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Rags, Riches and Women Workers: Export-oriented Garment Manufacturing in Bangladesh

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1 Introduction

This chapter is concerned with women working in the export-oriented ready-made garment industry in Bangladesh. Although the majority of these women are located in what is officially classified as 'the formal economy', the nature of their contracts and their terms and conditions are more typical of work in the informal economy. Their situation illustrates the point made by a number of authors that the relationship between the 'formal' and 'informal' economy in much of the world, particularly the developing world, is a continuum rather than a dichotomy. What was traditionally described as 'formal sector' employment, characterized by written contracts, full-time work, permanent status and various forms of social benefits, accounts for an increasingly smaller share of total employment, while employment characterized by differing degrees of informality accounts for an increasing share (ILO, 2002; Lund and Srinivas, 2000; Standing, 1999).

Clothing is a highly labour-intensive, low-technology product, the manufacture of which, along with textiles, has provided many countries of the world, including today's advanced industrialized economies, with the first rung on their ladder to industrialization. While there has been diffusion of microelectronic equipment in the pre-assembly stages of grading, marking and cutting, the limpness of materials used in clothing has made mechanization in the labour-intensive assembly stage extremely difficult and, as long as there are plentiful supplies of cheap labour available, uneconomical. The global restructuring of the garment industry in recent decades is in part

Opposite: *Women garment workers demanding their rights.* PICTURE: ABDULLAH ZUBERI, *THE NEW AGE*

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driven by the search for such labour which, for a variety of reasons that have been summarized as the 'comparative advantage of women's disadvantage' (Arizpe and Aranda, 1981) in the labour market, has been mainly female.

This chapter examines the global restructuring processes which led to the emergence of an export-oriented garment industry in Bangladesh in the late 1970s. While market forces have clearly played a role in these processes, the history of the industry in Bangladesh, its current conditions and its future prospects are all closely bound up with policies formulated at the national, and even more, at the international level. We analyze where the Bangladesh industry is located in terms of the global value chain for garments and what this location has implied for its structure, the profile of its labour force and the terms and conditions under which it works. Finally, we explore the implications of the industry for the broader developmental goals of economic growth, poverty reduction and gender equality. We start, however, with a brief history of the garment industry and the process of global restructuring it is currently undergoing.

2 The Global Restructuring of the Garment Industry: The International Story

Before the first industrial revolution in Europe, tailoring was a skilled craft occupation carried out by 'master tailors' who cut and made up cloth purchased by their customers or by themselves to the specifications of their customers. The mechanization of production, starting with the invention of the sewing machine and the band knife in the 1850s, increased the rate at which garments could be made up and led to the emergence of a market in ready-made garments. As the market expanded, it became possible to subdivide the production process into a series of increasingly simpler tasks which could be carried out by less and less skilled, and hence cheaper, labour, mainly women and girls. However, in Britain the active role played by male-dominated trade unions, seeking to defend the interests of the skilled tailors who made up their membership, saw the enactment of various forms of protective legislation which served to keep married women out of the industry. This meant that till the early decades of the twentieth century, most of the female workforce in the garment industry was made up of young single women from the rural areas for whom the only alternative employment was domestic service (Kabeer, 2000).

The production of garments evolved historically along broadly dualistic lines. One sub-sector was made up of women's wear, which was characterized by considerable product differentiation, limiting the extent to which tasks could be subdivided for assembly line production, while seasonal fluctuations

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and changes in fashion served to limit the size of retail orders and hence the length of the production run. Men and boys outwear, on the other hand, has always been a more standardized product, particularly at the cheaper ready-made end, and lent itself quite early on to a greater subdivision of operations, particularly in the machining stage. This led to a form of production in which each machinist only made one section of a garment ('section work') instead of making the whole garment ('make through').

By the 1950s, growing concentration in the retail sector at this end of the market increased the length of runs and made production planning more possible. There was steady growth of larger manufacturing firms and of mass unionization across much of the industry during this period. However, it was also a period of full employment, the growing incorporation of women into the labour market and the successful claims of a highly organized trade union movement, all of which led to rising costs of labour in the industrialized countries. Because competition in the mass clothing end of the market revolved primarily around price, the search for profit began to lead to the relocation of sections of the clothing industry, initially out of expensive urban locations within these countries, and subsequently to the low-wage economies of Taiwan, South Korea and Hong Kong. The states in these newly-industrializing countries had opted for open, as opposed to protective, economic policies and boasted a highly disciplined and non-unionized labour force which could produce the same quality goods at a fraction of the price. As might be expected, the process of global restructuring has gone furthest in the production of standardised clothing such as men's shirts and, in recent years, casual outwear, items which lent themselves to assembly-line production.

However, anxieties about the levels of import penetration of developed country markets threatened by this restructuring process gave rise to the Multifibre Arrangement in 1974, which brought together various disparate attempts to regulate the rapid growth in developing country exports of clothing and textiles in the interests of 'orderly trade'. At a time when protective barriers were being dismantled in other areas of trade, the MFA ensured that trade in textiles and garments (along with agriculture) remained the most regulated in the world. The agreement set the acceptable rate of increase in exports from developing to developed countries at 6 per cent a year and allowed importing countries to impose 'quotas' or quantitative restrictions on the volume of exports from any particular country which grew at a rate higher than bilaterally agreed levels.

However, the imposition of quotas did not succeed in dissipating the flow of cheap imports. Instead, it gave rise to the enterprising practice of 'quota hopping' as producers and buyers, many from the Newly Industrializing Countries (NICS), went in search of fresh, low-wage sites which were still

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'quota-free'. It was at this stage that Bangladesh came into the picture. It had a traditional custom-made garment industry working out of tailoring shops to service a very small domestic market, as well as a small ready-made garment industry catering primarily to urban markets: the most common clothing worn by Bangladeshis, lungis for men and sarees for women do not need stitching. In the late 1970, a number of entrepreneurs from quota-restricted countries set up subcontracting relationships with some of Bangladesh's ready-made garment factories with a view to taking advantage of the absence of quotas. However, the industry did not really take off until changes had been made in the domestic policy environment.

3 The Global Restructuring of the Garment Industry: The Bangladesh Story

The emergence of an export-oriented RMG industry in Bangladesh can be traced to a confluence of policy trends at global and national levels. At the global level, the imposition of quotas on clothing exports from some of the early industrializing countries in East Asia led them to search for quota-free locations to set up garment assembly plants. A significant example of this in the case of Bangladesh was Daewoo from South Korea. Daewoo met the 'quota hopping' requirement of having a product which was not a fully Korean operation by entering into an agreement with a local firm, Desh Garments. Following an agreement signed in 1978 for production and export of apparel for a five-year period, Daewoo gave virtually free training in production and marketing to 130 Desh supervisors and managers at its state-of-the-art garment plant in Korea, but then left production itself to Desh. The effectiveness of the technology transfer involved was demonstrated when, after the agreement with Daewoo was abandoned because of internal problems in Korea, production within Desh continued to grow. Of more interest is the fact that within one year, 115 of the 130 people trained in Korea had left Desh to set up their own garment export firms or to be hired at several times their salary by the many new factories being set up in the country (Easterly, 2000).

At the national level, investment in the RMG industry was made even more attractive by changes that occurred around this time in the domestic policy environment. Until this point, Bangladesh had retained its pre-independence commitment to an industrial policy of import substitution which entailed a complex set of protective measures intended to curtail imports and build an industrial base to cater to the domestic market. By the end of the decade, however, a succession of crises, including a major cyclone, war, famine and political turbulence, together with declining receipts from raw jute and jute manufactures, the country's main export, and an increasing import bill,

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Box 1: Daewoo/ Desh: A Story of Leaks, Unintended Consequences and Increasing Returns

Daewoo managers had created new knowledge about garment manufacturing and marketing when they first began producing garments in 1967. This was transmitted at a price to Desh workers and applied in the Desh factory in Bangladesh, where it continued to be adapted to local conditions to increase returns to investment. The benefits spread well beyond what Daewoo had intended. The Desh workers and managers took with them what they learnt about 'making shirts, selling shirts abroad, using special bonded warehouse systems and using back-to-back import letters of credit' and started their own factories. Using the knowledge 'leaked' from the Desh factory, they were able to benefit from vastly greater returns to investment and the numbers of plants rapidly multiplied. The majority of entrepreneurs were relatively young men with a fairly high level of education and able to communicate in English. The majority of firms were private limited companies with relatively low initial investment and mostly locally owned.

dominated by food imports, left the country with a precarious balance of payments situation. It also faced a growing deficit within the domestic budget due to virtually stagnant government revenue collection.

From the early 1980s, Bangladesh undertook a series of economic reforms to open up its economy under the aegis of the IMF and the World Bank. A new import policy in 1982 announced an export-led growth strategy to be spearheaded by the private sector (Rashid, 2000: 30). A number of direct export incentive schemes were put in place[1] while foreign direct investment was encouraged through the establishment of export processing zones outside Dhaka and Chittagong. Further incentives for stimulating investment in RMG were instituted in the early 1990s (Bhattacharya and Rahman, 2000: 8–9).[2] This incentive structure explains why 95 per cent of firms are locally owned private limited companies. Only about 5 per cent are joint ventures and these are mainly in the EPZs.

The incentive structure also led to a dramatic expansion of the export-oriented RMG sector from around 50 factories employing a few thousand workers in the early 1980s to over 3,000 factories employing around 1.8 million workers by 2000. Eighty per cent of this workforce are estimated to be women (Table 1). In addition about 0.2 million people are employed in other industries linked to garment manufacturing (Khundker, 2002). RMG employment growth has averaged about 8 per cent per year and accounts for about 40 per cent of total manufacturing employment.

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Table 1: Employment in the Ready-made Garment Industry in the 1990s

Year	Male	Female	Female as % of Total	Total
1991–1992	8730	494700	85	582000
1992–1993	120600	683400	85	804000
1993–1994	124050	702950	85	827000
1994–1995	120000	1080000	90	1200000
1995–1996	129000	1165042	90	1294042
1996–1997	139756	1257808	90	1397564
1997–1998	150000	1350000	90	1500000
1998–1999	160000	1350000	90	1500000
1999–2000	160000	1440000	90	1600000
2000–2001	360000	1440000	80	1800000
2001–2002	360000	1440000	80	1800000

Source: BGMEA, cited in Khundker, 2002: 67

Quite apart from the employment it has generated, the implications of which we return to below, the RMG sector has made a significant contribution to the country's growth and foreign exchange earnings. The share of manufacturing in GDP growth increased from 9.8 per cent at the beginning of the 1990s to 11.4 per cent in 2000. That this growth was largely driven by the RMG sector – which grew at a compound rate of 15 per cent per year during the 1990s (Bhattacharya and Rahman, 2000: 2–3) – is evident from the fact that value added for total large-scale manufacturing grew at 7 per cent annually during the 1990s, but at 4 per cent when RMG was excluded (Mahmud, 2003: 5).

Relatively strong GDP growth was underpinned by even stronger export growth, which doubled in value from 5.6 per cent of GDP in the late 1980s to 12 per cent in 2000. Here too the RMG sector has played a leading role. Its share of the country's foreign exchange earnings has grown steadily from 4 per cent in the early 1980s to 41 per cent at the beginning of the 1990s to 77 per cent in 2001–2002 (Table 2). Within RMG the share of knitwear increased even more dramatically from a negligible proportion in 1989–90 to 25 per cent of total exports in 2002–2003, accounting for one-third of total RMG exports. Between 1978 and 1999 the RMG sector earned US$26 billion for the country, of which the value-added component was US$7.6 billion or 29 per cent. In addition, a host of ancillary industries producing accessories have also emerged and grown alongside the garment industry. One estimate suggests that 80 per cent of garment accessories were locally produced, valued at $0.5 billion a year (Bhattacharya and Rahman, 2000).

Despite this spectacular performance, however, there is considerable pessimism about the future of the industry, particularly given plans to phase

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Table 2: Total and Ready-made Garment Exports, 1984–2002

Year	Total Exports (US$ million)	Export of RMG (US$ million)	Export of RMG (volume)	Knit as % of RMG Exports	RMG as % of Total Exports
1983–1984	811.00	31.57			3.89
1984–1985	934.43	116.2			12.44
1985–1986	819.21	131.48			16.05
1986–1987	1076.61	298.67			27.74
1987–1988	1231.2	433.92			35.24
1988–1989	1291.56	471.09			36.47
1989–1990	1923.70	624.16			32.45
1990–1991	1717.55	866.82			50.47
1991–1992	1993.9	1182.57			59.31
1992–1993	2382.89	1445.02			60.64
1993–1994	2533.9	1555.79			61.4
1994–1995	3472.56	2228.35			64.17
1995–1996	3882.42	2547.13	72.00	-	65.61
1996–1997	4441.28	3001.25	80.99	-	67.93
1997–1998	5161.2	3781.94	98.19	25.40	73.28
1998–1999	5312.86	4019.98	101.45	28.13	75.67
1999–2000	5752.19	4352.39	111.02	30.02	75.66
2000–2001	6467.50	4859.82	124.02	30.77	75.14
2001–2002	5986.09	4583.75	140.44	32.42	76.57

Sources: Kaniz Sidique, Deceleration in the Export Sector of Bangladesh and Women Workers: Assessing Impact and Identifying Coping Strategies, CPD Occasional Paper Series No. 26, p. 19; Export Promotion Bureau, Dhaka (September, 1999) and Bangladesh Garment Manufacturers and Exporters Association, cited in Khundker, 2002: 63.

out the MFA entirely by the end of 2004. The Bangladesh garment industry is a creature of the MFA quota system and the quota system has shaped its history, simultaneously protecting it and distorting its growth. It has protected it from potential competitors who face quotas in the items that Bangladesh exports, but it has also suppressed its incentive to diversify out of these items. One result of this is that its expansion has been largely horizontal (an expansion in volume of production) rather than vertical (an increase in value of production). The implications of this concentration in low-value clothing manufacturing are graphically illustrated in a report by the Asia Foundation which compares Bangladesh's performance in the US clothing market with that of 17 other major exporting countries (Asia Foundation, 2001).

The report points out that between 1997 and 1999, Bangladesh was sixth of the 18 largest importers into the US in terms of its share of the *volume* of imports. Although the volume of imports from Bangladesh grew during these years, its share of the US market declined from 5.9 per cent to 5.5 per cent. Turning to the *value* of imports into the US, here too the overall value of imports from Bangladesh grew, but its share in the overall value of imports

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into the US declined from 3.4 per cent to 3.3 per cent during this period. Its lower share of the value of imports compared to the volume of imports is indicative of the fact that the value received per unit item of clothing from Bangladesh was lower than worldwide averages. Finally, comparisons of value per square metre equivalent of fabric (total value of imports into US from different countries divided by total square metre equivalent of fabric from that country) show that the value of apparel exports by Bangladesh into the US was lower than that of all 17 other major importers included in the study. In other words, Bangladesh is the sixth of the 18 largest exporters of garments to the US measured by volume, but eighteenth in terms of value received per item of clothing.

The second major weakness of the Bangladesh RMG sector is the very low value addition that it represents. Value addition measures the contribution made to the total value of a product by each stage in its production. From the point of view of the individual RMG factory, the value added in making up a garment is the value of the garment received by the factory net of the value of the inputs utilized in making it up. As Quddus and Rashid (2000) point out, the concept of value addition takes on an additional significance in the case of exports, particularly in an industry which has to import many of its inputs, since this has a bearing on the country's foreign exchange earnings. It has been estimated that at the national level, the value added by the industry in terms of foreign exchange earnings has remained static at around 25–30 per cent for the last 20 years.[3] Weakness of backward linkages is one obvious reason. The country does not grow export-quality cotton or possess the natural resources for synthetic fibres used in clothing.

Raw materials have to be imported both for garments and the country's small textile industry, and accounted for around three-quarters of the import of total industrial raw materials in the 1990s (Bhattacharya and Rahman, 2000: 7). In fact, textile fabrics, a major input into the manufacture of woven garments, dominate these imports. While it is developing a local textile industry which could increase the value addition generated by garment production within the country, Bangladesh has no natural comparative advantage in this and the prices of its textiles are always likely to be higher than world averages because the raw materials have to be imported.

There are some exceptions to both these generalizations: some factories are moving into higher-value woven garments and in the 1990s there was a rapid growth in the production of knitwear garments where local value addition is much higher because only one backward linkage is needed (cotton to yarn), on average 50–60 per cent compared to 25–30 per cent for woven RMG.[4] Many of the factories producing higher-value items are based in the EPZs where direct contact with retailers and fashion houses have brought in new knowledge in marketing and fashion design and hence higher value addition in production. There is also some indirect evidence of increased process or manufacturing efficiency in knitwear factories producing trousers and jerseys, leading to cheaper products and increased market share. This is an indication of process upgrading and some movement up the manufacturing value chain, but does not indicate product upgrading.

An important point is that higher value items are generally more technology intensive and need better trained workers and supervisors; many joint venture firms in the EPZ and knitwear firms have foreign managers and supervisors. In addition, a much higher proportion of workers in these factories are male. Only 35 per cent of workers in the knitwear industry, which is more technology intensive than woven garments, are women (Chaudhuri-Zohir, 2000). This reflects the situation in other parts of the world where women lose out as manufacturing processes become more capital and/or skill intensive (Barrientos, Kabeer and Hossain, 2003) and is a point we will return to later.

4 The Ready-made Garment Commodity Chain

Product focus

The bulk of the RMG industry in Bangladesh thus specializes in low-value basic and casual wear products (woven trousers, shirts and blouses and knitwear T-shirts and jerseys) where it has to compete largely on the basis of its ability to produce reasonable quality goods at ever-decreasing prices.[5] Moreover, the industry is largely located at the lower end of the value chain for these products, essentially performing cut-make-trim functions.

The reasons for this are not difficult to understand. They reflect mutually interacting factors on both the demand and supply side. On the supply side, the conditions prevailing in Bangladesh mean that the direct costs of producing garments are only a small fraction of the total costs of doing business in the country. The Asia Foundation report offers a useful step-by-step breakdown of value addition in a typical shirt exported by Bangladesh to the US. The direct labour costs of making such a shirt are around US$0.16. The cost of buttons and other accessories is US$0.24 so that the total cost of the shirt when it leaves the factory is US$0.40. The price received at FOB (the point at which it leaves Chittagong port) is US$5.03. Duty and freight add 20 per cent, giving a LDP (landing duty paid) value in the US of US$6.04 for a shirt which is likely to retail at US$13 to US$14 in a US store. If the cost of fabric is factored into these calculations, and assumed to be around 60 per cent of the FOB value of US$5.03, then US$3 of the FOB value never reaches the garment factory, US$0.40 is the cost of direct labour and trim and there is an additional US$1.60 unaccounted for (Table 3).

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Table 3: Breakdown of Cost of Cotton Shirt Exported to the US

Stage	Cost in US$	% of Retail Price	% of FOB Price	% of LDP Price	% of Retail Price
Labour	0.16	1.2	3.2		
Trim	0.24	1.8	4.8		
Cost at factory	0.40	3.0	8.0		
Fabric	3.02	23.2	60.0		
Other indirect costs	1.61	12.4	32.0		
Price at FOB	5.03	38.7	100.0	83.3	
Duty and freight	1.01	7.8		16.7	
Price at LDP	6.04	46.5		100.0	46.5
Retailing mark-up	6.96	53.5			53.5
Price at US retail	13.00	100.0			100.0

Source: Compiled from Asia Foundation, 2001

Only 3 per cent of total value addition to the US retail price of a cotton shirt takes place at the factory and a miniscule 1.2 per cent is from labour. The major value addition before shipment is from fabric (23.3 per cent of the retail price and 60 per cent of the FOB price), but this never reaches the factory because it is imported under the special bonded warehouse provision. Direct production cost (labour plus trim) comprises only 8 per cent of the FOB price compared to 32 per cent from indirect costs. Over half of value addition takes place in the US after landing and payment of duties.

The report suggests that some of this unaccounted for element represents the indirect costs of doing business in Bangladesh. The vast majority of factories are 'zero-service operations': apart from cut-make-trim operations, they have little else to offer the buyer in terms of design, marketing and sales services or quality assurance. These have to be assumed by the buyer and therefore cut into the profit margins of the manufacturer. In addition, there are the macro costs[6] of doing business in Bangladesh which are outside the control of the garment firms. These include the costs associated with shipping in raw materials and shipping out the finished garment: poor infrastructure, made worse by frequent flooding, congestion in the main port, frequent *hartals* (strikes), poor telecommunications, weak financial systems, uneven proficiency in the English language, unreliable and uncompetitively priced energy and so on. There is also the red tape and accompanying corruption (customs clearance and delivery to factories of imported materials can take three days) and 'miscellaneous expenditures'.

Given Bangladesh's distance from its main input and output markets, these various indirect costs take on even greater significance because of their implications for the lead times that producers need to turn around an order. According to one estimate, Bangladesh factories which rely on locally available fabric need 75–90 days between confirmation of a purchase order to the day of shipment, while those using imported fabrics need 120 days. In the rest of Asia, estimates vary between 45 to 60 days. This clearly restricts the kind of buyer that will deal with Bangladeshi entrepreneurs, particularly in an industry which is essentially buyer driven.

Box 2: Who Buys What in Bangladesh's Garment Industry

Unlike producer-driven industries in which supply factors largely determine the nature of demand, it is decisions made by the big buyers in the clothing commodity chain that shape the structure of global production (Quddus and Rashid, 2000). Buyers are an extremely heterogeneous group and include retailers and agents of retailers as well as other intermediaries representing the haute couture end of the market, expensive department stores, high street retail chains, fashion brands, mail order firms and so on. However, given the costs of doing business in Bangladesh, it is mainly the mass market retailers and low-end fashion buyers, mainly from the US, who can *afford* to work here. The buyers present in Bangladesh today represent a 'who's-who of the world's major volume retailers' – Wal-Mart, Gap, K-mart, Sears, J.C. Penney, Levi Strauss from the US, C&A, H&M, Marks and Spencer and a host of smaller brands from the EU (Asia Foundation, 2001:16). The Asia Foundation report comments: 'Their gigantic volumes mean the companies have the financial strength to continue to provide whatever facilities the factories are unable or unwilling to offer'. But there is a catch: 'those same volumes also give these buyers the leverage to dictate ever-lower prices'.

Factory owners in Bangladesh consequently find themselves trapped between the buyer-driven demands of a global industry characterized by season and fashion-related fluctuations and a domestic environment characterized by extreme unpredictability. They work in a climate of extreme uncertainty which is becoming more uncertain as competition gets more intense: interviews with a number of factory owners by the authors suggest the number of seasonal peaks in demand has increased from three to six and lead times have been cut back as the major retailers seek to download the risks of their business onto the factory owners.

The factory owners appear to bear a great deal of the risk. They have to pay for their fabric before they have received payment for the order. If the buyer is dissatisfied with the shipment or the shipment is too late, the firm may have to cut back on its price in order to ensure that it is sold and that they can meet their debts and pay their labour. On the other hand, there is no guarantee that the orders will come in on a regular basis. For the quota-regulated US market, quota buying and selling leads to high quota premiums (or the price of quota) which can increase vulnerability of both factory owners and workers. This is because factories that have taken orders with insufficient quota (in the hope of buying quota) may be forced to ship at a loss or abandon orders mid-way, a common occurrence (Asia Foundation, 2001:12). Moreover, to add to the uncertainties they face, employers who deal directly with buyers find that they are being cited ever-decreasing prices for their goods at a time when they are also under pressure to comply with the various codes of conduct that buyers are imposing in response to consumer pressure.

Table 4: Trend of RMG Exports to the US and EU in the 1990s

Year	Exports to the US (% of total exports)	Exports to the EU (% of total exports)	Combined share of US and EU exports (%)
1991–1992	49.14	46.42	95.56
1992–1993	48.72	45.69	94.41
1993–1994	38.08	55.43	93.51
1994–1995	45.15	49.36	94.51
1995–1996	39.33	55.17	94.50
1996–1997	41.49	54.11	95.50
1997–1998	–	–	–
1998–1999	43.24	52.38	95.65

Source: Export Promotion Bureau, Dhaka, and Bangladesh Garment Manufacturers and Exporters Association, cited in Khundker, 2002:74

Structure of the RMG industry and employment patterns

These factors help to explain the structure of the garment industry in Bangladesh and the informal character of much of its employment. The industry can be differentiated into a number of segments. The first tier factories at the formal end of the industry are epitomized by those in the EPZ: they have direct links with international buyers, modern equipment, better quality assurance, a large relatively skilled and educated workforce and generally better working conditions than the rest of the industry – although trade unions have been banned till recently within the EPZs. Second tier factories outside the EPZs also have a direct, often long-term, relationship with their buyers and hence some reliability in their orders. They vary in size from large to medium and also observe certain minimum labour standards, largely because of their dealings with buyers. There is, however, a third tier which merges imperceptibly with the informal economy. The size of this tier is not known but it is made up of small low-grade factories which have no direct relationship to buyers or the capacity to open a Letter of Credit. They work

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Women machinists work long hours. PICTURE: ABDULLAH ZUBERI, *THE NEW AGE*

in small rented premises with 100 to 200 machines and largely rely on subcontracted orders from the larger factories which have taken on too many orders or need to meet a deadline.

Apart from the 'bideshi' (EPZ) factories and a few 'bangla' factories outside which deal directly with buyers, the majority of employers appear to operate with an 'informal sector' mindset, adjusting their production to demand through a variety of means. Thus production lines are subcontracted or outsourced during peak season and shut down at other times. One survey found that three-quarters of the firms included were subcontracting out to other smaller firms, while more than half were subcontracting in.[7] Firms may also take on cheaper orders during the lean season to earn enough to pay their workers.

Work arrangements

The informal mindset of garment employers is also evident in the pursuit of a strategy of 'primitive accumulation' with regard to their workers, a strategy which requires them to maximize returns from the key factor of production under their control at the minimum possible cost. They hire workers with little or no education, provide them with minimum on-the-job-training, do not issue them with a contract as required by the law, keep them on temporary status regardless of how long they have been in the factory, provide few of the benefits to which they are legally entitled and dismiss them without any notice. Hours worked in the garment industry are longer than elsewhere in the manufacturing sector, including the export manufacturing sector, and workers sometimes work all night to meet deadlines. And while their monthly take home pay is by no means the lowest in the formal manufacturing sector, given their overtime earnings, the hourly returns to their labour may be the lowest, given the long hours that have to be put in to earn it.

Box 3: Wages in the Bangladesh Ready-made Garment Sector

International comparisons suggest that wages paid in the RMG sector in Bangladesh are among the lowest in the world – US$0.15 an hour compared to US$0.30 in Nepal, US$0.35 in India, US$0.35 in China, US$0.45 in Sri Lanka and US$16 in the US (Khondkar, 2002). Employers have argued that wages are low because productivity is low. Productivity is indeed low in Bangladesh by international standards. It has been estimated that 25 person-minutes are required per basic product in the Bangladesh RMG sector, compared to 24 in Sri Lanka, 20.7 in the Republic of Korea, 19.7 in Hong Kong and 14 in the US. However, employers do little to change this scenario.

The alternative route to this strategy of 'primitive accumulation', i.e. paying labour an efficiency wage, observing 'normal' hours of work and investing in labour productivity, appears to have been ruled out by most employers on the grounds that irregularity in the orders they receive and the overall uncertainty of the industry preclude such investment. There is, of course, a further factor which may explain their reluctance – the availability of an apparently unlimited supply of female migrant labour willing and able to work the long hours demanded for little pay until it has to be replenished by fresh recruits from the countryside. As long as there is this reserve pool of labour willing to put up with the exploitative conditions associated with a strategy of primitive accumulation, employers have few incentives to change their strategy. However, while it is clear that women's comparative advantage for employers in a highly price-competitive, labour-intensive industry lies in the fact that they can be more easily exploited than men, what explains why women allow themselves to exploited in this way? In the next section, we examine some of the disadvantages within the labour market and the wider economy that account for this comparative advantage, as well as the extent to which the emergence of employment opportunities in the garment sector may have served to mitigate or exacerbate these disadvantages.

5 Women Workers in a Labour-surplus Economy

The impact of the export garment industry

Bangladesh continues to have a labour-surplus economy where the problem is less one of open unemployment than of disguised unemployment, under-employment and low returns to labour. Returns to female labour continue to be even lower than those to male labour because women have lower levels of education and are 'crowded' into a far more limited range of productive opportunities. Estimates by Rahman (2000) suggest male underemployment rates of 12 per cent in 1995–96 compared to 71 per cent for female, and male unemployment-equivalent rates of 8 per cent compared to 31 per cent for female. In other words there was, and continues to be, a large reserve pool of female labour, much of it located in the countryside.

While cultural norms, discrimination by employers and trade union practices all help to explain women's exclusion from the wider labour market, it was also reinforced in the past by a policy environment which protected employers from the consequences of such discrimination. Sheltered from global market forces by policies which promoted and protected domestic industry, competition within national labour markets was also suppressed, giving male workers privileged access to better paid formal employment. The participation of women in paid work was extremely low and confined to marginal informal activities which did not appear in the national statistics.

Studies made in the late 1970s – some around the time the first garment factories were being set up – saw little prospect of change in the barriers that women faced in accessing paid work. Reviewing the nature of patriarchal constraints in Bangladesh, one influential study pointed out: 'The systemic nature of patriarchy suggests that solutions to the problem of women's vulnerability and lack of income-earning opportunities will not be easily reached' (Cain *et al.*, 1979: 434). However, the advent of the export garment industry proved that patriarchal structures in Bangladesh were more flexible to the 'push' of poverty and the 'pull' of opportunity than the authors had feared. The industry's 'revealed preference' for female labour effected a very visible transformation in the gender composition of the country's labour force, both in terms of female rates of participation in paid work and its diversification into the industrial sector.

Whereas in 1951, nearly 90 per cent of employed men and women in Bangladesh worked in agriculture, by 1985–86, only 11 per cent of working women remained in agriculture compared to 63 per cent of working men (Ahmad, 1991: 252). The urban manufacturing sector was a major factor behind this changing pattern of female labour force participation. Between 1974 and 1985–86, the percentage of working women in manufacturing rose

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from 4 to 55 per cent, while urban female labour force participation rose from around 12 per cent in 1983–84 to 20.5 per cent in 1995–96. While men continue to dominate the labour market – there were three men for every woman in 2000 – new labour market entrants are overwhelmingly female: for every new male worker joining the labour force, there are three women workers. Roughly one-quarter of female workers entering the labour market during the 1990s were employed in industry where they are to be primarily found in garment manufacturing, while the female share of new employment in industry was 39 per cent in the mid-1990s, rising to 60 per cent in 2000.[8] The result is a more pronounced 'feminization' of the labour force in urban areas where between the mid-1980s and mid-1990s the urban female labour force grew by one-third every year compared to a annual growth of only 9 per cent for the male labour force.[9]

The evidence strongly suggests that the garment industry is tapping into this reserve pool of female labour in the countryside.[10] The overwhelming majority of women in the garment industry are rural migrants and for the majority it is their first job. While studies carried out in the early phase of the industry's expansion suggested that some of the women joining the industry had been previously engaged in the kind of occupations traditionally associated with women, recent data suggest that the current generation of factory workers are new entrants into the labour force. Moreover, whereas earlier female migration had been primarily 'in association with' male family members seeking work, increasingly women are migrating into the cities on their own in search of work, and very often explicitly in search of garment work (Kabeer and Mahmud, 2004).

It is also clear that the garment industry is drawing from poorer (but by no means the poorest) sections of the rural population. Studies suggest that most migrants came from the higher density districts of Bangladesh which also supplied much of the male migration into Dhaka city (Newby, 1998). Studies also suggest that female migrants are much more likely than male migrants to be drawn from landless households (Feldman, 1993; Afsar, 2001). This is in keeping with the broader pattern in South Asia of a positive correlation between female participation in paid work and household poverty (Kabeer, 2003). Our own 2001 survey of working women in urban slum neighbourhoods (Kabeer and Mahmud, 2004) confirms this pattern for the majority of the garment workers who work in 'bangla' factories. They came from households with little or no land, prone to food-shortages during the year, many of which had no educated adult members. EPZ workers, who account for less than 5 per cent of employment in the export RMG sector, were considerably better off: they were more educated and were more likely to come from land-owning and food-secure households, while wage workers outside the export sector were generally poorer (Kabeer and Mahmud, 2004).

Women's employment in the export garment industry compared with other forms of work

Further insights into why women took up garment employment can be obtained by comparing their wages and working conditions with alternative forms of employment available to them. One study used wages and conditions in other manufacturing industries as the basis for comparison (Paul-Majumder and Begum, 2000). However, while it noted that gender inequalities in wages appeared to be greater in the garment sector than in other industries, it failed to note the far greater gender inequality in access to employment in the other industries, where men made up 85–93 per cent of the workforce. In other words, these are precisely the industries where exclusion of women in the past led to low rates of employment and their over-crowding in a limited number of occupations. A study by Bhattacharya and Rahman (1999) found not only that women constitute a higher percentage of workers in export industries generally, but that gender differentials in wages were generally lower in the export-oriented industrial sector than in other industries

A comparison between wages and working conditions in garment export industries and rural wage labour markets has greater validity because this is where most of the workers in the garment industry, who are recent rural migrants, might otherwise have sought work. From a macro-perspective, it appears that real wages in manufacturing activities steadily increased in the 1990s, while real wages in agriculture declined and real wages in service activities stagnated (Mahmud, 2002). If female wages were subject to similar trends to male wages, between the late 1980s and 2000 average female real wages increased only in formal manufacturing activities, which represented 20 per cent of female employment in 1999–2000. Since the male-female wage ratio for manufacturing wages has declined, the increase in real wages for female workers in formal manufacturing has been relatively greater, and this is particularly evident in the case of urban formal manufacturing employment.[11]

A microanalysis is provided by both Afsar (2001) and Rahman (2002). Afsar noted that 83 per cent of working women in rural areas are classified as unpaid family labour compared to 15 per cent of men. Of the remaining 17 per cent of women, 4 per cent are employees, 7 per cent are self-employed and 7 per cent are in casual daily labour. Men, in other words, dominate paid work in rural areas while women predominate in unpaid work. According to the Bangladesh Bureau of Statistics, a female day labourer earns 25 takas

(US$0.46) a day in rural areas, which is half of male wages in the rural informal economy, and 36 takas (US$0.66)in urban areas, which is half of male wages in urban areas.

Rahman cites evidence which suggests that the wage rates of unskilled male labour in the countryside were much higher than wages earned by an unskilled male worker in a garment factory, particularly if income from other sources typically earned by rural male labourers was added in. For men, therefore, there is a positive opportunity cost associated with taking up garment work. For women, on the other hand, garment factories offer higher wages than the wages that most would earn in the countryside, where alternative sources of employment are in any case limited. It also offered more than they would have earned in domestic service, the other main source of female employment in the urban economy. According to Afshar (2001), a domestic servant earned around 690 takas (US$12.7) a month (1996 figures) which was half the average wage of a worker in the RMG industry of 1,389 takas (US$25.7).

A survey carried out in 2001 (Kabeer and Mahmud, 2004) attempted a more systematic comparison of the wages and working conditions of women working in the export garment industry and women working in other forms of urban employment. It found that the better-off and more educated EPZ category were also most likely to work in conditions which approximated formal sector employment: they were more likely to be tested on entry, to be issued with a contract letter, to be given 'permanent' status (although even within the EPZ, only 30 per cent of those in our sample reported permanent status), to know about labour laws and to report a variety of benefits (including childcare, paid leave and medical facilities) than other garment workers. They are also likely to report higher incomes and work fewer hours.

However, even other garment workers who worked in the 'bangla' factories and accounted for the majority of the industry's workforce, while enjoying lower wages and poorer working conditions, were nevertheless better off by both criteria compared to other female wage workers in the urban economy. Moreover, while these other wage workers worked fewer hours than garment workers, this was very often a result of the far more casualized nature of their jobs and their inability to find work on a regular basis (Kabeer and Mahmud, 2004). Disadvantage thus takes different forms for different groups of poor working women in the urban economy.

While the majority of workers in the survey used their wages to meet various basic needs (food, rent, clothing, medicine), garment workers were more likely to save and to remit some of their income to families in the countryside. (Afshar found that the female garment workers in her study remitted more money home than male garment workers – around one-third and two-fifths of their monthly income, respectively.)

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Income security

The single most important aspect of garment employment that women workers valued was that they earned a secure income. While their wages were not always paid on time, in contrast to many other forms of employment available to them, they were paid and so had a minimum degree of security. A survey of garment factory workers retrenched in the post-9/11 decline in orders found that the overwhelming majority who were still looking for employment (around 92 per cent of those interviewed) expressed a preference for garment employment, while around half of those who had already found employment would have preferred garment employment. As the report notes, higher and more stable incomes were the main reasons for their preference (Sidique, 2003).

However, if employers operate with 'informal economy' mindsets in relation to their workers, the women workers respond in kind. While they may be more prepared than men to accept the conditions which prevail in the factories – long hours sitting in one place doing the same repetitive tasks under the watchful eye of supervisors – most do not stay in any one factory for very long, changing jobs frequently in search of higher wages. Alternatively, they drop out for a period – because of illness in the family or to return temporarily to their village – and then take up factory employment again at a later stage. They do not necessarily expect to work in garment factories for a prolonged period. Indeed, given the toll taken on their health by long working hours, it would not be possible to undertake such work for an extended period of time. Our survey of working women found that on average women worked in the garment industry for five years.

Our findings also suggested that there is a strong life cycle element to women's livelihood strategies. It is largely young unmarried women or women starting out in their married lives who work in factories. As they get older, and their domestic responsibilities increase because of marriage or children, they drop out and seek work where conditions are flexible enough to combine work and domestic and childcare responsibilities (Kabeer and Mahmud, 2003).

Women with less education and savings end up in more casual forms of waged labour, either in domestic service, small workshops or construction work. Thus around 25 per cent of those who were currently in these kinds of occupations had been garment workers in the past. The better off among them, particularly those with savings, started up their own businesses: around 38 per cent of those who were currently self-employed had once been garment workers.

There is a great deal of debate as to whether access to relatively regular

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forms of paid work by women in a context in which they had previously been denied such access has 'empowered' them. Opinion on this depends on whether the focus is on the employers' perspective ('primitive accumulation and 'exploitative rents') and the wages and working conditions that go with it or on the workers' perspectives and how they view their choices. The general public in Bangladesh perceives that garment employers have been given considerable incentives and encouragement by the government to set up their factories but appear to be reluctant, except in the face of buyer pressure, to redistribute some of their profits to improve the working conditions of their workers.

From the point of view of women workers, it is clear that they do not see work in the garment industry as a humanly sustainable livelihood option in the long run. On the other hand, it has had significant effects in the personal arena of their lives, including in their capacity to negotiate with dominant family members, to postpone their age of marriage and to exercise greater choice in who they marry, to contribute to their families and thus to be perceived and valued as earning family members. What it has not done is to enable them to organize themselves as workers and to use their collective power to negotiate a better deal for themselves at work or in society at large.

Collective organization and workers' rights

While the trade unions blame garment employers for their hostility to their attempts to unionize workers, employers point to the long history of disruptive behaviour by trade unions in the public sector as their justification for keeping them out. Both versions are true. Employers are known to have used strong-arm tactics to intimidate anyone found to be attempting to unionize and they have succeeded in keeping the garment industry largely non-unionized.

On the other hand, the trade unions are not particularly representative of workers elsewhere in the economy. Indeed, it is estimated that they represent at most a third of formally employed workers (who themselves make up less than 10 per cent of the total workforce) and around 3 per cent of the total workforce in Bangladesh. This partly reflects the difficulties of organizing workers in an economy which is largely characterized by informal conditions of employment using organizational forms which were developed for more formal forms of employment in industrialized economies. The problems of organization are clearly exacerbated when the workers in question are young women who have only recently migrated from the countryside where there no history of trade union activity and where they have been under strict patriarchal control.

However, low levels of unionization also reflect the evolution of trade

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unionism in Bangladesh. Most trade unions belong to federations which are affiliated to the main political parties. The majority of trade union leaders attempt to perpetuate their leadership through their political connections, particularly when they are affiliated to the party in power, without attempting to seek the support of rank-and-file workers (Mondol, 2002; Taher, 1999; Hye, 1992). The politicized character of unions, their corrupt practices and disruptive behaviour partly justify the reluctance of employers to deal with them.

From the point of view of women workers, there are additional problems. The trade unions are overwhelmingly male dominated, reproducing within their leadership and rank-and-file membership the patriarchal attitudes of the wider society. Few have been willing to take up 'women's issues' seriously – harassment on the streets and within factories, proper toilet facilities, maternity leave and childcare. This appears to be changing, as a number of the more progressive unions have sought to set up 'women's wings' which deal more sensitively with women workers. There is evidence of a greater willingness on the part of women workers to engage in collective bargaining at the enterprise level or to engage in individual negotiations with management (Afshar, 2001). There may be also greater support from workers and management for enterprise-based unions which respond to the needs of workers within their factories rather than seeking to represent the interests of political parties.

6 Lessons Learned

Main findings

By way of conclusion, let us draw out some of the key lessons to be drawn from the Bangladesh experience in export-oriented garment manufacturing and consider some of the challenges that the industry faces. Firstly, the evidence strongly suggests that the industry has made a significant contribution not only to economic growth and export earnings in the country, but also to poverty reduction. Apart from the negligible proportion in the EPZs, the majority of its workers come from poorer households and the poorer districts of Bangladesh; they have low levels of education and their families are often landless and in food deficit for some of the year.

Secondly, it would appear that the garment industry is addressing the gender dimension of poverty by providing wage employment to a section of the labour force which has faced considerable discrimination and which was previously confined to the margins of the labour market and was part of an invisible reserve army of labour. The wages women are able to earn in the garment industry are higher than in the available alternative forms of

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employment; they enable them to support themselves and one other adult at levels of living above the poverty line. The fact that many workers remit part of their income to the countryside suggests that it is indeed being used to support their families. This ability to contribute to the family's standard of living appears to have had positive effects within the family, helping to transform women from dependents into economic actors and giving them a greater say in different aspects of their lives.

Thirdly, however, these jobs do not provide a long-term solution to female poverty. The garment industry has been notoriously footloose in global terms and the impending phasing out of the MFA makes its future in Bangladesh extremely uncertain. Clearly, the capacity of the industry to continue to generate employment is tied up with its capacity to survive. But the jobs are also not sustainable from the perspective of individual women. Extremely long hours doing the same repetitive tasks with little or no prospect of promotion mean that few workers last more than five years in the industry. In any case, most women cannot continue to work these hours once they have children to look after. Consequently, those who have some education or savings will take up self-employment of various kinds; others will take up waged employment outside the garment sector which pays less but allows greater flexibility in management of their time.

Fourthly, the advent of the garment industry has given rise to an unprecedented degree of attention to the question of the rights of women workers in Bangladesh. Although women have increasingly entered paid work, particularly since the 1970s, they worked largely in the informal economy and very little notice was taken of their pay and working conditions. There are a number of reasons for the intense scrutiny that the industry has received domestically and internationally. One is the visibility of its female workforce in a context where women used to be largely invisible. In addition, the public perception of garment employers is not favourable: they are seen as individuals who have amassed considerable wealth in a short time with support from the government, but who are unwilling to pay their fair share of taxes, to share their profits with their workers or to engage in any form of socially responsible behaviour. It is widely known that any improvements that have taken place in labour standards in the industry have reflected pressure from international buyers rather than enlightened self-interest on the part of employers.

However, pressure from buyers does not necessarily reflect greater self-enlightenment on their part, but is rather a result of international pressure, particularly from the trade union movement in the buyers' own countries, backed by consumer groups and student activists. But these groups are only interested in the export sector of the economy, the sector which competes with their jobs or provides the goods they consume. Moreover, while they have

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succeeded in improving labour standards in this sector, the improvements are largely confined to those factories with which buyers deal directly. Such top-down improvements in labour standards do little to contribute to workers' rights since they are the product of voluntary agreements between buyers and their suppliers. Indeed, most workers do not know that they have rights: only 23 per cent of workers in the EPZs, 18 per cent in the Desh garment factories and 3 per cent outside the industry had heard of the country's labour laws.

In a country like Bangladesh, where the interacting constraints of poverty and patriarchy have led women, particularly those from poorer households, to be perceived, and to perceive themselves, as second-class citizens, global attempts to improve labour standards in a small part of the economy by international buyers who are simultaneously cutting back on the prices they offer local producers hold out very little promise in the long run for promoting women's rights as workers and as citizens. The top-down imposition of standards may be better than having no standards at all, but it does not substitute for building workers' awareness and their capacity to represent their own interests with employers and the government.

There is a critical need for 'bottom-up' capacity building, but it is not clear how this can be done. Trade unions could have played a constructive role in this process but their adversarial tactics, politicized character and male dominance suggests that they will have to undergo considerable reform before they are able to do so: 'social responsibility' should be as much an obligation on the part of trade unions in Bangladesh as of employers. The organization of the poor in Bangladesh has been carried out more effectively by other civil society organizations, including developmental NGOs. The NGO sector is obviously not a homogeneous one, but most NGOs work with precisely those sections of the population that are ignored by the trade unions – the working poor in the informal economy, with a particular emphasis on women.

It is worth noting that in the consultations with the poor carried out in connection with the *World Development Report 2000*, consultations in urban areas suggested that of the formal institutions which impinged on the lives of the poor, it was the garment industry and the NGO sector that were seen as positive. In our survey, women associated with NGOs in the urban slums, who were mainly self-employed, were far more likely to vote in national and local elections than other women.

Most NGOs work in rural areas but the few that do work in urban areas and deal with garment workers have adopted a very different model of organization from that of trade unions. Some are service-oriented – organizing low-cost housing for workers or providing childcare facilities – but others provide legal education on their rights for workers in urban slum communi-

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ties and legal support to take grievances to the labour courts. It is likely to be this painstaking building up of a sense of citizenship from the grassroots which will lead to more sustainable improvements in the terms and conditions in which the poor sell their labour in Bangladesh than can be achieved through a trade union movement that is out of touch with the lives of the majority of the country's workers who are located in the informal economy.

It is probable that much greater progress would have been made on the issue of workers' rights if more attention had been paid both to the content and enforcement of Bangladesh's labour legislation. There are far too few labour inspectors to bring any real pressure on enterprises to comply with legislation and those few are too busy collecting 'tolls' from factory owners to have time to check conditions. There are law courts to which workers and management can turn for adjudication of disputes but these are expensive and time-consuming. To some extent it is this failure to observe national laws that allows international buyers to insist on their own codes of conduct with local employers.

In addition, however, much of the labour legislation is not only irrelevant to the vast majority of the country's workers, it is also obsolete. Of 51 labour laws, 13 date back to the British period, 25 date to the period when Bangladesh was part of Pakistan and 13 have been passed since independence. The majority were thus formulated to protect privileged formal sector workers within the context of a protected domestic economy. A thorough review of labour legislation needs to be carried out so that it can be brought into line with the country's current realities and backed with the resources necessary to ensure compliance. A new labour code is being formulated by the Ministry of Labour with fairly wide-ranging consultations with labour organizations and trade unions. The experience of women workers in the RMG sector has informed many of the new provisions in the labour code but the weakness of the enforcement system remains the main barrier to implementation.

The future

The Bangladesh RMG industry is at a critical point in its history. The MFA is due to be phased out by the end of 2004 and the industry will have to compete in a world where the quotas which restrained the export growth of some of its competitors will no longer apply. Some observers believe that the industry needs to move into more value-added, higher-priced and higher fashion products which means investing in more technology-intensive processes. This may make sense from the point of view of individual manufacturers or groups of manufacturers.

However, not all sections of the industry have the capacity to upgrade; they can only survive if they continue to compete at the low-cost, low-value

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end of the industry. It may be possible to consider whether these segments could move in the future to closer markets in other parts of Asia where the demand for low-value products is likely to increase. Moving to markets closer to home also means that Bangladesh's long lead times may not be as problematic and may even be reduced.

Nor does the move into higher-value items necessarily make sense from the point of view of all sections of the workforce. Such a strategy is likely to lead to higher wages and better conditions in the industry, but it is also likely to be associated with a shift into more capital-intensive technology and reduced levels of employment. It is likely to lead to increased employment of educated (male) workers and reduced employment of less educated (female) workers. The example of the knitwear industry is illustrative.

There are other ways in which the garment industry could increase its share of value added without taking the hi-tech route, many of which would dramatically improve conditions for the country's industrialization. On the part of government, this would include improving infrastructure, for example conditions in Chittagong port, and reducing the level of corruption and red tape. On the part of employers, it would mean investing in quality assurance and workers' productivity.

However, whatever measures are taken by the industry, it is clear that its future is uncertain and that many women are likely to lose their jobs, while others will face more restricted options in the future. This puts two further policy considerations on the agenda. The first is the need to train women workers in those basic skills that will equip them to cope in a world where secure life-time employment is everywhere being displaced by shorter-term, and often short-lived, forms of employment. Bangladesh's comparative advantage may remain at the lower end of the value chain, given its levels of poverty, but certain basic skills, including legal literacy and knowledge of their rights, have become essential if its workers are to earn their living with dignity, cope with the decline in some opportunities and respond to the emergence of others. Some of this education has to begin at school; some of it can be carried out through NGOs, vocational training institutes and the efforts of trade unions.

The second consideration is the interdependence that exists between the formal and informal economy. This is particularly the case in a country like Bangladesh, where only a tiny proportion of the workforce is located in what was conventionally regarded as 'formal sector employment', and the vast majority are located on a continuum with highly casualised forms of work at the other end of the spectrum. Attempts to focus on labour standards only for those who are employed by the export sector – because of the international attention it has received – is detrimental to the vast majority of

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workers who have no labour standards and no form of protection to help them cope with unemployment or crisis. Far more attention needs to be given to the needs of these workers and more needs to be learned from safety net mechanisms which have worked for them: micro-insurance services and public works programmes. In the end, however, it will be the economy's capacity to generate employment opportunities for all which will serve as the most effective form of social protection in the long run.

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Notes

1 Export incentives include special bonded warehouse facilities, back-to-back letters of credit (LCs), duty drawback, cash compensation of 25 per cent of FOB value of export and simplified export procedures. The dual exchange rate system of the 1980s was replaced by a unified system. The revised industrial policy of 1986 reduced the role of the public sector in manufacturing through denationalization and divestiture of state-owned enterprises and restricting future public investment to a few 'reserved' areas such as defence and armaments and nuclear power.

2 These included reduction of advance income tax deduction from 0.5 to 0.25 per cent of export earnings; an increase in the cash compensation scheme from 15 to 25 per cent; reduction of the tariff on the import of capital machinery from 7.5 to 0 per cent; differential rates of duty drawback replaced by a flat rate for a large number of imported inputs; relaxation of eligibility for duty drawback; interest rates on bank loans reduced slightly from 8–12 per cent to 8–10 per cent; reduction in the differences between incentives in EPZs and the DTA (domestic tariff area); operationalization of the duty drawback system and flexible exchange rate from managed 'float' now replaced by fully floating exchange rate.

3 In the late 1990s only 10–12 per cent of fabric used in the woven RMG industry came from local textile mills; this share may have increased slightly due to new investment in recent times (Bhattacharya and Rahman, 2000: 16).

4 In knitwear value addition is higher, ranging between 40–60 per cent of the gross value of exports, but it is still lower that that of Bangladesh's competitors since Bangladesh has to rely to a larger extent on imported yarn (Bhattacharya and Rahman, 2000: 16).

5 These items accounted for 80 per cent of all knitted exports and two-thirds of all woven exports in 1999. Other items include terry towels, infant playsuits, cotton bathrobes and cotton overalls (Asia Foundation, 2001: 25–32).

6 The macro costs of doing business are invariably highest where direct labour costs are cheapest (Asia Foundation, 2001: 9).

7 Larger firms send their own supervisors and managers to monitor quality in the smaller firms to which they subcontract.

8 The female share of incremental increase in the labour force has been rising over the years. According to official labour force surveys, the female share of incremental increase was 23 per cent between 1983–84 and 1989, rising to 48 per cent between 1989 and 1995–96. This figure was 72 per cent between 1995–96 and 1999–2000.

9 The female labour force participation rate grew from 7 to 22 per cent in rural areas and from 12 to 26 per cent in urban areas, but remained the same for men or even declined slightly in the recent past. During this period the female share of the labour force more than doubled from 9 to 22 per cent.

10 In the early 1990s the female population growth rate in urban areas was 14 per cent per annum compared to 10 per cent for males, resulting from the higher

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female migration rate from rural areas compared to men. Women also have higher labour force participation rates in urban areas compared to rural areas, unlike men, and the female labour force in urban areas grew much faster compared to that in rural areas (Mahmud, 2004).

11 One estimate shows that the average weekly earnings (in 1985–86 prices) in the formal urban manufacturing sector increased from 273 takas (US$5) in 1983–84 to 418 (US$7.7) takas in 1995–96 for male workers and from 124 (US$2.3) to 241 takas (US$4.5) for female workers.

Currency: 1 taka = US$0.018

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