

Producers Tentatively Stand By Bangladesh

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Workers in Bangladesh pushed for, and won, an increase in the minimum wage.
Photo By EPA/Abir Abdullah

WASHINGTON — Despite a pending increase in Bangladesh's minimum wage, apparel companies are keeping their production in the country for the moment. But disruptions caused by strikes and worker unrest could change the equation quickly.

In late July, the Bangladesh government moved to increase the country's minimum wage following months of widespread, violent protests by workers and their unions. The government said the minimum wage will increase to 3,000 taka a month, or \$43 at current exchange rates, effective Nov. 1. The move nearly doubled the previous minimum wage of 1,662 taka (\$24), but fell short of the 5,000 taka (\$72) called for by workers.

Protests didn't relent much after the government's announcement, as workers continued to demand the higher wage and push for the increase to take effect immediately, as opposed to the delayed implementation date set by Bangladesh's labor minister.

Apparel executives view labor unrest as one of the costs of doing business in Bangladesh, but typically in the past it came in the form of general strikes fomented by political conflicts. This summer's strikes focused on labor concerns and were particularly vexing to the textile and apparel industry. There were reports that at least one major apparel factory was destroyed by fire, and several other warehouses and factories were also targeted. Hundreds of demonstrators were injured and there were a handful of deaths. Many factories were forced to temporarily close.

Munir Mashooqullah, president of Synergies Worldwide, which manufactures apparel in Bangladesh, said the minimum wage increases will benefit the least skilled apparel factory workers, about 30 percent of the industry's workforce.

"Business was interrupted," Mashooqullah said, adding the impact would have been greater if the strikes had continued.

The volatility of costs in China helped insulate Bangladesh from some of the impact of the strikes. If production in China was as constant as it was in previous years, Bangladesh might have lost some orders, Mashooqullah said. Instead, order levels stayed the same or increased during the period of unrest.

Apparel exports from Bangladesh totaled \$12.5 billion for the 12 months through June, claiming an 80 percent share of the country's exports, according to government statistics. Apparel imports to the U.S. from Bangladesh for the year ended in June rose 0.2 percent to 1.46 billion square meter equivalents, or \$3.5 billion, according to data from the Commerce Department's Office of Textiles & Apparel.

The volume of apparel and textiles shipped to the U.S. from Bangladesh increased during the first three months of the year from 119 million SME in January to 183 million SME in March. As the labor unrest grew, import volumes slowed. Bangladesh shipped 178 million SME of textiles and apparel in April and 156 million SME in May. The volume of apparel rebounded a little in June, rising to 162 million SME.

An estimated 50,000 workers have participated in demonstrations. There are more than 3 million apparel workers in Bangladesh employed in 5,000 factories.

Abdus Salam Murshedy, president of the Bangladesh Garment Manufacturers & Exporters Association, said that future increases in the workers' wages are dependent on the cooperation of buyers and their willingness to pay higher prices. "Western outsourcers offer the world's lowest rates for manufacturing in Bangladesh, leaving the Bangladeshi garment workers the world's poorest," Murshedy said.

Some major buyers in Bangladesh already pay more than the minimum wage, and others have indicated a willingness to accept higher prices to help increase workers' wages, according to industry sources in Bangladesh.

Labor rights organizations have called on major international clothing companies manufacturing in Bangladesh to put pressure on the government there or to voluntarily increase workers' wages and have called for the release of local labor leaders who were jailed during the strikes. The groups charge the government has repressed the workers who toil for less than subsistence wages. Large unions like the AFL-CIO and the British Trades Union Confederation have also come out publicly on the side of the workers.

Getting accurate figures about wages for apparel workers can be difficult because data are often outdated, said Charles Kernaghan, director of the National Labor Committee, but it is clear Bangladesh has the lowest wages in the world. The 1,662 taka that workers earned before the minimum wage changes is equivalent to 11.5 cents an hour based on a 48-hour work week, Kernaghan said. By comparison, Vietnamese workers earn 36 to 52 cents an hour after recent changes, Sri Lankan workers earn 45 cents an hour after a wage hike in May and Mexican workers earn at least 50 cents an hour, Kernaghan said, based on his interviews with workers and government information.

Apparel companies said they already pay higher than the old minimum wage in Bangladesh. A spokeswoman for Gildan Apparel, which manufactures in Bangladesh, said most of its employees already earn more than the minimum wage and will continue to do so following the increase.

"The major companies have been very supportive of the increases in Bangladesh and have expressed their support," said Julia Hughes, president of the U.S. Association of Importers of Textiles & Apparel. "People were more concerned about the strikes and the disruptions in the supply chain than they were concerned about the [minimum wage] increase."

Apparel companies also have much deeper concerns about problems plaguing production in other parts of the world, she said.