yet, many if not most factory owners are honest, hardworking businesspeople trying to earn a decent profit. What impact will the new award have on them?

The award is not just for the minimum wage for entry-level workers. It affects all seven grades of workers. A similar pay rise for the skilled, mid-level workers may hit the bottom line harder, particularly of smaller factories.

Consider this scenario. The small factory owner finds it relatively harder to meet the mandatory pay-rise. To save on other costs, general working conditions decline. In practice, the overtime scenario described above comes true even if the owners are not particularly malevolent. Relatively skilled mid-level workers leave the smaller firms for larger ones, who are better able to provide better working conditions. The net result is that smaller firms are squeezed out of existence.

Supporting small and medium sized enterprise is a key development strategy of the government. It would be counterproductive to broader economic growth strategies if a supposedly egalitarian policy is at odds with this development objective.

Again, current reporting makes it impossible to know how likely or widespread an adverse impact on the smaller factories is. But at this point, a serious disjunct in economic development strategies appears possible and warrants further analysis.

There are personal stories. There are conjectures and conspiracy theories. There are opinions and counter opinions. But what's missing is data, evidence, research and analysis.

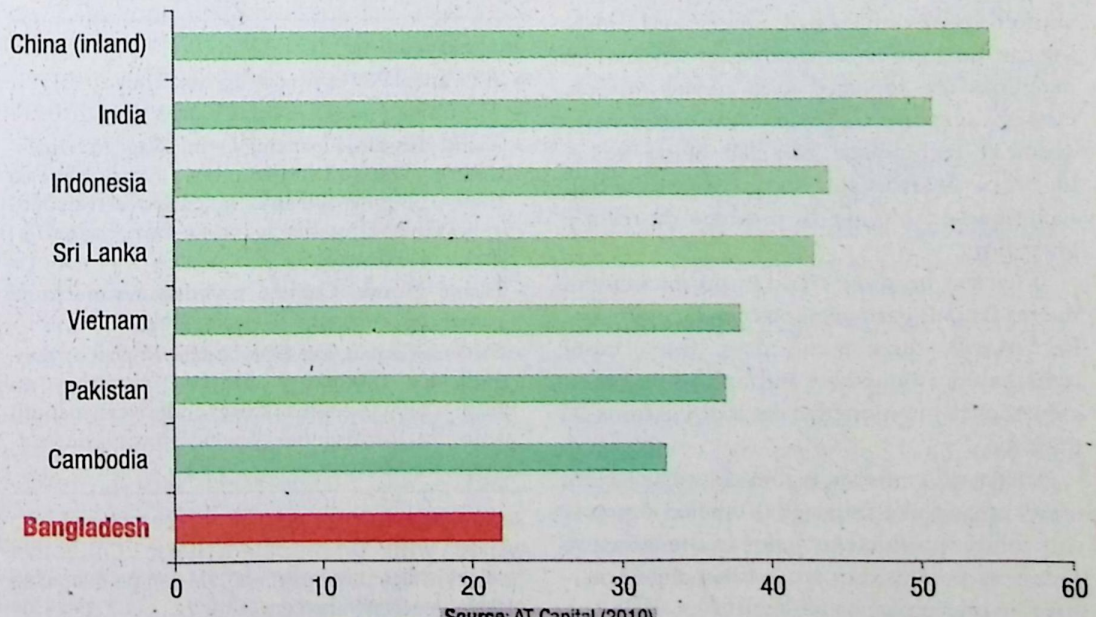
What will be the hit on the bottom line?

Independent of the scale of operation, whether the pay-rise is affordable or not crucially depends on two questions.

First, how will the buyers react? According to academic research, a doubling of labour costs typically increases Western retail prices by 1 to 3 percent. And Bangladesh isn't the only country where there is upward wage pressure -- it's a regional story.

For example, monthly minimum wage in the Cambodian garment sector is about 3,500 taka, and there is labour agitation for a raise to 4,200 taka. Monthly minimum wage has risen to about 3,650 taka for the foreign-owned

Chart 2: Apparel manufacturing labour costs, 2008 (cents per hour)



Source: AT Capital (2010)