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LIVING WAGE FOR WORKERS' ECONOMIC SECURITY
Rationale for Rights and the Yardsticks of Needs



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Development Synergy Institute

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Rationale for Rights and the Yardsticks of Needs

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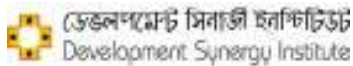
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I. INTRODUCTION

Rights violation of workers within and outside factories is continuing unabated. The inhuman repression of workers that is characteristic of a majority of the Bangladesh's workers often has led to round of protests and blockades in and around different factories in recent years. The private manufacturing sectors have for years thrived on the exploitation of its workers. The sector wise minimum wages while cover some 41 sectors now, however, not only have the minimum wages in most of the factories remained unchanged for many years, 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 recognise and implement workers' rights. The threshold of setting all these sectoral minimum wages have not also considered the value of setting minimum wages for workers' decent living. These minimum wages accordingly fall below the workers' and their representatives expected minimum requirements.

In recent years, Bangladesh has experienced unusual price hike of food grains and essential commodities. This has affected most of people of the country, however has engendered more the economic security of poor workers since the real wage has declined. The low income working group particularly the entry level workers of manufacturing are the worst victim to this price hike since a very high percentage of their income is spent on food items and basic necessities for their survival. Whilst workers engaged in formal public sector are entitled to various non wage benefits, such as accommodation and transportation facilities, subsidised meals, medical allowances, bonuses, pension, provident fund and insurance benefit, the private sector workers are, by and large, deprived of such benefits. To cope with current exacerbated vulnerability, ensuring economic security of Bangladesh's workforce is indeed a great need not only for their lives and livelihoods but also for the economy.

Living wage is a crucial tool in the effort 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. 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. Wages and work standards have been regulated in almost all countries around the world, however the level of these standards and the strength of implementation differ considerably.

The variance is mainly due to number of factors. First, it is about the perceived (mis)understanding of the value, rationale and implementation modalities of wage system. It is often unclear, what purposes the minimum wage serve and for whom, and accordingly leads to faulty implementation modalities. The power of mandatory wage setting is for example regularly undervalued from the mis-perception of functioning of ideal free market economy. Second, there is misperception of a fixed trade-offs between efficiency (e.g. profit) and equity (e.g. social protection) since the wage policy is a techno-mathematical fix 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. Third, the industrial and labour relations are quite often geared towards competitiveness or industrial peace not towards promoting workers' protection.

II. LIVING WAGE AND ECONOMIC SECURITY: RATIONALES AND RIGHTS

Conceptualising Living Wage as Rights of Workers

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). Wage policy worldwide however is a techno-mathematical fix 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. The worldwide living wage laws impose wage floors that are typically considered above traditional minimum wage and that are often explicitly pegged to the wage needed for a family to graduate the poverty line¹.

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. Since the prime target is to reduce poverty, the people remaining below the poverty line need to be assisted with income assistance. The MDG targets would not be met if the working poor are continued to be provided with wage and other benefits that fall below the poverty level. Furthermore, the economic security framework of the ILO corroborates with the concept of living wage as both the ideas are designed for ensuring income and welfare of workers and their families. Within the framework of social protection, the ILO has developed its new program namely socio-economic security. The objective of the program is "...to work towards developing a sound knowledge base and policy framework, contributing to the founding of a just society that provides work-based security to all" (Unni and Rani: 2003).

The philosophy of living wage is that people who work in the human community should be able to live decently and help their families grow decently. In the domain of living wage concept, wage and benefits are treated as an appropriate compensation for workers. Living wage is provided to the targeted employees to pay wage rates based on some definition of need rather than skills. This requires a wage and benefits package that considers the area-specific cost of living, as well as the basic expenses involved in supporting a family. In the philosophy of living wage, welfare of the employers' firms is also considered. It is assumed that a stable and productive workforce enables the organisation to better serve the clients. Satisfied clients are supposed to lead to more business and more jobs also leading to more profit of the organisation. In a living wage society, the employees have more money to spend which has a very positive economic impact in the community. Moreover, living wage reduces employees' turnover and absenteeism, thereby lowering recruitment and training costs. Living wage increases productivity of the workers and also increases morale and commitment to the company.

The objective of living wage is almost the same with the objectives of social protection. The broader concept of social protection envisages the objectives not only to prevent a fall in incomes of workers but also to improve incomes. It also encompasses the objectives of minimizing the risks; alleviating poverty; increasing productivity and skills; improving the standard of living and protecting the future generation of the targeted group of people (Canagarajah and Sethuraman 2001). According to the Social Security (Minimum Standards) Convention of the ILO adopted in 1952 (Convention No. 102) the core objective under the social protection coverage is the stoppage of substantial reduction of earnings (Unni and Rani 2003).

A reasonable living 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. According to the Article 25 of the Universal Declaration of Human Rights,

“Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control”.

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.

Living Wage and Labour Market Dynamics

While the living wage concept is much accepted worldwide as a valuable tool to fight poverty and ensure economic security of workers, the mode of implementation, nature of practices and forms of living wage however are not much clearly defined. A good number of countries in world have the experience of implementing the minimum wage ordinances considering living wage provisions. But, many misconceptions still remain on living 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.

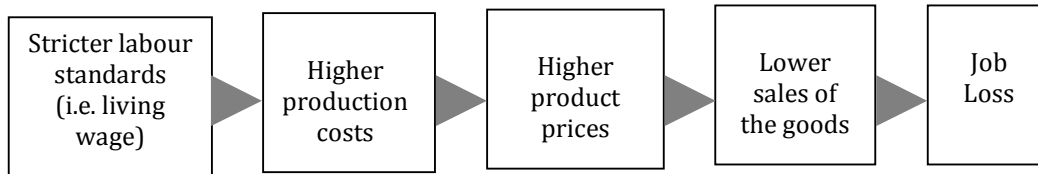
In general, most arguments against the living wage as a form of labour standards claim that standards on wage create market distortions that reduce economic well-being due to an inefficient allocation of resources. They trigger unintended consequences that end up hurting the very people the policies aim to help. The most common variant of this theme is the argument that standards compromise the competitive position of those developing countries with an abundance of low-skill, low-wage labour (Bhagwati 1995, Corden and Vousden 2001). This loss of competitive advantage means fewer jobs and scarcer economic opportunities for poor workers with few skills. On the flip side, such protections shield workers in more affluent economies from global competition. In effect, there is a redistribution of wage income from developing to developed economies. Because of this, organisations advocating for better labour standards i.e living wage have been accused of pushing an agenda of disguised protectionism (Bhagwati 2002: 47-90).

Others have emphasized the relative importance of job opportunities over job quality for poor families in developing countries (Krugman 1998, Kristof 2002). They argue that, in the stark reality of the global economy, poverty-level wages and substandard employment represent an improvement over the next-best options in labour-surplus economies. Others advance the position that, with complete markets, no externalities, and costless enforceable contracts, labour standards will create a dead-weight welfare loss (Brown, Deardorff, and Stern 1996). However, this efficiency argument depends on perfect markets being able to seamlessly map shifts in relative factor prices onto the output prices of tradable goods and services in order to achieve Pareto optimal outcomes. Accordingly, the lessons of the standard economic model are often summed up in such maxims as “bad jobs are better than no jobs at all”.

On the other hand, many are inclined to believe that the imposition of living wage and other labour standards can indeed improve the lives of workers. They reach this conclusion either by *rejecting the dominant paradigm entirely or, more often, by finding*

some room for progress in a more complex account of one of the links in the conventional wisdom in economics which predicts a certain chain of events following from the labour standards. First, stricter labour standards lead to an increase in production costs, then to increased prices for consumers, then to lower sales of the goods in question, and ultimately to fewer jobs producing these goods.

Labour Standards Chains: The Conventional wisdom



This concern is based on the microeconomic argument that emphasises the costs to employers for complying with legislation that protects workers (Nataraj *et al.* 1998; Rodgers and Berik 2006). In an environment where capital is mobile, employers who compete on the basis of labour costs may relocate production to countries with weaker worker protections, hence putting added pressure on employers that offer stronger labour rights. However, the stricter standards need not promote inefficiency (and therefore higher prices), particularly when the values in question have the status of universal rights. The inefficiency claim levelled against labour standards can be levelled against any interference with unfettered markets, including child labour laws, minimum wages laws, health and safety standards, and other regulations that are standard features of developed economies, features that developed countries have decided as essential to advancing important social values. Also, not all labour standards promote inefficiency. A non-discrimination standard should increase the efficiency of resource allocation, and basic health and safety standards and non-harassment standards may well increase the productivity of workers through higher motivation, decreased absenteeism and through improved worker-management relations. In addition, the first chain of the economic linkages does not always materialise; there are other ways to keep higher production costs from leading to higher prices. Critics of the power of multinational corporations/entrepreneurs often advocate that the higher costs (which they say needn't be that much because of the relatively low percentage of the retail price of goods attributable to factory labour) be covered from corporate profits.

The next link in the chain "higher prices lead to lower sales" is generally true. However, in case of consumer preferences for goods produced under strict standard, the link need not to progress in that fashion². If consumers prefer to purchase goods that are produced under humane conditions and are willing to pay a premium to purchase them, then production of goods under a strong code might lead to an increase in demand sufficient to offset the effect on demand of a higher price. In addition, the relationship is not liner in cases of inelastic demand of goods for which a strong brand loyalty exists.

The final link in the chain predicts that the stricter standards would lead to fewer jobs. Economic theory, at least in its simplest form, tells us that higher wages will mean fewer jobs, but evidence from the developed countries indicates that minimum wage increases are usually not accompanied by significant job losses. Indeed, sometimes there is no loss of jobs at all. Also, job losses can be avoided if the demand for labour grows more rapidly than the minimum wage. Critiques of the standard economic model from outside of neoclassical tradition doubt that apparel firms which operate in competitive markets give them little influence over market outcomes. Proponents of this view usually emphasise the power of multinational corporations and argue that power relationships rather than supply and demand establish the basic shape of the economy.

Efficiency-Equity Tradeoffs: Reasons for Striking Balance

A near consensus exists that the labour markets need to be regulated to restrain basic rights abuses. Indeed, 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 welfare³. The scope and impact of labour standards like living wage 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. 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 nontariff measure," "a job killer," and "a western protectionist measure." Some simply call it "market rigidity" and "a desirable incentive without empirical basis" (ADB 2006).

For free trade/market advocates, the best protection for workers lies in a highly competitive, unregulated labour market that entirely is unrestrained by artificially imposed minimum standards. 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. 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' claim is that, in a global economy, the rights of the workers in developed countries can be safeguarded only when labour rights in poor countries are also protected. As the countries become more economically integrated, to them, the fundamental challenge faced by both developed and LDCs is to harmonise the social standards at work. Labour standards' advocates believe 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 living wage as a form of labour standards need not to be viewed always as either *market intervening facilitating forces* or *hindering tools for market functioning* for the workers wellbeing since it always does not produce a tradeoffs between efficiency and equity. Rather market forces can also be put at work for the workers economic security. 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' economic security.

The argument that implies that optimal wage setting is best achieved by market forces alone, and accordingly workers economic security should be left with the functioning of the market forces, is dubious. Not always, the companies respond to incentives to increase productivity; higher output does not always lead to improved living standards for all. 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. In fact, the specificity of capital-labour nexus in recent years is seen as more of combination of market contract and a subordinate relationship. But, the very competition would not always force up low wages and poor working conditions. At the same time, the low standards are not always looked as an optimum for firms mainly due to the fact that these

have linkages to work intensity, commitment and productivity. The current widely held view is that the *poor standards are neither desirable for workers nor for the firms*. Fairer labour conditions and contacts may enhance worker commitment and productivity to improve both farm productivity and worker welfare (Boyer 2007).

The need for balancing becomes important for developing countries in general and for the least developed countries like Bangladesh in particular⁴. For various channels of influence, 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 workers and unemployed are either non-existent or poor. There are thus good reasons to believe that balancing flexibility of employment and workers' economic security may deliver better economic performance and employment growth than maximum flexibility in production and employment chains.

The Basis for Economic Security

In view of the opportunities and challenges faced by the workers arising out of many sources (e.g. structural changes in the labour market, bargaining and regulatory capacity of state and non-state actors), the justification for economic security for the workers can be forwarded from three often not so compatible bases. The basis for economic security to many can be located in the arguments in the context of lifting the constraints to workers posed by *risks* of different sorts e.g. returns to labour and production, system of social transfer, income earning opportunities, job satisfaction, occupational health and safety, skill reproduction, individual and collective representation. It can also form in the context of the non-satisfaction of *needs* of workers e.g. income, job, skill reproduction, representation, occupation health and safety, as well as in the context of fulfilling *rights* (e.g., social, economic, political rights).

First, the risk based analysis of workers' vulnerability highlights that there remain uninsurable risks and market failures for workers. It is widely recognized now that perfectly competitive markets are hardly found and there is frequently market failure. The market quite often fails to safeguard against all forms of risks, often due to asymmetrical or incomplete information. In the risk-based analysis, economic security for workers are justified in utilitarian terms on the basis of real and potential losses arising from market failures and the ability of public action to prevent or compensate for those losses.

Second, the needs-based analysis of workers' needs and vulnerability would justify economic security on both moral and practical grounds. 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, the rights based analysis of workers' vulnerability would also justify economic security as a goal by asserting that workers' as human being have legally enforceable social, economic, political and civic claims. These claims however are asserted on various grounds. One is natural law; all humans have rights because of their inherent dignity. While this ground is often translated to rights as about charity or morality, the other ground is that rights are seen as legally binding obligation. This legalistic interpretation of right is that human rights exist because of the majority of the world's states have ratified a certain number of human rights treaties, or because national constitutions confer rights on their citizens. Another of the argument of rights is build without recourse to natural law, constitutions or international treaties, and based on the theory of human needs as a basis of human rights. This argument is based on part of moral philosophy and accordingly to say that worker has right to particular things is merely to say that worker needs them in order to be and remain capable of making choices, especially of choosing between good or bad.

III. CURRENT WAGE STRUCTURE AND LIVING WAGE YARDSTICKS

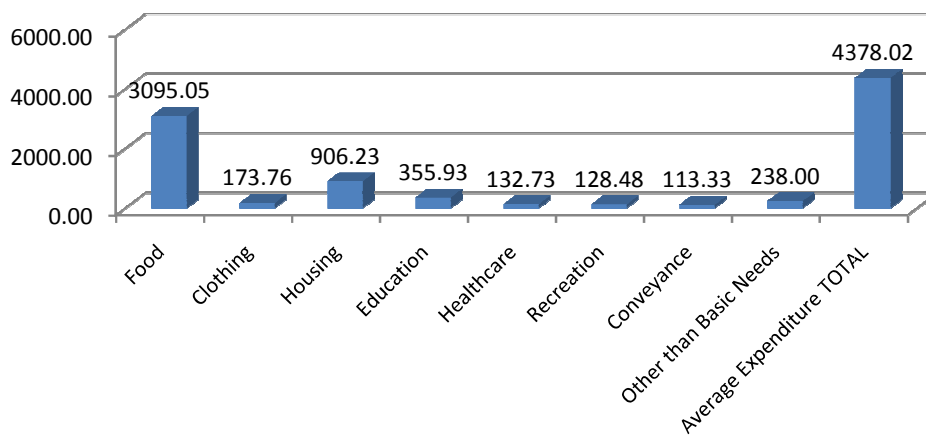
The determination of living wage can follow different principles to set indicators. These are (i) consumer price index, (ii) inflation, and (iii) average wage of the country. The Minimum Wages Convention (NO. 131) of the ILO suggests for considering the following issues in determination of wage of workers- capability of the employers to pay, comparative wage structure of the country, the aspiration of economic development, quality improvement of products, creation and retention of employment etc. A study conducted by BILS and Unnayan Onneshan in 2006 has set some standards for minimum wage for a 4.8 members-family in Bangladesh.⁵ Those standards are - absolute poverty line (\$2 per day), hardcore poverty line (\$1 per day), poverty standard of the MDGs (\$1ppp per day), standard of calorie intake, consumers' price index, relative wages of the country, average standard of living and desired wage of workers etc (BILS: Hossain and Asaduzzaman 2006).

Current Wage Vs. Living Cost

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 living wage the total cost of living should be provided as wage. The cost of food will include the minimum food items required to provide calorie of 2122 per day. Cost of house rent will vary from one city to another and from one to another in the same city. The average house rent may be considered here. For medical cost where the employer provides medical treatment for all the family members medical costs need not to be added with wage but in other cases the average cost of the workers' family should be included with their wage. Average education cost of workers' children may also be included with their wage. In case of clothing and entertainment cost the average cost of workers' family may be considered.

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 Taka 4378.02 per month. However, the monthly expenditure is the current average expenditure of the workers and does not corroborate to decent living. 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.

Average Monthly Expenditure of Garment Workers (in Taka)



Source: Hossain (2009)⁶.

Current Wage in Relation to Balanced Diet

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 Tk. 49.02 in the present market price which was Tk. 47.91 a year back, and Tk. 37.00 in 2006. According to this estimation every adult person requires Tk. 1470.60 every month for food only. A family with 4.8 members will require Tk. 7059 per month for food (see Table below).

Costs of basic needs of families other than food should be included with this cost in deciding living cost of a workers' family. The total cost of every family thus would stand much higher than the current minimum wages in different sectors. The current minimum wage does not even enable above the poverty line food intake for workers' average family.

Cost of Daily Food Providing Minimum Required Calorie for an Adult Person

Sl. No.	Name of Food Item	K. Calorie	Amount (gm)	Estimated price on June, 12 2006	Estimated price on August 3, 2008	Estimated price on October 1, 2009
1.	Rice	1396	397	7.74	13.49	9.53
2.	Flour	139	40	0.74	1.56	0.88
3.	Dal	153	40	2.04	3.00	4.56
4.	Milk	39	58	1.62	2.61	2.61
5.	Oil (Mastered)	180		2.00	2.32	2.32
6.	Beef	14	20	1.78	2.28	2.64
7.	Fish	51	12	7.68	6.72	8.16
8.	Potato	26	48	0.42	0.43	0.86
9.	Vegetables	36	27	4.00	4.80	6.00
10.	Sugar/gur	82	150	0.98	0.70	1.16
11.	Fruits	6	20	1.50	2.00	2.30
12.	Cost of preparation	-	-	6.50	8.00	8.00
Total		2122		37.00	47.91	49.02

Source: Updated from study conducted by Hossain and Asaduzzaman (2006) for Bangladesh Institute of Labour Studies

Note: Cost of items has been updated from retail price published by TCB for Dhaka City.

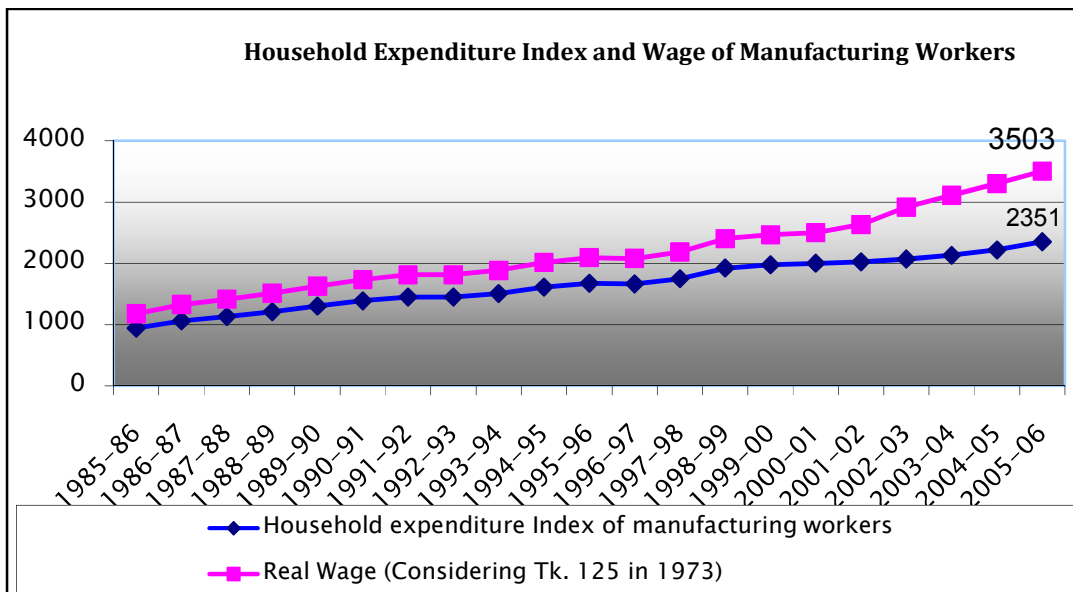
Current Wage in Comparison with Public Sector Minimum Wage

In recent years, in the face of unusual price hike and crisis 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 Tk. 150.00 had been paid for a day. Considering the standard of daily wage Tk. 150.00 the monthly wage stands Tk. 4500.00 for each labourer (New Age 24-04-08). The wage structure (e.g. RMG) is far below the labourers of government supported rural workers.

Again, 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 Tk. 2450. Along with house rent, medical, conveyance and other allowances, the total money they receive every month is above Tk. 5000.00. An additional 20% has been accrued with the basic salary as dearness allowance in 2008 that made their receivable amount Tk. 6000.00. In contrast, for example, the RMG workers had been left with meagre TK 930 for 12 years with no changes and from October 2006 increased to Tk. 1662.50.

Household Expenditure Index and Current Wage Structure

Household expenditure index 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 expenditure index of workers in Bangladesh in fiscal year 2005-06 would be Taka 2351.00. If the fixed minimum wage of Tk. 125 in 1973 is juxtaposed to household expenditure index of manufacturing workers, the estimated real wage would be Tk. 3502.99 in fiscal year 2005-06. If we add the inflation of the last three years with the amount, the wage would be Tk. 4552.927, which depicts that the current wage structure and particularly the minimum wage is far below the amount of the household expenditure index.



Current Wage Structure Vs. Prisoners' Fooding Cost

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 Tk. 52.39 per day (Table below). The amount is Tk.1571.7 per person per month and for a family of 4.8 members the cost is Tk. 7544.16. This implies that the current wage structure particularly the minimum wage in different sectors is below the cost of fooding cost of 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.

Prisoners' Fooding Cost *

Sl. Number	Name of Food Item/commodity	Time for Meal	Daily allotment for every under trial prisoner	
			Amount (gm)	Estimated Price on October 10, 2008 (Taka)**
1.	Flour	Breakfast	87.48	3.32
2.	Gur		14.58	.47
3.	Rice	Lunch	247.86	8.18
4.	Dal		145.80	13.71
5.	Vegetables		233.28	5.83
6.	Rice	Dinner	247.86	8.18
7.	Mutton/Fish/Beef)		36.45/38.78	11.67/7.76
8.	Oil	Whole Day	20.05	1.99
9.	Salt		31.80	0.57
10.	Onion		4.61	0.16
11.	Dried Chilli		2.045	0.22
12.	Other Spices			1.00
13.	Fire Wood			1.00
Total				52.39

* Menu collected from a food chat of a jail of Bangladesh

**Price Calculated from TCB provided price chart

In Bangladesh, the RMG workers are provided with monthly salary of Tk.1662.50 per month which is nearly equal to the amount required for a single prisoner in the jail. Where as, the workers have to run their families with the meagre amount they receive after a full month of hard work. The existing wage of the workers including that of RMG has been proved to be insufficient for maintaining their livelihoods and bringing them out of poverty.

CONCLUSION

The Need for Setting Yardsticks for Living Wage

Although the open market economy suggests for 'demand and supply' policy in wage fixation for workers in the private sector, there are practices of wage fixation by the States worldwide. Mutual bargaining among the representatives of the workers and the employers is the most common practice in the world. However, due to near non-existence of unit level trade union activism in RMG factories, this option is hardly utilised in an efficient manner, rather, sporadic bilateral negotiations between the employers and representatives of workers are put in place. Government of Bangladesh in 2006 formed a tripartite body to negotiate minimum wage and other issues on working conditions. It was mainly the outcome of the series of public disobedience and violence that erupted in and around garment factories. The garment owners are organized through their peak organization (BGMEA /BKMEA) and have had abilities to win equitable outcome from the bargain and negotiations with workers and their representatives. The workers representatives' organisations on the other hand are fragmented, with varying interests exhibiting inabilities to represent collectively. In this context it is important to set the yardsticks of living wage coverage and negotiate and agree upon between key stakeholders of the sector. *Without setting and agreeing to a common set of indicators for ensuring workers' economic security, it would be hardly possible for the workers and their representatives to articulate their legitimate demands through institutionalized routes for channelling their grievances and at the same win equitable outcome from bargains.*

There is a broad consensus that the living wage indicates an amount of wage that helps workers survive with their families. The concept of living wage has been evolved to protect the poor workers from exploitation. Living wage is supposed to construct a just society, ensures workers' social protection as well as workers' right and human right. 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 increase also contributes positively on the economy by increasing money circulation among the poor workers and thereby help poverty reduction and social advancement indirectly.

In Bangladesh the situation of increasing income inequality, widening wage gap among people and decrease in real wage of workers owing to overriding inflation have contributed to to createing a social crisis. Different indicators though suggest differnt amount for a suitable living wage for workers' family, a single generalisation can be drwn from this study that the *workers' living wage requirement is much higher that the existing wage structure*. Thus, it is an urgent need to first agree upon on what basis the monthly salary would be provided for as a requirement to meet living wage provisions for ensuring economic security of the workers.

The Need for Moving towards Workers Protection

The State has the prime responsibility to protect its citizens from exploitation and deprivation. The Constitution of the republic in its Article 14 states "It should be a fundamental responsibility of the State to emancipate the toiling masses – the peasants and workers - and backward section of the people from all forms of exploitation". From this constitutional obligation the state should undertake immediate initiatives to ensure economic security for the working poor. The state should constitute a board to revise the wage structure and determine wage according to the livelihood needs of the workers by making the new wage equivalent to a living wage. Regular update of the wage of workers should also be ensured by the state. Implementation of the declared wage is also a state's responsibility. The state should have efficient mechanism to bring the non-implementing companies under coverage of legal action.

The employers' associations, (for example the BGMEA and the BKMEA) are very prominent organisations in the country. The employers associations have strong role in ensuring workers' rights and legal benefits in this sector. The associations have scope to motivate the employers in changing their attitude towards the workers so that they consider workers as human being and also as important component of production and inevitable agent for economic development of the country. They can help ensure congenial working environment in the factories. The associations can also help implement workers' welfare and workers' contributory funds enshrined in the labour law of 2006. The associations should come up with proposals to increase the real wage of the workers to ensure economic security for the workers. At the same time, the associations should make sure that all its member factories comply by the standards set in 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.

Workers organisations also need to come forward with programmes to implement living wage in the factories. The programme could include bargaining with the government and the employers to revise the existing wage structure immediately. They can also launch programmes to popularise the issue of living wage for workers with necessary arguments, information and instances in the prevailing context of Bangladesh. The workers' organisations should continue guiding the workers to understand labour laws, labour rights and responsibilities of the workers in establishing a good industrial relations in the factories. The organisations should continue bargain with the government to initiate

welfare and social protection programmes for the workers as well as call for forming national minimum wage board to ensure decent wage for workers. They need to continue advocating and act as pressure group with major political parties of the country so that the political parties recognise the workers as legitimate constituency and their concerns and legitimate demands such as right to decent living is taken care of. Furthermore, the workers' organisations need to *enhance their capacity to articulate arguments in favour of decent wage and enhance their negotiating capabilities by coming up with a strong united voice and full and effective representation of workers in all future tripartite negotiations so that workers win an equitable outcome – the living wage for a decent living.*

Call for Re-devising the Vision and Logic of Action in Bangladesh's Labour Policy

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 discern patterns of those policies that cut across successive political regimes. These patterns comprise themes that 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 workers' protection. First is the industrial and labour relations, which 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 second is based on the theme to improve the competitiveness of businesses so that they may survive and prosper in an increasingly global economic system. At its core, it is the requirement to facilitate flexible employment relations.

The logic of harmonious industrial relations gradually became eclipsed by the much voiced concern by the businesses: the need to tackle the macro-economic problem of inefficiency. The principal reason why competitiveness looms so large on government's agenda is plainly the change in the economic system described as globalisation. 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. The harmonious labour-management relations and labour laws that do not obstruct efficient use of capital investment became paramount over the interests of workers.

As ever, the means for achieving these objectives remains highly controversial. One point of view holds that competitiveness is best achieved through deregulation of the labour market, leaving businesses free to discover the most efficient solutions to production problems. A contrary view holds 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 shift, the equity issues have been sidelined since often it is assumed to have a certain fixed trade-offs between firm's productivity (efficiency) and workers' welfare (equity).

The debate remains thus intense how best to provide workers' protection in policies. Should that be geared towards achieving either efficiency or equity, leaving the concerns of either capital or labour unattended? Or, balancing of the concerns of efficiency and equity is best to take into account the often competing interests of capital and labour.

Neither deregulation nor mandatory labour standards adequately achieve this goal. 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 re-devising the vision and logic of action set in Bangladesh's labour policy.

Labour policy, as the vision governing one of the principal sites of conflict between capital and labour, is always be likely to be controversial and least acceptable to both providers of capital and labour and citizens at large, unless it is set on a clear vision and sound logic of action emanating from just industrial and employment relations. *There is a need to frame objective and logic of action of Bangladesh's industrial and labour relations in consultation with different stakeholders including workers, trade unions, employers, government and civil society representatives for balancing often competing interests.* This is more so, since the labour policy of the country remains outdated to the changes in the labour market dynamics and current industrial and labour relations that hardly provides yardsticks for decent living.

Notes

¹ The living wage is defined as "a regulated monetary wage at national/sectoral level taking into account the cost of living (Horton 1999). In other words, a living wage is 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 living wage allows a family 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.

² Some cite as an analogy the willingness of some consumers to purchase organic food at higher prices once they can be assured of its quality.

³ This consensus is prevalent despite the ongoing debate whether countries trade rights should be made conditional upon the promotion of labour standards, whether it should be imposed, how transparent and rule based the system would be if imposed, what would be the adequate burden sharing and what would be the mechanisms to take into account of viewpoints within states, and how the system be applied in a context sensitive manner.

⁴ The balancing of the efficiency and equity is amply highlighted in many of the Scandinavian advanced industrialised countries. There, the extended security promoted by welfare systems has not been detrimental to growth, innovation and job creation. This finding by Boyer (2007) in small social democratic economies (Finland, Denmark, Sweden) is quite remarkable in contrast to the countries that had more fully deregulated their labour markets and were expected to be best performers in terms of job creation, innovation and growth. To him, the remarkable configuration of macroeconomic outcome in these economies within the comparative horizon of OECD countries was the result of generous income security associated with the wide freedom granted to firms concerning employment decisions.

⁵ The Census of 1991 finds that average family size in Bangladesh is 4.8.

⁶ Data collected from 388 garment sector workers as part of ongoing PhD dissertation on "Economic Security for the Working Poor" at University of Trento, and presented at the Industrial and Labour Relations Collective Bargaining Workshop, Cornell University on 28 April 2009

⁷ Considering inflation rate 7.22 in FY 2006-07, 10.10 in FY 2007-08 and 2008-09