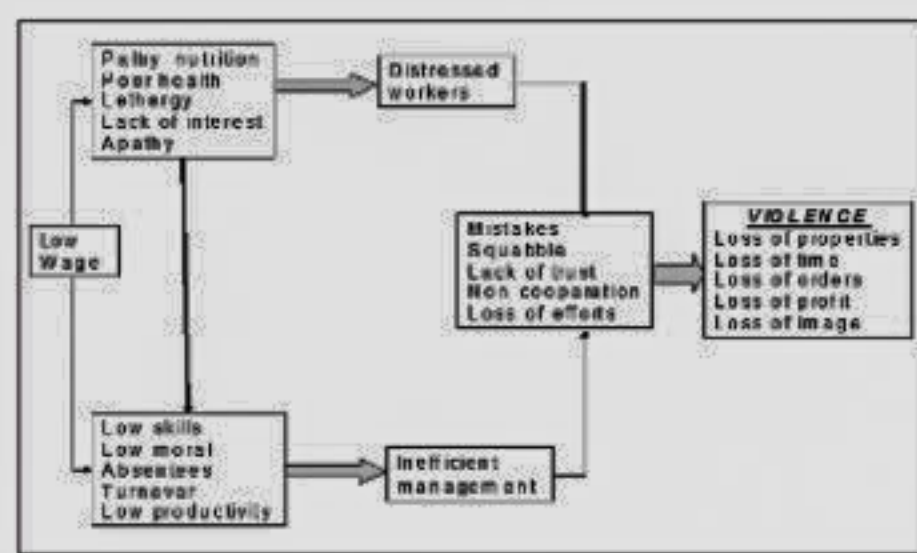


# Low wage trap: RMG sector



not cool down the situation. Although the factories have started working, the violence may again erupt at any time. We need to give serious thought to working out long-term solutions. We have to accept that even with rise the wages are still low.

There are at least three reasons why the declared wage for the RMG sector is low. Number one is that it is less than the cost of living. According to a recently released study, if an individual wants to give his or her family of four the minimum calorie intake, it will cost Tk.7,740 per month at the current market prices.

The second reason is that it is low compared to other industries as per a government report released by the labour ministry. Thirdly, it is low compared to wages of garment workers of Vietnam, Indonesia, India, Pakistan or Sri Lanka.

The author tried to find a logical and rational relationship with the low wages and its impact on the workers and management. Low wage is a trap, which creates a barrier around us and prevents us from getting out of the present situation. A conceptual framework to understand the cause and effect relationship is presented in the diagram above. The diagram shows how low wage below the cost of living will affect the working conditions.

Because of low wages workers will suffer from malnutrition as they will not be able to afford enough calorie intake, which will affect their health. Poor health is likely to have a negative impact on the workers, who might become apathetic towards their work. As a result we will get distressed workers, which will have a negative effect on production.

On the other hand, if the management offers low salary they may be able to attract unskilled or semi-skilled employees. In Bangladesh, it is easy to attract a large number of workers with low wages because of high level of unemployment. Such low-wage workers may not be good for the organisation in the long run.

Because of poor nutritional and health conditions there is likely to be a high rate of absenteeism. Low paid employees will look

for better opportunities outside the organisation, which will lead to higher rate of employee turnover. High number of absentees and high turnover will result in low productivity.

Poor education and inadequate training, particularly of supervisory level management, will result in inefficient and ineffective management. They will make more and more mistakes that will lead to many problems, including squabbles with the workers. The result will be more mistrust, non-cooperation and loss of effort, energy and resources

Distressed workers and ineffective management will create an environment where trust, mutual understanding and empathy are likely to be lost. This kind of situation can breed conflict and eventually violence.

When violence occurs it destroys resources like properties, time, market and even life. Due to work stoppages the factories may get orders cancelled, or will have to airlift the cargo at high cost. The business will lose profit and the country its reputation as one of the largest producers.

In a competitive business world we cannot afford to have continuation of such disruptions. If there is disruption in one factory it will spread to other nearby factories, even though they may be better managed or be compliant factories. When the workers come out on the roads the law and order situation is affected, and the economy and the country as a whole suffer.

We have to find ways and means by which we can get rid of the low wage trap. To get out of this trap is a challenging task for the industry in particular and for the government at large. We cannot continue to pay the workers low wages on the excuse that the cost of business is high due to lack of infrastructure -- electricity, communication, transportation, law and order situation etc.

Is it justifiable that the workers shall continue to bear the burnt because of incompetence of the management and other factors of production? If we can pay the workers at least as much as the cost of living, it will attract not only more educated and trained manpower but also more satisfied workers.

This will result in better labour-management relations and higher productivity, which can transform the whole environment and help us get out of the vicious circle.

Mustafa Kamal is Professor, Department of Business Administration, Northern University Bangladesh, and former Director General, Bangladesh Institute of Management.

# Wage push factor in China

Wages are set to rise further as young, better-educated workers are no longer willing to slog like their parents did, working long hours in bad conditions for low pay. The shortage of workers, particularly in southern China, will also put pressure on wages.

EDITORIAL DESK, *The Straits Times*

WAGES are rising steadily in China and this is not necessarily a bad thing for the economy or the nations it does business with. The surge of labour unrest in recent months, with workers being unusually assertive in seeking more pay and better working conditions, had government and employers scrambling to respond.

Several provincial governments raised the minimum wage, by 10%. Japanese carmaker Honda raised pay by 24% after a series of strikes at its Chinese plants. Taiwanese contract manufacturer Foxconn raised wages by up to 100% after a spate of suicides at its Shenzhen plant.

Wages are set to rise further as young, better-educated workers are no longer willing to slog like their parents did, working long hours in bad conditions for low pay. The shortage of workers, particularly in southern China, will also put pressure on wages.

Rising wages have several implications for China as well as the world. For China, its export competitiveness could be affected. How to manage workers' rising expectations so that it does little damage to its export machine is a challenge. Wage rises ultimately will force China to restructure the economy. Many of its factories work on thin margins.

Higher wages would force these factories to rework costs, move out to cheaper locations or raise their asking prices. Or they could move up the value chain.

It is expected that labour-intensive, low-end manufacturers will either move inland to the cheaper regions -- thus spreading economic activity to less well-off parts -- or out to countries like Viet Nam, Cambodia and Laos where labour cost is still low. These can be replaced by high-tech industries that are less polluting and less labour-intensive, and make better use of workers who are better educated and trained.

One of the outcomes of higher pay is higher domestic consumption, to redress the trade imbalance with Western nations. However, consumers elsewhere may have to pay more for Chinese goods and face the prospect of higher inflation. The less developed countries of Southeast Asia, besides benefiting from factories relocating from China, will be able to attract more foreign investment, which would have gone northwards in the past.

The question is how to make good use of the new conditions that rising wages in China have thrown up. Southeast Asian countries will have to tackle their own labour issues as well as factors that deter investors, such as under-developed infrastructure and high-energy costs. For China, managing well the transition from low to higher wages and economic restructuring is crucial for social stability.

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MUSTAFA KAMAL

economy of the country.

THE carnage and acts of vandalism in the garment industry, which is the backbone of the Bangladesh economy, has puzzled everyone, and is a serious blow to the industry and the

The main problem in the industry is low wage. On July 29, the government announced that the wage of an entry-level RMG worker would be Tk.3,000 per month, which is 80% more than the present minimum wage. But even such a wage hike did

# As Ramadan arrives

On such a holy occasion the people naturally expected that the government would try wholeheartedly to mitigate their sufferings by bringing down the prices of essentials, tackling the persisting power crisis and easing traffic congestion in the capital.

A.N.M. NURUL HAQUE

THE country, particularly the capital, seems to have become chaotic with the arrival of Ramadan, the holy month of austerity, self-restraint and piety. The holy Ramadan comes to Bangladesh this year with severe scarcity of power, water and gas, and horrible gridlocks.

Though Muslims all over the world observe this month in order to rise above crass materialism in a bid to get spiritual cleansing ordained by their religion, Muslims in Bangladesh cannot fully devote themselves to prayer and supplication before the Almighty as they are facing immense problems because of the shortages.

With the capital crippled by severe gridlocks on the first day of Ramadan, the government hurried to shut all schools and colleges for over a month as an easy way to overcome the horrible traffic chaos. The early closure of the educational institutions may bring a respite for the city dwellers, but this temporary solution to the traffic tangle comes at a high cost that will be borne by the millions of students because the extension of the vacation will disrupt their academic schedule.

Severe power crisis continues to persist in the capital and other parts of the country, and its end remains a distant dream. As the power generation falls short of the demand by around 2000 MW per day, people are destined to suffer terribly during the holy month. The authorities have failed to ensure power supply at least during *iftar* and

*sehri* and for the *tarabi* prayers. Even minimum supply of power at these three times would have been able to appease at least the fasting people.

People in different parts of the country, being exasperated by frequent power failure, have now started swooping on local power stations and barricading highways. Thousands of people blocked the Thakurgaon-Dinajpur highway on August 13, demanding uninterrupted power supply, and clashed with police. Police fired rubber bullets and teargas canisters and baton-charged the people, leaving 40 of them injured.

The government has ordered the CNG filling stations in the capital to stay shut for six hours a day to increase gas supply for power generation. This is not likely to be of much help in improving the situation. The authorities should have advised the big shopping malls in the cities to restrict activities during the night to save power. Commercial and industrial establishments should have also been advised likewise and desperate measures should have been taken to enforce these decisions.

Many areas in the capital are experiencing acute shortage of water. Wasa blames load-shedding for the disruption in supply, but it should have introduced emergency services for at least the month of Ramadan to keep those areas better supplied.

Despite government steps to curb price spiraling of essentials and business leaders' pledge to keep the market stable, prices have suddenly soared alarmingly with the commencement of

Ramadan. In the absence of government's price list of essential commodities and poor monitoring, retailers are overcharging in selling consumer goods. They even do not hesitate to overcharge on packed consumer products, defying the printed maximum retail price (MRP) tag.

Prime Minister Sheikh Hasina asked the processors, traders and retailers of essentials to help keep their prices stable during Ramadan. She also issued a warning against artificial price hike of essentials at a meeting with refiners of sugar and edible oil and traders of essentials at her office on August 11.

The delegation of business leaders assured the prime minister that the prices of essentials would not be increased during Ramadan. But their assurance appears to be a cruel joke played on the fasting people as prices of essentials, especially food items used during Ramadan, are soaring without a pause.

With the arrival of Ramadan, the law and order has deteriorated sharply in the capital and elsewhere in the country, marked by increasing incidents of hijacking, extortion, snatching and murder. Lax security measures have paved the way for rampant extortion, mugging, robbery and drugs peddling, causing concern among the people.

On the 2nd day of Ramadan extortionists shot and injured three drivers of CNG-run auto-rickshaws in the city's Rampura area in broad daylight as they refused to pay them money. A businessman, shot by extortionists in the city's Maghbazar area on the 1st day of Ramadan for refusing to pay them money, died the next day.

Fasting in Islam is basically a spiritual discipline that aims at attaining nearness to Almighty Allah. Fasting awakens a new consciousness of a higher life in men, a life above that which is maintained by eating and drinking. There is also a moral discipline underlying fast-



ing, as it is the training ground where people are taught the greatest moral lesson, that they should be prepared to suffer the greatest privation and undergo the hardest trials rather than indulging in worldly lust and gains.

Fasting has a social value as well. It is not merely a temporary abstention from food and drink. Abstention from food and drink is not all that Allah demands from Muslims. The instincts for food, drink and other worldly pleasures are strong in animal nature, and a temporary restraint from all these enables people's attention to be diverted to higher things. This is necessary through prayer, contemplation and acts of charity, not of the showy kind, by seeking out those in real need.

On such a holy occasion the people naturally expected that the government

would try wholeheartedly to mitigate their sufferings by bringing down the prices of essentials, tackling the persisting power crisis, and easing traffic congestion in the capital. Now, all their hopes have turned into despair and desperation with the combined outcome of soaring prices of essentials, persistent power crisis, and horrible traffic tangle in the capital.

It is quite unfortunate that despite the government's firm pledge to tackle these ailments, particularly during Ramadan, it has failed to do anything tangible in these respects and provide respite for the people.

The government agencies responsible for providing utility services like power, gas and water need to be more sincere and careful than any other times to mitigate the sufferings of the fasting

people on these scores. A similar step was also required for keeping the prices of essentials stable. If the prices had been stable, the situation would have not have been so bad.

The people are quite aware of the limitations of the government and do not expect too much. What they expect in this holy month is electricity during *iftar*, *sehri* and *tarabi* prayer, and the prices of essentials remaining within their purchasing power. City dwellers want to reach their destinations in time for breaking the fast. But their patience runs out when they are deprived of these bare necessities. Ramadan is a month for austerity and the people want to live up to its asceticism.

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