Textile workers in Bangladesh rise against poverty wages

Tuesday 21 November 2023, by GODIN Romaric (Date first published: 10 November 2023).

Textile workers went on strike at the end of October to demand higher pay. After several days of protests, the minimum wage was raised by 56%, a far cry from their demands. The country's economic model seems to be gasping for breath.

Contents

Just over ten years after the Rana Plaza disaster on 24 April 2013, which killed 1,100 textile workers, Bangladesh has seen several weeks of unrest in the sector. At the end of October, at least 10,000 people stopped work to demand pay rises.

Strikers blocked roads, set up picket lines to prevent non-strikers from returning to work, and sometimes even ransacked and set fire to workplaces. At least four factories were destroyed by fire, according to AFP. Nearly 600 of the country's 3,500 manufacturing plants closed in the first week of November, often at the behest of employers.

There were pitched battles throughout the country with the police, who violently repressed the protests. Three people have already been killed in these clashes, including two women, who make up the vast majority of workers in the sector.

The anger arose at a time when wages in this key sector of the Bangladeshi economy, which accounts for 85% of the country's exports and is worth 55 billion dollars, remain very low. The minimum wage, at 8,300 takas a month, or around 70.35 euros, had not been revised for five years.

But in the meantime, inflation has accelerated sharply. In October 2023 alone, prices rose by 10% year-on-year. The situation for women working in the sector quickly became untenable. So they began to fight back, demanding an almost trebling of the monthly minimum wage to 23,000 takas (around 195 euros).

On Monday 6 November, the Bangladeshi government tried to calm the situation by deciding to increase the minimum wage by 56.25%, to 12,500 takas (around 106 euros). This is more than the 25% increase proposed by the employers' association, but a far cry from the demands of the women workers.

The decision was even perceived by the latter as a provocation. Kalpona Akter, leader of the Bangladesh Textile Workers Federation (BGIWF), described it as "unacceptable". "It falls far short of our expectations", she told AFP.

Far from easing the situation, this decision provoked a new outburst of anger on Tuesday 7 and Wednesday 8 November in the streets of Gazipur, a town on the outskirts of the capital, Dhaka, where the textile workshops are concentrated. During these clashes, one woman lost her life.

The situation remains all the more tense as the country is going through a deep political crisis at the same time. The opposition, led by the Bangladesh Nationalist Party (BNP), is calling for the resignation of Prime Minister Sheikh Hasina Wazed’s government before the general elections scheduled for January 2024.

The government party, the Awami League, is accused of manipulating the elections, which has led to the opposition boycotting the last two polls. The opposition is calling for a neutral technical government to organise the elections, which the Prime Minister is refusing.

Opposition demonstrations escalated on 28 October. There were several deaths and several members of the opposition were arrested. The response was a public and private transport strike, fuelled by a tightening of road fines. The country was virtually paralysed on the weekend of 4 and 5 November.

A country under the iron grip of the multinationals

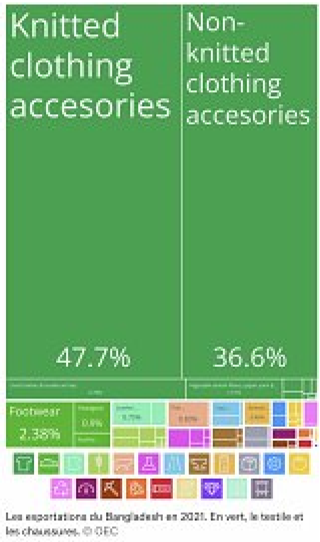
The textile workers’ strike shows that the level of exploitation remains extremely high. According to Faziul Hoque, a former manager in the sector quoted by the Hong Kong newspaper South China Morning Post, wage costs represent 10% to 13% of total costs. This very low level is compounded by pressure from contractors.

Textile workshops in Bangladesh work for major retailers such as Gap, Adidas, H&M, Levi’s, Zara and Hugo Boss. The latter cut purchasing prices from the 3,500 local companies. The fear of Bangladeshi employers is that international groups will refuse to raise their procurement prices to match wage increases, forcing them to cut back on margins that are already under pressure from inflation and falling exports.

“Words from buyers are fine but when they place orders, they say there are many other competing suppliers.”
A textile company manager

“We have seen in the past that these groups raise their prices only a tad, and not enough to compensate for the extra cost”, explains Faziul Hoque. On the face of it, however, the major groups seem to be supporting the demands of Bangladeshi workers. In a letter sent to the Prime Minister, several of them “committed to implementing responsible purchasing practices”. Since the Rana Plaza affair, these well-known brands have been very sensitive about their statements about Bangladesh, but the reality of the negotiations seems very different.

The head of a local company, Abdus Salam Murshedy, told the South China Morning Post that “the words from buyers are fine but when they place orders, they say there are many other competing suppliers, so you better do this, do that".



Bangladesh's exports in 2021. In green, textiles and footwear. OEC

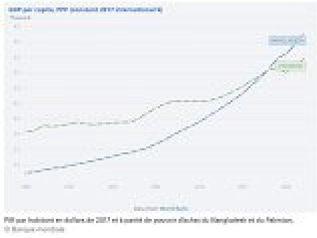
Last January, a study carried out by the University of Aberdeen (UK) among a thousand Bangladeshi textile producers confirmed that the multinationals had not raised their purchase prices for two years, sometimes compelling Bangladeshi companies to sell below their production price.

While demand for textile products is stagnating in the major advanced economies of the world, Bangladeshi exports have continued to show strong growth: between January and September 2023, they rose by 10.37% year-on-year in dollar terms. Women workers in the textile sector therefore remain, on the whole, the adjustment variable in a system based on over-consumption and high margins for multinationals.

The downside of a "beautiful story"

They are also victims of Bangladesh's development model, based above all on extremely low labour costs. Looking at the macroeconomic figures alone, Bangladesh's economic story may seem pretty good. Growth has been sustained for over thirty years, reaching 6% again last year, and this country of 171 million inhabitants, the eighth most populous in the world, joined the club of middle-income countries in 2015 after having been one of the poorest.

In 2019, Bangladesh's GDP ($460 billion in 2022) exceeded that of Pakistan for the first time since 1976. A year earlier, Bangladesh's constant GDP per capita at purchasing power parity had already surpassed that of Pakistan for the first time. A symbolic revenge for Bangladesh which, in 1971, wrested its independence from Pakistan after a war which, according to some estimates, left three million people dead and is referred to by some as genocide.

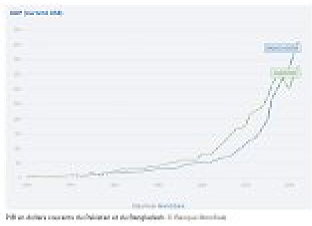


GDP per capita in 2017 dollars and at purchasing power parity of Bangladesh and Pakistan. © World Bank

On its website, the World Bank states that “Bangladesh tells a remarkable story of poverty reduction and development”. The poverty rate measured by access to an income of less than $2.15 (2017 purchasing power parity) has fallen from 11.8% in 2010 to 5% in 2022. But as always, these good stories have a downside.

Firstly, because this rise in living standards is accompanied by new needs. Lifestyles are changing, and spending with them, not by choice but by necessity. Households are therefore in a more complex situation than they appear, with salaries insufficient to live decently.

And that’s the other side of the story. Growth is based above all on low wages, since the textile sector, the one that brings in foreign exchange and helps all the others to grow, remains mired in low wages. In other words, when you base your development on this type of model, you can escape from extreme poverty, but you run the risk of getting stuck in a system of low wages and growing inequality.



GDP in current dollars of Pakistan and Bangladesh. © World Bank

So it’s no coincidence that the country is experiencing a high level of emigration, alongside its ’beautiful history’. In 2021, net migration was still negative at 171,000 people, and has remained stable at around this level for the last ten years. In all, no fewer than 13.5 million Bangladeshis live abroad.

In fact, Bangladesh seems to be caught in a trap. Its ultra-dependent model in the textile sector, which makes it a subcontractor of Western multinationals, is blocking any possibility of further development. The demands of buyers are putting pressure on local wages and margins. Employers therefore have neither the means nor the interest to invest in increasing productivity and diversifying the economy.

While the textile sector accounts for 16% of Bangladesh’s GDP, its influence is much wider, in that it is virtually the only source of exports. As a result, Bangladesh is, according to the IMF, one of the least productive countries in the region, and this naturally has an impact on working conditions and wages.

The government has not stood idly by for twenty years. Investments have been made in health, electrification, agriculture and education. The population is undoubtedly better off than it was twenty years ago. But the economic model has remained the same, and is now at an impasse.

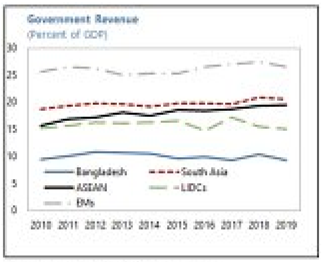
A tight balance of payments

As the manufacturing sector is centred around textiles, everything needed to produce T-shirts, shirts and trousers has to be imported. Dependence on imports is therefore high and, as always in this type of model, as exports increase, imports increase even more.

Since the economic model is also one of labour-intensive subcontracting, and opportunities are non-existent, foreign investment is reduced and local capitalist accumulation is not reinvested in the Bangladeshi economy. According to the World Bank, foreign direct investment was only 0.3% of GDP and, even at its highest level in 2013, it was quite low (1.7% of GDP).

The result is a strained balance of payments (the difference between incoming and outgoing capital flows). Only remittances from emigrants, particularly those in the Gulf States, help to balance it. In 2022, they amounted to $21.6 billion, or 4.8% of GDP. But this makes the country highly susceptible to economic trends in this region. In fact, in recent months, this resource has tended to decline (by 14% year-on-year in the third quarter of 2023).

There is an additional element of fragility: the Bangladeshi state itself. The main problem is the weakness of tax collection. Despite growth, tax revenues are barely increasing, and are stagnating at an extremely low level of around 10% of GDP, compared with the average for South Asian countries, which is closer to 20% of GDP. In addition to chronic corruption problems, this is due to massive exemptions. Again, this is quite logical: the pressure of multinationals on the engine of the economy reduces the ability of companies to pay their taxes. In a way, the Bangladeshi state, weak as it is, is indirectly subsidising the profits of these major groups.



Bangladesh tax revenue compared to several areas. IMF

The consequences of this low tax base are twofold: an inability to accelerate the investment needed for the country’s development and a chronic public deficit that worsens the balance of payments and weakens the currency, causing inflation to accelerate and weighing on the social situation.

From the spring of 2022, the Bank of Bangladesh, the country’s central bank, gave up its support for the stability of the taka in order to preserve its foreign exchange reserves, while the balance of payments continued to deteriorate, rising from 6.7 to 8.2 billion dollars between the fiscal years 2021-2022 and 2022-2023.

The taka lost 30% of its value, fuelling inflation. In response, the government has attempted to impose import controls, which reduced imports by 24% in the third quarter. But the trade deficit remains and the flight of local capital has accelerated. As a result, the current account deficit remains high, and at the end of October the government had to negotiate a new line of credit from the IMF with the prospect of price liberalisation, particularly on fuel, as a quid pro quo.

This restriction on imports has had a significant impact on the difficulties in the textile sector, since it has led to a shortage of resources and therefore to an increase in production costs, which in turn is putting pressure on wages.

The social crisis has not helped matters. The Bangladesh Bank has had to intervene again to stabilise the taka, and its reserves have shrunk alarmingly, from 41 billion dollars in the summer to 19.5 billion on 7 November. The crisis could therefore deepen.

On November 9, Moody’s warned of the possibility of a balance of payments crisis for the country: “A small and concentrated export sector, combined with low foreign investment, is likely to erode export competitiveness. Bangladesh could therefore experience a structural current account deficit in the short to medium term.”

Economic crisis and climate crisis

Bangladesh seems to be reaching the limits of its model, without finding the means to develop another. Home to almost 2% of the world’s population, Bangladesh is trapped by the very nature of the global textile market, based on cheap, abundant production and obvious over-consumption. It’s all very well for the US administration to say that textile workers’ wages must rise above the government’s proposal. The reality is that real development of the country is not possible within the framework of the current textile market.

And this is where Bangladesh’s social ills meet those of the ecological crisis. The country, which lies mainly in the Bengal and Brahmaputra deltas, is highly vulnerable to rising sea levels and meteorological disturbances. It has been ranked by the University of Notre Dame in the United States as the 27th most vulnerable state in the world to this crisis, and the third most vulnerable in Asia after Yemen and Afghanistan.

According to the IMF, the Dhaka government is investing between 2% and 3% of GDP below the minimum needed to adapt to this crisis, while its economic model is fuelling the ecological disaster. Textile mass production is one of the most polluting sectors, in both production and consumption zones. But here again, Bangladesh is only one link in a wider problem.

The social crisis in Bangladesh is therefore the symptom of an illusion: that of development through growth and cheap labour. In reality, the country is at the mercy of the profitability needs of the major multinationals. The “beautiful story” that the World Bank is trying to tell is now turning into a darker tale of misery, climatic disasters and political repression.

Romaric Godin

P.S.

• Source : Mediapart. 10 novembre 2023 à 17h25 :
https://www.mediapart.fr/journal/international/101123/au-bangladesh-les-travailleuses-du-textile-s-in

surgent-contre-les-salaires-de-misere

• Traduction Sushovan Dhar pour ESSF.

Les articles de Romaric Godin sur Mediapart :
https://www.mediapart.fr/biographie/romaric-godin-0

ESSF invite lectrices et lecteurs à s’abonner à Mediapart.

POURQUOI S’ABONNER A MEDIAPART ?
• Site d’information indépendant
• Sans subventions ni publicité sur le site
• Journal participatif
• Financé uniquement par ses abonnements

https://www.mediapart.fr/abonnement