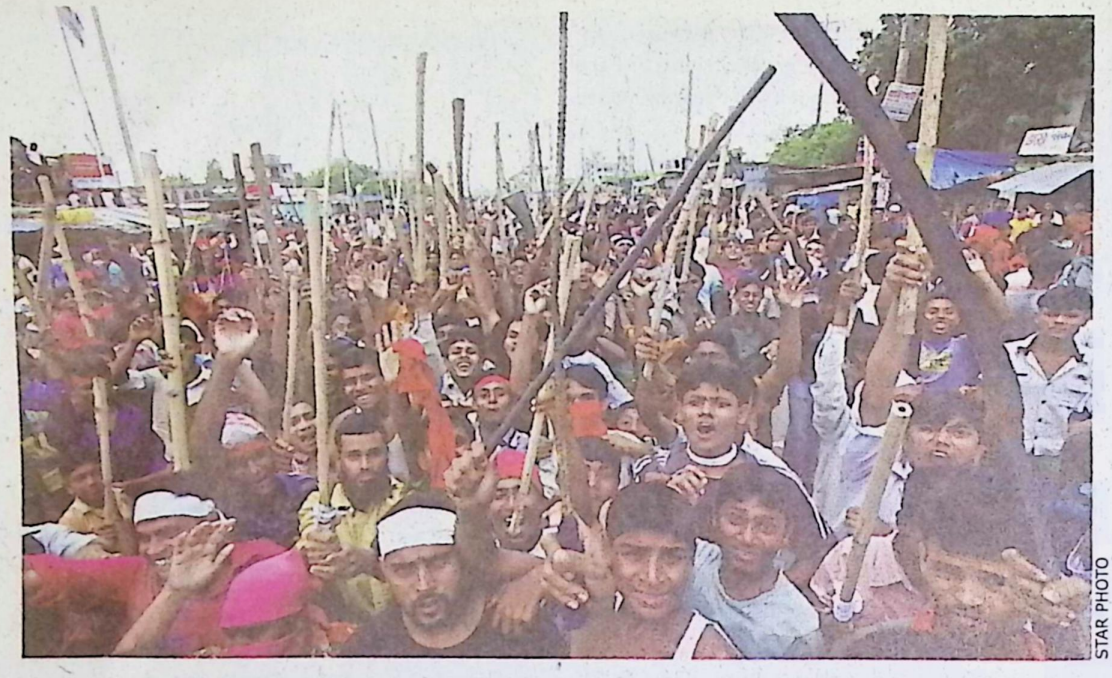


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firms in Vietnam. These two countries are usually considered Bangladesh's major competitors. Indeed, according to some estimates of relative labour costs, Bangladesh had a strong competitive edge in 2008 that can, all else being equal, withstand such pay-rises (Chart 2). And this is all in the shadow of rising labour costs in China that is likely to affect global supply chains in profound and as yet unpredictable ways.

And what about productivity? In addition to global factors, whether the new award is affordable for owners depends on evolving productivity trends in the industry. A garment worker's productivity rises when hand finishing can be done on a machine, or when older machines are replaced with newer models. Her productivity also rises with better management techniques. All else being equal, higher pay is affordable if concurrent shifts in technique enable her to produce more in a given hour.

What has been the trend in productivity in the readymade garments sector in recent years? Remarkably, there is no data. Even more remarkably, productivity and unit labour costs are not even mentioned in most discussions of the issue.

Anecdotal evidence is that the severe electricity crisis and a shortage of skilled supervisors inhibit productivity gains in the industry. This may be true, but by how much? Shockingly, no one knows.

Questions, but no answers

So there are lots of questions about the appropriateness of this award. Does it constitute a living wage? What are the hidden costs to the worker? What will be the impact on smaller factories? Will the national garment industry be able to survive global competition? Is productivity rising to keep pace with the wage?

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. In a country kept economically afloat by garment manufacture, that's simply not good enough.

Further reading

- AT Capital PRI bi-weekly update, 7 July 2010.
- The Economist, The Next China, 29 July 2010.
- Zahid Hussain, Financing Living Wage in Bangladesh's Garment Industry. Available at: http://blogs.worldbank.org/endpovertyinsouthasia/financing-living-wage-bangladesh's-garment-industry
- Elaine Moore, Chinese pay disputes mirrored across region, Financial Times, 4 July 2010.
- Sanjana Zaman, Let Good Sense Prevail in Bangladesh's Garment Industry. Available at: http://blogs.worldbank.org/endpovertyinsouthasia/let-good-sense-prevail-bangladesh's-garment-industry

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