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# FROM MINIMUM WAGES TO LIVING WAGES?

- A CASE STUDY OF THE EXPORT-ORIENTED  
GARMENT INDUSTRY IN BANGLADESH

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## Abstract

This text will take you on a journey to the Far East – Bangladesh to be more specific. In spring 2008 I went there to find some answers to the question of wages. I wanted to know if a change in focus from minimum wages to living wages could be achievable. The question will unfortunately remain unsolved at the end of the essay. To predict the future would be impossible. Instead three possible scenarios are presented. The likelihood of each and every scenario is later discussed. The conclusions at the end of the essay are based on an analysis of the theories presented and the interviews proceeded.

The starting point for the research is the relocation strategies of corporations, which are outlined in the background chapter. This chapter also contains information about the garment industry in Bangladesh. The main research question is if there can be a shift from minimum wages to living wages in Bangladesh. In order to bring clarity to the question, three sub questions have been used. The first question looks into how wages are determined in the export-oriented garment industry in Bangladesh. The second question concerns the corporations' responsibility for their workers. The third, and last, question addresses how cultural dimensions influence the corporations and how wages are set. To find the answers to the sub questions I divided the research into four main topics: "Wages – Minimum and Living Wages", "Morality, Ethics and Business Ethics", "Employees as Stakeholders of the Companies" and "The Cultural Dimension". The topics are dealt with in separate chapters. The chapters contain a theoretical overview, as well as the information gathered from the interviews.

The chapters are followed by a further analysis of the empirical findings. The chapter on wages contains an in-depth explanation of the difference between minimum wages and living wages. In the conducted study all workers were paid the minimum wage in coherence with the law. This wage was however much lower than what the definition of a living wage declares. Therefore many workers did over-time in order to reach a higher standard of living. Business ethics and the stakeholder theory will be used to discuss the opportunities and limitations of the responsibility of the corporations for their workers. The scholar Hofstede's system of measuring national cultural values will be used to look into specific cultural aspects. According to his system, Bangladesh has a high ranking in power distance, a low ranking in individualism and a middle ranking in masculinity. These three dimensions will be discussed; both correlations and exceptions found in this study will be presented.

The three possible scenarios for a change are presented in the conclusions. Firstly, the minimum wages could be changed into living wages, if the government decides on raising the wages of the garment workers. Secondly, the mentality amongst management could provide a solution to the change in focus. If managers could find advantages in paying their workers more, it would open up for a brand new wage system. Thirdly, changes could come from the workers themselves, through unification in the regard. This has however been valued as less likely to happen, because of the power distance prevailing in the country.

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## Abbreviations

<b>BGMEA</b>	Bangladesh Garments Manufactures and Exporters Association
<b>BKMEA</b>	Bangladesh Knitwear Manufacturers & Exporters Association
<b>CSR</b>	Corporate Social Responsibility
<b>€</b>	Euro
<b>EPZ</b>	Export Processing Zone
<b>EU</b>	the European Union
<b>H&amp;M</b>	Hennes & Mauritz
<b>HR</b>	Human Resource
<b>IND</b>	Individualism
<b>LTO</b>	Long-Term Orientation
<b>MAS</b>	Masculinity
<b>MFA</b>	Multifibre Arrangement
<b>PDI</b>	Power Distance Index
<b>SGSF</b>	Sammilito Garments Workers Federation
<b>TK</b>	Taka; currency in Bangladesh
<b>UAI</b>	Uncertainty Avoidance Index
<b>UK</b>	United Kingdom
<b>US</b>	the United States

## Preface

It was not until one of my last days in Bangladesh I started to realise what exactly I had discovered. I had been in Dhaka for almost two months by then, during which time I had been in contact with three of Sweden's largest clothes retailers, visited six of their suppliers and spoken to a total number of 41 persons about my concerns. We will have to go back a couple of months to get to the full picture.

In October 2007 I applied for a scholarship called "Minor Field Studies" sponsored by Sida, the 'Swedish International Development Cooperation Agency'. My plan was to go to China to investigate salaries within the garment industry. It soon turned out to be a better idea to go to Bangladesh. Partly because of how the industry had changed, as Bangladesh by this time was the country where workers are reportedly paid the least. Partly because it was much easier to precede my investigation in Bangladesh, as most of the export-oriented garment production is highly concentrated in an area in and around Dhaka. My first point of contact in Bangladesh was Linda Johansson, CSR Project Coordinator H&M Dhaka. She later became my contact person in field. Shortly before I left for Bangladesh I contacted Christoffer Falkman, who works as a Manager in Social Compliance for KappAhl Far East Ltd. I also got in touch with Suman Tripathi, Country Head at Lindex in Bangladesh and Reajul Haque, Compliance Officer, also at Lindex in Bangladesh. Linda Johansson introduced me to R. M. Faizur Rahman ("Prozzal") and through him I met my interpreter Redwan-E-Jannat ("Ishita"). All mentioned have been of great help and without them providing their services the essay wouldn't be possible.

My research concerns concepts of minimum wage and living wage, and the difference between the two. The research question, however, has developed over the course of the investigation. Before the departure to Dhaka, my main interest was whether there could be a change of focus in the garment industry in Bangladesh – from minimum wages to living wages. I was also interested in finding out how this change could be implemented, and who in that case would lead the way - the local government or the companies themselves? I searched hard for the appropriate literature on the topic, trying to prepare for the task. When arriving in Dhaka, however, I was shocked. All my expectations were shattered and all assumptions I had made – although I tried to avoid making assumptions – were turned upside down. I realised I had to change my approach, and disregard some of my assumptions, in order to reach any answers to my research question.

The practical difference between living wage and minimum wage turned out to be more complex than I had predicted. I soon realised how the specific question of raising the garment industry workers' wages was part of a larger question concerning wages in general and connected with processes within companies and governmental decisions. Once back in Sweden, my new findings led me to a greater understanding of my original question. The different stages I have gone through whilst conducting this research will be reflected in the essay.



# **1 Research Overview**

The ‘Research overview’ consists of a background to the subject and the study.

## **1.1 Background**

The background gives the reader an introduction to the subject. The first part brings the subject of relocation strategies into the light. The second part gives a picture of the garment industry in Bangladesh.

### **1.1.1 Relocation strategies**

Relocation strategies mainly take place in mass production sectors, which requires relatively simple technologies and low-skilled labour force. Most European countries belong to the outward relocation, while Asian countries primarily are the ones where the production moves to. Comparing Western Europe with both Eastern Europe and China shows how the latter are characterized by a lower level of trade union involvement. (Carley 2006, p.21; 35) Carley further says:

“However, actual cooperation with trade unions in the foreign countries concerned is not always required in order that unions in outward-relocation countries take an interest in working conditions at the destination locations”. (Carley 2006, p.37)

The report mentions an example, where an UK trade union reached an agreement with management and contracts signed by multinationals, such as “codes of conduct”, “global agreements” and “international framework agreements”. These contracts all concern various aspects of workers’ rights and other areas related to corporate social responsibility. (Carley 2006, p.37)

Relocation strategies have a connection with minimum wages not only because the level of costs for labour, but also because of the degree of regulation. Hence, there is a tendency to move production to less developed countries. In some aspects the development is positive for the country where it moves to; in other aspects the move is less positive. It brings jobs and economic activity, but the employment conditions can be poor. It is a question of maintaining the country’s attractiveness without compromising the levels of worker protection or wages. (Carley 2006, p.19)

### **1.1.2 The garment industry in Bangladesh**

Bangladesh started to produce goods for the export-oriented market in 1977. The production today mainly takes place in area in and around Dhaka and Chittagong. There are 2 million workers in the garment industry in Bangladesh. 70 % of the workers are women. In knitwear, the division of labour looks different. 43 % of all workers in knitwear are men, which gives them a higher share of those positions than the average within the industry. In the mid 1970s more private initiatives were taken. Amongst other were EPZs established. By then, export

promotions were of highest priority. Later on, in the 1980s, the policies changed and became more favourable for both the domestic and foreign export-oriented industries. (Murayama 2008, p.68-69)

When the multinational companies arrived to Bangladesh they had a catalyst role. They brought technology and know-how into the country. This made Bangladesh a competitive production base. Bangladesh was attractive to multinational companies because of its availability of cheap labour. Besides, during the initial phase of the MFA, Bangladesh was quota free. The US did however keep quotas against certain goods from Bangladesh. Consequently Bangladesh started to produce a larger range of products. The knitwear sector is one example of diversification. (Murayama 2008, p.69-70)

In a study made by Murayama (2008) the garment industry in Bangladesh was compared to the industry in Bangalore, in southern India. The research showed large wage differences, where the workers in Bangalore were paid almost twice as much as the garment workers in Bangladesh. Moreover, the wage gaps between different kinds of workers, such as operator and helper, were much larger in Bangladesh. The research also showed that most female workers were paid in time-rate. In opposition to piece-rate, this is considered to guarantee higher quality standards. (Murayama 2008, p.80; 88)

The ready-made garment industry has given women in Bangladesh the opportunity to take part of the job sector. Bangladesh has been known for its gender disparities, but now the gaps are narrowing. There is an ongoing trend of feminization of workforce in the garment industry. (Murayama 2008, p.62)

## **1.2 The main research question to be addressed**

- *Can there be a shift in focus in the export-oriented garment industry in Bangladesh – from minimum wages to living wages?*

In order to find the answer to the main question I have used three sub questions. The sub questions will be used in the analysis. The analysis is followed by the conclusion, in which the main research question will be discussed. The sub questions are:

- *How are wages determined in the Bangladeshi export-oriented garment industry?*
- *Which responsibilities does a company have for its workers?*
- *How does the cultural context influence the wages?*

## **1.3 Research objective**

The research objective is to find out the possibilities of a shift in focus in the Bangladeshi export-oriented garment industry – from minimum wages to living wages.

## 1.4 Delimitations

The research focus on the export-oriented garment factories visited; its managers and its workers. It is an attempt to understand the industry better and to get an insight into the mentality of the managers as well as the workers. The essay will mention other actors such as government, buyers and associations, but then only to serve the purpose of better understanding the industry, which these factories are situated in. It is, in other words, not an essay about Corporate Social Responsibility for Western companies, which has been an increasingly popular concept. It is neither an essay about poverty and structural problems in the Bangladeshi society.

From my material of interviews I have only chosen to use the interviews with the workers, the managers and Ms Nazma Akter, who was a member of the Minimum Wage Board in 2006. The Minimum Wage Board was appointed by the government, who decides the wages at a state level. Since management is obliged by law to pay this amount it is of great importance also at a company level. Moreover I made interviews with two employees in two different Swedish buyer companies in the country and two teachers at 'International School Dhaka'. Although the interviews were of great interest, I have chosen to exclude them from my essay. The unselected interviews have however contributed to my understanding of the industry and helped me to gain a more holistic picture of the topic.

To delimit my research further I have chosen not to discuss the role of the two unions for garment factory owners, so called owners' associations; BGMEA (Bangladesh Garments Manufactures and Exporters Association) and BKMEA (Bangladesh Knitwear Manufacturers and Exporters Association). I found that the two organisations have an immense influence in the garment industry, for example in questions of wages. My main focus is however on the subject of 'management'. Even if BGMEA and BKMEA influence the industry as a whole, I wanted to find out which changes could be done with a focus on company level. For the same reason no representative from the government nor trade unions have been interviewed.

## 1.5 Definition of Concepts

<i>Wage</i>	The word "wage" is confined to the earnings of labourers and artisans. (Stroud's Judicial Dictionary, see Ahmed 2007 p.119)
<i>Salary</i>	The word "salary" is used for payment of services of higher class. (Stroud's Judicial Dictionary, see Ahmed 2007 p.119)
<i>Minimum wage</i>	The lowest wage that an employer is allowed to pay by law. (Hornby 2005)
<i>Living wage</i>	A wage that is high enough for somebody to buy the things they need in order to live. (Hornby 2005)
<i>Garment</i>	A piece of clothing. (Hornby 2005)
<i>Industry</i>	The production of goods from raw materials, especially in factories. (Hornby 2005)

## 1.6 Outline of the essay

The structure of this essay will differ slightly from the standard essay, the reason being the abductive method has been used. The essay is therefore divided into three parts. In the first part the author stands below the text, in the second above the text and at last instead of the text (Czarniawska 1999, p.24). I argue that both the researchers before me and the people I have met through my interviews represent some kind of reality. Hence when reading the theory and results section one could imagine a researcher meeting up with a representative of the workers in the wage negotiations of the Bangladeshi garment workers. Then imagine six managers, all with Bangladeshi background sitting beside them. At the corner of the room there are 30 workers. They are all allowed to make their voices heard in this story; regardless of who they are their opinions will be taken into account. In the analysis the author will take a step forward to compile the results of the discussion. This will be done with the help of the sub questions. The sub questions are there to support the main question and will be answered before the main question will be addressed.

The story of wages does however start even before I went to Bangladesh. In the background, an explanation to why production of garments takes place in countries like Bangladesh was given with the relocation strategies. A short introduction of the garment industry in Bangladesh gives an additional background to the study. The research question and sub questions were then presented, as well as research objective and delimitations. The method used is then explained, followed by the theories and results. The theory/results part is divided into four chapters, each and every one with a specific topic. After the chapters, an analysis is delivered. The part called 'conclusions' takes the main research question back into focus and opportunities for a change are discussed. But first, back to how it all started.

## 2 Method

In this chapter the different choices of method will be further explained. The focus will be on the methods for the empirical study.

### 2.1 Research approach

Abduction is a third alternative to the classical induction and deduction methods. My essay has been highly influenced by Barbara Czarniawska (1999), who considers organisational theory as a literary genre. She emphasises the importance of presenting the material in an interesting and exciting way. According to her, writing about management could be compared to writing a detective story. I have tried to capture this mode of thinking in my essay. My intention is that the essay could be read as a book. To strengthen this idea I have chosen to call the introduction my 'preface' instead of calling it 'introduction'. The 'discussion' has been renamed to 'postscript'. The theories and results have not been separated as such. I chose to integrate those parts and call them 'chapters' in my, so called detective story. Czarniawska (1999 p.15) states how the narrative way of knowing is close to the tradition of empirical research, also known as case studies. She gives an explanation to this narrative way of knowing:

"The narrative mode of knowing consists in organizing one's experience around the intentionality of human action. The *plot* is the basic means by which specific events, otherwise represented as lists or chronicles, are put into meaningful whole"

The abductive reasoning therefore seemed well fitted to my research, since I made a case study. The fact that I went to a country I had little knowledge about before, also made the method well suited. I wanted to gain a greater understanding of the industry, but did not want to limit myself to one hypothesis which could be proven right or wrong. I valued the knowledge higher than the need to confirm or falsify a theory. The plot, Czarniawska is talking about, would in my case be 'wages'. Wages can be presented in a chronological way: what the wages have been before, how they have changed over the years and what they will be tomorrow. I have instead tried to focus on the meaning of wages: what types of wages are prevailing, why a worker should get paid and how it is influenced by cultural factors. I have, in other words, through my essay tried to put 'wages' into a meaningful whole.

### 2.2 Selection of respondents

I choose to make a non-probability sampling, which according to Saunders et al (2000, p.152) is frequently used for case study research. More precisely I used a form of non-probability sampling called snowball sampling. Snowball sampling starts with identifying a contact, who forwards you to another contact, who in turn forwards you to a new contact et cetera (Saunders et al 2000, p.175). All of my initial contacts were employees in Swedish buyer companies. They gave me access to new contacts, both within their companies and other connections. The new contacts within the companies, gave me access to their supplier companies. According to research ethics a researcher has to accept if a respondent disapproves to take part in the study (Saunders et al 2000, p.133). I therefore informed every

respondent in the beginning of each interview that they had the choice not to participate. Thus, all of the people interviewed have agreed to take part of the study.

### **2.2.1 The factories**

Consequently all factories in the study are suppliers to Swedish retail companies; KappAhl, Lindex and H&M. My contacts within the buyer companies in Bangladesh recommended these factories in particular, as good factories to visit. One of my contacts made an effort trying to get three different levels of standard on their chosen suppliers, in order to give me a greater spreading of the material. I do however presume that all of the factories visited represent a higher standard than the average factory in Bangladesh. My motivation to this is firstly that my contacts had made the choice of showing these specific factories. They were all main suppliers to the buyer company, with whom they had a close cooperation. Secondly, the factories are suppliers to large Swedish and international companies, who have been put under a lot of medial pressure lately. My understanding is that before a buyer company chooses its supplier, they make careful investigations, in order to avoid using a supplier which has shortcomings in the codes of conduct formulated by the buyer. Thirdly, the workers themselves described how they moved to these factories in particular. Some of the reasons for changing to the factories visited were good rules and regulations, problems at earlier workplace and closeness in distance to factory.

### **2.2.2 The interviewees**

The management of the supplier companies directed me to the HR managers of the supplier companies. Therefore, all managers interviewed were part of the Human Resource and Administration Department within the company. Four of them were HR managers and two were HR assistant manager. This means they were all responsible for the workers' wages and were the link between top management and line chiefs/in charge/supervisors, who in turn were responsible for the workers. The HR managers also choose which workers for me to interview. I gave the HR managers freedom to choose workers, but gave some guidelines in the process. The guidelines given were that I wanted to interview five workers; four women and one man in order to represent the gender division in the industry as a whole. I also requested a wide range of interviewees in question of position, from helper to senior operator. The workers in the study therefore consisted of a wide spectrum of workers: three helpers, 23 operators and one manager in the folding section. The selection of respondents was in accordance to the snowball sampling, but can have affected the outcome of the study. If the manager wants to give a good picture of the factory, s/he could simply choose their best workers. They are the often the ones who gets the highest wages, both for time-based and piece rate wages. This did however lead to a dilemma for the manager. If the best workers were chosen, the production rate was decreased. I observed this phenomenon especially in one of the factories, when the managers repeatedly came back to ask how long the interview would last. Through this experience I believe that the managers intentionally choose a worker, whose performance was good, but not the best. From what I observed the selection was executed by asking random workers. Thus the managers rather seemed to premiere straight-forward workers than workers with the best performance. For natural reasons I do however think the managers avoided to choose workers who they knew would oppose to their meaning.

## **2.3 Collecting data**

I choose to collect data through interviews. The procedure is described in this chapter.

### **2.3.1 Choice of interview method**

With my choice of method I wanted a strategy for not only finding the answers to what I was looking for, but also for gaining a greater understanding of the industry and salary setting in Bangladeshi garment factories. Because of the cultural difference I excluded the use of surveys at an early stage, since it would only give me the answers on questions that I consider important from my point of view. There is also a tendency of people giving the answers that they think you want. Another problem with written surveys is the high rate of illiteracy in Bangladesh. I therefore decided semi-structured interviews would be the best way to proceed.

Semi-structured interviews are non-standardised and contain a list of themes to be treated in the interview. The order of the questions can be altered and the choice of questions can vary slightly between different interviews. The data can either be recorded by note taking or tape recording. The advantages of tape recording are that it allows the interviewer to concentrate on questioning and listening; allows questions to be accurately recorded for later use; ability to re-listen to the interview and gives a permanent record for others to use. The disadvantages are that it may affect the relationship between the interviewee and the interviewer; may reduce reliability; technical problems and time required to transcribe the tape. (Saunders et al 2000, p.243-4; 246)

The semi-structured interviews proved to be an appropriate interview method for my research. It gave me the chance to get more information than if I had used structured interview guides. I encouraged comments which were not a part of the original interview guide, but made sure to have treated all areas of interest at the end of the interview. This gave me a comprehensive and interesting empirical material to work with. The disadvantage was that the interviews tended to take longer than I had planned.

In my first interview I used a recorder, but faced some of the problems mentioned earlier. There was a great focus on the recorder and it took a long time to transcribe. Besides, background noises during the interview made it hard to re-listen to the interview. I therefore decided to precede the rest of my interviews without a recorder. This way, I could fully focus on the interview – listening, talking and taking notes. The note taking and the use of an interpreter, gave me extra time to formulate follow-up questions. At the same time as I could easily discover which questions remained unanswered.

### **2.3.2 Interpreter**

The interpreter, whom I hired, was a student in ‘International Relations’ at the University of Dhaka and has a long experience as interpreter. My understanding in the choice of interpreter was that a male interpreter can be of use in gaining respect, whereas a female respondent could feel more relaxed with a female interpreter. The choice of interpreter inevitably influenced the study. I choose a female interpreter, since most of my interviewees were women.

### **2.3.3 Quantitative vs. qualitative method**

A combination of quantitative and qualitative methods can be used in the same study and is then called multi-methods. There are two advantages with using a multi-method approach. Firstly different methods can be used for different purposes. Secondly it provides the possibility of analysing the material through triangulation. Triangulation is the use of different data collection methods to see if it gives a similar result. (Saunders et al 2000, p.98-99)

In my study I have used both quantitative and qualitative methods. Altogether I made 40 interviews, which were all of a qualitative character. Each interview lasted around one to two hours and open questions were asked. Moreover the 30 interviews with the workers were used for analysing the data quantitatively. One rule within research is to use a minimum number of 30 respondents for statistical analysis (Saunders et al 2007, p.211). For those interviews I additionally asked questions which could be analysed in quantitatively, such as “basic wage” and “knowledge of grading system”. The information gathered then provided me with the possibility to calculate for example average wage amongst the workers. Conclusively, different methods were used for different purposes. The triangulation in my case consisted in discovering trends amongst all workers, in order to give a better picture of the situation, also when only one voice was quoted.

### **2.3.4 Handling of data**

The six factories visited have been systematically named as Factory A, B, C, D, E and F. The managers will be addressed by their surnames, which are all feigned, due to research ethics. Once guaranteeing anonymity and confidentiality these values have to be respected (Saunders et al 2000, p.137). The initial of the managers’ names reveals which factory they work for. Thus Mr Azad works in Factory A. The managers in the other factories are named Mr Barkat, Mr Chowdhury, Mr Dilawar, Mr Edrisa and Mr Faridi. Where anonymity is hard to guarantee, because of a revealing statement, I have referred to the person only as a ‘manager’. The workers have been kept totally anonymous to protect their identities. Ms Nazma Akter is the only person from the interviews, who has chosen not to be anonymous. She was part of the ‘Minimum Wage Board’, a committee which had the task to revise the wages in the garment industry in 2006. Ms Nazma Akter, as well as the managers and the workers, will become more familiar to the reader throughout the four chapters.



### **3 Chapter I: Wages – Minimum and Living Wages**

When asking the question of how wages are determined in the Bangladeshi export-oriented garment industry, a more in-depth chapter on different kinds of wages is needed. The first chapter will focus exclusively on the different types of wages. Wages can be determined at different levels. Minimum wage is an example of wage, being determined at a state level. The minimum wage is however only a guideline for what a company should pay its worker – at the least. Other concepts in this chapter are ‘collective agreements’, ‘fair wage’ and ‘living wage’. These concepts will be discussed throughout the chapter.

#### **3.1 Wages**

Valuing the work of an employee is not always an easy task. Different methods have therefore been developed for this purpose. Some countries use minimum wages, set by the government. Others have collective agreements as a base for regulation of wages. A comparison between the different systems shows the lowest collective wage to be at the same level as the highest minimum wage (Carley 2006, p.4). Whether a country uses minimum wages or collective agreements, wages can be decided at a more local level as well. Crane and Matten (2007) says the basis for determining fair wages normally is expectations on the employees and their performance towards goals. Two jobs in different businesses can however be very differently valued. Two criticisms against a performance-related pay is firstly that it results in a higher financial risk for employees and secondly that it individualize employee pay bargaining, leading to a weakening of joint employee power. (Crane and Matten 2007, p.291-293)

#### **3.2 Minimum wages**

Bangladesh is one of the countries, which uses minimum wages. In order to understand and compare the Bangladeshi system, a presentation of minimum wage systems in other countries will follow below. The information comes from a report on the topic of minimum wages, which is done yearly by the ‘European Federation for the Improvement of Living and Working Conditions’.

The minimum wage rate is often set by the government at a national level. It is common that representatives of employers and workers have a say in the negotiations. The report mentions social partners, policy-makers and researchers as important actors in the setting of minimum wages. In Malta a committee called the “Employment Relations Board” makes recommendations for the government annually. The criteria for adjustment vary amongst countries, but a frequent statement is “cost of living”. Other criteria, which need to be taken into consideration, are inflation and developments in average wages. Most countries adjust minimum wages on a regular basis. This is normally made yearly and in some countries even twice a year. Only China and USA have no fixed time of adjustment out of the countries investigated. (Carley 2006, p.5-7)

There can be differences in the minimum wages within the country. Some examples are regional differences (China), certain rules for employees under 20 years (USA) and differences by qualification (EU countries). (Carley 2006, p.8)

The lowest group of income in the EU report has minimum wages between €77-€251 and the highest minimum wages over € 1000. In some countries the minimum wage has risen more than consumer prices, while other countries show the opposite pattern. (Carley 2006, p. 11)

Unions in many of the countries in the report, have two main critics about the minimum wage system. First they consider the rates to be at a too low level, and say it is “*almost nullifying its significance as a means of protecting employees*”. Some of the unions argue the wages should be set as a ‘living wage’ (UK), while other unions think family needs should be taken into account (Poland and Slovenia). In Ireland, the unions consider higher minimum wages to increase employment; first by increasing spending power and secondly by guaranteeing basic levels for pay in low-paid sectors. In Japan, the unions want to lessen the gap between minimum wage and average wage within the country, which they use as an argument to increase minimum wages. (Carley 2006, p.14)

Employers, on the other hand, warn for the risks with increasing minimum wages. They consider increases as a threat to employment, especially for small and labour intensive businesses. In the USA employer representatives argue how an increase “*would destroy jobs, force small business into bankruptcy and reduce the opportunities for unemployed people to find work*”. Some representatives of the employers further argue that minimum wages have a negative effect on the competitiveness of industries. In Japan the minimum wage system is being revised in order to upgrade the meaning of minimum wages as “*a safety net to protect all workers from unreasonable wages*”. (Carley 2006, p.17)

### 3.3 Living wages

A ‘living wage’ is often considered a new concept. In reality, the concept was already used in 1874 by a British labour radical. The labour radical stated that there should be a relation between wages and rights. The argument by then is similar to the arguments now: “*a just price for labor is never less than a living wage*”. (Glickman 1997, p.62)

When talking of living wages it is important to make a clear distinction between a living wage and a fair wage. A *fair wage* is a performance based wage, while a *living wage* is irrespective of the value and amount of the work performed. It claims that a certain sum and no less should be paid. Moreover, this amount should be reasonable. (Glickman 1997, p.68)

Now as then, the concept is very vague. Glickman (1997, p.77) quotes a couple of explanations to the concept, as well as a researcher within the area, who talks about the transience of the concept. The substance of the quotation is: what today may be considered a living wage, in a couple of years may be considered a starvation wage.

Glickman makes a connection between living wages and consumption. He says ethical consideration seldom is relevant to a shopper and calls it irresponsible shopping. People want to receive union wages, but do not want to pay the union prices. One suggestion being argued is if the minimum wages were made into living wages. (Glickman 1997, p. 127; 137)

### 3.4 Wages in the garment industry

Wages in the export-oriented garment industry in Bangladesh are determined at two levels: state level and local level. First the minimum wage system in Bangladesh will be explained and then voices from management and workers will be heard on their own wage systems.

#### 3.4.1 Minimum wages in Bangladesh

The minimum wages in the export-oriented garment industry in Bangladesh was last reviewed in 2006. The former wages were based on a law from 1994, which leaves a gap of 12 years without revision. In 2006 the government of Bangladesh established a Minimum Wage Board consisting of six people with different backgrounds. The members were a chairman; one independent member; one member to represent the employers; one to represent the workers; one member to represent the employee connected with the industry concerned and one member to represent the workers engaged in such industry. The work of the Minimum Wage Board consisted of making a suggestion, which was later presented to the government. The government could then approve or dismiss the suggestion. (Ahmed 2007, p.128-133)

Akter<sup>1</sup> was one of the members of the board, representing the workers engaged in the garment industry. She contacted other trade unions and organisations as she got the invitation to the Minimum Wage Board, in order to collaborate on the question. Finally they decided their proposition for the minimum wages to be TK 3000. After her proposition there was a lot of debate, training, seminar and dialogue with people involved such as buyer groups and government. To motivate their suggestion of TK 3000, they showed resource documents. The owners' side also showed their documents during some intense negotiations. She explains the time of negotiations:

“Everywhere we have meeting. At the government, at the NGOs, at the policy level ... EVERYWHERE! Even the international people..., media..., buyers..., everywhere!

In 2006, the Bangladeshi government also introduced a new grading system for workers within the garment industry. The “New Wage Scale” is divided into seven grades: assistant operator (helper); general operator; junior operator; operator; senior operator; mechanic and controller/chief/master. Firstly, a basic wage is determined, based upon which position the worker has within the company. After that a house rent, consisting of 30% of basic salary is added and medical allowance of TK 200 for all workers at all levels. The overtime premium is different in different grades, starting with TK 10 for the lowest grade and TK 36 for the highest position within the wage scale. Grade number 1 represents the highest income and grade 7 is the lowest. As a trainee in a company you are outside the system and get a minimum wage of TK 1200. A worker who has completed three months of training should be appointed to grade number seven. (Bangladesh Gazette 2006, SRO No 280)

Only one third of the respondents among the workers interviewed in Bangladesh knew about a governmental grading system. Three of them mentioned that they knew also which grade they belong to, six said no and one said maybe. Amongst the ones saying ‘yes’ and ‘maybe’ three out of four were right about their wage group.

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<sup>1</sup> Nazma Akter, Member of the Minimum Wage Board 2006, from interview 19<sup>th</sup> April 2008

### 3.4.2 Wage systems in factories visited

Mr Barkat tells how they came up with their wage system after analysing the salary structure of 8-10 other factories. He says the reason for having an own wage system is because they need to compete on the market.

Mr Dilawar says if the minimum wage is TK 1662, they pay the worker TK 1800. He says some workers on piece rate get as much as TK 15 000. Other workers on piece rate only correspond to a wage of TK 1500. Then they get the minimum wage of the factory – TK 1800. Piece rate workers always get grade six or more. He says there are four different sections working on piece rate: trimming, linking, knitting and winding (the first stage). The fixed salaries are for the following sections: iron, cleaning, washing, trimming etc. These wages are determined according to production. The factors, which influence the wage of the worker are according to him time of employment and work output. He says productivity, attendance and honesty is of most importance. But first of all they have to ensure minimum wages are paid. He says workers do not move between sections, but that some are multi skilled. He explains this further:

“If I [as a worker] can use three machines, my demand is higher. If a machine stops I can work with other machines. If [a worker] only know one machine that worker cannot work”.

The difference is around TK 200-300 between the differently skilled workers.

Mr Edrisa thinks BGMEA should be more powerful and says if they were, they could implement a standard code of conduct for all factories. He thinks the BGMEA should not only work for the ‘country’, but also for the workers. He says a common standard should be set and gives one example. He mentions a company which does not allow 72 hours working week. This can be a problem during peak seasons. He says the buyers need the product on time, but sometimes make a change in design or style, which means the shipment will be delayed. He says the buyers are only asking for them to follow the minimum wages, which they also come to check. The buyers are not a part of wage setting, but they are interested in that the minimum wages are implemented.

A manager explains their wage system: if a worker is good, the supervisor will inform him. They have sheets for worker and he shows me an evaluation form for workers, where the following factors are mentioned: 1) duty and responsibility, 2) job knowledge and skill, 3) care and maintenance, 4) help and cooperation, 5) safety and security, 6) neat and cleanliness, 7) reliability and honesty, 8) temperament and behaviour, 9) punctuality and discipline, 10) motivation and training, 11) cost saving attitude, 12) supervision and control.

Mr Faridi says both the buyers and BGMEA check if they give enough according to the grading system. He says they do not take personal conditions into account when deciding the wage of a worker, since this would have been discrimination. Instead he says:

“We only see performance or work of worker. We don’t consider if a worker is male or female or the physical condition of a worker. We only see performance.”

### 3.4.3 Wages amongst the respondents

The average basic wage amongst the garment workers interviewed in Bangladesh was TK 2770<sup>2</sup> monthly, varying between TK 1662<sup>3</sup> to TK 3750<sup>4</sup>. The average basic wage for men was TK 3000 and for women TK 2760. The three workers working on piece rate, two women and one man, had higher wages; TK 7340, TK 5000, TK 8018. All workers normally received an attendance allowance of TK 100- 400, depending on which factory they worked for. Including attendance allowance and overtime the average income for the workers last month was TK 4025<sup>5</sup>. On average, this is an increase in income of 45 % for each worker, in comparison to their basic salaries. All respondents were paid in cash, Taka and monthly. None of the respondents reported on difficulties with getting paid in their current workplace. Twenty-six out of thirty workers had been subject to collective changes in their wages, while two have had an individual change and three had the same wage as when they started working in the factory. The collective changes consisted of a yearly increase in wages. In some factories this was done at the same time of the year for all workers, while at other factories this was made in a year from the date of joining the company. Sometimes a change was made already after 6 months. In almost all cases the increase in wage was due to management decisions and in only two cases there had been an own initiative to the change.

One of the workers says he does not feel as if he has any power to influence his wage. He says his wage will remain the same, no matter how hard he works. Another worker points out the advantage with working over-time. Last month she worked 52 hours of overtime. She gets paid double pay during these hours, which leads to a significant change in wage. An example is last month, when she got TK 3879, whereas her basic pay is TK 2550. Yet another worker speaks of the advantages of over-time. She works 2-3 hours of overtime daily and last month she worked 45 hours in total. She says:

“They [the management] tell us to do overtime. We also do overtime willingly, since 1900 Taka isn’t enough”.

Another worker has a different experience regarding over-time:

“If the company has pressure for shipment we have to work. We are not willing to do overtime. If management has pressure we have to work”.

She does however think over-time is good, since it means more money, which she can spend on family and children. She spends her money on education of children.

Three of the workers get paid by piece rate. When paid by piece rate you have no basic wage; instead the pieces produced are the base for payment. Last month one of these workers earned TK 7340; including TK 200 for attendance allowance. She then did 100 h of overtime. She also works overtime on the only free day of the week, which means she sometimes works seven days a week. Another worker on piece rate explains how she got sick last month and on the question of if she received sick leave she says: “*No, I didn’t get paid because I get paid by production rate*”. She says she works overtime 5 days á week and that she normally does 5

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<sup>2</sup> €32 according to [www.xe.com](http://www.xe.com), 3<sup>rd</sup> November 2008

<sup>3</sup> €19 according to [www.xe.com](http://www.xe.com), 3<sup>rd</sup> November 2008

<sup>4</sup> €43 according to [www.xe.com](http://www.xe.com), 3<sup>rd</sup> November 2008

<sup>5</sup> €46 according to [www.xe.com](http://www.xe.com), 3<sup>rd</sup> November 2008

hours extra, which means she does overtime from 5 pm until 10 pm. The third worker on piece rate says there are no changes in their wage the longer they work in the factory:

“Piece rate is always the same... 5 years ago it was the same. Everything is more expensive now, but the piece rate is the same.”

### **3.5 Summary**

Chapter I presented a more in-depth view on wages. It first explained the different concepts and types of wages. Wages could be determined by law, and then they are called minimum wages. Another wage system is collective agreement. The collectively agreed wages are in general higher than the minimum wages. An additional type of wage is ‘performance related wage’, which is close to a ‘fair wage’ per definition. Yet another wage is the ‘living wage’, which should be a reasonable amount of money. The minimum wage system in Bangladesh was last reviewed in 2006, by a committee appointed by the government. The suggestion from the workers’ side was TK 3000. The new minimum wage was decided from TK 1662 and upwards. There was a lot of focus on the negotiation this time. The wage scale is divided in seven steps. Only three of the respondents knew which grade they belonged to.

All managers reported on paying at least the minimum wages to their workers. The average basic wage for the respondents was TK 2770 and TK 4025 including attendance allowance and over-time. All of the workers interviewed worked over-time. One worker did however not do it at the moment, since she was pregnant. There were different opinions if over-time is voluntary or not.

Another system is piece rate. The results show that the piece rate workers interviewed earn more money than the ones with basic salaries. They do however also work more. Another disadvantage for the worker could be that it is harder to get paid if you are home sick. Since work is valued by productivity, lost hours are not compensated. One of the workers says the wages for piece rate has been the same the last 5 years.

## 4 Chapter II: Morality, Ethics and Business Ethics

Suppose a company is paying its workers the statutory minimum wage of the country. Then take into consideration that this amount of money is insufficient for the worker to make a living on. A question of responsibilities arises: Which responsibilities does a company have for its workers? The theory I found on this theme is about morality, ethics and business ethics. This second chapter serves as an introduction to a view of wages as something more than just a certain amount of money. After the theories have been presented, voices from Bangladesh will be heard about their view on wages, training and policies within the companies.

### 4.1 Theories on morality, ethics and business ethics

In order to understand business ethics, a clear distinction between morality and ethics is needed. Crane and Matten (2007, p.8-9) state:

“Morality is concerned with the norms, values, and beliefs embedded in social processes which define right and wrong for an individual or a community”.

Whereas:

“Ethics is concerned with the study of morality and the application of reason to elucidate specific rules and principles that determine right and wrong for a given situation [...]”

This rules and principle are called ethical theories. Ethics is consequently about rationalization of morality. In a similar way M. Parker (1998, p.1), editor of ‘Ethics and Organisations’, defines ethics as: “*Scientific study of morals; system of morality*”. Moreover, ‘Business ethics’ is defined by Crane and Matten as: “*The study of business situations, activities, and decisions where issues of right and wrong are addressed*”.

The authors further explains how they by this mean morally right and wrong in contrary to commercial, strategic and financial right and wrong. Business ethics can be said to begin where the law ends. There is not always a correlation between the legal right and the moral right and business ethics often is concerned with issues, not covered by the law. Business ethics is by nature a more subjective area than for example business law and is rather about making *better* decisions than making the *right* decisions. (Crane & Matten 2007, p.5)

Postmodern thinkers, within business ethics, claim that moral judgement is a ‘gut feeling’ based on experiences, sentiments and instincts. Moral judgement is then subjective and emotional, which makes it hard to combine with an organisation, where the one who formulates the morality of the company is not always the one making the decisions. Postmodern thinkers do instead emphasise the individuals within the corporation to question practices and rules and to follow their gut feelings. The postmodern approach favours a holistic view; examples rather than principles; how the ethical reasoning is of preliminary character and at last not only to think local, but also to act local. (Crane & Matten 2007, p.115-117)

## 4.2 Business ethics in the export-oriented garment industry

Wages within the export oriented garment industry in Bangladesh could be considered an example of dilemma between law and business ethics; financially and morally right or wrong. In the six factories visited, all managers insist on paying their workers at least the minimum wage, which the workers of the companies confirm. Some of factories additionally have their own wage systems. Still, one of the managers, Mr Barkat, says: *“The lowest wages are in the garment factories”*. Another manager, Mr Edrisa, thinks it is sufficient for a company to follow the minimum law. At the same time, he thinks the wages for workers are insufficient to make a living on and that the wage for a helper at least should be 3000 TK. He mentions all commodity prices has increased; says the wages should be higher, but then asks a rhetoric question of how it would be possible for them to pay more? According to Mr Barkat, the buyers pay less money per piece, while production costs are increasing. He says if buyers give a good piece rate it would be good for Bangladesh.

Nazma Akter<sup>6</sup> was one of the members of the Minimum Wage Board in 2006. As the President of ‘Sammilito Garments Workers Federation (SGSF)’, she got the trust to represent the workers’ side in the negotiations. She says Bangladesh has a strong economy now, but that the workers situation is not that strong. The owner’s situation, on the other hand, is very strong. She is not interested when the money goes to profit, but when the money goes to salvage lives. I ask about the managements’ mentality amongst garment owners and if she has noticed any thoughts on paying a worker more in order to get more productivity back. Her answer is:

“Yeah, this is very good, if they’re following this policy, but it is very rare we have. Most of them are thinking: if they give pressure or if they give low wages, maybe they will get profit. But reality is not that, because if they are giving these wages [read living-wages], they [the workers] will be happy and get a better productivity. If you invest something, then you will get the profit. But our... the Bangladeshi management they are always thinking: If I invest the money... what is my benefit?”

She says training and education is needed for management, especially on productivity and understanding why they have to invest. There is also a need for transparency. Ms Akter further says some of the buyers are showing a double moral standard. They say something in front of the public, but are not really doing anything. She says this is common also among local owners. She thinks they are acting; pretending they do not see what is going on, so that they can avoid taking action. Even the government needs to be transparent according to her – and strong and active. She says she likes when the buyer companies work with the kind of Corporate Social Responsibility, which is helpful for the workers and the industry, takes action and is practical.

One of the managers, on the other hand, sees possibilities in educating the workers. He is familiar with a training program, organised by a buyer company. The company he works for recruits the participants of this training program. He says these workers not only get training in sewing, but also consciousness about their rights and responsibilities. He thinks there is a great difference in attitude and behaviour between the workers who have fulfilled the training and those who have not. An example is how the trained workers talk with senior people, mid-management and colleagues. He thinks the training is about female empowerment. He also says *“Two workers can do the same work, but have different wages. The wage depends on*

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<sup>6</sup> Nazma Akter, Member of the Minimum Wage Board 2006, from interview 19<sup>th</sup> April 2008



*performance, attitude and behaviour*”. An educated worker could in other words get a higher wage thanks to the values learnt at the training program.

Factory D uses an application form, in order to make it possible for workers to increase their wages. The application form is not provided to all workers, but the workers can ask for it: *“if we provide them with forms, everyone will come. This way, all competent workers will come to us”*. Sometimes he himself initiates an increase of wage for certain workers. He gives an example of his cleaner. Her husband left her and he thought if she did not get an increase in wage, she would leave. So, he gave her TK 500 more monthly. The same manager later says that he cannot ask about personal conditions when deciding the wages of the workers.

Another manager gives a possible explanation to how the manager of factory D is reasoning, by the following statement: *“All policies should be flexible”*. But he is in fact referring to another phenomenon. He says a worker can get an offer of a higher wage in another factory and then there is a risk of losing this worker. The policies therefore need to be flexible, so this worker’s wage can be increased and the worker will stay.

Mr Barkat has given thoughts about wages and workers even more consideration. He says the reason for having an own wage system is because they need to compete on the market. It is a competitive market situation and he feels as if they have a better competitive advantage now. He explains how they give a higher wage than the governmental law requires. A trainee for example, should have a monthly pay of TK 1200 according to government, but in his factory they pay trainees TK 1300. Mr Chowdury agrees to this statement by saying if they don’t give the workers a bit more than minimum wages they will not work in the factory – and then they cannot attract new people.

One of the workers used to work in another factory in the same area, before starting in his present factory. At the other factory he didn’t get paid in 3 months. He therefore decided to change job, but went back one day to ask for the wage he still hadn’t received. The visit resulted in him getting threatened with a gun by the factory owner. He further explains how the management at that factory was very bad and used to beat up supervisors and workers. This was an export-oriented factory in knitwear.

He claims that he has more facilities in this factory and that the rules and regulations in this factory are much better. His wage has increased in a total of three times and now he belongs to the highest grade according to the factory wage system (A+). He says that all the workers get increased wages but that the amount is different, depending on skills. He describes how his wage was changed. The management in Factory B called some workers for a meeting and asked what they could do for the workers. The workers told them about the growing prices in food and management understood this. They said they had a need for profit, but also had a need for satisfied workers. After the meeting they regulated all the wages. He mentions the raise in rice prices from TK 20 per kilo to TK 40 per kilo in a short while. He explains how rice costs around TK 4000 monthly and asks:

“What can I buy except rice? We need to buy vegetables... spices...meat... how can we get it together?”

His monthly wage is TK 4000, including attendance allowance. He says he is lucky. His father owns his own business and he only contributes to the household economy. His wife does not work.

Another worker in another factory explains about a similar wage system of her factory. There is a grading and she belongs to B-grade. C-grade is a helper. She says new operators easier get higher wages. She has worked here longer than them, yet her wage is lower. She says the reason for management to give new workers higher wages is dependent on the fear that the new workers can change for another factory easily. Therefore the company offers the new workers higher wages.

The same worker does a lot of overtime. She says she stays until 7.30 pm, which means 2, 5 hour every day. She says *“this factory doesn’t want the girl to go out at night”* as an explanation for not staying later. She says management tells them to do overtime, but they also want to. Their basic wage is not enough for survive, so they need extra money.

### 4.3 Summary

The theories of business ethics brought the thought of morally right and wrong versus financially right or wrong into the light. Crane and Matten mentioned the importance of making better decisions rather than right decisions and said ‘gut feeling’ could be an indication for this. One of the managers confessed he thinks, the wages they pay are insufficient for a worker to make a living on, but still thought a company had no other obligation, but to pay the statutory minimum wage. Ms Nazma Akter believes this mentality is prevailing within the industry and emphasises the need for training of management, whilst a manager says the workers are the ones in need of training. Behaviour is just as important to him as doing a good job and he is prepared to pay a worker more if s/he behaves well. Another manager is flexible in his wage policies when it comes to personal conditions and a third pays a worker more if he is scared of loosing the worker to another company. One of the workers reports on bad experiences from other factories, but is happy with the situation now. He believes management in this factory takes responsibilities for its workers by for example calling for a meeting, when food prices increased drastically. Another worker thinks her management is unfair, since they pay new workers more than old ones, to convince the new workers to stay. She, as all the rest of the respondents, solves her economic situation by working over-time.

## 5 Chapter III: Employees as Stakeholders

The theory of business ethics has introduced us to a larger picture of the term 'wages'. The question of responsibilities of a company is however still not answered. There must be a better explanation in how to take responsibilities for the worker, than to follow a 'gut feeling'. As I continued to search for more arguments I found the stakeholder theory. The theory will explain why an employee is important to a company and to which extent a company is responsible for a worker. The management in the factories visited then gives their different views on how to distribute the profits of their companies. Having a say in decision-making is also a part of the stakeholder theory and in coherence with this, some factories have Participatory Committees. The workers shares different experiences on these committees.

### 5.1 The stakeholder theory

Crane and Matten (2007, p.58) state the stakeholder theory is a part of business ethics, since it answers the question of whom a company is responsible for, instead of what. Phillips on the other hand, claims that the stakeholder theory *is* the ethics of an organisation. In the same way people have moral theories and states have political theories, also companies need a moral framework. Organisations are different from states; in a state all citizens should be considered equal, while in an organisation this does not need to be true to the same extent. Moreover a worker can chose to join or contribute to the organisation, unlike a citizen of a state. (Phillips 2003, p.157; 40; 49; 48) Crane and Matten (2007, p.58) says a stakeholder is someone who has an interest in the company, or more precise:

“[...] an individual or a group which either is harmed by, or benefits from, the corporation; or whose rights can be violated, or have to be respected, by the corporation”

Phillips conversely makes a distinction first between stakeholders and non-stakeholders and then between normative and derivative stakeholders. The normative stakeholders, like for example employees, are the ones who have moral obligations to the organisation. The violation of human rights is however wrong for reasons prior to the stakeholder theory. (Phillips 2003, p. 125; 130) He emphasises the limitations of the stakeholder theory by quoting Max Clarkson, who says: “*the stakeholder theory should not be big enough to uphold the world's misery*”. (Clarkson in Phillips 2003, p.119) Phillips claims there should be a relationship between benefits (rights) and obligations; both for the organisation and for the stakeholders. According to Phillips meritocracy is one of the strongest interpretations of how to distribute the benefits of the organisation. Meritocracy means the benefits are distributed based on relative contribution to the organisation. (Phillips 2003, p. 34; 161)

Phillips thinks a discussion with the actual stakeholder provides a better base for decision making, than for example to consult a human resource department in questions regarding the company's employees. He finds it problematic when the organisation relies on different departments for information regarding a stakeholder's interest. A large stakeholder should receive greater voice in decision-making and also a greater share of rewards. Phillips says the relationship between the organisation and its stakeholders should be symbiotic rather than parasitic. He says managing for stakeholders is organic in its nature. He calls the managing style rather art than science. (Phillips 2003, p. 112; 132; 59; 166)

## 5.2 The garment workers as stakeholders

One of the workers describes what he feels about the growing garment industry; he says *“It is very good, because it reduces unemployment in our country. More garment factories means that more unemployed people can work”*. Another worker agrees by saying: *“How workers will survive in our country without garment industry? There is lots of population, if no factories, how can we survive?”*

Mr Azad used to work in another factory at the time of the new law of increased minimum wages in 2006. He says the company where he used to work, was not affected by the new law on wages. His explanation to this is: *“What the workers get paid is not a question of equity of the company. They are two separate things”*. Mr Barkat has another approach. He explains that every company has a yearly target and that reveals their company target. If the company fulfil the target with 100% all workers get 100 % gross payment. This is a yearly bonus of one month’s wage. If a worker for example gets TK 2000 monthly, s/he will get TK 2000 extra that year. If the target is reached by 90 %, the extra bonus will be 50 % of wage.

Mr Edrisa believes the workers will work better, if they pay them more. He further explains, if someone has a good position in the company, s/he will also give more attention and have more feelings towards the company. It would also be in the interest of the workers for the company to grow. He says the worker will feel *“This is my company and therefore I will work hard”*. He first states there is no system for productivity and wages implemented in the factory. Then he says it is partly implemented. He says the minimum standard always has to be paid and if a worker produces more he should obviously get paid more. He tells me about the opening of a new factory within the company group. This factory will be a model factory.

Mr Faridi says that he *“absolutely”* believes in a connection between wages and productivity. He further explains:

“Workers always think about their wage and when they get wage. If they get wage irregularly, this will affect their work. In some factories they give overtime and attendance allowance on different day than basic wage. This affects work negatively.”

He also says there is a relationship between machinery and productivity. If the company will provide a good environment to the worker the worker will give more productivity back: *“In this factory we don’t have any fans, but instead we have an AC system in the factory.”* I also ask if he believes in more productivity if they pay more and he says: *“we have production planning, how much they will produce every day/month. When we recruit new people we think about wages. If we pay more, they give more”*. He says they have a product engineering department, which measures the work and keeps documents of productivity of all workers.

Regarding the question of how wages are negotiated, Mr Barkat tells me about a Participatory Committee. They have meetings with top management, workers and helpers. Last meeting was in end of March. They discussed the increasing prices of goods and he asked the workers *“what can I do?”* The workers told about the increasing prices in goods and the situation of the factory. There was a decision made then. Normally they increase wages yearly, in July, but this year they decided to do it in February instead.

Another manager says the HR manager and the welfare officer have weekly meetings, but they still don’t have any participatory committee. He says his personal opinion on this is if the

communication is good and there are proper channels between workers and officers, then there is no need for a committee. In a third factory, they have just started a Participatory Committee three months ago. There are eight members in the Participatory Committee, but the HR manager is not a member himself.

A worker, in Factory D, says she doesn't know about any governmental grading system and nor of any factory system for wages. She says the wage increases every year because of the prices on goods increase and also house rent increase every year. I ask if they have meetings for this and she says: "*management has meetings with supervisors. The supervisor makes a list and then informs workers*". The list contains information such as name, card number and how much they will get.

When I speak to another worker, in another factory, she informs me that there is a Participatory Committee in that factory and she is a member. She says if the workers have problems the Participatory Committee will inform management about it. I ask what kind of problems and she says for example sometimes workers need leave, but cannot go to higher authorities. Then they can inform her and she goes to a supervisor with the problem. Another worker at the same factory knows about the committee. She has never talked to any member of the committee, only seen the photographs of who they are.

### **5.3 Summary**

The stakeholder theory has proved employees are of great importance for the company. Workers are eminent stakeholders and should be treated as such. Both benefits in terms of money and decision-making should be distributed in accordance to relative contribution; the larger the stakeholder the greater the share of these benefits. The theory does however limit the responsibilities of the company saying an organisation cannot answer to all the misery in the world. Violating human rights is part of the political theories and should be discussed at a higher level than stakeholder theory. The garment factories in Bangladesh have made a great difference in the society. Women have started working outside the house and some workers express their thankfulness to the industry by saying it is the reason they survive.

There are different views upon benefits versus contribution. One manager says equity of the company has nothing to do with wages of the workers, while another manager explains how the profit is distributed in the factory through a bonus system. Some of the managers think it is importance to pay more in order to get more productivity back – whereas others want to see the results first. If a worker gives more productivity, they will pay this worker more. Some of the factories have Participatory Committees, where workers can make their voices heard. The success of these committees seems to differ from place to place. In some factories, the workers and management consider it a good idea, whilst others rely on communication between the HR manager and the workers. One of the factories has a Participatory Committee, but the HR manager himself is not a member.

## **6 Chapter IV: The Cultural Dimension**

In the forth, and last, chapter we will move on to the next sub-question, which is: How does the cultural context influence the wages? According to Hofstede (1997, p.34) management and leadership cannot be isolated from other parts of its society. Chiefs and company leaders are, as well as the people they work with, a part of the nation's society. Hofstede says the only way to understand managements' and workers' behaviour is to understand their society. In his study five different cultural dimensions are presented: Power distance Index (PDI), Individualism (IDV), Masculinity (MAS), Uncertainty Avoidance Index (UAI) and Long-Term Orientation (LTO). (Geert Hofstede Cultural Dimensions) I found three of these dimensions especially interesting for my research: power distance, individualism and masculinity. The two remaining dimensions will only be dealt with in figures. The three chosen dimensions will be presented with its own theoretical framework and observations. Finally, a comparison of Bangladesh's index to Pakistan, India and Sweden is presented in a chart.

### **6.1 Power distance**

The first cultural dimension is the power distance index (PDI), which measures the degree of equality or inequality within the society. A high index indicates a high level of inequality in questions of power and wealth. (Geert Hofstede Cultural Dimensions) Characteristics of societies with a large power distance are that inequalities among people is both expected and desired; there is a dependency relationship between less powerful and more powerful people; inequality is reflected by hierarchical organisations; there are large salary differences between top and bottom in the organisation; subordinates are expected to be told what to do; the ideal boss is autocrat and privileges for managers are expected and popular. In a society where power distance is high and bosses are autocratic, employees are less likely to prefer a consultative boss. Most people in a high PDI society prefer an autocratic boss and a minority prefers a boss, who runs the company by majority vote. A large power distance is synonymous with a dependency on bosses amongst the subordinates, whereas a small power distance is characterised by interdependency between bosses and subordinates. (Hofstede 1997, p. 37; 27)

Bangladesh has a PDI of 80, which reflects a high power distance within the society. The Arabic countries score the same (80), while India has an index of 77 and Pakistan 55. Sweden has a PDI of 31. (Hofstede & Hofstede 2005, p.56)

### **6.2 Power distance in Bangladesh**

Mr Azad says he does not feel as if he has the power to influence the wages within the company, but says this is natural. He also says they are all like a family working together and that this is not a problem. He feels limited in his power to influence the wages, since they are decided by the top management. He does not mind this limitation however, since he says that the management is good. It is the managements' decision and cannot be decided anywhere else within the company.

Mr Chowdury feels as if he has the power to influence the wages within his company: *“If I think this type of workers, they’re performance is good, but not get what they should, I talk to the top manager about it”*. Since the top management can think his suggestion is right or wrong, he is in a way limited in his power. He however says, most of the time they agree. An assistant HR manager in another factory says he feels as if he has power to influence the wages of the workers. As an example he says the attendance allowance used to be TK 200. He and the HR manager tried to make management understand the situation of the increased prices of goods and the management then increased the attendance allowance. He says the HR department decides in questions of wages. If one operator gets TK 2150 they sometimes give more to worker because of market situation. Even if top management does not want to give more, they give it anyway.

Mr Barkat says most of the workers in the company are paid in cash. Only ten people are paid through a bank account. The minimum salaries for officers are TK 30 000 for managers and TK 20 000 for assistant managers. Factory B has an own wage system, which they recently reviewed. Their system is based on an A, B and C ranking, where A level is the highest. When the wages were reviewed A+ level increased from TK 3300 to TK 3800. B level increased from TK 2400 to TK 2800. Also the starting salary was revised.

One of the workers says she does not feel she has any influence of her wage: *“I get salary increase every year, if I want more, how would it work?”* Another worker says there is a yearly wage increase in her factory and sometimes also in the middle of the year. The increase is a management decision and it is well welcomed, since the increase in wages is good for the family. She doesn’t feel the need to talk to anyone about her wage, since the authorities (management) increase the wages regularly. There are, according to her, no questions or discussions about wages.

Another worker says she told the manager her wage was insufficient and that junior operators get more paid. The manager then told her she will get an increase later, but not now. When I asked how her wage has changed she explains how she filled a form in, which led to an observation of her performance and later to an increase in salary. She knew she got a low salary before and everyone told her to fill this form in, but it was not until a year she actually got a change in salary. A worker in another factory says she also feels as if she has the power to influence wages, since if they request the general manager to increase salary he will increase. She herself has however not done that and says: *“I feel shy, because if I get increased wage yearly, why should I go to request?”* Later in the interview she says her basic wage is not enough and she therefore works overtime.

### **6.3 Individualism**

The second cultural dimension is individualism versus collectivism (IND). Individualism measures whether people in the country tend to think more individualistic or more collectivistic. In an individualistic society the ties between individuals are loose and everyone is expected to care for her/himself. In a collectivist country people are likely to have close ties between individuals and form extended families and groups, where everyone is expected to take responsibility for the members of the group. (Geert Hofstede Cultural Dimensions) Often earnings are to be shared with relatives in such societies (Hofstede 1997, p. 64).

In a collectivist country a manager always hires a person who is part of an in-group, and never just an individual. In individualistic countries, hiring a person with family relationships at the workplace can be considered nepotism. In some collectivist societies employees are not treated as in-group members. This often leads to lack of loyalty towards management among workers. In such cases labour unions can form another type of emotional in-group. This can lead to violent union-management conflicts, which has already happened in for example parts of India. (Hofstede 1997, p. 63-65)

In individualistic societies incentives or bonuses are often linked to an individual's performance. In collectivist countries the management manages a group to different extents. How emotionally integrated a person feels in a group, depends from case to case. If the members of a group feel emotionally involved the bonuses should preferably be given to the group and not to individuals. (Hofstede 1997, p.65)

Bangladesh scores an individualism index of 20, which reflects a collectivist thinking society. Other countries with the same index are China, Singapore, Thailand, Vietnam and West Africa. India scores 48, Pakistan 14 and Sweden 71. (Hofstede & Hofstede 2005, p.91)

## 6.4 Individualism in Bangladesh

One of the workers in Factory C has a basic salary of TK 2500. Last month she earned TK 3000 including attendance allowance and overtime. She says their basic salary is not enough for survive, so they need extra money. She contributes with TK 1600 to her aunt's family every month and the rest of the money goes to her parents. Another worker says he worked 50 h overtime last month and earned in total TK3500. When he earns more money, he sends more back to his family. None of his parents have a job. A third worker has another perspective of the system. She says she does not have to think about if the wage covers her expenses, since she lives in a big family and her salary only is a contribution to the family economy.

In one of the factories a new in-group has been formed. One of the workers tells me how some of the girls contribute with TK 500 each month and then create a lottery with the money. She herself is not a part of it, but she knows 5-10 girls who do it. She further explains: *"if 10 girls give TK 500 each this will be TK 5000 in total. Next month another one gets the chance to win the TK 5000"*. She says it is not possible for one person to win every month. If s/he wins one month she cannot win the next month again. In this way, she says: *"if I take TK 5000 I will repay the money and there will be a rotation of the money"*. She says if someone resents, the circle will be broken: *"some girls sometimes leave the factory and it will be problems"*.

Factory B has a bonus system both for the individual worker and the line as a whole. At the moment the target bonus only includes the permanent workers of the line, but a new policy will be taken, so that all workers in the line get benefits, also temporarily workers of line. The HR manager explains how this policy could build up a better teamwork in the factory. If somebody sees that someone is not working s/he has to inform to a higher instance. Every department has a chief/head officer and if this chief/head officer does not observe the situation, HR and administration will observe it. He thinks this can help to raise productivity within the company.



## 6.5 Masculinity

The third index is the masculinity index (MAS). MAS measures if the society reflects the traditional work role model of male achievement, control and power. A high ranking means a high degree of gender differentiation. (Geert Hofstede Cultural Dimensions) In a masculine society social gender roles are clearly separated. In feminine societies the social gender roles overlap and feminine values are highly valued also among men. A typical difference between masculine and feminine societies is the attitude towards work. Where masculinity rate is high people tend to think more toward “live in order to work”, while a lower ranking is connected to an attitude of “work in order to live”. There is no relationship between how many women is working and femininity score. However, a connection between feminine societies and women at higher positions within technical and professional jobs has been proved. (Hofstede 1997, p. 82; 93; 95)

Masculine societies are performance related societies, while feminine ones are welfare oriented. Where feminine values (such as modesty and solidarity) are emphasised people are often rewarded on the basis of equality and need. Masculine societies are often more competitive in the manufacturing business. Production of large volumes requires things to be made efficiently and fast. The feminine societies have a competitive advantage in service industries instead. (Hofstede 1997, p.97; 93; 95)

Bangladesh has an index of 55 in question of masculinity (MAS). This gives Bangladesh a middle position out of the 74 investigated countries together with India (56), the Arabic countries (53) and Pakistan (50). Sweden (5) has the lowest score out of all countries investigated. (Hofstede & Hofstede 2005, p.134)

## 6.6 Masculinity in Bangladesh

A worker in one of the factories says: *“if a man can work, also a woman can”*. A further opinion is that it is a safe job for women to work inside a factory, where they are protected daytime. A third opinion on the matter comes from another worker:

“It is good; because we work for our family. It is good; because women can stand on their two feet. They can develop their family situation/condition”.

Another worker thinks it is good that women are working and says there is no difference between male and female now, both are working. A male worker agrees that it is good, but has noticed a difference in treatment between male and female workers:

“Everybody has to work, but many garment factories don’t ‘treat’ the women; they don’t get good salary. All garment workers don’t get satisfactory wage”.

Mr Barkat guarantees that this does not happen in his factory. He emphasises how wage negotiation is done without discrimination. He says that in some factories people are discriminated because of sex; and male workers gets more than female workers. One example of this is in another factory. The HR manager explains how wages are different in different sections. For example people working in the cutting and ironing section, which are riskier jobs and people working with jobs which require more technical skills get more salary. He

says all of the workers in the ironing section are men. The workers in the ironing section gets around 200/300 TK/month more.

The Bangladesh Labour Law contains some areas of prohibition of employment for female workers. Women are not allowed to clean, lubricate or adjust any part of machinery while that part is in motion. Additionally no woman should be allowed to work between moving parts or between fixed and moving parts of any machinery which is in motion. Women are neither allowed to work with dangerous machines in general. This classification includes power presses other than hydraulic presses, circular saws and plate printing machines. (Ahmed 2007, p.62-63) Mr Chowdhury thinks it is good women are working and says he has had good experiences with female workers. He says women are patient and that the garment industry is light work, which is good for women. He says male are more excited, which is an impossible combination for this work. Mr Faridi says Bangladesh depends on female workers. Female workers are doing well and the quality is good.

## 6.7 Bangladesh compared to other countries

To give a better picture of what the indexes represents, the index of Bangladesh are submitted in a chart with three additional countries: Pakistan, India and Sweden. Until mid 20<sup>th</sup> century Bangladesh was united with both India and Pakistan as one country called British India. In 1947 the countries were separated into India, West Pakistan and East Pakistan. In 1971 East Pakistan became a country of its own. This country is today called Bangladesh. (Sugata & Jalal 2001, p.165; 202) Thus I found it interesting to compare Bangladesh with these countries in particular. Sweden's indexes can give a picture to the differences in thinking between the Bangladeshi factories and the Swedish buyer companies in the country. The chart is based on figures by Hofstede. (Hofstede & Hofstede 2005)

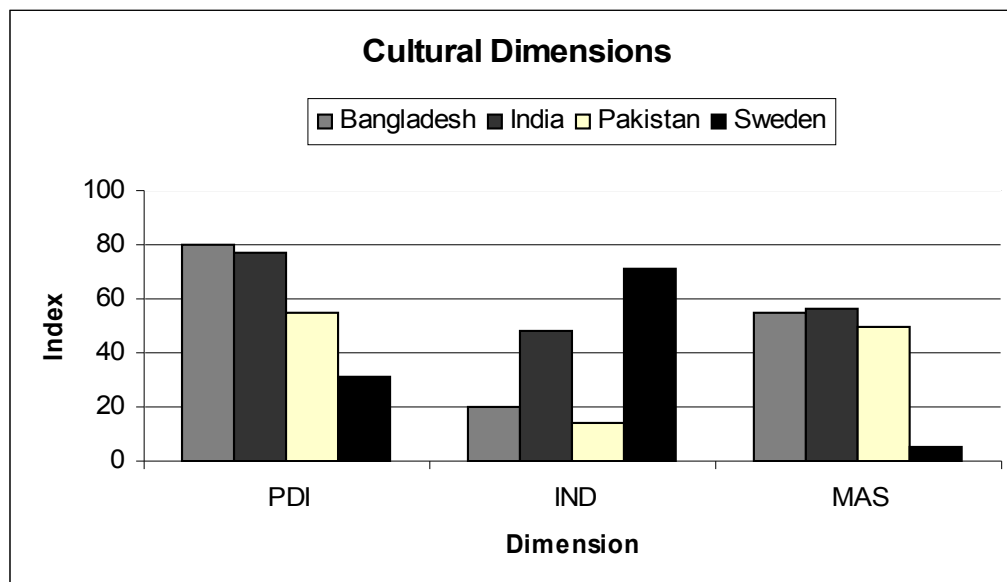


Chart 1 Cultural dimension in Bangladesh, India, Pakistan and Sweden<sup>7</sup>

<sup>7</sup> PDI – Power distance index, IND – Individualism vs. Collectivism, MAS – Masculinity Index

## **6. 8 Summary**

Chapter IV has treated the different cultural dimensions in a society according to the theories of Hofstede and his son. An organisation is inevitably affected by its surroundings and Hofstede has measured this with five dimensions. The Power Distance Index shows how power and money is distributed within the country. The companies in Bangladesh, which has a high index, are characterized by hierarchical structure. The HR managers feel limited in their decision-making, but find this natural. Also workers more or less accept their bottom position in this hierarchy. Bangladesh is a collectivist thinking society has the characteristics of such society: extended families are formed, as well as in-groups, income is divided within family and bonus has in one factory been proven to be better to give to a line instead of individuals. Masculinity index is close to an average number and is reflected by statements from the workers, saying that a woman can do the same job as a man. However, one worker points out, women sometimes are discriminated by lower wages.

## 7 Reflections

Four stories have now been told. The first part, about wages, will be of help in discussing how wages are determined in the Bangladeshi export-oriented garment industry. The two following chapters are about business ethics and stakeholder theory and can be used in discussing the question of which responsibilities a company has for its workers. The last part was about the cultural dimension and how an organisation is affected by its environment. The theories and results from this part will be dealt with in question of how the cultural context influences the organisations visited.

### 7.1 How are wages determined in the export-oriented garment industry in Bangladesh?

Wages in Bangladesh are not an exclusive question for the company only. It seems to be part of a greater system; a network containing government, trade unions, buyers and associations. There are, in other words, a lot of factors, actors and mechanisms influencing the wages. First of all it is a matter of law. Minimum wages are set by a committee appointed by the government. There is no continuous work on this regard. The last time a committee was appointed was in 2006. Before 2006 the wages were previously reviewed in 1994, which leaves a gap of twelve years without changes. When compared to other countries, which revise their wages annually, this is a very long time. The country has also suffered drastic changes in increasing food prices. Only during the two last years the price of rice has doubled. When wages were negotiated in 2006 the workers representatives showed resource documents to motivate an increase in wages to TK 3000. Other forces were however stronger and the committee settled for a minimum wage starting at TK 1662. According to Carley (2006), most countries use “cost of living” as a criteria for minimum wage. The calculations made by the workers’ representative in the negotiations in 2006, does however show that the garment workers in Bangladesh only were paid approximately half of this amount in 2006. Since commodity prices have risen dramatically during the last two years, the garment workers’ income would now be even less than half the cost of living. In comparison to the other countries, investigated in the EU report, the wages in Bangladesh are a lot lower. The income for the lowest group in the report was €77-251, while minimum wages in Bangladesh starts with €19 for the lowest grade.

The minimum wage grade system in Bangladesh makes distinctions between workers with different qualifications. It consists of several dimensions, such as house rent, medical allowance and different over-time premium, depending on which grade the worker belongs to. In comparison to other countries in Europe, this is an advanced system. The system favours a mentality of that the more you learn and the better you get at what you are doing, the higher the wage. On the other hand, it complicates the control and measurement of wages. The grading makes it harder for audit firms, buyer companies and trade unions to evaluate if the minimum wages are implemented. If for example a normal operator is paid a wage for a junior operator, it could be hard to discover the abuse of the minimum wage law. According to my research, most of the workers do not know which grade they belong to. Only a few of them are aware of that there is a system and even fewer which grades they belong to. The lack of information and knowledge about the system makes it even easier to misuse the system by not paying the minimum wages according to law.

Apart from governmental decisions, wages are also a question of compliance and code of conduct of buyer. The buyers have to make sure their suppliers pay their workers at a minimum the wages decided by Bangladeshi law. If not, they cannot fulfil the social responsibility they market themselves to keep. Buyers find it hard to directly impact the wages of their suppliers. They are dealing with another company, which has its own set of beliefs and rules. The organisational culture is affected by its cultural context, which is often different to the buyer company's background. The buyers seem to be limited in their power, since they do not own these companies. They are able to put pressure on their suppliers to the extent that the suppliers pay their workers the minimum wage according to law. But they cannot decide how another company distributes their economy. One way of influencing the industry for buyers, is through choosing suppliers with a well-functioning salary system. This way, they create a demand in Bangladesh for companies who pay their workers well and have a good internal wage system. Another way to make an impact is to be creative and find new solutions. One of the interviewed buyers has established a training centre, where they educate workers not only in sewing, but also in worker's right. A worker, who has fulfilled this training will then start off as a grade 6 worker and initially have a higher wage than a complete new worker. According to the supplier using these kinds of workers, they will also be more aware of how to speak to management and how to influence their own situation. He calls it an "empowerment process", where the worker takes command of its own situation.

Thirdly wages are a process within the supplier company itself. The way it works in the company depends a lot on the mentality of the manager in charge of these questions. An open-minded and forward thinking manager might have some new ideas of wage systems, while most managers appeared to have quite a traditional way of thinking. An example of a forward thinking manager was Mr Barkat. Not only did his factory review other companies in order to come up with a wage system, but they also have an external audit firm ordered by the factory itself. Their wage system included a bonus system, where workers were collectively rewarded when productivity was high. They also called in a meeting for all workers, as commodity prices increased. The average wage in this factory was TK 3290, which is about TK 500 higher than the average for all factories.

The workers are seldom a part of their wage negotiations. The most frequently answer I got when asking for their possibility to influence their wage was "*if I work harder I will get more*". Some of them considered this a way of influencing their wages, while others rather seemed to think of it as a hopeless situation – because even if they worked harder they would never earn enough to leave a life in poverty.

Some workers got paid by piece rate. In general they earned more than the other workers. There are however problems with piece rate. One worker reports on not getting paid, when being home sick. This highlights the dilemma of a tougher working situation for piece rate workers. Another finding was the piece rate workers did more over-time. Since working more shows results straight away, it can be attractive. Although in the long run the worker and the factory can meet problems. Doing physical work for 12 hours a day would sooner or later affect the health of the worker. Besides, quality of goods can be affected by a stressful work situation, which would harm the reputation of the factory. Yet another argument was presented by the theorists, against a performance based wage system. Crane and Matten said that it individualizes the bargaining power and weakens the joint employee power. Maybe this is the reason why the piece rate wage has remained the same for one of the workers during the last 5 years.

## 7.2 Which responsibilities does a company have for its workers?

Theories about business ethics have been presented in order to discuss the dilemma on wages. On one hand a company is obliged to follow the law, by paying the minimum wages. On the other hand the minimum wages are not enough to make a living on. This seems to be a common belief, which even management in Bangladeshi garment factories admit to be true. One of the reasons is that the commodity prices have risen dramatically lately. Another reason is that there are no continuously changes in minimum wages. According to the theories, this is the point where business ethics should intervene. Where the law ends, business ethics should begin.

The next step is then to consider the possibility to make decisions which are considered financially wrong, but morally right – in this case to pay the workers sufficient wages to make a living on. According to one of the managers it is impossible to pay workers more than their present wages. He identifies a trend, where their production costs are increasing and buyers pay less money per piece bought. He says a good piece rate price, paid by buyers, would make it possible for the company to pay the workers more. But more aspects should be considered before the final verdict. One of them is presented by Ms Nazma Akter. She says Bangladesh has a strong economy now. The garment factory owners have a strong situation in the society, whereas the workers' situation is weak. My interpretation of her statement is that the industry in fact is blooming, but few of the contributors to the success are benefited from it, i.e. the workers.

This reasoning takes us further into the theories of stakeholders. Workers are in the highest degree a group of stakeholders: Their rights can be violated and has to be respected by the company; they can be harmed by the corporation – but the question is if they get the benefits from it. In the factories I visited all workers were paid according to minimum wages and in some cases even a bit more. Thus, the wage could be considered a benefit of the company. As some of the workers say; a lot of people would face an even harder reality if there was no garment industry. The stakeholder theory does however put higher requirements on the company than to only pay minimum wages. Meritocracy is presented as a solution in how to distribute benefits. Meritocracy could be compared with a performance based system, where benefits should be distributed based on relative contribution to the company. This is clearly not the case in one of the factories, where the manager says that the equity of the company has nothing to do with what the workers are paid. I question how much the workers are actually paid, if a raise in minimum wages not affects the company at all, as Mr Azad said. The statement reflects a reality where the amount of money paid to the workers is such a small part of the total income of the factory, that a raise of almost the double is not even noticed in the equity of the company. Another possibility is that wages in this factory were already paid at a higher level than the old minimum wage, but then the new level for minimum wages was nullifying.

In Factory B a sophisticated system has been implemented, where a bonus is given to all workers if the company fully or partly reaches the yearly target. The stakeholder theory here seems to be prevailing, since also the benefits are distributed to the employees. Factory E claims to have plans in implementing a performance based system for wages, where workers who contributes more to the company also should get more benefits, in terms of higher wages. But the system is not implemented yet, and the answer to 'when' is vague. The manager of this factory does however see a positive correlation between a higher work moral amongst the workers and higher wages. Another point presented is the importance of paying the wages

regularly and at the same day. In this way the company takes a responsibility in reducing anxiety among workers. This gives the worker a feeling of safety and according to the manager it also pays off to the company. He explains how irregular wages affects the productivity negatively.

The stakeholder theory also provides a base for a discussion on other problems behind the wages. It says not only benefits in question of money should be distributed in the company, but also voice in decision making. The stakeholder itself should therefore be a part of the decision making according to the theories. Some of the factories use Participatory Committees, which gives workers a chance to influence in questions of wages. In the factory where workers were called to meetings on increasing commodity prices such idea seems to be implemented. The result of the meeting was increasing wages for all workers half a year before the planned increase. There are also examples of where it is not working according to this theory. One of the managers thinks it is enough with good communication channels between managers and workers. Based on the theories on power distance I draw the conclusion that such a system could work in an organisation, where hierarchy is low, but not in a factory like this one, where there is a certain respect to those of higher positions. Another factory has a Participatory Committee, but the HR manager himself is not a member. I find it just as important that the HR manager him/herself is there to listen to the ideas, as the workers are there to present their thoughts. If there is no representative at a higher instance, no difference can be made just by discussing problems among workers. A common phenomenon seems to be that workers are not a part of their wage negotiations and most workers do not feel as if they have the power to influence their wages.

Ms Nazma Akter believes in when paying a worker more, it would lead to a greater profit of the company. She thinks workers would make a better job if their work is higher valued. She thinks the managers have yet not understood the benefits of this investment. According to her management working in the factories have a narrow perspective and needs to be educated on this regard. One of the managers says education is needed for workers. I agree with both of the statements. Training of management is especially important, since most decisions at the moment are made at management level. I therefore believe training of management provides better possibilities for change than training of workers. This will be discussed more later on, in the chapter of power distance and cultural dimensions in organisations. I do however find it important that also training at the workers' level is provided. The more the workers learn about their rights, the better tools they have for influencing their wage. If they know how to talk to management they will gain a respect, which empowers them to take greater control of their own situation. Another possibility for a worker could be to turn to a workers' association. In order to do this, they have to know when their rights are being violated, and whom to turn to. This can be taught in a training program.

In another factory an own wage system, with higher wages than required by law, is considered a competitive advantage in order to attract more workers. I believe, if the managers of the Bangladeshi companies could also consider paying more, as a competitive advantage in attracting more buyers, business ethics would be easier to motivate. A morally right decision, as in paying more than minimum wage, would then correlate with financially and strategically right decisions. Paying more, would attract more buyers and lead to a greater income to the companies. This would require the buyers to be willing to pay a higher price on the goods. As a buyer I would be willing to do this, only if the company had an own wage system and a strategy for distribution of benefits within the company, which easily could be measured and controlled by the buyer.

### **7.2.1 Summary**

In conclusion, the question of which responsibility a company has for its workers have been discussed. According to business ethics a company should take responsibility also where the law ends. It is however not expected by a company, to take responsibility for the world's misery. In a poor country like Bangladesh, one could not expect wages to be as high as in for example Western Countries. Management tells stories of how hard it is to get the economy together, while other opinions are that management themselves get richer whilst workers remain trapped in poverty. As a solution to the dilemma, meritocracy is discussed. Meritocracy says all benefits should be distributed within the company – both financial benefits and voice in decision-making. Training of management and workers on this regard is requested and well welcomed in those cases it is already implemented. If the benefits of the investment – of paying workers more – could be identified, it would be easier to motivate why. Paying more could for example be a competitive advantage in attracting more workers, keeping workers healthy and attracting more buyers. The last argument requires that there is a demand of garments, which are produced under good working conditions, such as paying the workers a living wage. If there is such a demand from buyers, the management of factories could see a correlation between financially and morally right. The buyers might then have to be prepared to pay a higher price on the goods. Most production takes place in factories, where buyers have long term relationships. Here, the training of management initiated by buyer companies could be considered another possibility of how to identify benefits of paying workers more.



## **7.3 How does the cultural context influence the wages?**

The society in Bangladesh is characterized by a high level of power distance, a low level of individualism and medium ranking on masculinity. The other parameters for Bangladesh according to Hofstede's cultural dimensions are more implicit and hard to analyse from only one session with each respondent. The text has therefore only focused on these three dimensions. The three dimensions give a picture of which cultural aspects are especially affecting the organisational culture in Bangladesh.

### **7.3.1 Power Distance**

The companies I have visited in my research have all shown a clear pattern of hierarchical orders. The power is distributed at different levels. The government, owners associations and buyer companies seem to be ranked high amongst all respondents. Within the factories' hierarchy, the top management and garment factory owners are the ones with the highest rank and workers the ones at the very bottom. In between, there are HR managers, assistant managers, line chiefs, welfare officers, "in charge", production managers etc. Everyone seems to know and accept their position in this hierarchical order. According to the theory, this is common in high power distance cultures. The HR manager articulates this by saying it is natural that his power is limited by top management and it is the way it should be. According to him management is good where he works, which can be an additional factor to him liking this system. Yet another manager describes a similar situation, where he always checks with top management before a decision is made on wages for workers. There are however exceptions, one of them heard from an assistant manager in Factory F. He and the HR manager increased the wages of the workers, even without the permission of top management. Thus, other patterns are to be found. Although the theory correlates to most statements of the managers, there are exceptions and examples of discrepancies.

Few initiatives are taken by workers to influence their wages and most of them believe management to do their best in raising their wages. Management on the other hand believes good workers to speak up for themselves and demand a higher wage. One manager says they provide sheets for increasing wages, but only to those who asks for them. He says this system benefits good workers, since they are the ones asking for the forms. I, on the other hand, think this rather benefits straightforward workers than those who do a good job. When workers claim a higher wage it takes between six to twelve months before the raise is implemented. Since increases are made yearly, it is then only a question of the amount of raise which could be affected by an own initiative.

There is a great distinction between different employees in questions of payment. In general, only a few people in the companies were paid through bank account, the rest get their money in an envelope and in cash every month. The rhetorical difference between earnings for management and workers also reflects the industry; management receives salaries, whereas workers receive wages. The wage gap is exemplified by a manager in one of the factories, who reveals that the earnings for management are about ten times as high as the earnings for the garment workers. The large differences in income between top and bottom in the organisation reflect the high power distance, which Hofstede earlier has identified in the country. The workers are the losers in a society like Bangladesh, where income and power gaps are expected and accepted.

The interviews with the workers have shown a pattern of dependency on management regarding their wages. They expect management to increase their wages regularly and are happy when this is done. Most of them do not feel as if they have the power to influence their wages and wonder how it would work if they could. In one of the factories, the HR manager has emphasised the communication between workers and him. According to one of the workers in that factory, it is a well functioning system; she explains how she talked to the manager, filled in a form and after a year got an increase in wage. She feels as if she has the power to influence the wage and was through this act a part of her wage negotiation. Another worker in the same factory has the same feeling of influence but never put it into practice, since she feels shy. She also feels as if she has no reason to request an increase, since management increases her wage yearly anyway. That her present wage is insufficient to make a living on does not seem to bother her on this regard. Instead she compensates it by working over-time. Even though management emphasises communication between them and the workers, some workers feel inconvenient by asking for a raise. What seems to be a good idea in theory might have shortages in practice, because of power distances. The thoughts Phillips presented, saying the relationship between the organisation and its stakeholder should be symbiotic rather than parasitic, seems to be out of reach in the Bangladeshi context.

### **7.3.2 Individualism vs. Collectivism**

A common phenomenon in Bangladesh is that earnings are divided between families and relatives. The interviewed garment workers has confirmed this, typically collectivist thinking, by explaining how part of their earnings goes to parents, aunts etc. The earnings are in other words not only the business of the worker. In those cases, where the worker only contributes to the total income of the family, the system makes the situation of the worker economically easier. Most of the workers interviewed, do however seem to be in the opposite situation – where they are the only earners of the family and their wage is supposed to support others as well, for example their parents. The economic pattern makes it complicated when calculating what a reasonable income would be for a worker. The earnings are not exclusively for the worker itself, but rather for the worker as a part of its context. A ‘living wage’ is then hard to calculate. This is one of the reasons why ‘living wage’ as a concept has been criticised for being vague.

In collectivist societies, belonging to an in-group is more important than in an individualist country. If the worker feel excluded from the in-group of the factory, new in-groups can be formed. The in-group in one of the factories could be considered such a phenomenon. They have made their own lottery system where everyone contributes with a part of her/his wage. In that way they have created close ties between the group members. I interpret this as a creative way of influencing their income. They know they have no power to influence their basic wage drastically, but through this group they can at least once a year increase their income with about double amount of their basic wage. As the worker explains, if someone is to leave the group, it will lead to problem. An in-group like this could lead to violence, if one of the members leaves the group – but probably only violence within the group. This could affect the factory badly but would not be the kind of union-management conflict, as Hofstede talks about in his theories. It is however common in Bangladesh with violent riots between garment workers and garment factory owners, on issues such as wages and sick leave.

According to Hofstede, the more integrated the worker feels in her/his group the more should incentives be given to groups instead of individuals. One of the factories had a performance based bonus system. The bonuses were given to the permanent workers in the line. The factory is planning to include also temporarily workers in the line in the system. This could be a sign of how well the workers are integrated in the organisation as a group. In this factory the workers were also part of wage negotiations through the Participatory Committee and were questioned when an increase were to be made. The HR manager of this factory thinks the collectivist bonuses will help raise productivity.

### **7.3.3 Masculinity vs. Femininity**

Bangladesh has a medium position on the scale of masculinity versus femininity according to Hofstede. This can be noticed through the statements made by workers, which says that a woman can do the same work as a man. One of the male workers did however raise the question of male workers being paid more. In one of the factories women are discriminated to work in some departments of the organisation – the departments where most money is made. In this case it was the ironing and cutting section, where only men worked. I also observed that almost all workers in the knitting section were men. In the knitting sections the workers normally work on piece rate. The piece rate workers were the ones who made most money in my research. Working on piece rate is therefore connected with a higher income, which mainly benefits men. A wage gap between women and men is however also a problem in Sweden, which has the lowest ranking amongst all countries in the survey. I argue the main difference is that women in Sweden have access also to riskier job, where more money is to be made, compared to Bangladesh, where they are prohibited by law to work in those sections. This makes the structure harder to change.

My research has shown that the mentality of the Bangladeshi people rather to be “work in order to live”, than “live in order to work”. I do however not make any assumptions that it is because of a more feminine way of thinking, but rather a question of the economic situation in the country. Most workers I met started working because of poverty and found work as the only way to survive.

Hofstede mentioned how masculine societies in general are more competitive in the manufacturing business. Bangladesh is an example of a country with a medium rank on masculinity, which is more competitive in the manufacturing industry than in the service sector. Moreover most workers in the garment industry in Bangladesh are women and according to some of the managers the female workers are doing a better job within the industry than their male colleagues.

### 7.3.4 Summary

From what I have found in my interviews I draw the conclusions that the cultural context to not only affect the organisation as a whole, but also wages in particular. The high power distance gave an explanation to why workers settled with their wages. Where power distance is high, an unequal distribution of power and money is expected and accepted. This also explains why the workers were confused when asking about power to influence their own wages. They do not expect the management to involve them in their wage negotiations. Besides, management had made rules of increasing all wages yearly. According to the workers the yearly increase gave them no reason to complain, although their wages were not enough to make a living on. The HR management did in general feel limited in their power, by higher instances. Most of them always had to check with the top management before making a decision, whilst others could make decisions without the top management being present or in opposition to what top management thought. Regardless of how this worked, the factories had different levels, where all employees of the company knew their position in the hierarchy and who to turn to in questions of wages. Normally workers spoke to colleagues or their closest chief. In some cases they spoke to the HR manager. In conclusion, there is a large dependency on management amongst workers, which affects the wage development negatively.

The phenomenon of sharing incomes with family members and in some cases extended family makes a 'living wage' hard to calculate. Some workers only contributed to the family economy, whereas others were the main earners in the family. Having a wage, which is not enough to live on for one person, makes the equation harder when it is also to be shared amongst family members. Belonging to an in-group is important in collectivist countries, which is confirmed in my research. Often the garment workers got to know about the job through neighbours or family members. An in-group then provides a first contact with working within the garment industry. In one factory a new in-group was formed, possibly because of lack of loyalty to management. Through their new in-group they had found a creative way of affecting their monthly income, making it twice as big approximately once per year. In collectivist countries it could be an advantage to give incentives to groups instead of individuals. One of the managers had implemented such a bonus system in his factory. He also planned to extend it, in order to include also temporarily workers in the line. I believe the idea to be in accordance to the cultural context in Bangladesh and expect the system to be of great success, both in question of productivity of the company and satisfaction among the workers. The example also shows how meritocracy can be of use in distributing the profits in a company.

One of the workers says women can do the same job as men, but the law prohibits women to do certain work. In one factory female workers have been excluded from a couple of sections, not necessarily prohibited by law, but simply because it is riskier jobs. As long as female workers do not have access to these jobs, their wages will probably remain less than for male workers. Also for the workers on basic salary, the male workers' wages were slightly higher than the female workers' wages.

## 8 From Minimum Wages to Living Wages?

I can see three possibilities for a shift in focus – from minimum wages to living wages. The first alternative is that the minimum wage becomes a living wage. Like in other countries the criteria for the minimum wage could be the “cost of living”. At the moment it is way below, which has been presented earlier. In this case the main actor for change would be the government. The government would need to call for a new committee to revise the present wages: review the cost of living, compare with other countries wages and takes aspects such as inflation into account. The new wages should be decided, taken into consideration the many years without a change from 1994 to 2006. The implementation phase would be a joint responsibility. The government should make their own inspections, but this alternative also provides buyers with more power to influence. Today, their argument is that they cannot put more pressure on the supplier than to require them to pay the minimum wage. If the minimum wage was higher, the buyers’ pressure could also increase.

Another option for a shift in focus – which is a more correct answer to the research question – is that there would need to be a shift in mentality of the owners of the factories. If the factory owners find other ways of competitive advantages, than a price advantage to offer their buyers, they would develop a more sustainable way of making business. As the stakeholder theory presents, not only the customers are important for a company, but also its employers. If employers are treated well and paid enough to live a healthy life they can also work better and give a better productivity back to the company. The phenomenon of over-time seems to harm owners and workers more than it helps. What is considered a win-win situation does to me appear like the opposite. Overtime seems to reduce productivity and the workers get tired from working long hours. Also here does the buyer have an important role to play. There are already some informative programs, mainly made for workers, but which has also been used in training supervisors and line chiefs. If trainings could be held at a higher managerial level – and not by an owners association – new ideas could be implemented also here. There is already a notable change in mentality with the new generation of garment factory owners coming. Garment factories are often kept in the family and since a lot of the sons and daughters now have studied abroad a wider perspective is imported.

There is a third alternative as well. But I believe it less likely to happen. The third alternative is a bottom-up theory, where the workers have a say in questions regarding their income. This could be a complement to the second alternative as a part in empowering the workers. But I find it hard to see it as an alternative itself. The reason for this is the strong hierarchical order in the country, which affects the organisational culture. As a worker you are at the very bottom of this hierarchy and as long as the mentality amongst the garment owners remains the same, they will lack power to influence their wages – other than to work harder. This of course carries a lot of frustration along, which can be an explanation to why riots, violence and burnings of cars and busses is very common among garment workers in Bangladesh.

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## Postscript

The idea of my research started already four years ago, when I studied ‘Development Studies and International Cooperation’ and has been developed over the last years. I have during these years followed the news reports from the garment industry about lack of regulations and low wages. My interpretation of these reports was that the buyer companies ought to take greater responsibility within their production. I still believe this to be true and that it is of great importance for buyer companies to have an active and strong CSR-department, working with questions of wages and workers’ rights. Surely, the buyers play an important role in how the industry looks like; they negotiate with the prices of the goods and choose countries where labour costs are low for production. If the buyer companies would have owned their production, this would theoretically have left them with more power to influence the structure and wages in their production. Other problems could however arise with such ownership.

As a result of my time in Bangladesh and my interviews I started to see the problems of the industry through other perspectives. I can now see also the limitations in power for the buyer companies. It is correct that they can put pressure on their suppliers, but only to guarantee the factories pay their workers a legal wage. Hence, as reality is now, the minimum wage at the lowest rate is €19. The pressure the buyers put will then not be enough to make the suppliers pay their workers a living wage. The buyers I spoke to argued how they could only ask for the management to pay their workers the legal amount of money. At the end of the day, the supplier companies are responsible for their own economy and budgets. It became clear to me how the owners of the factories are the ones who make the executive decisions for their company, amongst others deciding the wages for their workers – an axiom which I find is often lost in the media coverage in Sweden.

As I started this reasoning I gradually became more interested in the business ethics of the supplier companies, for example which responsibilities they have towards their workers. My interest for the cultural dimension affecting the industry also became a larger issue. I was surprised by how content the workers seem with their management, at the same time as they said their wages were way below enough to make a living on. The contradiction in their appearance and their words led me onto the theories of power distance, individualism and masculinity in societies. The theories of Hofstede were later used as an argument to why a change initiated by the workers would be less likely to happen, than the other alternatives presented. Thus I find a unification of workers, peacefully fighting for their rights to be less likely to happen in Bangladesh, than in a country with a tradition of collective agreements. On the other hand, violent actions are common within the garment industry in Bangladesh, probably as a consequence of an enormous frustration amongst the workers for their situation as a whole, including the high power distance prevailing in their country.

The next topic treated was to me an essential part of the essay – an explanation and more in-depth chapter about wages: which different types of wages there are and the distinction between these. The ‘living wage’ as a solution to all problems seemed rather naïve once being in Bangladesh. Many managers had still not heard of the concept and were sceptic about mixing personal conditions with the pay for their worker’s job. My original idea of living wages was however never completely abandoned and in the end of the writing period I returned to some of the thoughts I had initially, but now with a different approach.



The observant reader remembers the essay started with a reflection from my last days in Bangladesh:

“It was not until one of my last days in Bangladesh I started to realise what exactly I had discovered. I had been in Dhaka for almost two months by then, during which time I had been in contact with three of Sweden’s largest clothes retailers, visited six of their suppliers and spoken to a total number of 41 persons about my concerns. We will have to go back a couple of months in order to get to the full picture. ”

Now, the answer to what I had discovered could simply be what is presented in this essay. That is however only part of the truth. The essay is the results of the clues I followed and the answers I found. The full picture will thus not be presented. The collected material grew larger than what I could possibly fit into only one dissertation. There are according to me, a lot of areas of interests, which were excluded in this essay. One suggestion for further research is to look at the gender differences within the garment factories and/or within the area of wages. Another suggestion is to examine more areas within workers’ rights. Participatory Committees and their function would be a further exciting area to investigate. My interest for over-time also increased during my interviews; reasons for working over-time, decisions-making in questions of over-time, payment of overtime, consequences of over-time etc. I realised how important over-time was to the worker, as a part of the total income and how complex the question of over-time is, which awakes, at least, my curiosity.

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