privileges. In addition,

USA and Canada allocated substantially large quotas to Bangladesh. These privileges guaranteed Bangladesh assured markets for its garments in USA, Canada and EU. The domestic factor that contributed to the growth of RMG industry was the comparative advantage Bangladesh enjoyed in garment production because of low labor cost and availability of almost unlimited number of trainable cheap labor.

The domestic policies of the government contributed to the rapid growth of this sector. The government provided various kinds of incentives such as duty-free import of fabrics under back-to-back L/C, bonded warehouse facilities, concessionary rates of interest, cash export incentive, export processing zone facilities, etc. The government also took a number of pragmatic steps to streamline export-import formalities. There are several weaknesses of the RMG industry of Bangladesh. Labor productivity in the RMG sector of Bangladesh is lower than many of its competitors. Bangladeshi workers are not as efficient as those of Hong Kong, South Korea and some other countries and in most factories, technologies used are not the latest. In addition to the fact that the industry is vulnerable because it is highly dependent on the imported raw materials, the infrastructure in the country is deplorably underdeveloped. Problems in power supply, transportation and communication create serious bottlenecks. Inadequate port facilities result in frequent port congestion, which delays shipment. All these increase the lead-time to process an order, i.e. the time from the date of receiving an order to the date of shipment. The application of MFA had negative impact on many garments exporting countries. The countries, which were adversely affected by quotas under MFA, created pressure to discontinue MFA by integrating textile and clothing industries into GATT system.

As a result, the Uruguay Round negotiations envisaged the phasing out of MFA by the end of 2004. With the phasing out of MFA, the position of Bangladesh in the world market will change as all countries including those under quota restrictions, will enjoy quota free status. Bangladesh will have to compete with a larger number of established and powerful suppliers of readymade garments

## **Chapter – 2**

### **Challenge of Globalization & global recession**

## **2.1-Bangladesh Faces the Challenge of Globalization:**

Bangladesh faces the challenge of achieving accelerated economic growth and alleviating the massive poverty that afflicts nearly two-fifths of its 135 million people. To meet this challenge, market-oriented liberalizing policy reforms were initiated in the mid-1980s and were pursued much more vigorously in the 1990s. These reforms were particularly aimed at moving towards an open economic regime and integrating with the global economy.

During the 1990s, notable progress was made in economic performance. Along with maintaining economic stabilization with a significantly reduced and declining dependence on foreign aid, the economy appeared to begin a transition from stabilization to growth. The average annual growth in per capita income had steadily accelerated from about 1.6 per cent per annum in the first half of the 1980s to 3.6 percent by the latter half of the 1990s. This improved performance owed itself both to a slowdown in population growth and a sustained increase in the rate of GDP growth, which averaged 5.2 percent annually during the second half of the 1990s. During this time, progress in the human development indicators was even more impressive. Bangladesh was in fact among the top performing countries in the 1990s, when measured by its improvement in the Human Development Index (HDI) as estimated by the United Nations Development Project (UNDP). In terms of the increase in the value of HDI between 1990 and 2001, Bangladesh is surpassed only by China and Cape Verde.

While most low-income countries depend largely on the export of primary commodities, Bangladesh has made the transition from being primarily a jute-exporting country to a garment-exporting one. This transition has been dictated by the country's resource endowment, characterized by extreme land scarcity and a very high population density, making economic growth dependent on the export of labor-intensive manufactures.

In the wake of the 2001 global recession, Bangladesh's reliance on foreign countries as a market for exports and as a source of remittances has become obvious. If Bangladesh is to become less vulnerable to the economic fortunes of others, it will need to strengthen its domestic economy, creating jobs and markets at home. A strong domestic sector and an improved overall investment environment will provide a more stable source of income -

like what the garment industry has provided so far - and will rekindle and sustain Bangladesh's economic growth.

## **2.2-Global financial crisis Likely impact on Bangladesh:**

The stock price plunge and severe credit crunch we are watching today in global financial markets are byproducts of the developments in the US six years ago. In late 2001, fears of global terror attacks after 9/11 shook an already struggling US economy, one that was just beginning to come out of the recession induced by the bursting of the dotcom bubble of late 1990s.

In response, during 2001, the Federal Reserve, the US central bank, began cutting interest rates dramatically to encourage borrowing, which spurred both consumption and investment spending. As lower interest rates worked their way into the economy, the real estate market began to get itself into frenzy. The number of homes sold and the prices they sold for increased dramatically, beginning in 2002. At the time, the rate on a 30-year fixed rate mortgage was at the lowest levels seen in nearly 40 years. Supreme and similar mortgage originations in the US rose from less than 8 percent of all mortgages in 2003 to over 20 percent in 2006. The crisis began with the bursting of the US housing bubble and high default rates on supreme and adjustable rate mortgages, beginning in approximately 2005-2006. For a number of years prior to that, declining lending standards, an increase in loan incentives such as easy initial terms, and a long-term trend of rising housing prices had encouraged borrowers to assume difficult mortgages in the belief they would be able to quickly refinance at more favorable terms. However, once interest rates began to rise and housing prices started to drop in 2006-2007 in many parts of the US, refinancing became more difficult. Default and foreclosure activity increased dramatically as easy initial terms expired, home prices failed to go up as anticipated, and adjustable rate mortgage interest rates reset higher. Foreclosures accelerated in the United States in late 2006 and triggered a global financial crisis through 2007 and 2008. Initially the companies affected were those directly involved in home construction and mortgage lending.



The crisis is still unfolding. There remains great uncertainty as to the depth and severity of the crisis as well as its impact on the real sectors (so called main streets) in US and Europe. This makes it difficult to assess clearly how it will impact Bangladesh. However, overall, there is absolutely no reason to panic. Bangladesh is relatively insulated from the financial side, but vulnerable to potential global economic slowdown, particularly in the US and EU. The foreign exchange reserves of Bangladesh Bank and commercial banks have limited exposure to the securities markets and banking system risk in the US and EU. Foreign capital flows are largely in the form of concessional official lending. FDI and foreign portfolio investments are small. However, Bangladesh's economy relies heavily on garment exports. This is where the main risk lies. Remittances may also be vulnerable. On the positive side, import payments may be favorably affected as a result of declining commodity prices, particularly oil and food. The export sector is potentially the most vulnerable in Bangladesh since it depends heavily on US and EU economies. The readymade garment (RMG) industry accounts for over three quarters of export earnings and depends almost entirely on US and EU markets. There is growing concern that a deep and prolonged recession in the US and EU may reduce consumer spending significantly across the board, thus undermining the demand for Bangladeshi exports. BGMEA and BKMEA have indicated that growth in export orders was slow in the first quarter of FY08. IMF has projected that income growth in Bangladesh's export markets will decline from 1.5 percent in 2008 to 0.5 percent in 2009. If this happens, consumer spending will decline.

Although demand for Bangladesh's exports is not too sensitive to income, export prices may decline and this could have significant effects on our export earnings even if export volumes remain largely unaffected. There is unlikely to be any direct immediate impact on remittances. Remittances in Bangladesh proved to be resilient during previous financial crises in the world. The bulk (over 60 percent) of Bangladesh's remittances come from the Middle East, and less than one-third come from the US, UK and Germany. Strong remittance growth (44 percent) has continued in the first quarter of FY09. However, if a deep and protracted recession ensues in the US and EU, then the Middle-Eastern economies are likely to be adversely affected. Stock markets in important Middle-Eastern economies have already started to crash. Even if the current nearly \$8

billion level of remittances are sustained it would be challenging to maintain its growth momentum since 2001 if the world economy remains depressed for an extended period. Official aid flows may take a hit. Governments in rich donor countries are doling out massive amounts to rescue their domestic financial institutions. They may look for savings from other sources to finance these bailouts. Foreign aid budget is relatively easy to cut since the foreign aid recipients do not count as their voters. Import is probably the one channel through which Bangladesh may benefit. Import payments in August have reportedly been US\$531 million lower than import payments in July. This decline in import payments is mainly due to the fall in prices of petroleum products, wheat and edible oil. Record high oil prices last year raised import payments to over US\$20 billion in FY08, compared to slightly over US\$15 billion in payments in FY07. The gains on account of reduced import payments can be sizable.

While mindful of the risks, early indications in FY09 are that the economy is on track to achieving the 6.5 percent growth projected by the government. Agricultural production outlook so far looks very good, export growth in July was exceptionally strong (71 percent), and service sector growth should maintain its recent growth trend. Bangladesh's remarkable resilience so far to this ongoing global financial crisis and slowing growth in high-income countries is in large part because of the country's relative insulation from international capital markets and the negligible role played by foreign portfolio investors in the country. This resilience also derives from sound policy framework and macroeconomic fundamentals. However, investor psychology is much less insulated than the capital market itself, as demonstrated by the sudden increase in volatility in Dhaka and Chittagong Stock Exchanges last Sunday (October 12). Policy makers have to make sure that markets do not panic by continuously providing evidence on the economy's resilience in various sectors. They must proactively monitor the channels through which the global financial turmoil may start creeping into the Bangladesh economy and take appropriate mitigation measures. Market interventions aimed at depreciating the currency will dilute through declining international commodity prices to domestic prices and, consequently, undermine the objective of reducing inflation from its current double-digit level. For Bangladesh a more momentous shock over the past couple of years has been the soaring price of commodities, which some have also blamed on financial speculation.

The food-price spike in late 2007 and early 2008 caused havoc to the lives of the poor and middle-income groups. In response, the government extended its reach by increasing subsidies and expanding safety nets. FY09 budget has already built-in an expansionary stance to continue providing support to the poor so that they can afford to pay the high food prices.

### **2.3-RMG breezes in the year of 2008:**

Bangladesh's ready-made garment (RMG) business was well in 2008, although some national and international anti-business issues marked the year as a turbulent one. However, on the onset of the year, the country was faced with a severe competition in the global RMG market when the safeguard measures imposed by EU on Chinese market lapsed. Earlier, the EU and US imposed a safeguard measure on the Chinese products on the first day of 2005 when the multi-fiber arrangement came to an end and the real global competition started. And the embargo on Chinese exports to the USA market expired yesterday.

Meanwhile, the local garment manufacturers and exporters faced severe labor unrest from January 10 of the same year. A number of factories in the city's Mirpur area came under attack by the infuriated workers at that time. Soon after the labor unrest subsided, the hardship that faced by the RMG workers in the wake of soaring prices of basic commodities came to the fore. To cope with the situation, garment owners started selling rice and few other essentials to their workers at subsidized rate. High yarn price also turned a burning issue for RMG makers in the immediate past year. Since March, the price of this raw material for RMG products started climbing and it reached US\$3.0 per kg from its previous rate of \$2.30. When the local manufacturers were doing very well despite some hurdles in the local and international markets, the government was creating pressure on them for gas rationing in their respective factories, but later it backtracked from implementing such a plan in April. The manufacturers also opted for a lean manufacturing system from mid-2008 to offset their overall expenditure because of the cost of production increased by more than 16 percent on higher transport and petroleum costs, frequent outage of power, implementation of minimum wages for workers and the exorbitant prices of foods. And, in a bid to disseminate knowledge on compliance issues,

many garment factory owners staged motivational dramas on their factory premises during June-August period. A good opportunity came for the Bangladeshi manufacturers when the Indian government allowed them to export 8 million pieces of RMG products to the neighboring country under the Safta (South Asian Free Trade Area) agreement. But, the Bangladeshi exporters could not exploit the full potentiality for the year although the Export Promotion Bureau (EPB) started approving certificates from May 21 in this connection. Bangladesh succeeded in exploring some new markets like Japan, Romania, Poland, South Africa and Russia. These new export destinations helped a lot to minimize the possible bad impact stemmed from the global financial recession. Bangladesh government fixed cotton waste price at US\$1.60 per kg to discourage the smuggling of this important by-product of fabrics by a section of unscrupulous traders. The BKMEA suspended the decision of fixing the baseline prices of some RMG products in the face of criticism from different quarters in July. A new chapter was opened for Bangladesh when the government approved a local recruiting agency to export RMG workers to Russia in July. The local textile manufacturers imported Tk 450 corer textile machinery, a record in such import, in July when the government cut duty on capital machinery in its 2008-09 budgets. In August, Bangladesh set a milestone in RMG (both woven and knitwear) exports worth \$10.70 billion. Since September some internationally renowned retail companies started demanding rebates on exported goods from Bangladesh.

## **2.4-Stimulus package for RMG sector urged:**

BGMEA's outgoing president Anwar-Ul-Alam Chowdhury Parvez cried out for immediate stimulus package to help the country's export-oriented garment industry to face adverse impacts of global economic recession, reports UNB. "Policymakers need to take immediate decision to support the ready-made garments (RMG) sector that experiences declining growth and price fall," he told reporters at the Dhaka Reporters Unity Saturday. Giving some statistics, he said the quarterly growth from July to September 2008 was 48 per cent compared to corresponding period of the previous year while it came down to 4.5 per cent during the October-December period. He feared a negative growth during January to March this year. Parvez said new orders would be coming and they were trying to negotiate with buyers, but price fell by 15 to 17 per cent,

in the meantime. Saying that Bangladesh had tremendous opportunity despite the recession, he added but some measures needed to be taken urgently. The measures included technical up gradation fund, export-performance-benefit scheme and export incentives on retention. The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) leader referred to stimulus package already taken in India and China and pleaded that the Bangladesh government also needed to take some measures to protect this promising export sector.” If stimulus package is given by the government, 20 per cent growth rate could be maintained,” he said on an upbeat note on the bright side of the situation. Referring to his recent talks with representatives of top 10 companies, including Walmart, Parvez said the representatives suggested five-year multiple visa, alternative port, low Internet cost and a good relation between workers and management of the garment factories. The BGMEA leader said instead of depending on the World Bank and the IMF, the government could rely on the private sector for infrastructure development, including multiple-lane Dhaka-Chittagong highway on BOT (build own transfer) basis.

## **2.5-RMG in shadows of global turmoil:**

The global financial turmoil seems to have weighed on Bangladesh’s lifeline, garments, as orders are being deferred by buyers from the countries, where stores have reported declining sales. Exporters have also said buyers are trying to cut down costs of imports to cope with a slump in consumer confidence.” Generally, September is a golden month for knitwear exporters, but this year’s orders appear to be declining for the first time in four years,” said Fazlul Hoque, president of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) However, remittance inflows, also allied with the global economies, are still immune to probable fallout from the unfolding financial crisis that rattled depositors and investors worldwide.

“If 9/11 had affected Bangladesh’s export growth significantly, I don’t believe this huge crisis would bypass us,” said Hoque Hoque’s remarks came a day after Nobel Laureate Professor Muhammad Yunus and others warned that Bangladesh’s export and remittances would take a hit from the global crisis, which promoted governments and central banks around the world to initiate nationalization and cut interest rates to restore

confidence. Bangladeshi exports, mostly to the US and Europe, are set to become vulnerable to the debacle, although knitwear and garments registered 84 percent and 58 percent growth in July from the same period a year ago.” Buyers are now bargaining for price reduction,” said Habibur Rahman, owner of Pandemic Fashion Ltd that exports knitwear to Scandinavian countries. The IMF has recently projected that income growth in Bangladesh’s export markets will decline to 0.5 percent in 2009 from 1.5 percent in 2008. “The growth of orders received by the exporters in July has slowed down in the last two months,” said Centre for Policy Dialogue Executive Director Mustafizur Rahman, citing his talks with knitwear exporters.

## **2.6-Recession hits garment sector (BGMEA)**

Garment exporters have admitted that the global recession has started affecting their businesses as orders are falling and importers are putting pressure for more price cuts. They, however, said that the government frustrated them more as it so far had not taken any decision on a stimulating support which was essential to help maintain competitiveness in the export market.’ Impact of recession in western market have already been sensed in the businesses of Bangladeshi garment manufacturers,’ the Bangladesh Garment Manufacturers and Exporters Association president Anwar-Ul-Alam Chowdhury Parvez said at a press conference on Wednesday. Parvez said his association office had counted the declines of orders, which was four to seven per cent in last December and January, compared to the corresponding months in the previous year.’ The shipment of garments will definitely decline in the coming March and April’, said Parvez who, however, is optimistic that they can maintain competitiveness in global market if government provide timely supports Parvez said the huge currency depreciations in India and Pakistan had helped the importers of those countries to increase competitiveness in the international market. Indian currency depreciated by around 25 per cent in the past two years, Pakistani currency by 30 per cent and Vietnamese currency by 8 per cent when Bangladesh currency exchange value remains almost unchanged. ‘With better infrastructures, less hassles in production and deliveries, counterparts of Bangladeshi suppliers are in better position for alluring buyers in fiercely competitive market hit by recession’, he said. The BGMEA president regretted that the

garment exporters had urged the government to support them especially for absorbing the shock of stronger currency, but no decision was taken so far. 'Please tell us straightforward whether or not we are getting any help (from the government) so that can make our own rescue plan.

## **2.7-Impact of global recession to continue throughout 2009 in BD: BGMEA**

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) leaders said the global financial crisis has already started to impact apparel industry and the very gloomy forecast for the apparel market will continue at least for the year 2009. "Though Bangladesh's RMG export figure showed growth till February 2009, but according to our Utilization Declaration (UD) Statistics, export order has dropped by 18 percent in February and 5 percent in March and the consequent reflection will be visible at our April and May export," Murshedy said. He was speaking at a press briefing after a meeting with the representatives of the top buyers about present situation of RMG sector and global recession at BGMEA conference room in the capital on Thursday. Murshedy said that Bangladesh has tremendous opportunity despite the recession but some measures need to be taken urgently. The measures may include technical up-gradation fund, export-performance-benefit scheme and export incentives on retention." China, a major RMG exporting country, recently withdrew 17 percent value added tax and slashed its interest rates for boosting the sector. As a result, China has again become competitive in the world markets amid ongoing financial crisis. India, Vietnam and Pakistan also slashed different kinds of taxes imposed on raw materials and export of goods to survive," BGMEA president mentioned." If stimulus package is given by the government, 20 percent growth rate can be maintained," Murshedy said. Referring to the meeting with representatives of world's top buyers including Wall mart, Tesco and Unitex, Murshedy said they made some recommendations including producing good quality products, increasing workers efficiency, providing five-year multiple visa and arranging timely shipments. Country's garment sector contributed around 72 percent to the export earnings of over \$ 11.88 billion in 2007-08 fiscal. The export target for woven has been set at \$ 5.6 billion and \$ 6.5 billion for knit sub sector for the current fiscal year.

## **2.8-RMG exports to surge despite global recession – BGMEA**

The readymade garment sector, one of the pillars of the Bangladesh economy, is definitely in a positive mode despite global financial meltdown. Talking to media persons on Wednesday, Mr Anwar-ul-Alam Parvez, President of the Bangladesh Garments Manufacturers and Exporters Association (BGMEA), countered World Bank prediction and said, “The World Bank prediction is whimsical and unrealistic. The ongoing global economic recession will rather create opportunities for Bangladesh RMG sector and the export will not decline as the bank predicted.” At a press briefing, a day before, organized at the Dhaka office, World Bank forecasted a decline in exports by 4.3 percentage points for the current financial year.” The recession indicates both risks and opportunities for the RMG industry. Bangladesh’s lower-end basic garments have been forecast to be less affected than the high value items,” said Mr Parvez .According the BGMEA President, available data shows that in spite of the fact that world is going through recession, the graph of Bangladesh RMG exports will continue to move upward

## Chapter – 3

# Prospects & Contribution of the RMG Industry



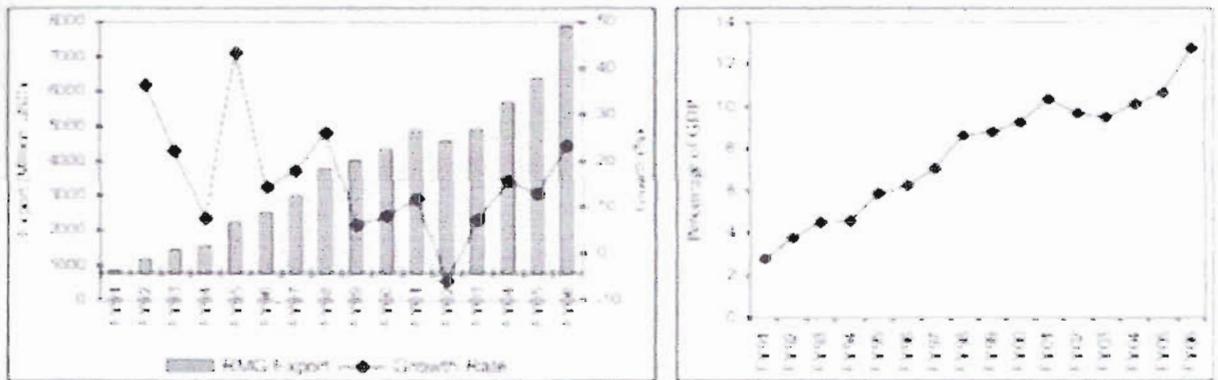
### 3.1-Prospects of the RMG Industry:

Despite many difficulties faced by the RMG industry over the past years, it continued to show its robust performance and competitive strength. The resilience and bold trend in this MFA phase-out period partly reflects the imposition of 'safeguard quotas' by US and similar restrictions by EU administration on China up to 2008, which has been the largest supplier of textiles and apparel to USA. Other factors like price competitiveness, enhanced GSP facility, market and product diversification, cheap labor, increased backward integration, high level of investment, and government support are among the key factors that helped the country to continue the momentum in export earnings in the apparel sector. Some of these elements are reviewed below.

### 3.2-Contribution of the RMG Industry:

RMG business started in the late 70s as a negligible non-traditional sector with a narrow export base and by the year 1983 it emerged as a promising export-earning sector; presently it contributes around 75 percent of the total export earnings. Over the past one and half decade, RMG export earnings have increased by more than 8 times with an exceptional growth rate of 16.5 percent per annum. In FY06, earnings reached about 8 billion USD, which was only less than a billion USD in FY91. Excepting FY02, the industry registered significant positive growth throughout this period

Figure 1: Trend of RMG Export Volume, Export Growth and Contribution to GDP



Source: Export Promotion Bureau (EPB) and Economic Trends, Bangladesh Bank

Terms of GDP, RMG contribution is highly remarkable; it reaches 13 percent of GDP which was only about 3 percent in FY91. This is a clear indication of the industry's contribution to the overall economy. A 1999 study found the industry supporting approximately USD 2.0 billion worth of economic activities (Bhattacharya and Rahman), when the value of exports stood at a little over USD 4.0 billion. One of the key advantages of the RMG industry is its cheap labor force, which provides a competitive edge over its competitors. The sector has created jobs for about two million people of which 70 percent are women who mostly come from rural areas

### **3.2.1-Market Diversification:**

Bangladeshi RMG products are mainly destined to the US and EU. Back in 1996-97, Bangladesh was the seven and five largest apparel exporter to the USA and European Union respectively. The industry was successful in exploring the opportunities in markets away from EU and US. In FY06, a successful turnaround was observed in exports to third countries, which having a negative growth in FY05 rose three-fold in FY06, which helped to record 23.1 percent overall export growth in the RMG sector. It is anticipated that the trend of market diversification will continue and this will help to maintain the growth momentum of export earnings. At the same time a recent WTO review points out that Bangladesh has not been able to exploit fully the duty free access to EU that it enjoys. While this are pointed out to be due to stringent rules of origin (ROO) criteria, the relative stagnation in exports to EU requires further analysis.

### **3.2.2-Product Diversification:**

The growth pattern of RMG exports could be categorized into two distinct phases. During the initial phase, it was the woven category, which contributed the most. Second phase is the emergence of knitwear products that powered the recent double digit (year-on-year) growth starting in FY04. In the globalize economy and ever-changing fashion world, product diversification is the key to continuous business success. Starting with a few items, the entrepreneurs of the RMG sector have also been able to diversify the product base ranging from ordinary shirts, T-shirts, trousers, shorts, pajamas, ladies and children's wear to Sophisticated high value items like quality suits, branded jeans, jackets, sweaters, embroidered wear etc. It is clear that value addition accrues mostly in the designer items,

and the sooner local entrepreneurs can catch on to this trend the brighter be the RMG future.

### 3.2.3-Backward Integration:

RMG industry in Bangladesh has already proved itself to be a resilient industry and can be a catalyst for further industrialization in the country. However, this vital industry still depends heavily on imported fabrics. After the liberalization of the quota regime some of the major textile suppliers Thailand, India, China, Hong Kong, Indonesia and Taiwan increased their own RMG exports.

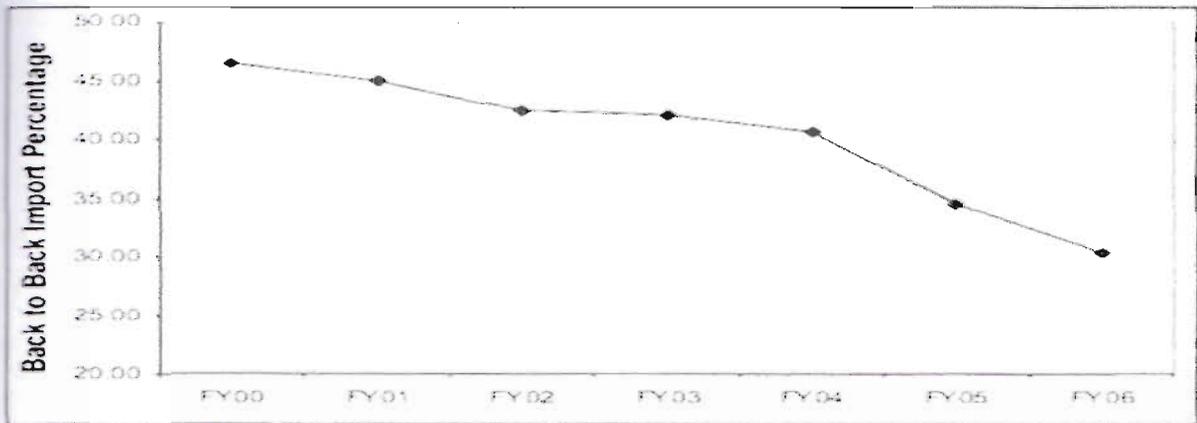


Figure: Trend to back-to-back linkage

If Bangladesh wants to enjoy increased market access created by the global open market economy it has no alternative but to produce textile items competitively at home through the establishment of backward linkage with the RMG industry. To some extent, the industry has foreseen the need and has embarked on its own capacity building.

### 3.2.4-Flow of Investment:

It is plausible that domestic entrepreneurs alone may not be able to develop the textile industry by establishing modern mills with adequate capacity to meet the growing RMG demand. It is important to have significant flow of investment both in terms of finance and technology. Figure 3 indicates that the investment outlook in this sector is encouraging, although the uncertainties before the MFA phase-out period caused a sluggish investment scenario. In part the momentum in the post-MFA phase-out period is

indicative of the efforts underway towards capacity building through backward integration. This is evident in the pace of lending to the RMG sector and in the rising import share of RMG related machinery. However further progress would be necessary to improve and sustain competitiveness on a global scale.

### **3.2.5-A Supportive Policy Regime:**

Government of Bangladesh has played an active role in designing policy support to the RMG sector that includes back-to-back L/C, bonded warehouse, cash incentives, export credit guarantee scheme, tax holiday and related facilities. 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 FY04 budget also lowered the corporate income tax rate for the RMG industry from 30 to 10 percent for the period up to June 30, 2009. From FY05 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, 2010. The reduced tax rates and other facilities are likely to have a positive impact on the RMG sector.

### **3.2.6-Lead Time:**

'Lead time' is a crucial factor maintaining export competitiveness. Bangladesh happens to feature the longest lead time in the RMG world. The lead time for Bangladesh is 120 days on an average, while the corresponding period for Sri Lanka is about 19-45 days and for India it is only about 12 days. Various factors like the distance from major markets, importation of raw materials, port congestion, strikes, poor roads, etc. are some of the factors responsible for this. At present the fashion seasons are becoming short with a changing trend, it would not be possible to compete if the lead time extends beyond 30-40 days. Therefore, bringing down the 'lead time' to about 30-40 days is a major challenge for the country's RMG sector. Clearly more business can be captured only if the lead-time could be improved.

### **3.3-Infrastructural Impediments:**

The existence of sound infrastructural facilities is a prerequisite for economic development. In Bangladesh, continuing growth of the RMG sector is dependent on the development of a strong backward linkage in order to reduce the lead time. However, other factors constraining competitiveness of Bangladesh's RMG exports included the absence of adequate physical infrastructure and utilities (e.g., transportation, telecommunication, stable power supply, efficient seaport, political tolerance, quality control and a smoothly functioning bureaucracy). According to a recent World Bank-IFC publication (2008) records that a businessman in Bangladesh needs 35 days to export and incurs USD 902 per container, whereas his counterpart in India requires 27 days and spends USD 864 per container. The comparable figures for Pakistan, Sri Lanka and Vietnam are 24 days and USD 996, 25 days and USD 797, and 35 days and USD 701, respectively.

#### **3.3.1-Labor Productivity:**

The productive efficiency of labor is more important determinant for gaining comparative advantage than the physical abundance of labor. In Bangladesh, the garment workers are mostly women with little education and training. The employment of an uneven number of unskilled labors by the garment factories results in low productivity and comparatively more expensive apparels. Bangladesh labor productivity is known to be lower when compared with that of Sri Lanka, South Korea and Hong Kong SAR. Bangladesh must look for ways to improve the productivity of its labor force if it wants to compete regionally if not globally.

#### **3.3.2-Cheap Labor Force:**

The strength of a firm depends on its specific comparative advantages, which its competitors do not possess. To date the local industry has flourished in spite of the challenges cited above (e.g., lead time, infrastructure, and bureaucratic red tape) on the back of cheap female labor. The wages paid to RMG workers in Bangladesh are the lowest even by the South Asian regional standard.

### 3.3.3-Introducing HR Department:

Most of the garments in Bangladesh have no Human Resource Department. But it is a matter of regret that garments sector of Bangladesh mainly handle with people but here HR division is absence. HR professional can improve the garments sector by solving Human related problem. Regarding future challenges, majority of entrepreneurs have mentioned about competition with China after 2009 when the safeguard measures against China will be lifted. Besides, implementation of the new wage structure could be a challenge for the sector, since cost of production will increase (Tk.9, 40,000 on average) through implementing the new wage structure.

### 3.4-Price of Product:

Currently Bangladesh serves the lowest end needs of the foreign market by offering the lowest price as evidenced in the following table.

#### Average Price of RMG Imported in USA by Major Importers, 2008

COUNTRY	MEN'S KMTTED SHIRTS	WOMEN'S SWEATERS	MEN'S WOVEN SHIRTS	MEN'S TROUSERS AND COTTON BREECHES
World	\$6.14	\$7.84	\$6.77	\$8.94
China	9.35	9.36	8.20	9.49
El Salvador	4.23			
Guatemala	4.79		7.55	8.79
Hong Kong	10.99	9.65	8.52	10.24
Indonesia	8.18	6.60	8	9.20
Bangladesh	4.12	4.48	5.07	6.55
Italy		33.92	28.37	28.15

Malaysia	9.03		9.74	
Philippines	8.10	6.94	8.24	9.12
South Korea		6.14	6.76	
Sri Lanka	8.10		5.57	
India			6.52	

In this chart we see that Bangladesh provides lowest price compare with other competitive countries like China, Thailand, India, Hong Kong, Sri Lanka, Indonesia, Hong Kong, Pakistan, Malaysia and Philippines. These prices of the product now become the most considerable for Bangladesh. If Bangladesh can maintain this competitive price, it will be able to compete any type of barrier. Therefore, we find here huge opportunities in export in low price.

### **3.5-Continued Interests of Foreign Investors:**

The recent year's tremendous interests of foreign investors are shown to invest in Bangladesh. In FY 2005-06, major foreign investors include Dhahi Group of United Arab Emirates, SingTel of Singapore, Orascom of Egypt, YKK of Japan and Microsoft of USA. Besides, a number of large investment proposals worth about US\$ 10.5 billion are at negotiation and or approval stages. These include investment proposals from Tata Group of India, Toray of Japan, and Indorama Group of Thailand, Luxon Global of South Korea, Delta Pacific Mining of United Kingdom, Dawood Group of Pakistan, Kingdom Group of Saudi Arabia and other proposals from China, Malaysia, India, Taiwan, UK, USA, Australia, Singapore, Thailand, Saudi Arabia, UAE and Kuwait.

## Chapter – 4

# Problems regarding & recent unrest in garment industries



## 4.1-Problems Regarding With RMG:

The garment industry of Bangladesh has been the key export division and a main source of foreign exchange for the last 25 years. National labor laws do not apply in the EPZs, leaving BEPZA in full control over work conditions, wages and benefits. Garment factories in Bangladesh provide employment to 40 percent of industrial workers. But without the proper laws the worker are demanding their various wants and as a result conflict is began with the industry.

Low working salary is another vital fact which makes the labor conflict. Worker made strike, layout to capture their demand. Some time bonus and the overtime salary are the important cause of crisis. Insufficient government policy about this sector is a great problem in Garments Company.

There are some other problems which are associated with this sector. Those are- lack of marketing tactics, absence of easily on-hand middle management, a small number of manufacturing methods, lack of training organizations for industrial workers, supervisors and managers, autocratic approach of nearly all the investors, fewer process units for textiles and garments, sluggish backward or forward blending procedure, incompetent ports, entry/exit complicated and loading/unloading takes much time, time-consuming custom clearance etc.



## **4.2-Recent unrest in garment industries:**

RISING incidents of violence continues to hit the apparel sector in the country. Over the last few weeks, agitation among the readymade garments (RMG) workers flared up in Ashulia, Savar, Gazipur and surrounding areas. Many garment units were burnt and damaged by the unruly mob resulting in colossal damage to properties. Some people were killed and hundreds injured in these incidences of vandalism. Two RMG units of famous Hameem Group were set ablaze. Why are these happening so frequently? Why are RMG units being targeted? Some experts say rising prices of essentials, unpaid salaries, government's inaction and absence of responsible trade unions are some of the reason responsible for the rising violence in the sector. There are many other reasons cited by them. Absence of good relations between workers and owners, misbehavior of mid-level officials and deferred payments to workers are some other problems that dog the embattled sector. However, a number of RMG entrepreneurs claimed that administrative failures of the government, 'conspiracy' from outside and lax implementation of law and order were to blame for the violence. They demanded exemplary punishment to the 'real culprits' and introduction of industrial police to back bring normalcy to the sector. They said unrest must be stopped at any cost as the sector is considered one of the main pillars of the economy.

Reports say recent unrest in sweater factories in Ashulia originated from anomalies in the count of sweater items made by workers and the records of some mid-level officials. Officials attempted to pay less by forging the actual production list of items produced over the month. On the most recent violence that took place at Konabari in Gazipur, reports say hundreds of workers took to the streets when they heard that the police had arrested some workers of a particular garments factory for their alleged involvement in vandalism. The police fired several rounds of teargas shells and rubber bullets in Konabari to tame the demonstrating workers who reacted violently to the news of the arrests of workers. The unrest spread like forest fire to other factories.

Addressing a recent meeting, Industries Minister Dilip Barua said there is no alternative to introducing participatory committee in every factory to avert violence. If every industry introduces participatory committee or bargaining association in line with the

existing laws, there will be better interactions between workers and owners, which would help reduce problems regarding wages and working hours, he added. The minister also called for developing social corporate responsibility to ensure a win-win situation for workers and owners. Moreover, there is a need for recruiting more educated and trained people at mid-management level to solve problems. The apparel sector, for the last couple of decades, has been the lifeline of Bangladesh's economy. At the last count, the sector accounted for nearly 80 per cent of export earnings. Consequently, it provides profits for the currently surging consumer class that drives the economy further forward and jobs for hundreds of thousands of semi-skilled workers, mostly women, who in turn provide livelihood for millions. In terms of labor costs, Bangladesh is well positioned and compares favorably with other Asian countries. The per hour cost of labor in Bangladesh is \$0.25, compared to \$0.27 in Indonesia, \$0.34 in Pakistan, \$0.46 in Sri Lanka, \$0.48 in China, and \$0.57 in India. However, wages are currently being revised to bring them more in line with the escalating cost of living and expectations of workers, as a result of which labor costs will increase. But there is much more to productivity than the cost of labor.

The challenges facing the Bangladesh garment industry are enormous. In order to thrive, the industry will need to get regular orders from international buyers. These buyers are primarily interested in three factors: price, lead time, and quality. But other factors are also important, such as financial capacity of manufacturers, labor compliance standards, customer base, vertical setup, design and product development capability, advanced production facilities, dependability, and long-term business relationship.

Many exporters have reasons to believe in 'conspiracy theories' where the image of Bangladesh is being deliberately tarnished for some competitors' gains. Some media outlets abroad are frequently reporting on Bangladeshi garment sector's non-compliance with international standards, by selectively exhibiting the sick industries in and outside Dhaka. In fact, more than 70 per cent of the factories are compliant, yet the media outlets are only showing the problem factories.

The lead-time on delivery issues matters most in the RMG export trade. In the beginning, the lead-time was 120-150 days but in 2008, this was reduced to 40 to 60 days. China requires only 30 days due to their textile and other backward linkage facilities as well as

export-friendly policy. There is a need to set up a central bonded warehouse for woven and grey fabrics in order to help the manufacturers collect the fabrics within seven days from the issuance of L/Cs and thus reduce lead-time.

The country earned \$14.110 billion in exports in fiscal 2007-08, registering growth of 15.87 percent over the previous fiscal year. Exports were boosted mainly by a rebound in readymade garment sales. Of the total export earnings, only woven and knitwear, the two sub-sectors of RMG, fetched \$10.699 billion during the last fiscal year. In 2007-08, woven garments fetched \$5.167 billion, registering growth of 10.94 percent over the same period of 2006-07. A relatively peaceful political environment, appreciation of currencies in many countries against the dollar and aggressive marketing drives helped the RMG sector maintain the export boom.

### **4.3-Fire safety in garments industry:**

#### **Safety Problems:**

Safety need for the worker is mandatory to maintain in all the organization. But without the facility of this necessary product a lot of accident is occur incurred every year in most of the company. Some important cause of the accident are given below-

- Routes are blocked by storage materials
- Doors are not self-closing and often do not open along the direction of escape.
- Adequate doors as well as adequate staircases are not provided to aid quick exit
- Fire exit or emergency staircase lacks proper maintenance
- Lack of proper exit route to reach the place of safety

Now the situation is much improved and we found, all the surveyed garments are fulfilling the requirement of emergency exit. It was providing in all the cases, signage is present and fire-fighting equipments are up to date, a departure from the past. Even fire drill is held once in a month

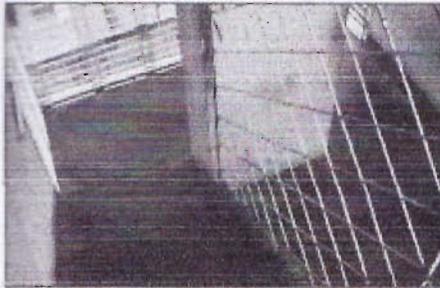
## Necessary Design matters



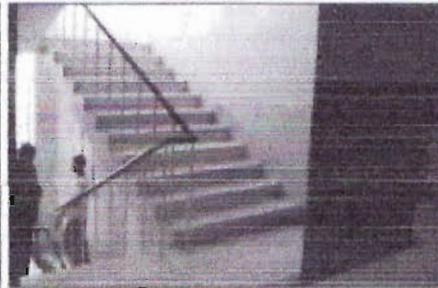
Congested working space: How the workers will escape through such arrangement?



Clearly signed, unobstructed route: Good example.



Fire escape but not fire proof and too narrow.



Wide enough staircase with wide exit: Good example.

Plan layouts of two garments factories are shown in Figure 1. a & b

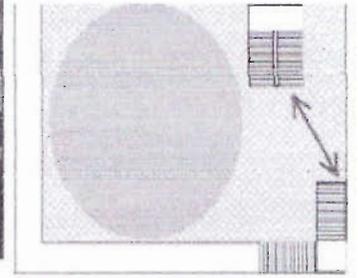


Figure 1 a. distance between the two staircases is a minimum, whereas they should be located as far apart as possible. More than half of the floor areas will be at risk if

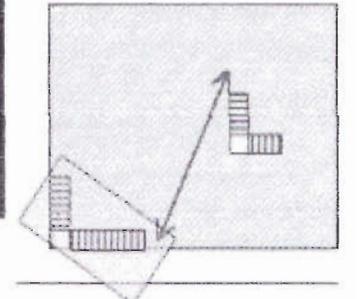


Figure 1 b. staircases are located properly, far from each other. But the alternate staircase which is generally termed as fire escape is not protected for fire and it

### Recent fire accidents in garments factories in Bangladesh

Date	Place	Dead	Injured	Cause of fire	Cause of death
27.2.06	MAK Fashion, Chittagong	14	14	Welder's Molten Gas off	Strong and hot molten fire, panic, no escape
28.8.2000	A garment in Dacca	12	15	Unknown	Self-immolation, stairways
01.8.2001	Katki	76	76	Unknown	Smoke and suffocation
6.3.2006	Factory in Dacca	1	—	Flammable	explosion
2000	How the night	48	70	Broken bus	Trapped in locked window, factory
2000	Chandibar, Kishore, Mardangal	13	100	Welding work	Fire, smoke and staircase
5.8.2004	Mirza Sakhil, Mirza, Dacca	1	50	Electric wire	explosion
8.8.2004	Mirza Sakhil, Mirza, Dacca	26	100	Unknown	single exit blocked
March, 2006	Solon Fashion, Dacca, Ltd.	3	50	Unknown	Clear exit was blocked by buses, smoke and fire code



Factories so close to each other: Risk of spreading fire from one to another.

**Picture:** Training are now providing to the workers about what they do when the fire drill is held in garments industry.

#### **4.4-Bangladesh Faces the Challenge of Globalization:**

Bangladesh faces the challenge of achieving accelerated economic growth and alleviating the massive poverty that afflicts nearly two-fifths of its 135 million people. To meet this challenge, market-oriented liberalizing policy reforms were initiated in the mid-1980s and were pursued much more vigorously in the 1990s. These reforms were particularly aimed at moving towards an open economic regime and integrating with the global economy.

During the 1990s, notable progress was made in economic performance. Along with maintaining economic stabilization with a significantly reduced and declining dependence on foreign aid, the economy appeared to begin a transition from stabilization to growth. The average annual growth in per capita income had steadily accelerated from about 1.6 per cent per annum in the first half of the 1980s to 3.6 percent by the latter half of the 1990s. This improved performance owed itself both to a slowdown in population growth and a sustained increase in the rate of GDP growth, which averaged 5.2 percent annually during the second half of the 1990s. During this time, progress in the human development indicators was even more impressive. Bangladesh was in fact among the top performing countries in the 1990s, when measured by its improvement in the Human Development Index (HDI) as estimated by the United Nations Development Project (UNDP). In terms of the increase in the value of HDI between 1990 and 2001, Bangladesh is surpassed only by China and Cape Verde.

While most low-income countries depend largely on the export of primary commodities, Bangladesh has made the transition from being primarily a jute-exporting country to a garment-exporting one. This transition has been dictated by the country's resource endowment, characterized by extreme land scarcity and a very high population density, making economic growth dependent on the export of labor-intensive manufactures.

In the wake of the 2001 global recession, Bangladesh's reliance on foreign countries as a market for exports and as a source of remittances has become obvious. If Bangladesh is to become less vulnerable to the economic fortunes of others, it will need to strengthen its domestic economy, creating jobs and markets at home. A strong domestic sector and an improved overall investment environment will provide a more stable source of income -

like what the garment industry has provided so far - and will rekindle and sustain Bangladesh's economic growth.

#### **4.4.1-Problems Regarding Trade Union:**

A trade union or labor union is an organization of workers who have bonded together to achieve common goals in key areas such as wages, hours, and working conditions, forming a cartel of labor. The trade union, through its leadership, bargains with the employer on behalf of union members (rank and file members) and negotiates labor contracts with employers. This may include the negotiation of wages, work rules, complaint procedures, rules governing hiring, firing and promotion of workers, benefits, workplace safety and policies.

#### **4.4.2-Present Trade Union Condition:**

There are 16 unions representing garment workers, according to the *Democratic Workers Party* "...the level of unionization among workers is very low. Where unions are involved, they act more like extortionists, taking money from management to keep the employees in line while at the same time collecting dues from their members, with whom they have virtually no contact. Most of the unions have direct or indirect links with local and foreign NGOs, and receiving lucrative grants seems to be their main goal." Most of the trade unions appear to be tools of one or other of the political parties, strikes being used more as vehicles for pursuing political goals against rival parties than improving workers' conditions. The Nation Garment Workers Federation apparently is an exception to this, being a more grass-roots organization, closer to an expression of workers' self-organization emerging from their own struggles. It would be too easy and simplistic to apply critiques of modern western business unions to such an organization.

#### **4.4.3-Political linkage:**

In most of the cases, we see that types of scenario that, Trade unions are influenced by political parties and politicians. Most of the time, politicians use the trade unions for political and self- seeking purpose. In this view, trade unions are not work independently and cannot serve the interest of their workers in RMG sector.



#### **4.4.4-Poor organizational Strength:**

The strength of the trade unions in the RMG sectors in Bangladesh is very weak due to the unemployment problem. The employer can fire any worker at any time if they protest for their demands because in our country manpower supply is very high. In this point of view, commitment is less on the perspective of employers regarding any case

#### **4.4.5-Little economic strength:**

Bangladesh is a developing country for that reason economic condition of this country is not so good. Economic status of People is not so good. That is why they cannot continue the strike for a long period of time as a result happen of the striking result will not seriously affect to the employers. If we see the actual scenario of real condition of the RMG sector workers in Bangladesh, the fact of economic condition creating that's kinds of surrounding environment which will create a fear able position in their mind of the prospect, at this time ultimately they are not interested to create a striking environment that will enforce the employers to provide their rights in an effective and efficient manner.

#### **4.4.6-Educational level:**

Most of the workers are not educated enough, that is why they are not conscious enough to exercise their roles, rights and responsibilities. They entirely depend on the central leaders. However, most of the cases in the RMG sector in Bangladesh, we see that our Trade union leaders always interested to their self-interest.

#### **4.4.7- Self-seeking leadership:**

Majority of the union leaders at all levels; plant levels, Industrial levels and National levels are concerned with their self-interest. They are not aware for the economic and other interests of the workers. If we see the actual scenario of the RMG sector in Bangladesh, we realize that their ethical standard is very low on the perspective of their commitment regarding their duties and responsibilities.

#### **4.4.8-Lack of ideological commitments:**

Most of the trade unions are loyal to their leaders than to the ideologies that hamper the activities of the trade unions. An actual scenario we observe RMG sector in Bangladesh.

#### **4.4.9-Multiplicity of unions:**

In our country, there are many numbers of trade unions available, which indicates one of the weak points of them as when their bargaining with their employers for the demands it cannot use its full power for the acceptance of their demands. In the RMG sector in Bangladesh, there are many numbers of trade unions. They are not united. As result it cannot influence the employers to accept their demands. Most of the trade unions are not well organized to maintain the necessary records which can be used for the future references. Most of the time, union leaders are concerned for themselves; as a result, employers are getting chance for unfair labor practice.

#### **4.4.10-Problems Regarding Collective Bargaining:**

Collective bargaining means the negotiation between and employer or group of employers and a group of work people to reach an agreement on working conditions. It is opposite to the individual bargaining.

According to the Bangladesh Labor Code, 2006, - it includes Trade union or trade union federation Works as the agent of the workers in the matter of collective bargaining. Characteristics of collective bargaining this concept was first identified by Sydney and Webb in UK and also by groups in USA.

1. Where there is only one trade union in an establishment that trade union shall be considered to be the collective bargaining agent for that establishment.
2. Where there are more than one trade union in an establishment the director of labor shall after getting an application made in this regard made by any trade one of that establishment or by employers holds a secret ballot within 120 days to determine as to which one of such trade unions shall be the collective bargaining agent for the establishment.

Although at the beginning of the Pakistan Period there was no initiative, a structural framework was given to the collective bargaining in the industrial relations ordinances in 1969. Collective Bargaining was prohibited in large government sectors in 1972 although the same government withdrew this decision later. Outsider's memberships in basic unions and election of CB A were prohibited through industrial relations ordinance in

1975. CBA created a ridiculous situation in the period of General Ziaur rahman due to misuse of labor leaders by the government. General Ershad in 1982 restricted the election of collective bargaining agent and imposed restrictions on the functions of trade unions. These factors made the collective bargaining program inactive and developed unrest among labors. At this stage National federations were united and formed SKOP to keep the interest of the workers and started movement. This situation compelled the government to sign an agreement with SKOP and collective bargaining started its work again.

#### **4.5-Challenges and prospects of our export to US market:**

We know that Bangladesh started its journey as an independent state in 1971 from a very distressful condition. But the country is a resource-rich one and has remained so even after many years of economic exploitation by many foreign powers. The country is clearly blessed with some key natural resources, such as fertile soil as well as coal and natural gas as mineral resources. It is the major producer of jute, tea, and leather, and its labor force is considered quite competitive. All of these are essential ingredients not only for establishing a strong economic base for the country, but also for achieving further growth through trade and commerce.

Why then, one might ask, has Bangladesh remained poor and failed to achieve its potential in its 37 years of existence? A simple answer to this may be government policy. The government of a country is responsible for steering it in the right direction. Unfortunately, Bangladesh has never had a responsible government, and so the country's potential has never been effectively tapped to improve the condition of the people.

Let us look at some hard facts. Trade plays an important role in the economic growth of a country. While countries like China and India are immensely benefiting from free trade that the United States has been promoting, Bangladesh has failed to take full advantage of such opportunities even though it possesses the necessary resources to do so. Most notably, Bangladesh missed a great opportunity to advance in information technology because the government reportedly rebuffed overtures from the U.S. businesses during the 1980s. Now imagine the situation in Bangladesh if a different course of action had been taken!

It is already a well-established and recognized fact that the main reason why Bangladesh missed its opportunity to forge ahead was primarily because of its corrupt political system. Economists estimate that the massive corruption has cost the country nearly 2.0 to 3.0 per cent of its annual growth. From an economic point of view this is a huge loss over the years. As an example, the U.S. economy has grown at a rate of 3.0 per cent per annum during the past decade. If corruption in Bangladesh, on the other hand, was somehow contained at a reasonable level, instead of 5.0 to 6.0 per cent current annual growth, the country would have been forging ahead as one of the fastest growing economies in the world today

#### **4.5.1-Let us briefly review the situation:**

Industrialization in Bangladesh: The role of industrialization is very critical for the economic development of a country. In the case of Bangladesh, instead of progress, many of its core industrial bases continue to dwindle. Take the example of the jute industry, which has been experiencing a steady decline over the years. When petroleum-based synthetic substitute products were introduced in the 1960s, the demand for jute products was somewhat weakened, though it never disappeared. The big irony is that Bangladesh has been gradually losing its jute market to India. Now with the high cost of petroleum, the demand for jute products is on the rise again, and the trend is likely to continue. But looking at the troubled condition of the jute industry in Bangladesh, it would be very hard to nurture any hope that the country would be able to take full advantage of the changed circumstances. The World Bank estimates that Bangladesh has the potential to increase its share of the jute market up to 80 per cent of raw jute and 50 per cent of manufactures.

Leather industry is another example, where Bangladesh could have made a huge inroad, but didn't. There is a big demand for leather products everywhere, including the United States. Bangladesh has failed to fulfill its true obligation of producing and marketing quality leather products. Similar arguments may also be made about other key industries, such as tea, cotton or sugar. The fish industry may be an exception. It has done well, though it too has fallen short of expectation. The circumstances of the fish industry may be somewhat different, yet the government couldn't escape its basic responsibility.

Garment Industry: This is the only area where Bangladesh could claim considerable success. Today garment export is the main source of foreign earnings for the country after remittance. It is a service industry in that almost all of the components of garments are imported except labor. Its success was not necessarily influenced by the government policy but essentially by outside forces. This industry had its origin in the 1970s when the investors of other South East Asian nations ventured to set up garment factories in Bangladesh to work around the export quotas imposed on their native countries by the United States. Later Bangladeshi entrepreneurs rushed to establish their own companies, some with little or no experience. After a period of adjustments, the industry began to stabilize and started to grow, and has eventually earned the world's respect.

Thus, the stabilization and growth of the garment industry in Bangladesh were achieved largely with the help and intervention of foreign investors who supplied expert technical support for quality control and had an effective marketing plan. Additionally, the country enjoyed a favorable quota system from the United States through the year 2004. As a result, of the more than 3.0 billion dollars of exports Bangladesh made to the U.S. in 2006, the garment sector was the major and biggest contributor. But this situation may now be rapidly changing as other least developing countries gain trade advantage from the United States, and Bangladesh fails to renew its favorable status. The failure to renew favorable status for Bangladesh may also fall on the shoulder of the government emissaries here for their inability to influence the U.S. Congress.

In any case, whether the current status on Bangladesh garment exports changes or not, to maintain the market share of garments in the United States, the country must continue to be competitive in respect of price, quality, and service. It may well be that under the prevailing circumstances; Bangladesh will lose some of its old clientele or will even face stiff competition for its products in the future. But this scribe believes that Bangladeshi entrepreneurs have gained enough experience in garments to stay competitive. What is then needed is an effective marketing plan for their success.

**Other possibilities:** Bangladesh has clearly demonstrated its skills in the textile sector. The present writer thinks the country should build on the foundation of such strength and strongly believes that this kind of skills that give Bangladesh an advantage in textiles can be easily transformed into an advantage, especially in the manufacture of leather goods.

One may even go further and say that the same labor intensive skills can give Bangladesh an edge in all kinds of footwear, sports equipment (Pakistan has a stronghold on this currently), carpet weaving (another Pakistani export), and the labor intensive assembly of small electronic components-which may be imported from China or elsewhere and then assembled in Bangladesh-into electronic goods such as TV sets, personal computers, etc. Bangladesh does not have to make any of these goods from beginning to end. Instead, it can concentrate on only the part of the manufacturing process that requires assembly by skilled hands. Food processing may also work, especially if American companies such as Dole, Del Monte, and Chiquita are made aware of Bangladesh's natural resources and skilled labor, and if they are welcomed by the government with appropriate incentives.

**Marketing of products:** The pre-requisite of success in trade is quality product, and an ongoing process of making improvements on the existing product. As has been noted, Bangladesh has come a long way in producing quality garments. In addition, the country could claim good progress in improving its quality in jute products, leather goods, and handicrafts as well as in the packaging of quality tea. All of these and many other products of Bangladesh have great prospects in the U.S. (One foot note about leather products: my wife who works in the merchandising business in the U.S. recently visited a stall in Dhaka, and saw beautifully crafted leather bags there. But after picking one up, she said she couldn't help noticing a smell from the bag. A problem like this would require correction and could be corrected very easily.)

Anyway, production of quality goods is only half the battle. Marketing is as important as production or distribution. In fact, marketing may be the biggest hurdle Bangladeshi entrepreneurs would face in the United States. Marketing requires both knowledge and skill, and in the U.S. there are business firms which specialize in marketing. It may be advantageous to seek such professional help. But short of engaging an expensive marketing firm by an individual business or industry, other approaches can be considered. Bangladeshi entrepreneurs should consider creating a workable business consortium, which will then go on to establish a permanent product centre in New York City with possible sub-centers in Atlanta, Chicago and Los Angeles where all the exportable products of Bangladesh will be represented. Each centre will then be equipped to process sale orders in coordination with the central office in New York. For promoting various

products, an attractive web site may be created, and national as well as local news media may be utilized. Based on business experience, a central warehouse for keeping certain inventories may also be planned.

#### **4.6-Reason for the Failure of Collective Bargaining in garments Sector:**

Collective bargaining may take place at the national, industry or enterprise level. In no country does it take place exclusively at one level only. However in many industrialized countries, especially in Europe, the existence of strong employers, organizations and trade unions have resulted in many important agreement beings concluded at the national or industry level, supplemented by some enterprises level bargaining.

**4.6.1-A favorable political climate:** If collective bargaining is to be fully effective, a favorable political climate must be existing. In particular, the Government and public opinion must be convinced that collective agreement is the best method of regulating certain conditions of employments. When we see the real conditions of the RMG sector in Bangladesh, political climate is not good. We see that, politicians create a pressure to the trade unions.

**4.6.2-Freedom of association:** Freedom of association is essential for collective bargaining, where it is restricted, collective bargaining is also restricted. In the RMG Sector in Bangladesh, employers are more powerful because in our country there is an unemployment problem. So, employers frequently create a pressure. In this case ultimately freedom of association is not there.

**4.6.3-Stability of workers organizations:** Workers may have freedom of association but unless they make use of this right and form and maintain stable unions, collective bargaining will be ineffective. In the RMG sector in Bangladesh, we see that most of the time trade unions are not stable; it is reforming that is why it cannot create a huge influence to the employers.

**4.6.4-Recognition of Trade Unions:** Even assuming that freedom of association is exists and that the workers have established stable organizations, collective bargaining cannot begin until employers recognize the organizations for that purpose. In most of the

cases RMG sector employers not interested to hear any causes that are raised by the trade unions.

**4.6.5-Willingness to give and take:** The fact of entering into negotiations implies that the differences between two parties can be adjusted by compromise and concession in the expectation that agreement can be reached. In RMG sector in Bangladesh, Willingness to give and take conditions is very poor. Maximum garments employers not pay minimum amount of wages to their employees, as a result workers are unhappy; ultimately workers productivity is also low.

**4.6.6-Constructive Consultations:** Constructive Consultations between trade union and management is possible only when the bargaining power of two parties is relatively equal. In the RMG sector in Bangladesh, Employers tendency will always forcing power to the workers.

**4.6.7-Free from unfair labor practice:**

The process of bargaining should be free from unfair labor practices. In our RMG sector in Bangladesh, we see that frequently strike is happen because of unfair labor practice.

**4.6.8-Positive attitudes:**

The attitudes of the parties should be positive. In the RMG sector conditions, we see that some of the employers and worker member's attitude is positive but most of employers and workers attitude is not positive.

**4.6.9-Proper representations of rights and responsibilities:**

Both the parties should represent their rights and responsibilities properly. In RMG sector in Bangladesh, proper representations of rights and responsibilities are not maintained. The workers are not and union leaders are not educated enough to exercise their rights and responsibilities

**4.6.10-Employee Grievance as a problem:**

A grievance occurs when an individual thinks that he is being wrongly treated by his colleagues or supervisor; perhaps he or she is being picked on, unfairly appraised in his annual report, unfairly blocked for promotion or discriminated against on grounds of race



or sex. An employee grievance is an indication of his discontent or dissatisfaction. It may be expressed by him or he may not communicate it. It can be real or imaginary, legitimate or ridiculous, stated or unvoiced, written or oral.

It must, however, find expression in some form or the other. Dissatisfaction or discontent per se is not a grievance. They initially find expression in the form of a complaint. When a complaint remains unattended and the employee concerned feels a sense of lack of justice and fair play, the dissatisfaction grows and assumes the status of a grievance. It is simply a complaint which has been formally presented in writing, to a management representative or a union official. But for the most people, the word "grievance" suggests a complaint that has been ignored, overridden or dismissed without due consideration. "ILO" defines a grievance as a complaint of one or more workers related to wages and allowance, Conditions of work, Interpretation of service conditions covering such as Leave, Transfer, Promotion, Seniority, Job, and Termination of Service". The National Commission on Labor Observed that "Complaints affecting one or more individual workers in respect of their workers in respect of their Wage payments, OT, Leave, Transfer Promotion, Seniority, and Work Assignment & Discharges Constitute Grievances".

#### **4.7-Causes of Employee Grievances:**

There are several reason for employee grievances such as; Amenities, Promotions, Continuity of Service, Fine, Nature of Job, Compensation, Payments, Continuity of work, Safety Environment, Disciplinary action, Super Annotation, Transfers, Victimization.

If we see the actual scenario of the RMG sector in Bangladesh, there are lot of grievance occur regarding the causes of wages, physical conditions, working environment, sexual harassment, safety environment, supervisors behavior, Disciplinary action etc. The fact is that, if the workers raise their voice regarding grievance, they go to employers but we see most of cases our RMG sector employers not willingly try to solve grievance. They always create a pressure to the workers, that's way workers are unhappy most of the time.

If we see different newspapers, sometimes workers are treated unequally because most of the garments factory promotion will be based on the perspective of relatives to the employers. So, basically performance based is ignoring. We see that, most of the

garments factory, they terminate their workers without serving a notice. At the time if the employer pursues to negotiate, what are the causes they will terminate; in this condition employers create pressure to the workers. In the grievance procedure, we see that workers are right to go the labor court; but if we see our economic conditions, education level regarding workers, sometimes they are not able to go the labor court. Government of Bangladesh is not implementing their laws effectively because political pressure is there. Therefore, ultimately we see all of the cases employers hold a powerful position in the entire grievance handling procedure.

#### **4.7.1-Problems in quality of work life:**

Quality of Life indicates the favorableness or unfavorable of a job environment for people. A QWL aim is to create more satisfied and more productive employees to create more profitable organizations.

#### **4.7.2-Adequate and fair compensation: Gender Division of Labor:**

In the garment industry in Bangladesh, tasks are allocated largely on the basis of gender. This determines many of the working conditions of women workers. All the workers in the sewing section are women, while almost all those in the cutting, ironing, and finishing sections are men (Paul-Majumder and Begum 1997). Women workers are absorbed in a variety of occupations from cutting, sewing, inserting buttons, making button holes, checking, cleaning the threads, ironing, folding, packing and training to supervising. Duties and responsibilities vary according to the type of work. Women work mainly as helpers, machinists and, less frequently, as line supervisors and quality controllers. There are no female cutting masters.

**4.7.3-Unit labor cost:** Bangladesh has the cheapest unit labor cost in South Asia. It costs only 11 cents to produce a shirt in Bangladesh, whereas it costs 79 cents in Sri Lanka and 26 cents in India. Clearly, Bangladesh's comparative advantage lies in having the cheapest unit labor cost.

**4.7.4-Working hours:** Though the wages are low, the working hours are very long. The RMG factories Claim to operate one eight-hour shift six days week. The 1965 Factory Act allows women to work overtime up until 8 o'clock at night. To meet delivery deadlines, however, women are virtually compelled to work after 8 o'clock. Sometimes they work until 3 o'clock in the morning and report back to start work again five hours later at 8 o'clock

(Jamaly and Wickramanayake 1996). They are asked to work whole months at a time without a single day off, in contravention of the Factory Act, which stipulates that no employee should work more than ten days consecutively without a break (Jamaly and Wickramanayake 1996; Ahmad 1996; and Hossain et al. 1990).

**4.7.5-Occupational mobility:** Level of education, age, length of service, job position and gender all affect the occupational mobility of workers in the RMG sector. Men have more years of Schooling, are absent less often and their average age is higher than that of women workers. Thus men hold upper level jobs and women are mostly helpers.

**4.7.6-Pay Scale Ratio:** In garments, sector there is a huge difference between the highest pay and lowest pay. So pay ratio is much higher .But we know that the lower the pay ratios the higher the satisfaction exist among employees. So, there should be balance pay ratio to establish the equity.

**4.7.7-Safe and healthy working conditions:** Safe and healthy working conditions are not satisfactory in the most of the organization in the RMG sector in Bangladesh. Employers are supposed to comply with The Bangladesh Labor Code, 2006 that gives some guidelines how QWL can be developed in the organizations, it states a " policy of increasing the participation of the labor force, the chief socio-economic force of the country, in the management of enterprises by gradually securing employment opportunities to it, ensuring the right to work, and thus protecting its rights and interests. In compliance of the QWL the Labor Code, 2006 aims to protect rights, interests, facilities and safety of workers and employees working in different enterprises in various sectors. Some of the major provisions are summarized below:

**4.7.8-Change in the ownership:** Any change in the ownership of the enterprise shall not be deemed to have any effect on the terms and conditions of service of the workers or employees of the enterprise adversely thus QWL will be increase.

**4.7.9-Intermission for Refreshment and Rest:**

Employees are not supposed to work continuously for more than five hours without providing an interval of half an hour for Tiffin & rest, six hours without providing an

interval of one hour break and it is very important for the workers to enhance their productivity with efficiency and will create a good working life.

#### **4.7.10-Minimum Remuneration Fixation Committee:**

Government shall fix the minimum remuneration, dearness allowance and facilities of workers or employees of enterprises and have to make sure about the implementation. Good salary is an essential element to develop a quality work life.

#### **4.7.11-Annual increments:**

Any worker or employee employed permanently shall be entitled to one increment each year.

#### **4.7.12-Health and Safety:**

Have to keep the workplace free from dust, fumes and hazardous chemicals, adequate supply of light and water and other health and sanitation facilities at work places. The Labor Office can give order for maintaining safety standard at the work place.

#### **4.7.13-Compensation:**

In case of any worker or employee of the enterprise sustains physical injury or seriously hurt or gets impairment due to loss of any part of body or dies in course of his work, the compensation shall be paid to him or to his family, as prescribed.

#### **4.7.14Power to determine the standards:**

Government time-to-time may prescribe the standards of safety to develop quality working life for the workers.

#### **4.7.15-Accommodation:**

Only 27 percent workers were having apartment provided by the factories. The quality of accommodation was very poor from hygiene and sanitation point of view. They normally stayed in a small room and in most cases; the kitchen would be attached to the bedroom in the corner.

#### **4.7.16-Job responsibility:**

Only 2 percent workers have some economic and supervisory responsibility on the job.

In a study it is concluded that very few enterprises are following the labor laws and other government policies about the working life and conditions of the workers, from those some very important aspects are pointed bellow,

#### **4.7.18-Recruitment:**

61 percent organizations had no system of providing appointment letter, 77 percent organizations had not reappointed as permanent even after completing 240 days, 86 percent organizations had no system of advertisement for recruitment and 40 percent organization had no employees contact in permanent basis.

#### **4.7.19-Leaves and holidays:**

Regarding provision for leaves and holidays, 65 percent had provided sick leaves, 54 percent had provided public holidays, 55 percent had provided compassionate leave, 50 percent had provided sick leave and 33 percent had provided maternity leave.

#### **4.7.20-Retirement and other benefits:**

Although few industries have claimed that they have provisions for provident fund, gratuity and accident insurance, many of them have failed to comply with Labor Code in this matter.

#### **4.7.21-Safety and comfort at work place:**

Garments and fire are closely related to each other in Bangladesh. Outbreaks of fire in garments factories have become acceptable. We learn some lessons after a disaster, and most often forget about them. People had been dying but authorities were not that much concerned until overseas buyers took exception to the large number of deaths and injuries. It is a matter of great shame that we had to be warned by the importers about the safety concern for our workers. Despite improvements in the area over the past decade, even today many a garments factory owners are found paying minimum attention to the issue of fire safety. Even if fire fighting equipments are installed in a factory, albeit arbitrarily, none can ensure that they will not malfunction at the time of emergency.

## **4.8-Problems Regarding Foreign Direct Investment (FDI):**

### **4.8.1-Infrastructure:**

Better infrastructure of the host country attracts foreign investors. Inflows of the FDI depend mostly on quality and quantity of physical infrastructure like roads and highways, transport, power, telecommunications and so on. Banking and other financial services also affect the FDI inflows significantly. Good transport facilities-road, rail and air, including developed port systems, energy and water and low cost utilities like telecommunications are important infrastructural factors in attracting FDI. Business has to incur excess cost to collect information in a country with poor infrastructure. But it can be done easily and with minimum cost in a country having good infrastructure that makes FDI financed projects cost efficient and competitive in the global market.

### **4.8.2-Governance:**

Governance of a country comprises economic and business policy and regulations Such as taxation system and tax rate, interest and Bank rate, drive against corruption etc. All this factors are related with the cost business and profit. Foreign investors very consciously consider the governance of a country to invest. An important aspect of governance is the ease with which investors can enter and exit a market. It is and important determinant of productivity, investment and entrepreneurship.

### **4.8.3-Political stability:**

The investors in pre-investment decision making seriously consider political factors like change of government, attitude of opposition group, transparency in bureaucracy, degree of nationalism, corruption, terrorism etc. For example, in case of Bangladesh the most sensitive issue for discouragement of the FDI is political unrest and corruption.

### **4.8.5-Technology infrastructure:**

Economic growth of a country largely depends on technological progress, which stimulates FDI. It includes more modest advances, implementation of better business processes, and involves the adoption of new technologies. In this area, again, Bangladesh lags behind in comparison to its competitors.

#### **4.8.6-Political Unrest**

The political situation in Bangladesh is extremely vulnerable because of the continuous hostility among the political parties, which in turn pollutes the entire investment environment. It is unfortunate that Bangladesh is an exception where most of the political violence centered on industries. Even EPZs are not exempted by any means. However, the situation has been apparently improved since the present interim government has taken over.

**Chapter – 5**  
**Functional Requirements & Code of Conduct**  
**with Recommendations**



## **5.1-Functional Requirements for Sound Industrial Relations in RMG Sector (Bangladesh):**

### **5.1.1-History of Good Industrial Relations:**

Good Industrial Relations means that harmonious relationship between the management and workers. On the other hand, a bad history is characterized by militant strikes and lockouts. Both have perpetuating tendency that does not mean that they cannot change their attitude. The probability of conflict is greater when conflict has been accepted as normal. The probability of peaceful relations is greater when mutual understanding is expected to continue as a part of standard operation.

In our country, there is a bad history of Industrial relations, because we see that frequently strike is there, and we also see that, workers not get a safety environment and not get minimum wages. A significant number of readymade garment factories do not even pay the minimum wage of Tk 1, 662.50, let alone overtime bills. In June 2007 the Bangladesh Garment Manufacturers and Exporters Association released the report of a survey, amid much fanfare, claiming almost 83 per cent of its member factories go by the minimum wage stipulation. So, we see that strike is there and an employer's-employees relation of the RMG sector of Bangladesh is not good.

### **5.1.2-Economic Satisfaction of workers:**

The demands of the workers were rightful, rational and indeed justified, as they had been on previous occasions. They demanded such basic provisions as payment of wages within the first week of every month, regular payment of overtime. A large number of companies enforce workdays much longer than the standard eight hours, as stipulated by labor laws. A significant number of readymade garment factories do not even pay the minimum wage of Tk 1, 662.50, let alone overtime bills. However, minimum wage is only part of the labor rights and just one of the ten points of the tripartite agreement that was struck by the owners, workers and the government following the violent demonstrations by garment workers in May 2006

### **5.1.3-Social and Psychological satisfaction:**

Identifying the social and psychological needs of workers is very important step to determine the good industrial relations. It has been revealed by the Hawthorne Experiments that a man has several other needs besides his physical needs. Employment relationships are not only an economic contract; supportive climate is more required than economic rewards. The supportive climate of organizations is essentially built around social and psychological rewards. Workers participation in management, job enrichment, suggestion schemes, redressed of grievances, effective two ways communications are some of social and psychological rewards. When we see the research paper of different expertise, the present situation of RMG sector regarding social and psychological perspective is not good, worker's participation is not there, worker's not get chance to raise up there voice regarding wages, or any surrounding physical environment..

### **5.1.4-Education:**

Better education provides proper sense of responsibility and thus they will be less influenced by outside forces. When we see that different conflicts in the RMG sector in Bangladesh that most of the cases conflict is happen because of the lack of education of the workers.

### **5.1.5-Collective Bargaining:**

Collective Bargaining is the cornerstone of good industrial relations through the assistances of appropriate Government agencies might be necessary in public interest. We know that collective bargaining is the negotiation of different parties but in the actual scenario of the RMG sector in Bangladesh that there is a poor understanding of relationship between the workers and the employers, so proper negotiations is absent.

## **5.2-Worker's Job-related Compliance Standard:**

Factory management, in most of the cases, checked the minimum age of workers that they were recruiting. It appeared from the survey that entrepreneurs are very strict on this issue, a considerable change compared to the 1990s. With the introduction of Harkin's Bill in the US Senate in the early 1990s, both the government and the entrepreneurs had taken steps to eliminate child labor in the export-oriented RMG sector of the country.

Buyers are at present very strict in terms of ensuring that they do not place orders to factories that have any child labor. Majority of sample enterprises did not provide appointment letters to the workers, according to the data collected through survey in 2006. A high proportion of large enterprises provided appointment letters to their workers; about 53 per cent of knit, 51 per cent of woven and 40 per cent of sweater enterprises did so. The proportion of sample EPZ enterprises that provided appointment letters to workers was about 69 per cent, while the proportion of non-EPZ enterprises providing appointment letters to workers was 22 per cent. According to entrepreneurs, most of the enterprises paid workers' wages within first and second week of the month; more than 90 per cent of the enterprises did so. The practice of payment of workers' wages in the third week of the month was evident not only in small enterprises, but also in medium and large enterprises. Getting income in the first week of the month was felt to be critically important by the workers since they had to pay their monthly dues including room rent, utility charges, etc. in the first week of the month. Irregular payment was a major inducement for switching jobs and a high turnover. In most of the sample enterprises, normal working hour (excluding overtime working hours) was 8.28 hours, which was more than the stipulated working hours set by the law. In general, normal working hour in 2005 was marginally lower (-0.2 per cent) compared to that in 2004. From workers' point of view, reduction of normal working hour was less important compared to effective working hour which included overtime working hour along with normal working hour. Length of overtime working hour was considerable - it averaged about 13.9 hours per week or more than two hours a day.

Production targets also made their lives very stressful. This often led to deterioration in relationship between workers and the management people directly involved in production. Workers maintained that in many instances workers' unrest was caused by deterioration of relation between workers and management. Most of the enterprises, according to their owners, maintained a weekly holiday. Workers maintained that in view of long working hours a weekly holiday was essential for them. Most of the sample enterprises provided maternity leave to their female employees. More than 80 per cent enterprises provided maternity leave; the ratio was higher in the case of sample sweater

units. Most of the factories did not have day-care and canteen facilities. Workers had to take their meal sitting in the stairs or in the corridors or by going back home. Day-care or canteen facility was available in 53 per cent woven factories; the share was very low in the case of sweater and knit factories. In general, the trend is for all types of enterprises to provide such facilities in increasingly greater numbers in recent years.

### **5.3-Workers' Health and Safety Related Compliance Standard:**

There were, on average, more than two emergency exits in a sample factory. More than 600 workers could use one exit in large factories, while the number for medium and small factories was 353 and 170 workers respectively. Number of emergency exits was relatively higher in EPZ-factory compared to non-EPZ factory. However, availability of emergency exits did not necessarily ensure worker's safety in full measure. The width of the exit, landing space available etc. was also important factors from the perspective of safety. There were, on average, 0.8 doctors available in every factory, which indicates a good number of factories have no run-house doctors. In other words, one doctor was available for 1,088 workers. According to sample workers, most common diseases from which they suffered were headache, cold fever, etc. Most factories did not have adequate ventilation and exhaust fans and few workers use masks. As a result, there was strong possibility to be affected by serious diseases, such as tuberculosis. Incidence of accidents while working in the factory was not found to be very high. Other than accidents, in-house doctors usually diagnosed the patients and prescribed medicines free of cost, but workers had to bear all costs of medicine.

## 5.4-Recommendations:

1. Good governance can bring about efficient and productive government, necessary reformation in judicial system, fiscal policy, infrastructural reforms and eradication of corruption, bureaucracy and dishonesty to lead a country to achieve handsome investment.
2. To make the business environment and activities smooth and efficient, coordinated government agencies (ministries, departments, regulatory bodies, etc.) are a must.
3. More dynamic government agencies can facilitate investment in Bangladesh. So, Bangladesh Bank, Investment Promotion Agencies, Bangladesh Board of Investment care essentially suggested enhancing FDI in Bangladesh.
4. More accountability and transparency are recommended for the development, efficiency and competence Government and regulatory bodies in the work of investment.
5. Bangladesh should maintain a good relation with the developed countries as well as with developing countries for significant share of FDI by developing countries.
6. In recent years foreign investments are going to RMG, telecommunication, power and energy or other profitable areas. Bangladesh should provide appropriate attention to attract more FDI in the industrial and infrastructural areas like construction of roads and highway (especially in building large bridges, flyovers, underground ways etc.), assuring enough inducing competitive advantages to investment in these sectors.
7. Nowadays Bangladesh is badly suffering for lacking of power supply and it is a great obstacle in the smooth inflow of FDI. So the recipient country has to ensure required supply of power and energy.
8. Wages need to be increased substantially, but at least to a level that permits workers to address basic needs. "The women workers interviewed see housing, transportation, food, health and security as basic needs which can be improved if wages are increased".
9. Introduction of an area-based ration-provision system could lessen the frequent relocation of workers and encourage residential and employment stability. Workers would like rationing cards to buy everyday needs such as rice, flour, lentils, sugar, salt and edible oil at subsidized prices from ration-stores. Approximately ten years ago a

Ration system was popular among low-income people government employees because it provided them some reasonable food security. Some garments are now practicing this ration-provision system. This system should follow all the garments.

10. Our informants join those of many other studies to highlight the importance of a healthier and safer working environment, including such specific things as wide emergency exits, readily available emergency medical care and facilities, and some form of insurance in the event of injury.

11. Friday (Islamic holy day) clinics should provide free but mandatory weekly health checks and vaccinations. Such services should be made available to all garment workers in the interest of improved living standards and control of the spread of disease. These clinics may also serve as information distribution sites for health and birth control education.

12. There continues to be an urgent need for medical facilities to serve garment workers.

13. A most critical need cited by the workers in our study is for provision of safe night time transportation from the factories to home. Safe travel is such a prominent need for women garment workers that it obviates the urgency for a special subsidized morning and nighttime bus sender for women workers only.

14. Subsidized low-cost housing targeted to garment workers should be considered seriously, and additionally should be accompanied by schools, day care centers, a women's cooperative and other nearby shops.

15. Primary schools for children and young dependents of workers (e.g., brothers or sisters) are funded by the Government of Bangladesh, International Labor Organization (ILO), United Nations International Children's' Emergency Fund (UNICEF) and BGMEA, and operated by Bangladesh Rural Advancement Committee (BRAC), and Gana Shahajya Sangstha (GSS).

16. Finally, an important contribution to the health and well being of workers would be the supply of umbrellas and raincoats for the rainy season. As an obligation of employers, this slight humanizing gesture would likely be returned many times over in better health among workers.

17. Employment generation programs, including "backward linkages" related to a thriving textile and garment industry, need to be launched in rural areas in order to encourage garment workers to return to villages. Infrastructure barriers to such projects are disappearing, as rural electrification and road communication in rural Bangladesh has become adequately developed in recent years. These projects need the support of international donors, and both national and international NGOs.

18. Stimulation of alternatives to garment industry employment needs attention from both the public and private sector in Bangladesh. BRAC launched a vocational training and credit program for workers who are either dismissed or lost job due to closure of factories. A worker must first register as a member of BRAC. Second, BRAC assesses each worker's potential, capacity, skill and job preferences.

19. Need to establish deliberate links between garment workers and women's groups, trade unions and advocacy groups to promote rights issues both nationally and internationally, and to build solidarity among and with women workers.

20. Bangladesh economy at present is more globally integrated than at any time in the past. The MFA phase-out will lead to more efficient global realignments of the textile and clothing industry. The phase out was expected to have negative impact on the economy of Bangladesh. Recent data reveals that Bangladesh absorbed the shock successfully and indeed RMG exports grew significantly both in FY05 and (especially) in FY06. Due to a number of steps taken by the industry, Bangladesh still remains competitive in RMG exports even in this post phase-out period.

21. Cheap labor is no longer seen to be a mainstay of comparative advantage. The need for establishing strong backward linkage was appropriately realized and accordingly necessary steps were taken by all quarters of the RMG industry, which has been reflected in the decreased pattern of back-to-back import supported by increased domestic value addition. However further progress is in order, and a strong public sector role is necessary to mediate the establishment of textile mills with global standards. An appropriate policy regime is needed to encourage the importation of technology, intermediate and raw materials, so that the local industries get a chance to reduce its average cost to international level and narrow the lead

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