

2 Literature Review

The following chapter will provide an overview of the relevant literature. It is divided into two parts: The first part aims to achieve a sound understanding of the Bangladeshi RMG sector and labor unrest. The second part serves to identify basic concepts of internal corporate communication, focusing on practical aspects, tools and instruments in order to guide the development as well as the analysis of the internal communication model.

2.1 The Bangladeshi ready-made garment sector

In order to reduce the Outsider's Hat, it is vital for the author as well as the readers of this study to acquire a basic understanding of the Bangladeshi RMG sector and its importance for the country. Furthermore, the relevant literature regarding labor unrest will be presented. The subchapter concludes with an introduction of the two most important forms of labor representation in Bangladesh.

2.1.1 Short overview of the sector

Bangladesh's economy has experienced considerable change since its liberation in 1971. In terms of production and trade, it has seen the rise of nontraditional industrial exports such as the RMG sector and the growth of irrigation-led agriculture. There has been a significant yet gradual shift in economic governance from a pre-liberation centralized state planning towards a partially liberalized economy with a greater level of integration with the rest of the world. (Lewis, 2011, p. 163) After the war of liberation, the country was left with a shattered economy and a near halt of all industrial production (BGMEA, 2012). Consequently, the economy remained heavily dependent on international aid during the 1970s and 1980s. By the 1990s, export earnings from the RMG sector and the rise of remittances from Bangladeshis living and working overseas has stimulated the economy gradually. While investments in infrastructure have helped facilitate this economic growth, continuing political instability

has periodically limited wider economy progress and change. (Lewis, 2011, p. 136; H. Chowdhury, 2012, p. 207)

The rise of the RMG sector has been central to Bangladesh's industrialization process and its export strategy. *Garment* includes ready-made woven garment products as well as knitwear and hosiery. Within the textile chain, the production of RMG products includes the ginning of fiber, spinning yarn, weaving fabrics as well as operations like dyeing, processing, printing and finishing the fiber. (Kamal, Billah, & Hossain, 2010, p. 1) It is estimated that out of around four thousand listed RMG factories, only about fifteen large companies dominate production (Lewis, 2011, p. 149).

The first garment factory in Bangladesh, erstwhile East Pakistan, was established in 1960 in Dhaka. The sector's origins can be traced to the late 1970s, when a handful of factories began producing clothes for the Western markets as a result of the Multi-Fiber Arrangement (MFA). The MFA was put in place in 1974 by developed countries in order to protect their clothing manufacturers from growing competition of cheap imports from developing countries by subjecting them to strict export quotas. The MFA was designed to protect Western developed countries while simultaneously providing opportunities to very poor countries such as Bangladesh. Established garment-producing countries could activate the unused export quotas of by then non-established garment-producing countries in order to extend their production base. In the case of Bangladesh, where there was no existing RMG sector before the MFA, it was South Korea, whose export quota was already filled up, that invested in the country's RMG sector and thus acted as a catalyst for the start-up of the Bangladeshi RMG sector. This process was at once fostered by Western retailers seeking new countries in which they could source garments in order to bypass the quotas. (Lewis, 2011, pp. 148–150; Ahmed et al., 2013, p. 69) In 1982, the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) was founded in order to protect the interests of the manufacturers and exporters of the local

RMG sector (BGMEA, 2012). The Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) followed in 1996 (BKMEA, 2013).

In 1985, Bangladesh was exporting \$0.13 billion worth of garments, which by 2000 has increased to \$4.86 billion. By 2013, garments constituted 80 percent of total exports and were worth \$21.52 billion. One of the remarkable features of the sector is the entry of women into the industrial employment system. In 2013, the RMG sector employed nearly four million workers, 90 percent of whom are women (BGMEA, 2013b).

The Bangladeshi RMG sector's stunning growth and competitive strength rest mainly upon two factors. First, Bangladesh has profited greatly from the MFA and its consequential capital investment from already-established garment-producing countries like South Korea. Second, factor costs in the sector are highly competitive. Wages continue to be of the lowest in the world, and entry to the labor market requires little in terms of formal education. Bangladeshi garments are 40 to 100 percent cheaper than Chinese in European markets. (Selim, 2008 as cited in Lewis, 2011, p. 152) The cost per hour of labor in Bangladesh is \$0.25, compared to \$0.34 in Indonesia and Pakistan, \$0.46 in Sri Lanka, \$0.48 in China and \$0.57 in India (S. Khan, 2008). Additionally, factory space can be rented very inexpensively (Selim, 2008 as cited in Lewis, 2011, p. 152). The withdrawal of the quota protection in 2005 has led people to fear that the sector will suffer severe negative impacts due to increased competition from China and Vietnam. However, the international competitiveness of the Bangladesh's low labor costs ensured a nonetheless steady growth of the sector and proved those fears wrong (van Schendel, 2009, p. 245).

The industry's reliance on a mainly female workforce originating from rural areas has led to far-reaching social changes in both the cities and the countryside. The rise of the RMG sector has been found a key driver of the empowerment of women in Bangladesh. These women, who had learned traditional sewing skills as young girls within rural households and later found employment in factories in the cities, report that they "value the chance to earn their own living, gain a measure of independent purchasing

power, be able to save and remit money to their families in the village and secure more control over their choice of partner and date of marriage” (World Bank, 2008, p. 58). However, these positive aspects of social change and significance of the RMG sector have to be contrasted with the harsh lives faced by garment workers in terms of lack of labor rights, poor working conditions and high level of violence against women (World Bank, 2008, p. 59; Lewis, 2011, p. 150). A brief outline of the challenges faced by the Bangladeshi RMG sector can be found in Appendix A.

2.1.2 History and incidents of labor unrest

Over the last couple of years, agitation among RMG workers has flared up in many RMG factories in the country. Conflicts between workers and management are gradually increasing and incidents of violence continue to hit the Bangladeshi RMG sector. The spiraling labor unrest in the sector started in May 2005 with a three-day crisis. The workers, demanding unpaid wages and a weekly holiday, damaged hundreds of machinery units, destroyed vehicles and burned down factories in Savar, an industrial town near Dhaka. (Bhuiyan, 2013, p. 6) The unrest left three workers dead and hundreds wounded. According to BGMEA, nearly 300 factories were damaged, amounting to an estimated total loss of four billion taka (nearly \$70 million). (M. S. Islam & Ahmad, 2010) The events in 2005 were reportedly the worst industrial rioting in Bangladesh in the RMG sector. Appendix B provides an overview of a number of incidents of labor unrest in the years 2010 to 2012, including its causes and damages to life and property.

After the building collapse of Rana Plaza in Savar, where more than 1,130 garment workers were killed and more than 2,500 injured, garment workers in many industrial areas across the country started rioting, targeting vehicles, commercial buildings and garment factories. Protesting for compensation and against their dire working conditions and widely insufficient safety measures, they blocked streets, burned down factories, and refused to resume work for days. In the aftermath of Rana Plaza,

hundreds of garment workers and policemen were injured as they clashed. (The New York Times, 2013)

2.1.3 Reasons for labor unrest

While incidents of labor unrest of the past years have been a widely discussed and controversial topic, there are only a handful of empirical studies investigating their reasons. Many garment factory owners maintain sound links with political parties as well as a strictly regimented environment in their factories through an alliance between the police workforce and their own security personnel. Many researchers were consequently prevented from visiting the factories, talking to the workers and monitoring the working conditions. (Ahamed, 2014, p. 2)

In their study, Ahmed et al. (2013) have attempted to identify factors related to labor unrest in the RMG industry by interviewing 244 workers from ten leading garment companies located in Savar and Gazipur. They have thereby identified 18 factors (Table 1), pegging long working hours and sudden layoffs as the main factor for labor unrest in Bangladesh. The second most important factor is the lack of minimum facility and safety. In many RMG factories, minimum facilities such as canteens, prayers rooms, washing rooms, toilets and child care are hardly adequate. Moreover, safety measures are often highly deficient, which leads to frequent work accidents. The third most significant factor is sub-standard living conditions. Most workers immigrate to the industrial areas of Dhaka from the countryside of Bangladesh. Only very few RMG companies provide housing facilities for their workers; the latter are thus forced to live nearby in affordable rental houses under very poor conditions. Some managers stated national and international conspiracy as main reason for unrest, as competitors pay agitators to disturb the production process. Ahmed et al. conclude in their study that these factors are significant in explaining the overall dissatisfaction of the workers. Thus, the reason for labor unrest lies in the overall dissatisfaction of the workers. By improving the factors which are significantly related to the overall dissatisfaction of the workers (all

factors in Table 1 except 1, 9, 14, 17), the risk of labor unrest can be reduced.

1. Long working hours and sudden layoffs	10. Un-fulfillment of education demands of the children
2. Lack of minimum facility and safety	11. Distorted minded workers
3. Sub-standard living conditions	12. Political instability of the country
4. Deferred benefits	13. Too much and inhuman workload
5. International conspiracy and coercive role of the law enforcing agency	14. Reluctance of the government regulatory bodies
6. Too much dependence on buyers	15. No promotion opportunity
7. Pressures from the workers and mastans [Bengali word for gangsters or mobs]	16. Wages are not paid on time
8. Use of workers by others and rumors	17. Poor working environment
9. Price hike of necessary items	18. Insufficient wages for fulfilling basic needs

Table 1 Reasons for labor unrest I

(Ahmed et al., 2013, p. 72)

Interestingly, in the study of Ahmed et al. (2013), the wage level ranks last as reason for labor unrest. In contrast, Kamal, Billah and Hossain (2010) have found that the workers' wages and payment have the most significant influence on labor unrest, followed by trade union and industrial relations, working hour and leave policy, safety and health, and health and hygiene. The authors predict that a 100 percent change in wages and payment leads to a 45.7 percent reduction in labor unrest. Most workers feel that the management does not listen to their concerns and complaints. Additionally, the absence of a strong trade union heightens this problem. Thus, a 100 percent positive change in trade union and industrial relations leads to a 34.4 percent reduction in labor unrest. According to the Bangladesh Labor Act 2006, overtime ought to be paid double than regular pay, which most RMG factories do not comply to. In addition, most factories do not provide sick leave as required per law. According to the authors, a 100 percent positive change in working hour and leave policy would lead to a 25.5 percent decrease in labor unrest.

Regarding reasons for labor unrest, Himi and Rahman (2013) have contrasted the opinions of the managers and owners to the ones of the workers (Table 2). According to the managers and owners, the unrest

occurred due to labor organizations and terrorist groups who attempt to stir up and disturb the daily routine at the factories.

Reasons for labor unrest according to:		
Workers	Industry associations	Managers
1. Lack of a system for increasing wage 2. Inhuman treatment by the mid-level managers 3. Unhygienic and insecure work environment 4. Lack of promotional opportunity 5. Lack of opportunity to express own ideas 6. Long working hour and job insecurity	1. Involvement of international mafia circle 2. Failure to pay timely because of scarcity of power and gas	1. Delayed payment and lack of prior notification for delay 2. Bad relationship between owners, managers and workers 3. Unhealthy work environment 4. Lack of bonus packages (e.g. daughter's marriage)

Table 2 Reasons for labor unrest II
(based on Himi & Rahman, 2013, pp. 51–52)

Himi and Rahman (2013) too have found a significant link between the workers' job satisfaction and the occurrence of labor unrest. They detected that especially the job satisfaction facet "supervision" was highly significant; a group comparison showed that satisfaction with "supervision" was higher of workers of companies *not* experiencing unrest than of workers of companies experiencing unrest. However, the workers' job satisfaction did not differ significantly with other aspects of job satisfaction, work, pay, promotion and co-workers.

Both Uddin and Jahed (2007) and Bhuiyan (2013) emphasize insufficient wages and poor labor practices as prime reason for industrial unrest. Against the backdrop of the cases of labor unrest in 2010, the government took an initiative for revising the wage structure. The new wage structure has seven grades for general workers and four grades for staff. The minimum wage of 3,000 taka (\$38) was fixed for grade seven. (Bhuiyan, 2013, pp. 3–4) In 2013, unrest and protests escalated once more, however, the protestors' demand of increasing the minimum wage to 8,000 taka was denied. Whatever massive protests may have been seen across the country, the structure formally announced on 21st of November

2013 is now in force in Bangladesh. Despite a total rejection from the factory owners, who wield tremendous political power in Bangladesh, the government set a new minimum basic salary for the lowest-graded workers (entry-level garment industry workers) of 5,300 taka (\$68) per month. This amounts to an increase of 77 percent. (Reuters, 2013) Still, Bangladesh continues to have the world's lowest wages in the clothing sector (Ahamed, 2014, p. 3; Bhuiyan, 2013, p. 4). According to a recent analysis by the Centre for Policy Dialogue (2013), a respected research organization based in Dhaka, a basic diet that meets the needs of a family of three alone costs about \$67 a month. They calculated the minimum wage levels for the entry level grade as follows:

- 6,919 taka at the poverty line,
- 8,200 taka at actual workers' expenditures and
- 14,553 taka based on an aspirational model diet.

However, since the minimum wage should not be higher than the national average wage, they do not recommend the aspirational figure. (Moazzem, 2013, p. 36)

In Chowdhury's study (2012, pp. 213–214), most participants believe the influence of external factors to be the major reason for the current unrest in the industry. Thus, companies where wages are exemplary high would also experience labor unrest. These findings support the conclusions of Ahmed et al. (2013) as presented above, who rank wages last in the list of reasons for labor unrest. Apart from these external influences, Chowdhury (2012, pp. 213–214) identified antitrust relationships between workers and management as well as poor relationship between the workers and the front line managers as reasons for unrest. Bhuiyan (2013, p. 9) adds to the demand for higher wages another, to Swiss citizens very well-known aspect: wage discrimination. In terms of monthly wage and benefits, a top-level employee earns over 100 times more than low-level employees. This leads to non-motivation of lower-paid workers, jealousy

and consequently decreased productivity caused by unrest in the production environment.

Investigating the impacts of job dissatisfaction in the Bangladeshi ready-made garment sector, Ahamed (2014) agrees that wages and deferred payment have a significant impact. He furthermore identified overtime as a source of dissatisfaction for the workers, however not always for the same reasons. While some feel overwhelmed with the workload, others demand more hours actively as overtime is an important, routinely expected compound of earnings. Without working overtime, sometimes up to five to eight hours daily, many workers cannot cover their living costs. Discrimination has also been pegged as source of job dissatisfaction and labor unrest. Especially women are discriminated in terms of wage level and access to higher-paid positions. (Ahamed, 2014)

2.1.4 Workers' representation

Trade unions and the freedom of association and collective bargaining

Bangladesh has a troubled history of labor relations. In 1970s, the jute industry, accounting for nearly 90 percent of all exports, played a similar role for the country as the RMG sector does today. A combination of different factors contributed to the jute industry's decline, however, many RMG factory owners and BGMEA representatives refer to one single reason: labor unions. At that time, labor unions were strongly politicized and controlled or at least highly influenced by political forces. Labor unions would repeatedly bring production to halt for reasons seemingly unrelated to labor rights and working conditions. (Menendez, 2013, p. 8) RMG factory owners and many government officials fear that the RMG sector will meet the same fate. Some state that unions are redundant as working conditions are already good enough. Other fear the loss of control over their factories once the workers unionize. (Tamanna, 2010, p. 7) The Committee on Foreign Relations United States Senate on worker safety and labor rights in Bangladesh's RMG sector concludes that freedom of

association and collective bargaining are not well understood and unions are generally maligned (Menendez, 2013, p. 8).

On 15th of July 2013, the Bangladeshi Parliament passed reforms to the country's existing labor law, i.e. the Bangladesh Labor Act of 2006. The International Labour Organisation's (ILO) initial review of the legislation reform found that "the amendments did address some of the ILO's specific concerns, while falling short of several important steps called for by the ILO supervisory system to bring the law into conformity with ratified international labour standards" (ILO, 2013). Among other positive adjustments, the amendments eliminate the previous obligation to send to employers the names of union leaders at the time of registration of a trade union. Additionally, they allow workers and union leaders to call on outside experts for advice during collective bargaining. (Menendez, 2013, p. 9) However, a number of restrictions to workers' freedom of association and collective bargaining, highly criticized by the ILO, have not been addressed by the amendments. For instance, trade unions need to show 30 percent of the employees as members in order to get registered. If the percentage falls below these 30 percent, the union is dissolved. The amendments also do not extend the freedom of association and collective bargaining to the hundreds of thousands of workers in export processing zones. (ILO, 2013) In addition, the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) criticizes the reform package for several reasons (Drake, 2013):

- It did not make the union registration process any easier to accomplish.
- It does not allow union representatives fired from their jobs to keep their factory-level union membership while they contest their termination.
- Trade unions still require government permission to affiliate with international unions or receive financial aid from foreign groups.
- Formerly a three-fourth majority of the total membership of a union was needed to authorize a strike. While in the amendments this

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Garment Factories

Illustration of the Internal Communication System and
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