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Deceleration in the Export Sector of Bangladesh and Women Workers: *Assessing Impacts and Identifying Coping Strategies*

Paper 26

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The present paper, ***Deceleration in the Export Sector of Bangladesh and Women Workers: Assessing Impacts and Identifying Coping Strategies***, has been prepared under the CPD programme on **Trade Policy Analysis and Multilateral Trading System**. This programme aims at strengthening institutional capacity in Bangladesh in the area of trade policy analysis, negotiations and implementation. The programme, inter alia, seeks to project the civil society’s perspectives on the emerging issues emanating from the process of globalization and liberalization. The outputs of the programme will be available to all stakeholder groups including the government and policymakers, entrepreneurs and business leaders, and trade and development partners.

The present paper titled ***Deceleration in the Export Sector of Bangladesh and Women Workers: Assessing Impacts and Identifying Coping Strategies*** has been prepared by ***Dr Kaniz Siddique***, Associate Professor, Department of Economics, North South University, Dhaka.

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Executive Summary

This report attempts to better understand implications on family-poverty, women's employment and women's empowerment because of the deceleration in the export sector of Bangladesh that took place 2001 because of current global economic and political situations. It also attempts to identify coping strategies and make recommendations to address global challenges and improve employment opportunities particularly for women workers. In attaining the objectives of the study, information was gathered through a structured questionnaire-based survey; focused group discussion (FGD); and interviews and consultations with various stakeholders.

Recent contractions of export particularly in the garments exports have caused unemployment, economic and social hardship among workers, particularly women workers. Losses of jobs have far reaching implications for these women and their families and overall poverty situation of the country.

Poverty has remained an all-pervasive feature of Bangladesh, as about sixty five million people are living below the poverty line. The Bangladesh poverty profile indicates 'feminization of poverty' where 'hard-core' poor are largely women. Women are more susceptible to becoming poor in case they lose the male earning member of the family due to abandonment, divorce, or death. About 80 percent of the female-headed households are poor. Women face legal, institutional and social barriers in accessing economic assets and public facilities including health and education. Women also have a lower level of skills. These make it much harder for women to overcome poverty both at the family and personal levels. Thus, towards reducing poverty, women's empowerment issues and creating employment and economic opportunities have to be addressed.

Globalization has created job opportunities for many women in the formal labour market. Almost all the wage earning women workers are engaged in the garments industries and constitute more than 80 percent of the total employed in garments. Employment opportunity in the garment industry caused a large number of women to migrate from the rural to the urban areas. The fact that these women were able to migrate to the urban areas was a steep towards their empowerment. Most of the women had to withstand various social stigmas and migrated to urban areas and found accommodations as social institutions developed such as boarder living with a family, female messes, NGO run hostels and private housing facilities for female workers etc. Women who entered in the garment industry, many of them were first-time employed and wage earners. These women remit money to their extended families and substantially contribute to their immediate families. Many have become the primary earners. They are contributing to the education not only of their children but also of the younger sisters and brothers.

Income generating role of the women added to their empowerments in terms of greater control over their own income and role in family decision-making. For many of the married women marital relationship improved, and threat to divorce and physical violence have decreased. Wage employment also made women more aware about their fertility and size of the family. For the unmarried workers in general the prospect of marriage improved, they gained more say on their marriage decisions. Some improvements in social services and infrastructures also took place because of their participation in the labour forces. For example the government has introduced women's bus connecting many of the large garment worker's living areas to the factories. Some of the big factories provide education for the children; childcare centres etc. in the factory premise. One can conclude

that women in the garment industry are better off compared to their pre-garment days. Although there are a large number of problems faced by these workers in terms of their status at work and in family, however work opportunities provided them with a platform to move forward.

Export expansion in the past, created opportunities for women and at the same time women workers are vital for the garments sector. However, their participations in export activities also make them susceptible to global changes. In the face of the current global realities Bangladesh's exports of garments have decreased and the garment sector has to restructure. In absorbing the global shocks the burden of adjustment has fallen on the women workers in garment sector. These realities need to be factored into formulating a future course of actions to alleviate the burden of adjustments as it falls on the poor women of Bangladesh.

In terms of the impact of global recession at the macro level shows that during last five years the economy has been growing at an average modest rate between 4.8 to 5.9 percent. Export growth (in dollar value) during the same period varied from approximately -7.4 percent to 17 percent. In 2001-02 GDP growth was 11.4 percent and export growth was -7.4 percent. During last ten years, for the first time Bangladesh economy experienced export decline.

Export performance of Bangladesh by broad category shows that in 2001-02, except for Jute, export declined in all categories. The worst export decline took place in chemical product (about 26 percent) followed by frozen food products (about 24 percent) and the least decline took place in ready-made garments (about 6 percent). Since 1983 this is the first time export in this category declined. The current export structure indicates that the structure of exports is narrow. For the years 2001-02 the garments sector, which includes ready-made garments and knitwear, constituted 75.05 percent of total exports.

The factors of the international economy that have already affected and are expected to affect Bangladesh's export performance are the economic conditions of the trading partners and the world as a whole; change in the world order of trade negotiations and agreements; the emergence of WTO; the changing political canvas of the world; proliferation of terrorism, as evidenced in the events of September 11 etc. The world economy is continuing with an economic downturn, which started in 1999. The growth prospect for the world economy in the best-case scenario is expected to be around 2.8 percent. Bangladesh exports are facing increased trade barriers in the major importing countries. The USA Trade and Development Act of 2000, the phasing out of the MFA under the WTO, the elimination of GSP in EU markets and Chain's accession in to the WTO are the main causes of negative impacts on Bangladesh's exports. After the terrorist incidence, there are also growing anti-Islamic sentiments particularly in the USA a negative impact cannot be ruled out.

With respect to the garments sector, the major concern over last few years has been about how this sector and Bangladesh would adjust after 2004. After 2004, the international trading environment is expected to cause deceleration of the garment sector in Bangladesh. This deceleration may have serious consequences for the economy, exports, poverty, employment, and empowerment of women.

In this backdrop the garments exporters faced problems both for economic or non-economic reasons. The findings of this research indicate that the owners main complains were about low profit margins and lack of orders (demand). Their previous buyers took business elsewhere because of lower prices. Some of the owners defaulted on bank loans because of non-delivery of goods on time during hartals (general strike) and other problems. As far as non-economic factors, such as anti-Islamic sentiment after September 11, is concerned it seems that it was not a major obstacle however some buyers tried to use this excuse as a bargaining tool.

With respect to the future about 90 percent of the owners indicated that they expect to face continuing difficulties with the garments business. In the longer term about 50-55 percent expects to do well. Thus about 45-50 percent of the garments exporters expect a difficult time and anticipate the possibility of closing down. May of the garments owners are attempting to best use the next two years and build capital so that after 2005 if they are unable to survive in the garments they can start other businesses. In terms of plans for the immediate future, 75.0 percent of the closed factory owners expressed that they would like to restart or expand their business. Some also expressed that the garments business is becoming too difficult to continue and they do not plan to reopen their factories.

Around the garment activities a number of support industries have developed. Many of the export-linked activities such as packaging, transportation and shipping suffered contraction. Some of the buying houses also closed down. In the face of the recent events, similar to the garment exports, other exporters such as handicrafts, leather and leather goods, agro-products etc. are also experiencing difficulties. These sectors face difficulties in retaining clients, prices and volumes of exports. Other than the demand-side constraints, non-garment activities also face supply-side constraints and in some cases supply-side constraints are more binding than the demand-side constraints.

Exporters and export-linked activities all suffered the consequence of global recession and geo-political realities, although in varying degree. But what came out strongly the absorption of such external shocks was particularly difficult in the face of domestic constraints. Domestic constraints in terms of political unrests, difficulties with social and physical infrastructure etc makes it difficult for Bangladeshi exporters to remain competitive.

The finding of survey clearly shows that workers were randomly retrenched and they are mainly unskilled workers, with no or little education, and are relatively new entrants into the sector. Most of them work with no written documents for job or/and the terms and conditions. Many workers lost their jobs without any notice, the owners defaulted to pay back-wages of the workers, in some cases for two/three months' wages, and few received any severance payments.

After being retrenched, as a coping strategy, a good number of the workers who had some ties went back to their families in the villages. Of those who stayed in the city, the survey indicates that the unemployed workers are faced with meagre job opportunities outside the garments sector and many of them are unable to engage in self-employment opportunities due to lack of capital, fear of risk, lack of business skill and experiences, etc. although some are trying to engage in small trade. They found that their skills are not transferable. Some of them have resorted to undertake domestic work.

Under the current situation in the garments sector, one assumes increases in job insecurity, decreases in income and benefits, deterioration of the working environment, increased sense of economic and social vulnerability, reduction in household expenditure etc. However the survey indicates that the monetary remunerations and benefits remained relatively the same before and after the contraction. This indicates institutionalization of the wage and benefit structure. It also indicates that wages for most cases are at the subsistence level and other monetary benefits are also low. Therefore there is little room for any reduction. The owners often would fire a worker and re-hire the same person at a lower wage, and worse terms and conditions. Many factories also provide non-monetary benefits - providing snacks, lunch, health services, childcare facilities, skill training, transport facilities to work and back, uniforms, weekends and holidays etc. to their workers. With respect to these benefits there was no major deterioration. These benefits are also provided at a minimum level and also once such benefits are given to the workers it is difficult to take them away.

Impacts of contraction in the garments sector on the standard of living of the workers mainly fall on the retrenched workers. These workers and their families become subject to hardship. Many are trying to reduce consumption of food, and clothing, cut down on children's education by reducing tutoring facilities, sending children to inexpensive schools and even withdrawing children from schools, lowered medical expenses by not going to doctors except in emergency etc. To reduce expenditure members of the families have moved in together, and also moved to lower rent houses. In order to cope with such situations workers are using past savings, borrowing from local grocery stores, defaulting on payments of rents, etc. The savings and wealth scenarios indicate that workers are not ready to deal with unemployment for an extended period of time. Some have resorted to any crime or antisocial methods (theft, drug peddling, sex work, begging, etc.).

Loss of jobs and the threat of losing a job among the workers, particularly among unskilled workers, increase a sense of disempowerment. One manifestation of disempowerment is that many of the retrenched women workers had to migrate back to the villages where the environments are more repressive for women. Family and social conditions have deteriorated. There has been an increase in family violence; quarrels within the family arising from financial hardship; unrest with creditors mainly with landlord, neighbour, lenders, and relatives (particularly related to dowry payments), etc.

In the case of the workers, an important empowerment issue is with respect to their rights. In the garments sectors workers' rights and labour relations are weaker than in other formal private and public sectors. Governance, in the case of labour laws and dispute, is weak particularly in case of garments, thus many existing labour laws are not practiced in the garments sectors. Workers think that the owners are taking advantage of the situation for not giving proper facilities in terms of wages, benefits and various facilities.

In many of the garment-linked activities women's employment is not high except for embroidery. In other activities the proportion of women workers is rather insignificant, particularly in activates such as in imports and manufacturing of accessories, dying and washing of garments etc. Also in garment-linked activities such as buying house, packaging, transportation, shipping etc. employment of women is also insignificant. Thus retrenchment of workers due to contraction in these activities mainly affected men workers more than women workers.

Agro and agro-processing activities are expanding over the years, both in terms of production and exports, however is still small in size. Women are engaged in shrimp and fishery, packaging of fresh fruits, vegetables, flowers and poultry and poultry products, canning and freezing of fruits, vegetables, meat etc. According to CMI data, currently more than 8 percent of the workers in the agro-processing sector are women. However in general the gender dimension of job loss in these activities indicates rather moderate negative impacts for women workers. This is mainly because of the facts that the economic recessions in the agro-exports destination countries were milder and also many of the agro-products could be sold in the domestic market. Also given that the sizes of these activities are small, the negative impacts of deceleration in these activities were not felt at the macro level.

Both workers and GWAs strongly expressed the view that nobody is paying attention to the situation of the garments workers. The government is not making any plans to deal with the problem of the retrenched workers. Government is in the opinion that the stakeholders within the garment sector (factory owners, GWAs and BGMEA) need to address this issue and the government can assist any initiatives taken by others and play a catalyst role. During consultation with other stakeholders (bilateral and multilateral donors) they also didn't show much concern about addressing retrenched workers issues. However, coping strategies have to be developed to address possible contraction of the garment sector after 2005.

The study identifies four components to coping strategies. *First*, component is to deal with labour issues in the garment sectors. The study discusses rehabilitation and retrenchment programs and the need for improving labour relations in the garments sectors. *Second* component is to provide assistance to the garments producers and exporters to restore and reposition them in the international market. *Third* component is to ensure, in the medium-term, expansion and diversification of exports keeping in mind the employment implications for women workers. *Fourth* component is sustaining and expanding employment opportunities for the women workers in the export sector.

Treating workers in a lawful and humane manner must be part of copping strategies. For example giving the workers due notice, paying for the completed work and also a severance payment are the right of the workers has to be part of the coping strategy. These will help them to mentally and financially prepare them for dealing with retrenchment at the personal level. Institutional changes are essential by ensuring some kind of severance payments and the enforcement of labour laws in laying-off workers. In this respect the role of the factory owners is most crucial. However, the government, BGMEA, GWAs, and NGOs need to play roles in ensuring that the owners refrain from inhumane and unlawful practices. Self-monitoring the activities of the garments factory owners, introducing a complaint window and negotiation facilities to settle such disputes in BGMEA, providing legal assistance to the workers by the government and NGOs can be considered. GWAs also can also organize the workers and assist them in taking the right course of actions. For the payment of severance package a fund can be introduced where all employers, donors and the government will contribute.

Assistance and rehabilitation programs for the retrenched workers should also be introduced for the retrenched workers. Currently there is no such program in place. To deal with retrenchment particularly large-scale retrenchment in case it takes place in the future various initiatives can be taken such as providing micro-credit for starting small-scale business and trade activities, retraining programs, creating job banks and placement facilities for them etc. In rehabilitating the retrenched workers particularly women workers the importance of skill development and retraining cannot be over emphasized. Thus efforts have to be made to improve workers skills through (i) increased schooling, (ii) increased availability of skilled enhancement training at an affordable price and (iii) increased on the job training facilities etc.

Other than rehabilitation of the retrenched workers into alternative income-generating activities, the fallback positions of the workers also have to be strengthened. In this respect the recommendations are to introduce profit sharing mechanisms; reward systems for good workers and provisions for regularizing jobs of the workers. The owners may introduce the provision of giving loan facilities for the workers, and savings facilities for the workers through the introduction of saving society and matching funds from the owners and government or NGOs.

Enforcement of the provisions of the labour law reform report of 1994 will improve labour standard in the garments sector. This reform includes compulsory appointment letter; two months of maternity leave up to two surviving children; 60 days notice to the workers before leaving job; 6 am to 10 pm working hour for women workers; one day weekly holiday; union activities with no affiliation with the political parties; equal wage for men and women for similar work etc. Workers should be given terms and conditions (regular and overtime wage rates, other benefits, number of hours of work, working hours) for jobs in writing. Workers should be assigned realistic workloads, not be forced to work overtime and work during night. Workers must be paid wages and benefit on a regular basis and not be abused verbally and/or physical. There must be proper bathroom facilities, childcare centres, sick leave, decent food for lunch, education facilities for the children, clean and secure housing facilities etc. The work places must be secured with proper safety measures.

In discussions with various stakeholders including the government, union leaders, women's organizations, members of civil society and donor communities, everybody recognized that the garments sector has to emerge as an "industry" as opposed to being "a trading activity." The garments owners need to ensure fair labour practices because buyers could increasingly apply this conditionality and is going to play an important role in international trade. There is international pressure to link labour standards with trade. After 2005 factories will have to comply with Social Accounting 8000, which will ensure ethical sourcing for production of goods and services. SA 8000 sets minimum standards for health and safety, wages and benefits, use of child labour, trade union rights, remuneration, working hours, management style etc.

Coping strategies for managing unemployment crisis requires taking measures to at two levels; first strengthening the garments sector. The second is ensuring expansion and diversification of exports along with expansion of domestic economic activities. These are necessary however not sufficient to mitigate the negative impacts of global volatility on employment, poverty and empowerment of the women of Bangladesh. Special attention must be given to take care of workers issues.

In the future, after adjusting to the global trading situations, phasing out of MFA and world recessions, one expects the garments sector to face some shake up and those who are unable to remain competitive will have to close. However, one can assume that garments will remain an important export for Bangladesh. Measures have to be taken to restore the performance of the garment sector and maintain a stable market share both in the short and in the long run term. In this respect, the owners need to be more aggressive in finding new markets for outputs and also find the cheapest and best quality sources of raw materials, improve factory and business management and improve labour relations and working conditions for the workers.

In restoring the garment exports, the government role is creating an environment that supports and encourages exports. It needs to improve trade-governance by taking actions against fraud exporters; monitoring and regulating the activities of the buying houses and BGMEA. It needs to improve infrastructure supports; banking sectors and ensure availability of funds. The government can play a vital role in protecting the interests of the garments exporters by negotiating removal of trade berries against Bangladesh's garments. It should assess the magnitude of the labour displacement problem and use that information to ensure favourable trade negotiations for Bangladesh. The government needs to ensure development of backward linkage industries. BGMEA can participate with the government in various trade negotiations in creating new markets for garments. It can play an important role in introducing labour laws; improving labour relations; and providing marketing and management-training support to the garment producers. In collaboration with the government it can also establish workers' training centres at the grassroots levels to ensure supply of skilled labour and also establish a Design Centres.

Bangladesh also needs to diversify its export both in terms of commodity and market. New areas of export expansion can be agro-based activities particularly in food and food processing activities, reviving jute exports particularly, processed jute products, raw leather and finished leather products; assembling and re-export of electronics goods; computer hardware and software; natural gas; wood and wicker furniture etc. In these respects, to name a few, the government needs to maintain a macro policy environment towards export growth; encourage new export activities consistent with the structure of comparative advantage; strengthen the roles of Export Promotion Bureau of Bangladesh: strengthen the commercial roles of the Bangladesh Embassies in marketing exports of Bangladesh; ensuring good governance, particularly in the areas of trade by simplifying and streamlining requirements, process, etc; providing social, financial and physical infrastructure. In this respect the business community needs to identify New areas of export possibilities and opportunities; New trading partners and markets; Potential problems in availing these opportunities and materializing new partnerships and market accesses; Future needs for supports from the government and donors

Expansion and diversification of export is necessary, however is not sufficient for ensuring women's continued and increasing participation in these sector as workers. New structure of export will have differential implications for employment generation particularly in terms of skilled, unskilled, female and male workers. Export promotion strategies need to pay attention to the issue of employment, particularly employment among women to ensure their economic and social empowerment.

To understand the implications of export expansion and diversification from gender perspectives, the analysis needs to take place at two levels. First one needs to understand the employment implications due to export expansion and diversification; second the effect on demand for skilled or unskilled workers. These analyses would provide a clear picture of whether the new areas of export expansion and diversification would create job opportunities for women workers. In this respect one would like to estimate industry specific exports (or output) employment elasticity, particularly for the emerging areas of export growth. However, that was not possible to do within the scope of this study. However, one can assess the skill needs for existing exports and possible areas of export expansion.

Within the garments sector, ready-made garments employ relatively more women workers than knitwear. Thus to maintain women's employment expansion in ready-made garments is important. If in the future ready-made exporters are adopting composite production technology and also targeting to enter into the high-end of the garments markets this strategy implies automation and greater need for skilled workers. Thus with respect to demand for women workers there is real danger of a large displacement of women workers.

In the *agro and agro-processing* industries technology can range from high to low labour intensity depending on the nature of processing. In general expansion in the agro and agro-processing industry is expected to create employment opportunities for women workers. *Electronics assembling industries* require mainly semi-skilled workers and currently in Bangladesh some of the assembling industry has been successful in employing a large number of women workers and may continue to create opportunities for women workers if they are provided with adequate skill training. The leather and leather products industry, particularly footwear, can also be a potential area of employment for women workers. Currently in the footwear industry about 8 percent of the workers are women.

Increases in women's participation in the labour market and their empowerment, as an outcome of economic self-sufficiency, are possible to achieve in the future within the expected change in the export structure and growth. If Bangladesh is successful in making necessary adjustments in the garments sector and expands its export in new areas it may create opportunities for women workers. However, these changes may not happen automatically. For women's participation to increase in the export sector, the government and the private sectors along with all other stakeholders have specific roles to play. The most crucial role for the government, NGOs, labour unions and BGMEA is to introduce training and retraining facilities and sector specific job banks. The government and NGOs need to encourage the private sector to be proactive in employing women workers and provide necessary supports for women workers to perform their work.

Introduction

0.1 Objective of the Study

The main purposes of this report are twofold. The first, to better understand implications on family-poverty, women's employment and women's empowerment because of the deceleration in the export sector of Bangladesh in starting 2001 caused by current global economic and political situations. Second, is to identify coping strategies and to make recommendations to address global challenges and improve employment opportunities particularly for women workers.

Against the backdrop of international and domestic realities what can one expect for the future of the export sector of Bangladesh? Will Bangladesh be able to maintain or even improve its export performance in garments and textiles? If not what are the export prospects for the future? A related concern is what the impact will be on the general poverty situation, particularly among women workers in garments and textiles. This research is an attempt to better understand the poverty and human dimension of the export sectors of Bangladesh particularly for poor women workers.

Both domestic and international factors play important roles in the existing situations and future prospects for the exports of Bangladesh. At least four international realities need to be considered. These are

(a) Low growth prospects of the world economy and current trade partners of Bangladesh: The world economy in general, and major importers of Bangladeshi goods in particular, are experiencing prolonged economic downturn since 1999.

(b) Trade barriers and the phasing out of quotas: Bangladesh exports are facing increased trade barriers from the major importing countries. Under the USA Trade and Development Act, 72 LDCs have received preferential access (duty and quota free) into the US market in the case of garments. This has reduced the competitiveness of Bangladeshi garments in the US market. Other factors that are affecting Bangladesh's export are consequences of the *phasing out of the MFA* and the *accession of China into the WTO*.

(c) Terrorist Attack of the World Trade Centre: The terrorist attack on the World Trade Centre, followed by the US war on terrorism has put the US economy in particular in another round of economic downturn. A number of industries in the USA have closed down and created unemployment and the prospect of recovery is still not in sight. After September 11, the US has been moving towards a more protectionist stand. Therefore, giving preferential trade status to any country is expected to be unpopular and will be given on the basis of political considerations. There are also growing anti-Islamic sentiments particularly in the USA. Although how that is/will be reflected among the US buyers is not clear, however, a possibility of a negative impact cannot be ruled out.

And *(d) the recent US Stock Market downturn* and ongoing financial crisis in Wall Street caused by the failure of the US corporate governance in the cases of Enron, WorldCom etc. are also making the prospect for US economic growth bleaker.

With respect to the domestic situation at least three realities need to be considered. (a) *Lack of political stability*: The practices of hartal (general strikes) create uncertainty in pursuing economic activities, particularly in exports. (b) *Lack of good governance, the presence of corruption and deteriorating law and order situation:* The World Bank reported the cost of doing business in Bangladesh as one of the highest. Transparency International also rates the public sector of Bangladesh as one of the most corrupt countries in the world. Deteriorations of law and order have also added to the cost of business and hurt the image of the country. These have serious implications for exports in general and particularly in the garments sector. And (c) *Absence of proper physical and social infrastructure:* Proper physical infrastructure in terms of transportation and communication facilities, supply of power, adequate storage facilities etc. are essential for general economic expansion and also for improved export performance. The quality of human resource is also not satisfactory. Given that over the years quality of education has deteriorated, the country also lacks the supply of already skilled or trainable labour force. These have important implications for garments; export diversification; employment creation and women's empowerment.

0.2 Methodology and scope

Information was gathered through (i) a structured questionnaire-based survey; (ii) focused group discussion (FGD); (iii) interviews and consultations with various stakeholders. To achieve the two objectives stated above, the study took two approaches. To attain the first objective of assessing the magnitude of the impacts of global shocks on the export sector and for women workers of the garments and few other sector, the study has targeted four groups: (a) retrenched female garments workers; (b) currently employed female garments workers; (c) owners of closed down factories; and (d) owners of operating factories. For these groups we have conducted primary surveys, FGDs and individual consultation.

To assess the living conditions of the retrenched female workers the survey targeted only female workers who used to work in non-Export Processing Zone (EPZ) areas of the garment sector and lost theirs jobs during last 12-month period. The survey was carried out in Dhaka, and nearby areas (Saver, Gazipur and Narayanganj) and in Chittagong. The total number of sample in this category was 500 of which 400 were from Dhaka and surrounding areas and 100 were from Chittagong. To assess how employed workers are affected by global shocks, the survey targeted female workers who are currently employed in non-EPZ areas. For this category also the survey was taken in Dhaka and nearby areas (Saver, Gazipur and Narayanganj) and in Chittagong. Total numbers of the sample in this category were also 500 of which 400 were in Dhaka and 100 for Chittagong. For these categories of workers, we undertook individual consultations and FGD and participants were selected randomly from the survey sample.

To understand what kind of obstacles the exporters and the factory owners are facing, surveys and individual consultations were carried out. The survey sample included 12 closed-factory owners and 20 currently operating factory owners.

0.2.1 Sampling framework and design of the primary survey and focused group discussion

There are four sets of sample selection. Accordingly, we also have four sets of population (see Table 1.1). These are female retrenched workers from non-EPZ; female employed workers from non-export processing zone; owners of closed down factories of the non-EPZ; owners of operating factories in the non export processing zone. The surveys have attempted to capture quantitative aspects and FGD have attempted to capture non-quantifiable aspects of the impacts of global shocks.

For our purposes we have used a stratified and a combination of judgment and random sampling procedure. Our population contains several non-overlapping, mutually exclusive groups characterized by factors like location (Dhaka, Saver, Naryanganj, Gajipur and Chittagong, etc), employment status (employed and unemployed), and nature of factories (closed and operating). Within each strata sample selection was carried out randomly. In order to maximize the likelihood of observing the representative sample we have conducted a pre-survey to gather information on the most probable location of garment workers both employed and retrenched.

Table 1.1: Summary of methodology and framework for information collection

<table>
<tr><th></th><th>Instrument</th><th>Dhaka and nearby areas</th><th>Chittagong</th></tr>
<tr><td rowspan="3">Retrenched Garments Workers</td><td rowspan="2">Survey</td><td>Sample size =400</td><td>Sample Size = 100</td></tr>
<tr><td colspan="2">Sample selection: Targeted to retrenched workers Random selection from location of residence.</td></tr>
<tr><td>FGD</td><td>No of FGD: 2</td><td>No of FGD: 1</td></tr>
<tr><td rowspan="3">Employed Garments Workers</td><td rowspan="2">Survey</td><td>Sample Size =400</td><td>Sample size = 100</td></tr>
<tr><td colspan="2">Sample selection: Targeted to employed workers. Random selection from location of residence.</td></tr>
<tr><td>FGD</td><td>No of FGD: 2</td><td>No of FGD: 1</td></tr>
<tr><td rowspan="2">Closed Factory Owner</td><td rowspan="2">Survey</td><td colspan="2">Sample Size = 12</td></tr>
<tr><td colspan="2">Sample Selection: Randomly from BGME published list of closed factories.</td></tr>
<tr><td rowspan="2">Operating Factory Owner</td><td rowspan="2">Survey</td><td colspan="2">Sample size= 20</td></tr>
<tr><td colspan="2">Sample Selection: Randomly from BGME published list of factories.</td></tr>
</table>

For recently retrenched and currently employed garment-workers we have followed selection methods based on the place of residence. Most of the garment workers live in specific localities. In order to maximize the likelihood of observing the representative sample we have conducted a pre-survey to gather information on the most probable location of both employed and retrenched garments workers. After gathering information regarding the probable location of targeted respondents, we used simple rules to carry out the survey, for example surveying every fifth/tenth households in the locality. In identifying employed and retrenched workers residences we received assistance from the Garments Workers Associations (GWA).

In case of the workers, FGDs were conducted in both Dhaka and Chittagong. This FGD was carried out for both retrenched and employed garments workers. The main objective of FGD was to obtain a deeper understanding of non-quantifiable and non-financial aspects of human face of contraction of the garments sector. Selection of the participants was done on the basis of their availability and willingness. No pre-determined selection criteria were used. Most of the FGD took place during conducting questioner survey. GWAs also helped in arranging focus group discussions. The participants were forthcoming, spontaneous and candid in expressing their opinions.

To formulate a group of owners, a sample selection was made based on information provided by Bangladesh Garments Manufacturing and Exporters Association

(BGMEA). A list of closed factories is available In the most recent BGMEA directory. We randomly selected closed and open factories from that list. In randomly selecting currently operating factories no attempt was made to exclude owners of garments factories in the EPZ

The *second objective* of this study is to understand ways to manage crisis in the export sector. This includes identifying strategies in four levels: (i) coping with laid-off workers; (ii) restoring export decline of the garments; (iii) ensuring export expansion and diversification and economic growth of the domestic economy in the long run; (iv) ensuring employment creation especially for women. In identifying coping mechanisms informal discussions and consultations took place with the government officials; trade union leaders; members of civil society and NGOs, and representatives of international development agencies.

0.2.2 Scope of the Study

In identifying the scope of the study we have adopted two approaches. The study mainly looks at the garments sector by assessing impacts of global events on unemployment, poverty, social status and empowerment of women in the export sector. In terms of identifying coping strategies the scope of the study should be wider. In this respect the study addresses the future of export prospects in garments as well as other activities.

Limitations: The most important limitation of the study is the small sample size for the garments factory owners particularly of closed garments factories. We encountered problems with sampling. For random sample selection, we used a list of garments factories -closed and open- provided by the BGMEA. The list of the closed factory owners was somewhat deceptive. It included many factories that were close three four years ago or longer, and also some that have been reopened. We had two separate questionnaires, thus some of the closed factory owners who had re-opened received the wrong questionnaire and could not provide relevant information.

It is also worth noting that, in most cases, owners were reluctant to fill in the questionnaires and/or give time for consultation. Almost everybody declined to provide information about the value of output, exports, size of the wage bills etc. Thus from the survey no meaningful estimation of the magnitude of exports and unemployment decline could be made. The sample size was too small for both currently open and closed garment factories to make statistically sound analysis. However, on the basis of the discussions with the owners and information provided in questionnaires one can get a picture about the realities that the garments owners are faced with.

The study also attempted to identify owners of businesses affiliated with garments activities – that is the linkage industries. In this respect also it was not possible to consult with owners of these businesses because although some of them were identified they were not willing to give their time. Also in the case of consultations with non-garments exporters similar experiences were encountered. However, with help of the Export Promotion Bureau of Bangladesh and our efforts we were able to carry out satisfactory consultations.

0.3 Structure of the Report

This paper is divided into seven chapters including this introductory Chapter. Following this introduction, Chapter 1 puts forward a general discussion on issues related to globalization, employment, poverty and women's empowerment. Chapter 2 provides an account of the state of the economy, employment, importance of the garments sector, and international and domestic export environment in Bangladesh. On the basis of the findings of the owners' survey and consultations, Chapter 3 attempts to capture dimensions of the problems faced by exporters, particularly the owners of garments factories because of deceleration. Chapter 4 provides the findings of the survey, which attempted to capture dimensions of the problems faced by the women workers of the garments sectors due to the deceleration in the export sector.

Chapter 5 provides coping strategies for retrenched workers, particularly ensuring women's employments and their economic and social empowerment at various level and roles of different stakeholders in developing and executing these strategies. Finally Chapter 6 provides opinions, based on comments from the various stakeholders, on how to manage the current crisis in the garments sector and various coping strategies for the future in export diversification

Chapter 1

Globalization, Employment, Poverty and Empowerment of Women

Globalization implies more than the opening up of an economy for exports and imports of goods and services. The various aspects of globalization are international trade; inflow of foreign investors' and donors' funds through the private, government and non-government organizations; inflow of information through satellite, and Internet; access to information technology; and international movement of labour etc. The globalization process has been driven by the interaction of a number of factors such as declining self-created barriers, sharp falls in the cost of transportation and communication, fragmentation and separation of the production process and economic growth (D. Greenway and D Nelson, 2000). This discussion of empowerment of women and globalization issues would mainly pay attention to international trade, the labour market, employment and poverty issues. In addressing poverty issues the focus would be mainly on income poverty.

1.1 An Analytical Framework: Globalization and Employment

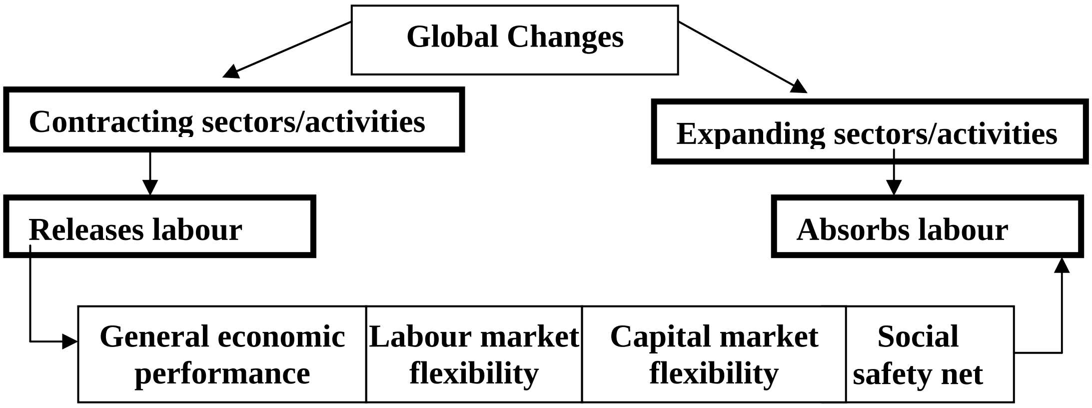
A theoretical framework, for explaining the linkages between globalization, labour market and employment issues is essential for explaining the current situation faced by Bangladesh. Globalization, employment and poverty issues have to be understood in the context of the situation in the over-all domestic economy, economic growth performance and the conditions of the labour markets. The most profound consequence of the globalization process is that individual economies have become more linked up and interdependent. This implies that any shock in one economy could be transmitted rapidly to others. This requires economies to be able to adjust quickly to absorb any external shocks. Whenever there are any changes in the global situation it requires individual economies to move from the current equilibrium to a new one. If the economies are not in equilibrium, it still requires economies to adjust to the new situation.

In cases of shocks, adjustments required by individual economies however, are not costless (C. Davidson and S. J. Matusz, 2000). This adjustment requires flexibility of prices (wage) and factors, especially labour mobility across sectors and geographical locations. For example, if demand for exports declines, adjustment can take place in the form of (a) contractions in the existing export and linked activities, (b) expansion of new export activities and non-export activities and/or (c) declines in the prices of exports if volumes of exports are to be maintained.

The first adjustment would lead to economic contractions in the existing export activities and would therefore create unemployment in those activities (See Flowchart 1.1). The nature and the magnitude of this unemployment will depend on the *general economic performance* in the non-export sector, whether stagnant, contracting or expanding, diversity in the economy, expansion of exports of new products, the characteristics of the displaced workers etc. The unemployment shock can be absorbed with relative ease if the non-export and new export activities are expanding; expanding activities are labour-intensive; and demand workers with skills and capacities similar to those who are laid-off; wages are downward flexible; the work force is mobile; effective safety net measures are available; and labour unions are strong and labour practices are fair.

Flowchart- 1.1

Labour Market in global shocks



Labour market: Flexibility in the labour market is essential for absorbing global shocks. This market flexibility requires physical mobility, skill transferability, wage flexibility, social safety nets etc. In terms of wage flexibility, one needs to pay attention to the fact that if the wages are already low and close to subsistence level then further lowering of wages may create 'working poor'. Labour market institutions such as unions' strength, unemployment benefits etc. are important factors in ensuring flexibility in the labour market.

Capital Market: Flexibility in the capital market is also necessary for this inter-sectoral reallocation to take place. If non-export activities expand or if the country can switch to new exports at a fast rate because new investments are taking place, movement of workers would not create any major problems even in the absence of social safety nets (*Horton, Kanbur and Mazumder, 1994*). However, capital is intrinsically sector specific, once installed. For example, machines from garments industries cannot be used in food processing factories. Therefore, the process of capital reallocation takes place through redirection of new investment into expanding sectors. For this new investment to take place one needs funds – savings or credit in a well-functioning financial market. Both are often not readily available particularly in developing countries.

One also observes that when new investment takes place there is a tendency to buy high tech machineries, which are relatively less labour-intensive. The presence of strong unions can lead to an upward shift in the labour demand curve because of wage mark up by the unions. This may lead to capital-intensive production, increasing productivity but at the cost of the creation of few jobs. It is in fact possible for employment to decline even when an economy is growing (*Debashush Bhattacherjee, 1999*).

Safety Net: The nature of safety nets plays an important role in absorbing the impacts of unemplyment caused by global shocks, especially, in the absence of personal savings, and in the presence of the prospect of long term unemplyment. In the presence of a genereous social safety net in terms of unemplyment benefits and family allowances, child allowances etc., it is easier for workers to deal with the prospect of being unemployed. Second, if workers receive severence packages it gives them the time and opportunities to find new income earning activity and prevent them and their families from falling into poverty. *Collective bargaining power and labour practices* is also an important factor in mitigating the negative impacts on the unemployed. In many cases workers are laid off without any consultation or notice. Workers have no bargaining power in making a deal with the owners for smooth closing down of factories.

On the basis of various discussions in the literature one can categorize labour concerns due to globalisation in three areas (a) employment, wages and salaries and standard of living; (b) safety net during unemployment; and (c) collective bergaining power of the workers in industrial relations.

1.2 Poverty, Employment, and Empowerment of Women: General Issues

Given the above framework for globalisation and employment linkages, what is the relevance of poverty and empowerment issues, particularly for women? In this respect one needs to pay attention to three issues. First, poverty and disparities (both social and economic) against women are undesirable. Secondly, it is difficult, if not impossible, to reduce poverty without reducing disparities against women. And thirdly, creating job opportunities for women is considered necessary for their empowerment and reduction of poverty and disparities.

The linkage between poverty reduction and employment creation is rather obvious. However, incorporation of a gender dimension is necessary because (i) a large number of women are poor (mainly the poor single headed households). (b) Women are more vulnerable of becoming poor (in the absence of an adult man because of death, divorce and abandonment). (c) Once in poverty women face greater difficulties in overcoming poverty because of lack of access to resources such as land, other properties, education, skill etc. (d) Women also face different constraints where they have less time for pursuing income generating activities because of their socially determined roles and responsibilities of managing households and caring for sick, children and elderly. (e) Women are subject to institutional biases (such as lesser property rights, labour market discriminations, less access in the market) and are subject to social constraints such as lack of mobility etc.

In terms of poverty reduction, women's participation in the labour market, particularly in the formal labour market: (i) enable women to contribute to family income. Given the low level of wages in the developing countries double income is essential to move beyond and remain above poverty level; (ii) reduces dependency on male income and therefore reduces vulnerability to becoming poor; (iii) increases ownership of economic resources such as savings and property, etc. *In terms of empowerment* women's participation in income generation particularly in the formal sector: (i) gives them a better status within the family, community and society and reduces the possibility of domestic violence taking place against women; (ii) ensures equitable access to household resources (nutrition and general well-being), larger investment on their human capital (health and education); (iii) draws attention to women's needs for transportation, communication, safety and other amenities etc.; (iv) draws attention at the policy level to women needs for education and health, as they become part of income generation activities; (v) draws attention to problems of women in the workforce and in public space.

In terms of globalisation and empowerment of women, in many cases there has been feminisation of the workforce (as indicated is studies by Elson and Pearson 1997, Standing 1999, Joekes 1995 etc.. Feminisation implies that although women's employment has increased in the formal labour markets, however they are employed mainly as unskilled workers with very little scope for upward motility and women's wages in these activities are less than their male counterparts. In this argument one needs to remember that in the absence of globalisation these women would remain in the lower paid informal sector and below poverty level. In the case of wage differential between male and female workers it is rather a reflection of existing gender disparity than something caused by globalisation. Thus in many countries, one observes gender based wage discrimination.

Women in the labour market: Women's participation in the formal labour market is increasing all over the world. However, because of globalisation many less developed countries embarked on export activities, which required inexpensive labour and created employment particularly for unskilled women workers. Women's participation in the labour market, particularly in export-oriented activities, would also make them susceptible to global changes. One needs to examine the relevant labour market issues in terms of flexibility.

Flexibility (sector and location): It is argued that because of various biases in the society, women encounter less scope of mobility (both from one sector to another and also from one location to another). There are various factors that contribute to inflexibility (Paul Collier, 1989) among women workers:

- ♦ Girls' and women's access to education and skill is limited and this makes women less trainable in case they need to switch jobs from one industry to another.
- ♦ Women face greater difficulties in changing socially determined roles and responsibilities.
- ♦ Social practices causes gender-based differentials in wages, access to credit, and other resources, which are not based on economic considerations.
- ♦ The 'burden of reproduction' demands women's health and time and limit women's labour force participation and location mobility.
- ♦ Women's roles in the household make it difficult for women to be mobile.
- ♦ Lack of safety and security also contribute to immobility.
- ♦ Social biases against women, in many cultures, to live alone without family, contribute to their immobility.
- ♦ Lack of availability of information, gender bias in provisioning of public services, and imitation of gender specific models also affect mobility of labour.

Thus although women face greater obstacles towards being flexible compared to their male counter parts, globalisation may place greater demand for mobility on women.

Flexibility (wages): Gender based wage discrimination is prevalent in all countries. Wage discrimination implies that women get lower wages than men for similar jobs. Women workers are in many cases relatively newer entrants into the workforce, are relatively less unionized, usually come from socially and economically vulnerable positions; and do not have strong bargaining powers at work. In these circumstances they are not in a strong position to resist downward wage pressure.

How do global shocks are affecting the economic conditions and social status of women workers depend on the economy-specific situation with respect to the above-mentioned factors? Social status and flexibility of women in general would determine their economic status and market flexibility and vice versa. Given that women in general face greater obstacles and discriminations they are often subject to greater hardship in terms of income, empowerment etc. caused by negative global shocks. These obstacles and discriminations also make it difficult for them to deal with negative shocks of globalisation.

1.3 Poverty, Employment, and Empowerment of Women: Bangladesh Context

Poverty has remained an all-pervasive feature of Bangladesh, as about sixty five million people are still living below the poverty line. The Government of Bangladesh is in the process of preparing its National Strategy for Economic Growth and Poverty Reduction. Thus all development plans of Bangladesh have attached priority to poverty reduction as one of the major targets. This poverty strategy will factor in women's poverty and in this respect women's economic participation particularly in the labour market and overall issues of their empowerment.

The Bangladesh poverty profile indicates that the number of women below the poverty line is not overwhelmingly larger than men, as observed in some African and Latin American countries. However, several data sources suggest that there is 'feminisation of poverty' in Bangladesh. First, various micro studies indicate that 'hard-core' poor are largely women. Secondly, women are more susceptible to becoming poor in case they lose the male earning member of the family due to abandonment, divorce, or death. About 80 percent of the female-headed households are poor. The fact that the women's share in the national wage bill is only about 2 percent is also a case in point. Thirdly, they face legal, institutional and social barriers in accessing economic assets and public facilities including health and education. Women also have a lower level of skills, which is reflected in women's higher participation in the informal activities. These make it much harder for women to contribute to overcoming poverty both at the family and personal levels. Thus, towards reducing poverty, women's empowerment issues and creating employment and economic opportunities have to be addressed.

1.3.1 Women's empowerment issues in Bangladesh[1]

Women's empowerment in Bangladesh needs to be understood in the context of their social position. Women in Bangladesh are disadvantaged and dis-empowered in all aspects of life and across all social and economic classes. They are disadvantaged and dis-empowered in terms of their position within the family, in social life, legal systems and institutions, human capacity, economic participation and politics.

Disempowerment of women within the family and in the society is reflected in their subordinate status where they lack opportunity of self-determination; experience confinement within the home, and lack mobility in the public space. Women's early marriage (average marriage age for women is 20.2 and for men is 27.6 years), practice of dowry (although illegal), weak social and legal protection in the event of breakups of marriages, and high level of social vulnerability (losing honour), high number of divorce and abandonment (15 percent of all rural households are female head), presence of prostitution etc. show discriminations against women. However, the worst social discrimination takes place in the form of violence against women both at home and in public places. The numbers of women victims of rape, acid attacks, assault and murder have risen by nearly four times during 1995-97 and the trend is rising alarmingly, making women liabilities to their families and to the society.

Social disempowerment of the women of Bangladesh is exacerbated by discrimination against women in the application of laws, institutional framework and political participation. Laws regarding marriage, divorce, custody of children and

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[1] This section is based on a report prepared by *Kaniz Siddique (2002)* for the Ministry of Women's and Children's Affairs, of the Government of Bangladesh.

inheritance are discriminatory against women. Lack of uniformity in family laws is another source of discrimination where women from different religions are subject to their own religious laws. Women face discrimination in matters related to citizenship laws. Various institutions such as courts, police stations are reputed to be inaccessible, unfriendly and even unsafe to women. Women political voice is weak; their involvement in the political-decision making is insignificant and they are not able to pursue their concerns at local and/or national levels.

Socio-cultural factors and women's limited roles in income earning activities limit both private and public investment in women towards building their capacities and also addressing needs of women. This is reflected particularly in terms of women's access to health, education and training facilities, transportation facilities and assurance of women's safety etc. In health, crude death rate is 5.3 for female and 5.0 for male. Women's life expectancy at birth is 3 years less than men. Women have higher morbidity and mortality rates at all age groups; however household expenditure on women's health (47.7 percent) is less than men (52.4 percent). In education, the literacy rate for women is 58.7 percent and for men 61.7 percent in 1998. At all levels of education in secondary level the dropout rates are higher for girls than boys. At the tertiary level, 29.0 percent of women, and 80.0 percent of men are in science education. Household expenditure on education for women is 40 percent as opposed to 60 percent for men.

Women participation in the labour market is low although this participation is on the rise. According to 1999-00 labour force survey (LFS, 2002), there is 53.5 million civilian labour forces of which 20.1 are female. Among these 19.4 million women are employed and 0.7 million are unemployed. The structure of employment indicates that 73.3 percent of the females employed are unpaid family workers; 11.0 percent are self-employed; 7.4 percent are casual workers and 8.4 percent are regular fulltime wage-employed. Women's opportunities to undertake businesses are also limited, as they own very little economic resources. Thus in the case of land property, women own 2-3 percent of land property. In case of credit, women's share in formal credit from Banks is 1 percent.

1.3.2 Globalisation and women's Empowerment in Bangladesh

In the backdrop of the above-mentioned social and economic status of women, globalisation has created new opportunities for Bangladesh. In the early 80's, globalisation and the world trade environment created export opportunities for Bangladesh and created job opportunities for women in the manufacturing sector, particularly in the export-oriented activities. Almost all the wage earning women workers are engaged in the garments industries and constitute more than 80 percent of the total employed in garments.

Employment opportunity in the garment industry caused a large number of women to migrate from the rural to the urban areas (*Rita Afsar, 2001*). In a survey (*Zohir and Paul-Majumdar, 1996*) showed that about 69 percent of the women workers are of rural origin. The fact that these women were able to negotiate with their families to migrate to the urban areas itself was a step towards their empowerment. Most of the women had to withstand various social stigmas of being so-called bad women by moving in the urban areas, working in factories etc. However, many single and also married women migrated to urban areas with support from the families. Women moved in the urban areas found accommodations as social institutions developed. Some boarder living with a family, female messes, NGO run hostels and private housing facilities for female workers etc. have developed since then.

Many of the women who entered in the garment industry were first-time employees and wage earners. A study (*Salma Zohir, 2001*) indicated that previous to employment in the garments 50 percent of the women workers were engaged in unpaid household work and about 96 percent of the female workers in the EPZ were first-time wage earners. These women remit money to their families in the rural areas and also substantially contribute to their immediate families. They are not only contributing to the family well being. Many have also become the primary earners. These women are contributing to the education of their own children as well as to the education of the younger siblings and other members of the family.

Income generating role of the women also added to other dimensions of their empowerments particularly in terms of greater control over their own income and greater role in family decision-making. These women are going out on their own, making decisions about purchases and expenditures. These also indicate that women are gaining more authority in household decisions. Women's position in the family varies with level of their income. Those women who are main earning member are more empowered (*Salma Zohir, 2001*). The same study also shows that for many of the married women marital relationships have improved, and threats of divorce and physical violence have decreased. Wage employments have also made women more aware about their fertility and family planning. For the unmarried workers in general the prospects of marriage have improved, they have gained more say on their marriage decision with respect to whom and at what age to get married. Some improvements in social services and infrastructures also took place because of their participation in the labour forces. Government has introduced women's bus connecting many of the large garment worker's living areas to the factory areas. Some of the big factories provide education facilities for the children; child care centres etc for their women workers in the factory premise.

In one area women workers remain rather dis-empowered i.e in case of labour relations (S.I. Khan 2001). In case of women workers' empowerment in terms of labour relation remains much to be desired. Garment factories are always kept non-unionized including in-house unions. Absence of union activities was caused firstly because the women workers are not politicized and secondly, the owners are able to successfully use the threat of firing the workers in case they engage in union Activities.

In general, on can conclude that women in the garment industry are better off compared to their pre-garment days. These gains are in many aspects of their own lives and in the lives of people around them. Although there are a large number of problems faced by these workers in terms of their status at work and in family, however work opportunities provided them with the platform to move forward.

Export expansion in the past, created opportunities for women and at the same time women workers are vital for the garments sector. However, their participations in export activities also make them susceptible to global changes. In the face of the current global reality Bangladesh's exports of garments have decreased and the garment sector has to restructure. In absorbing this reality the burden of adjustment has fallen on poor women workers of Bangladesh. These women are highly susceptible to the volatility of the changes in the global economy. These realities need to be factored into formulating a future course of actions to alleviate the burden of adjustments as it falls on the poor women of Bangladesh.

Chapter 2

State of the Economy, Employment and Export Environment in Bangladesh

This chapter provides an account of first, the general state of the economy of Bangladesh and the overall export situation; second, labour market and employment situations; third, export and employment performance of the garments sector; fourth, the international trade environment for the expansion of Bangladesh's exports and finally, the domestic environment for the expansion of Bangladesh's exports. These provide the backdrop for understanding poverty, employment, and women's empowerment issues.

2.1 Growth and Export Performance of Bangladesh

The current depressed export performance of Bangladesh and unemployment in export sectors needs to be understood in the context of the overall economic condition of the domestic and international economies. The overall growth performance during last five years has been moderate. During this period the economy has been growing at a modest rate, on an average between 4.8 to 5.9 percent.

Export growth (in dollar value) during the same period varied from approximately -7.4 percent to 17 percent (see table 2.1). In year 2001-02 the share of export to GDP was 11.4 percent and export growth was -7.4 percent. Thus the contribution of export to GDP was -0.85 percent and the contribution of non-export to GDP growth was 5.65 per cent. During last ten years, for the first time Bangladesh economy experienced export decline. Compared with the year 2000-01, the share of exports to GDP was about 12.8 percent. For this period the export growth rate was 12.5 percent, contributing to 1.57 percent of the GDP growth rate of 5.2 percent for that period. On the other hand the non-export sector (87.2 percent of GDP) has contributed to 3.4 percent of the GDP growth. The robust growth began to slowdown as recession strengthened its impacts of the economies of other trading partners.

Table-2.1: Economic Indicators

	1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**	**2001-02**
GDP (in Crore TK)	180,107	200,177	219,697	237,086	252,354	271,414
Export (in Mil US$)	4418.3	5161.2	5312.9	5752.2	6467.3	5752.2
GDP Growth	5.39%	5.23%	4.87%	5.94%	5.16%	4.8%
Export Growth	13.32%	17.16%	2.97%	8.32%	12.47%	-7.44%

Source: Bangladesh Bank

2.1.1 Export Performance of Bangladesh

Export performance of Bangladesh by broad category shows (Table 2.2) that in 2001-02 export in all product categories declined except for jute. Jute sector grew at a rate of 5.6 percent. The worst export decline took place in chemical product (about 26 percent) followed by frozen food products (about 24 percent). Drawing attention to the garment sector the data indicates that smallest decline took place in ready-made garments (about 6 percent). This is the first time, since 1983 export in this category experienced a decline.

Table 2.2: Export Growth by broad categories of commodity

	1998-99	1999-00	2000-01	2001-02
RMG	6.25%	8.18%	11.75%	-5.68%
Frozen food	-6.64%	25.40%	5.59%	-24.02%
Tea	-18.77%	-53.32%	19.89%	-21.22%
Raw Jute	-33.42%	0.35%	-6.69%	-9.20%
Chemical Products	-8.19%	11.55%	9.86%	-25.95%
Jute Goods	7.28%	-12.89%	-12.89%	5.63%
Leather	-11.57%	15.91%	30.22%	-18.48%
Others	-3.42%	19.27%	33.16%	-8.91%

Source: Export Promotion Bureau

2.1.2 Export Structure of Bangladesh

The current export structure as presented in Table 2.3 indicates that the structure of exports is narrow. The export structure remained narrow for a long time. For the years 2001-02 the garments sector, which includes ready-made garments and knitwear, constituted 75.05 percent of total exports. Other export items and their share in total exports are raw jute (1.05 percent), jute goods (3.54 percent), tea (0.34 percent), leather (3.92 percent), frozen shrimps and fish (5.61 percent), naphtha and furnace oil (0.15 percent), fertilizer (1.05 percent) and other products (9.31 percent). During the last six years there has been very little change in the structure of exports.

Table 2.3: Commodity Export Structure of Bangladesh

	1993-94	1997-98	1998-99	1999-00	2000-01	2001-02
RMG	61.40%	73.31%	75.67%	75.53%	75.15%	76.58%
Frozen food	8.31%	5.69%	5.16%	5.97%	5.62%	4.61%
Tea	1.51%	0.92%	0.73%	0.31%	0.33%	0.28%
Raw Jute	2.25%	2.09%	1.35%	1.25%	1.04%	1.02%
Chemical Products	2.64%	1.35%	1.20%	1.24%	1.21%	0.97%
Jute Goods	11.20%	5.45%	5.68%	4.57%	3.54%	4.04%
Leather	6.64%	3.69%	3.17%	3.39%	3.93%	3.46%
Others	6.06%	7.50%	7.04%	7.75%	9.18%	9.04%

Source: Export Promotion Bureau, 2000-01

2.2 Labour market, Labour Force and Employment Performances

There are, at least, three types of labour markets in Bangladesh. These are rural informal, urban informal and urban formal labour markets. Division across gender lines also exists in these labour markets. Like most of the developing countries the characteristics of the labour market in Bangladesh exhibits the absence of a smooth functioning of the labour markets. A majority of the workers are unaffected by the labour regulations. Some of the characteristics of the labour market of Bangladesh are as follows:

Wages differential and wage flexibility: In the informal labour markets both in the urban and the rural areas markets determine the wages, whereas, the labour laws determine wages in the formal sector. The government through the Wage Commissions determines wages and benefits in the public sector. The wage and benefit practices in the public sector have strong influences on the wages and benefits in the formal private sector. In terms of wage flexibility there are downward wage rigidities particularly in the formal sectors.

These downward wage rigidities are mostly prevalent in the public sectors. The wage differential between private and public sector is also noticeable. An unskilled public sector worker earns three times more than a similar unskilled worker in remote rural areas. A daily labourer in construction work earns 22 percent less than an unskilled worker in the public sector. Geographical locations also determine wage differences, which can be up to 156 percent (The World Bank, 1996).

Labour laws: The formal labour market is characterized by contractual employer employee relationships and is governed by labour laws and regulations. A number of laws (International Labour Organisation, 1996) are currently regulating (a) the working conditions of workers employed in factories, shops and establishments, transport organisations and tea plantations covering working hours, health and hygiene safety and welfare; (b) service conditions - leaves, holidays, disciplinary matters, grievances, service records; (c) wages, implementation of the wage commission's recommendations and determination of minimum wages for some industries; (d) compensations to workers in cases of accidents and childbirth; and (e) industrial relations - unions, strikes, lockouts, relations between employers and employees, dispute resolution.

Workers' safety net: The safety nets (A.A Khan, 1995) available to workers during employment are: compensation to a worker for personal injury caused by an accident during work; maternity leave for six weeks before and after childbirth for female employees; compensation for loss caused by accidental death of workers; right to be treated as retired for purposes of the scheme at any point in time upon becoming permanently disabled while in the service. Workers are also entitled to retirement benefits after attaining the retirement age as may be stipulated in the contract of employment or under any applicable law. Workers may be retrenched, however with some financial compensation. In the private sector a redundant worker gets one month's notice and 30 days of wages for each year of service. In the public sector a retrenched worker gets 60 days of wages for each year's work. In cases of termination, workers receive a lump-sum over and above provident funds to which the employer contributes 8.3 percent of the base salary. However, labour laws do not include any provision of unemployment benefits under a social security umbrella.

Industrial relations: Under the current labour laws workers are allowed the freedom of association and, the right of collective bargaining, and the right to strike. The employers are allowed to lockout. Bangladesh has a large number of unions that are linked to political parties but represent only a small fraction of the labour force. The unions represent about 3 percent of the labour force or one-third of the labour in the formal sector. These unions are often fragmented, characterized by inter-union rivalry, and infighting within the unions.

2.2.1 Labour force and employment

The civilian labour force (age 15 and above) in Bangladesh has increased nearly 17.8 percent from 45.4 million to 53.5 million between the 1990 and 1999 LFS periods (Table 2.4). This implies that on an average about 0.9 million people enter the labour market annually in Bangladesh. During this period the female labour force increased by 11.1 percent and the male labour force increased almost by 22.3 percent. In the urban area, these growth rates have been 23.5 percent, 47.4 percent for female and 16.1 percent for male. In the rural areas these growth rates have been 16.6 percent, 6.2 percent for female, and 24.6 percent for male. Women's participation in the labour market has been increasing over the years. Various changes in the rural life, economic expansion in certain activities of the economy, migration of males to the urban areas and abroad etc. have created the need and opportunities for women's increased participation in the labour market as wage earners.

Table 2.4: Civilian Labour Force (15 years+) by Sex and Location (in million)

	National			**Urban**			**Rural**		
LFS year	Total	Female	Male	Total	Female	Male	Total	Female	Male
1990-91	45.4	18.1	27.3	8.7	1.9	6.2	37.3	16.2	21.1
1995-96	50.3	19	31.3	9.2	2.4	6.8	41.2	16.7	24.5
1999-00	53.5	20.1	32.4	10	2.8	7.2	43.5	17.2	26.3

Source: Labour Force Survey 2002. Bangladesh Bureau of Statistics

During 1990-99 periods, the employment performance has been moderate. Employment has increased at an annual average rate of 1.8 percent during this period. This indicates a very low employment-GDP elasticity of about 0.34 (1.0 percent increase in growth is associated with 0.34 percent growth in employment). Employment growth for the female workers was 1.1 percent and for male workers was 2.2 percent per annum. In the urban areas employment growth was 2.3 percent with 5.6 percent for female workers and 1.3 percent for male workers per annum. In the rural areas employment growth was 1.7 percent, where for the female worker it was 0.5 percent and for male workers it was 2.6 percent per annum.

The current structure of employment according to the 1999-2000 LFS indicates (see Table-2.5) that, 33.8 percent of the employed are unpaid family workers; 35.1 percent are self-employed; 18.3 percent are casual workers and 12.8 percent are regular fulltime wage-employed. Gender decomposition indicates that that 73.3 percent of the females employed are unpaid family workers; 11.0 percent are self-employed; 7.4 percent are casual workers and 8.4 percent are regular fulltime wage-employed. Whereas for 10.1 percent of employed males are unpaid family workers; 49.6 percent are self-employed; 24.9 percent are casual workers and 15.5 percent are wage employed.

Table 2.5: Structure of Employment by Status (figures in percentage)

	Total	**Female**	**Male**
Unpaid family workers	33.8	73.3	10.1
Self-Employed	35.1	11.0	49.6
Casual workers	18.3	7.4	24.9
Wage employed	12.8	8.4	15.5

Source: Labour Force Survey 2002, Bangladesh Bureau of Statistics

A sectoral distribution of employment shows (*see Table-2.6*) that 62.2 percent of the employment is in agriculture; 0.6 percent in mining and quarrying; 7.3 percent in manufacturing; 27.9 percent in services and 2.2 percent in construction. Gender decomposition indicates that 76.9 percent of women are employed in agriculture; 1.0 percent in mining and quarrying; 7.4 percent in manufacturing; 14.2 percent in services and 0.5 percent in construction. For employed males, 53.3 percent are in agriculture; 0.3 percent in mining and quarrying; 7.3 percent in manufacturing; 36.0 percent in services and 3.1 percent in construction.

About 8.4 percent of the total women are employed in industrial sector of which about 7.4 percent is employed in the manufacturing sector. Women in industry constitute about 31.7 percent of the total employed in this sector and in manufacturing women constitute about 38.6 percent of the total employed in manufacturing. This indicates that women also play an important role in industry and particularly in manufacturing, particularly in the garments sector.

Table 2.6: Structure of Employment by Sector (figures in percentage)

	Total	Female	Male
Agriculture	62.2	76.9	53.3
Mining and Quarrying	0.6	1.0	0.3
Manufacturing	7.3	7.4	7.3
Service	27.9	14.2	36.0
Construction	2.1	0.5	3.1

Source: Labour Force Survey 2002. Bangladesh Bureau of Statistics

A breakdown of women's employment as shares of total employment for some industries is provided in Table 2.7.

Table 2.7: Women's Employment as a Share of Total Employment (selected Industries)

Code	Industry	85/86	90/91	95/96
311	Food Manufacturing	1.15	8.49	8.22
321	Textiles	0.65	1.87	3.24
3216	Handloom	2.27	1.91	7.13
3225	Rope & Twine	-	25.58	38.37
3223	Man. Of Knitwear	-	-	10.3
322	Man. Of Textiles	1.02	5.56	11.35
323	Wearing Apparel	67.98	70.47	66.05
324	Leather & Leather Products	-	0.18	0.10
3251	Leather Footwear	-	-	8.2
327	Embroidery	-	98.90	-
3318	Bamboo & Cane Products	-	73.02	-
351	Drugs & Pharmaceuticals	6.59	7.71	5.99
353	Matches Manufacturing	2.93	1.83	3.46
361	China & Clay Ware	1.02	1.63	3.37
369	Non-Metallic Products	1.19	1.25	0.19
3847	Electronic Spares	-	17.56	-
384	Electrical Machinery	2.68	2.12	1.01
391	Handmade Decorative Products	-	48.98	-
	All Industries	3.04	15.72	29.96

Source: CMI various years; Bangladesh Bureau of Statistics.

Total women's employment in manufacturing shows a substantial increase from 15.3 percent of total manufacturing employment in 1991-92 to around 30.0 percent in 1995-96. Garments, electronic spares, footwear, drugs and pharmaceuticals appear to be important non-traditional industries that employ women. In the case of traditional activities, rice milling and handlooms women's employment shares have always been high and continue to be important. This industry related information on women's shares in total employment also gives indications to the prospects for women's employment as various sub-sectors grow.

A comparison of growth in women's employment rates as indicated by CMI with export growth in the same classification would have been useful indication to see industry's employment performance and its linkage with export performance. However, such comparison may not be meaningful given that commodity classifications in CMI and in commodity classification in trade are not comparable. However, a cursory observation indicates that in activities where women employment has increased over the years or is relatively higher they are either established export activities of emerging export activities. This shows that export diversification has the potential for creating new employment opportunities for women in the formal labour market.

2.2.2 Unemployment in Bangladesh

Bangladesh experiences insignificant problems with respect to open unemployment. According to the 2002 LFS the estimated open unemployment rate (Table 2.8) is only 4.3 percent. However the open unemployment rate is higher for women. This unemployment rate is 7.8 percent among women and 3.4 percent among men. In urban rural comparison one sees that in the rural areas the open unemployment rate is higher among females (7.6 percent) than among males (2.9 percent), whereas in the urban areas the unemployment rate among males is higher (8.3 percent) compared to the unemployment rate among females (3.9 percent).

Table 2.8: Rate of Unemployment

	Total	***Female***	***Male***
Open Unemployment			
National	4.3	7.8	3.4
Urban	7.8	3.9	8.3
Rural	3.9	7.6	2.9
Underemployment			
National	16.6	52.8	7.4
Urban	12.2	38.2	4.7
Rural	17.8	57.7	8.1

Source: Labour Force Survey 2002. Bangladesh Bureau of Statistics

One of the striking characteristics of the labour market of Bangladesh is that there is a high level of underemployment although there is low rate of open unemployment. This implies that a large number of workers are inadequately utilised or underemployed. The 2002 LFS, estimated that rate of underemployment is 16.6 percent, where this rate is 12.2 percent in the urban areas and 17.8 percent in the rural areas. The rate of underemployment is significantly higher among women (52.8 percent) compared to men (7.4 percent).

2.3 Export and Employment Performance of the Garments Sector

The main contribution to export growth comes from the ready-made garment industry in Bangladesh. It also employs a large numbers of labour and most of them are women. This is discussed in details in this section.

2.3.1 Exports in the RMG

During the early 80's Bangladesh was given so-called quota-free status and since then garments activates started to expand. In 1983-84, the export of garments, as a share of total exports, was only 3.9 percent and is 76.6 percent in 2001-02. In the ready-made garments sector, knitwear is increasingly becoming an important component (See Table 2.9). In 2001-02 knitwear exports accounted for about 32.4 percent of garments exports and the rest of the 44.2 percent accounts for ready-made apparels. This also shows that exports from Bangladesh have a narrow basis, which makes exports and the economy vulnerable to global changes.

Table 2.9: Total and RMG Exports

Year	Total Exports (in mil US$)	Export of RMG (in mil US$)	Export of RMG (in vol)	(knit %)	RMG as a % of Total Export
1995-96	3882.42	2547.13	72.00	-	65.61
1996-97	4441.28	3001.25	80.99	-	67.93
1997-98	5161.2	3781.94	98.19	(25.40)	73.28
1998-99	5312.86	4019.98	101.45	(28.13)	75.67
1999-00	5752.19	4352.39	111.02	(30.02)	75.66
2000-01	6467.50	4859.82	124.02	(30.77)	75.14
2001-02	5986.09	4583.75	140.44	(32.42)	76.57

Source: Export Promotion Bureau of Bangladesh 2000-01, and BGMEA

Exports in terms of dollar value declined at the rate of 7.6 percent between 2000-01 and 2001-02. However, the volume of garments indicates that there has been an increase in exports from 124.02 to 140.44, indicating a growth of 0.9 percent. During this period exports of ready-made apparels, in dollar terms, also declined by 5.7 percent, and exports of knitwear declined at the rate of 2.4 percent. This indicates that the world events had a greater adverse impact of ready-made than knitwear activities. From these data one can conclude that in the face of adverse world economic conditions, Bangladesh garments exporters were able to increase the volume of exports, however this was at the expense of reductions in average prices of garments products.

2.3.2 Employment in the RMG

According to BGMEA, the garments sector currently employs more than 1.8 million workers (see Table 2.10), compared to 1.2 million six years ago. Thus the annual growth rate of employment in this sector has been about 8 percent per annum. As the exports increased so did the employment. Thus, currently this sector employs about 48.0 percent of all the workers employed in the manufacturing sector.

Women’s employment share in this sector as indicated in the national statistics of the CMI is about 66 percent. However, according to BGMEA, currently about 1.44 million women workers compared to 1.08 million women workers in 1994-95 are employed in the garments (both ready-made and knitwear). This implies that women’s employment, as a share of total employment is 80 percent in this sector. Starting form 1994-95 this share has remained at 90 percent, however the most recent data of BGMEA indicates a decline in this share to 80 percent. This could be explained due to the fact that during the recent deceleration ready-made garments was affected more adversely, therefore, causing greater retrenchment of women workers.

Table 2.10: Employment in Garment Sector 1994-2002

Years	Total (in thousands)	Female (in thousands)	Male (in thousands)	Women as % of total Emp.
1994-95	1,200	1,080	120	90
1995-96	1,294	1,165	129	90
1996-97	1,398	1,258	140	90
1997-98	1,500	1,350	150	90
1998-99	1,500	1,350	160	90
1999-00	1,600	1,440	160	90
2000-01	1,800	1,440	360	80
2001-02	1,800	1,440	360	80

Source: BGMEA.

However, BGMEA data does not indicate any decline in employment in the garments sector. This raises questions about the reliability of their employment data. On the other hand from macro data one sees increases in export volumes. If one assumes that in the absence of any sector-wide technological improvement the ratio between output (exports) and labour would remain the same, increases in the volume of exports are inconsistent without any increase in employment as indicated by BGMEA data. However, an increase in output would have been possible if there were increases in overtime work without increases in employment. However, our survey of the employed workers about overtime does not show any increase in the overtime workload of the workers. In fact our surveys, as well as consultations with the garments owners and labour union leaders all indicate that a large number of workers were retrenched. Thus there is an information gap with respect to the magnitude of the retrenchment that took place in the garment sector.

2.4 International Trade Environment for Bangladesh: Implications for Exports and Employment

The factors of the international economy that have already affected and are expected to determine the export performance of Bangladesh are many. They are mainly the economic conditions of the main trading partners and also the world as a whole; change in the world order of trade negotiations and agreements and the emergence of WTO as a fully functional trade body, china's accession to WTO, phasing out of MFA in the US market and GSP in the European markets etc.. Other factors such as the changing political canvas of the world, proliferation of terrorism, as evidenced in the events of September 11, emerging geo-political realities etc. also have impacts on exports of Bangladesh. Some of these international factors are discussed briefly in this section.

2.4.1 State of World Economic Recession

The world economy is still continuing with economic downturn, which started in 1999, without any immediate prospects for major improvements. This, coinciding with the financially indiscreet conduct by Enron and recently by WorldCom, has further shaken up the business confidence in the USA. As a result a number of industries in the USA and Europe have been closed down and created unemployment. In this generally depressed financial situation the prospect of the economic recovery of the USA and the rest of the world is still not in sight.

The growth prospect for the world economy in the best-case scenario is expected to be not more than 2.8 percent. For most of the developed countries the IMF downgraded the growth forecasts for 2002. Five major importers of Bangladesh's exports are the USA, Germany, the U.K, France and the Netherlands. The growth prospects for these countries are: for the USA 1.5 percent; for Germany 1.0 percent; for the U.K 1.4 percent; for France 0.9 percent and for the Netherlands 1.4 percent (International Monetary Fund, 2002).

2.4.2 Discrimination faced by Bangladesh exports

Bangladesh exports are facing increased trade barriers in the major importing countries. The USA Trade and Development Act of 2000, the phasing out of the MFA under the WTO, and Chain's accession into the WTO are the main causes of discrimination against and increased competition for Bangladesh's exports. Under Trade and Development Act of 2000, the USA granted special trading status to 72 Sub-Saharan and Caribbean countries. Under this Act, garments exports from these countries made of USA yarn and fabrics receive preferential (duty and quota free) access into the US market (*D. Bhattacharya. and M. Rahman, 2000b*). This has reduced competitiveness of Bangladeshi garments.

The other factors that are affecting Bangladesh's export are consequences of ongoing phase out of the MFA, the accession of China into the WTO. Bangladesh has enjoyed substantial benefits from textile quotas under the Multi-fibre Agreement (MFA). As a result of the MFA, Bangladesh was able to take advantage of its comparative advantage in terms of lower labour costs. However, under the Agreement on Textiles and Clothing (ATC) reached during Uruguay Round Negotiations, the MFA quota will be phased out by 2004.

There are no quotas in the European Union market. However, Bangladesh exports garments to Europe under the Generalised System of Preferences (GSP), which provides Bangladesh with special zero-tariff facilities. In the future there is a strong possibility that this preferential status of Bangladesh may not continue for long. Exports of some of Bangladesh's competitors are currently constrained by EU quotas, however the elimination of MFA quotas in the US and GSP in EU markets may lead to an increase in their market share and a reduction in that of Bangladesh share (*D. Bhattacharya. and M. Rahman, 2000a*). Thus the question arise will Bangladesh be able to maintain its international competitiveness in garments after the MFA phase-out in 2005?

With China's entry into the WTO, and most favoured nation trade status in the US market, Bangladesh will face increased competition from China even before 2004 (*Dean Spinanger, 2000a*). This situation would further deteriorate after the phase-out of the MFA. China would become a major competitor of Bangladesh also because of the fact that the garments sector in China has higher productivity.

With respect to the garments sector, the major concern over last few years has been about how this sector and Bangladesh would adjust after 2004. After 2004, the international trading environment is expected to cause deceleration of the garment sector in Bangladesh. This deceleration may have serious consequences for the economy, exports, poverty, employment, and empowerment of women. However, not enough has been happening in terms of preparing for the expected changes in the global reality.

2.4.3 Terrorist Attack and Anti-Islam Sentiment

The terrorist attack on the World Trade Centre, followed by the war declared on terrorism by the USA and its allies has put the US economy in particular and also the rest of the world in another round of downward economic spiralling. Coinciding with the financial scam by Enron and WorldCom has further shaken the business confidence in the USA. As a consequence a number of industries in the USA and Europe have closed down, creating unemployment and the prospect of recovery is still not in sight. The state of the US economy obviously has serious dampening impacts of consumer confidence hence their imports including garments.

There are political realities also to consider given current recession and the terrorist attacks of September 11. In this economic reality the US is moving towards a more protectionist stand. Giving preferential trade status in general is considered to be politically unpopular if such preferences affect the US domestic industry negatively. After the terrorist incident of September 11, there are growing anti-Islamic sentiments particularly in the USA. How that is reflected among the US buyers is not clear. However, a negative impact cannot be ruled out.

2.5 Domestic Environment for Bangladesh's Exports: Prospect for Exports and Employment

In the face of increased competition in the world market for Bangladesh garments exports, one of the survival strategies has to include improving competitiveness in this activity. To improve competitiveness, reducing unit costs of production is essential. There are mainly two sources of reducing production costs - in-factory and out-of-factory.

2.5.1 In-factory production costs

In-factory production costs include costs of production over which the producers have some amount of control. Thus, reducing costs for labour and raw materials etc can reduce in-factory costs. Therefore reduction of wages and retrenchment is widely used to reduce labour costs. However, there is a limit as to how far labour costs can be reduced because wages cannot fall below the subsistence level. In Bangladesh given that supplies of labour and unemployment rate are high, wage rates are competitively determined. In fact Bangladesh's garments enjoy a minimum of 30-40 percent labour cost advantage over India and China (*Dean Spinanger, 2000b*). Thus the scope for lowering wages and labour costs is rather limited. Also labour costs are a small fraction (10 to 20 percent) of the total cost of production. Reductions in labour costs would have little effect on reducing unit costs of production.

In terms of raw materials also the scope of reducing costs is limited. Bangladesh imports most of the raw materials, particularly fabrics, from China, India, and Pakistan etc. Given that the lead-time is short between getting an order and the date of shipment, the garments owners have little time to look for the cheapest sources of raw materials. Thus the scope for reducing the costs of raw materials is limited. For the garments sector or any other sector, improving corporate governance can substantially reduce in-factory costs. This can be achieved by improving management efficiency, production-line efficiency, labour practices and labour relations, reducing wastage etc.

2.5.2 Out-of-factory production costs

There is a limit to how far in-factory production costs can be reduced. Other than in-factory costs, costs of production can go down if out-of-factory costs of production can be reduced. Out-of-factory costs mainly refer to costs of production over which the owners have less or no control. These costs occur due to the presence misgovernance in the government, corruption and lack of proper physical, financial and social infrastructure.

The World Bank also reported that the cost of doing business in Bangladesh is considered to be one of the highest.

BOX 2.1: Misgovernance and Corruption in the Government: Business Community's Comments

Members of business community strongly voiced complaints about the presence of misgovernance and corruption in the government at all levels. The complaints are mainly about the political unrest in the forms of frequent incidences of hartal (strikes), and the deterioration of general law and order etc. They also complained about local hooliganism and the inefficiency of the government officials.

Presence of corruption in the public sector is endemic. The exporters and businesspersons have to pay bribes whenever they have to interact with the officials. Most of the stakeholders expressed the view that the presence of bribes, unnecessary lengthy administrative process and harassment by police and government officials at all levels are major problems in doing business. The process of getting licenses is long, time consuming and creates opportunities for the officials to take bribes.

From the perspective of the foreign investors, the most important problem for them is to deal with bureaucratic red tape, inefficiency and non-transparency and above all presence of corruption particularly in the public sector. Furthermore, as foreign investors they face special disadvantages, mainly because the local investors have knowledge of the local network and can and are willing to pay bribes. However foreign investors have less access to such networks and the corporate rules and regulations do not allow payments of bribes.

Presence of misgovernance is both economy wide and also activity specific. Failure of the government to provide safety and security to lives and property, absence of rule of law and accountability etc. make the cost of doing business high and hurts the image of the country. Also misgovernance specific to export activities adds to costs of undertaking export activates. The lengthy process of getting permissions and permits, inefficiency in clearing imports and exports etc. adds in the cost of doing business being very high. These have serious implications for the inflow of foreign investment and exports. Other important sources of out-of factory costs are the presence of corruption particularly in the form of bribery. Transparency International (2002) also rates the public sector of Bangladesh as one of the most corrupt countries in the world for the years 2000 and 2001. It is practically impossible for anybody to undertake business activities without having to pay bribe money in the form of "speed money" to obtain licenses without unnecessary delay.

Lack of infrastructure in the forms of social, financial and physical individual business can make costs of production high. In terms of social infrastructure, the supply of an efficient labour force, as an outcome of the education and the health systems, is vital for improving production efficiency. In general the banking system in Bangladesh is inadequate for providing financial support for economic expansion. Particularly, the banking system is both unwilling and unequipped to support export activities.

Lack of physical infrastructure is another important source of adding to the high cost of doing business. The absence of adequate and efficient transportation and communication facilities, supply of power, waste management facilities, ports and terminals, storage facilities, etc. make it difficult to carry out business activities. The presence of these supports is particularly important in the export activities where the cost of not delivering goods in time is high.

Chapter 3

Problems Faced by the Export Sector

On the basis of the findings of the owners' survey and consultations, this chapter makes an attempt to capture the dimensions of the problems faced by exporters of Bangladesh, particularly the owners of garments businesses. The exporters of Bangladesh are in the forefront of absorbing the global shocks caused by worldwide recessions; the terrorist attacks in the USA; financial scandals in the USA; and anti-Muslim sentiment, etc. The experience has been devastating for many exporters particularly garment owners. Many of the garments factories had to close down their businesses permanently and while some closed down their business temporarily and others were able to survive this experience. There are also a large number of garments and garment-linked activities, which are also affected negatively. The non-garment exporters also were affected negatively. In this study attempts are also made to understand the magnitude of the impacts.

Although individual experiences have been devastating this experience can provide opportunities for exporters in general and the garment exporters in particular to learn and prepare for absorbing global shocks if and when they take place. This section attempts to provide some information on how owners are coping with the deceleration in the export sector. This information was obtained from a questionnaire-based survey and also through individual consultations. References made to the data obtained from the survey however should be understood with its limitations as described in the introductory chapter and also below.

3.1 Experiences of the Garment Factory Owners and Exporters

In order to identify how the owners of garments factories are coping with recent deceleration we conducted interviews, group discussions with the individual exporters and also a questionnaire-based survey. The questionnaire-based survey targeted garments exporters and owners of closed factories as well as open factories.

Attempts were made to conduct a survey with 80 samples for each group. However, various difficulties, mainly no response from the owners of open factories and difficulties in locating the owners of the closed factories, made obtaining responses from the targeted samples quite difficult. It was however, possible to gather survey responses from twenty open and twelve closed factory owners. This sample is not large enough for providing statistically sound analyses. It should also be mentioned that most of the owners declined providing information about the size or value of outputs and exports. Some of them also declined to give information on the number of workers, although they were assured of absolute confidentiality and backed by support from BGMEA.

3.1.1 Characteristics of the owners of the garments industry

In identifying the characteristics of both owners of closed and open garments factories, attention was given to three factors. These were how long they have been in the garment business, whether they are involved in production only or in both production and export and whether they have any business other than garments.

Most of the currently open owners (about 55 percent) have been in the garments sector for more than 10 years, about 40 percent have been in garments for more than four years and only 5.0 percent have been in garments for less than four years. About 95 percent are involved in both production and exports and 5.0 percent of them are in subcontracting production. Among the open garments owners 45.1 percent of them have businesses other than garments. The size of employment among the closed factories varied from between 90 to 6500 workers.

In the case of closed factories, what are characteristics of the closed garments companies? In our small sample we also found that about 41.7 percent of them had been in the garments business for more than 10 years and about 16.7 percent had been in the garments business for less than four years. Among the closed factories about 91.7 percent were involved in production and exports; however 8.3 percent were in subcontracting activity only. Among these closed factory owners, about 50.0 percent of them have businesses other than garments. The size of employment among the closed factories varied between 150 to 600 workers.

From these observations one can say that relatively new entrants into the business were unable to survive during this deceleration. During discussions with BGME they also indicated that most of the closed factories are small-scale operations, mainly working in subcontracting. Our observation also shows similar results as indicated by the average size of employment, which for our sample was about 325 workers.

3.1.2 Status of the open garment businesses

Among the open factory owners about 30 percent of the open factories are partially shut down (that is some part of the operation is closed) and 70 percent responded that they are fully open. However, about 35 percent are running in full capacity and 65 percent are operating below capacity. This implies that even in the open operations there have been contractions and after the contractions what remains in operation is running under capacity. Those who are running their operations below capacity about 30.8 percent are operating at less than 20 percent capacity, 15 percent are operating at less than 40 percent capacity and about 46 percent are operating at less than 50 percent capacity and finally 8 percent are operating at less than 80 percent capacity.

About 30.0 percent of the owners have retrenched workers from their factory, however 70.0 percent of respondents claimed that there was no retrenchment of workers from their factories. Of those who retrenched workers, 34 percent fired less than 150 workers, 33 percent retrenched between 150-300 workers, 17.0 percent retrenched between 300-450 workers and 17.0 percent retrenched more than 450 workers.

In the case of the garments companies that were reported as closed by the BGMEA, some were actually not fully closed. Thus among 12 factories which are in the list of closed industry were not totally closed. In our sample number of totally closed factory were 5 and 7 reported to be closed but are operating time to time. For the purpose of the study these are considered as closed because they had a lock on the main gate. Two of these 12 factories were closed before the beginning of the recent deceleration. Some of the partially open factories are currently making items for the local markets and also part-taking some subcontracting activities. Some of the closed factory owners expressed that they would like to rehire old workers if possible or if they come back, however many of them have left or went back to their villages and may not return.

This information indicates that the percentage of fully closed factories may not be high. Most of the factories are operating at different levels of capacity. On the basis of discussions it seems that some of them closed their business for two to three months and reopened with smaller orders under a new name, etc. Workers and leaders of GWAs also mentioned similar incidences. According to them many owners did that to avoid back payments to the workers and other debtors.

3.1.3 Nature of the problem faced by the owners of garments business

One needs to identify the nature of the problems faced by the garments exporters. The difficulties that were faced with respect to buyers are of economic or non-economic reasons. Economic reasons are mainly a lack of orders, low price offers, defaulting on delivery time, etc. In the case of non-economic reasons all owners were asked if the terrorists' attack in the USA had any impact on their business because of Bangladesh being a Muslim country.

The owners of the open garments companies mainly complained about low profit margins, and also lack of orders. This is mainly because other countries are more competitive than Bangladesh and also because of economic recession in the importing countries. About 60 percent of them indicated that their previous buyers took business elsewhere because of lower prices. For the closed or partially closed factories the reasons for closing are mainly no purchase orders, low profit margins, movement away from garments to embroidery activities and a few defaulted on bank loans because of non-delivery of goods on time during hartals (general strike called by political parties) and other problems.

As far as non-economic factors, such as anti-Islamic sentiment after events of September 11, is concerned it seems that it was not a major obstacle. When asked if being a Muslim country was ever raised by buyers about 55.0 percent answered that this was never mentioned whereas 40 percent experienced that the buyers tried to use this excuse as a bargaining tool to reduce prices. Others were not sure about the importance of this factor.

When the same question was asked to the closed owners the result was slightly different. About 67.0 percent answered that this was never mentioned whereas 33.0 percent thought that this was one of the reasons for not giving business to them. During discussions with the owners, particularly closed factory owners, they indicated that irrespective of the September disaster buyers are often rude, unfriendly and distrusting towards the garments exporters. Thus one cannot conclude that such factors are important in influencing demand for the garments of Bangladesh in the importing countries.

3.1.4 Future of the garments export from owners' perspective

How do the owners see the garment business in the short to medium and long term? With respect to the future about 90 percent of the currently operating companies indicated that they expect to face continuing difficulties with the garments business, however 10 percent expect no major difficulties. About 84 percent expect that during the next one to two years the garments business would remain stable and 55 percent expect that during the next 2-4 years it will remain good. Similarly in the longer term about 50-55 percent expects to do well. Thus about 45-50 percent of the garments exporters expect a difficult time and the possibility of closing down.

Those open garments company owners who are not optimistic about the long run prospects of the garments business would like to make the best use of the next two years as much as possible and build capital so that after 2004 if they are unable to survive in the garments industry they can start other businesses. In terms of plans for the immediate future, 75.0 percent of the closed factory owners expressed that they would like to restart or expand their business, however a few also expressed that the garments business is becoming too difficult to continue with and do not plan to reopen their factories.

3.2 Experiences of the Garment-related activities

A number of support industries have developed around the garment-export activities. There are basically two kinds of garment-linked activities - one is related to production and other is related to export. Production-linked activities are mainly textile, embroidery, dyeing industries, washing and cleaning; and importing and/or manufacturing of accessories. Export-linked activities are mainly packaging, shipping, buying houses etc. These activities were also affected negatively. The study made an attempt to identify their experience during deceleration of the garment sector.

Investigation in garment-linked industry excluded textile sub-sector mainly because of the fact that it is a large sub-sector in itself and also textile production is not exclusively linked to garments or exports. Textile industries also produce for the domestic markets and export textiles. In non-textile garment-link activities, the study finds that in many cases garment-owners are also involved in production-linked (embroidery, imports of garment accessories, dyeing, washing, importing accessories etc.) and export-linked (buying houses, packaging, shipping etc) activities. At the same time there are also exclusively garment-linked businesses. The sizes of many of the garment-linked business activities are small, and employ relatively fewer people compared to the garments sector.

There has been a deceleration in these activities as the main garments sector contracted. In some cases the main garment business was closed down however business shifted to imports of garment accessories and support activities particularly embroidery activities etc. at a smaller scale. Many of the export-linked activities packaging, transportation and shipping are usually standalone business and suffered contraction particularly initially. Some of the buying houses also closed down.

3.3 Experiences of the Non-garment Exporters

The study undertook consultations with non-garment exporters such as exporters of handicrafts, leather and leather goods, agro-products etc. In the face of the recent events similar to the garment exports, other exporters are also experiencing difficulties. These sectors face difficulties in retaining clients, prices and volumes of exports. Other than the demand-side constraints, non-garment activities are also faced with supply-side constraints and in some cases supply-side constraints are more binding than the demand-side constraints. Thus difficulties in these activities need to be understood both from demand and supply side perspectives.

The non-garment export products of Bangladesh face difficulties in the international market even in the best of circumstances. In the case of handicrafts, for example, it has a niche market approach given that the size of global demand for handicrafts is relatively small. Handicrafts in Bangladesh face sharp competition from many countries. The quality of Bangladeshi products is lower than its competitors, which are mainly Thailand, India, China, some of the South American countries etc. In terms of design and price Bangladeshi products do not measure up to its competitors. However, some of the existing handicraft exporters were able to retain their clients, although they experienced decline in price but not much declines in demand. In the future, growth in these areas would be difficult.

In the case of leather and leather goods, Bangladesh has been exporting semi-processed hide and skin for a long time, however the exporting of finished products is relatively new. In this activity Bangladesh exporters are still on a learning curve and the efficiency of the sector, in terms of management, marketing, product development and quality control needs improvement. Although this is potentially a growing activity however, given its current state, it is difficult for it to absorb the shocks of the global recessions. Their main problem is maintaining the quality of products and also finding markets. Competition from other countries is also strong. However, with some support from the government, the leather exporters are optimistic that leather products and leather footwear have good potential for expansion.

In case of the agro and agro processing industry (excluding shrimp) the export volume is small. Bangladesh's exports are mainly fresh vegetables, cut flowers, poultry and some frozen and processed products and markets are mainly the UK and the middle-eastern countries. Exports of fresh vegetables and poultry products require quick delivery from farm gate to consumers. It requires efficient domestic transportation and refrigeration facilities, and also efficient and inexpensive air transportation facilities. Most of these facilities are not yet well developed in Bangladesh. This makes export in these activities difficult. They also faced some problems due to decline in demand however the exporters considered supply-side constraints more important.

In the case of drags and chemical export the impact of global recession has been quite dramatic. Export declined by about 25 percent from 2000-01 to 2001-02. Its share in total export has been declining for last few years. This sector also faces strict restrictions in terms of health standard particularly in the USA and western European markets. Also a large share of this export is for the USA market. Thus this sector was affected badly by the world and US recessions.

It can be concluded that exporters in general and export-linked activities all suffered the consequence of global recession and geo-political realities, though in varying degree. But what came out strongly the absorption of such external shocks was particularly difficult in the face of domestic constraints. Domestic constraints in terms of political unrests, difficulties with social and physical infrastructure etc makes it difficult for Bangladeshi exporters to remain competitive.

Chapter 4

Dimension of Problems Faced by Women Workers

This chapter presents the findings of the survey, which attempted to capture dimensions of the problems faced by the women workers of the garments sector because of the deceleration in the export sector. It also discusses the dimension of unemployment problem of the women workers in garment-linked and agro-based activities.

Past studies have indicated that women garments workers are mainly illiterate or have only a few years of schooling and that the wage level for the workers, particularly for women workers in the garment sector is rather competitive. Unskilled workers get TK 800–1300 a month as the basic wage for eight hours of work for six days a week. For more income they work overtime. A large number of these workers work on production basis with no stable monthly income. With this income level and workload, the standard of living and quality of life are poor.

Many of the garments workers, even from their meagre income, save up (*S. Choudhury-Zohir and P. Paul-Majumdar*, *1995*), although such savings are barely any protection against unemployment. They have very little job security, income safety nets, etc. These women workers are completely vulnerable to being impoverished in the event of any social and economic stress or disaster. Thus one needs to assess what the impacts of export reduction on the workers in the garments factories have been. In order to identify how the workers are coping with recent deceleration in the garments sectors the results of the survey are presented below.

4.1 Socio-economic characteristics of the women garments workers

The characteristics of both retrenched workers and currently employed workers, as found in the survey, are presented in Table 4.1. The age structure indicates that about 76.8 percent of the retrenched workers are between the ages of 18-37, whereas 70.2 percent of the employed workers are in that age group. About 17.4 percent of the retrenched workers are in the age group below 18-years of age; whereas 27.4 percent of the employed workers are in that age group. Similarly 6.8 percent of the retrenched workers and 2 percent of the employed are in are in the age group of 38 and above. Most of the retrenched workers are married (63.8 percent) whereas among the employed workers about 49.2 percent are married. This comparison may indicate that there is a bias towards retrenching older and married workers. However, this discrimination would be possible only in open factories where partial retrenchment took place.

The survey indicates that about 35.6 percent of the retrenched workers are illiterate, 44.4 percent have an education below class five, 17.0 percent have an education between class six and below SSC (Secondary School Certificate obtained after passing a standardized examination after class X) and only 3.0 percent have an education beyond SSC level. For the employed workers 23.8 percent are illiterate, 52.4 percent have an education below class five, 21.4 percent have an education between class six and below SSC and only 2.6 percent have an education above SSC level. Comparison of education levels of the retrenched and employed workers tends to indicate that in the case of factories where partial retrenchment took place, the level of education was a criterion. Family sizes and dependency ratios of the retrenched and employed workers are almost the same.

Table 4.1: Social Characteristics of the Women Garments Workers

	Retrenched workers	Employed workers
Age Structure		
Below 18	17.4	27.8
18-37	76.8	70.2
38 above	6.8	2.0
Marital Status		
Married	63.8	49.2
Unmarried/divorced /widowed	36.2	51.8
Level of Education		
Illiterate	35.6	23.8
Up to class Five	44.4	52.4
Below SSC	17.0	21.4
SSC and above	3.0	2.6
Family status		
Size of family	5.2	5.3
Number of earning members	2.2	2.3
Number of dependent members	3.0	3.0

Survey also indicates that about 30.2 percent of the retrenched workers were working in subcontracting factories and 69.8 percent were employed in factories that were direct exporters (See Table 4.2). About 72.6 percent of them had been working in the garments industry for less than three years before being retrenched. About 93.0 percent were employed as regular payroll workers and 7.0 percent were working on production. In terms of documents of employment 11.6 percent of the workers had no paper as a proof of employment, 71.0 percent had an attendance card and 17.0 percent had other documents, such as factory identity cards, dress etc as a proof of work.

Table 4.2: Characteristics of works in Garments

	Retrenched Worker	Employed Workers
Subcontract	30.2	27.4
Years in garments		
Less than three years	72.6	80.8
More than three years	27.4	19.2
Nature of job		
Payroll	93.0	92.4
Production	7.0	7.6
Documents for job		
Nothing	11.6	1.6
Attendance card	71.0	78.0
Others	17.4	20.4

Employed workers face a similar scenario where 27.4 percent of the workers are working in subcontracting factories and 72.6 percent are employed in factories that were direct exporters. About 80.9 percent of them have been working in the garments industry for less than three years. About 92.4 percent are employed as regular payroll workers and 7.6 percent are working on production. In terms of documents of employment 1.6 percent of the workers have no paper in their favour as a proof of employment, 78.0 have attendance cards and 20.4 percent have other documents such as factory identity cards or company uniforms as a proof of work.

Table 4.3 indicates that 42.5 percent of the retrenched workers were earning on average less the TK 1,200.00 per months. About 45.8 percents were earning between TK 1201-2000 and about 11.7 percents were earning more than TK 2000.00. Their payment structure shows that 90.0 percent of the workers received their income on a regular monthly basis and 10.0 percent received their wages irregularly. For the employed workers, the income pattern and the nature of work, the survey shows that 40.8 percent of the workers are earn less the TK 1,200.00 per months. About 49.6 percent earn between TK 1201-2000 and about 9.7 percent earn more than TK 2000.00. Their payment structure shows that 87.4 percent of the workers received their income on a monthly basis and only 12.6 percent received their wages irregularly.

Table 4.3: Income and Nature of Payments in Garments

	Retrenched Worker	Employed Workers
Distribution by range of salary		
Less than 1200	42.5	40.8
1201-2000	45.8	49.6
More than 2000	11.7	9.7
Nature of payment		
Monthly	90.0	87.4
Irregular	10.0	12.6

From these finding one can conclude that the retrenched workers were basically randomly retrenched and the characteristics of the findings reflect sector-wide characteristics i.e. they are mainly unskilled workers with no or little education, relatively new entrants into the sector. Most of them work with no written documents for job or/and the terms and condition. After about almost 20 years the workers were not able to establish documentation of jobs or the terms and conditions of work. They work in factories that export directly. However this is consistent with the fact that there are more direct exporting garments businesses than subcontracting businesses only.

4.2 Fallback Position of the Workers

As workers are being retrenched or are faced with the prospect of losing jobs, what is their personal level of preparedness in dealing with joblessness? Information relevant to savings and possessions of wealth are presented in Table 4.4. The workers were asked about their saving habits and the nature of the wealth they possess. About 84.4 per cent of the retrenched workers and 75.8 percent of the employed workers reported not having any savings. Among the employed, of those who save, about 55.4 percent save less than TK 200 a month. During FGDs they indicted that on a voluntary basis, it is difficult to save because the needs are very high. Also they indicated that it is difficult to save in a sustainable manner because in the event of any unforeseen expenses the savings get wiped out. Thus about 7.8 percent of the retrenched and 9.0 percent of the employed workers reported to have savings less than TK 4,000.0, and 7.8 percent of the retrenched and 15.2 percent of the employed workers have savings more than TK 4,000.0

Table 4.4: Coping Ability of the Workers at the Personal Level

	Retrenched workers	Employed workers
No savings	84.4	75.8
Savings less than TK 4000	7.8	9.0
Savings more than TK 4000	7.8	15.2
Owns land	51.2	57.8
Average value of land	92,292.0	84,382.0
Owns livestock	11.6	16.8
Average value of livestock	10,233.0	7,044.0
Owns jewellery	52.8	49.0
Average value of jewellery	3,209.0	3,602.0
Owns durables	92.4	87.0
Average value of durables	6,980.0	6,145.0

With respect to wealth, questions were asked concerning ownership of land, livestock, jewellery and durable items at the place of current residence and in the villages. Among the retrenched workers, about 51.2 percent and among employed workers about 57.8 percent own some land and the average market value of these lands being TK 92,292.0 and TK 84,382.0 respectively. Only 11.6 percent of the retrenched and 16.8 percent of the employed workers have livestock and poultry, average worth being TK 10,233.0 and TK 7,044.0 respectively. Among the retrenched workers about 52.8 percent own jewellery of an average value of TK 3,209.0 and among employed workers 49.0 percent own jewellery of an average value of TK 3,602.0. About 92.4 percent of the retrenched workers own durables items worth on average TK 6,980 and 87.0 percent of the retrenched workers own durables items worth on average TK 6,145.0.

Most of the workers own some land in the village, in the form of houses and smallholdings of cultivable land. In the urban area some workers particularly in the Ershad Nagar own some land, which was given to them by the government to build housing. Selling this land would bring the ultimate financial disaster. These savings and wealth scenarios basically indicate that workers are not ready to deal with unemployment for an extended period of time. However, it also shows that they have good savings habit and whatever they save if that could have been managed well and be invested through a institutionalised manner, these workers could build stronger financial security.

4.3 Experiences of the Workers During and After Retrenchment

What are the experiences of the workers as they were retrenched and how are they coping with joblessness? The survey findings indicate clearly that many workers lost their jobs without any notice, the owners defaulted to pay back-wages of the workers, in some cases for two to three months' wages, and few received any severance payment or compensation. Non-payment of salary was one of the biggest complaints of the retrenched workers. And in many cases no notice was given to avoid non-payment of wages.

There are mainly three factors that lead to such practices. First, the lack of the application of labour laws in the garment sector, either by design or by defaults. Secondly, labour disputes are costly and time consuming. Often these workers have neither the resource to pay for the court fees and lawyers costs etc., nor do they have the time, as the labour dispute system is highly inefficient and time consuming. Thirdly, these workers are ignorant of the laws, often feel helpless and are also subject to intimidation by the bullies of the owners. As indicated above, many of the workers have no proper documentation of being employed, which also makes it difficult for them to take legal actions against the owners. Often women workers are ignorant about their rights and are fearful to take any action against the owners because this will diminish the possibilities of obtaining their job back in the future.

During individual level discussions, many of the workers indicated that they were also unaware about the owners' addresses, and therefore could not approach them for a negotiated settlement in terms of obtaining wages and salaries that were due to them at the time of retrenchment. Also given the fact that firing without any notice and non-payment of wages were quite commonly practiced in the past in this sector, many workers accepted these practices as normal. In the past they could easily find another job and recover from such incidents however under the current situation of prolonged unemployment, such financial loss is hard to accept.

After being retrenched many perceived that the prospect of reemployment in the near future was not good. In a study, S. Choudhury-Zohir and P. Paul-Majumdar, (1996) indicated that a large number (between 70 to 80 percent) of the garments workers migrated to the cities from villages. Thus after being retrenched, as a coping strategy, a good number of the workers who had some ties went back to their families in the villages (*Nasreen Khundkar, 2001*). The Garments Workers Association (GWA) leaders also indicated that a large number of workers went back to villages. However, this study did not attempt to capture the magnitude of this migration back and did not attempt to assess the conditions of their life and the realities after returning to the village.

Of those who stayed in the city, the survey indicates that the unemployed workers are faced with meagre job opportunities outside the garments sector and many of them are unable to engage in self-employment opportunities due to lack of capital, fear of risk, lack of business skill and experiences, etc. They found that their skills are not transferable. Many are trying to find alternative jobs without much success. Many are trying to engage in small trade. Some of them have resorted to domestic work.

4.3.1 The manner in which the retrenched workers were laid-off

Questions were asked to the retrenched workers if they were given notice and reasons, before being laid-off, if the factory they were working has closed down or is still operating. The survey shows that only 9.2 percent of the retrenched workers received a notice and of these 57.0 percent were given a reason before being retrenched. Among these 22.2 percent were told that there is no new purchase order or fewer orders for garments production, and 30.2 percent were fired on the pretext of disciplinary actions. Some reported that the reasons given to them for firing were ill health, not being attractive looking, and old age. About 49.4 percent of the retrenched workers felt that they were fired unfairly, 27.0 percent felt that it was fair and the rest 23.6 percent are not sure.

Of those who were given notice before termination, about 78.3 percent of them received more than 5 days notice and 22.7 percent received less than five days notice. About 83.2 percent of the workers reported that their factory was than fully closed and 16.8 percent reported that their factory was operating either fully or partially. Among the retrenched workers about 17.4 percent reported that they have received some sort of compensation and 47.8 percent of the retrenched workers received all payments. About 52.2 percent for the retrenched workers did not receive their wages and salaries for work that they have completed. On average they did not receive TK 1,834 per person. More than 47.0 percent of the workers didn't know how many others from their factory lost jobs.

This also made it difficult for them to organize themselves to recover their wage bill that was due to them.

In our FGDs workers complained that in many cases they found their factory to be closed when they arrived at work in the morning. The owners purposely did this to avoid paying wages and benefits that were due to the workers. In most cases the workers did not know where the owners lived. In some cases when the workers found the owners and demanded their salaries they were humiliated and sometimes were threatened and physically assaulted with the help of the owner's hired hands. There were a few cases where the workers tried to retrieve their dues with the help of lawyers and received half of what was their legitimate claim and they were left with very little after paying to the union leaders and the lawyers. One can correctly assume that the reason why the owners got away with such treatment of the workers was because these are mainly women workers and too apprehensive to take any organized actions.

4.3.2 Employment and income situation of the retrenched workers

The survey indicates that about 11.0 percent of the workers were retrenched more than a year before the survey i.e. in May-June of 2001. About 21.8 percent were retrenched between July-December of 2001 and 68.2 percent were retrenched between January-June of 2002. Among these retrenched workers up until July 2002 about 7.8 percent found alternative employment and 92.4 percent are still unemployed. Those who have found alternative work are mainly self-employed (36.8 percent) and are employed as domestic work (34.2 percent). Most of these workers (60.8 percent) obtained their new jobs within 60 days.

Of those who are unemployed 85.3 percent are looking for jobs and 13.7 percent are not looking for a job and have thus withdrawn from the labour market. Of those who are looking for a job, about 86.8 percent of the workers are looking for a job in the garments sector and 13.2 percent are more flexible. About 7.3 percent would like to start their own business. Less than 2.0 percent of the workers are willing to move to any part of the county however 98.2 percent are willing to move within the city and the nearby areas. About 59.6 percent of the retrenched workers are either unwilling or unable to go back to their village. The main reasons for unwillingness to go back to their villages is that they have no wealth or a place to live in the village; have no friends or relatives; and most importantly no prospect for work in the rural areas. Many of the women workers have husbands who work and their families are settled in the city.

When the unemployed workers were asked for their own perception about the reason for not getting a job about 46.4 percent mentioned bad world economic situation and about 20.6 percent mentioned lack of education. About 10.4 percent also expressed that the job-offers that they are getting offer far too low wages therefore they are not accepting those jobs. Some also perceive that they are not getting a job because they have no important friends or relatives; because they have bad health and are not attractive looking; the supervisors make undue favours to the job seekers, etc.

About 18.4 percent of the re-employed had to move to a different place to get their current work. About 73.7 percent reported having stable income from their current employment. However 42.1 percent of the re-employed workers are still looking for a job in the garments sector. 52.6 percent of those reemployed workers think that the garments job was better than their current job. The main reason for preferring jobs in the garments sector was because of a better salary. Other reasons were the stable income and that it is deemed relatively prestigious to work in the garments industry.

4.4 Experiences of the Currently Employed Workers

Under the current situation in the garments sector, one assumes that the workers faces increases in job insecurity, decreases in income and benefits, deterioration of the working environment, increased sense of economic and social vulnerability, reduction in household expenditure, particularly on rent and education, etc. How well are these assumptions backed by the survey findings?

4.4.1 Sense of insecurity among the employed workers

The survey results indicate that about 54.4 percent of the employed workers fear losing their jobs. This sense of job insecurity is exacerbated by the fact that the owners do not communicate with the workers about the overall situation in the garments sector or the particular situation in the factory. The survey indicated that only 14.4 percent of the employed workers reported that the supervisors consult them regarding what is happening in garments business. During FGDs the workers indicated that they felt this non-communicative behaviour of the owners indicates that workers are not considered as worthy stakeholders.

About 55.4 percent of the employed workers are frustrated to know that the future of garments sector is unstable. However other 45.4 percent of the workers find this as normal or acceptable and are ready to adjust to the future. Among the employed workers 54.8 percent are satisfied, 45.2 are dissatisfied with their overall job situations. Among them 81.0 percent are dissatisfied about salary. They also express dissatisfaction about the absence of no future prospects for growth, high workload and the absence of long-term benefits such as retirement benefits and savings plans and holidays particularly government holidays, etc.

4.4.2 Adjustment in income and monetary benefits of the employed workers

As the garments sector was contracting and workers were being laid-off, how were the employed workers affected in terms of their income and benefits? One assumes that monetary entitlements, in terms of wages, hours of regular and overtime work, bonuses, etc. would decline. The survey attempted to capture what happened to income and monetary benefits before and after the contraction in the garments sector. The findings of the survey on some of these issues are presented in Table 3.5. It indicates that for the employed workers about 37.8 percent reported an increase, 6.8 percent reported decline and the rest, at 55.4 percent reported no change in income.

The above finding indicates that monetary remuneration and benefits remained relatively the same before and after the contraction. This indicates institutionalisation of the wage and benefit structure. It also indicates that wages for most cases are at the subsistence level and other monetary benefits are also very low, and therefore there is little room for any reduction. During discussions, workers also mentioned that the owners often would fire a worker and re-hire the same person at a lower wage, and worse terms and conditions. This is partially reflected in the fact that the share of workers in the annual income group of more than TK 2000 has declined from 9.7 percent to 8.8 percent.

Table 4.5: Hours of work, Income and Benefits

	Last Year	This year
Hours of regular work		
8 hours	90.6	89.0
More than 8 hrs	9.4	11.0
Monthly income from regular work		
Less than TK 1200	40.8	40.6
TK 1200-2000	49.6	50.6
More than TK 2000	9.7	8.8
Hours of overtime		
Less than 3 hrs	38.8	36.2
3-5 hrs	57.0	58.6
More than 6 hrs	4.0	5.2
Annual Paid bonus (in TK)	633	675
Annual Other bonus (in TK)	110	113

4.4.3 Adjustment in non-monetary benefits of the employed workers

Different factories also provide different non-monetary benefits to their workers. Some of these benefits include providing snacks once or twice a day, lunch, health services, childcare facilities, upgrading of skills through training, providing transport facilities to work and back, uniforms, weekends and holidays. One would also assume that because of contraction there would be deterioration in the quality of non-monetary benefits. The survey tried to capture that by gauging workers' level of satisfaction with respect to some of the benefits this year compared with those of previous. These changes in the level of satisfactions are presented in Table 4.6.

With respect to non-monetary benefits also, the survey indicates no major deterioration because of contraction. In this respect also one can assume that these benefits are provided at a minimum level and also once such benefits are given to the workers it is difficult to take them away.

Survey findings are largely consistent with the views expressed by the leaders of the Garments Workers Associations (GWAs) that although currently employed many workers are receiving wages irregularly and also receiving partial payment. Partial payments are often half the regular wage, and sometimes even less than half. The GWAs expressed the view that it is often difficult to reduce the wages of workers. Therefore, to reduce labour costs, the owners are retrenching regular-workers with higher wages and rehiring the same workers at a lower wage and on production basis. Owners tend to fire those workers who have worked for more than two years.

Table 4.6: Changes with respect to non-monetary benefits

Benefits	Previous Year			Current year		
	Good	*Fair*	*Unsatisf.*	*Good*	*Fair*	*Unsatisf.*
Snacks	9.6	75.6	15.0	10.0	76.8	13.2
Lunch	20.0	40.0	40.0	20.0	40.0	40.0
Health services	14.3	76.0	9.7	16.1	72.4	11.5
Child care	28.6	51.4	20.0	28.6	51.4	20.0
Training	23.8	71.3	5.0	23.8	70.0	6.3
Transport facilities	20.9	69.8	9.3	23.3	67.4	9.3
Maternal leave	15.5	75.3	9.1	16.1	75.1	8.8
Uniform	28.1	59.4	13.0	26.6	62.5	10.9
Weekend	14.1	46.9	39.0	13.6	46.9	39.4
Holiday	12.6	41.1	46.0	11.8	40.8	47.4

4.5 Impacts of Living Standards of the Workers

Impacts of contraction in the garments sector on the standard of living of the workers would mainly fall on the retrenched workers. The retrenched workers and their families become subject to enduring hardship. Many of them have resorted to reducing expenditures. The nature of the reduction in expenditures on various items by retrenched and employed workers is presented in Table 4.7.

Table 4.7: Reduction in expenditure

	Retrenched Workers	Employed Workers
Food	26.1	10.8
Clothing	20.9	5.4
Children education	4.8	3.3
Transport	5.2	2.6
Medical expenses	5.5	1.7

The survey indicated that 26.1 percent of the retrenched workers and 10.8 percent of the employed workers are trying to reduce consumption of food, about 20.9 percent of the retrenched workers and 5.4 percent of the employed workers are trying to reduce consumption of clothing. In the case of children's education about 4.8 percent of the retrenched and 3.3 percent of the employed workers have reduced expenditure by reducing tutoring facilities, sending children to inexpensive schools and even withdrawing children from schools, etc. In the case of medical expenses 5.5 percent of the retrenched and 1.7 percent of the employed workers reported reduction in expenditure mainly by not going to doctors except in emergency. To reduce expenditure members of the families have moved in together, moved to lower rent housing and quality and quantity of food intake has declined.

Even in the face of deterioration in the income situation, reducing expenditures often is not possible because food, medicine, rent, etc. are basic items and reducing their consumption is difficult. In fact both for the retrenched and employed workers, for many items expenditure have gone up instead of doing down. This increase in expenditures took place mainly because of illness in the family, increases in the price of essential goods and increases in rent.

In order to cope with such situations workers are reducing savings, borrowing from local grocery stores, defaulting on payments of rents, etc. This information is provided in Table 4.8. Among the retrenched worker about 18.6 percent and among employed workers 8.8 percent sold wealth. About 60.4 percent of the retrenched workers as opposed to 47.0 percent of the employed workers are in greater debt. Among the retrenched worker about 40 percent defaulted on rent payment and in case of the employed workers 32.4 have defaulted on rent payments.

Table 4.8: Reduction of savings, indebtedness and other coping strategies

	Retrenched Workers	Employed workers
Sold wealth in last 12 months	18.6	8.8
Increase in indebtedness	60.4	47.0
Moved residence	18.2	20.6
Can pay house rent on time	32.6	32.4
Defaulted on rent payments	40.0	32.4

Both retrenched and employed workers were asked the reasons for increased debt. The two most important reasons for borrowing, both for the retrenched and employed workers, were for the purchase of food items and payment of rents. About 61.6 percent of the retrenched and 48.1 percent of the employed workers borrowed for the purchase of food and about 22.2 percent of the retrenched and 18.1 percent of the employed workers borrowed for the payment of rent. Both groups borrowed for medical purposes however for this expense 32.5 percent of the retrenched workers and 42.1 percent of the employed workers borrowed money. The lower percentage of retrenched workers who borrowed for medical purpose reflects the fact that retrenched workers are reducing expenditure on health care. Other causes for borrowing are paying money for obtaining jobs either in the local market or abroad.

Table 4.9: Reasons for Indebtedness

	Retrenched workers	Employed Workers
Purchase of food	61.6	48.1
Payment rent	22.2	18.3
Health costs	32.5	42.1
For starting a business	11.9	11.4
Bribed for getting/keeping a job	4.6	5.11

One also expects resorting to antisocial and criminal activities, particularly by the retrenched workers in dealing with economic hardship. Nobody reported to have resorted to any crime or antisocial methods (theft, drug peddling, sex work, begging, etc.) to make money. About 99 percent of them think that they would not resort to such means of making money. However, when they were asked if they know other workers involved in such activities about 5 percent of respondents said yes. According to the GWA, a large number of the workers are unable to find alternative job opportunities and are getting involved with crime and anti-social activities. They indicated that many of these workers have undertaken prostitution, drug peddling, theft and snatching. Many young women are forming alliances with the local hooligans.

4.6 Impacts on Empowerment

Loss of jobs and the threat of losing a job among the workers, particularly among unskilled workers, are expected to increase a sense of disempowerment. However, it is difficult to quantify this. Disempowerment may manifest itself in various personal and social behaviours some of which are measurable and some are not measurable. A sense of disempowerment may remain dormant for a while. One such manifestation of disempowerment is that many of these women had to migrate back to the villages where the environments are more repressive for women. Manifestation of disempowerment could also be in terms of increases in violence, disputes or quarrels. In the case of the workers, an important empowerment issue is with respect to their rights. In the garments sectors workers' rights and labour relations are weaker than in other formal private and public sectors. Governance, in the case of labour laws, is weak particularly in case of garments, thus many existing labour laws are not practiced in the garments sectors.

The survey tried to assess impacts on empowerment by asking questions on relationships of the workers within the family, society and also their views on workers' rights. Workers where asked if they experienced increases in family violence, quarrels and disputes within the family, disagreement and fights with debtors, etc. Family and social conditions for both retrenched and employed workers show (Table 4.10) some deterioration, however the magnitude of this deterioration is higher among the retrenched workers compared to employed workers. About 13.4 percent of the retrenched and 4.2 percent of the employed workers reported an increase in family violence; about 48.0 percent of the retrenched and 16.1 percent of the employed workers reported an increase in quarrels within the family arising from financial hardship; about 42.6 percent of the retrenched workers reported an increase in unrest with creditors mainly with landlord, neighbour, lenders, and relatives (particularly related to dowry payments), etc. Workers were asked if they feel that their rights as workers have weakened or not.

Table 4.10: Status in the Family and Empowerment

	Retrenched workers	Employed workers
Increase in family violence	13.4	4.2
Increase in quarrels within the family	48.0	16.1
Increase in unrest with creditors	42.6	--
Reduced workers rights	85.4	57.8

In terms of political empowerment 85.4 percent of the retrenched workers and 57.8 percent of the employed workers felt that workers' rights in the garments sectors has weakened. About 48.8 percent of the retrenched workers knew about the total number of workers working in their factory whereas 52.2 percent of the employed workers know about the total number of workers working in the factory. About 68.8 percent of the employed workers do not know if workers were retrenched form their factory. These indicate disassociation among workers as a group, which deters building their organisational base. About 55.2 percent of the employed workers think that the owners are taking advantage of the situation for not giving proper facilities in terms of wages, benefits and various facilities.

4.7 Women Workers in Garment Link Activities

In Chapter 2 and 3 it is pointed out that as the garments activities contracted so did the garment-linked activities. Similarly, as these activities shrunk, the workers were also retrenched from these activities. In many of these garment-linked activities women's employment is relatively low, except for embroidery. Women's employment in the garments sector is mainly in low-skilled assembly line oriented activities. Garment-linked activities except for embroidery are not assembly line oriented. However, within the embroidery activities also some of the factories are highly computerized, where women employment is relatively little. In general relatively a large number of women workers were retrenchment from this activity.

In other activities the proportion of women workers is rather insignificant, particularly in activates such as in imports and manufacturing of accessories, dying and washing of garments etc. Also in garment-linked activities such as buying house, packaging, transportation, shipping etc. employment of women workers is relatively insignificant. Thus retrenchment of workers due to contraction in these activities mainly affected more men workers than women workers.

4.8 Women Workers in Agro-export Activities

Agro and agro-processing activities are expanding over the years, both in terms of production and exports, however is still small in size particularly in terms of exports.

Women's participation in these activities including shrimp and fishery activities is relatively moderate. Beside shrimp and fishery women are also engaged packaging of fresh fruits, vegetables, flowers and poultry and poultry products, canning and freezing of fruits, vegetables, meat etc. According to CMI data, currently more than 8 percent of the workers in the agro-processing sector are women.

Similar to garments sector, agro and agro based-exports also declined. A large portion of this decline is due to decline in shrimp and fish exports. Exports of other agro-exports also declined but at a lesser degree. This is mainly because of the facts that the economic recessions in the agro-exports destination countries were milder and also many of the agro-products could be sold in the domestic market. These two factors worked as buffers and lessen the retrenchment of workers from these activities. Thus job losses in these activities have been of moderate magnitude. Given that the sizes of these activities are small, the negative impacts of deceleration in these activities were not felt at the macro level. Without taking shrimp and fishery industry into consideration, gender dimension of job loss in these activities also indicates rather moderate negative impacts for women workers.

4.9 Conclusion

In the backdrop of the experiences of the recent declaration in the export sector and the experiences of the retrenchment of workers brings one to ask the question how to prepare for managing such crisis that may take place after the phasing out of MFA. In a worst-case scenario a large number of smaller size garments factories may close down. This certainly will have differential impacts on women and men who are working in this sector. Actions can be taken to mitigate and cope with the negative impacts for the export sectors and for the workers. This would require taking measures at various levels such as at the factory, meso and macro levels. Some of these coping measures are discussed in Chapter 5 and 6.

Chapter 5

Managing crisis of the Export Sector: Coping Strategies for Retrenched Workers

To manage such crisis, coping strategies needs to be adopted at two levels. One is with respect to the retrenched workers and the second is with respect to the export sector. This chapter addresses coping strategies for the retrenched workers particularly women workers. There are mainly three issues with respect to retrenchment and coping strategies needs to address these issues. These issues are (i) practicing a fair and lawful retrenchment process; (ii) introducing assistance or rehabilitation programs for the retrenched workers and (iii) the implementing labour laws and labour standards in the garments sector. In undertaking coping measures various stakeholders- factory owners, GWA, BGMEA, NGOs, and the government, donors and the international community and the garments buyers – needs to play important roles.

5.1 Retrenchment Process

To mitigate the hardship of the retrenched workers the manner in which they are retrenched is an important factor. The process of retrenchment should take place in lawful manner. This has to be a part of the coping strategy. In most cases the workers, as the survey showed, were not given any notice; did not receive back-wages before becoming retrenched or receive any severance payments either. The owners were mainly irresponsible and also unlawful in their dealing with workers. Giving the workers due notice would have helped them to mentally and financially prepare them for dealing with retrenchment at the personal level. Getting paid for the completed work and also a severance payment are the right of the workers and would have been cushions against the immediate economic hardship.

For the future institutional changes are essential particularly in ensuring some kind of severance payments and the enforcement of labour laws in laying-off workers. In this respect the roles and responsibilities of the factory owners are most crucial. However others such as the government, BGMEA, GWAs, and NGOs need to play an important role in ensuring that the owners refrain from inhumane and unlawful practices. In this respect self-monitoring the activities of the garments factory owners, introducing a complaint window and negotiation facilities to settle such disputes in the BGMEA, providing legal assistance to the workers with the help of the government and NGOs can be considered. GWAs also can also organize the workers and assist them in taking the right course of actions. For the payment of severance package a fund can be introduced where all employers, donors and the government will contribute.

5.2 Assistance and Rehabilitation Programs

Assistance and rehabilitation programs for the retrenched workers should also be introduced. Currently there are no such programs in place. To deal with the prospects of retrenchment particularly large-scale retrenchment various initiatives can be taken such as providing micro-credit for starting small-scale business and trade activities, retraining programs, creating job banks and placement facility for the retrenched workers etc.

Both workers and GWAs strongly expressed the view that nobody is paying attention to the jobless situation of the garments workers. The labour unions try to make it an issue however the support from the workers, particularly women workers is not strong because they are afraid to support the labour unions. This is because if the owners know about a worker's involvement in the union activities then the worker would not get a job in the garments sector. According to the workers and GWAs, the government shows no interest in protecting the workers' interests. They side with the owners because the owners have the money to pay bribe and of course the garment owners are not concerned about the workers. Workers and GWAs also expressed the view that the owners often use loss of job and worker's hardship as a negotiating tool with the government and trading partners however in reality they do very little for the workers' wellbeing. Workers and GWAs also expressed concern that nobody is preparing for such events in case it happens in the future.

Workers and GWA believes that one of the main reasons for all parties being unconcerned and inactive about labour retrenchment issue in the garment sector is because women workers are politically unorganized and considered weak. Women workers are perceived as docile and subservient. In many respects this perception is true because of the low status of women in this society. Both the workers and the employers are aware of this vulnerability.

Government showed little concern and made no effort to rehabilitate the retrenched workers. During consultation with officials they expressed the opinion that the best protection for the workers is keeping the garment sector alive by helping the owners in market diversification and trade negotiation. The government was not making any special plans to deal with the problem of the retrenched workers. Government is in the opinion that the stakeholders within the garment sector (factory owners, GWAs and BGMEA) need to address this issue and make plans in collaboration with each other. In their opinion the government would be interested to assist any initiatives taken by others and will be willing to play the role of a catalyst. During consultation with other stakeholders (bilateral and multilateral donors) they also didn't show much enthusiasm about addressing retrench workers issue. This passive role of the government is certainly not consistent with the emphasis given to poverty reduction.

An institutional infrastructure should be developed to address possible retrenchment that may take place in the future particularly after phasing out of MFA in 2005. In the survey retrenched workers (sample size 500) were asked what assistance they would like with respect to rehabilitation. About 86.0 percent wanted jobs either in the garments (about 71.6 percent) or elsewhere (14.4 percent). About 7.2 percent wanted training, and 2.0 percent wanted one-time assistance in the form of lump-sum payments. About 4.4 percent wanted to receive micro-credit. However, 65.2 percent of the respondents perceived that they could successfully undertake business activities. This basically reflects their preference for jobs although they think that they are able to undertake self-employment activities. About 7.2 percent wanted training however, when asked, 85.8 percent respondents think that with training they can successfully find a job elsewhere.

In rehabilitating the retrenched workers particularly women workers the importance of skill development and retraining cannot be over emphasized. Skill development among the women is essential for three reasons. First, adoption of new technology in the garment sector: The recent trend in the garment sector indicates use of high tech machineries and one can expect that this trend will continue. Technological improvements in the garment industry pose the danger of women workers becoming redundant (*D. Bhattacharya and M. Rahman, 2001*). Secondly, creation of opportunities in other activities: In case of deceleration of the garment activities workers will require training to find alternative job opportunity in other activities. And thirdly low level of skill among women workers: Most of the women workers have low level of education and skill. For them to find alternative income earning opportunities will require them to acquire training linked to market demands. Thus effort has to made to improve women workers skills through (i) increased schooling, (ii) increased availability of skilled enhancement training at an affordable price and (iii) increased on the job training facilities etc.

BOX-5.1: Self-Employment for Retrenched Workers of the Garments Sector

With the success of micro-credit facilities, particularly among the women in the rural areas, many consider self-employment as a viable and sustainable means for poverty reduction. There are also those who believe that although micro-credit and self-employment can be important, for effective poverty reduction and empowerment of women the creation of employment is the best option.

In an effort to rehabilitate the retrenched workers from the garments, micro-credit with the objective of creating self-employment is assumed to be an effective means. Most of these women workers are assumed to be capable of undertaking small businesses successfully. With these assumptions some NGOs (particularly BRAC) undertook credit programs targeting these retrenched workers. These programs were well publicized; however they did not create much demand. There were few applicants for obtaining credit for self-employment. Garments workers are used to receiving a stable wage, and are habituated to work in a defined and disciplined environment; therefore they have little appetite for self-employment activities.

However, micro credit can be an effective tool for rehabilitating retrenched workers if they are given assistance in terms of business development, product development, marketing facilities, business support etc. In this respect trade bodies, employers associations, government and NGOs can pay important role with financial supports form the donors.

Other than rehabilitation of the retrenched workers into alternative income-generating activities, the fallback positions of the workers also have to be strengthened, where they can save better. In this respect the recommendations are to introduce profit sharing mechanisms; reward systems for good workers and provisions for making jobs regular by the owners. They also may introduce the provision of giving loan facilities for the workers, and savings facilities for the workers through the introduction of saving society and matching funds from the owners and government or NGOs. Women workers should be given regular training on a priority basis for job regularisation and promotion. The owners need to consult the workers, give proper notice and some compensation before firing workers.

In the survey the workers both currently unemployed and employed were asked to rate, according to preference, what kind of institutional changes they would like to see take place in the garments sector (see Table 5.1). About 97.1 percent of the respondents would like to have a savings scheme that enables them to save in a regular manner. About 94.1 percent of the workers indicated strong preferences for the introduction and practice of a provision in which the workers receive a one-time compensation at the time of retrenchment. About 90.1 percent indicated a strong preference for creation of a job bank; and 89.2 percent of the workers indicated a strong preference for establishing a system of Provident Funds for the garments workers.

Table 5.1: Preferences for Institutional Changes (1000 sample)

	Degree of Preference			
	Very Strong	Satisfactory	Doubtful	Undesirable
Provident Fund	89.2	1.9	8.1	0.8
One-time Job Loss Compensation	94.7	2.2	2.8	0.3
Creation of a Job Bank	90.4	2.2	2.6	4.8
Personal Savings Scheme	97.1	1.4	0.8	0.8

5.3 Addressing Labour Issues of the Garments Sector

Looking beyond retrenchment and rehabilitation problems of the workers in the garments sector, one needs to understand the nature of the existing problems of labour relations in this sector. This is important not only to protect the rights' of workers during work, and mitigate the negative impacts on the retrenched workers, but also to protect the garments sector as a whole. The garments owners need to ensure fair labour practices because buyers could increasingly apply this conditionality.

Three factors – social, environmental and labour standards - are expected to play important role in future in international trade and will also be important for the garment industry all over the world. In the case of social issues impacts of gender ratios in employment, impact on the poverty etc. are expected to get consideration. Environmental issues are also becoming important in terms of use of eco-friendly technology in international trade. Another important factor, fair labour practices, is going to play an increasingly important role in international trade. There is an international pressure to link labour standards with trade. Labour standard include fair wage, labour relations, safety provisions, facilities in the work places etc. Factories are increasingly under the pressure form the buyers to improve working conditions. After 2005 factories will have to comply with Social Accounting 8000, which will ensure ethical sourcing for production of goods and services. SA 8000 sets minimum standards for health and safety, wages and benefits, use of child labour, trade union rights, remuneration, working hours, management style etc. (*S. Choudhury-Zohir, 2001*)

According to the workers and the labour unions, **owners** should give terms and conditions (regular and overtime wage rates, other benefits, number of hours of work, working hours) for jobs in writing and also give proper documents such as appointment letters and company identification cards. They would like the owners to assign realistic workloads, not forcing workers to work overtime and reduce or eliminate work during night time. Workers expect to receive their wages and benefit payments on a regular basis and to be treated with dignity and not be abused verbally and/or physically. There must be proper bathroom facilities, childcare centres and maternity leave, regular weekends and government holidays, sick leave, decent food for lunch, education facilities for the children, clean and secure housing facilities etc. The work places must be secured with proper safety measures.

In the long run one would like to see institutional changes in the garments sector in terms of application of labour laws, rights to undertake union activities, and improvements in the working conditions, wages and benefits. In discussions with various stakeholders including the government, union leaders, women's organisations, members of civil society and donor communities, everybody recognized that the garments sector has to emerge as an "industry" as opposed to being "a trading activity." From the workers' point of view, the garments sector has to develop an institution of labour relations between workers and owners. According to the workers, often the owners do not consider workers as stakeholders. There is an ever-increasing mistrust and that needs to be removed. In these respects all stockholders have some roles to play and responsibilities to undertake.

In response to both international pressure and demand of the workers it is important for the garments sector of Bangladesh to address labour related issues. In this respect the approval and enforcement of the labour law reform report of 1994 will improve labour standard in the Garments. This labour law reform includes compulsory appointment letter; two months of maternity leave up to two surviving children; 60 days notice by the workers before leaving the job, 6 am to 10 pm working hour for women workers, one day weekly holiday, Union activities with no affiliation with the political parties; equal wage for men and women for similar work etc. If the garment sector starts the process of improving labour standard that will put Bangladesh ahead of the game in terms of its trading partners in deal with stricter enforcement of SA 8000 after 2005.

5.4 Roles of various Stakeholders

A number of stakeholders have important roles in ensuring the development of a social and institutional infrastructure, which will enforce fair treatment of the workers at work, and in coping with retrenchment. The industry needs to self-monitor and regulate its own actions and take measures to improve labour relations and labour treatment. In this respect the garment owners and BGMEA have critical roles to play. BGMEA need to take lead role in introducing new institutions for protecting the workers as discussed before. BGMEA has already undertaken “learn and earn” program. BGMEA can play further roles in ensuring provision of continuous training to the workers within the factory. The workers should also be provided with formal training at institutional level. In this respect government can pay important role in collaboration with the BGMEA. Government vocational training institutions can develop curriculum and provide training to the garments workers through the introduction of service provider agreements.

Labour unions need to helping in establishing the workers rights not the interests of the leaders themselves. They can play a catalyst role between government, owners and workers in establishing the rule of law in labour relations. Also they can develop job search and reemployment service for the members. Labour unions can along with the NGOs and factory owners play an important role is making workers aware of labour laws and their rights and responsibilities.

NGOs may develop training, business counselling, and loans facilities for workers in order to provide job search facility; assist workers and union leaders in building their capacity to negotiate with owners and participate in matters of their interests related to work and workers’ rights. The NGOs can also play catalyst roles in establishing labour relations. They can further create awareness among the factory owners and the workers about labour laws and monitor implementation.

The **Government** needs to ensure that the owners follow the existing rules and regulation; introduce new laws for protecting the interests and the rights of the workers; strengthen safety regulations and their implementation. The government also needs to ensure that workers are given weekends and government holidays. The government can further provide transportation and housing facilities, education for the children and health for the family, training and job search facilities. In terms of training for the workers, government can play an important role both as a provider and financer. In this respect the donors can provide assistance to the government.

In this respect it is important to mention that buyers of garments need to assist Bangladesh in understanding and implementing social, environmental and labour standard concerns. Also they need to reward compliances and be willing to pay higher price for products. Donors can also play an important role creating a level-plying field in garments trades and in introducing new institutions for protecting the workers and introducing training and rehabilitation programs.

Chapter 6

Managing crisis of the Export Sector: Coping Strategies for export Sector

Coping strategies for managing unemployment crisis requires taking measures to protect, expanding and diversifying the export sector. For more permanent solutions to the unemployment and export decline, fundamental problems of the export sectors have to be addressed and export performance has to be restored. To restore export declines and also to increase exports, measures have to be taken at two levels; one is strengthening the garments sector by identifying and implementing a short-term contingency plans. This would at least ensure no further retrenchment of workers in the garments industry. The second is ensuring expansion and diversification of exports along (*Mustafizur Rahman, 2002*) with expansion of domestic economic activities, which is essential to mitigate the negative impacts of global volatility on exports, employment, poverty and empowerment of the women of Bangladesh.

6.1 Restoring Export Decline of the Garments

In the future, after adjusting to the global trading situations and prolonged worldwide recessions, one expects the garments sector to face three possible scenarios. In the most depressed scenario one can expect that there will be large decline and many factories would close down in the face of stepped up competition. In the most optimistic scenario, one hopes that Bangladesh will be able to negotiate favourable trade treaties and identify new markers such that its garments exports expand. However, the most likely scenario is that there will be some shake up and those who are unable to remain competitive by improving technology management with support from the government in terms of improvement in trade-governance and sufficient improvement in infrastructure will have to close. However, one can assume in any scenario garments will remain an important export for Bangladesh. It would probably not be wrong to assume that the garments sector has reached it maximum potential and scope for expansion in this sector is rather limited. However, measures have to be taken to restore the performance of the garment sector and maintain a stable market share both in the short-run and in the long-run. In this respect roles of the exporters, government and various trade bodies and are important.

6.1.1 Roles of the owners

Based on the survey and focused group discussions with the exports, government officials, trade bodies, multilateral donors a number of roles and responsibilities of the owners are identified. The owners need to be more aggressive in finding new markets for outputs and also find the cheapest and best quality sources of raw materials. Most of the owners are used to buyers coming to them (*S. Choudhury-Zohir, 2003*). This culture has to change and they have to network with the existing clients, identify new buyers, open offices abroad for marketing etc. They also need to produce quality products and improving market share in the higher-end products, introduce improved technology such as composite machines, improve production efficiency for example by reducing wastage of cloth and yarn, reducing costs of production, introduce independent quality control processes in the production process, improve factory and business management.

The owners themselves recognized the need for improving labour relations and working conditions for the workers. They also recognize the pressure from the buyers in upholding social and labour standards under ethical sourcing idea. In this respect the owners needs to increase wages and pay wages on a regular basis, improve safety measures and facilities in the workplace, introduce medical and education facilities, provide skill development training to the workers on a regular basis, introduce promotion and rewards systems.

6.1.2 Roles of the Government

In restoring the garment exports, the government has an important role to play. This report identifies the roles of the government in consultation with the government, multilateral donors, owners of the garments industry and labour union leaders. In this respect the role of the government in creating an environment that supports and encourages exports is important. In creating that environment the first and most important issue is that the government needs to improve trade-governance by simplifying and streamlining bureaucratic processes in obtaining licenses, approvals, clearing of imported raw materials, implementing duty draw backs effectively, and reducing various fees. The government must take actions against fraud exporters because it creates a bad reputation for the country. Also government should monitor and regulate the activities of the buying houses also the BGMEA.

Reducing lead time is a major concern among the garments owners. It should also be mentioned that the buyers prefers "one-stop-shop" approach where the buyers can order the complete garments from the same country where fabrics are also produced. Bangladesh will lose out if the textile industry is not developed. The government has made textile as one of the "thrust sector" in the textile policy of Bangladesh. The private sector investors in textile should be allowed to get one-stop service for the utilities on a priority basis in EPZs and industrial areas.

The government of Bangladesh is also taking initiatives to address emerging difficulties (*Mustafizur Rahman, 2002*). These include reducing bank and interest rates, refinancing facility for credit to export-oriented sectors. Government is also considering reducing fright rates for exports and reducing VAT and AIT. The government is considering the viability of setting up central bonded warehouse to reduce lead-time problems. However this should be done after taken into consideration the implication for backward linkages with the local textile sector.

The government needs to improve infrastructure supports specific to garments and also for overall export activities and particularly to ensure an uninterrupted and cheap supply of power. It also needs to improve banking sectors and ensure easy availability of funds. Many exporters and members of the business community perceive that in Bangladesh, banks are better-equipped and more willing to deal with import activities as opposed to export activities.

The Government also needs to actively participate to protect the interests of the garments exporters by removing all trade barriers against Bangladesh's garments in the international markets particularly by seeking duty free access (*Salma C. Zohir, 2001*). In the case of the USA the government must negotiate to bring about suitable amendments so that such facilities are extended to all LDCs (*D Bhattacharya and M Rahman 2000b*). Labour unions expressed the view that the government should assess the magnitude of the labour displacement problem and use that information to ensure favourable trade negotiations for Bangladesh. It has to market itself as a country so that preferential access can be ensured on the basis of poverty alone and no other consideration. To give credibility to such strategy the industry needs to demonstrate that profits will go to the poor workers (*Rehman Sobhan 2002*). The government has to take an active part in creating new markets for garments through bilateral and multilateral trade negotiations. Also in collaboration with the BGMEA, government can arrange trade fairs in Bangladesh and abroad, establish design institutions, display centres and training facilities for the garments workers. The government needs to ensure development of backward linkage industries. This is considered to be important for improving the competitiveness of the garment industry of Bangladesh particularly after year 2004.

The garments exporters would like to see a reduction in government's overall intervention with export activities, and reductions in the prices of gas and water. However, the role of the government is considered as important for implementing labour laws and establishing strong labour relations. Many of the owners would like to see the reintroduction of cash incentives and the introduction of tax holidays for ten years for garments exporters.

6.1.3 Roles of the Bangladesh Garments Manufactures and Exporters Association

BGMEA plays an important role in protecting and supporting the garments sector. It plays an important catalytic role between the government and the garment exporters and also with the buyers. It can participate with the government in various trade negotiations and also in creating new markets for garments. It can play an important role in introducing the practice of labour laws and improving labour relations. This also needs to provide marketing and management-training support to the garment producers. It can also establish workers' training centres at the grassroots levels so that there is no problem with supply of skilled labour. In collaboration with the government BGMEA needs to establish a Design Centre.

During discussions with the garments owners, particularly small garments business owners, some complained about misgovernance within the BGMEA, particularly with respect to quota allocations, providing support to the exporters in time of need. BGMEA needs to pay attention and put its own house in order. Smaller garments owners complained that BGMEA is controlled by a number of big garments owners and they are not making much effort towards bringing permanent and institutionalised changes for protecting the garments sector.

6.2 Ensuring Export Expansion and Diversification and Economic Growth

With a narrow export structure (*see Table 2.2*), the government needs to pay attention to the issue of export diversification. The current crisis faced by the garments and garment-related activities should act as a wakeup call for policymakers and the business community alike. This experience further emphasizes the urgency of export expansion through diversification. Bangladesh also needs to diversify its export markets. The current structure of export by destination indicates (*see Table-6.1*) a large dependency on the USA (36.2 percent) and the European markets, particularly EU countries (44.6 percent).

In this trade structure and market structure diversification is essential for protecting the economy from global volatility. Even if in the future garments exports increase, Bangladesh still needs to move away from high export dependency on garments. These experiences certainly reemphasize the need for diversification of export activities. In a global world another important coping strategy to absorb global shock is the growth of the domestic economy. Overall economic growth both in exports and other domestic activities is necessary for overcoming and absorbing global shocks and also creating new job opportunities.

Table 6.1: Destination Export Structure of Bangladesh

Country	**1998-99**	**1999-2000**	**2000-2001**
U.S.A.	35.7	36.9	36.2
Germany	11.1	12.1	12.6
U.K.	9.5	9.1	9.4
France	7.0	6.4	5.9
Italy	5.8	4.7	5.2
Netherlands	4.8	5.0	5.1
Belgium	3.7	3.9	3.7
Hong Kong	1.9	1.8	2.0
Canada	2.0	2.1	2.0
Sweden	1.2	1.4	1.7
Other Countries	17.3	16.6	16.2
Bloc/Community			
E.U		43.4	44.6
NAFTA		36.6	36.2
OIC		4.1	4.4
Other Asian countries		4.0	4.1
OPEC		2.2	2.6
Member countries under ACU		2.9	2.4
SAARC		2.0	1.7
Other European Countries		1.8	1.6
ASEAN		1.7	1.4
Others countries		1.3	1.0

Source: Export Promotion Bureau, 2000-2001

One of the areas of export expansion that is quite widely being discussed within the government and among the business community is in agro-based activities particularly in food and food processing activities. This can be a new area of expansion for agri-primary and agri-processed exports as a result of global initiatives such as EU's everything but arms proposal (*Mustafizur Rahman, 2002*). In case of agro-based industry there are possibilities for expansion in the export of fresh vegetables, poultry products fresh and processed, cut flowers and meat, particularly mutton with the government's support for growing black Bengal goats. In agro-processing industry Bangladesh can embark on potato and banana flake industries. Reviving jute exports, particularly processed jute products could also be a new area of expansion. An important step will be to give priority to the establishment of these industries in the EPZs which can strengthen backward linkage by greater use of local agricultural raw materials (*A.H. Mondal, 2002*).

Other areas of expansion are raw leather and finished leather products; assembling and re-export of telephone and TV sets and other small electronics goods; computer hardware and software; natural gas; wood and wicker furniture etc. In this respect Export Promotion Bureau (EPB) of Bangladesh has identified four sectors - Leather & Leather Goods, Readymade Garments, Computer software, Agro-processing - and declared them as the 'Thrust Sectors'.

According to the EPB of Bangladesh there are possible markets for many of the agro-based products. It is possible for Bangladesh's exporters to find markets in new countries both for garments and non-garments products. New trade partners can be Australia, Russia and other ex-soviet breakaway republics, the Middle East particularly the Gulf countries. In terms of assembly and re-export activities Bangladeshi producers need to negotiate with Malaysia, Taiwan, Singapore, and Thailand. These counties are moving away from manufacturing and assembling low-end electronics products. Thus there seems to be opportunities for Bangladesh to get into these activities.

However, in diversifying and expanding exports of Bangladesh there are various obstacles that have to be overcome. Export of food items requires maintaining quality of production up to the health standards of the importing countries. In food-export businesses, reputation and image are important and apply to the whole sector. Thus, if one exporter exports low standard items, it would hurt everybody in the business. Also these are new activities, which the banks consider as “green field activities” or unknown areas of business. These make agro and agro-based products high-risk activities from the Banks’ perspective. Therefore, banks are reluctant to lend money for agro-exports and for establishing the agro-processing industry.

In terms of assembling activities one major obstacle is the lack of know-how to start this business and develop management capacity among the Bangladeshi entrepreneurs. Another important obstacle is the lack of skilled workers. These activities require an educated work force that can be easily be trained. In the case of jute and jute product exports, one needs to identify new products and also make aggressive marketing efforts.

In almost all of the potential export diversification activities Bangladesh faces strong competition from countries like China, Vietnam, Cambodia, India, and Thailand etc. Some of this competition is because of their natural advantages, however it is also a result of government. In strengthening the export sector, the role of the government is essential. The government and various trade organisations need to work together in creating an enabling environment.

6.2.1 Roles of the government

The government has to address issues specific to improving the export environment and also to create an overall environment conducive to economic expansion. With respect to exports and support for the exporters the role of the government has to be both at the macro and micro levels. In these respects, to name a few, the government needs to take the role of

- Maintaining a macro policy environment towards export growth.
- Maintaining an export-oriented exchange rate policy. In this respect the government of Bangladesh is posturing to introduce a managed floating exchange rate regime, where the exchange rate would be allowed to vary within a range. This is expected to encourage export activities.
- Encouraging new export activities consistent with the structure of comparative advantage.
- Providing incentives to the exporters that are consistent with the competitive countries’ structure of incentive. In some countries exporters of handicrafts and other items get special tax holidays and other incentives. These should be taken into consideration in identifying incentives for export diversifications.
- Strengthening the roles of the Export Promotion Bureau of Bangladesh: They need to play dynamic roles in product identification, bilateral trade negotiations, providing access to market information, facilitating in legal and other matters.

- Strengthening the commercial roles of the Bangladesh Embassies in marketing exports of Bangladesh.
- Ensuring good governance, particularly in the areas of trade by simplifying and streamlining requirements, process, etc.
- Providing social, financial and physical infrastructure by providing training facilities to the workers, reforming the banking sector and introducing instruments for financing exports in new areas, developing roads and communication systems, providing a supply of power, developing and efficiently managing port facilities.

6.2.2 Roles of the business community

Government can create an environment that is conducive for the exporters and for export diversification however the actual tasks of undertaking export activities have to be done by the businesspersons. As it happened in the early eighties with garments exports, new pioneers from the business community need to come forward to take the lead in export diversification. Garments exports have been a highly profitable business for a long time. Not only were they profitable, the exporters also learned the tricks of the trade, built their network and knowledge base and became comfortable with carrying out this business. This sense of comfort created inertia amongst the business community towards looking for new areas of export potentials. The business community needs to identify

- New areas of export possibilities and opportunities
- New trading partners and markets
- Potential problems in availing these opportunities and materializing new partnerships and market accesses
- Future needs for support from the government and donors.

6.3 Employment Generation and Gender Implications

Expansion and diversification of export is necessary, however it is not sufficient for ensuring women’s continued and increasing participation in these sector as workers. As discussed above, it is highly desirable for the structure of trade to become more diversified. However, the emerging new structure of export diversification will have differential implications for the employment generation, particularly in terms of skilled, unskilled, female and male workers. Some of these exports will have greater impacts of improving the BOP situation and others will have greater impacts on domestic employment generation particularly for unskilled and women workers. Export promotion strategies need to pay attention to the issue of employment, particularly employment among women to ensure their economic and social empowerment.

To understand the implications of export expansion and diversification from gender perspectives, the analysis needs to take place at two levels. First one needs to understand the employment implications due to export expansion and diversification; second the effect on demand for skilled or unskilled workers must be understood. These analyses would provide a clear picture of whether the new areas of export expansion and diversification would create job opportunities for women workers. In this respect one would like to estimate industry specific export (or output) employment elasticity, particularly for the emerging areas of export growth. However, it was not possible to do so within the scope of this study. Nevertheless, one can assess the skill needs for existing exports and possible areas of export expansion.

In the *garments sector*, the nature of labour demand at present is mainly for unskilled cheap labourers, which is easily supplied by women. Within the garments sector, ready-made garments employ relatively more women workers than the knitwear garments. Thus to maintain women's employment expansion in ready-made garments is important. However, in the future (after the MFA is phased-out) the ready-made sector is expected to decline more than knitwear (because it currently enjoys preferential access through GSP). If in the future ready-made exporters are adopting composite production technology and also targeting to enter into the high-end of the garments markets this strategy implies automation and greater need for skilled workers. Thus with respect to demand for women workers there is a real danger of a large displacement of women workers.

In the *agro and agro-processing* industries technology can range from high to low labour intensity depending on the nature of processing. For example, packaging of fresh fruits, vegetables and poultry, canning or freezing of fruits, vegetables or meat require less automation and a lower level of skills. However, products like production of potato and banana flakes, dried fruits and vegetables; meat processing require highly automatic technology and skilled workers. In general expansion in the agro and agro-processing industry is expected to create employment opportunities for women workers.

Electronics assembling industries require mainly semi-skilled workers and currently in Bangladesh some of the assembling industry has been successful in employing a large number of women workers. According to CMI data in the electronic spares industry about 17.6 percent of the workers are women. Thus, expansion in these areas may create opportunities for women workers if they are provided with adequate skill training. The leather and leather products industry, particularly footwear, can also be a potential area of employment for women workers. Currently in the footwear industry about 8 percent of the workers are women.

Increases in women's participation in the labour market and their empowerment, as an outcome of economic self-sufficiency, are possible to achieve in the future within the expected change in the export structure and growth. If Bangladesh is successful in making necessary adjustments in the garments sector and expands its export in new areas it may create opportunities for women workers. However, these changes may not happen automatically.

For women's participation to increase in the export sector, the government and the private sectors along with all other stakeholders have specific roles to play. The most crucial role for the government, NGOs, labour unions and BGMEA is to introduce training and retraining facilities and sector specific job banks. The government and NGOs need to encourage the private sector to be proactive in employing women workers and provide necessary support for women workers to perform their work.

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