

The bare minimum of RMG

RUBANA HUQ

WHILE the US has been pushing for improved working conditions and safety standards at garment factories in Bangladesh, the European Union has also voiced concerns. The Savar tragedy has indeed triggered a fast reaction: the BGMEA has announced imposing compliance audits on all the factories, with the government increasing the number of factory inspectors to 200. A tripartite understanding with the International Labour Organisation has been reached in this regard. The amendments to the existing labor law of 2006 have also been drafted by the government to empower the labour force to have collective bargaining rights leading to formation of trade unions. And last but not the least, the labour leaders have also pushed hard to revise the minimum wage level where the basic pay (without working extra time) is barely \$38.

A few responsible government officials have rushed to some garment factories, shut a few shops and announced the construction of a minimum wage board along with the decision of paying retroactive salary with effect from May 1, 2013, which is testing the garment exporters' community with the harshest of measures. At this point, we need to study the consequences.

With minimum wage standing at Tk 4,000, the garment cost will go up by 10 cents on an average, 20 cents with Tk 5,000, 30 cents with Tk 6,000 and 40 cents with Tk 7,000. With Vietnam and Cambodia being barely 20-30 cents away from where we are now, we will lose out on being competitive. I certainly hope the government has a fallback plan for the four million workers in this industry.

Let me clarify my position first. I am a strong advocate of an increase



A woman breaks down as she holds her daughter's coffin with a grandchild in her arms at Adhar Chandra High School playground in Savar on May 3. The Rana Plaza collapse claimed 1,127 lives last month.

in the wage level. The minimum wage level, which was revised twice, is not still enough to support a life. After working overtime, the average worker's take home package stands at anywhere between \$70 and \$80 a month. In a family of three, assuming that the man of the house is a rickshaw puller, the woman a garment worker with a child, the rent of one room for that family, even when it is split between the husband and wife, costs \$20 per adult, the average food intake of 30 kg per person costs \$13 a month; vegetables, occasional meat and fish another \$20 and in case if the child is used to milk, then that would mean an extra \$5.

Of course the current minimum wage level is not enough. And of course, we need to make value

added products where the manufacturers will have the advantage of asking for more margin, where the retailers will treat us as a one-stop shop. But, without that leap in quality, we cannot ask for more margins.

Firstly, if we are to retroactively pay the workers from May 1, not one manufacturer will be able to pay wages. Since we have already secured our orders till October 2013, the government should kindly consider revising the date of effect, especially because this extra hike is not accounted for in our costing. After the announcement of the revised minimum wage level, manufacturers would still need three more months to negotiate new orders at new unit prices and buyers too would need time to decide whether or not to place

orders with us.

Secondly, the BGMEA must kindly classify factories immediately and label them as Tier 1, Tier 2 and Tier 3. Tier 1 compliant factories may conduct first level audits on the Tier 3 factories, identify the basic areas of weaknesses, and suggest corrective action plans instead of simply waiting for the BGMEA to turn up at our door steps with a team headed by Rajuk and Buet engineers, asking for our structural drawings and soil test reports. We should ourselves conduct the load tests or hammer tests to ensure safety.

Thirdly, after the Savar tragedy, most of the Tier 1 factories will walk away from subcontracting with the Tier 3 ones. No work for these 2,000-2,500 Tier 3 factories

would put 10 lakh workers at risk of unemployment and Bangladesh will lose its capacity to produce at least two hundred million pieces a month, assuming that the factories produce basic shirts/blouses. Therefore, a short-term step would mean the third tier factories to meet their minimum safety requirements. Many of these Tier 3 factories are not equipped with fire fighting equipment. Fire Service and Civil Defense charges a factory Tk 16,500 for training 40 workers. In a factory of 500 workers working in four lines, 13 such training sessions would be needed. The government could provide this training and fire fighting equipment free of cost.

The buyers require quality, compliance, delivery and quantity. A big retailer comes into the market with an expectation of sourcing the maximum quantity at the best price. If we want to retain all these advantages, we would need to turn our Tier 3 factories around by supporting them in order to retain our maximum capacity offers.

While all the discussion on this tragedy impacting future business goes on, all of us engaged in the readymade garment manufacturing need to reconcile with our own conscience, bridge our differences with our own labour sector and then attempt to explain to the world where we ourselves have gone wrong. We also need to tell the world that without them buying these clothes made by our women, without them placing the orders at reasonable prices in our factories, without them helping us improving our working conditions, and ensuring the minimum safety to these four million workers out here, at least 20 million people depending on this workforce in Bangladesh will go hungry every night.

The writer is the managing director of Mohammadi Group, a garment manufacturer.

India moves to end Vodafone tax fight

AFP, New Delhi

INDIA has begun moves to work out an out-of-court settlement with British mobile giant Vodafone over a multi-billion-dollar tax bill, a report said Tuesday.

The government has been pursuing Vodafone over what it says are unpaid taxes stemming from its 2007 takeover of Hong Kong-based Hutchison Whampoa's Indian cellular unit.

The tax battle has contributed to a souring of overseas investor sentiment toward Asia's third-largest economy.

The Press Trust of India, quoting unnamed government officials, said the government had initiated moves for a "conciliatory out-of-court settlement" with Vodafone.

The news agency said new law minister Kapil Sibal, named to the portfolio at the weekend, initiated the settlement move, reversing a stand by his predecessor who resigned last Friday over a corruption scandal.

Sibal told reporters Monday he would work to ensure that "legal processes and procedures should not be an impediment to economic growth, but must fuel it".

India is keen to draw more foreign investment to spur an economy that has been growing at a decade low of five percent.

Last year, lawmakers passed legislation giving the left-leaning Congress government the right to tax merger transactions retroactively.

The measure was seen as aimed at overriding a Supreme Court ruling dismissing what was then a \$2.2-billion tax claim on Vodafone.

The government said later it might pursue Vodafone for \$3.72 billion in back taxes, interest and penalties, spooking foreign investors.

There was no immediate comment available from Vodafone or the government on the report.

The dismay over the tax legislation added to investors' unhappiness about economic policy paralysis and a slew of graft scandals besetting the government of Prime Minister Manmohan Singh.

Scrambling for the immigrant elite



Immigrants take the oath of citizenship during a naturalisation ceremony to become new citizens of the US in New York.

JOHN LLOYD

A new era has arrived in immigration. Many countries -- the United States, the UK, France, Germany, the Netherlands -- have for decades taken in poor immigrants with the express intention that they would do work that native citizens had become reluctant to do. The labor was either too hard, too cheap or too dangerous for the locals.

Now the rich countries don't want poor people. Many of the production-line jobs they came to do have been automated -- or the industries they came to work in, as the cotton mills of Lancashire in the UK, have mostly closed. The Immigration Bill now before the US Congress and Senate is crafted to legalize the estimated 11 million illegal immigrants and to "attract... the world's brightest and best-educated people." As automation takes over more unskilled work and as the demand for labor emphasizes skills that higher education usually teaches, the needs of the United States and other developed countries change.

The heated debates over immigration and its consequences power the rise of the populist parties in Europe and push centrist governments towards tougher curbs. But the debates may soon seem beside the point: The traditional emigrant states are beginning to want their best minds back. The hunt for clever people is globalised: Universities, companies, even government bureaucracies seek them here and seek them there. The needs of the developed world and the greater needs of the developing world now conflict.

Western immigration has a long history. Pakistanis were employed to staff the declining cotton industry in the north of England from the 1960s. Mexicans have come into California and Texas to work on farms since the mid-19th century: The massive flows have been in the last few decades, with nearly one-third of the Mexican foreign-born population arriving since 2000. Germany imported Turkish immigrants since the sixties with no right or prospect of citizenship, to work in its automobile and other industries.

These days, citizens (including ethnic minority citizens) see in immigration a threat to jobs, social services and their culture. The problems aren't illusory or -- as some liberals have maintained -- merely the product of racist attitudes. Germany's 3-4.5 million citizens of Turkish origin do pose a real problem of integration: The economist Theo Sarazin's 2010 book, *Germany Is Destroying Itself*, was excoriated by much of the establishment for its uncompromisingly bleak picture of an unassimilated Turkish population -- until part of his argument was accepted by Chancellor Angela Merkel.

As the head of the Demos think tank, David Goodhart, stresses in his recent book, *The British Dream*, over the past decade and a half UK immigration has been unprecedentedly rapid and large, as it has been in France. It has meant a substantial change in the look and culture of some urban areas and increased ghettoisation. Goodhart, a liberal himself, was also harshly criticized -- only to later see some of his critics agree with him.

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ATM heist: India's IT sector in unwelcome spotlight

REUTERS, Mumbai/Bangalore

A breach of security at two payment card processing companies in India that led to heists at cash machines around the world has reopened questions on the risks of outsourcing sensitive financial services to the Asian nation.

Global banks that ship work to be processed in India, either in-house or to big IT services vendors, were already under pressure to step up oversight of back-office functions after a series of scandals last year.

Last week, US prosecutors said a global criminal gang stole \$45 million from two Middle Eastern banks by breaking into the two card processing companies based in India and raising the balances and withdrawal limits.

"India is exposed in two ways: The threat that the same theft could happen in India and the fact that the outsourcing industry will also get affected," said Arpinder Singh, partner and national director for fraud investigation and dispute services at consultancy Ernst & Young.

The episode is reopening debate on banks sending work requiring a high degree of confidentiality to offshore locations.

"It is the weakest link," said Shane Shook, an expert with US cyber-security firm Cylance Inc who has helped financial firms conduct investigations into some major cyber crimes.

"I think the lesson is they need to pull back on what they've outsourced. When you're giving a third party, the outsourced entity, the ability to access credit limits or cash limits of the consumers you're managing the finances for, you're giving up control that is your fundamental responsibility."

India's \$108 billion IT services industry is the world's favoured destination for outsourcing. Over 40 percent of exports by the industry are support services for the global financial sector, ranging from investment bank back-office functions to research, risk-management and processing of insurance claims.

Lured by a tech-savvy English-speaking population and wages that can be one-fifth those in the West, more than three-quarters of global banks have a direct or third-party offshore presence in India.

Indian IT firms, led by outsourcers such as Tata Consultancy Services and Infosys, argue that security breaches are rare.

"I think if you look at the nature of the work we do and how much we do, we've actually had very very few incidents," said Som Mittal, president of the National Association of Software and Services Companies, the industry lobby.

UNDERCURRENT OF HOSTILITY

Still, any perception that data may be less safe in India is unwelcome for an industry that faces an undercurrent of hostility for taking away jobs in the West, home to most of its



The EnStage Inc office is seen in the southern Indian city of Bangalore.

clients.

"The threat (to security) is for real, that's for sure," said Parag Deodhar, chief risk officer at Bharti AXA General Insurance, the local joint venture of France's AXA.

"When people don't take it seriously, it doesn't help. People still take information security quite lightly, and they don't address the weakest link, which is the people aspect." There has been no suggestion that anyone employed at the two card processing firms, ElectraCard Services and EnStage, is involved.

EnStage, incorporated in California but with operations based in Bangalore, handled card payments for Bank of Muscat of Oman, sources have said. Bank of Muscat lost \$40 million in a coordinated heist on February 19.

ElectraCard Services, based in Pune, processed prepaid travel cards for National Bank of Ras Al Khaimah PSC, according to sources. RAKBANK suffered a \$5 million coordinated heist at ATMs around the world on December 21 last year, the US indictment said.

Several industry watchers have said payment card fraud is a global problem and is not unique to India.

Two previous cases of hacking into processors of pre-paid debit cards occurred at RBS WorldPay and Fidelity National Information Services Inc, both in the United States. The amounts involved however were less than the losses suffered by the Middle East banks.

The US Federal Bureau of Investigation has said many cases of cyber-crime involving credit cards and bank fraud never get publicised.

"The notion that this will affect outsourcing to India is wrong. There is no relation. There

have been bigger frauds at BPOs in the United States," Ravi Sundaram, ElectraCard's head of strategy and corporate services, told Reuters on Monday.

Nevertheless the breach comes after a series of other events that have tarnished the IT industry in India.

Last year, the New York state banking regulator accused London-based Standard Chartered of hiding \$250 billion in transactions with Iran and not giving proper oversight to its back office operation in Chennai, India.

That had followed a backlash in Britain after customers of Royal Bank of Scotland and its Natwest unit were left locked out of their accounts for a week due to an inexperienced IT operator in Hyderabad, media reports said.

A US Senate probe last year criticising anti-money laundering controls at HSBC identified deficiencies in work done by its "offshore reviewers" in India, according to media reports.

While plenty of global companies are moving more functions to India, either to outsourcers or wholly-owned "captive" operations, some are moving work back home.

Costs, however, remain an over-riding factor.

"Most banks in US are trying to cut costs because of recession. So they will try to outsource, not just to India but to any other country or any other company," said Nishanth Chandran, co-founder and CEO of E-Billing Solutions, a Chennai-based company that helps merchants process payments.

"For banks, it is completely a balance between security and costs."