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Jakir Hossain

**GOOD INTENTIONS ARE HARDLY ENOUGH**  
**Just Vision and the Logic of Action for**  
**Bangladesh's Garment Sector Wage Fixation**



ডেভেলপমেন্ট সিনার্জী ইনস্টিটিউট  
Development Synergy Institute

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JUST VISION AND THE LOGIC OF ACTION FOR  
BANGLADESH'S GARMENT SECTOR WAGE FIXATION**

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## 1. Introduction

The government of Bangladesh has recently formed the minimum wage board for garment sector, and the negotiation is continuing towards a new wage structure for the sector's workers. The reformation of the board is indeed a sign of good intention from the part of the government, and a reflection of the commitment in line with the election pledges towards welfare of workers in general and garment workers in particular. In this article, I argue that good intentions are not adequate for translating promises into an equitable outcome for the workers, unless fundamental rethought on the vision and logic of action of Bangladesh's industrial and labour relations is made, and considered as guiding principles for the fixation of wage structure for the sector.

The need for setting the just vision (where do we go from current state of affairs?) and the logic of action (how do we go there?) on fundamental premise on workers' protection has become more important for a number of reasons. First, the labour policy of the country remains outdated to the changes in the labour market dynamics and current industrial and labour relations, and hardly provide yardsticks for where do we go from current state of affairs and how do we go there. The current industrial and labour relations are geared towards competitiveness and/or industrial peace not towards promoting workers' protection. Truly, the government has during the last months been working for re-devising the labour policy. While the committee for labour policy carries forward the search for an equitable solution to the competing interests of the employers and workers, the current minimum wage board for the garment sector continues to negotiate on the numbers (as in salary and benefits) to be agreed upon in for the sectors' seven grade wage structure. Undoubtedly, the wage setting is a techno-mathematical fix, but more so, it is a tripartite negotiation within the frame of just industrial and labor relations that determines what share of value added goes to workers in the form of wages and what share goes to employers in the form of profits. Second, there is perceived misunderstanding of the value, rationale and implementation modalities of wage fixation—often unclear, what purposes the minimum wage serve and for whom, and accordingly leads to faulty implementation modalities. Third, there is misperception of a fixed trade-off between efficiency (e.g. productivity) and equity (e.g. social protection).

The required shift of focus is particularly paramount for the garment sector—where rights violation of workers within and outside factories is continuing unabated (Hossain, Ahmed and Akter 2010). The inhuman repression of workers often has lead to round of protests and blockades in and around different factories in recent years. The garment sector employers have for years thrived on the exploitation of its workers—not only have the minimum wage for the sector remained unchanged for over twelve years till 2006, but also the minimum wage (BDT1662.50) agreed upon in October 2006 had been kept unimplemented in many of the factories by the end of the following year (Hossain and Islam 2008). Furthermore, the minimum wage of 2006 not only fell below the workers' and their representatives' expected minimum requirements, but also was a step backward if yearly rate of inflation is added to its previous low level of BDT 930. Garment workers during the run up to current negotiation since 2006 also had to go through unusual price hike of food grains and essential commodities—affecting them along with other working poor disproportionately since a very high percentage of their income is spent on food items and basic necessities for their survival (Hossain and Asaduzzan 2006). Whilst workers engaged in formal public sector are entitled to various non wage benefits, such as accommodation facilities, transportation allowances, and subsidized meals, the garment sector workers are, by and large, deprived of such

benefits, and have to live on scanty wage and overtime payment made by the employers which often are paid on an irregular basis and sometimes even do not correspond to hours of work. In contrast, the manufacturers—who claim a wide array of benefits and priority from governments—have shown an unacceptable unwillingness to pass on a share of these benefits and to recognize and implement workers' rights.

In the above context, it is utmost important for the minimum wage board members while fixing the seven grade wage structure for the sector to make a fundamental overhauling of the dominant vision and logic of action of Bangladesh's industrial and labour relations and come up with the guiding principles for wage fixation (deciding where to go and how do we go there) based on justice and equity not merely relying on the good intentions of the inbuilt promises. In this article, I propose to (a) demystify the widely held perceptions on wage fixation, and the balance between the efficiency and equity in order to justify the required shift of objective and logic of action of the current industrial and labor relations towards workers' protection; and (b) provide guidelines from the yardsticks of the just industrial and labour relations for fixing the minimum wage for the garment sector.

## **2. Bangladesh's Industrial and Labour Relations: Towards a Just vision and the Logic of Action**

Over the years following the last labour policy of the country in 1980, Bangladesh has witnessed rapid changes in its labour market as well as in the perspectives of workers' protection, as successive governments have enacted competing policies/ programmes, often exacerbating the age old conflict between capital and labour. With the benefit of hindsight, it is possible to detect patterns of those policies that cut across successive political regimes and point to the dominant objective of government policy with respect to workers. The dominant theme of successive governments' policy towards labour in Bangladesh hinges in between two logics of industrial and labour relations, namely the *orderly industrial relations* and regulating the *employment relation for competitiveness*, not the other form of logic—*workers' protection*<sup>1</sup>.

The first logic of industrial and labour relations is based on efforts to establish industrial peace, in order to avoid industrial action and other sources of disruption to production. This theme underlay not only measures designed to promote peaceful collective bargaining procedures but also shaped individual rights in a way (e.g., compensation for unfair dismissal) in part to weaken incentives for collective action. The rushed bipartite negotiations between employers and workers representatives in every instance of worker's agitation, and subsequently coming up with some form of memorandum of understanding between the two parties which hardly get to implemented<sup>2</sup> is evidenced to the fact that the employers by somehow want to keep the production process in order. The prominence of the need to install industrial police, and monitoring civil order when come more in policy discussion than the issue of implementation of tripartite agreement of May 2006 or establishing workers' representation rights at the factory levels, it becomes clear that the policy discussion is more focused on establishing peace—by tackling the phenomena of civil disobedience

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<sup>1</sup> The three analogies of the logic of action are drawn from the analysis of a number of Asian countries by Sorosh Kuruvilla. See for instance, Kuruvilla and Verma (2006).

<sup>2</sup> The series of agitation and demonstration in same factories even after the agreement is proof to that. The agreements often have elements that are priory known that it would not be implemented fully.

and disturbance not by getting deep into what bring workers in the street protests/blockades in the first instance. The recent layoffs of number of garment factories in and around the major industrial belt following the agitation programmes by the workers are showcases of the vision and logic of action of our industrial and labour relations that prioritise measures to stop industrial action and sources of disruption to production more than fulfilling the minimum needs of the workers for their living. It is fact that a high majority of bipartite negotiations amongst workers representatives and employers, along with the tripartite agreement in 2006 are the outcome of workers' agitation within and/or outside the factory premises—in essence the civil disobedience route for channeling the grievances and legitimate demands have led the way for coming to terms of negotiations of workers' demands and aspirations. Indeed, the absence of other direct institutional channels e.g. , trade union activism at the plant level and continued policy advocacy led to the capture of the vision and logic of action of Bangladesh's industrial and labour relations to the direction of logic of industrial peace.

Nonetheless, Bangladesh's industrial and labor relations have witnessed a co-existence of the other logic namely the logic of competitiveness along with the much articulated logic of industrial peace. The harmonious industrial relations gradually became eclipsed by the much voiced concern by the businesses: the need to tackle the macro-economic problem of inefficiency and the desired need to accumulate capital by continuing to be competitive in the global market and retaining a larger share out of production processes. The principal reason why competitiveness looms so large on subsequent government's agenda since the early 1980s is plainly the change in the economic system propagated through economic liberalization<sup>3</sup>. The wealth of nations depends increasingly on attracting inward investment and then exporting products and services to markets throughout the world. These economic forces compelled successive governments to take measures for establishing attractive conditions for investment, for example the structural and financial incentives to businesses in the Export Processing Zones, and also the differential labour law regime waiving the rights to association and collective bargaining.

Through the logic of competitiveness, the harmonious labour-management relations and labour laws that do not obstruct efficient use of capital investment became paramount over the interests of workers. While the spectacular growth of the export-oriented garment industry over the years and even continued during the current recession years has prompted important structural transformations of the economy—not only a completely changed export structure to be overwhelmingly dominated by manufactured goods from the previous dependence on primary commodities, but also a rising significance of international trade *vis a vis* dwindling importance of foreign aid. The transformation also took shape in employment dynamics—the feminization of the workforce in wage employment of the export industry, and informalisation and flexibilisation of the work and work standards.

The growth of the sector too has established a dynamic entrepreneur class while giving invaluable exposures to dealing with foreign buyers in global market, the skills to

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<sup>3</sup> The process was initiated in the early 1980s with certain measures to open up the economy, and gained accelerated momentum in late 1980s with implementation of reforms under Structural Adjustment Programme (SAP). In the first instance, the New Industrial Policy (NIP) was introduced in 1982 to encourage greater participation of the private sector in the industrialization of the country. During the 1990s, the pace of reforms has been intensified as the government undertook policy reforms through the Revised Industrial Policy (RIP) towards trade liberalisation coinciding with the SAP and was implemented through the Structural Adjustment Facility (SAF) and the Enhanced Structural Adjustment Facility (ESAF) of the IMF and the World Bank.

attain benefits of the global economic restructuring has also pit them against the workers. The employers have over the years used such arguments that “poor job is better than no job”. The competitive logic justify below poverty-level wages and substandard employment as representing an improvement over the next-best options in labour-surplus economies like Bangladesh. The much feared Multi-Fibre Arrangement (MFA) phase-out implications on Bangladesh has been used extensively by the garment manufacturers and exporters peak organisations (BGMEA and BKMEA) to timid the demand of pay rise till 2005. The China question in terms of competitive advantage has been there too till 2008. Then came, the recession, and the widely held apprehension of the loss of comparative advantage had been in effect translated to workers that their jobs are at stake should they demand more on their wages and benefits.

On the other hand, garment sector employers had over the years been recipient to generous incentive packages provided by the Government. These incentives include exemption of VAT on utility bills<sup>4</sup>, reduction of insurance premium (from 10 percent to 30 percent), loan rescheduling facility, and 5 percent cash incentives. The employers did not shy away from asking the lion share of the stimulus package provided by the government for the manufacturing sector in the face of recession, but indeed, have ignored the plea of workers—increasing the workers’ wage and benefits for a decent living for years. The employers have not yet complied with many of the labour standards provisions of the existing labour laws in Bangladesh including the full and effective trade unionism and also sharing of 5 percent profit with the workers as set in the Bangladesh Labour Law 2006.

The logic of competitiveness while provided impetus to attain the benefits of the global economy, the transformation of the economy in terms of bargaining capacity of state and non-state actors *vis a vis* capital (business), and also state capacity to regulate the labour market (as evidenced in poor-enforcement of labour law and differential labour law regime as in the EPZs) has produced disproportionate impacts on the workers. Within this competitive age, workers are said to be doing rationale if they adhere and satisfy themselves of the outcome of market principle—demand and supply determine the wage and benefits.

As ever, the means for achieving the objective of workers’ welfare through the logic of competitiveness remains highly controversial. The stands on logic of competitiveness holds that competitiveness is best achieved through deregulation of the labour market, leaving businesses free to discover the most efficient solutions (including wage) to production problems. However, the contrary experience is widespread and has coming to surface more strongly that the achievement of competitiveness requires extensive government intervention both to provide public goods, such as an educated and skilled workforce, and to steer businesses towards the most efficient relations of production. However, in this process of balancing between the desired market and state interventions, the logic of industrial and labour relations must take stands so that workers’ concerns and issues are not sidelined for the sake of achieving competitiveness. The focus on the workers’ protection amply enables the logic of industrial and relations to be harmonious and competitive at the same time.

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<sup>4</sup> The exemption are 80 percent of payable VAT on gas bill usage charges , 60 percent of payable VAT on water and electricity charges and 100 percent of payable VAT on the charges of port usage, freight forward, clearing and forwarding agent, insurance companies and shipping agents.

## 2.1 Efficiency and Equity Trade-off: Striking the Right Balance

A near consensus exists that the labour markets need to be regulated to restrain basic rights abuses<sup>5</sup>. However, the scope and impact of labour standards like minimum wage fixation as the minimal rules for workplace conditions and outcomes imposed by legal mandate and/or institutional mechanisms continues to be long on ideology and rhetoric. Positions are taken in the debate on how best to enforce labour standards and improve workers welfare. But the arguments from two opposite camps do not seemingly engage each other despite having common goals of improving workers' welfare<sup>6</sup>.

For free market/ trade advocates, the best protection for workers lies in a highly competitive, unregulated labour market that entirely is unrestrained by artificially imposed minimum standards<sup>7</sup>. Employers who offer low wages, abysmal working conditions, inadequate leave or other benefits will be unable to retain their workers and will, as a result, lose the skills, experience, and other benefits of a stable workforce, unless they offer improved conditions (Alston 1994). The labour standards proponents' in contrast claim that optimal social protection requires political negotiation and standard-setting and cannot be left entirely to market forces. The two opposing camps and their variants reflect the ideological divide and sparked contrasting claims. The debate whether labour standards - *market intervening facilitating forces* or *hindering tools for market functioning* for the workers wellbeing is however far from over. Nonetheless, it is imperative that the minimum wage as a form of labour standards need not to be viewed always as either *facilitating or hindering tools* for the workers wellbeing since it always does not produce a trade-offs between efficiency and equity. Rather market forces can also be put at work for the workers social protection. The balancing of the equity-efficiency tradeoffs is possible within the outcomes of market forces. Workers' welfare enhancing provisions may simultaneously improve performance of a firm and also workers' socio-economic security.

The argument that implies that optimal wage setting is best achieved by market forces alone, and accordingly workers social protection should be left with the functioning of the market forces, is nonetheless dubious. Not always, the companies respond to incentives to increase productivity; higher output does not always lead to improved living standards for all. The phenomenon growth of the ready-made garments trade is testament to that. Neither the link that with the productivity rise, demand for labour will increase, wage and working conditions will naturally rise and workers will be better off is automatic. The poor working conditions and living standards of Bangladesh's garment workers are well documented (see Majumdur and Begam 2006, Parvez 2007, Hossain and Islam 2008, Hossain, Ahmed and Akter 2010). The competition did not force low wages and poor working conditions upwards in a positive

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<sup>5</sup> The current debate is not whether to observe labour rights, but instead on how this observance could be put in place, strengthened, enforced and monitored effectively for the protection and promotion of workers welfare.

<sup>6</sup> Efforts to implement standards in national laws have sometimes been seen as "anti-business," "investment disincentive," "a regulation that has no place in the free market," and "as a hindrance to competitiveness." Initiatives to include this concept in trade discussions have earned it labels like "a non-tariff measure," "a job killer," and "a western protectionist measure." Some simply call it "market rigidity".

<sup>7</sup> To them, regulatory diversity is one dimension of comparative advantage; developing countries with structural weaknesses find comparative advantage in competing on low cost labour. They argue that low-wage competition benefits workers in developing countries and is, in many instances, an important element in the economic growth that is needed to improve living standards and ultimately social protection in those countries.

trajectory. True, at the same time, the current low standards are not always looked as an optimum for employers' mainly due to the fact that these have linkages to work intensity, commitment and productivity. Indeed, the *poor standards are neither desirable for workers nor for the business.*

It is well accepted now that fairer labour conditions and contacts enhance worker commitment and productivity to improve both firms' ability to compete in the globalised market place and worker's welfare. There are thus good reasons to believe that balancing flexibility of employment and workers' social protection may deliver better economic performance and employment growth than maximum flexibility in production and employment chains. Finding the right balance in the efficiency-equity trade-off is more important for minimum wage fixation. For various channels of influence in the labour market due to Bangladesh's integration and subsequent interaction in the globalised marketplace, Bangladesh face higher unemployment risks, and also lacks many of the institutional arrangements to mitigate such risks. Many of the characteristics of welfare state provisions providing support and protection to the working poor are either non-existent or poor. The wage remains to be the key area for workers life and livelihood, along with the key arena of conflicts as evidenced in series of protests and demonstration and civil disobedience in and around garment factories over the recent years.

## **2.2 Just Wage Fixation: The Basis for Workers' Social Protection**

The concept of wage setting, i.e., the compulsory wage structure imposed on employers by the state, has been evolved in the global economic system to protect the poor workers from exploitation and deprivation. Wage determination for ensuring workers' decent living leads towards promoting the development of a truly just society, in which full-time workers and their families need not to rely on public assistance to support themselves (Harvey 2003). A reasonable decent wage is supposed to ensure most of the social protection objectives of the working people in an implementing society. As human being and also as members of the society, the workers possess inherent rights which are human rights, and labour rights. The right to work is clearly spelled in international human rights instruments, such as the Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights, and the International Covenant on Civil and Political Rights. The right to work guarantees the right to earn a living wage in a safe work environment and to organise and bargain collectively. The United Nations International Covenant on Economic, Social and Cultural Rights of 1966 recognises the fundamental right of everyone to be free from hunger. It also recognises the right of everyone to maintain an adequate standard of living for himself and his family, including adequate food, clothing and housing, and to the continuous improvement of living conditions. The Article Seven of the Covenant recognises the right of everyone to the enjoyment of just and favourable conditions of work, fair wages as well as remuneration for the working force as minimum as to provide a decent living for themselves and their families. Bangladesh Constitution also provides the guidelines for ensuring all workers a decent living.

While national and international norms and obligations call for wage fixation as the basis for workers' protection, the just wage for workers can be advanced from the following three perspectives. First, there remain uninsurable risks and market failures for workers– the market quite often fails to safeguard against all forms of risks, often due to asymmetrical or incomplete information. It is widely recognized now that perfectly competitive markets are hardly found, and unless the state makes the case for workers'

protection, the market failure would continue translating risk and vulnerability of the markets into workers insecurity. Second, there are both moral and practical grounds on which workers' protection is justified. The moral case asserts that the satisfaction of basic needs of workers along with others is a good thing in, and of, itself. The practical claims rest on the argument that satisfaction of basic needs is good not only intrinsically, but also instrumentally since expenditure on basic needs of workers (e.g. education and training, health and hygiene, housing and sanitation) is considered as investment, not as mere consumption. Third, there are arguments on the basis of rights—workers' as human being have legally enforceable social, economic, political and civic claims along with the right to a dignified life.

Whichever arguments are put forward, the common thread of all the three arguments is that workers have to have a standard of living acceptable to them as both a worker and a human being, and to the society at large. The rationale for a decent wage thus much accepted worldwide as a valuable tool to fight poverty and ensure social protection of workers. A good number of countries in world have the experience of implementing the minimum wage ordinances considering decent wage provisions, however, the mode of implementation, nature of practices and forms are not much clearly defined. Also, many misconceptions still remain on decent wage and its impact on labour market dynamics. Such misconceptions widely range from negative and divisive effects on the labour market to the entire economy.

In general, most arguments against fixation of decent wage as a form of labour standards claim that standards on wage create market distortions that reduce economic well-being due to an inefficient allocation of resources. They trigger unintended consequences that end up hurting the very people the policies aim to help. On the other hand, many are inclined to believe that the imposition of decent wage and other labour standards can indeed improve the lives of workers. Indeed, the minimum wage need not promote inefficiency (and therefore higher prices), particularly when the values in question have the status of universal rights. A few fold increases in minimum wage of workers only in effect lead to a slight increase of the production cost since a relatively very low percentage of the retail price of goods are attributable to factory labour. Simply, saying that a three-fold increase of wage does automatically lead to a three-fold increase in production cost is wrong. In addition, there are other ways to cover the slightest increase, if any, of the production cost. One is the increased productivity, and the other is reducing the margin of profits. The sector's profit ranges are documented to be between 7 to 8 percent (Mustafiz, Bhattacharya and Moazzem 2008, Razzaq 2005). These figures are however widely considered to be underestimation in view of the growth of the sector. The anecdotal evidences on the growth of individual factory owners businesses along with their lifestyles in Bangladesh amply provide proof of a very high percentage of value added share goes to the owners of the capital. Also the employers over the years had in effect capitalised the Bangladeshi Taka devaluation in exchange of other international currencies (FY 1987-88 the US dollar exchange rate was 31,24, and the current exchange rate is 68.72 (FY 2008-09).

The minimum wages laws are standard features of developed economies—as an essential to advancing important social values. Also, a decent wage provision may well increase the productivity of workers through higher motivation, decreased absenteeism and through improved worker-management relations. The state determined wage increase has little negative employment effects on the labour market dynamics, rather has a positive impact on workers' turn-over and commitment with the factory which ultimately contributes to increase productivity and profitability of farms. Wage increases also contribute positively on the economy by increasing money circulation among the poor workers and thereby help poverty reduction and social advancement indirectly.

### **3. Minimum of the Minimum Wage from the Just Perspective**

A fundamental rethought on what percentage share of the value addition in the garment sector should have gone to the workers over all these years, and whether the vision of the industrial and labour relations allow workers to continue to work as working poor<sup>8</sup>, and thus, coming up with a minimum amount based on just yardsticks of minimum wage that allows workers to live minimum decent living is required. Without setting and agreeing to a common set of indicators for ensuring workers' economic protection, it would be hardly possible for the workers and their representatives to articulate their legitimate demands through institutionalized routes for channelling their grievances and aspirations, and at the same win equitable outcome from the current bargains. Below, what I intend to do is finding out what would be the minimum amount of the minimum wage structure from the perspective of justice and equity and long term vision of development for Bangladesh. A key to such vision is the promotion of workers above the poverty line, or making sure that no worker further falls bellow the poverty threshold.

#### **3.1 Setting the Minimum of Minimum**

The determination of minimum wage can follow different principles to set indicators. The Minimum Wages Convention (NO. 131) of the ILO suggests that the elements to be taken into consideration in determining the level of minimum wages shall, so far as possible and appropriate in relation to national practice and conditions, include--(a) the needs of workers and their families, taking into account the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups; and (b) economic factors, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment. Although Bangladesh has not till date ratified the ILO Con 131, but even then the spirit of the ILO convention can be taken into consideration. This too is in line with the promises of the current government to align all labour aspects with that of the ILO. The convention spirit is that of providing protection for wage earners against unduly low wages. Also, being a signatory to the Millennium Declaration, Bangladesh is obliged to meet the set target of the Millennium Development Goals to be attained by 2015. The centrality to poverty reduction, and productive employment and decent work for all is now widely recognized and accepted, as evidenced by the inclusion of a new target to "achieve full and productive employment and decent work for all, including women and young people" in the MDG<sup>9</sup>. The MDG targets would not be met if the workers are continued to be provided with wage and other benefits that fall bellow the poverty level.

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<sup>8</sup> The working poor are defined as employed persons living in a household whose members are estimated to be below the nationally defined poverty line (ILO 2009). The working poor are those who are unable to lift themselves and their families above the poverty threshold, though conventionally they are counted as participants in the labor force.

<sup>9</sup> World leaders at the 1995 World Summit for Social Development acknowledged the link between the creation of productive employment and poverty reduction and committed to taking national and international actions to promote full and productive employment. The 2005 World Summit revived this commitment with a renewed sense of urgency. In 2008, recognizing that decent and productive work for all is central to addressing poverty and hunger, MDG included target 2, "Achieve full and productive employment and decent work for all, including women and young people", under Millennium Development Goal 1 of halving poverty by 2015.

Thus, I would argue that the prime yardstick of the wage fixation should be to determine the wage of workers in a way so that they graduate the poverty level. The wage setting has to end poverty by countering the declining earnings of low-wage, low-skilled workers and low-income families and by offsetting living costs (food, housing, health, education) that have become increasingly out of reach for low income families in Bangladesh. In other words, the wage has to be a salary that a worker can live on or a level of pay that is sufficient to *allow workers to support their families and maintain a safe, healthy standard of living in their communities*. A decent wage allows a family (Census of 1991 finds that average family size in Bangladesh is 4.8) to meet its basic needs, and provides it with some ability to deal with emergencies, without resorting to welfare or other public assistance. This provides minimally satisfactory living conditions, the wage sufficient for a worker and family to subsist comfortably. The following a calculation of the amount required for a family to graduate out of poverty as the yardstick of minimum wage fixation.

Although the poverty definition varies, two common measures of poverty widely used in academic and policy circle are the absolute or relative poverty. Absolute poverty refers to a set standard which is consistent over time and between countries and the relative poverty is an index of income inequality. The World Bank defines extreme poverty as living on less than US \$1.25 in purchasing power parity (PPP) terms per day, and *moderate poverty* as less than \$2 a day. Since I intend to find out the minimum of the minimum amount required for workers to graduate from poverty line, I focus on the lower estimate and would find out the minimum amount required for an average family in Bangladesh consisting 4.8 members.

World Bank Poverty line US\$ 1.25 per capita per day is estimated on the basis of 2005 PPP value. If the USD 1.25 (PPP) is calculated for the poverty line in Bangladesh—an inflation adjusted estimate for a recent month, we use the data on 2005PPP for Bangladesh, CPI index for 2005 and CPI for most recent month (March 2010). The Formulae for calculating current PPP (Inflation Adjusted) for US\$1 would be as follows:

$$\text{Current PPP} = 2005\text{PPP} * [\text{CPI}_{\text{current}}/\text{CPI}_{2005}]$$

We have (1) 2005PPP= 22.6<sup>10</sup> ; (2) Bangladesh CPI<sub>current</sub> (as of March 2010)= 217.08<sup>11</sup>; and (3) Bangladesh CPI<sub>2005</sub> = 164.21<sup>12</sup>

$$\begin{aligned} \text{Now Current PPP for \$1 would be } \text{currentPPP} &= 2005\text{PPP} * [\text{CPI}_{\text{current}}/\text{CPI}_{2005}] \\ &= 22.6 * (217.08 / 164.21) = 29.876 \end{aligned}$$

$$1.25 \text{ dollar PPP would be } = 29.876 * 1.25 = 37.35$$

Thus, if the USD 1.25 (PPP) is calculated for the poverty line in Bangladesh, that translates in to BDT 37.35. Minimum BDT requirement for one person per month would be (BDT 37.35 x 30 days) BDT 1120.50. Minimum BDT requirement for an average family per month would be (BDT 37.64 x 30 days x 4.8 family members) 5378.40. Thus, if the prime yardstick of the wage fixation is determined to be the poverty line at current price and promoting workers above the poverty line or in the other word set in a way so that no workers fall bellow the poverty threshold that amount is **BDT 5378**.

<sup>10</sup> 2005 International Comparison Program Preliminary Results December 2007, page 22 available at <http://siteresources.worldbank.org/ICPINT/Resources/ICPreportprelim.pdf>

<sup>11</sup> Bangladesh Bank 2010 Major Economic Indicators: Monthly Update available at <http://www.bangladesh-bank.org/openpdf.php?urlpdf=selectedecoind/magecoind.pdf>

<sup>12</sup>GOB, Ministry of Finance 2009, Bangladesh Economic Review 2009 available at <http://www.mof.gov.bd/en/budget/er/2009/c3.pdf>

### 3.2 Why the Proposed Minimum of the Minimum Wage is Really a Minimum

I would argue in this section that the proposed minimum of the minimum wage from the perspective of just industrial and labour relations (BDT 5378) is really a minimum amount for a decent living of an average family. This is really evidenced if a number of other indicators are set in comparison to the yardstick of absolute poverty. The other indicators are (a) yardstick of relative poverty; (b) poverty indicator based on calorie intake; (c) comparative minimum wage; (d) current cost of living for workers; and (e) household expenditure index

#### *Measures of Relative Poverty*

The relative poverty measure according to the World Bank is USD 2 (PPP) per day. If the formula to calculate an inflation adjusted estimate for a recent month is applied, the USD 2 per day translates into BDT 59.75 per day, and then the need of a person to graduate poverty line would be (BDT 59.75 x 30 days) BDT 1792.56. Then the minimum wage for a worker to allow him along with his family has to be (BDT 59.75 x 30 days x 4.8 family members) BDT 8604.29.

This higher poverty level is obviously desirable since an income at this level not only enable workers to make a better living than that of the absolute poverty line level but also make workers capable of withstanding the economic insecurities arising from the globalization forces but also for other sources of insecurities many of which are structural in nature e.g. age, gender, education level, overall income/asset distribution. Both types of insecurities are also vulnerable to periodic/ transient shocks which could be economic like price hike and/ or natural like flood or drought. The shocks periodically or transiently may erode economic securities achieved through work. The extent of the vulnerability of workers to such shocks will depend on the level of economic security achieved over the years. Invariably, ability to withstand shocks is different for different workers, but in general setting a higher minimum wage threshold make the workers more able than they are and possibly be with minimum threshold as proposed.

#### *Minimum Requirement of Calorie Intake*

One of the major indicators of measuring poverty is calorie intake. Every adult person should intake food equivalent to 2122 kilo calorie everyday. The cost of minimum food for every adult person to get 2122 Kcal is around BDT. 48.90 at present market price which was BDT 49.02 on October 1, 2009, BDT 47.91 a year back, and BDT 37.00 in June 2006. According to this estimation every adult person requires at current estimation BDT 1467 every month for food (minimum calorie intake) only. A family with 4.8 members will require **BDT 7041.60** per month for food (see Table 1 below).

In order to calculate the living cost of a worker and an average family, the estimate needs to be included the cost of other basic necessities of a person and family members. Hossain and Asaduzzaman (2006) study shows that the garment workers average expenditure on food items is 44.7 percent, and other expenses that include housing, education, health, recreation and others are the rest 55.3 percent. Employing this share of expenditure, it is evident that a single worker requires BDT 1815 for other expenses totalling BDT 3282. The similar exercise for a family—which is a norm for wage fixation—of 4.8 members requires at least BDT 8711 for other expenses and totalling to BDT 15753. In view of the attaining 2122 Kcal food intake per day, the total cost of every family thus would stand much higher than the current proposed minimum wage.

**Table 1: Cost of Daily Minimum Required Calorie Intake for an Adult Person**

Name of Food Item	K. Calorie	Amount (gm)	Estimated Price			
			June, 12 2006	August 3, 2008	October 1, 2009	May 25, 2010
Rice	1396	397	7.74	13.49	9.53	11.12
Flour	139	40	0.74	1.56	0.88	.88
Dal	153	40	2.04	3.00	4.56	3.12
Milk	39	58	1.62	2.61	2.61	2.61
Oil (Mastered)	180		2.00	2.32	2.32	2.40
Beef	14	20	1.78	2.28	2.64	3.00
Fish	51	12	7.68	6.72	8.16	8.64
Potato	26	48	0.42	0.43	0.86	0.33
Vegetables	36	27	4.00	4.80	6.00	6.00
Sugar/gur	82	150	0.98	0.70	1.16	0.80
Fruits	6	20	1.50	2.00	2.30	2.00
Cost of preparation	-	-	6.50	8.00	8.00	8.00
Total	2122		37.00	47.91	49.02	48.9

Source: Updated from study conducted by Hossain and Asaduzzaman (2006) for Bangladesh Institute of Labour Studies (BILS). The initial list of food items, required amount according to Kcal was prepared by Prof. Khaleda Nazneen, University of Dhaka.

Note: Cost of items is based on retail price published by TCB for Dhaka City.

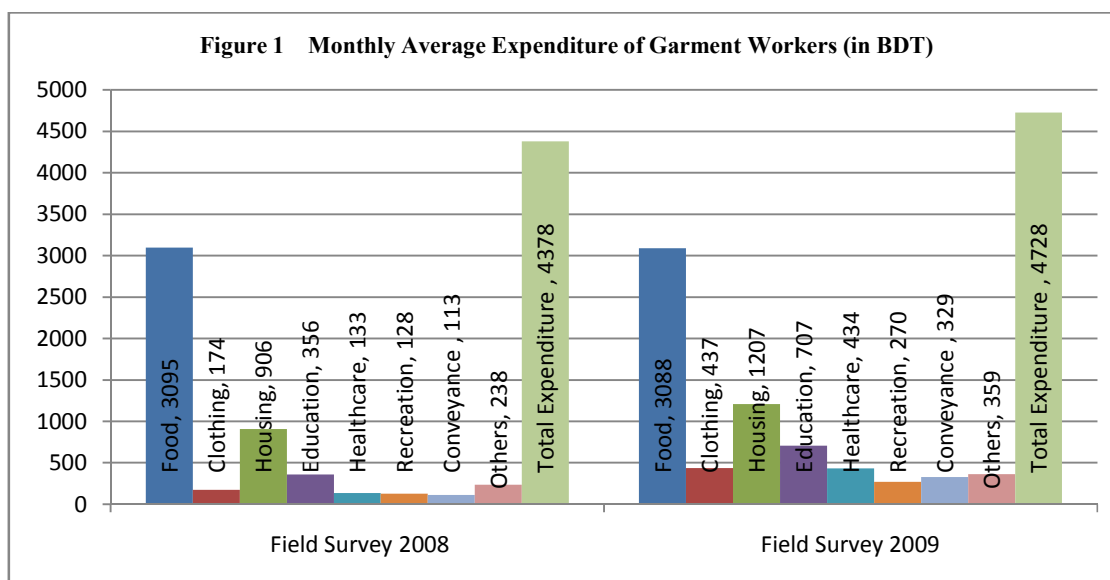
### Comparative Wages

In recent years, in the face of unusual price hike in the country, the Government initiated a special social security programmes for the rural workers of the country. According to the programme, the rural workers had been provided with employment as day labourer where BDT 150 had been paid for a day. Considering the standard of daily wage BDT 150 the monthly wage stands BDT 4500 for each labourer. The current wage structure in the garment sector is far below the labourers of government supported rural workers. Again, garment workers though fall within the same category of rural labour force had they not migrated to the towns in search of garment work. The workers are semi-skilled even though are at the lowest wage structure of the sector. In contrast, the provision for rural workers is for unskilled and unemployed, and provided as a safety net measures. As it is well known the rate of payment in any social welfare programmes are lower than the rate in regular employment sector. The regular employees of any manufacturing are entitled to wage and benefits that are much higher than that of the charitable ventures.

A better comparison can be made with public sector entry level manufacturing workers. Although the productivity of the garment workers are more than that of the public sector entry level workers, the minimum wage of the state-owned industries for the similar level of workers that of RMG reminds to an instance of sheer inequality for the same group of people for the same type of job in the country. In 2005, the minimum wage of the state-owned industries had been decided BDT 2450. Along with house rent, medical, conveyance and other allowances, the total money they receive every month is above BDT 5000.00. An additional 20% has been accrued with the basic salary as dearness allowance in 2008 that made their receivable amount BDT 6000.00. Furthermore, the recent pay-scale which would come into effect from July 2010 provides the basic minimum wage at BDT 4100. If as per rule accommodation benefit (50-60 percent), medical allowance (BDT 500), transport allowance and other allowances, the total gross salary would be at least around BDT 7000. In contrast, the garment workers' minimum wage had been left with BDT 930 for 12 years with no changes, and from October 2006 increased to scanty BDT 1662.50.

## Workers' Cost of Living

Cost of living of workers' family includes their cost of food, house rent, clothing, medicine, transportation, education, entertainment etc. If any social support is not provided by any authority, according to the principle of wage fixation, the total cost of living including food, housing, clothing, education, health, and recreation expenses should be provided as wage. It is hardly possible to discern what constitute a decent living since it is variable subject to context, geographical locations and even person to person. However, alternative is to look at current expenditure pattern of garment workers. My ongoing work on Bangladesh's garment workers' economic security shows that on average the cost of living of workers' family for meeting their basic needs is BDT 4378.02 per month in during July-October 2008 and BDT 4728 per month during the same months of 2009 (see Figure 1 below). The increase of workers' average monthly expenditure is consistent with the rise of food grains and other necessities over the years. The average total expenditure in 2009 at BDT 4728 amply shows that in 2010 a certain percentage increases of all these necessities have already happened considering the inflation rate of around 6 percent in the current fiscal, the workers' cost of living would be jumped to BDT 5012.<sup>13</sup>



Source: Hossain (forthcoming)<sup>14</sup>.

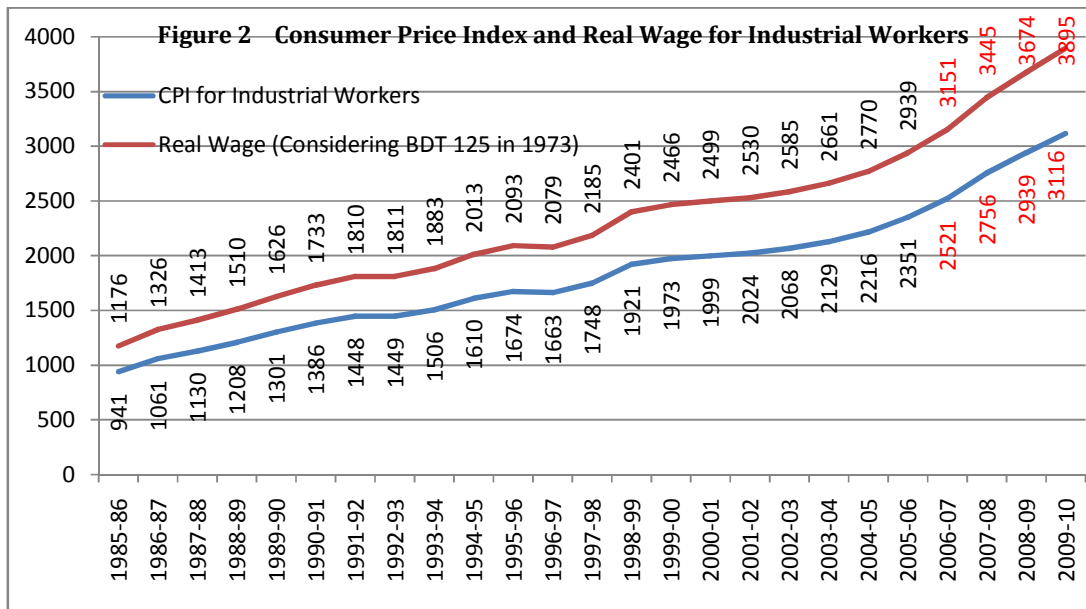
However, the monthly expenditure shown above is the current average expenditure of the workers and does not corroborate to decent living in any form. Despite that, current minimum wage structure is far below the amount required for families of workers for meeting the monthly expenditure let alone making a decent living.

<sup>13</sup> The assumption of around 6 percent inflation rate is a realistic once since the inflation rate in 2006-07 was 7.22 percent, 9.93 percent in 2007-08, and 6.66 in 2008-09 according to BBS, as provided by the Bangladesh Economic Review. However, point to note here that inflation for food items which capture a major share of workers' expenditure was much higher—8.12 percent, 12.28 percent, and 7.18 percent respectively in 2006-07, 2007-08, and 2008-09.

<sup>14</sup> Data collected from 388 garment workers in the first survey and 171 workers in the second survey from Dhaka, Chittagong, Narayanganj, and Gazipur as part of my ongoing PhD dissertation on "Economic Security for the Working Poor" at the University of Trento.

## Household Expenditure Index

Household expenditure index for manufacturing workers is an important instrument for deciding wage of workers. In the case of Bangladesh, considering the fiscal year 1973-74 as a base year (1973-74 = 100), it is found that the average CPI for industrial workers in Bangladesh in fiscal year 2005-06 was BDT 2351.00. If the fixed minimum wage of BDT 125 in 1973 is juxtaposed to CPI for industrial workers, the estimated real wage is BDT 3502.99 in fiscal year 2005-06. The consumer price index for the subsequent years till current date is however have not been published by the BBS. In order to project from the index, if the inflation rate of the last three years are added (7.22 in FY 2006-07, 9.93 in FY 2007-08, and 6.66 in FY 2008-09 from the BBS cited inflation rates, and on average another 6 percent over FY 2009-10) with the amount, the minimum wage would be BDT 3895 which depicts that the current minimum wage is far below the amount of the household expenditure index (see the Figure 2 below). It also justifies the proposed minimum of the minimum wage since garment workers are the most productive sections of the manufacturing workers.

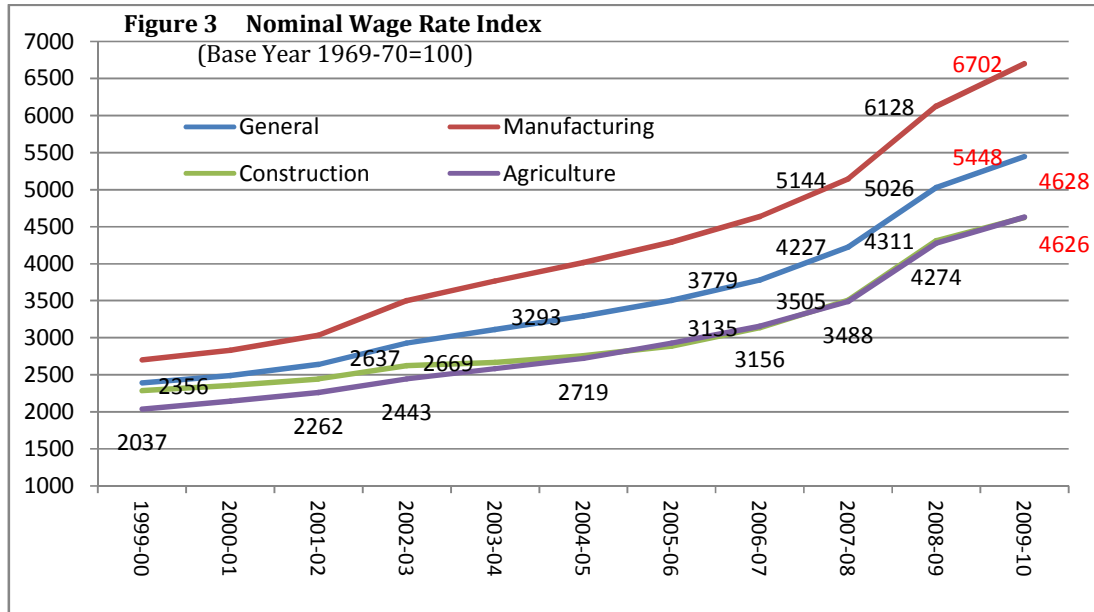


Source: Bangladesh economic Review 2009, and author's projection

The rate of increases in wages in Bangladesh is however a better index since the above wage for industrial workers are the real wage not the nominal wage. The nominal wage rate index provide a better picture in comparison with the proposed minimum of the minimum wage. Also, the amount being negotiated at the minimum wage board through the tripartite consultation is of the nominal wage, and the amount to be decalared as the minimum wage for the sector is not adjusted to the inflation thus nominal wage.

The Wage Rate Index constructed by the Bangladesh Bureau of Statistics takes 1969-70 as the base year, and shows that in FY 1999-00 the nominal wage rate index stood at 2390 which grew to 4227 in FY 2007-08. Compared to FY 2006-07, the nominal index was up by 11.85 percent in FY 2007-08. The real wage index was 149 in FY 2004-05. In FY 2005-06, the index remained unchanged. It is observed from the Nominal Wage Rate Index that in FY 2008-09 the growth of construction sector index was the highest (23.00%) which is almost double than that of previous year. Besides this, agriculture, and manufacturing sector index registered a growth of 22.53 percent, and 19.13 percent

respectively, and accordingly the general wage index stood at 5448, while agriculture and construction sectors indexes rose to 4674 and 4311 in FY 2008-09 (see Figure 3 below). For the sake of projecting the indexes to current year, an average growth rates (General 8.4 percent, Manufacturing 9.4 percent, construction 7.3 percent, and agriculture 8.3 percent) over the 10 year period from FY 1999-00 to FY 2008-09 for each of the indexes have been added, and that shows that the current nominal wage rate index for manufacturing is 6702.



Source: Bangladesh economic Review 2009, and author's projection

In sum, the proposed minimum (BDT 5378) is really a minimum amount for a decent living of an average family from the perspective of just industrial and labour relations. The number of indicators used above for yardstick of relative poverty, poverty indicator based on calorie intake, comparative minimum wage, current cost of living for workers; and consumer price index of industrial workers show rather a much higher amount of minimum wage for a person and his or her average family to make a decent living.

### 3.3 Why Below the Proposed Minimum would be Unjust for Garment Workers?

The proposed minimum while is justified on accounts of comparison with numerous indicators as shown above; amount below the proposed minimum would however be a poor way to help workers. I would argue below in comparison with subsistence living of the prisoners and hospitalised person why that is the case.

Prisoners' livelihood is an instance of subsistence livelihood. The prisoners are, naturally, provided with the minimum level food required for a person to survive. According to The Jail Code of 1920, livelihood requirements have been decided for the prisoners confined in different jails of Bangladesh. The food items are supplied in the jails by local suppliers where price varies from place to place. According to the TCB price index for Dhaka city, the minimum cost of food items prescribed for a prisoner is BDT 52.39 per day (see Table below). The market price for the allocated amount of food for

the prisoner is BDT1571.70—very close to the current minimum wage of BDT 1662.50. If the daily allotment of food amount is calculated for an average family in Bangladesh, it means the family would require BDT 7544.16 to have access to same level of food items that are allotted to be consumed by the every under trial prisoner.

#### Prisoners' Fooding Cost

Name of Food Item/commodity*	Time for Meal	Daily allotment for every under trial prisoner	
		Amount (gm)	Estimated Price on October 10, 2008 (BDT)**
Flour	Breakfast	87.48	3.32
Gur		14.58	.47
Rice	Lunch	247.86	8.18
Dal		145.80	13.71
Vegetables		233.28	5.83
Rice	Dinner	247.86	8.18
Mutton/Fish/Beef)		36.45/38.78	11.67/7.76
Oil	Whole Day	20.05	1.99
Salt		31.80	0.57
Onion		4.61	0.16
Dried Chilli		2.045	0.22
Other Spices			1.00
Fire Wood			1.00
<b>Total</b>			

Note: \* Menu and daily allotted amount collected from a food chat of a Jail of Bangladesh

\*\*Price Calculated from TCB provided price chart

The above exhibit implies that the current minimum wage structure of the sector is below the cost of food for the prisoners' in different jails of Bangladesh. Workers' in effect can not afford the similar level of food per month that the prisoners are provided for.

In a similar vein, it might also be argued that the current minimum wage is far below than a person who is hospitalised. Of course, a hospitalised person requires more nutritious food. Keeping that aside, if the daily allocation per hospitalised person for food in government managed hospitals are considered, it makes it clear that the garment workers are hardly in a position to avail similar food items of same nutritional value. In government hospitals, the allocated amount for food for a patient is BDT 75. The allocation imply that for 30 days the allocation for a person would be BDT 2250, and for a family of 4.8 members similar level of food intake would cost BDT10.800.

In sum, below the proposed amount of minimum wage would only allow workers to live in a situation where they would not even be able to access food intake for him/her along with family similar to that of the prisoner or a hospitalised person. Again, workers do have to place to live, need expenses for health, education, transportation and even recreation—most of those have long been defined as basic needs. For an average family to access all the above basic needs and others, if added in numbers it would go to a range of BDT 12000 to BDT 15000, thus the proposed minimum of BDT5378 is really the minimum.

## 4. Conclusion

In this article, I intended to demystify the widely held misperceptions on wage fixation, and the balance between the efficiency and equity in order to justify the required shift of objective and logic of action of the current industrial and labor relations towards workers' protection. I have shown that why it is utmost important for the minimum wage board members while fixing the seven grade wage structure for the sector to make a fundamental overhauling of the dominant vision and logic of action of Bangladesh's industrial and labour relations and come up with the guiding principles for wage fixation (deciding where to go and how do we go there) based on justice and equity not merely relying on the good intentions of the inbuilt promises. I have also provided guidelines from the yardsticks of the just industrial and labour relations for fixing the minimum wage for the garment sector. In the course of analysis, it has been shown that for an average family to graduate out of poverty or to ensure that no worker further falls below the poverty threshold, the amount required to be minimum of the minimum wage is BDT 5378.

The article juxtaposed the minimum of the minimum amount with number of other indicators related to graduation of upper poverty line, and cost of living, and came to the conclusion that the proposed minimum is the really minimum for a worker to live a minimum decent living along with his/her family. I also exhibited and made subsequent arguments that any amount below the proposed would be a poor way to serve the interest of workers. The comparison between the current living cost of garment workers with that of the prisoner or with that of the hospitalised person are just exhibits to show why the proposed minimum amount is really the minimum one can ask in order to promote working poor above the poverty line, and at the same time make sure that no workers singly or in groups along with their families do not fall below the poverty line—as promised. This is however in no way suggesting that workers' are better-off not working and may choose the life of a prisoner or a hospitalised person. Although, this has been the case for many of the workers ending up in prison or hospitalised in the wake of workers' unrest and sporadic civil disobedience in the sector, workers understand well that their survival and livelihoods are tightly knitted with the prospect of the industry itself. Again, hardly, workers' would choose the undignified life in prison since workers' too as human being have dignity, and work to them provide dignified life. This is the exact reason why workers too have human rights along with their workers' rights—to live, work and fulfil a dignified life. The continued absence of channels for expressing workers' grievance which often led workers' to showcase their demands through civil disobedience also point to the fact that effective workers' representation must be a priority in handling the workers' unrest. Neither the excessive focus on logic of industrial peace nor the overwhelming logic of competitiveness allow Bangladesh's industrial and labour relations to be based on justice and equity. A strong focus on the workers protection in the vision and logic of action of industrial and labour relations is long overdue.

As far the discussion have proceeded, the core point is that there is a need to make the vision and logic of action right—that is based on just and equitable outcome for the workers. The just vision would show how feasible is to increase the current minimum to the proposed minimum—way to balance between the efficiency (profit) and equity (workers' welfare). As I have shown that there is hardly any certain fixed trade-offs between firm's productivity (efficiency) and workers' welfare (equity), both can be enhanced along with workers' welfare lens in policy and praxis. A few fold increases as proposed in minimum wage of workers only in effect lead to a slight increase of the

production cost since a relatively very low percentage of the retail price of goods are attributable to factory labour. Simply, saying that a three-fold increase of wage does automatically lead to a three-fold increase in production cost is wrong. Both objectives of efficiency and equity can be met, but that requires the just vision and logic. The balance of our current industrial and labour relations does not hinge on the logic of industrial peace and the logic of competitiveness—both are achievable through the focus on workers' protection. This is more so, since neither deregulation of markets nor mandatory labour standards like minimum wage adequately achieve the goal of workers' protection fully. It requires instead different techniques of regulation of the employment relations, including a revision of the implied terms of contracts of employment, the creation/function of legal institutions of workplace governance, and the enhancement of the ability of employers to make credible commitments in return for functional flexibility on the part of employees, thus calling for setting the vision and logic of action of Bangladesh's industrial and labour relations while considering the minimum wage fixation for the sector.

Which path to be chosen to increase the minimum wage to a level that allows workers to live a minimum decent living is surely rely on the vision and the logic of action set by the members of the tripartite board. The choice to them is however between the two extreme options. The first, is to do nothing and articulate the minimum in terms of current dominant logic— harmonious labour-management relations and competitiveness. This means coming up with some arbitrary numbers (could even be with fractions of amount in order to give an idea of serious exercise and negotiations) for the minimum wage which might in BDT amount show a certain percentage of increase as was the case in the 2006 minimum wage in comparison with that of the 1994 minimum wage for the sector, but in effect that would be a missed opportunity to set the vision and logic of action in line with the promises made. Basing increase of wage on the basis of existing minimum wage (2006) is not only step-backward again but a failure to translate the political commitments. Second, a fundamental rethought on what percentage share of the value addition in the garment sector should have gone to the workers over all these years, and whether the vision of the industrial and labour relations allow workers to continue to work as working poor, and thus, coming up with a minimum amount based on just yardsticks of minimum wage that allows workers to live minimum decent living.

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