LABOUR STANDARDS IN THE BANGLADESH GARMENT INDUSTRY: A POLITICAL ECONOMY PERSPECTIVE

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Abstract

This paper examines the current state of labour standards in the garment industry of Bangladesh. It explores the reasons why private efforts at firm and association levels are ineffective. It also explores the reasons why government regulations are inadequate, why labour laws are flawed and often flouted in Bangladesh. The paper highlights the major features of recent multilateral initiatives that seek to improve worker safety in the garment industry of Bangladesh. The paper analyses the problem of labour standards in the clothing industry from a political economy perspective. Specifically, it highlights the importance of the institutional context in improving, monitoring, and enforcing labour standards. The main thesis of the paper is three-fold. First, economic owners and agents at the firm level, being myopic, are prone to maximize short-run profits at the expense of worker safety. Second, augmentation of the “visible hands” of the state in the form of increased regulations and laws is unlikely to succeed under a corrupt regime. Third, for sustained improvements in labour standards, a reconfiguration of institutions involving all stakeholders is necessary.

Key Words: Labour standards, garment industry, governance
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I. INTRODUCTION

As the second largest exporter of clothing in the world, Bangladesh has become a byword for a low-cost supplier. In recent years however, worker unrest over wages and working conditions, and serious incidents epitomised by the Rana Plaza disaster have generated serious debates over labour standards among researchers, labour activists, and policy makers. The main objective of the paper is to examine labour standards in the garment sector of Bangladesh which represents a textbook case of a labour-abundant country specializing in a traditional labour-intensive product such as clothing.

This paper examines the state of labour standards in the garment sector of Bangladesh from a political economy perspective. Specifically, the paper argues that the poor state of labour standards in the garment sector is largely the result of persistent governance failures. The governance failures in turn originate from contradictions of a “quasi-failed State,” which is buttressed by a weak, unstable, and myopic coalition of economic and political agents.

II. A Review of the Literature

There is a large literature on international trade, globalization, and labour standards. One strand of the literature, concentrates on the impact of free trade and globalisation on labour standards. The conventional view among trade economists is that free trade benefits labour in labour-abundant countries. However, opponents of free trade and globalisation, argue that globalisation disproportionally benefits capital rather than labour. According to this view, in highly competitive markets, international brands pressure their suppliers to reduce costs and shorten lead times. Suppliers in turn are forced to pay their workers low wages, limit worker benefits and demand excessive work hours often in unsafe conditions. Elliot and Freeman [2003] examine the views of both camps and argue that globalisation and labour standards are complementary rather than polar opposites. Locke [2013] raises a relevant question: Under what conditions, and through which mechanisms, will labour standards of workers involved in global supply chains be improved? He argues, based on factory-level audit data, that protecting workers will require a combination of firm-level efforts, long-standing supply-chain relationships, and government effort. Berik and Rodgers [2010] examined the nature and enforcement mechanisms of labour standards in Bangladesh and Cambodia. They have observed that labour standards improved in Cambodia but worsened in Bangladesh. The relative success in Cambodia, according to the authors, can be attributed to the trade-incentive approach under the “Better Factories Cambodia” program monitored by the ILO. Labowitz and Baumann-Pauly [2014] have highlighted the risks generated by indirect sourcing through subcontracting in Bangladesh.

II. Basic Statistics

In Bangladesh, the number of garment factories increased from 384 in 1984-85 to 4,536 in 2013-14 fiscal year. During the same period, the number of employed workers jumped from 0.12 million to four million in 2013-14. The value of garment exports increased from only $116.2 million in 1984-85 to over $24.5 billion by the year 2013-14. The share of garment exports in total exports from Bangladesh rose from 12.4% in 1984-85 to 81% in 2013-14. The two major markets for Bangladeshi garments are the European Union and the United States, accounting for about 21.9% and 58.8%, respectively, of garment exports from Bangladesh in 2013-14.

Table 1 reports unit values of selected garment categories exported by Bangladesh and selected countries in the European Union and the United States.

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1 The trade performance of Bangladesh in garments at a disaggregate level is discussed by Islam [2001].
2 These data are available from the website of the Bangladesh Garments Manufacturers and Exporters Association (www.bgmea.com.bd).

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In the European Union market, Bangladeshi garments, especially cotton T-shirts have the lowest unit values among the selected countries. In the US market for women’s cotton woven shirts, unit values of Bangladesh are lower than that of China, India, Sri Lanka, and Indonesia. The unit values of garment exports from China, the largest exporter, are significantly higher than that of Bangladesh. Table 1 also reports data on monthly minimum wage rates for garment workers in Bangladesh and selected countries. Bangladesh has the lowest minimum monthly wage rate at $68. When comparing wage rates across countries, it is more appropriate to estimate wage rates at purchasing power parity (PPP) exchange rates. The last column of Table 1 presents the monthly wage rates at PPP exchange rates. Bangladesh still has one of the lowest wage rates among the selected countries.

### Table 1 Unit Values of Selected Garment Categories in European Union and US and Wages, 2013

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>78</td>
<td>77</td>
<td>68</td>
<td>165</td>
</tr>
<tr>
<td>China</td>
<td>101</td>
<td>99</td>
<td>175</td>
<td>256</td>
</tr>
<tr>
<td>India</td>
<td>114</td>
<td>107</td>
<td>71</td>
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</tr>
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<td>Cambodia</td>
<td>112</td>
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<td>80</td>
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</tr>
<tr>
<td>Sri Lanka</td>
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<td>136</td>
<td>69</td>
<td>143</td>
</tr>
<tr>
<td>Indonesia</td>
<td>152</td>
<td>113</td>
<td>68-200</td>
<td>101-298</td>
</tr>
<tr>
<td>Pakistan</td>
<td>115</td>
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<td>79</td>
<td>256</td>
</tr>
<tr>
<td>Vietnam</td>
<td>98</td>
<td>73</td>
<td>90-127</td>
<td>169-241</td>
</tr>
</tbody>
</table>

**Note:** Unit values are indices with 100 for the world as the reference value.

Source: Emerging Textiles

**III. The State of Labour Standards in the Garment Industry of Bangladesh**

Core labour standards concentrate on basic labour union rights, freedom from forced labour, equal opportunity in employment, and the elimination of child labour. The conventions of the International Labour Organisation (ILO) are generally considered an internationally agreed set of core labour standards. There are eight ILO conventions on core labour standards: 1) Freedom of Association and Protection of the Right to Organise Convention (No. 87, 1948); 2) Right to Organise and Collective bargaining Convention (No. 98, 1949); 3) Forced Labour Convention (No. 29, 1930); 4) Abolition of Forced labour Convention (No. 105, 1957); 5) Minimum Age Convention (No. 138, 1973); 6) Worst Form of Child labour Convention (No. 182, 1999); 7) Equal Remuneration Convention (No. 100, 1951); and 8) Discrimination in Employment and Occupation Convention (No. 111, 1958). It should be noted that the core ILO conventions provide broad flexibility to member countries in implementation of the conventions and that the ILO relies on voluntary compliance.

Labour standards include not only core standards but also other standards such as minimum wages, maximum hours of work per day/week, remuneration for overtime work, and safety and health standards. These other standards, known as *cash standards*, are often controversial and vary considerably across countries.
As a member of the ILO since 1972, Bangladesh has ratified seven of the eight core labour standards conventions, but not the Minimum Age Convention (No. 138, 1973). Following the “Child Labor Deterrence Act” in the United States introduced in 1993, child labour in the garment industry of Bangladesh became a serious issue. Although child labour in the garment industry of Bangladesh has largely been eliminated, use of child labour is often reported in un-registered factories.

Bangladesh also has not ratified a number of conventions related to labour standards, such as, 1) Promotional framework for Occupational Safety and health Convention (No. 187, 2006), Occupational Safety and health Convention (No. 155, 1981), and more importantly (3) Employment Injury Benefits Convention (No. 121, 1964, Schedule I amended in 1980).

A serious issue in the context of Bangladesh is the lack of enforcement of conventions ratified by Bangladesh and labour laws enacted by the Government of Bangladesh. For example, although Bangladesh ratified the two conventions concerning formation of labour unions and collective bargaining, Bangladesh doesn’t allow establishment of unions in the Export Processing zones and didn’t allow establishment of labour unions in the garment industry until 2013.

In July 2013, Bangladesh amended the labour Act of 2006 and introduced several new provisions including: 1) creation of safety committees in factories with 50 workers or more and 2) establishment of health centres in workplaces with over 5000 employees. The new Labour Act allows establishment of labour unions in the garment industry. The new Labour Act still retains the 30% minimum membership requirement to form a union. Workers attempting to establish unions still face various forms of harassments from employers.

An important component of labour standards is the set of terms and conditions of work. Some of the current provisions in Bangladesh include: 1) the normal weekly hours limit of 48 hours; 2) limit of overtime work at two hours per day and 12 hours per week; 3) limit of maximum weekly hours at 60 hours; 4) overtime work to be paid at twice the worker’s ordinary basic wage; and 5) a minimum annual leave of ten working days [ILO 2013a].

In reality, many of these provisions are routinely violated by employers in the garment industry of Bangladesh. Furthermore, female workers are often unaware of their rights to maternity leaves.

Since the Rana Plaza disaster, the ILO has been playing a more prominent role in improving the labour standards in Bangladesh. Recently, the ILO in partnership with the International Finance Corporation has launched a Better Work Program in Bangladesh. The program has three components: 1) continuous assessment activities under which auditors evaluate whether the factories are adhering to ILO core labour standards and national labour laws; 2) a process of continuous improvement whereby Better Work staff facilitates dialogue between the managers and workers; 3) stakeholders engagement involving government, employers, unions, and workers.

In recent years, a serious debate has emerged concerning the role of international brands and retailers in upgrading labour standards in developing countries. A conventional but anachronistic view, expressed by some economists such as Bhagwati (2013), is that the problem and responsibility are local, not global: the blame belongs to Bangladeshi owners, managers, and government. The global dimension of the problem, however, can’t be ignored. Globalisation and trade liberalisation have intensified the “race to the bottom” whereby brand-name companies and international buying agents search for the lowest prices exploiting their monopsony power over many small, struggling garment companies in Bangladesh.

In the aftermath of the Rana Plaza disaster, international brands and retailers faced pressures from labour activists, NGOs, and labour unions to become part of the solutions to upgrade worker safety in the garment industry of Bangladesh. Two alternative coalitions have emerged among the international brands and retailers. The first group is the Accord on Fire and Building Safety in Bangladesh, which covers 1,619 suppliers in Bangladesh. The Accord is a legally binding agreement signed by over 190 apparel corporations from 20 countries in Europe, North America, Asia, and Australia, dominated by European companies. The Alliance for Bangladesh Worker Safety, was founded by a group of 26 North American apparel companies, retailers, and brands. Both the Accord and the Alliance concentrate on fire and building safety for a subset of garment factories which are significant suppliers to brands and

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retailers. About 3000 to 4000 factories which are linked with big suppliers through subcontracting, and which are at higher safety risks, may not be covered by these two programs. In some respects however, the Accord is better than the Alliance. First, the Accord covers substantially more factories than the Alliance. Second, the Accord is more worker friendly than the Alliance; the Accord provides an important role for Bangladeshi and international labour unions.

V. Search for the Optimal Multi-stakeholder Model

For a decade, Bangladesh has had the fastest growing garment industry in the world. During the same period this industry has displayed one of the worst records of workers’ rights and welfare. During the last five years more than 1,800 workers died and thousands injured in industrial accidents. During 2001-2011, the real wages of garment workers in Bangladesh declined by 2.4%. Furthermore, the wage level in the garment industry of Bangladesh was only 14% of a living wage, the lowest among the major garment exporting developing countries [Center for American Progress 2013]. Previous modes of governance concerning labour standards in the garment industry involving the private sector agents have failed to prevent industrial disasters and upgrade labour standards. “Visible hands” of the State in the form of labour laws and courts, regulatory agencies, and the industrial police have been part of the problem than the solution.

Failure of the traditional models of governance of labour standards in a country like Bangladesh has led to renewed debates on the optimal model in a globalised world. Three issues however, have not received adequate attention in the current literature and debate: 1) Stage of development and labour standards, 2) the public good nature of labour standards, and 3) the class and power base of the national government. The level of labour standards is likely to have a non-linear (U-shaped) relation with stage of development of an economy. As the economy shifts from an agricultural economy to a manufacturing economy, some major components of labour standards, for example, worker safety may decline; eventually, however, as the economy shifts toward a higher stage of development, labour standards improves. The initial decline in worker safety can be attributed to weak and ineffective labour laws, weak bargaining positions of workers, and weak provisions for worker safety and training. As the economy moves to a higher stage of development both the demand for higher labour standards and the supply of labour standards from employers increase.

Labour standard embodies some attributes of what economists call “public goods.” Social benefits of higher levels of labour standards outweigh private benefits to factory owners and their associations. The divergence between social benefits and private benefits leads to underinvestment in labour standards by factory owners and their associations. Recurrence of fire, accidents, and building collapses in the garment industry of Bangladesh is a stark testimony of failure of the private market model that relies on self-monitoring and self-regulation. In the presence of pervasive market or private sector failure, economists often call for an active role of government. In Bangladesh however, private sector failures are enmeshed with egregious government failures in matters relating to labour standards.

It is useful to compare the quality of governance in Bangladesh with selected garment exporting countries. Table 2 presents data on six components of governance for Bangladesh and selected countries. The six components are 1) voice and accountability, 2) political stability, 3) government effectiveness, 4) regulatory quality, 5) rule of law, and 6) control of corruption. The value of each indicator ranges from 0-2.5 to +2.5. In voice and accountability, Bangladesh’s position is worse than most countries. Bangladesh fares better than only four countries: Cambodia, China, Pakistan, and Vietnam. In political stability, Bangladesh’s position is even worse: only Pakistan ranks behind Bangladesh. In government effectiveness, Bangladesh’s performance is worse than that of all countries except Cambodia. Bangladesh is in the worst position among the 12 countries in regulatory quality. In the component, rule of law, the position of Bangladesh is worse than other countries with the exception of Cambodia and Pakistan. Finally, in the component, control of corruption, Bangladesh is in the second worst position, better than only Cambodia.

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3 A detailed methodology on the global governance indicators are available from the website of the World Bank.
The “governance deficit” in Bangladesh has had serious negative impacts on labour standards in the garment industry. Labour laws concerning safety, working hours, payments for overtime work, sick and maternity leaves are often violated by employers without any punitive actions by relevant government agencies. Factory buildings are often built violating building codes by bribing corrupt officials of regulatory agencies. Indeed, the Rana Plaza collapse epitomises the governance crisis in Bangladesh at all levels. Many garment factories are based in residential buildings in crowded neighbourhoods. Many factory workers are forced to live in unsafe and un-hygienic slum dwellings paying exorbitant rents relative to their incomes.

The prevalence of persistent failures of private sector mechanisms and government failures to upgrade labour standards in the garment industry of Bangladesh calls for a multi-stakeholder model involving factory owners, the Bangladesh Garments Manufacturers & Exporters Association (BGMEA), government agencies in Bangladesh, international brands, retailers, buyers, labour unions in Bangladesh, international unions, national and international NGOs, international agencies such as the ILO, labour rights groups, consumer groups, and foreign governments. The role of NGOs, labour unions, the media, and activists are critical in constantly maintaining pressures on factory owners, the BGMEA, and the government of Bangladesh so that labour laws are reformed and national labour laws and international conventions are enforced.

Table 2. Governance Indicators: Bangladesh and Selected Countries, 2013

<table>
<thead>
<tr>
<th>Country</th>
<th>Voice</th>
<th>Political Stability</th>
<th>Government</th>
<th>Effectiveness</th>
<th>Regulatory Quality</th>
<th>Rule of Law</th>
<th>Corruption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>-0.42</td>
<td>-1.61</td>
<td>-0.82</td>
<td>-0.93</td>
<td>-0.83</td>
<td>-0.89</td>
<td></td>
</tr>
<tr>
<td>Cambodia</td>
<td>-0.98</td>
<td>-0.16</td>
<td>-0.92</td>
<td>-0.35</td>
<td>-0.99</td>
<td>-1.01</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>-1.58</td>
<td>-0.55</td>
<td>-0.03</td>
<td>-0.31</td>
<td>-0.46</td>
<td>-0.35</td>
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</tr>
<tr>
<td>India</td>
<td>0.41</td>
<td>-1.19</td>
<td>-0.19</td>
<td>-0.47</td>
<td>-0.10</td>
<td>-0.56</td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>0.00</td>
<td>-0.50</td>
<td>-0.24</td>
<td>-0.20</td>
<td>-0.55</td>
<td>-0.62</td>
<td></td>
</tr>
<tr>
<td>Mexico</td>
<td>0.08</td>
<td>-0.74</td>
<td>0.31</td>
<td>0.46</td>
<td>-0.58</td>
<td>-0.42</td>
<td></td>
</tr>
<tr>
<td>Pakistan</td>
<td>-0.83</td>
<td>-2.59</td>
<td>-0.80</td>
<td>-0.71</td>
<td>-0.88</td>
<td>-0.93</td>
<td></td>
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<tr>
<td>Philippines</td>
<td>-0.01</td>
<td>-1.06</td>
<td>0.06</td>
<td>-0.07</td>
<td>-0.43</td>
<td>-0.40</td>
<td></td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>-0.62</td>
<td>-0.61</td>
<td>-0.23</td>
<td>-0.16</td>
<td>-0.27</td>
<td>-0.23</td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td>-0.43</td>
<td>-1.32</td>
<td>0.21</td>
<td>0.21</td>
<td>-0.13</td>
<td>-0.33</td>
<td></td>
</tr>
<tr>
<td>Turkey</td>
<td>-0.26</td>
<td>-1.19</td>
<td>0.37</td>
<td>0.42</td>
<td>0.08</td>
<td>0.11</td>
<td></td>
</tr>
<tr>
<td>Vietnam</td>
<td>-1.34</td>
<td>0.22</td>
<td>-0.30</td>
<td>-0.65</td>
<td>-0.49</td>
<td>-0.53</td>
<td></td>
</tr>
</tbody>
</table>

Note: Values of governance indicators range from -2.5 to +2.5. Source: World Bank

VI. Conclusion

The garment industry of Bangladesh is at a cross-roads. While monetary remunerations of garment workers are marginally better than those provided by alternative occupations (domestic work and agriculture-related work), labour standards have failed to improve significantly during the last two decades. Given the public good nature of labour standards, private sector mechanisms, such as self-regulation and monitoring by factory owners, their association, product labeling and certification by third part organisations, voluntary codes of conduct of international brands and retailers will not be sufficient to upgrade labour standards. Given the class and power of the state and symptoms of “failed State” as reflected in governance indicators, it is not surprising that government failures are ubiquitous in upgrading labour standards. Labour standards cannot be upgraded with repressive labour laws, industrial police, and government inspectors.
There is a clear need for a multi-stakeholder model of governance to continuously upgrade labour standards in the garment industry and in other industries in Bangladesh. The Accord, Alliance, and the Better work program of the ILO are first steps in the right direction. However, these programs by concentrating on a subset of garment factories may be duplicative and may miss high risk garment factories. For a considerable period of time, the roles of Bangladeshi and international labour unions, Bangladeshi and international NGOs, the ILO, and activists will be critical in forcing factory owners, their association, and the Bangladesh government to promote labour standards in the garment industry of Bangladesh. In the long run, Bangladesh cannot and should not outsource its responsibility of upgrading labour standards to international brands and foreign governments.

REFERENCES


