

Low Wage Crisis: Impacts on Bangladeshi Garment Sector Workers

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Abstract

Bangladesh is the second largest garments exporter worldwide. Because of this success in RMG sector is cheap labor. Bangladeshi labors earn only 68 USD per month. This paper discusses about the problems they are facing due to low wages.

Keywords: Low Wage; Garments; Bangladesh; Social issue

Introduction

Bangladesh stands after China in the garments exporting taking a lead over Vietnam, Turkey, Cambodia, USA and India. Though it is a developing country, Bangladesh has employed modern technologies and available and cheap men power in this industry which ensures export quality in cheap rates, enabling to win bids against the competitors from other countries. This makes Bangladesh one of the leading exporters worldwide to sell to the richest buyers in terms of brands and countries.

Bangladesh has established more than 10 times garments factory by number in last 32 years, who is responsible for increasing export percentage from 3.89 to 82. Two key factors have been identified which have played vital roles in this growth of the Ready-Made Garments (RMG) industry in Bangladesh — cheap labour and an opportunity to export under Multi-Fibre Arrangement (MFA) quota system [1]. This success continues even after MFA quota system diminishes in early 2005 [2]. However, for the last decade, productivity scale is falling gradually. That low productivity was offset by extremely low Worker costs –at \$0.22 per hour in 2008, they were the lowest in the world [3]. After Rana Plaza collapsed on 24 April 2013, social workers and garments workers held a strike for compensation and a better wage. Bangladesh Garments Manufacturers and Exporters Association (BGMEA) creates new wage board then, where \$68 per month set as low wage, which is actually more than double from the past but still very poor compared to other countries in the market (Figure 1). But Bangladeshi garments owners are not up for abiding the laws in most of the cases [4].

There are three steps in the way of production to export. At the lower point, garments owners make their production with cheap labours, sold to a third party buyer for a high profit. Third-party buyers do the same while exporting to the brands of US and EU. Therefore, the majority of the profit goes to the owners, the third parties and the brands who basically are a reseller in this system and governments through taxes. The relentless demands for cheap cost products in the west persuades garments owners to increase producing in order to become richer, but the workers are not being benefitted. Economist Anu Muhammad analysed the behind story of profit sharing in a column in 2006, before the readers.

Another problem is getting late compensation or in a very small amount. Bangladesh faces major and minor disasters in the garments industry on a continuous basis. Affected garment factory do not reopen on time which can help allocating workers or pay any compensation.

This paper focuses on the noteworthy impacts of effects to the worker's life due to low wage. Reader around the world will understand and learn on how Bangladeshi RMG workers are living beneath

unspeakable misery while fighting against the poverty. As RMG sector exports globally, global leaders will acknowledge the situation and they put pressure on Bangladeshi garments owners and governments to ensure proper wage distribution, enforcing labour law and decrease gender discriminations. On that way, the history and evolution of Bangladeshi RMG industry and related statistics; the methodology of this work and introduces several standard metrics which were used to analyse the data. Findings and causes as impacts; remarks and concluding comments.

Background

Bangladesh, once an agriculture-based country turned gradually to industrialisation for the last four decades. In 1960, a tailoring outfit shop opened called "Riaz Store" at the old Dhaka in Bangladesh.

At first, it aimed to meet up internal demands. Later in 1973, it is renamed after "Riaz Garments" before exporting 10,000 pieces of men t-shirt to the Europe. That is the maiden export for a Bangladeshi garment to the west. In the late 70s. The apparel industry has grown up and started flourishing in this country by the Trading Corporation of Bangladesh (TCB) [5]. RMG sector is run by young and enthusiastic entrepreneurs and with competitive vibes. And they gradually make it a totally export-oriented sector in the late 90's. The number of garments factory increases from 384 to 4328 in last 32 years (1984-2016). And at the same time period, the percentage of exporting garments increases 3.89% to 82% [6]. So now, the major earnings from the export sector are from garments sector specially RMG sectors. Bangladesh exports majority of its garment to the EU and USA (Figure 2), especially on small and less expensive goods. Primark, H&M, Tesco, Asda, M&S and many other famous international brands cover a wider range of their below 5-pound shirt and t-shirt demands from Bangladesh [7].

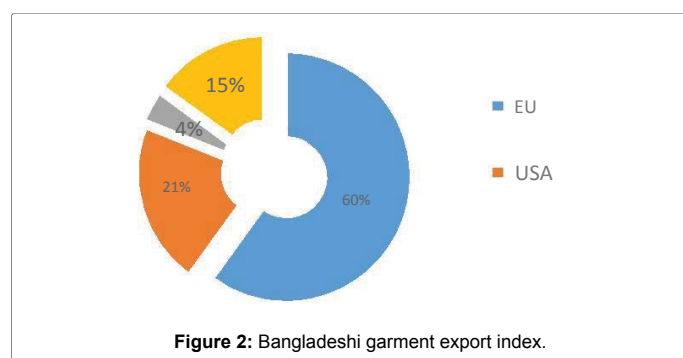
MFA opens good and wide options to the Low Developing Countries' (LCD) economies. But the MFA quota system rejects on January 1, 2005. Specialists claimed this rejection as a great loss for the LCDs. But Bangladesh has faced afterword's shove successfully and

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keep gaining towards the leading role of exporting countries. On that journey, Bangladesh has faced and successfully overcome the world economic crisis in 2008 like Wal-Mart effect and the China effect [8].

In between 2000 to 2006, China and India significantly improve as the largest primary exporters in the apparel world. Moreover, they significantly improve their employee performance by confirming a strong owner-employee bonding and imposing a strict workers law in their respected field [9]. Unlike them, Bangladesh is struggling with it and fails to establish a favourable environment. The Bangladeshi garment export industry for quite some time produced at low productivity levels, hampered in particular by poor infrastructure [10]. Two of the Centuries biggest disasters in garments industry happens in Bangladesh- fire at Tasreen garments in 2012 which cost around 200 lives and collops in eight stories building Rana Plaza in 2013 which take 1134 lives. Walmart refuses to pay the payment to their second largest producer Tasreen garments even after three years [11]. And that puts a bad effect on workers as they don't get any compensation from the Tasreen owner. After the Rana Plaza tragedy, Bangladesh government has signed an agreement on 20 November 2013 with a donor trust fund run by international labour organization to aim to raise Some US\$40 million but less than the US\$18 million has been collected [12]. So when Bangladesh's per capita income hits to \$1465 [13] and so the profits in the garments industry, it affects none (or some cases vice versa) the low-wage job sectors. Because regarding the increase of per capita income, prices of necessary goods are going high, which is getting outreached by "yet the same" earning workers. Due to the

bad infrastructure, Minor disaster and problems are happening on a continuous basis [14]. More than 68 percent garment factory do not have their own first aid facilities. 58% workers are out of the facilities of any sick leave and in case of maternity leave, the percentage is higher [15]. Women take the lead in this sector with above 80 percent workplace over men, especially because this improves the idea of being financially independent. Unfortunately, they are more discriminated in Bangladesh on the basis of position and salary. Seniority and gender discrimination are back firing the industry onwards.

This study implodes the problems caused by poor finance.

Methodology

This study conveys a survey which conducts direct interviews with the 50 workers. Though 80% of the workers in the industry are women, though the ratio of male and female worker has been kept equal in this survey. That is because most of the women worker is working in the same position which is mostly lower grades of the garments industry work cycle. To draw a comparison among the grades, it is important to ensure the participation from the upper grades in a good number which is mostly held by men even though they are only 20% regarding the whole industry. Ten grades ranging from merchandiser to sweeper have been taken into account from the industry. This survey designed to make a clear conception of the impacts happening in their personal life and professional life as well as the cause of low wage. Beside of that, information has frequently taken and used directly from several relevant journals, books, company profile and BGMEA website which are taken as primary sources. And to make a clear conception and idea about theoretical knowledge, some secondary sources are taken under supervision which is mostly journals, websites and books.

Facts and situations: a collide reality in advance

According to the World Bank calculation, a person with a \$1.90 earning per day may exceed poverty line this study shows that most of the worker has a family with at least of 5 members. Following that and to exactitude the equation, they should have earned $5 \times 30 \times 1.9 = \285 per month.

This study has prepared a living cost table which shows the least

amount of money one needs to run a family incompetence with the current price rates in Bangladesh (Table 1).

From above table, it is disclosed that \$314 is the least they need to sustain. The highest rank taken under in survey is a merchandiser, who earns \$288 per month. So it can assume easily about the lower rank. After analysing data from the survey, several major parts of life seems affected widely which need to be discussed in brief.

Food

Dhaka University Institute of Nutrition and Food Science calculates that 10 hours' work can cost 3354 calorie and 2406 calorie for men and women respectively. To fulfil this calorie by taking balanced diet, one should need 57 percent carbohydrates, 30 percent fat and 13 percent portion of his/her daily meal. Vitamin is another necessary element in food chart to prevent diseases.

Numbeo, a famous online database based on user-contributed data shows that for fulfilling 2400 calories of food demand with Asian food types, one needs \$87.13 per month. So a 5 members family would have needed \$435.65 per month. According to this survey, each family can spend only \$168 per month.

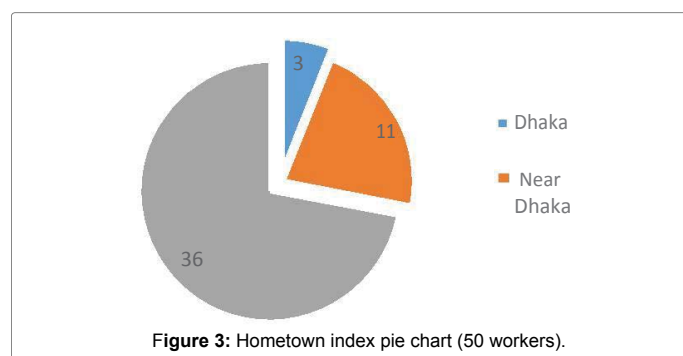
Accommodation

Garments industry is mostly Dhaka based (Figure 3). So people from all over the country gather there. To fulfil the accommodation demand, many small slums are set up all over the city by concentrating where industries are located (Figure 3).

When people come from other districts, they bring their family with them. Now the problem is the size of the family and the size of the accommodations compared with the size of the slums. Bangladesh is not quite familiar with the nuclear family. They live with their parents and wife and 2/3 children, in some cases, the number is bigger. A family

Purpose	Cost in-BDT(USD)
Food	90(approx. per day)*5*30=13500 (168.22)
House rent + facilities (2 rooms flat)	5000 (62.31)
Transport	1000 (12.46)
Education Cost	2000 (24.92)
Medical	200*5=1000 (12.46)
Daily Essential Products	500 (6.23)
Shoes/Sandals	200 (2.49)
Mobile cost	400 (4.98)
Dress(4 set in a year)	1000 (12.46)
Emergency	1000 (12.46)
Total	25600 (314.01)

Table 1: Least monthly budget for a family (5 members).



(Small family is consist of 2-4 members and joint family normally has 8-13 members) can afford only one big room (or hardly two for joint families) and shared toilet and kitchen at the slums. House rent is normally \$20-70 per month. Though living cost is very low in these slums the living condition is unhygienic.

Savings

Most of the workers are not satisfied with their earnings as survey reports. 70% of them are not satisfied and only 5% are happy with their earning. One big reason behind this nonsatisfaction is they cannot save money at the end of the month. Below chart shows the outcome and imbalance of the income and savings from the survey report, where I have taken 50 workers from 10 different ranks. The survey shows that only 3 group among 10 have satisfactory earnings and savings, whereas rest of them are not up for any savings but for fulfilling primary demands (Figure 4).

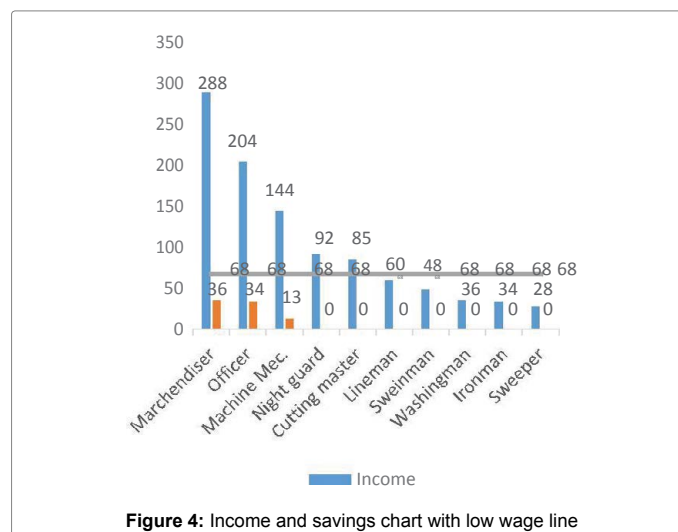
As a result, workers do not have any bank account or way of saving in most of the cases. Saving is not a possible outcome there. Although they are the majority of this industry. About half of the workers, especially women take loans from some NGO's with a high interest. It helps them to start a new business or savings for their daughters' dowry at the marriage.

Education of the workers and their families

Garments workers are usually come from rural areas for seeking jobs in town or city. As their primary target is to earn for living, they are not conscious about getting the proper education for themselves and their children. Most of the garments worker are women, they are facing discrimination while expressing their eagerness to study. Majority of the workers can only write their name on a mandatory basis because their garments workstations want so. Bangladeshi

Education system is not free. Some NGO's are trying to give free education to the old and children, but it is insufficient to cover a wider range. Another reason for discouraging education is easy to access to garments job. Parents push their children to go to work at a very young age. They do not want to give priority to education over being financially benefited.

However, situations are changing in a positive way in recent years as study shows optimism. 87% of the children of the workers are now



going for primary education. Though only 30 percent completed school and 8 percent go for higher studies.

Security and environment at the workstations

In Bangladeshi perspective or in the south Asian atmosphere, working at night is very insecure especially for women. As garments industry consists of 80% female worker in Bangladesh, security stands as a bigger issue. Usually, according to law, overtime can be extended to 8 pm. But most of the garments workers work till 2-3am morning.

Women harassment in the workstation is another insecure matter. 40% of whom I interviewed are sexually harassed and 90% are verbally abused at several times by the immediate manager or supervisor. Verbal abuse is very common here. Women harassment drives women to suicide in many cases. Due to ramshackle law and order situation, it is very hard to draw a line between regular happening an accident. As reflects in the survey, only 16% are satisfied with their work environment.

Conclusion

In Bangladesh, there are all facilities available for a better production in garments industry. Considerably high availability of worker in comparative low wages makes garments industry export-oriented (RMG sector is fully export-oriented). It is very good for Bangladeshi economy that even though it is only developing a country, but it holds the second position in the world market of garments export. But with the proper enforcing of the law to create a good environment can help things much improved and secured. Here production happens on social basis, but profit goes divides among few group. A proper distribution of profit and strong policy can turn this fast-growing industry into an exemplary sector of using human asset ideally. Workstation environment is upgrading gradually. But still, they do not reach an ambitious planning skilled management like China and India. And to solve these issues of proper distribution of profit and law enforcement, importer or buyer countries can participate and take a high standard. Bangladesh can negotiate with the buyers and garments owners to create an ideal and healthy distribution onward. Beside of that, social awareness needs to grow up in a wider range from the grassroots to

high society. Ensuring free education, medical services and averting price hike boundlessly can be a good step from the government. Garments sector then become a model sector for all other sectors inside Bangladesh and for other countries as well.

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