

**Labor Unrest in Bangladesh RMG Sector:
Does Active Labor Union Reduce the Risk of Labor Unrest
in RMG Sector?**

**A Dissertation
by
Urmi Tamanna
ID-07272026
MAGD Batch-2**

**Submitted
to
Institute of Governance Studies
BRAC University
Dhaka**

***In Partial Fulfillment of the Requirement for the Degree of
Master of Arts in Governance and Development (MAGD)***



**Institute of Governance Studies
BRAC University, Dhaka, Bangladesh
November 2010**



Declaration

I hereby declare that I am the sole author of this thesis.

I authorize the Institute of Governance Studies (IGS) and BRAC University to lend this thesis to other Institutions or individuals for the purpose of scholarly research only.

I further authorize the IGS and BRAC University to reproduce this thesis by photocopying or by other means, in total or in part, at the request of other institutions for the purpose of scholarly research.

Urmi Tamanna
ID-07272026
MAGD Batch-2
IGS, BRAC University

Acknowledgement

All praise and gratitude to Allah (The alone we worship, the alone we ask for Help).

This is matter of challenge and enjoyment to do a research work in a supportive academic environment like IGS and BRAC University.

Firstly, I would like to express my sincere respect to my supervisor Professor Iftekhhar Ghani Chowdhury for his valuable guidance and unparalleled support which makes me confident to work on this challenging issue.

I had full support from my family; my husband, Insha and Taasin, Father, Mother, Sister and Brother. I also got tremendous support from Raihan and my other batch mates (BCS 21st and MAGD).

I would thank Netherlands Government and BRAC University to study in the MAGD programme.

Finally I show my sincere obligation and respect to the people of Bangladesh and the Ministry of Finance on behalf of Government of Bangladesh to allow me to study in this beautiful place and academic zone.

Table of Contents

	Page No.
Declaration	I
Acknowledgement	II
Table of Contents	III-IV
Abbreviation	V
Abstract	VI
Chapter One- Introduction	1-16
1.1 Historical Development of Labor Law in Bangladesh	1
1.2 Present Situation	2
1.3 Worker's Rights Situation	3
1.4 Lack of Union's Legal Advisory System	3
1.5 Professional Legal Support is Costly	3
1.6 New Labor Code	4
1.7 The Functions of Labor Union	4
1.8 Labor Union in Bangladesh	5
1.9 Industrial Relations Act, 2004	6
1.10 Labor Union Activities in Bangladesh	7
1.11 Trade Union Activities in RMG Sector	8
1.12 Labor Union in EPZ Units	10
1.13 The Situation during Caretaker Government	10
1.14 ILO Directives	11
1.15 Rationale of the Study	13
1.16 Background of the Research	13
1.17 Objective of this Research Work	14
1.17 (a) Research Question	14
1.17 (b) Hypothesis	14
1.18 Methodology	14
1.19 Sources of Data	14
1.20 Analytical Tools Used	15
1.21 Sample Size and Structure	15
1.22 Limitations	16
1.23 Structure of the Study	16

Chapter Two- Labor Outburst in RMG Sector of Bangladesh	17-21
2.1 Various incidence of labor unrest	17
2.2 Small Beginnings of a Mass Revolt	17
2.3 Containing Riots in the RMG Sector	19
2.4 Conclusion	20
Chapter Three – Literature Review	22-28
3.2 Grievance of labor was the centre of the labor unrest	22
3.3 Agreements with Garment Workers not honored	24
3.4 Non implementation of minimum wage	25
3.5 Lack of tolerance of the labor was reason behind that unrest	25
3.6 Other interest Parties	26
3.7 Labor legislation and labor unrest	26
3.8 Unions and workers	27
3.9 Issue which is not addressed	27
3.10 Questionnaire	27
3.11 Conclusion	28
Chapter Four - Stakeholders’ perception regarding labor union	29-39
4.2 Issues that are Addressed in Questionnaire	29
4.3 Overall Response	29
4.6 Response of respondents from unaffected garment industries	33
4.8 Response of respondents from affected garment industries	
Where Labor was Occurred	36
4.9 Conclusion	39
Chapter Five- Findings and Conclusion	40-43
5.2 Lesson Learned	43
5.3 Further Research	43
Reference	44
Appendix One –Questionnaire	45
Appendix Two-- Brief scenario of RMG sector of Bangladesh	46-50

ABBREVIATIONS

BEA	Bangladesh Economic Association
BGMEA	Bangladesh Garment Manufacturers and Exporters Association
BILS	Bangladesh Institute of Labor Studies
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
LU	Labour Union
MFA	Multi-Fibre Arrangement
RMG	Ready Made Garments
EPZ	Export Processing Zone

ABSTRACT

Readymade Garments (RMG) is the main foreign exchange earning sector of Bangladesh. At the same time this labor intensive sector is very important to address the demands of occupation of a huge population. Reputation of this sector is high which underpins the success of this sector. But in recent times the growth and existence of this sector came under threat when this sector faced severe labor unrest.

Due to the labor unrest there has been huge loss of production, and some of the factories were ruined by protesters, several laborers were killed, and lot of labors were injured and arrested.

It is said that there were legitimate demand of the laborers which should have been addressed by the owners. But these demands were not addressed which created the grievance of the laborers. In course of time these grievance bolstered the unrest.

On the other hand, some laborers were not sincere and honest to their job and responsibilities. These laborers involved themselves in the destruction of their own industries.

While most of the researchers addressed the reasons of that unrest, in this research the probable solution of that problem has been addressed by collecting stakeholders' perceptions through questionnaires. It has been found that to address the grievances and to consider the limitations of the financial capacity of the owners a bridging mechanism, labor union, between laborers and owner is needed. Moreover, it was found that most of the respondents think that labor union can be used as a tool to mitigate the risks of labor unrest in RMG sector of Bangladesh.

**Labor Unrest in Bangladesh RMG Sector:
Does Active Labor Union Reduce the Risk of Labor Unrest
in RMG Sector?**

**A Dissertation by
Urmi Tamanna
ID-07272026
MAGD Batch-2**

**Approved as to Style and Contents
By**

**Professor Iftekhar Ghani Chowdhury
Supervisor**



**Institute of Governance Studies
BRAC University, Dhaka, Bangladesh
November 2010**



Labor Unrest in Bangladesh RMG Sector: Does active labor union reduce the risk of labor unrest in RMG sector?

Chapter-One Introduction

Introduction

The readymade garments (RMG) sector, the single biggest foreign exchange earner in Bangladesh has come a long way in last two decades. The industry has crossed many hurdles to stay competitive. It has proved many predictions futile and wrong and competes fiercely even after the abolition of quotas under Multi-Fibre Arrangement (MFA) in the North American market and special market entry to European markets. The credit for that achievement goes primarily to the entrepreneurs and the laborers. But the relationship between these two major contributors has come into question and the industry is under severe pressure because of labor unrest. After the labor unrest of 2006 in several RMG units, the sector sustained a loss to the tune of US\$60 million, Khan, S. (2007). The fact remains that trade unionism is virtually absent in the garments sector and when responsible labor movement is not given any chance, the consequence is indiscipline and chaos leading to a situation where the mob takes over. So the notion of the absence of labor unionism in the garments in most of the industries as a reason for widespread violence needs more research to reveal the reasons behind and offer possible policy solutions to the crisis.

1.1 Historical development of Labor Law In Bangladesh

In British-India industrialization paved its way during the last part of eighteenth century. Workers condition of work, environment was worst. That time the few labor laws existed in the sub-continent was not enough to protect the rights of the working people. Most of the labour laws we have inherited from British-India and Pakistani period. First labor law came in this subcontinent was Worker's Compensation Act, 1923. Workers got their Trade Union rights after a long struggle under Trade Union Act, 1926. At the time of Pakistani period 2 separate laws was there, Trade Union Act & Industrial Dispute Settlement Act, these 2 laws merge into Industrial Relation Ordinance, 1969. Major labor laws enacted in the year 1965, such as Factories Act, Shops & Establishment Act, Employment of Labour (SO) Act. Later on, so many amendments made on labor laws. Moreover, separate rules were also enacted for

better implementation of the law. Bangladesh government set up a separate Inspection Authority to supervise and monitor the implementation of labor laws.

1.2 Present situation

Our labor laws are presently scattered in different statutes. In other words, labour laws are yet to be codified. The necessity of such codification had been felt by many since long. Besides, the existing labor laws suffer from some inherent flaws and require to be updated to meet the present demand of proper dispensation of justice. Actually we inherited the laws and the legal system of our country from British-India. The British enacted laws to primarily suit their colonial purpose. Now ours is liberated country and its outlook and demand have changed drastically. Therefore either the existing laws should be adequately amended or new laws be enacted, suiting the present demand of the society. Out of 44 statutes of our labor laws 2 are from the nineteenth century and another 13 from the between the beginning of twentieth century and the partition of the sub-continent in 1947. Another 23 statutes were enacted during the Pakistan period (1947-1971), the rest i.e., six statutes have been enacted since liberation. These scattered laws need to be unified. Keeping this in view in 1992 a National Labour Law Commission was formed. The Commission opted for recommending the enactment of a Labour Code. The successions for a Labour Code, however, seem to have been shelved, at least for the time being. Nevertheless, occasional attempts have been undertaken to revive interest in the proposed Labour Code. The National Trade Union Leaders of the Labour Law Review Committee was reconstituted in August 1998. Earlier the International Labour Organization-ILO office in Bangladesh also submitted its comments on the Draft Labour Code prepared by the Commission. 7-member review committee has been formed by the government to re-assess the proposed Draft Labour Code.

However, after the emergence of the new state of Bangladesh, no such initiative has ever been taken by any of the successive governments and the issue has always been given back seat by them. Surprisingly, the new recommended Labour Code, 1994 of the National Labour Law Commission is still awaiting government's approval and subsequent enactment. Without a complete Labour Code, to end the violation of workers' rights will remain a far cry.

1.3 Worker's rights situation

Workers' rights are highly violated in the country. Mass people are not aware of the rights of working people. Even the policy makers are not that much concerned. Civil society shows negligence towards the rights of the workers. The Constitution of the country guarantees rights to organize but unfortunately there are so many restrictions to form and join Trade Union in several types of industries and areas i.e. Govt. Employees, Export Processing Zones (EPZ), Rural Electrification Board, and all types of security and confidential staffs, Security Printing Press, employees of education/research institutions, hospitals and clinics, NGOs, Army, Police etc.

To meet the end of these violation and deprivation awareness should be raised among the workers themselves. Labor Union activists should be given more knowledge and power to build their capacity in collective bargaining and motivational activity.

1.4 Lack of union's legal advisory system

Due to multiplicity, in house union system, political tailing and lack of one single National Trade Centre, trade unions becoming weak day by day. Membership dues collection for union and rate of dues are very small size. Due to financial inability members are not getting so many services from the union. One of important service they required is to get legal advice at the time of facing grievance handling, preparing court cases, protection of their rights etc. At present union has no such legal advisory system. Bangladesh Institute of Labour Studies (BILS) can provide such services by establishing a small legal cell.

1.5 Professional legal support is costly

Legal advice and legal support is always a costly service not only in Bangladesh but almost anywhere in the world. Workers income rate are very poor, their social security scheme are also weak. Working class are always facing serious problem when they get some problem on their job. Workers jobs are always on risk. The employers have so much power to terminate

the job of workers. To face the legal court cases professional lawyer's services they need but their services are very costly. Workers have no ability to pay for that.

1.6 New Labor Code

The country's constitution guaranteed all the fundamental rights of the citizen and every body are equal in the eye of law, irrespective of color, sex, class, profession and religion. Bangladesh is a member of ILO since 1972 and obtained membership of the UN in 1974. Though it has ratified 7 out of 8 core ILO Conventions the employers are use to ignoring the law. Most of the ratified ILO conventions are not fully implemented. The present labour law of the country should be updated; a complete labour code should be passed. A step was taken in this regard in 1994 and a labor code was proposed. Trade Union federations of the country made their recommendations and suggestions to make the code a complete document for protecting workers' rights, but the government is still to pass the code. [BILS 2005]

1.7 The functions of Labor Union

A **trade union** or **labor union** is an organization of workers who band 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. The agreements negotiated by the union leaders are binding on the rank and file members and the employer and in some cases on other non-member workers.

These organizations may comprise individual workers, professionals, past workers, or the unemployed. The most common, but by no means only, purpose of these organizations is "maintaining or improving the conditions of their employment"

Over the last three hundred years, many trade unions have developed into a number of forms, influenced by differing political and economic regimes. The immediate objectives and activities of trade unions vary and include:

- **Provision of benefits to members:** Early trade unions, like Friendly Societies, often provided a range of benefits to insure members against unemployment, ill health, old age and funeral expenses. In many developed countries, these functions have been assumed by the state; however, the provision of professional training, legal advice and representation for members is still an important benefit of trade union membership.
- **Collective bargaining:** Where trade unions are able to operate openly and are recognized by employers, they may negotiate with employers over wages and working conditions.
- **Industrial action:** Trade unions may enforce strikes or resistance to lockouts in furtherance of particular goals.
- **Political activity:** Trade unions may promote legislation favorable to the interests of their members or workers as a whole. To this end they may pursue campaigns, undertake lobbying, or financially support individual candidates or parties (such as the Labour Party in Britain) for public office. (wikipedia)

1.8 Labor Union in Bangladesh

The Industrial Relations Ordinance, 1969

[Ordinance XXIII of 1969] [13th November, 1969]

This ordinance is about formation of trade unions, the regulation of relations between employers and workmen and the avoidance and settlement of any differences or disputes arising between them or matters connected therewith. Certain related sections are depicted below.

Sec 2(v): “ *Collective bargaining agent* ” in relation to an establishment or industry, means the trade union of workmen which, under section 22, is the agent of the workmen in the establishment or, as the case may be, industry, in the matter of collective bargaining;

Sec 2(xiii): “ *Industrial Dispute* ” means any dispute or difference between employers and employees or between employers and workmen or between workmen and workmen, which is connected with the employment or non employment or the terms of employment or the conditions of work of any person;

Sec 2(xxiv): “*Settlement*” means a settlement arrived at in the course of conciliation proceeding, and includes an agreement between an employer and his workmen arrived at otherwise than in the course of any conciliation proceeding, where such agreement is in writing, has been signed by the parties thereto in such manner as may be prescribed and a copy thereto in such manner as may be prescribed and a copy thereof has been sent to the Government, the Conciliator and such other person as may be prescribed;

Sec 2(xxvi): “*Trade Union*” means any combination of workmen or employers formed primarily for the purpose of regulating the relations between workmen and employers, or for imposing restrictive conditions on the conduct or any trade or business and includes a federation of two or more trade unions;

Sec 3: *Trade unions and freedom of association.* - Subject to the provisions contained in this Ordinance-

- a) Workers, without distinction whatsoever, shall have the right to establish and, subject only to the Rules of the organization concerned, to join associations of their own choosing without previous authorization;
- b) Employers, without distinct whatsoever, shall have the right to establish and, subject only to the Rules of the organization concerned, to join associations of their own choosing without previous authorization;
- c) Trade unions and employers’ associations shall have the right to draw up their constitutions and rules, to elect their representatives in full freedom, to organize their administration and activities and to formulate their programmes;
- d) Workers’ and employers’ organizations shall have the right to establish and join federations and confederations and any such organization, federation or confederation shall have the right to affiliate with international organizations and confederations of workers’ and employers’ organization; [Khan, 2006 p.p155-162]

1.9 Industrial Relations Act, 2004

[Act no.23 of 2004] [4th September, 2004]

This Act made provisions for recognizing the right of the workers to form association, regulation of relations and settlement of differences or disputes arising between employers

and workers in Export Processing Zones and for matters connected therewith. Certain related sections are depicted below.

Sec 5: Workers representation and welfare committee. – (1) After commencement of this Act, the Executive Chairman or any officer authorized by him in that behalf, shall require the employer and the workers in an industrial unit in a zone to constitute, in prescribed manner, a Workers Representation and Welfare Committee, hereinafter referred to as the committee.

Sec 11: Duration and cessation of committee. – (1) A committee constituted in a Zone shall be in existence till October 31, 2006

Sec 13: Formation of Workers Association. - (1) With expiry of October 31, 2006 and beginning of November 1, 2006, the workers in an industrial unit situated within the territorial limits of a Zone shall have the right to form association to engage in industrial relations subject to the provisions made by or under this Act. [Khan, 2006 p.p497-506]

1.10 Labor union activities in Bangladesh

The trade unions are very strong in Bangladesh, although only 3.5 percent of the workforce is unionized, but most of the unions are limited to the **public sector** or state-controlled enterprises. According to the International Confederation of Free Trade Unions (ICFTU), there are a total of 23 national trade union centers in Bangladesh and approximately 5,450 trade unions. The largest of these are the Bangladesh Jatio Sramik League (BJS�); the Bangladesh Jatiyatabadi Sramik Dal (BJSĐ); the Jatiya Sramik Party (JSP); the Bangladesh Free Trade Union Congress (BFTUC); and the Jatio Sramik League (JSL). These bodies are organized together in the ICFTU Bangladesh Council. About 1.8 million of the country's workers belong to unions, out of a total workforce of approximately 58 million. The unions tend to have strong links to major political parties or are controlled by political figures, and they often lead political action and strikes in the country. Strikes are extremely common in Bangladesh and can paralyze business activities for weeks. The **private sector** is less unionized and trade unions are practically banned from the Export Processing Zones (EPZ) until 2008, as the EPZ is exempted from certain labor laws. In case of industrial dispute the problems are supposed to be solved through the Labor Tribunal.

Unlike many Middle Eastern countries, women in Bangladesh enjoy considerable freedom and are generally involved in education and labor, although the employment and literacy rates among them generally are lower than among men. Recent surges in the garment industry brought new employment opportunities for women, as around 95 percent of people employed in this sector are women. However, in the rural areas the women very often are disadvantaged and among the poorer members of the communities. Currently, more than 37 percent of the labor force is women. However, unionization among women, and hence the protection of their rights, is generally lower than among men. [[National Economies Encyclopedia](#)]

1.11 Trade union activities in RMG sector

Trade Union movement in garments sector is very weak. Even it is weaker than the other sectors. There are 8 country wide registered trade union federations. There are 9 federations registered as division based. Another 5 registered federations are combined with Jute, Textile and leather Sector. Apart from these, there are 6 unregistered federations in this sector. There are 3 alliances in the garment sector. These are: 1. Bangladesh Garments Workers Unity Council. 2. Bangladesh Garments Workers and Employees Unity Council. 3. B.N.C.C. (Bangladesh Coordinating Committee, affiliated with (ITGLWF).

Main reason of the weakness of trade union movement of garment sector in Bangladesh are: 1. Disunity and division of organizations. 2. Unlimited and long working hours. 3. Absence of Job security. 4. Migration from factory to factory. 5. Absence of weekly holiday and other holidays. 6. Majority of women. 7. State policy. 8. Elite class ownership. 9. Low wage. 10. Unemployment of the country.

Though there were 16 unions representing garment workers in January 2006, according to the Democratic Workers Party "...the level of unionization among workers was very low. Where unions were 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 had virtually no contact. Most of the unions had direct or indirect links with local and foreign NGOs, and receiving lucrative grants seems to be their main goal." [July 14th, 2006 by Libcom]

Most of the trade unions appeared 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 organisation. 11 years ago the NGWF was an organisation with 3 workers paid a basic garment workers wage operating out of a shed in a workers slum. Working in conditions more similar for workers in Europe a century or two ago, basic organization for defence and improvement of working conditions is a matter, sometimes, of whether one starves or not. With rapid large-scale proletarianisation of rural workers in many parts of Asia (China, India etc) struggles for unionization are likely to follow.

Though organising trade unions were banned by employers in the EPZs, this has changed, as one of the concessions won by the revolt. This is anyway a convenient concession for the owners; a Bill was introduced into the US Senate which, if passed, would ban all imports produced in sweatshops. This is a form of US trade protectionism and corporate image management expressed as concern for workers' conditions. The Bill would penalise Bangladesh, Jordan etc and America's big rival China in, for example, the garment industry, by attempting to undercut their present advantage of cheaper labour costs.

"... the Greater Los Angeles area ... has surpassed the New York area as the center of the North American garment industry. Home to more than 1,000 manufacturers who employ an estimated 90,000 workers, most of them immigrant, the garment and related industries account for as much as 10 percent of Los Angeles' economy, according to "Sweatshop Slaves." Nearly one in five local employees today work in the garment industry, making it Los Angeles' leading manufacturing sector." (Review of "Sweatshop Slaves: Asian Americans in the Garment Industry", Various, 2006.)

As well as the dire conditions of employment, the low level of unionism is one likely reason for the ferocity of the workers response. When it erupts, unmediated class war is generally conducted more brutally on both sides. The Bangladesh state finally realised this when it brought in union officials to mediate and negotiate an end to the rebellion. In the long term, union representation is usually granted by the bosses as a necessary safety valve mechanism and tool of management for the stability of the production process. [Libcom 2006]

1.12 Labor Union in EPZ units

Labor union was banned from EPZ units until 2008. For the first time in the country, 69 industrial units in Dhaka and Chittagong export processing zones (EPZ) have introduced workers' associations on the basis of referendums by workers. At the same time, workers of 22 industrial units have voted for not having any trade union body for themselves for yet another year. The referendums on having workers' associations were held from January to the middle of this month. There are 124 more "eligible" industrial units in these two EPZs which will have to hold their referendums by 2010 as per a decision of Bangladesh Export Processing Zones Authority (BEPZA) on the basis of a 2004 act on allowing trade union activities. Although referendums are supposed to be held without any external influence and spontaneously by the workers, BEPZA is putting pressure on the industry owners to hold them as soon as possible. American labour group that has been pushing hard for implementing trade union rights at the EPZs has mounted pressure on the government to have the associations as soon as possible.

The factories at the EPZs on an average pay 40 percent more than the factories outside the EPZs. Yet during last year's unrest, some of the best paying factories in the EPZs came under attack by their own workers. Owners of these factories and law enforcement agencies have said this unrest was prompted by outsiders for their petty gains. Although the referendums are supposed to be held without any external influence and spontaneously by the workers, the Bepza is putting pressure on the industry owners to hold the referendums as soon as possible. The president of Bangladesh Readymade Garments Labour Federation, said, "Lack of proper monitoring by the government, lack of sincerity of the owners and ignorance of workers of most factories are not complying with the law." [bangladeshnews.com.bd, 23 March 2008]

1.13 The situation during caretaker government

Garments are Bangladesh's main export, and have been a major contributor to the country's economic growth in recent years. The industry has also been important in creating jobs for women. "International companies that source garments in Bangladesh should insist that the Bangladeshi government end harassment of labor rights activists," said Adams. "They should make it clear that labor organizing and activism is part of the deal when operating in the

world economic system and that they will not accept it if activists are jailed, intimidated or harassed by the authorities.” Bangladesh has been under a state of emergency since January 11, 2007. The emergency rules have placed serious limits on civil and political rights, and have severely diluted constitutional protections of individual rights. In a letter to the government dated August 1, 2007, Human Rights Watch called for the lifting of the state of emergency.

Emergency Power Rules of January 25, 2007 prohibits processions, meetings, assemblies and trade union activities. “The interim government is abusing its emergency powers to target individuals who are trying to protect workers’ rights in Bangladesh’s most important export industry,” said Brad Adams, Asia director at Human Rights Watch on the backdrop of the arrest of Mehedi Hasan of the Worker Rights Consortium (WRC) on January 24, 2008. He was arrested and detained by National Security Intelligence in Dhaka. His arrest is believed to be directly linked to the labor rights monitoring that he carried out for WRC, a nongovernmental organization that investigates labor practices at apparel factories, largely on behalf of US colleges and universities. Hasan is being held for violating Articles 3 and 4(1) of the Emergency Power Rules of January 25, 2007.

In recent days, the authorities have invoked Emergency Power Rules and have filed criminal cases against dozens of trade union members, including leaders of the Bangladesh Independent Garment Workers’ Union Federation. Many other labor rights activists have complained to Human Rights Watch about being threatened and being under constant surveillance. According to police sources, a number of international organizations and their staff members are currently being monitored for allegedly engineering or inciting subversive activities within the garment industry.

1.14 ILO Directives

The International Labour Organisation rapped Bangladesh for its continuing failure to provide full trade union freedoms in the country and for permitting serious violations of ILO Conventions both in law and in practice. In particular, it deplored the obstacles to the establishment of unions in Export Processing Zones and the arrest and harassment of union leaders and activists in the garment sector.

And the ILO's Committee on the Application of Standards singled out Bangladesh for special attention expressing concern over the escalation of industrial violence stressing that freedom of association could only be exercised in a climate that was free from violence, pressure or threats of any kind against trade union leaders and members.

The Committee demanded that the Bangladesh Government take measures for the amendment of the Labour Act and the EPZ Workers Associations and Industrial Relations Act so as to bring them into full conformity with the provisions of ILO Convention 87 which Bangladesh has ratified and is duty-bound to observe.

The ILO called upon the Bangladesh Government to ensure that all workers were fully guaranteed the protection of the Convention and demanded that the necessary concrete steps to ensure this be taken without delay. The Government of Bangladesh was asked to provide full particulars to the ILO in respect of all arrests, harassment and detention of trade unionists and trade union leaders and urged to give adequate instructions to the law enforcement bodies so as to ensure that no person was arrested, detained or injured for having carried out legitimate trade union activities.

Speaking during the debate in the Committee Neil Kearney, General Secretary of the International Textile, Garment and Leather Workers' Federation, called for exactly these measures requesting the Committee to include a special paragraph on Bangladesh that would demand the introduction of the full application of the principles of freedom of association regardless of workplace and including in Export Processing Zones as well as the dropping of false charges against trade union leaders and activists and a halt to the current campaign of harassment against trade union activity. He also called on the ILO to demand that Bangladesh ensure the full application of labour law in every factory. [www.itglwf.org]

Limited scale trade union activities are allowed

The government has decided to ease the state of emergency on a limited scale to allow the trade unions carry out their activities for holding the overdue elections to the CBA (collective bargaining agents) bodies. The government imposed restrictions on trade union activities after the declaration of the state of emergency on January 11 last year.

Since the tenure of CBA bodies has expired, alternative committees and counter-committees have been formed in many industries. Being alarmed at the prevailing situation which might lead to labour unrest, the government has decided to ease emergency to allow holding of elections to CBA bodies. [BangladeshNews.com.bd, July,2008]

1.15 Rationale of the Study

Readymade garments, for the last couple of decades, have been the lifeline of Bangladesh's economy (Uddin, M. S. and Jahed, M. A., 2007). At the last count, the sector accounted for nearly 80 percent of export earning that drives the economy further forward and it also provides jobs for hundreds of thousands of semi-skilled workers, mostly, who in turn provide livelihood for millions (Uddin, M. S. and Jahed, M. A., 2007). But the alarming fact is that, Bangladesh's garments exports were down as political turmoil and labor unrest wreaked havoc on the sector, which is crucial to the impoverished nation's economy. The industry's immediate response was to allege instigation by political conspiracy or international competition. The answer does not lie in merely apportioning blame to the external actors or seeking hidden clues, but the reason may be deeply routed in the owner-labor relations. It was assumed that the negotiating agents could not reduce the gaps between the workers and the owners in most of the affected industries as trade unionism was virtually absent. None of the studies has been done so far about the issue. So it is very important to find out the real fact behind the role of labor union in the recent labor unrest to evaluate the necessity of labor union to reduce the risk of labor unrest.

1.16 Background of the Research

Masters in Governance and Development is a program of GO-NGO collaboration. Objectives of this program are to enhance the capacities of mid-level government officers by sharing modern concepts. This program is coordinated by Institute of Government Studies (IGS), BRAC University which is basically a research organization. Government has the intension that every participant of this program may carry out some meaningful research that may put some significant contribution in the national policy. On the other hand it is mandatory for each participant to complete a research work to achieve this degree. Therefore to acquire this degree as well as to assist the government to formulate effective strategies to address the labor unrest in RMG sector I would like to complete this research work.

1.17 Objective of this research work

This research work will evaluate the opinions of different stakeholders regarding the labor unrest of RMG sector of Bangladesh. In that way the perceptions of these stakeholders may indicate the necessity of labor union to address labor unrest.

The dissertation has the objective to identify the necessity of labor union in view of recent labor unrest in RMG sector of Bangladesh.

1.17 A Research question

Does active labor union reduce the risk of labor unrest in RMG sector?

1.17B Hypothesis

It is necessary to have active labor union in every RMG industry to prevent labor unrest.

1.18 Methodology

Methods of Collecting Data

- o Face to face conversation with the owner of the garments, workers, labor union leaders and staff
- o Content analysis
 - Facts and literature review
 - Collection of relevant information
 - Newspaper review

1.19 Sources of Data

The primary sources

- Primary data have been collected through interview of the owners of garments factories, workers, Labor union leaders and staff

The Secondary sources

- Different books and articles
- Evidence from newspapers

Data collection Instrument

- **Questionnaire:** Data has been collected through questioning owners, workers, labor union leaders and staff
- **Checklist:** Checklist has been used during the preparation of the dissertation.

Variables Covered

The following variables of the firm have been covered during the preparation of the dissertation.

- Existence of active labor union in the company
- Perceptions of stakeholders about the necessity of labor union to minimize the risk of labor unrest

1.20 Analytical Tools Used

- Statistical methods: Mode
- Opinions of the stakeholders are expressed in terms of percentage of the total number of the respondents

1.21 Sample Size and Structure

Due to time constraints only six RMG industries were covered under this survey. Though these industries were chosen arbitrarily but there was an intension that equal number of industries should be surveyed which faced opposite reality and experiences during the labor unrest. Ten respondents from each of those industries were interviewed; among the respondents of each industry there were respondents from Owner, labor leaders, labor and staff. As labor are the most important stakeholder related with labor unrest and as labor is major portion of the total number of people engaged in RMG sector so half of the respondents are labor. Rest three groups (labor leaders, staff and owners) are equal in number among the respondents.

- **Total 60 sample (from six company)**
 - 10 sample from each company
 - Laborer
 - Owner
 - Staff
 - Labor leader

➤ **Six RMG Industry: Arbitrarily Chosen**

- Three RMG Industries in which labor unrest was taken place
 - Two : in which labor union was not existing
 - One: in which labor union was existing
- Three RMG Industries in which labor unrest was not taken place
 - Two : in which labor union was existing
 - One: in which labor union was not existing

1.22 Limitations

The following limitations were faced during the preparation of this dissertation.

- 1) Limited access into factories
- 2) Difficulties to communicate with factory owners
- 3) Time constraint
- 4) Unwillingness of Company owner & other respondent to disclose their identities

1.23 Structure of the study

The Chapter -1 looks presents the introduction and rationale for the research, while Chapter 2 examines the scenario of Labor Outburst in RMG sector of Bangladesh, Chapter 3 presents a overview of Literature Review, while Chapter 4 examines the perception of the different stakeholders regarding labor union. The last chapter i.e Chapter 5 comes up with the main findings of the research and Conclusion.

Chapter Two

Unrest in RMG: Bangladesh Perspective

RMG sector is the main foreign exchange earning sector of Bangladesh. Economy and economic development of Bangladesh is greatly dependent on the success and growth of this sector. Turmoil in this sector not only affects the major stakeholders of this sector but also pull down the socio-economic condition of the nation (see appendix Two). In the previous chapter it is mentioned that the objective of this research is to evaluate the need of labor union to reduce the risk of occurring labor union. In this chapter brief history of the labor unrest of Bangladesh will be mentioned. Sequences and consequences of these events will provide some to clue which should be addressed in the questionnaire. Therefore this chapter will develop the theoretical platform for the literature review as well as questionnaire.

2.1 Various incidence of labor unrest

According to Libcom (2006), during May 2006 to June 2006 labor unrest were taken place in the RMG sector of Bangladesh. In that unrest nearly 1.8 million workers were participated. Workers of more than 4000 RMG factories were struck work during the 3rd week of May 2006. This period is known as the peak period of that labor unrest. These workers, and other workers from the industrial suburbs, continuously demonstrated and blocked highways connecting industrial suburbs to the capital Dhaka. Government deployed paramilitary and police to control this protest. In the first one week, as per official figures, at least 3 workers were shot dead, 3000 injured and several thousands were put into prisons (Libcom, 2006).

2.2 Small beginnings of a mass revolt

Initially there were labor unrests in few industries but at that time this issue was not properly attended rather it was treated as individual case in different industry. But the turmoil which was taken place in FS Sweater ignited the labors' violent protest in many factories (Libcom, 2006). Some of the workers of FS Sweater were arrested on 18 May. Nearly 1000 workers of FS Sweater factory at Sripur, in the suburbs of Dhaka, started a sit-in demanding increase in their wages and release of their arrested colleagues. Some of the initiatives of the factory owners made labor more violent. As a counter action of the protest of the labor, owner of the

factory cut off the water and power supply to the areas where workers were gathered (Libcom, 2006). At the same time huge number of police was deployed to control that protest. To control the unruly workers police opened fire. Some of the workers were wounded and some of the workers were arrested. One worker was shot dead in front of FS Sweater Factory. As per official report nearly eighty workers sustained bullet injuries. Workers of FS Sweater factory were joined by thousands of other workers and their families from neighboring slums where most of the workers lived. Workers and their families in turn chased the police.

2.2B A mass revolt

On Monday, 22 May 2006 movement erupted at fully fortified Savar EPZ, another suburb of Dhaka (Libcom, 2006). Private guards of the factory attacked the protested workers of Universal Garments Limited while they gathered in front of the factory to demand payment of their back wages. To face the challenge of private guards, workers of Universal Garments Limited asked help of neighboring factories workers. Hundreds of factories of Savar EPZ and New EPZ had joined in that protest. The highways going out of Dhaka were blocked. Striking workers fought back against police and paramilitary forces sent to resist them. Several hundred workers were injured by bullets and one worker was killed in firing by the law enforcing agency of the state. Enraged by news of death of workers, by evening workers in other industrial suburbs were coming out of their factories to join the protest.

2.2C On 23 May all industrial suburbs of Dhaka were paralyzed by a generalized revolt – most workers stopped work and took to the streets demanding end to repression, release of arrested workers, higher minimum wages, weekly time off, overtime pay for extra work, public holidays etc. (Kamaluddin,2007). By this time the government had become aware of the gravity of the situation and tried to mobilize all its political and oppressive forces. By evening of 23 May, Bangladesh Rifles (Border Security Force) was deployed in huge numbers throughout the industrial suburbs.

2.2D The "Union Co-ordination belonging to different political groups were brought together and they cobbled together a list of demands. On the evening of 23rd May this 'Union Co-ordination' issued a list of demands (Libcom, 2006).

2.2E According to Tahmina, Q. A. (2006) government compelled the owners' body, BGMEA (Bangladesh Garments Manufacturers and Exporters Association) and the newly cobbled together 'Union Co-ordination' to sit in a meeting. By evening the Minister for Labor, along with BGMEA and Unions representing the both sides, declared that owners have agreed to all legitimate demands of the workers– increase of minimum pay to 3000 Taka, mandatory weekly time off and other holidays, 8 hours working day and overtime pay for extra work etc. "*It is now time to go back to work*", the union co-ordination proclaimed and an agreement was signed on 24th May 2006.

2.2F While the edge of the workers revolt was blunted from 25th May 2006 their anger and revolt continued to simmer and explode. There was fresh round of large scale rioting and clashes between workers and forces of the state from 29th May to 4th June. This renewed wave of strikes erupted to protest non-implementation of proclamations of 24th May 2006 (Libcom, 2006). Between these days one more worker was killed, hundreds more were injured by bullets. Savar and other EPZ were once again shut down by striking workers. These businesses were finally opened from 8 June 2006 with deployment of much bigger paramilitary forces.

2.3 Containing riots in the RMG sector

Labor unrest has again turned the situation in the garment industry volatile in January 2008. Huge number of Police had to use force to quell the agitated workers. This time, the violence arose ostensibly from the dissatisfaction over their pay structure (Kamaludding, S., 2007).

The minimum wage board for garment workers agreed upon on minimum of tk.1662.50 (\$25) in October 2006 through a tripartite agreement among the labor leaders, the factory owners' representatives and the government. This initiative was in fact a development that came at the last stage of the workers' unrest that started as a riot in the beginning (Libcom, 2006).

The deadline for implementation of the minimum wage board expired on June 30, 2007. Full implementation of the wage board by owners of different garment factories, however, remains a largely disputed subject (Libcom, 2006). Many garment industry owners claim they have complied with the tripartite agreement fully, while labor leaders and workers allege that many other RMG units are yet to do so. On January 30, 2008 severe labor unrest emerged due to some unexpected behavior of some management staff (Libcom, 2006).

2.3A More than 4000 factories had to face labor unrest. 16 factories were burnt down by the protesters. Lots of workers were injured and arrested. There were significant numbers of death of labor. Unrest in individual factory created the labor unrest in whole RMG sector. At the end it became an issue of total working class community. Production and growth of RMG sector was hindered. The workers' representatives, leaders of the garment apex bodies and government representatives together tried to resolve the issue of workers' grievances by fixing a wage board for them (Libcom, 2006).

2.3B Participation of huge number of labor (see 2.2) in that unrest indicates that a big portion (see appendix Two) of the RMG labor was motivated to take part in that labor unrest. Their participation refers the moral support of labors to that protest (may not be to the destruction).

Temporary mitigation of labor unrest during 3rd week of May 2006 by the help of labor union (see 2.2A) indicates the necessity of this research to evaluate the role of labor union to address labor unrest.

All the protesters had the demand to settle down a rational wages, higher minimum wages, weekly time off, overtime pay for extra work, public holidays etc. (see 2.2C). This demand indicates that some of the demand of the labor could be solved in the factory level through consultation with labor and their representatives. Therefore the role and existence of labor union comes in the centre of the labor unrest issue.

There was lack of commitment to increase the credibility and to fulfill the conditions of agreement (see 2.2F) by all the parties. Therefore due to mistrust the labor unrest was developed within a short period. In this situation a buffer group is needed to reduce the gap between owner and labor.

2.4 Conclusion

Initially there were some labor unrests in some of the RMG industries. At that time it was controllable but at that time it was ignored. In most cases there were some common demands of the workers which were the centre of the workers grievances. In course of time this unrest spread into other factories and at the peak of the unrest, it turned into the common issue for working community. There were some ups and down in the severity of that unrest. Sometimes government and owners tried to solve the problem through administrative

mechanism or by imposing restriction. But attempts of the government succeeded while government addressed that issue by involving all major stakeholders in negotiation process. This chapter provides a brief history of the labor unrest in RMG sector of Bangladesh. It is found that labor union played a vital role to dilute that unrest. Therefore information of this chapter will provide a significant theoretical basis for the next chapter to analyze the literature review and to formulate the questionnaire.

Chapter Three

Literature Review

Different stakeholders may have different opinions about the reasons behind the labor unrest in RMG sector. At the same time there could have different opinions regarding the probable mechanism to address such issue in future. In this chapter opinions of different researcher and writers regarding the cause and solution of the labor unrest in Bangladesh will be discussed. On the basis of the opinions of these researchers a questionnaire will be formulated to address the research question.

The violent outburst of the workers crippled the industry for many days. Several quarters saw sabotage behind this situation. But interestingly all of them found the involvement of different actors according to their own convenience. Some stakeholders alluded to a neighbor country role, alleging that the violence was the result of "conspiracy from across the border (SSAG, 2006).

In one stage the issue also acquired political overtones. The opposition demanded the government's resignation. The opposition also alleged that the government has created the trouble in order to 'shift the people's attention from its various failures'. On the other hand, the ruling party said it would mobilize the public against "attempts at spreading anarchy". Leading economists of Bangladesh have criticized both the employers and the government for their sheer negligence to overcome the present anarchic situation in the country's readymade garments (RMG) industry. According to the president of Bangladesh Economic Association (BEA), the prevailing situation of that period in the RMG sector was an explosion of anger that remains unresolved for long (SSAG, 2006).

3.2 Grievance of labor was the centre of the labor unrest

Tahmina, Q. A. (2006) thinks that labor unrest in RMG sector of Bangladesh was the outcome of the labor's dissatisfaction to their compensation. Labors think that they are under paid and ill treated. Therefore they had grievances which ultimately turn into their violent protest. She also mentioned that owners of RMG industries were not willing to pay the minimum wage according to the legal provision. It seems that either owners were not fully aware about the demand of the labors or they simply ignored labor's demands.

3.2A The transfer of production controls the global economy, where firms in developed countries turn their attention to developing countries. The new system is centered on a core-periphery system of production, with a comparatively small centre of permanent employees dealing with finance, research and development, technological institution and modernization and a periphery containing dependent elements of production procedure. Reducing costs and increasing output are the main causes for this arrangement. They have discovered that the simplest way to cut costs is to move production to a country where labor charge and production costs are lower. Solely concerned with making profits, Bangladeshi garments employers are quick to accept orders even when they know it will be very difficult to deliver them on time. They put pressure on employees to do a lot of overtime. Given the low basic wages, the workers are forced to agree to do this overtime. However the fatigue that the latter produces adds to the existing bad health of many workers in this sector and to a reduction in the quality of products and in the companies' productivity. That has gone worse since the government has recently announced that it would increase the amount of authorized overtime and reduces the restrictions on women's night work (Iqbal, J., 2008).

3.2B To stay in the international competition without any quota system in place, the garment employers are exploiting the workers. The minimum wage has not improved for years and with no clear trade union intervention regarding this matter, employers are exploiting workers at will.

There is also a limit in increasing the total working hours. It has serious impact on the health of the workers, resulting in inefficiency. A study carried out in 2003 by a Bangladeshi institute on over 800 textile workers discovered that 42% of women workers and 24% of their male counterparts are suffering from chronic diseases (such as gastro-intestinal infections, urinary complaints, blood pressure problems and anemia, etc.). 45% of the women and 36% of the men who were interviewed said they felt weak, whilst 3% of the women and 4% of the men had fainted in the months prior to their interviews (Iqbal, J., 2008).

Brutality of exploitation of garment workers in Bangladesh is typical of the conditions of workers in many sectors 'outsourced' by center of capitalism to third world countries. Minimum wages were 900 Taka (14\$) per month before October 2006. Even this is not paid in about half of the garment as well as other factories. These minimum wages were fixed in 1994 and have remained unchanged despite consumer prices having grown three fold in the last 12 years. Nearly all workers in the Bangladesh garment industry work for little more than

starvation wages, under conditions closer to those endured by European workers 150-200 years ago. Physical and sexual abuse in the workplace is common where most are girls as young as 12 years old. Working over time is often compulsory and wages are sometimes withheld for months. The condition is worse outside the EPZs where 80% of the garments workers are employed (Libcom, 2006).

Apparently in these conditions of barbaric exploitation the bourgeoisie dispensed with even a myth of representation - no unions, even linked to ruling gangs, were allowed in any of the garment factories. As per an academic in Labor Studies, "*only 100 out of 5000-plus garment factories have participation committees*", *New Age*, 3rd June 2006. This absence of bourgeois tools to control workers became an element in the strength and violence of the workers revolt.

3.2C Therefore two issues need to be addressed in the study: (1) Mechanism to transmit labor's demand to the top management, (2) Labor union can address demands of labor.

3.3 Agreements with Garment Workers not honored

A study by Bangladesh Institute of Labor Studies (BILS) has indicated that garment manufacturers and exporters in Bangladesh have yet to implement four agreements signed between 1997 and 2005 to defuse problems following labor unrests. A number of labor leaders believe that owners reached accords with workers just to defuse troubles whenever there was unrest. Instead of implementing deals, the owners even filed a writ petition against the government notification about minimum wages for laborers circulated in 2001.

The factory owners also did not implement the 24-point suggestion offered by the Department of Inspection for Factories and Establishment in November 2000. The department pointed out 24 kinds of irregularities in the garment industry that went against labor laws. Inspection by the department also found that non-implementation of labor laws resulted in discontent and anger among the workers (Libcom, 2006).

3.4 Non implementation of minimum wage

At least 145 garments manufacturers have not implemented the 25-dollar minimum wage while 262 factories don't pay regular salaries to workers, a wide-ranging government inspection study revealed in January 2008 (Libcom, 2006). Some 223 do not pay overtime duly while the working condition in at least 319 factories was 'below standard', the study said in a scathing report on the state of ready-made garments sector in the country. The study by the Directorate of Inspection for Factories and Establishments was the most wide-ranging on the garments sector, the biggest export earners of the country, and it covered 1596 factories between June and December 2007.

The government ordered the inspection early in 2007 to find out the factories that have yet to implement the Tk 1662.50 (\$25 dollar) minimum wage it had set in 2006. The minimum wage was set in a tripartite agreement among the government's labor ministry, representatives of apparel owners and the garment workers union. The setting of the minimum wage follows months of unrest in the apparel sector, which began in early 2006 and saw hundreds of factories vandalized and dozens torched by hundreds of thousands of angry workers.

The garment manufacturers disputed the government reports, saying only a 'tiny' number of factories have so far failed to implement the minimum wage. As far as our estimate is concerned, only 24 factories have not implemented the minimum wage," said the president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA). According to him the failure to implement minimum wage is due to some financial constraints, including higher interest rate, frequent power disruptions and lack of export orders due to the political and labor unrest (Karim, 2008).

3.5 Lack of tolerance of the labor was reason behind that unrest

Ittefaq (2007) reported that 91 industrial units were operating in Dhaka Export processing Zone (EPZ), among them labor unrest occurred in one factory Lenny Fashion Company unit-2, because 103 workers of were temporally sick on last 03-082007 for not supplying standard food by contractor. It mentions that workers demanded Tk. 30 in cash everyday for lunch. The factory authority agreed to provide food facilities in cash Tk. 24 instead of previous food cost Tk. 20 and the workers agreed decision of the authority, but some unruly workers stick

on their demanded Tk. 30 and ignited the flame of destruction of the factory and production. It also refers that that labor unrest was not due to salary.

3.5A Therefore opinions of the owners of the RMG industries should be included in the research to get the actual picture. At the same time it is essential to evaluate the job satisfaction of the RMG workers and the working environment in RMG sector.

3.6 Other interested Parties

Kamaluddin, S. (2007) mentioned there were other interest parties which created that labor unrest. He states that there were some valid reasons for the labor trouble in the local garment industry. Workers in the smaller garment units were ill-paid and in many cases they were paid irregularly. Festival bonuses remained unpaid for long and working conditions were not congenial. So a lot of grievances had been accumulated for a long time. The workers also demanded revision of minimum wages fixed in 1994. However, what surprised the garment owners and observers alike was that the target of the labor unrest was not the smaller garment factories where workers remained unpaid at times for months but the well managed factories which paid well and had introduced the state-of-the-art technology for improving their productivity. Most of the workers of such factories had no complain against their employers but had no choice but to get involved. Therefore he pointed that there might have some influence from international competitors to create labor unrest in RMG sector of Bangladesh.

3.6A Therefore in the research involvement of labor and labor union in this labor unrest and mitigation of that unrest should be identified.

3.7 Labor legislation and labor unrest

Formulation and implementation of proper labor-law reduces the grievances of the labor. On the other hand (Itcilo, 2008) refers that avoidance of labor-management and labor-legislation creates the situation in which labor unrest takes place. The EPZs are excluded from the scope of the Industrial Relations Ordinance (1969), which provides for organizing and bargaining rights in other sectors, and the *Guide to investment in Bangladesh* published by the Board of Investment states that the law forbids the formation of any labor union in EPZs. Therefore some grievances might exist as labor registration was not implemented in some RMG industries (Morshed, M. M., 2007). Libcom (2006) refers that though organizing trade

unions was banned by employers in the EPZs. It is happened because US trade protectionism and corporate image management expressed as concern for workers' conditions.

3.7A Labor union is a platform to uphold the right of the labor. Therefore, this research will address whether labor are satisfied to the negotiation activity of labor leaders.

3.8 Unions and workers

Though some researchers mentioned that labor union is a tool to address the grievances of the labors but Libcom (2006) refers that 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.

3.8A This Research will address whether laborers are confident on the negotiation capacity of labor unions.

3.9 Issue which is not addressed

Huge numbers of journalists reported on the labor unrest issues in the RMG sector of Bangladesh. At the same time columnists and research also addressed this issue. Some of those works are mentioned above. It seems that they basically addressed the reason behind that labor unrest. But one of the major issues is not sufficiently addressed by them. They did not address the probable solution of that issues which will reduce the chance of future unrest. At the same time the necessity of existence of active labor union to mitigate labor unrest is not properly addressed. This vacancy creates the scope of this research work. Opinions of various stakeholders will be gathered through the questionnaire mentioned below.

3.10 Questionnaire

1. Is there any formal body (labor union) that represents labor in any negotiation?
2. Is that labor union registered?
3. What is the selection procedure of the member of labor union?
4. Is this labor union active in this factory to mitigate problems of the labors?

5. Is there any hindrance that make labor union less active; mention any two.
6. What are the major responsibilities of labor union; mention any three.
7. Mention 3/4 examples that labor union succeeded to make some major negotiations.
8. What are the concerned groups that are related with these probable reasons
Owner labor labor union outsider politician government stuff
9. Which groups or authority failed to play necessary role to mitigate the crisis
Owner labor labor union outsider politician government stuff
10. What is your evaluation about the role of labour union in that crisis
Just Unjust Confusing Not mentionable Not applicable
11. What is your logic behind your evaluation about the role of labor?
12. Why labor union failed to play the necessary role then; Most probable 4 causes?
13. Do you think labor union got necessary scope to play their responsibility then?
14. What role labor union could play to mitigate that crisis?
15. What initiatives can be taken so that labor union can be empowered to mitigate this sort crisis?

3.11 Conclusion

Most of the researcher addressed the reasons behind the labor unrest in RMG sector of Bangladesh. But their research works provide some clue which indicates that labor union might be a tool to address labor union. It seems that perceptions of labor, labor union leaders, owners and staff are very important to recognize the necessity of labor union to mitigate labor unrest. On the basis of the questionnaire formulated in this chapter the opinions of various stakeholders will be collected and analyze in the next chapter.

Chapter Four

Stakeholders' Perception regarding Labor Union

Recent labor unrest in RMG sector and its relevant issues have been discussed in the previous chapter. On the basis of the information mentioned in that chapter a questionnaire was developed which is used to conduct a survey to gather necessary information about that labor unrest. This chapter will mention and analyze the opinions given by the respondents of the questionnaire (Annex-1).

4.2 Issues that are addressed in Questionnaire

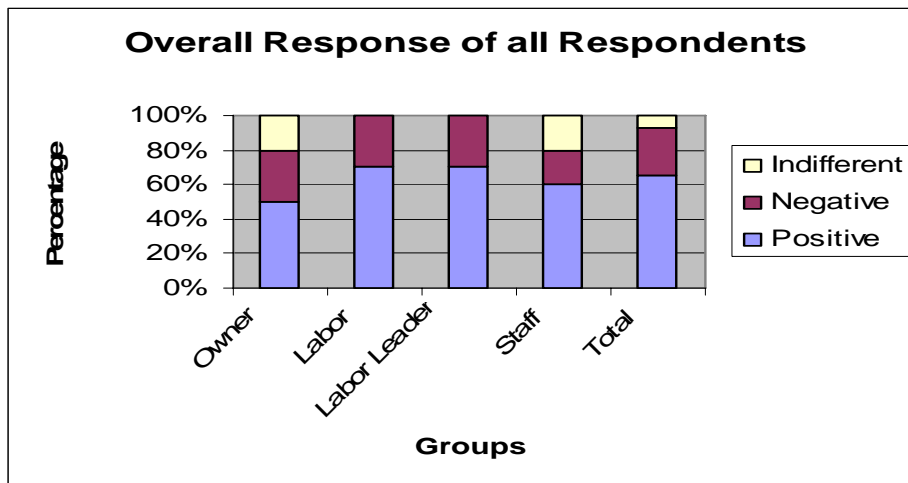
As the prime intension of this research work is to analyze the opinions of various stakeholders of labor unrest to identify the necessity of Labor Union (LU) to address labor unrest. Major issues which were addressed in questionnaire are existence of labor union in various RMG industries, activities of labor union (in expectation, in reality), major causes of that labor unrest, whether labor union is a major stakeholder in case of labor unrest, people's opinion regarding the role of labor union in that situation, how to minimize the risk of labor unrest in future and so on.

4.3 Overall Response

Opinions of various groups (Labor, Labor Leader, Owner and Staff) vary from each other. Opinions of each individual and group are influenced by the role and existence of labor union during the labor unrest. On the hand, various comment of each respondents refer that labor union is not the 'a priori' mechanism to address a complicated issue like labor unrest. Opinions of respondents are basically evaluated by considering their view regarding the necessity of labor union to mitigate labor unrest. Opinions which support that labor union is needed to mitigate labor unrest are treated as 'Positive Opinion' and opinions which do not support the need of labor union to address labor unrest are treated as 'Negative Opinion'. Interestingly there are few respondents who do not believe that labor union has any role to address labor unrest; these opinions are treated as "indifferent Opinion". Opinions of all respondents are expressed as percentage in the following table.

Table 1: Overall Response of all respondents

Serial	Groups	Positive		Negative		Indifferent	
		No.	%	No.	%	No.	%
1	Owner (10 No.)	5	50	3	30	2	20
2	Labor (30 No.)	21	70	9	30	0	0
3	Labor Leaders (10 No.)	7	70	3	30	0	0
4	Staff (10 No.)	6	60	2	20	2	20
Total	60	39	65	17	28	4	7



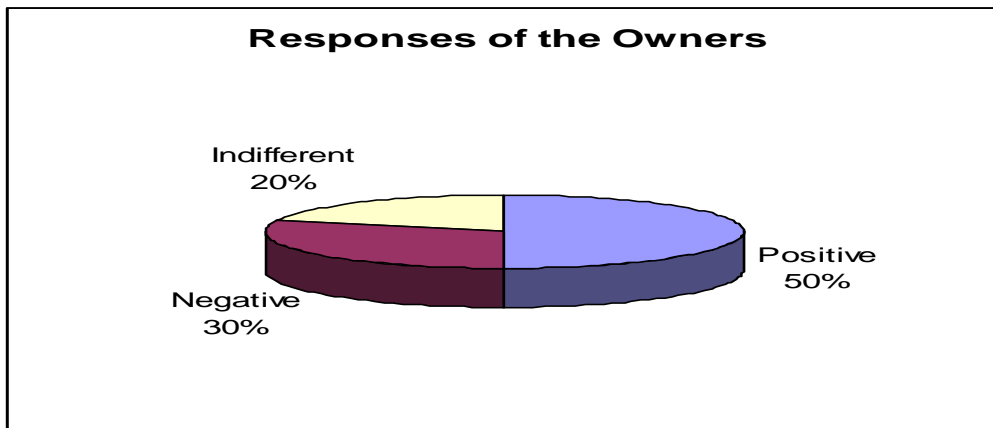
There may be some debate and doubt regarding the impact and necessity of labor union to mitigate labor unrest; but in this research work it has been found that almost two-third of the total respondent believe that active labor union can reduce the severity and frequency of labor unrest. This finding refers why government succeeded to mitigate labor unrest by the help of labor union, (see 2.2A). On the other hand near about thirty percent of the respondents do not believe that labor union can create the scope to avoid labor unrest; moreover they are very pessimistic regarding the role of labor union which supports the opinions of some researchers who expressed that labor union may ignite the labor unrest (see 3.6). Interestingly seven percent of the respondents don't think that labor union has any influence over or impact on or correlation with labor unrest.

As number of labor and labor leaders comprises the majority portion of the total respondents therefore their opinions strongly influence the overall findings of this research work.

4.4 Opinions of Different Groups of Respondents

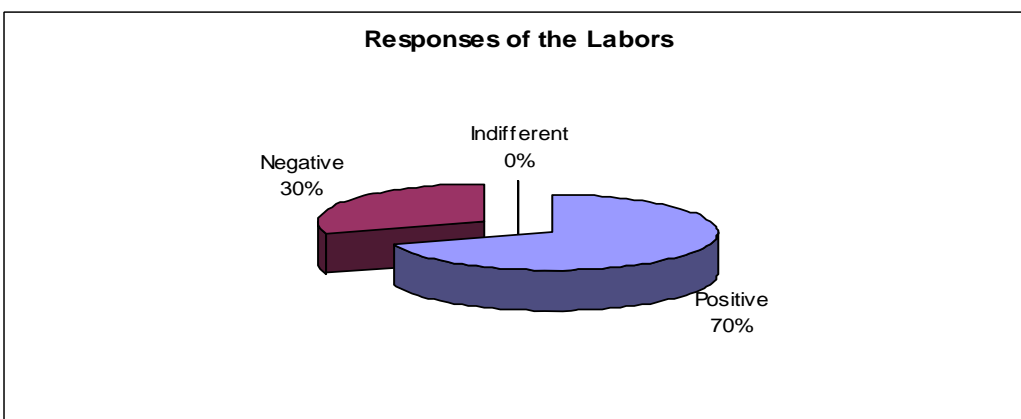
Though majority of the respondents express their views in favor of labor union but different group of respondents have different views about this issue. In this research work it is not evaluated why different group have different opinion and what are the factors that influences their decisions.

4.4A Responses of the Owners



Owners of the garments industries are equally divided regarding this issue. Not only half of the owners believe that labor union is not necessary to face the challenge of labor unrest but some of them think that labor union is a source of labor unrest also. Therefore, owner of garment industries, as a whole is not very much in favor of the utilization of labor union as a mechanism to address the challenge of labor unrest.

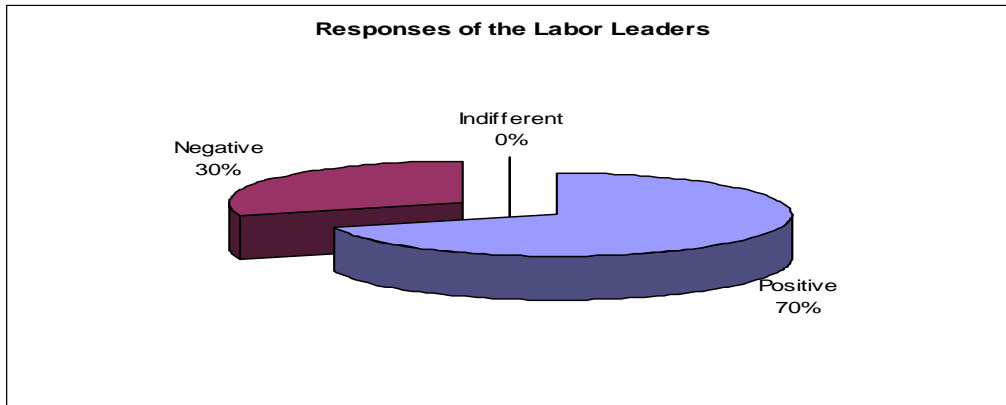
4.4B Responses of the Labors



More than two-third of the laborers strongly believe that labor union has important role to deal with the sensitive issue like labor unrest; but it is also surprising that near about thirty percent of those labor do not have confidence on their negotiating platform. This picture

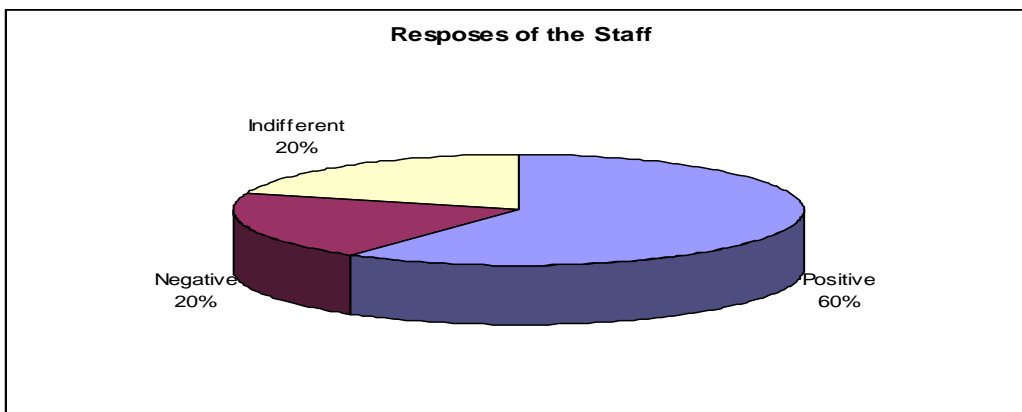
indicates that labor union should be more pro-active to convince the labors. This findings supports the view of Tahmina, Q. A. (2006) that there was labor dissatisfaction due to lack of fulfillment of their legitimate demands. She also mentioned that if these demand could be addressed through negotiation then there labor unrest might not take place in RMG sector.

4.4C Responses of the Labor Leaders



Seventy percent of the respondents, who are labor leaders, are confident that they have the capacity to address labor unrest. But near about one third of the total labor leader respondents do not have confidence on their own organization that it can deal with critical even like labor unrest.

4.4D Responses of the staff



Staff are not directly benefited or affected by the role and existence of labor union. This group evaluates that labor unrest and relevant issues from different point of view. More than half of those staff recognize labor union as a tool to handle labor unrest. On the other hand, twenty percent of the staffs have negative impression about labor union to perform their jobs.

4.5 Almost every respondent has identified labor union as an important concern group regarding labor unrest. It is found that two-third of the respondents cast their vote in favor of labor union. It could happen that as labor and labor leaders are the two-third of the total respondents so overall responses went in favor of labor union. It seems that if most of the respondents were from owner or staff category then there is a possibility that result may not be convincing enough to establish the fact that labor union is very essential tool to address labor unrest.

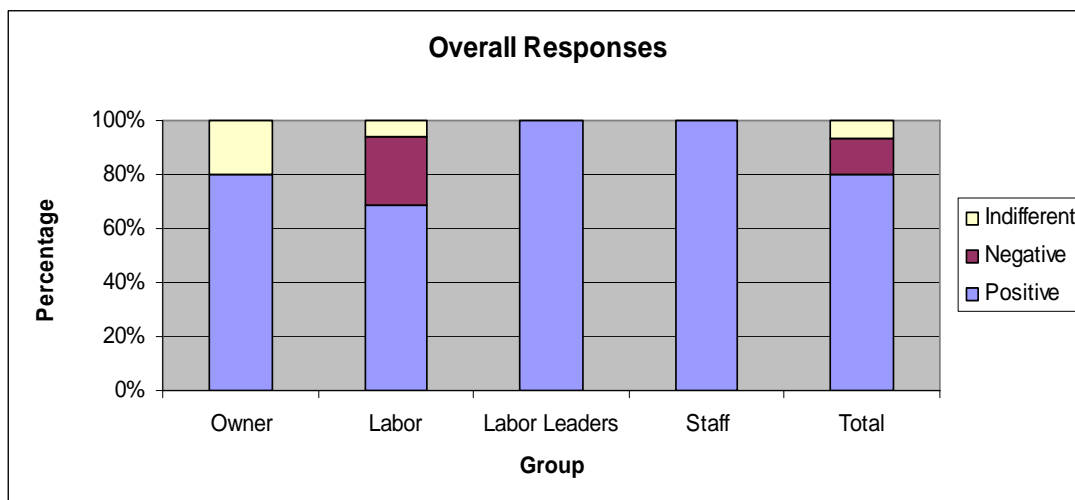
4.6 Response of respondents from unaffected garment industries

It may happen that the role and existence of labor union in any RMG industry influences the responses of the respondents of that industry. For that reason responses of all respondents should be categorized into two broad head; 1) Garments industries in which labor unrest occurred, 2) Garments industries in which labor unrest did not occur.

4.6A Overall Responses

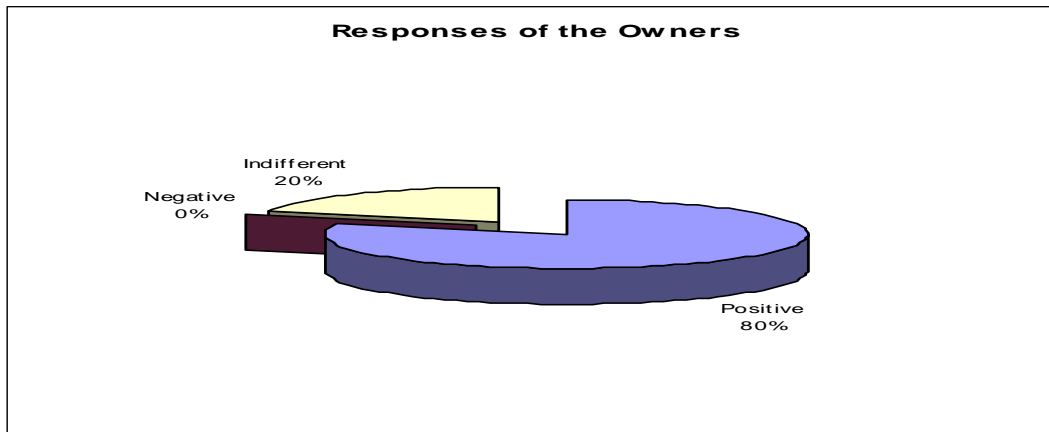
Table 2: Response of respondents from industries where labor unrest was not occurred

Serial	Groups	Positive		Negative	
		No.	%	No.	%
1	Owner (5 No.)	4	80	0	-
2	Labor (15 No.)	11	73.3	4	26.7
3	Labor Leaders (5 No.)	5	100	0	-
4	Staff (5 No.)	5	100	0	-
Total	30	25	83	4	13



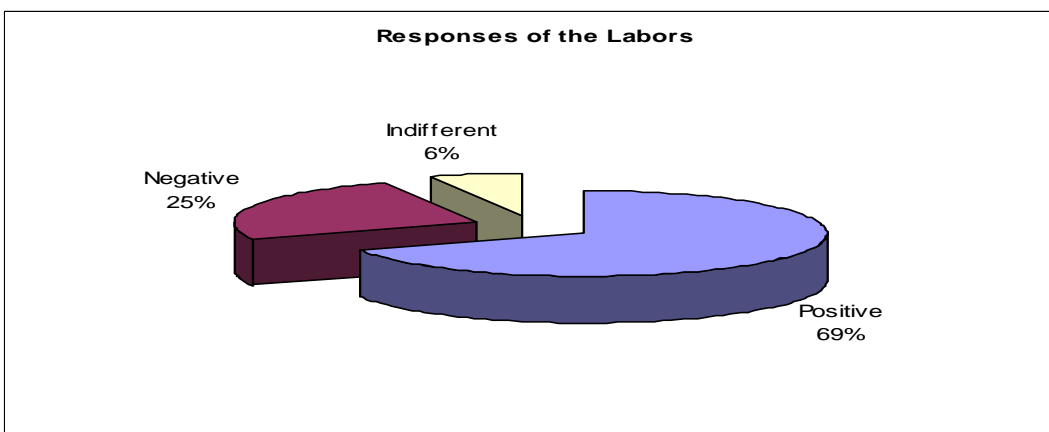
Half of the total respondents were from those garments industries in which labor unrest were not occurred; therefore 30 respondents were from those industries. Opinions of those respondents indicate that most, four-fifth, of them think that labor union has a great influence to overcome that occurrence. On the other hand, only thirteen percent of the total respondents are against the view that labor union is a critical tool to handle labor unrest and grievances.

4.6B Responses of the Owners



Owners of those industries express their gratitude to the role of labor union in that occurrence. Four-fifth of the owners believes that the existence and activeness of labor union has significant positive impact to mitigate labor unrest.

4.6C Responses of the Labors

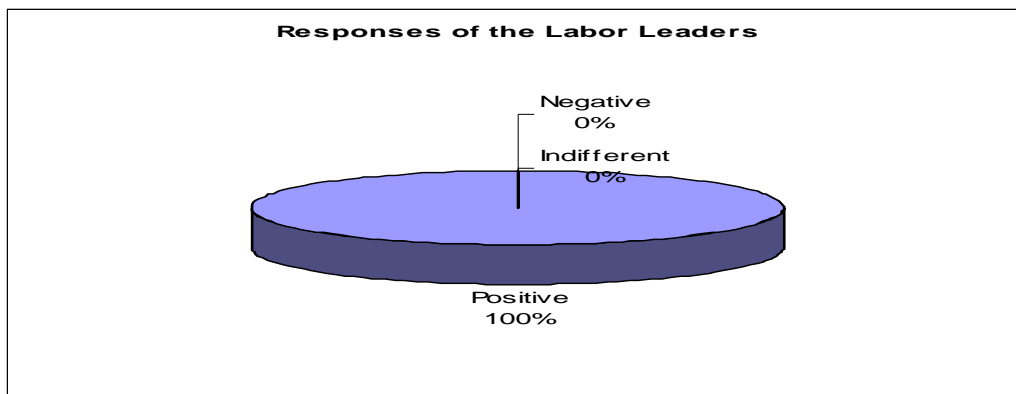


Interestingly, more than one-fourth of the laborers of three industries do not think that labor union actually has positive impact to handle labor unrest. Though other groups of respondents have optimistic view about the role of labor union but labors, the major stakeholder of labor union, do not have such level of confidence on labor union. This evidence indicates that labor unions are not totally successful to satisfy the needs and expectations of their prime

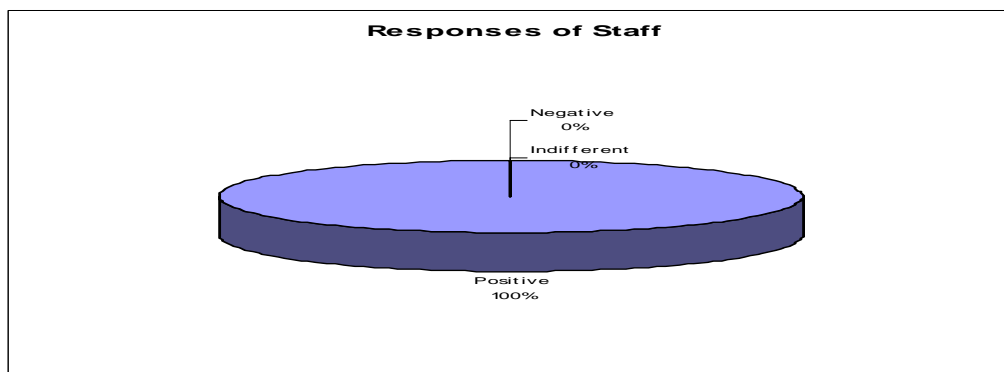
stakeholder, labor. This finding supports the view of Libcom (2006) that labor unions are not doing their function which is also mentioned by (see 3.9).

Labor unions of these garment industries are properly registered. Member of these labor union are elected through democratic process. Therefore labor union has some moral bindings as well as responsibilities to mitigate the grievances of the labors. If labor union properly executed their responsibilities then the chance of severe labor unrest reduces. Laborers believe that labor union failed to perform their tasks during labor unrest because labor union failed to bridge the gap between labor and owner through negotiation process. One of the laborers mentioned that the unwillingness of owners and corruption of labor unions were the main reasons that created the gap among labor, labor union and owner. It is apparent from the opinions of those respondents that there were both endogenous and exogenous factors that have ignited that labor unrest.

4.6D Responses of the Labor Leaders



4.6E Responses of the Staff



Staff think that existence of labour union reduces the chance of labor unrest if the labor leaders carry out their responsibilities with sincerity and honesty. They said that they found labor leaders to motivate the laborers not to participate in labor unrest.

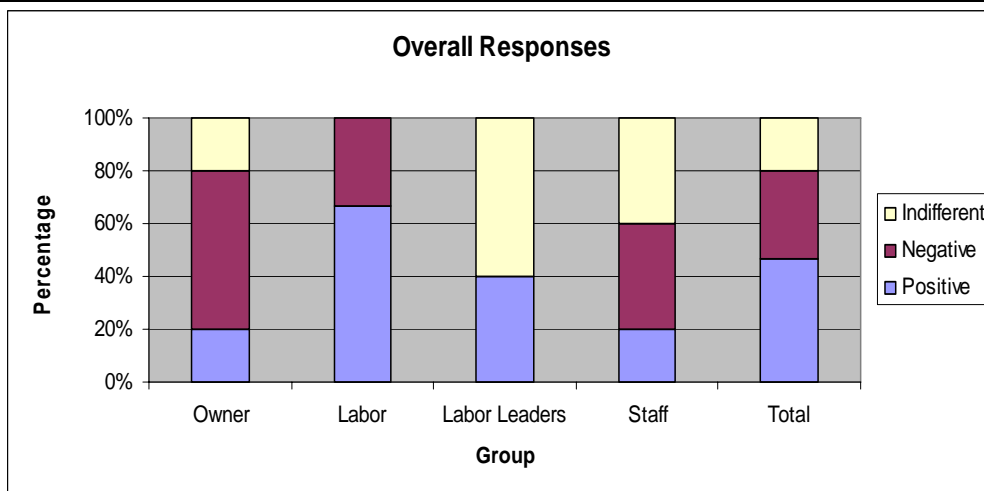
4.8 Response of respondents from Affected garment industries

Performance of labor union is critically analyzed by the respondents from garments industries in which labor unrest occurred. Existence of labor union does not ensure its activeness or effectiveness; therefore performance of labor union varies from industry to industry. For this reason respondents from different affected industries may vary.

4.8A Overall Responses

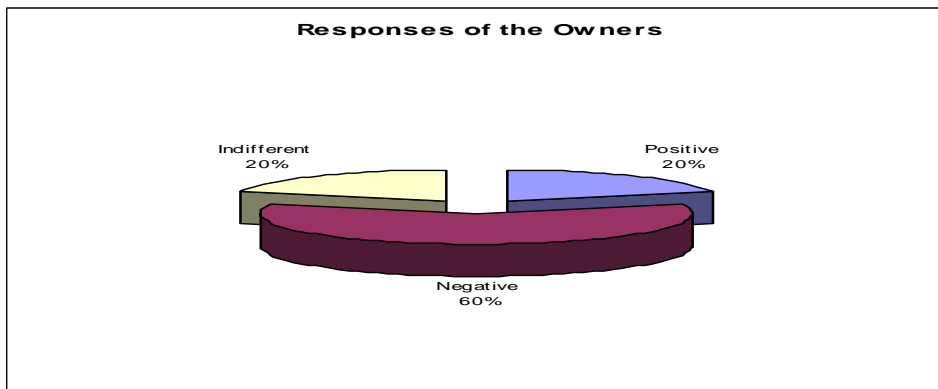
Table 3: Response of respondents from industries where labor unrest was occurred

Serial	Groups	Positive		Negative	
		No.	%	No.	%
1	Owner (5 No.)	1	20	3	60
2	Labor (15 No.)	10	66.6	5	33.3
3	Labor Leaders (5 No.)	2	40	0	-
4	Staff (5 No.)	1	20	2	40
Total	30 Numbers	14	46.7	10	33.3



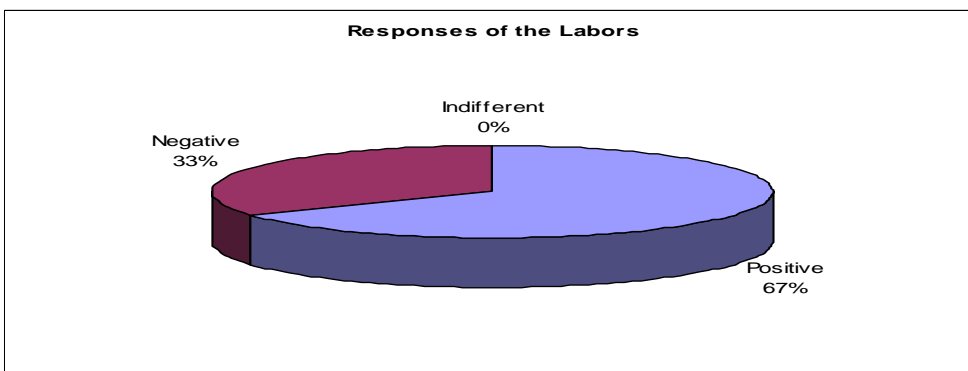
One-third of the respondents expressed that labor union is a not a mechanism that has the in-built capacity or moral mandate to mitigate the labor unrest. This finding supports the claim of Libcom (2006) that labor union involves itself in exploiting labors and owners, (see 3.9). Less than half of the respondents have some level of confidence that labor union is necessary to address labor unrest.

4.8B Responses of the Owners



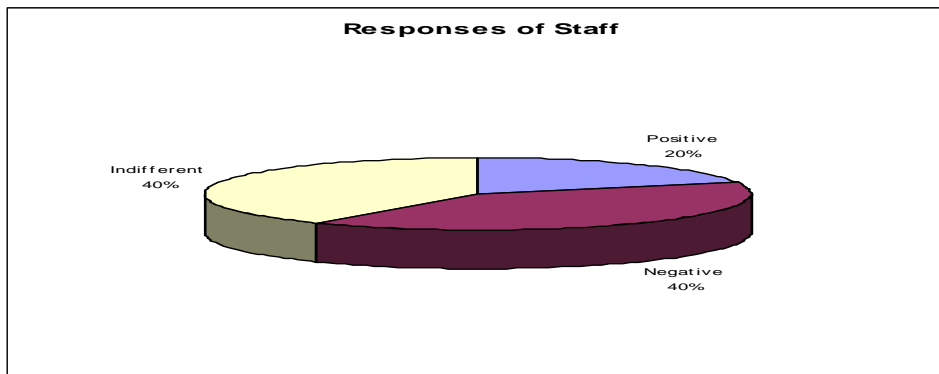
Most of the owners do not recognize labor union as a strategic tool to deal with labor unrest. Moreover they have the opinion that labor unrest is ignited and boosted by labor union. Therefore three-fifth of the owners thinks that labor union has negative influence on labor unrest whereas only one-fifth of them put their opinion in favor of labor union to mitigate labor unrest.

4.8C Responses of the Laborers



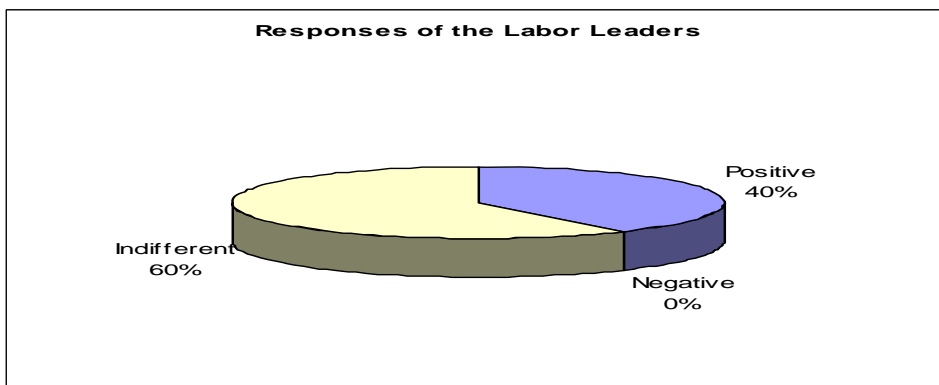
Even one-third laborers cast their vote against the necessity of having labor union to face the challenge of labor unrest. At the same time, two-third of those laborers expressed their view that active labor union has important role to mitigate labor unrest.

4.8D Responses of the Staff



Staff group does not recognize labor union as a mechanism to overcome or mitigate labor unrest. Only one-fifth of staffs think that labor union has some positive role; whereas two-fifth of them think that labor union is a source of labor unrest.

4.8E Responses of the Labor Leaders



Doubt of various groups about the positive role and impact of labor union on labor unrest is restated by the members of labor union, labor leaders. Though none of them expressed that labor union has negative impact of labor unrest but as only forty percent labor leaders think that labor union can reduce the chance of labor unrest; therefore it seems that as a whole labor leaders are not very much confident about their role to address labor's expectation and labor unrest.

4.8F Summary

Overall response of all respondents in garment industries in which labor unrest had taken place seems to be against the necessity of labor union to address labor unrest. Industries

which were affected by labor unrest generally have less confidence on labor union to mitigate labor unrest.

4.8G One of these garments industries had labor union but that labor union was unregistered. Therefore it can be said that there was no democratic way to select members of that labor union. As such labor union does not depend on the vote of the laborers so they can ignore the legitimate demand of the labors. This sort of factory environment generates labor unrest. Some respondents stated that that time labor union failed to control the laborers. At the same time they refer that labor union did not have any influence over owners, laborers and government authorities. Some of the respondents identified the lack of capacity of labor union to address such critical issues is the main reason that labor union failed to perform their job at that time.

4.9 Conclusion

In total six garment industries were surveyed in this research work. Three of those industries were affected from recent labor unrest and remaining three industries were free from that violence. These six industries were not chosen randomly rather equal number of industries from both labor unrest affected and non-affected were intentionally selected. But considering the issue of existence of labor union, it can be said that all industries were chosen randomly and arbitrarily. Among those industries it is found that two out of three industries in which labor unrest were taken place did not have labor union. On the other hand, two out of three industries in which labor unrest was not taken place had labor union at that period. Therefore it appears that industries in which labor union were not present had greater risk to face labor unrest.

4.10 Response of various groups (Owner, laborer, labor leader, staff) varies from each other. On the other hand, response of the respondents from the industries which are affected from labor union differs from the respondents from industries which are not affected from labor union. Moreover as most of the respondents are from labor group and labor leader group; therefore their opinions highly influence the overall findings of this survey.

Chapter Five

Findings and Conclusion

Labor unrest is a complicated issue. Many interest groups as well as stakeholders dominate this issue. Each group evaluate this matter from different point of view. Role as well as performance of labor union during the labor unrest and prior to that has great influence as the individual perception. In the previous chapter the stakeholders' perceptions regarding the necessity of labor union to mitigate has been analyzed on the basis of the questionnaire developed in the third chapter. It has been found that there are mixed opinions about the role and necessity of labor union to address labor unrest in RMG sector of Bangladesh

5.1A The economy of Bangladesh is slowly shifting its dependency from agriculture sector to manufacturing sector. Among all manufacturing industries Ready-Made-Garments (RMG) industry has the higher contribution to earn foreign exchange. However of late, this industry has been facing challenges from local and international competition as well as struggle. Due to its in-built capacity and core competitiveness this industry has been able to successfully overcome all the hurdles. Definite success of this industry very much depends on the performance of the key stakeholders such as owners, staffs, laborer, labor leaders and Government as facilitator. Success of RMG sector was seriously challenged while labor unrest took place in this sector during 2006. This unexpected event raised some questions which pointed the finger towards the weaknesses of the industry.

5.1B Initially in a few industries labor unrest was taken place. At that time number of affected industries were very few; but within short while that heat was spread into the whole RMG sector. According to the Libcom (2006) near about 1.8 million garments workers participated in that turmoil. Participation of that huge number of laborer influences the laborers of the industry also. More than 4000 factories were affected, their fear of were increased due to that violent protests. Deployment of huge number of police and paramilitary were made to handle the situation. Several laborers were dead and thousands of laborers were injured during the law enforcing actions of the concerned authority (see 2.2, 2.3). at that time the labor unrest in RMG sector created a stagnation in national economy as well as normal pace of civilization.

5.1C At the first instance labor unrest in RMG sector of Bangladesh was quite controllable. But at that time the issue was neglected. None of the major stakeholders as well as authorities took sufficient initiative to address the issue. Moreover stakeholders were blaming each other and some of them were analyzing the situation by putting it under the micro scope of ‘conspiracy theory’. One of the turning point of the unrest was the labor protest that took place at FS Sweater. In that industry near about 1000 workers participated in sit-in-protest. Several number of laborers were arrested (see 2.2A). Laborers of other garments industries were influenced by the activity laborers at FS Sweater. According to Kamaluddin (2007) laborers of garments industries raised voice and protested violently for minimum wages, weekly time off, overtime pay. Such activity virtually paralyzed Dhaka city on 23rd May 2007. At that stage all stakeholders as well as understood that only by using law enforcing agencies this issue cannot be solved. Therefore initiative was taken to negotiate in the table (see 2.2D, 2.2E). In the negotiation table all major stakeholders tried to identify the root causes of the issue. Then they tried to come up with a proposal which is realistic as well as acceptable to all. But there were lack of trust on each other because some of the stakeholders failed to keep their commitment regarding minimum wage payment (see 2.3).

5.1D Many researchers including Tahmina admitted that the labor unrest in RMG sector of Bangladesh was the outburst of long unsolved grievance of the laborers. They said that there were various kinds of dissatisfactions prevailing among the laborers. Laborers believed that they were unpaid, not properly honored, physically and mentally tortured, entrusted (see-3.2). On the other hand an agreement regarding minimum wage was taken place in 2001. But the owners of RMG industries did not honor that agreement. Therefore a mistrust as well as dissatisfaction was emerged (see-3.3, 3.4), on the other hand, laborers were unruly during that period. They failed to protect their interest by protecting their livelihood and bread provider industries (see 3.5)

5.1E If labor rights and labor union related issues are properly maintained, then the grievance generally reduces some researchers refer that labor rights related laws are not adequately implemented in RMG sector (see-3.7). On the other hand, it is found that labor unions do not properly carry out their responsibilities. They failed to minimize the communication gap between laborers and owners. Therefore day by day mistrust and grievances increases which ultimately turn into violent labor unrest (see- 3.8). Although most of research work concentrated on how that unrest was spread and some of the researchers tried to find out the

sincerity, strategic efficiency of various stakeholders to mitigate that labor unrest. But what strategy should be taken to mitigate labor unrest has not been properly addressed in those research works. Therefore this research work is involved to find a strategic way that may reduce the chances of violent labor unrest. With this intension, a questionnaire was made (see-3.10) to gather the opinions of various stakeholders (laborers r, labor leaders, owners, staffs) to identify the necessity of having effective labor union to address labor unrest.

5.1F To recapitulate the core research question of this research is ‘Does active labor union reduce the risk of labor unrest in RMG sector?’ The major issues which were addressed in research questionnaire are existence of labor union in various RMG industries, activities of labor union (in expectation, in reality), major causes of that labor unrest, whether labor union is a major stakeholder in case of labor unrest, people’s opinion regarding the role of labor union in that situation, how to minimize the risk of labor unrest in future and so on.

5.1G These six industries were not chosen randomly rather equal number of industries from both labor unrest affected and non-affected were selected. But if we consider the issue of existence of labor union then it can be said that all industries were chosen randomly and arbitrarily. Among those industries it is found that two of the three industries in which labor unrest were taken place did not have labor union. On the other hand, two of the three industries in which labor unrest was not taken place had labor union at that period.

5.1H Some of the owners don’t have the confidence on labor union; moreover they refer that labor union may generate more unrest. But owners of those industries in which labor union exists but labor unrest did not take place have huge confidence on labor unions. Some of the labor expressed that labor union do not perform their responsibilities effectively and efficiently.

5.1I In this research, it is found that almost two-third of the total respondents believe that active labor union can reduce the intense and frequency of labor unrest. On the other hand near about thirty percent of the respondents treat labor union as a means to avoid labor unrest; moreover some of them expressed that labor union may ignite the labor unrest (see 3.6). Interestingly six percent of the respondents don’t think that labor union has any influence over or impact on or correlation with labor unrest.

5.1J Half of the total respondents were from those garments industries in which labor unrest were not occurred; therefore 30 respondents were from those industries. Four-fifth of them thinks that labor union has a great influence to overcome labor unrest before appearance of its destructive mode. On the other hand, only thirteen percent of the total respondents are against the hypothesis that labor union is a critical tool to handle labor union.

5.1K One-third of the respondents, from those industries in which labor unrest took place, expressed that labor union is a not a mechanism that has the in-built capacity or moral authority to mitigate the labor unrest. This finding supports the claim of Libcom (2006) that labor union involves itself in exploiting labors and owners (see 3.9).

Thus it seems there is mixture of opinions as well as views regarding the necessity of labor union to minimize the grievances of labor unrest. But most of the respondents agreed that if effective and efficient labor force exists in RMG industries and if they play their role with commitment and sincerity then labor union can be used as strategic tool to mitigate labor unrest

5.2 Lessons Learnt

Communication and psychological gap exists between owners and labors of RMG sectors. Some effective mechanism is needed to address this gap. At the same time there is also need to examine the effectiveness of bridging capacity and scope on regular basis. Mistrust among different stakeholders is the centre of the grievance which ultimately developed into unrest.

5.3 Further Research

This study indicates that further indepth research is needed to evaluate the effectiveness of labor laws of Bangladesh to make labor union effective and efficient to address the rights of all stakeholders.

References

Icilo (2008). Employment, labour relations and working conditions in EPZs Labour legislation and labour relations. Available from: http://training.itsilo.it/actrav_cdrom1/english/global/iloepz/reports/epzre/2_2.htm [Accessed 02th June 2007].

Ittefaq (2007). BEPZA clarifies real story of labour unrest in EPZ. Available from: <http://nation.ittefaq.com/issues/2007/08/23/news0183.htm> [Accessed 12th June 2007].

Iqbal, J. (2008). Bangladesh and then garment sector. Available from: <http://www.marxist.com/bangladesh-garments-sector.htm> [Accessed 02th June 2007].

Kamaluddin, S. (2007). Dhaka Diary. Available from: <http://www.newagebd.com/2007/sep/20/oped.html> [Accessed 12th Dec 2007].

khan, S. (2007). Multiple factors blamed for sluggish RMG sector. Available from: http://www.thedailystar.net/pf_story.php?nid=6004 [Accessed 12th June 2008].

Libcom (2006). Garment workers revolt in Bangladesh. Available from: <http://libcom.org/news/article.php/bangladesh-garment-revolt-140706>. [Accessed 02th June 2007].

Morshed, M. M. (2007). Garments Industry: A study on labour rights implementation in readymade garment (RMG) industry in Bangladesh: Bridging the gap between theory and practice. Available from: <http://ro.uow.edu.au/cgi/viewcontent.cgi?article=1039&context=theses>. [Accessed 02th June 2007].

SASG(2006). Bangladesh:Industrial Chaos worsens Political Instability Available from: <http://www.southasiaanalysis.org/%5Cpapers19%5Cpaper1852.html> [Accessed 02th June 2007].

Robbani, M. G. WORLD TRADE ORGANIZATION AND THE READYMADE GARMENT INDUSTRY OF BANGLADESH: A CRITICAL ANALYSIS Available from: <http://www.bdiusa.org/Publications/JBS/Volumes/Volume2/jbs2.2-3.pdf> [Accessed 02th June 2007].

Tahmina, Q. A. (2006). LABOUR-BANGLADESH: Garment Exports Thrive on Dirt Wages. Available from: <http://ipsnews.net/news.asp?idnews=34936> [Accessed 02th June 2007].

Uddin, M. S. and Jahed, M. A. (2007). Garments Industry: A Prime Mover of the Socio Economic Development of Bangladesh. Available from: <http://www.google.com.bd/search?hl=bn&q=reasons+of+labour+unrest+in+bangladesh&start=10&sa=N> [Accessed 02th June 2007].

Appendix One – Questionnaire

1. Is there any formal body (labor union) that represents labor in any negotiation?
2. Is that labor union registered?
3. What is the selection procedure of the member of labor union?
4. Is this labor union active in this factory to mitigate problems of the labors?
5. Is there any hindrance that make labor union less active; mention any two.
6. What are the major responsibilities of labor union; mention any three.
7. Mention 3/4 examples that labor union succeeded to make some major negotiations.
8. What are the concerned groups that are related with these probable reasons
Owner labor labor union outsider politician government staff
9. Which groups or authority failed to play necessary role to mitigate the crisis
Owner labor labor union outsider politician government stuff
10. What is your evaluation about the role of labour union in that crisis
Just Unjust Confusing Not mentionable Not applicable
11. What is your logic behind your evaluation about the role of labor?
12. Why labor union failed to play the necessary role then; Please mention most probable 4 causes?
13. Do you think labor union got necessary scope to play their responsibility then?
14. What role labor union could play to mitigate that crisis?
15. What initiatives can be taken so that labor union can be empowered to mitigate this sort crisis?

Appendix Two – Brief scenario of RMG sector of Bangladesh

2.1 *Current Bangladesh RMG Conditions*

‘Bangladesh’s industrial base, which has remained stagnant over the past two decades, is very narrow, contributing to about 11.5 percent of the Gross Domestic Product (GDP) (BBS, 2001). Within this narrow industrial sector, however the RMG industry has flourished as its most dynamic sector. Since its modest beginning in the early 1980s, the industry has contributed to the economy appreciably in terms of employment, output and foreign exchange earnings. Moreover, employing as it does more than 1 million young women, the industry has brought about a noticeable change in society as well as in intra-household gender relations.’[Khundker (2002)]

Apparently the two most important factors behind the success of the RMG industry in Bangladesh are:

- The availability of cheap labour; and
- The GATT/WTO-controlled international textile and apparel trading system through the operation of Multi Fibre Arrangement (MFA).

An Update of the RMG Industry in Bangladesh

‘Bangladesh’s RMG industry grew out of the quota system associated with the MFA of 1974–94. The industry was established by foreign investors who set up garment and accessories factories in Bangladesh’s EPZs during the mid-1980s to access Bangladesh’s abundant supply of low-cost labor and take advantage of its quota share under the MFA. The RMG sector has grown tremendously over the past 20 years, generating associated increases in employment that contribute greatly to poverty reduction and a rise in export earnings. The RMG industry’s share in export earnings rose from just over 10 percent in 1984 to almost 76 percent in 2006. Moreover, RMG exports accounted for more than 81 percent of the growth in the value of exports during that period.

The RMG sector itself in Bangladesh accounts for a small proportion of GDP yet serves as an engine of growth. Taking into account the high import content of garment manufacturing, it is estimated that the RMG industry directly contributes only about 25 percent of value added in manufacturing, which itself now accounts for approximately 17 percent of GDP. The sector, however, generates substantial demand for transportation, distribution, other services, and construction. Moreover, RMG factories account for 40 percent of industrial employment and provide the largest single source of formal employment and wage earnings in the economy. RMG factories and associated businesses (spinning, dyeing, finishing, etc.) are estimated to provide employment for a total of 10 to 12 million people.

While Foreign Direct Investment (FDI) played a major role in establishing the RMG industry in Bangladesh, domestically owned firms now dominate the industry. Of an estimated 4,330 firms at the end of 2006, just 83 were wholly or partially foreign owned (Table 1).

Table 1. Bangladesh: Employment in RMG Factories			
Fiscal Year	Domestically-Owned Factories	Employees	Average Employees per Factory
1996/97	2,503	1,300,000	519
2001/02	3,618	1,800,000	498
2005/06	4,220	2,200,000	521
Memorandum items (end-2006):			
Total employment in EPZ garment factories			122,098
Of which: In wholly and partially foreign-owned firms			95,559
Number of wholly and partially foreign-owned firms in EPZs			83
Sources: Bangladesh Garment Manufacturers and Exporters Association; Bangladesh Export Processing Zones Authority; and Fund staff calculations.			

Aggregate FDI in the sector since the industry's inception is estimated at \$370 million (Table 2). All FDI was restricted to the EPZs by law until 2005 and there is no evidence of any significant FDI outside of the Export Processing Zones (EPZs) since the removal of that restriction. The vast majority of employment in the RMG sector is in domestically-owned firms located outside of the EPZs and the average number of employees in these factories has consistently been around 500. Key differences between firms with FDI and those that are domestically owned are that productivity in the firms with FDI is estimated to be 20 percent greater than in domestic RMG firms and the average number of employees in firms with FDI is substantially higher.

Table 2. Bangladesh: Garment and Textile Investment in the EPZs 1/				
(In millions of U.S. dollars; cumulative for 1983–2006)				
Investor	Woven Garments and Accessories	Knitwear	Textiles	Total
100% Foreign Owned	247.2	65.6	168.6	481.5
Joint Venture	50.5	5.9	18.6	75.0
100% Domestically Owned	54.1	12.0	42.0	108.1
Total	351.8	83.6	229.2	664.6
Sources: Bangladesh Export Processing Zones Authority; and Fund staff calculations.				
1/ For all firms operational as of December 31, 2006.				

Despite expectations to the contrary, Bangladesh's garment industry has exhibited robust growth since the expiration of the ATC and the corresponding elimination of quotas on January 1, 2005. Following a slowdown in garment export growth early this decade, total garment export value (and volume) growth has recovered in the past three years to annual rates in excess of 20 percent (Table 3).

	Woven Garments		Knitwear		Total	
	Value	Volume	Value	Volume	Value	Volume
2000/01	9.1%	7.4%	17.8%	15.9%	11.7%	10.8%
2001/02	-7.1%	7.8%	-2.5%	20.8%	-5.7%	13.3%
2002/03	4.3%	7.4%	13.3%	9.1%	7.2%	8.2%
2003/04	8.6%	9.3%	29.9%	32.4%	15.8%	19.8%
2004/05	1.7%	2.0%	31.3%	31.1%	12.9%	16.6%
2005/06	13.5%	17.9%	35.4%	37.4%	23.1%	28.9%
2006/07 H1	24.1%	25.7%	32.00%	31.87%	27.9%	29.4%

Sources: Export Promotion Bureau; and Fund staff calculations.

1/ Fiscal year ending June 30.

Significantly, the growth of exports of woven garments is showing signs of a recovery in the past two years following a deterioration that began in 2001. [IMF country report (2007)]

2.2 Challenges Currently Faced by the Garments Industry

The reasons for the phenomenal growth of the country's garment industry are: the quota regime under MFA has substantially contributed to the development of the sector. Countries, like China, that had already utilized their quota of exports, turned to countries like Bangladesh that had not fully used theirs. The industry benefited from a number of advantages such as: very low labour wages (even by regional standards); increasing share of local inputs (particularly in knit fabrics); and comparative advantage in mass-produced basic garments (such as knit cotton and woven cotton products).

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, labour compliance standards, customer base, vertical setup, design and product development capability, advanced production facilities, dependability, and long-term business relationship.

In order to survive and flourish in the increasingly competitive global garment trade, reforms need to be undertaken and forces need to be joined among the main actors to build a competitive RMG sector in Bangladesh. It is crucial for the different actors of the sector to hold dialogues amongst themselves with the purpose of identifying the main issues that constrain the industry and reaching agreement on activities that need to be carried out in order to improve the sector's competitiveness. [Khan (2007)]

Uncertain Future of the Industry

After the end of the Multi-Fiber Agreement at the beginning of 2005 and the changeover to the new World Trade Organization regime, it was feared that the Bangladesh's booming textile industry would suffer as it would lose business to countries like China and India. But fortunately for Bangladesh, so far this prediction has been proved wrong. In fact, the industry has continued to grow at a healthy rate of 20 percent. However, this does not indicate that the Bangladesh garment industry has become more competitive. The reality is that this increase

has been largely due to restrictions imposed on China by the Western nations than to the ingenuity in Dhaka or Chittagong. The Chinese cannot be held back after 2008, which means a completely different picture might emerge after that.

Infrastructural problems

Industry also faces various infrastructural problems. Due to shortage of power and diesel industries are not able to work to their full capacity. Bangladesh Garment Manufacturers and Exporters Association (BGMEA) fears that production in RMG industry might fall by 50 percent and production cost might go up by about 25 percent due to the crises. Due to power shortage shipments are sent through air, thereby increasing its cost.

Dark Side of the Garment Industry

This most flourishing industry of Bangladesh has its dark side. A large number of the units are located in dilapidated buildings. In April 2005, an entire building, housing hundreds of mainly female workers in the outskirts of Dhaka, collapsed. Sixty-four laborers, at work on their machines, were crushed to death, and 84 injured. What is worse, most of these buildings do not have adequate fire escapes. On February 24 this year, more than 50 people were killed and about 100 injured in a fire at a textile mill in Bangladesh.

The industry leaders unite together to get support and benefits from the government, but they are not equally willing to look after the welfare of workers. In the RMG industry in several places in Bangladesh workers are paid their salaries two months late. Overtime is imposed and in some cases not rewarded. The rising inflation has reduced the value of wages. But the industrialists say that it's the job of the government to control inflation.

Exploitation of Workers

Unions say garment workers are angry over low pay and long hours. Wages in Bangladesh's garment factories can be as little as \$20 a month. Workers often take to the streets with complaints of poor pay and working conditions.

Worst Industrial Rioting in the RMG Industry

'Labour unrest turned the situation in the garment industry volatile. One may recall how in the May-June months of 2006 the highest foreign exchange earning industry of the country was on the verge of ruination as a result of widespread violence in the garment manufacturing units in and around the capital city. In May 2006, when the first cycle of unrest broke out in the garment industry, the whole nation was shocked to see the mindless vandalism in a very vital sector of the economy. The workers' representatives, leaders of the garment apex bodies and government representatives together tried to resolve the issue of workers' grievances by fixing a wage board for them. The turmoil in the garment sector finally died down.

With the caretaker government in power, the atmosphere has again become unstable in the garment sector in January 2008. Police had to use force to quell the agitated workers. This time, the violence arose ostensibly from the dissatisfaction over their pay structure.

However, the fresh spate of riot in the garment units of the Mirpur area in the city, though less virulent than the May-June unrest of 2006, does still resemble the outburst of a wild mob than an organized labour movement.

The explanations of and theories about this labour phenomenon vary. From the garment factory owners' point of view, the garment riots are nothing but acts of sabotage perpetrated by the vested quarters, which are out to destroy this thriving sector of the industry. Some even hold that competitors of our garment sector outside the country are deliberately trying to destroy it with the help of agent provocateurs and the unruly mob seen on the rampage are not really workers but hired hoodlums. And the genuine workers who are sucked into the vortex of the maelstrom are unwitting participants of the whole drama staged by outside quarters.

The view of workers and labour leaders, however, are understandably different from that of the owners. However, the issues of workers' pay and right surfaced at a later rioting when a large number of genuine workers' come out on the street and started to voice their real sentiments and demands. The minimum wage board for garment workers agreed upon in October 2006 through a tripartite agreement between the labour leaders, the factory owners' representatives and the government was in fact a development that came at the last stage of the workers' unrest that started as a riot in the beginning.

The deadline for implementation of the minimum wage board expired on June 30, 2007. Full implementation of the wage board by owners of different garment factories, however, remains a largely disputed subject. Many garment industries claim they have complied with the tripartite agreement fully, while labour leaders and workers allege that many other RMG units are yet to do so. The issue could well be resolved as in the past without going for any fresh violence. Even the mismatch between high price of essentials and the minimum wage agreed by three parties could also be resolved in the same manner. But any such effort at addressing the garment workers' grievances was not visible during the latest spate of violence in the garment industry in the Mirpur area. It was again a repetition of the same pattern of violence, looting and vandalism on the premises of the Mirpur RMG units.

The law enforcers claimed that they arrested some suspected miscreants found inciting violence and destructive activities during the January eruption of riot in the Mirpur garment industries. It is important that the culprits masquerading as garment workers during the riot be unmasked and given exemplary punishment in the greater interest of the garment industry. At the same time, it is also necessary that healthy labour movement is given a chance in the garment sector of the country. It must be understood that labour unions, not corrupted by political and syndicalist interests, serve both the workers, the owners and the industry as a whole.

'It is time RMG owners understood this home truth and helped grow healthy labour unions in the garment industry. Such development will go a long way towards averting mob violence, anarchy and destructive activities in the name of labour movement in the garment sector. Moreover, such labour unions will work as a bulwark against infiltration of saboteurs in the workers' movement in this particular sector of the economy concerned.' [Alim (2008)]