



Technical Assistance Consultant's Report

Project Number: P3773501
December 2007

People's Republic of Bangladesh: Social Protection of Poor Female Workers in the Garment Sector in the Context of Changing Trade Environments Project (Financed by the Poverty Reduction Cooperation Fund)

Prepared by: BB Patel, Reeni Kurian, and ZI Farook
Adam Smith International, Ltd.
London, United Kingdom

For Ministry for Women and Children Affairs

This consultant's report does not necessarily reflect the views of ADB or the Government concerned, and ADB and the Government cannot be held liable for its contents. (For project preparatory technical assistance: All the views expressed herein may not be incorporated into the proposed project's design.

Asian Development Bank



Adam Smith
INTERNATIONAL

Final Report | 2007

TA 4320 BAN
Social Protection for Poor Female Garment Workers
in the Context of Changing Trade Environment



Asian Development Bank
FIGHTING POVERTY IN ASIA AND THE PACIFIC





ADB's focus is on encouraging economic growth, social development, and good governance, while promoting regional cooperation and integration in partnership with governments, the private sector, and nongovernment and international organizations.

Contents

1	INTRODUCTION	1
1.1	Background	1
1.2	Scope of this Report	2
1.3	Terms of Reference	2
1.4	Project Activities	3
2	GLOBAL PERSPECTIVE ON INTERNATIONAL TRADE IN TEXTILE AND CLOTHING SECTOR: POST MFA	8
2.1	Agreements in textile and clothing : historical perspective	9
2.2	Trend in the World Trade in Textile and Clothing Sector Post MFA	10
3	PILOT PROJECTS ON SOCIAL PROTECTION FOR THE RMG WORKERS	23
3.1	Components of Pilot Projects	27
3.2	Implementation Progress	34
3.3	Organisational Structure and Institutional Arrangement	40
3.4	Financial Arrangements - Cost & Expenditure	47
3.5	Lessons from the Pilot Projects	48
4	STRENGTHENING SOCIAL PROTECTION IN THE GARMENT SECTOR STRATEGIES AND OPTIONS	49
4.1	Social Protection Needs of Workers	51
4.2	International Experience of Social Protection Schemes	52
4.3	Available Levels of Social Protection in Bangladesh	59
4.4	Social Security For The Female RMG Workers In Bangladesh: Possible Products	60
5	FUTURE PERSPECTIVES - SOCIAL PROTECTION FOR RMG WORKERS IN BANGLADESH	65
5.1	Key Elements of Social Protection Strategy	65
5.2	Long Term Scenarios for SP in the RMG Sector	68
5.3	Conclusions and Recommendations	71

List of Tables, Boxes, Figures and Charts

“In the 19 months of piloting the project has achieved success in providing social protection to the displaced women workers of the garment sector. It would be appropriate to uphold the achievement of the project here.

The project located and profiled about 10,000 disadvantaged women workers, provided one to one livelihood counselling to 3,385 workers to better inform them about opportunities and re-integrated approx 900 workers back into the labour market through regular jobs and self employment. This is way above the average rate achieved by other projects internationally. I congratulate all who were involved in the project for this achievement.”

Ms Gete Ara Chaudhury, National Advisor (Hon'ble Minister, Ministry of Women and Children Affairs, GoB) at the concluding workshop for this project in December 2007.

Table 1.1 :	Project Components and Activities	3
Table 2.1 :	Trend in World Exports in Clothing by Top Ten Countries	10
Table 2.2 :	Structure of RMG Industry	13
Table 2.3 :	Trend in Value, Volume and Unit Price of export of RMG from Bangladesh between 1997-98 to 2004-05	16
Table 2.4 :	Trend in exports Of Textile and Clothing (T&C) products from Bangladesh	17
Table 2.5 :	Performance Of Exports Of RMG from Bangladesh During July - March 2005-06 and July - March 2006-07 (Million TK)	19
Table 2.6 :	Exports of Textile and Clothing (T&C) from Bangladesh by Destination (In million USD)n million USD)	19
Table 2.7 :	Social Safety Net Schemes Sponsored by the GOB	21
Table 3.1 :	No. of Beneficiaries covered under Pilot Project Activities	34
Table 3.2 :	Category of workers surveyed	35
Table 3.3 :	Total Number of workers surveyed	35
Table 4.1 :	Vimo SEWA's Insurance Scheme 2008	56
Table 4.2 :	SEWA's Fixed Deposit Linked Insurance.	57
Table 4.3 :	Integrated Social Insurance Scheme for a Family of five members of RMG female worker in Bangladesh	63
Table 4.4 :	Staffing needs and costs for the local welfare centre	63
Table 4.5 :	Other recurring costs for the local welfare centre	64
Table 4.6 :	Summary statement of the total funds requirement	64
Box 1.1 :	Agreements that shaped the textile and clothing trade	9
Box 2.2 :	The Quota Advantage	14
Box 2.3 :	Sector Studies in 2004 on the Impact of MFA Expiry	15
Box 2.4 :	Formal Social Safety Net Programs: Provision And Financing	22
Box 3.1 :	Survey - Tracking and Identification	28
Box 3.2 :	Livelihood Counselling	31
Box 3.3 :	Focus Group Discussions	31
Box 3.4 :	Redployment Assistance	32
Box 3.5 :	Awareness Creation	33
Box 3.6 :	Terms of Reference for the SSNP Cell	41
Box 3.7 :	Terms of Reference for the Nodal Agency:	43
Box 3.8 :	Terms of Reference for the Centre Organisers	44
Box 4.1 :	Employment in RMG Sector : Formal or Informal ?	50
Box 4.2 :	Tanzania - Self Financed Health Insurance for Workers in the Urban Informal Sector	52
Box 4.3 :	Tanzania - The Ingunga Community Health Fund	54
Box 4.4 :	People's Republic of China - Health Insurance for workers in the Public Sector	55
Box 4.5 :	Insurance and SP for Unorganised Workers in India	56
Box 4.6 :	International Experience on Insurance as a SP strategy for women workers Important Lessons	58
Box 4.7 :	Sustainability Issues in Insuring women workers ?	59
Figure 1 :	Project Overview	5
Figure 2 :	Implementation Arrangement of the Pilot Projects	40
Figure 3 :	Pilot Project Components and Activities	46
Chart 1.1 :	US Imports of Textile and Clothing by Country and region, 2005	11



*The economic and technological triumphs
of the past few years have not solved
as many problems as we thought they would,
and, in fact, have brought us new problems
we did not foresee.*

- Henry Ford II

Abbreviations

ADB	Asian Development Bank
ASI	Adam Smith International
BAWF	Bangladesh Apparel Welfare Federation
BBS	Bangladesh Bureau of Statistics
BEPZA	Bangladesh Export Processing Zones Authority
BKMEA	Bangladesh Knitwear Manufacturers & Exporters Association
BGMEA	Bangladesh Garment Manufacturers & Exporters Association
BIP	Bureau of Investment Promotion
BRAC	Bangladesh Rural Advancement Committee
CPD	Centre for Policy Dialogue
CSO	Civil Society Organisation
DFID	Department for International Development
DWA	Department of Women Affairs
EPB	Export Promotion Bureau
EPZ	Export Promotion Zones
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GoB	Government of Bangladesh
ILO	International Labour Organisation
IMF	International Monetary Fund
KN	Karmajibi Nari
MIDAS	Micro Industries Development Assistance and Services
MOWCA	Ministry of Women and Children Affairs
MFA	Multi Fibre Agreement
MIS	Management Information System
MoL	Ministry of Labour
MoC	Ministry of Commerce
NA	Nodal Agency
NGO	Non Government Organisation
NUK	Nari Uddug Kendra
PMAP	Post MFA-Action Programme (GoB)
RMG	Ready Made Garment
SEWA	Self Employed Women's Association (India)
SSNP	Social Safety Net Program
SQDF	Skill and Quality Development Programme
TA	Technical Assistance
Tk	Taka
TOR	Terms of Reference
TU	Trade Union
UNDP	United Nations Development Programme
UCEP	Underprivileged Children Education Programme
WTO	World Trade Organisation
TK	Taka
Rs	Rupees



Executive Summary

Traditionally, trade in textile and clothing has been regulated by several multilateral, bilateral and regional trade agreements over the last four decades. However, 2005 marked the beginning of a more liberalized textile market internationally with the end of the Multi Fibre Agreement in January.

In the emerging highly competitive export scenario, the apprehensions of negative impact on a country like Bangladesh, were obvious and wide spread, particularly because the export of RMG accounted for 76% of the total foreign exchange earned by the country and the sector employed about 2.2 million workers, majority being women.

The Ready Made Garment sector witnessed a significant growth despite the obvious uncertainties following the phase out of MFA in January 2005. While the woven segment posted a modest increase in export earnings of 13.3 percent, the knit wear grew at a phenomenal rate of 35.2 percent.

The rapid growth of the RMG sector has created tremendous opportunities in terms of employment and foreign exchange. The Ready Made Garment is the country's largest employer second only to agriculture and is among the few manufacturing sectors that arguably attract the highest influx of rural women migrants. Employment in the garment sector has empowered women, improved their living standards, increased their mobility and enabled greater freedom and choices in their lives.

However, the pressure on prices of exported RMG products along with depreciating TK may force RMG factory owners to squeeze expenditure on wages and welfare of workers and even force some to exit leading to displacement of workers. This type of pressure on profits is likely to increase further due to increasing bargaining power of the international buyers on account of issues relating to compliance to social and labour standards.

It is also evident that within RMG, the structural shift is taking place from the labour intensive woven segment to knit, which is more technology intensive. The lagging woven segment particularly the small and medium enterprises are likely to face serious challenge for survival and job losses in the future that can not be totally ruled out.

Out of an estimated 1.2 million people that are added to the total labour force every year, ⁽¹⁾Dhaka alone draws about 300,000 to 400,000 migrants ⁽²⁾mostly poor, making cheap labour available at very low cost. Though retrenchments on a massive scale are not recorded in the sector the incidence of job loss or displacement seems to be a commonly observed phenomenon particularly among the workers at the entry level or at the lower level of the job ladder.

In addition to the external shocks from the macro economic environment there are also several challenges that a female worker faces on a day to day basis. Barring the EPZ and a few A grade factories outside, most of the workers continue to work without a contract and so are not able to claim the entitlements and the provision of social protection instruments made available by the Labour Code 2006. Though an enterprise with more than five workers is termed a 'factory' as per the Labour Code 2006, the terms of employment continue to remain informal in the small and medium enterprises in the absence of any legal instruments or contractual obligations both on the part of employers and the workers making the labour market volatile. On one hand the employers struggle to accommodate a high labour turnover in an increasingly price sensitive market, on the other hand workers find that the low wages coupled with a high rate of inflation makes it impossible for them to survive in Dhaka.

Often these workers who come to the urban settings take shelter in the slums close to the factories, where a single room is shared by four to five workers. Most of the slums are illegal construction with limited access to basic services like health, water, sanitation, electricity and education etc.

The absence of local administration makes the service delivery mechanism in these localities rather complex with a dependency on para structures or middlemen. The workers also find themselves outside the coverage of any formal social protection programme as they are considered economically active though they are often unable to meet their basic needs. A low level of education, lack of any vocational skill, and access to information on social services, shelter and public arrangements these workers often turn to informal forms of support available within the community.

female workers move in and out of poverty as they constantly face the threat of eviction, job loss or a marginal loss in income.

As a result the female workers move in and out of poverty as they constantly face the threat of eviction, job loss or a marginal loss in income. Though the Government revised the minimum wage last year the debate on the 'living wage' for the RMG workers continues to be raised by the workers, development partners, trade unions, non profit organizations and civil society organizations.

It is well recognized that the lack of any social protection system will make their long climb out of poverty extremely difficult. While the RMG sector wheels under the pressure of increased competition, steady decline in prices, infrastructural and regulatory bottlenecks and greater demand on labour and compliance issues, mandating the provision of welfare benefits by the employers for such a huge workforce might render the sector unviable.

In an increasingly globalizing world as transition economies try to integrate into the world trade, social protection has gained strategic importance in promoting equitable growth and reducing poverty by proactively addressing the risks and vulnerabilities created by economic crises.



Social Protection has also gained its preeminence among policy makers as it shifts the focus from the traditional poverty reduction techniques that concentrate on income loss and asset depletion to a more proactive approach of identifying 'factors' that cause vulnerabilities and assisting governments and stakeholders in devising preventive mechanisms to protect people from the poverty trap.

In this context, the Asian Development Bank offered technical assistance to the Government of Bangladesh in 2005, to develop a social protection system for the RMG workers to mitigate the risks arising from the expiry of MFA and the changing international trade environment.

The Social Protection strategy and the pilot projects implemented during the course of this project lay emphasis on **practical initiatives at grass root level and builds on utilising people or workers' own strengths and information on markets.** The concern in developing coping strategies and amelioration measures for the RMG workers was that the displaced are without any form of social safety net support or compensation and it is difficult to track them.

The project focussed on tracking the displaced RMG workers and setting up arrangement to provide counselling and information on alternative means of livelihood, training, rental accommodation available social protection schemes. More than that the objective was to create in the process reliable and comprehensive data base on displaced workers in particular covering their social economic conditions, employment related issues, skills etc. These activities were implemented by setting up local counselling centres in the residential clusters of RMG workers manned by suitable staff and under the supervision and control of two selected agencies. The implementation of these pilot projects, gave insights about the functioning of the labour market for RMG workers, the pattern of coping mechanisms adopted by displaced workers and exposed the scale and depth of vulnerability of these workers in general and displaced in particular.



This further strengthened the initial conclusions of the strategy on medium to long term need for a comprehensive approach for social protection and skill development of the RMG workers on the basis of tripartite management, control as well as funding. Sustainability is one of the critical issues in developing a social protection system for the RMG workforce as the coverage is extensive and therefore it calls for a contributory, participative and tripartite system involving the Government, Employers and Workers.

It must be emphasized that in developing such a system a sector based approach rather an individual enterprise based scheme is recommended. A Sector wide approach would ensure that the welfare and insurance arrangements are not based on the individual enterprise but are managed by an industry, region or country wide institution like the Labor Welfare Foundation.

In line with this two new pilot projects focussing on minimum level of educational attainment, skill development and social insurance by adopting family of the worker as the unit is recommended.

While Bangladesh has falsified the gloomy predictions on exports of RMG following the abolition of quota system from January 2005, it will be a mistake to take a complacent view for the future. We hope that the findings in the Final report would invite a rapid response to a range of challenges presented by the changing economic and global trade scenario at the national policy level and effective public private partnerships for the provision of sustainable social protection.

A well defined social protection strategy which is accessible, affordable, preventive and promotional can become an effective tool in delivering the RMG workers from the clutches of poverty.

Acknowledgments

This project was funded by the Technical Assistance from the Asian Development Bank. Funding was also provided by DFID from the Poverty Reduction and Co-operation Fund.

We are grateful to Ms. Gete Ara Chaudhury (National Advisor), Ms. Rokeya Sultana (Secretary), Masuda Bintekader (Director General) and Mr. Ganesh Chandra Sarkar (Director), Mr. Osman Goni Talukdar (Project Director) and the entire staff at the Department of Women Affairs (Ministry of Women and Children Affairs), Government of Bangladesh for their efficient co-operation and contributions to the project.

A special word of thanks to the representatives from various Ministries and Government Departments including Ministry of Labour, Ministry of Commerce, Ministry of Social Welfare, Ministry of Finance, Export Promotion Bureau, Bureau of Manpower, Employment & Training (BMET) for sharing the relevant information.

We are very grateful to Ms. Hua Du (Country Director, BRM) ADB for her guidance and active participation at all times. The project was led and managed by Mr. Axel Weber, Social Protection Specialist, ADB (Manila). Ms Ferdousi Sultana (Social Dev. and Gender Officer), Ms Rokeya Khatun (Gender Development Services Specialist) and Mr. Putu Kamayana (Country Programme Specialist) from the Bangladesh Resident Mission provided valuable insights and continuous support.

This report has greatly benefited from a series of discussions with development agencies, research organizations, employers associations, policy think tanks that include The World Bank, DFID, UNICEF, GTZ, ILO, Centre Policy Dialogue, Bangladesh Institute of Development Studies, Bangladesh Institute of Labour Studies, Nari Uddug Kendra, Bangladesh Garment Manufacturers and Exporters Association, Bangladesh Knitwear Manufacturers and Exporters Association.

This report was prepared by the Adam Smith International Ltd. UK. The team members include Dr. BB Patel (Team Leader) and Ms. Reeni Kurian (Social Safety Net Advisor) and ZI Farook (Project Manager Phase 2). We deeply appreciate the efforts of our implementation partners - Karma Jibi Nari and Bangladesh Apparel Workers Federation for successfully implementing the pilot programme.

Introduction

01

1.1 Background

The Ready Made Garment sector is the country's largest employer outside of agriculture, directly providing livelihood to 2.2 million people and indirectly about 10 million workers. The rapid growth of the RMG industry in Bangladesh since mid 1980s, remarkably improved the living standards of the female workers. Specifically the employment in garment sector has empowered women, increased their mobility and enabled greater freedom and choices in their lives. RMG is the only formal export oriented industry within the manufacturing sector that has arguably the largest influx of rural women migrants.

Considering the importance of RMG for employment and foreign exchange earning in Bangladesh, the challenges to the RMG sector in the post MFA period are challenges to the national economy and not only to the sector alone.

However, the abolition of quota system in the RMG sector will have a negative impact on the factories and the workforce mainly in the woven garments, a sub set of the RMG as well as on medium and small factories. Closure of the woven RMG factories will affect the female workers adversely, as 70 per cent of the workers employed in woven factories are women as against 35 per cent in the knit wear.

Post MFA, the developed countries will acquire monopsonic power as buyers of RMG whereas there will be too many competitors among the suppliers of RMG.

Increase in competition among sellers and stronger bargaining power of buyers imply that the RMG sector will have to prepare for new competition by further increasing the labour productivity and compliance to the stipulated safety and labour standards.

Although trade and labour issues are separate, the developed countries as buyers are increasingly becoming sensitive on these labour and compliance issues before making commitments on export orders.

During the past decade, the RMG industry met the increasing demand and competition by recruiting more unskilled female workers keeping the costs low instead of investing in improved productivity and product quality and value. Although the volume of RMG exports is still increasing in certain sub sectors like the Knit and the Sweater industry the earnings are beginning to show signs of stagnation in sub-sectors like the woven due to competition from lower cost producers. More than 1200 factories are either declared sick or closed, the workers displaced, although no accurate statistics exists on the workers within these sick factories. Evidence suggests that these retrenchments lead to high turnover in the labour market for the garment workers and high transitory unemployment.

As the RMG factories improve their compliance to labour and social standards, the demand for more educated workers will increase. In such case, the female worker s with primary or lower education will be marginalized in lower occupations and lower wages or eventually displaced.

While the RMG industry has received much attention from the Government, International donors and NGOs, with policy propositions on strengthening the industry and improving its competitiveness, the impact that the ongoing global consolidation in the international textile market on the workers has largely remained unnoticed.

providing
livelihood to
2.2
million people



While the industry initiatives are likely to help both the industry and RMG workers substantially, the preparedness to meet the challenges to mitigate the risks and vulnerabilities faced by the workers is vital to improve the labour productivity and boosting the buyer confidence in the sector.

Further, it is observed that though the RMG workers are an economically active group they cannot be categorised as non poor, with the cost of living in cities like Dhaka being high a little fluctuation in the income levels can push them to near destitution levels. Looking to the nature of RMG sector and employment, mere labour laws cannot ensure full protection, rather it only increases corruption. The social protection of displaced female RMG workers would require a systematic approach to address a range of issues and would call for timely action for supporting activities for preventing them from falling back into poverty.

Loss of RMG Employment will have a cascading effect on employment and income in other allied informal sectors like low cost rental housing, transport and a variety of other services and consumer goods markets, indirectly affecting an employment of 10 million approximately. Therefore, Tripartite efforts are required to ensure a 'win win' outcome in the changed scenario of international trade.

The GoB is concerned with this issue and has shown interest on developing a social protection for RMG workers. A long term view on social protection will involve devising preventive measures to protect them from further slipping into poverty while consuming lesser resources and go a long way in addressing the overall poverty reduction concerns in the country.

1.1 Scope of this Report

The Final Report summarizes the key elements of the Social Protection Strategy and intends to provide key factors that need consideration in developing a long term policy on Social Protection based on the experiences gathered from the implementation of pilot projects in second phase of the TA.

This report begins with a brief overview of the significance of the RMG as a sub sector of the Bangladesh economy, the current status and performance of industry after expiry the MFA Phase. It then presents the detailed description of the pilot projects and the findings on the impact of the changes in sector on the female garment workers including number of beneficiaries, numbers of displaced workers tracked, services provided, feedback from women workers and stakeholders and the details on costs and financial arrangements.

The report finally concludes with the importance of a long term, sector wise approach on Social Protection for the RMG sector and recommends the appropriate institutional framework necessary for implementation. It includes a proposal for future activities to strengthen SP in the Garment sector to be complementary not substitutive, possible products, needs costs, administrative, financial and organizational requirements; implementation schedule, possible partners and stakeholders.

1.2 The Terms of Reference

The ADB offered Technical Assistance in 2005 to the Government of Bangladesh, Ministry of Women and Children Affairs (MOWCA) to develop and test various approaches for providing opportunities and protection for workers who are retrenched or could be threatened by retrenchment as a result of the expiry of the MFA. It was also envisaged that the TA will address the key problem of estimating the impact of end of quotas on human resources, including the development of a 'tracking system' to identify retrenched garment workers and to design possible social protection and re-employment measures suggesting a mechanism appropriate for the Government, industry and workers.

Purpose and Output

The overall objective of the TA was to help the country reduce poverty by reducing the unemployment risks by the anticipated contraction in the RMG sector after 2005 emanating from the changes in the international trade environment and improving job opportunities for the female garment workers affected by the MFA phase out.

1.3 Project Activities

The TA was implemented over a period of 24 months beginning from April 2005 to May 2007. The project was extended for six months with no additional cost from June 2007 to November 2007 to continue the assistance to vulnerable and disadvantaged women workers. The project had four major components implemented in two phases. A brief overview of the various components within each phase of the project is presented the Table 1 below:

Table 1 Project components and activities

PROJECT PHASE I Design	
Components	Project Activities
A. Strategy for Garment Workers	Development of a suitable mechanism for tracking and identification of the target group paying particular attention to the female workers. Need assessment of the female workers in terms of skill development, primary education, shelter, interest areas for a shift into other sectors for re-employment, status of existing social security measures . Preliminary review of the labour market in order to identify alternate livelihood activities suitable for reemployment and self-employment for the female workers retrenched from the jobs. Identification of the institutions or training resources available with Government, NGOs and private sector partners. Identification of NGOs or private sector organisations as well as Govt initiatives that already have a network or outreach activities among the RMG workers. Establishing a Social Safety Net Cell to function as a TA Implementation Cell within the DWA for the overall co -ordination and management of the implementation of the pilot projects.
PHASE II	
B. Labour Market Pilot Programmes	Comprehensive re-employment support to displaced female RMG workers. Labour Information Exchange
C. Social Protection Pilot Programmes	develop amelioration strategies and coping measures to provide interim relief to the retrenched or displaced workers Shelter support reduce vulnerability by helping the ongoing shelter programmes and providing information on the available shelter vacancies in the Micro and group insurance or saving, discretionary fund Study and consult with the private sector to explore, the potential of such schemes among RMG and other industrial workers.
D. Identification and Documentation of Lessons learned and potential for scale up	Document the lessons learned progress made in re-employment and social protection of female garment workers and discuss the potential for scale-up of the pilot programmes with the Government and Stakeholders in a final workshop.

The activities carried under the project are broadly listed in:

Phase I or the Design Phase dealt with the development of a Social Protection Strategy and designing pilot projects (The details of the first phase was presented in the phase 1 Final Report). The first phase focussed on mainly on:

Diagnosis and Review

The main purpose for undertaking diagnosis and review of the existing scenario was to develop a sound basis for developing a strategy for post-MFA human capacity development, employment and social protection measures. The subsequent chapter summarize the existing situation in relation to:

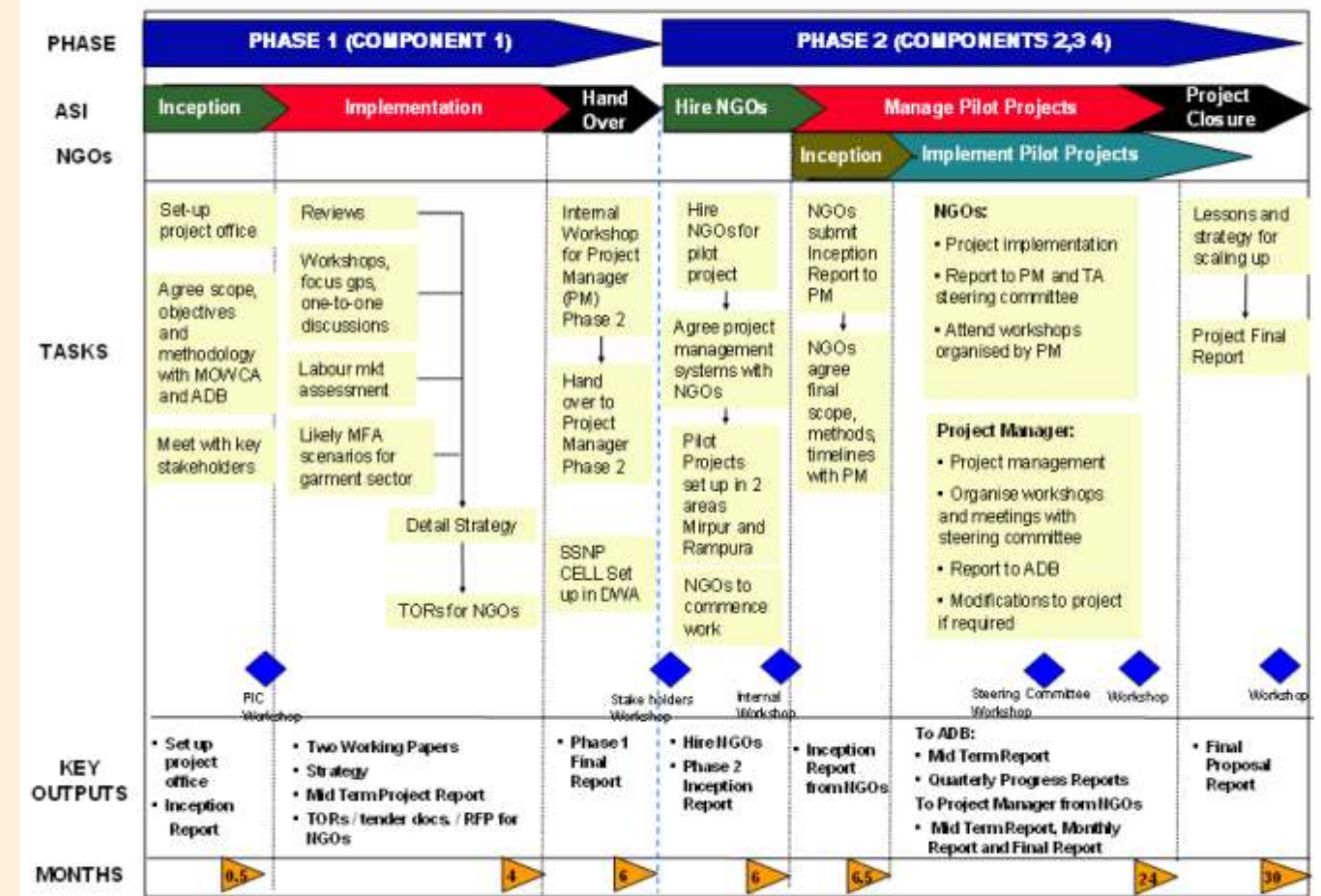
- Current significance of the sector for the Bangladesh economy
- Projections made to date on retrenchment after the expiry of the MFA
- Current and projected employment data, and the wider implications in terms of the future
- Major risks for the economy and stakeholders
- Current state of preparedness and the initiatives taken by various institutions post MFA
- Need Analysis areas of vulnerability, priority of risks, desired services and appropriate method for accessibility and service provision



Implementation Phase

Phase II or the Implementation Phase dealt with the implementation of pilot initiatives focussing on a smaller target group restricted to select residential areas to provide amelioration measures and coping strategies that would be best suited to the retrenched garment workers. The pilot projects were intended to be experiments that would confirm the needs, risks, vulnerabilities of the target group and provide important lessons for devising a sector wide Social Protection Programme for RMG sector as a whole along with useful tools/implementation mechanisms for the GoB, for a possible roll out of the programme at the National Level at a later stage. At the end of Phase 1 a TA co-ordination unit called the SSNP Cell was set up within the MOWCA to manage the activities of the two pilot projects. This phase was implemented from month 6 to month 30 of the project (including the extension period). The project plan which describes in some detail our methodology for implementing the project tasks in figure 1 below.

Figure 1: Project Overview



The four components in Phase 2 :

- Setting up of SSNP Cell for TA Co-ordination
- Appointment of NGOs to implement pilot projects
- Management of pilot projects
- Project Closure and sharing lessons within Bangladesh and internationally

Setting up of SSNP Cell for TA Co-ordination

The SSNP Cell was established to provide institutional support to the DWA and interface between the key stakeholders the DWA, Nodal Agencies and the Retrenched Garment Workers for the effective and timely implementation of the pilot projects for redeployment. The Phase 2 project manager was responsible for the day to day management of the SSNP Cell. An internal workshop for the Phase 2 project manager and the staff was organised to acquaint them of the best practices followed in the managements of projects and also facilitating the project handover in the 6th month.

Appointment of NGOs

The first critical task in Phase 2 was to appoint NGOs or nodal agencies for implementing the pilot projects. RFPs, TORs, terms of employment, reporting schedule including financial reporting for pilot projects were developed in the design phase. The appointment of NGOs was completed by the end of month 6. An Inception Report for Phase 2 was issued in the month 6.

Management of Pilot Projects:

Following completion of recruitment of two Nodal Agencies in month 6, the pilot project implementation commenced from month 7 onwards. The terms of employment of Nodal Agencies included regularly reporting to the Project Manager Phase 2/SSNP Cell. The ASI team periodically monitored the programme implementation and also provided advise on implementation. Workshops, TA working committee, tripartite meetings:

The project was implemented in close co-ordination with the stakeholders as a participative approach was critical for this project to succeed and also gain political acceptance. The Government is want to be seen as taking steps to mitigate hardships. The four major workshops held during the course of the project are :

- Project Implementation Committee Workshop was held on 12th Sep 2005
- First Stakeholder Workshop was held at the end of first phase on 19th December 2005
- An Internal Workshop for handing over the project to the Phase 2 Manager and orientation of the Nodal Agencies June 2006.

- Project Steering Committee Meeting was held on 25th February 2007
- Second Stakeholder Workshop was held on 22nd April 2007
- Final Workshop for presenting the Final Conclusion on the study was held on 10th December 2007.

Project Closure and Lessons for Long term view on SP for the RMG sector

A key aspect of this TA was to identify scale-up potentials of the pilot projects to cover a larger number of garment workers, preferably develop a sustainable, financially viable Sectoral approach to Social Protection for the RMG sector. The lessons learned from the pilot projects have been the basis for developing a long term SP Strategy for the RMG sector and is presented in this Final Project Report.



Global Perspective on International Trade in textile and clothing sector: Post MFA

02

International trade in textile and clothing has played an important role in the development process of many low and middle income economies as it is often a stepping stone to industrialization and their subsequent participation in the world trade. The textile and clothing sector is also a major source of employment being second only to agriculture. In most developing economies, the textile and clothing sector also holds the lead share in their merchandise exports.

The T&C sector is the only category of manufactured goods where the developing countries enjoy a large net exporting position. (WTR 2006)

2.1 Agreements in textile and clothing: historical perspective

Textile and clothing sector has received trade protection over the past four decades to levels unrivalled in any other manufacturing sector. Trade in textile and clothing was regulated by the Agreement on Textiles and Clothing (ATC) at the multilateral level, while bilateral and regional trade agreements typically link the two sectors through rules of origin accompanying preferential market access (Hildegunn Kyvik Nordas, 2004).⁽³⁾ In the 1950s, five countries (Japan, Hong Kong, China, India and Pakistan) agreed to Voluntary Export Restrictions (VER) on exports to United States. This was followed by a Long Term Agreement on international trade in cotton textiles (LTA) under the General Agreement on Tariff and Trade (GATT) signed in 1962. The LTA was renegotiated several times to include wool and other man made fibres and hence came to be known as the Multi-Fibre Agreement in 1974 (see box 1.1).

Even after the conclusion of the Uruguay Round agreements in 1994 which marked the beginning of trade liberalization, several developed economies continued the imposition of trade restrictions to prevent market disruptions.

Box 1.1: AGREEMENTS THAT SHAPED THE TEXTILE AND CLOTHING TRADE

December 1955: Japan unilaterally restrains exports of cotton fabrics and clothing to the US

January 1957: Japan and US reach a five - year agreement lifting Japan's overall textile exports to the US.

November 1958: The UK signs a voluntary restraint agreement on cotton textile and clothing imports from Hong Kong, China (SAR).

September 1959 : The UK signs similar restraint agreements with India and Pakistan

July 1961: Agreement is reached on the Short Term Agreement.

February 1962 : Agreement is reached on the Long- Term Arrangement (LTA) to last five years

April 1967: Agreement is reached on the LTA to extend for three years.

October 1970: Agreement is reached to extend the LTA for another three years.

December 1973: Agreement is reached on the Multi fibre Agreement , to last four years.

December 1977: MFA extended for four years

December 1981: The MFA is renewed for another five years

July 1991: The MFA is extended pending the outcome of the Uruguay Round negotiations

December 1993: The draft final act of the Uruguay Round provides for a ten year phase - out of all MFA and other textile quotas under the agreement on Textiles and clothing.

January 2005: Conclusion of ATC for complete integration of T&C sector into the multilateral trade system.

Source : Aggarwal, 1985;⁽⁴⁾ Finger and Harrison, 1996⁽⁵⁾

2.2 Trend in the World Trade in Textile and Clothing Sector Post MFA

Although the world trade in textile and clothing was anticipated to expand after the removal of ATC quotas, the 2005 trade estimates show only a 5 per cent increase in value terms as compared to the 12 per cent growth in 2004⁽⁶⁾. This is mainly attributed to an economic slow down in the developed countries and a lower dollar exchange rate.

The developing countries as a group accounted for more than one-half of world exports of textiles and clothing in 2004. Exports of textile and clothing continue to exceed the growth of agriculture exports in many developing countries and in the aggregate for 2000-2004 period.

Textile and Clothing together, accounted for 7 per cent of the total world exports⁽⁶⁾. It is however important to note that within T&C, more labour intensive clothing industry accounted for 57 per cent of the total T&C exports⁽⁷⁾. The export of Clothing on the other hand was growing at a faster rate than textiles. During 1997-2004, textiles registered an average growth rate of 3.00 percent p.a. while, the export of clothing grew at the rate of 5.9 percent p.a. during the same period. Developing countries accounted for about three-fourth of the world clothing export.⁽⁷⁾

Even in the earlier years, between 1990-2002, exports of clothing had grown at the rate of 5.3 percent p.a. as against 3 percent p.a. growth in textiles. Also, the growth rates in export of clothing experienced by the developing countries, were slightly higher than the overall rates i.e 5.3 per cent for textiles and 6 per cent for the clothing during 1997-2004⁽⁸⁾.

However, there are major players with comparative advantages in export of clothing, even among the developing countries. From 2008 onward, the removal of quotas imposed as safe guard measures on export from China for example will provide unrestricted access to the markets of the developed world. For a country like Bangladesh, it will be a real challenge to retain competitive edge, unless the already identified constraints relating to policy, infrastructure, backward and forward linkages, are addressed decisively and quickly. The table 2.1 below shows the trend in the world export in clothing and the performance of top 10 countries.

Table 2.1: Trend In World Exports In Clothing By Top 10 Countries (Us \$ Million)

Country	1990	2000	2001	2004	1990-04 per cent change	per cent world trade 1990	per cent world trade 2004
China	9669	36071	36650	61856	540	9	24
Hong Kong	15406	24214	23446	25097	63	14	10
Italy	11839	13384	14220	17925	51	11	7
Germany	7882	7320	7444	11221	42	7	4
Turkey	3331	6533	6661	11193	236	3	4
France	4671	5414	5469	7865	68	4	3
Mexico	587	8631	8012	7197	1126	1	3
India	2530	6179	5484	6620	162	2	3
Belgium	6375	3941	4206	6295	-	0	2
U.S	2565	8629	7012	5059	97	2	2
World	108129	197498	194490	258097	139	100	100

Source : The Asian Drivers And SSA: MFA Quota Removal And The Portents For African Industrialization, Raphael Kaplinsky, Institute For Development Studies, University Of Sussex And Centre For Research In Innovation Management, University Of Brighton, U.K; Mike Morris, Policy Research On International Services And Manufacturing, Saldrú, School Of Economics, University Of Cape Town, April, 2006⁽⁹⁾

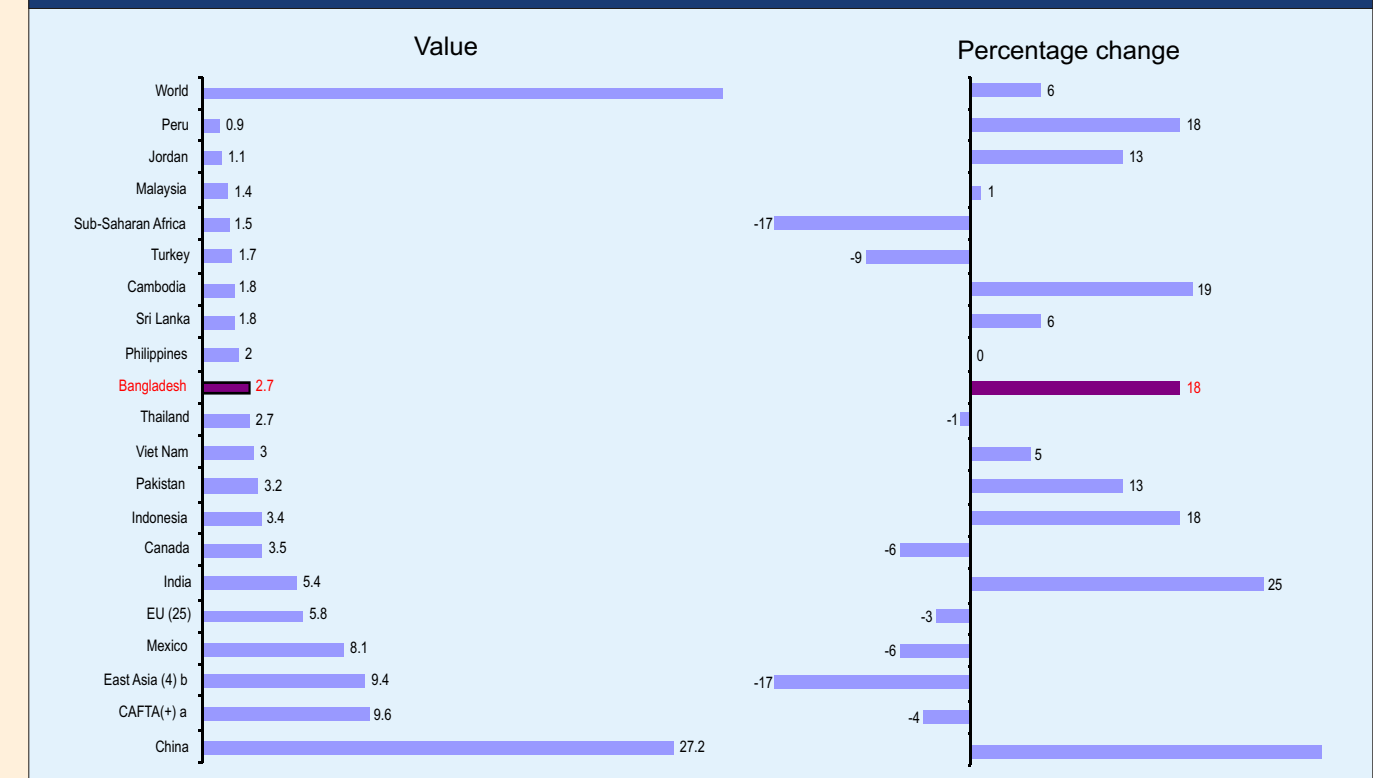
The world exports of clothing increased by 139 per cent between 1990 to 2004. China is by far the biggest exporter and experienced 540 per cent increase in the export of clothing in the same period. Turkey, India and Mexico also experienced higher growth rates in exports than for the world as a whole. However in comparison to China, these as well as the other exporters of clothing are very small players. Even in 2004, the share of India in the world clothing exports was only 3per cent; the shares of Turkey and Mexico were 4per cent and 3per cent respectively. Some developed countries, who are still the exporters of clothing, have low and declining share in the world trade of clothing.

The 1990s recorded a major shift in the export market shares from the European countries to Asia during . While Germany was the largest exporter of Textiles (SITC code 65) in 1990 through 1996, China has taken over as the leading exporter by 1997 and has continued to expand its market share to about 13 per cent in 2002⁽¹⁰⁾.

China's exports of textile and clothing grew by 21 per cent in 2005 taking its share to a new peak of 24 per cent in 2005 if EU (25) intra-trade is included and 31 per cent if EU (25) intra trade is excluded. China's share in the world export in 1990 was only 9per cent⁽¹¹⁾.

A review of US imports in 2005 (see Chart 1), show that besides China - seven suppliers (five in Asia - India, Indonesia, Pakistan, Bangladesh and Cambodia - plus Jordan and Peru) expanded their shipments at double digit growth rates, while high income developing economies in East Asia recorded a drop of 17 percent in their exports to the United States.

Chart 1: US imports of Textile and Clothing by country and region, 2005



Source: US Department of Commerce, Bureau of Census, International Trade Statistics (2005)⁽¹¹⁾

The competitors in the world trade in clothing have also to face challenges of different types. For example, in developed countries, textiles and clothing products show a declining share in total consumption expenditure and the ageing population tend to be more conscious about the value of money in their purchases. Further, a substantial incremental growth in the exports will depend on the rising purchasing power of the vast population in the developing world.

On the other hand the consumers and the governments in the developed countries are now becoming more conscious, about the use of child labour, exploitation of labour in manufacturing and about the impact on the environment. Also, at the upper end of the product range, design and fashion acquire prominence and the entry into these niche markets, is highly competitive.

The prospects of taking advantage of expanding world trade in clothing will depend on the composition of the industry in terms of different active segments within the industry. On one hand the T&C sector can have a segment that can be highly labour intensive, low wage industry, characterized by semi-skilled and unskilled labour. In this segment however, subcontracting arrangement with informal enterprises are wide spread and to that extent it becomes vulnerable also. The segment produces standard products of low value on mass scale.

A dynamic and innovative segment in the industry is characterized by modern technology, relatively well paid workforce, and flexibility in design etc. The producers in this segment have competitive edge in producing designs, which capture the tastes and preferences of the high-end consumers. The developed countries occupy prominent position in this segment.

2.2.4 The Safe Guard measures on China

Safeguards are import restrictions imposed on a country for a limited duration and extent that provide the domestic producers to adjust to the surge in imports. China's accession agreement in the WTO contains a safeguard clause that allows some WTO members, including the US to impose time limited restrictions on growth of specific textile and apparel imports from China.

The China textile safeguard provides a mechanism for limiting growth in imports from China in certain circumstances thus helping to avoid market disruption and facilitate orderly adjustment to China's growth as a source textile and apparel products. When a member finds that imports of specific textile and apparel products from China are 'due to market disruption, threatening to impede the orderly development of trade' in such products, it may request consultations with China, and at the same time impose quota limits. When making such a request, the member is required to provide China with a detailed statement of reasons and justifications that demonstrates the existence or threat of market disruption and the role of Chinese imports in that disruption. Unless China and the importing country reach an agreement on another satisfactory solution within 90 days, the quota remains in place.

The four requests that the United States has decided upon thus far have demonstrated that once removed from quota restrictions, imports from China can rise rapidly and significantly disrupt U.S. markets. The extent to which vigorous application of the China-specific textile safeguard will assist US producers or create opportunities for other exporting nations is unknown, and in any case, the safeguard is only available through the end of 2008.

After 2008, the WTO members concerned about the effects of rapidly increasing or unfairly traded Chinese-origin textile and apparel products will have to rely on other import relief mechanisms. Other WTO agreements (and U.S law) provide a number of possible alternatives, including other safeguard mechanisms and antidumping duties.

2.2.5 The Emerging Profile of the RMG industry in Bangladesh

The Ready Made Garment sector in Bangladesh is a sub sector of the textiles & clothing sector, primarily with three industry segments - woven, knit and the sweater industry. It consists of a range of manufacturing activities and processes generally integrated by backward and forward linkages. This includes textiles, handlooms, processing and printing, dyeing, woven and knitwear, embroidery and spinning and pressing of cotton etc. Thus, the work force engaged in these activities have different occupations such as preparation of textile fibre, spinners and winders, weaving and knitting machine setters and pattern card preparers; weavers and related workers, knitters, sewers and embroiders, etc.

The woven and knit wear & apparel segment (RMG) within the textile and clothing derived its pre-eminence in the Bangladesh economy, as it is the largest foreign exchange earner and exporter.

Bangladesh's RMG sector is dominated by the woven segment with a two-third share in total RMG exports. However, the share of knitwear in the RMG sector has continued to grow over last fifteen years from 2.4 per cent in 1990 to 37.8 per cent in 2004. Nearly half (47 per cent of the total RMG factories, consist of woven garments while the Knit wear and Sweaters factories together make up the other half of the industry. The Knit and Sweater segments have grown very rapidly over the last decade. Approximately, 82 per cent of the RMG factories are located in Dhaka region; 18 per cent are located in Chittagong region.

The minimum employment in a RMG factory is as low as 18 while the maximum was about 7600 workers. The average employment in RMG factory was 438 workers. Among 3560 RMG factories, 1495 or 42 per cent factories are mainly knitwear, 47 per cent are woven garments factories while 11 per cent are making sweaters. (See Table 2.2 below)

Table 2.2 : Structure of RMG Industry.

Garment Category	Number of firms (adjusted)	Share (per cent)	Employment
Woven	1673	47	836500
Knitwear	1495	42	747500
Sweaters	392	11	337120
Total	3560	100	1921120

Source: The World Bank, Bangladesh Development Series, Paper no 2, Dec, 2005.⁽¹²⁾

Nearly 36 per cent of the factories were involved in making trousers, jeans, shorts, slacks, ski pants and shirts. 30 per cent produced dress shirts and shirts. Nearly 28 per cent produced jackets, rain wears, windbreakers, wind suits etc.

Employment Levels

There are 54 RMG factories (both woven and knitwear) employing about 94000 workers located in Export Processing Zones (EPZ) most of which have direct export business and also provide reasonable working conditions and other benefit to workers.

However, the remaining RMG factories are outside EPZ with women forming a large majority of the workforce. Often these factories are found to be at a disadvantage in terms of resources, efficiency and quality of products and are sub contractors with large factories.

Out of the total employment of 2.2 million in RMG, 0.84 million are in woven while 0.88 million are in knit and sweaters. Further at least 1.00 million workers are engaged in accessories and linkage industries while only 1per cent of the firms operate in EPZs and 63 per cent among them have foreign ownership. These firms use modern technology and have high labour productivity.

Firm level data from Export Promotion Bureau (EPB) also reveal that the employment in 2387 firms add up over 1.2 million or 60 per cent of the total employment. In other words, 0.8 million of the RMG workforce are employed in firms that are mainly subcontractors. Further, top 650 firms which accounted for 81 per cent exports employed 411,000 or 21 per cent of the total workers while the remaining 1737 firms that exported only 19 per cent, employed about 790,000 workers or 40 per cent of the total. This also means that workers in these factories have low productivity and are likely to face exploitative practices by the employers.

Box 2.2: THE QUOTA ADVANTAGE

The expansion of export oriented Ready Made Garments (RMG) sector depended significantly on quota system of MFA and special treatment given to domestic entrepreneurs by GOB in import of capital goods and easy availability of cheap labour force. From a modest export of US \$ 0.01 million worth of knitwear in 1973, the total value of knit wear and woven garments exports stood at US \$ 5686.09 million in FY 2004. The RMG sector exports accelerated in 1990 and its share in the total exports of the country accounted for 75.66 per cent in FY 2000. In FY 2004, the RMG exports accounted for 74.79 per cent of the total exports and 80.70 per cent of the total manufacturing exports from the country

Predictions and Prognosis of Bangladesh RMG Before 2005

In the emerging highly competitive export scenario, the apprehensions of negative impact on a country like Bangladesh, were obvious and wide spread, particularly because the export of RMG accounted for 76per cent of the total foreign exchange earned by the country and the sector employed about 2 million workers, 80per cent of whom were women.

Further the US Trade and Development Act, 2000 provided zero tariff access to Sub-Sahara African countries (SSA) and to Caribbean Basin Initiative countries. However the tariff rates for Bangladesh exports of RMG in the US market remained at 16.5per cent. Similarly, the zero tariff status granted to Mexico, under NAFTA, would exert downward pressure on prices of exports from Bangladesh to US market and to the European markets⁽³⁾.

Most of the studies which had attempted to assess the impact of quota withdrawal had depicted a grim scenario suggesting a fall in export of RMG and loss of employment in Bangladesh. (See Box 2.3 below)

Box 2.3: SECTOR STUDIES IN 2004 ON THE IMPACT OF MFA EXPIRY:

Various attempts have been made by different Government and non-governmental institutions and individuals to ascertain the extent of retrenchment within the RMG sector since January 2005. The GoB had established a Garment Employees Retraining Cell in the Export Promotion Bureau (EPB) for registering the retrenched workers. However no retrenchment was reported during January-June 2005 and hence funds allocated remained unutilized. The results from the studies undertaken by other agencies, highlight the complexities to predict the future employment scenarios in the RMG sector.

Gherzi Study had predicted that other things being given, the export of RMG may fall by US\$ 2billion.⁽¹³⁾

The Study conducted by the WTO⁽³⁾ predicted that the share of Bangladesh clothing exports in the US market would decline from 4per cent to 2per cent in the post Agreement on Textile & Clothing (ATC) period; however, it predicted that the percentage share of RMG exports from Bangladesh in European markets will increase from 3per cent to 4per cent as the country enjoyed duty free access to European markets.

Siddiqur Rahman Chowdhury and Mohammed Gulam Hussain in their paper "Post MFA issues and challenges: Social Dimension (August 2005) have argued that despite predictions of loss of jobs ranging from 0.3 to 1 million as a consequence of MFA phase out, there are no reports of job losses during the first six months of post MFA phase out.⁽⁸⁾

Bazlul H. Khondoker, Abdul Razzaque and Nazneen Ahmed in their paper "Exports, Employment and working conditions: Emerging issues in the post MFA RMG industry" (a paper prepared for the ILO July 2005) argue that post MFA export trends are likely to influence employment and working conditions in the RMG sector.⁽¹⁴⁾

In this context, the authors have pointed out that the exports of the woven products have actually declined by 6.6% after January 2005 compared to the export earnings of January- May 2004. In contrast knitwear products experienced robust growth in exports of 32.5% over the same period. Thus, the net employment reduction in the RMG sector as a whole is likely to be lower than predicted numbers.

However, the labour intensity of knitwear is much lower than that of the woven segment of the RMG. In the fiscal year 2004 the knitwear segment employed 0.5 million workers with an export earnings of US \$ 2148 million; On the other hand the woven segment of the industry employed 1.3 million workers and earned \$ 4296 million in exports.

UNDP sponsored sample study

The UNDP sponsored a sample study of 35 small, medium and large RMG factories composed of 12 factories in woven products, 11 in knitwear and the rest of mixed type. A major finding was that 57% of the sample factories did experience increase in price competition and were required to accept price reduction of up to 25%, however there was no reduction in employment in any of the factories in the sample. On the contrary, 19 entrepreneurs hired more workers during the period. Due to changes in the order bookings the employers may continue with some excess workforce if new orders are expected shortly rather than remove workers and search them again. It is also because the orders of exports under execution were received long back and in order to meet the dead line actually more workers were needed.⁽¹⁵⁾

About a half of the sample entrepreneurs (19 out of 35, i.e., about 54 per cent) was also expecting drop in product prices in the remaining months of 2005. More woven sector entrepreneurs (7 out of 12 or, 58.3 per cent) compared to their knit sector counterparts (6 out of 11 or, 54.5 per cent) reported their anticipation about reduced prices of their products in the near future. Also, a half (6 of the 12) of the entrepreneurs of mixed RMG enterprises were of the view of increased market and price competition leading to decreased product prices some time later in the year.

**Loss of
jobs
ranging from
0.3 to 1
million**

Ministry of Commerce, Government of Bangladesh

The GOB, Ministry of commerce in their document entitled: Post MFA Action Program (PMAP) highlights the nature of RMG units. According to the document, about 80% of the RMG units are small and medium in size. Most of these enterprises are using old technology resulting in low productivity and poor quality. They hardly have any competitive edge in the international markets. Although the document does not give any figure of likely job losses, cites studies predicting 30-40% reduction in the RMG sector business in post MFA scenario.

IMF Study

A study by international Monetary Fund (IMF) titled "The End of Textile Quotas: A case study of the impact on Bangladesh " by Monttort Mlachila and Yongzheng Yang, Policy Development and Review department, IMF concludes that "Bangladesh could face significant pressures on its balance of payments, output and employment when Quotas are eliminated." (5). It estimates that the RMG employment may contract between 2.1 per cent to 7.7 per cent and GDP may contract between 0.3 per cent to 4.1 per cent. ⁽¹⁶⁾

Performance of RMG Sector After 2005

The performance of export of RMG from Bangladesh is analyzed on the basis of the data for initial few months, between January-June 2005 and subsequently available data for the period July-March 2005-06 and July- March 2006-07. However, in order to provide a perspective on the export performance, the data for the period 1997-98 to 2004-05 is examined first. (Table-2.3)

Table 2.3: Trend in Value, Volume and Unit Price of export of RMG from Bangladesh between 1997-98 to 2004-05

Product	Value, Volume, Unit Price	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05
Woven	M Dollar,	2843.33	2984.81	3082.56	3364.20	3124.56	3258.27	35338.07	3598.20
	000 Dozen	65590	64789	66636	712181	77055	82835	90488	92262
	Dollar /Dozen	43.35	46.07	46.26	47.06	40.55	39.33	39.10	39.00
Knit Wear	M Dollar	940.31	1035.42	1269.83	1496.36	1459.24	1653.83	2148.02	2819.47
	000 Dozen	32604	36665	45270	52536	63390	69178	91600	120131
	Dollar/ Dozen	28.84	28.24	28.05	28.48	23.02	23.91	23.45	23.47

Source: Bangladesh Export Statistics, 2004, Export Promotion Bureau, Bangladesh. ⁽¹⁷⁾

It can be observed from Table-2.3 that, the price per unit of product for woven (US\$ 47 / Doz) as well as for the Knit wear (US\$28.5 /Doz.) remained unchanged during 1997-2001 except during 1997-98 for woven, when the price was lower to US\$ 43.35 per dozen .

However, from 2001-02 export prices for both the categories of products had fallen by about 15per cent. Prices of woven garments remained between US\$ 39-40/doz, while for Knit were price was US\$ 23.50/doz.

Between FY2001-02 and FY2004-05, the quantity of exports of woven RMG increased from 77055 thousand dozens to 92262 thousand dozens or by 19.73per cent. The realized dollar value however increased slowly from US\$3124.56 million to US\$3598.20million or by 15.14per cent.

As for the Knit wear, the quantity exported during the same period increased from 63390 thousand dozens to 120131 thousand dozens or by 127.65per cent. However, the realized dollar value increased by 72.37per cent during the same period. Though an increase is observed in the volume and value of exports there is a constant decline in the prices each year. (Table2.3). This could have a negative impact on the workers, adjustments in labour costs being one of the easier measures to accommodate the decline in prices for the industry to remain competitive in a globally price sensitive market.

Price decline together with the depreciation on the currency (Tk) would exert considerable pressure on the profitability of the exporters making RMG an extremely price sensitive industry.

Performance of Exports of RMG in first few Months of MFA Phase out

The data in Table-2.4 show the performance of RMG exports from Bangladesh in terms of value (US\$M) during January-June 2004; July-December2004; and during January-June 2005.

Table2.4: Trend in exports Of Textile and Clothing (T&C) products from Bangladesh

Product	Jan - June 2004	July - Dec 2004	Jan - Jun 2005	July - Dec 2004 over Jan - June 2004 per cent change	Jan - June 2005 over July - Dec 2004 per cent change	Jan - June 2005 over Jan - June 2004 per cent change
Woven	1862.46	1823.63	1774.57	-2.04	-2.47	-4.67
Knit wear	1130.95	1402.34	1417.13	+2.04	+1.07	+25.29
Others	124.71	121.60	10010.54	-2.16	-9.07	-11.34
Total	3118.12	3347.57	3302.24	+7.38	-1.37	+5.90

Source: Siddiquir Rahman Choudhury and Md.Ghulam Hussain Post-MFA Issues and Challenges: Social Dimension, Enhancing Employment and Global Competitiveness through Decent Work: Post-MFA Challenges and Opportunities, August, 2005.⁽⁸⁾

During the first six months of 2005, after the abolition of the quota system, exports of Textiles and Clothing increased by 5.9 per cent over the corresponding period of six months, January- June 2004.

However, during the first half of 2004 over the corresponding first half of 2003, increase in exports was much higher i.e 18.69 per cent. Also, the growth of exports of Textiles and Clothing during July-December, 2004 over January- June 2004 was 7.38 per cent but it was negative in January-June 2005 over July-December 2004 i.e.-1.37 per cent.

Knitwear marked stunning expansion in Jan - Mar 2007. 134 new factories have become members of BKMEA in this quarter. Compared to the same quarter of 2006 the job growth rate is 326.75 per cent. (Total No of jobs:48,739).

What is striking is that in all the three half-yearly periods (January - June, 2004; July - December, 2004 and Jan- June, 2005) exports of woven garments have declined. The decline was 4.67 per cent during Jan-June, 2005 over the previous corresponding period of 2004 and was negative by -2.47 per cent over the previous 6 months July - December, 2004 and was negative by -2.04 per cent in the second half of 2004 over the first half (Table 2.4)

In contrast, the exports of knit wear registered note worthy growth of 25.29 per cent during January - June, 2005 over the corresponding 6 months of 2004. Even in comparison with the immediate preceding 6 months (July - December, 2004) exports of knit wear increased by 1.07 per cent while, the growth in the second half of 2004 (July - Dec, 2004) over the first half of 2004 was also positive i.e. 2.04 per cent.

Performance of Exports of RMG between July - March 2005-06 to July - March 2006-07.

Exports of both woven and knit wear increased over the corresponding period of July - March, 2005-06 by 23.76 per cent and 29.69 per cent respectively. It will be observed that the knit wear exports were consistently vibrant during 1-2 years before or after the quota abolition in December, 2004 (Table: - 2.5 below). Moreover, in July - March, 2007, the value of exports of knit wear became almost equal to the value of exports of woven garments. The knitwear segment also experienced robust growth rate in all markets in pre and post December 2004.

Table 2.5: Performance Of Exports Of RMG from Bangladesh During July - March 2005-06 And July - March 2006-07 (Million TK)

Sub sector	July - March 2005-06	July - March 2006-07	per cent change
Woven	19631	24217	+23.36
Knit Wear	17764	23039	+29.69

Source : Export Promotion bureau , Dhaka U.S. Dollar = July - March 2006-07, TK 69.08 / U.S. Dollar = July - March 2005-06, TK 66.21

Exports of T&C by Destination

The Textile and Clothing (T&C) exports from Bangladesh during January - June, 2005 over the corresponding period of 2004 registered positive growth rates in all destination. It is remarkable with 7.13 per cent to US and 4.05 per cent in Canada. The growth of exports of EU market was the lowest namely 1.40 per cent.

Table 2.6: Exports of Textile and Clothing (T&C) from Bangladesh by Destination (In million USD)n million USD)

Country	Jan-June 2004	July - Dec 2004	Jan - June 2005	July - Dec 04 over Jan - June 04 per cent change	Jan - June 05 over July - Dec 04 per cent change	Jan- June 2005 over Jan-June 04 per cent change
E.U	2049.68	1998.24	2078.87	+2.54	+4.05	+1.41
U.S.A	840.90	1016.90	780.64	+20.92	-23.20	+7.13
Canada	147.98	168.30	154.39	+13.51	-8.33	+4.05
Others	79.56	164.13	288.34	+105.0	+75.61	+260.0
Total	3118.12	3347.57	3302.24	+7.38	-1.34	+5.90

Source: Siddiquir Rahman Choudhury and Md.Ghulam Hussain:Post-MFA Issues and Challenges: Social Dimension, Enhancing Employment and Global Competitiveness through Decent Work: Post-MFA Challenges and Opportunities, August, 2005.

However, over the immediate previous 6 months (July - December, 04) exports to E.U increased by 4.05 per cent as against the decline of -23.20 per cent to US and -8.33 per cent to Canada. The over all export to E.U during the second half of 2004 over the first half was again the lowest. These rates were significantly positive for US, Canada and other markets. (Table: 2.6 above).

Current Initiatives in the Sector to Meet the MFA Challenge

The GOB in Collaboration with the stake holders Ministries, International agencies and NGOs have designed and are in the process of implementing a wide range of projects and programs with the objective of strengthening the competitive position of the RMG sector, meet international standards for social and legal compliance and improve the welfare training, productivity of the RMG workers.

In a recent move Chinese Govt. it has declared duty free access of 84 Bangladeshi products including textiles under the Asia Pacific Trade Agreement (APTA).
Knit Communique, Vol.4, Issue I, April 2007.

The international agencies including the ADB and the World Bank, ILO, GTZ, DFID, UNDP etc actively participated in supporting the GOB initiatives for the RMG sector. This included training, productivity improvement, labour and social standard improvement in factories, retrenched workers social safety net program etc. It was note worthy that all this initiatives were developed in a tripartite manner in which the employers organizations played very useful role.

The Ministry of Commerce set up Skill and Quality Development Program and decided to go for an enormous expansion of training at all levels following the findings of the Gherzi study.⁽¹³⁾

Post MFA Action Program (PMAP) was prepared by the Ministry of Commerce with a schedule to implement it in five years.

Distress Workers Rehabilitation Program (DWRP) was set up to provide Social Safety Net support to the retrenched RMG workers. The Ministry Of Commerce was lead agency and this component was in the action promotion bureau. Focusing on the weakness of small and medium enterprises in the sector, it was sought to enhance the quality and skill standards in different areas of SMEs.

The Ministry of Textile and Jute extended support to primary textile sector and similarly, the program to develop skill and give other support to weavers, artisans, designers was develop. Forward linkage industries also received the support.

A National Coordination Council (NCC) headed by the principal secretary to the Prime Minister was found in July, 2004 for overall policy. It emphasises the need for more investment support to export oriented textile industry, fund for skill development and setting up of effluent plant facilities. The decision was also taken to lobby for duty - free access to US market etc.

Keeping in view the growing pressure form the buyers on labour and social issues, the GOB setup Social Compliance Forum and a multi stake holders forum for interaction was also setup.

GOB Budget 2007

The budget for FY 2007 proposed an additional allocation of Tk 935 crore for social safety and employment reduction programmes, which is 1.5 per cent higher than the previous budget allocation. This allocation for social safety net is for expansion of existing programmes only. However, the fund already allocated still remains unutilized.

In FY2007 a proposal was made to allocate an additional Tk 30 crore to the fund for the programme introduced in FY 2005 on Retraining and Employment of Voluntarily Retired/Retrenched Employees/Laborers. The details of the some of the formal social safety net programmes are given in Table 2.7 below:

Table 2.7 : Social Safety Net Schemes Sponsored by the GOB

Existing Programme	FY 2006	FY 2007	Growth %
Old Age Allowance	324.00	384.00	18.5
Allowances programme to the widowed, Deserted and destitute women	135.00	156.00	15.6
Honorarium programme for insolvent Freedom fighters	42.00	60.00	42.9
Fund for mitigating risk due to natural Disaster	75.00	30.00	-60
Fund for rehabilitation of the acid burnt Women and the physically handicapped	20.00	10.00	-50
Fund for the housing of homeless	75.00	50.00	-33.3
Programme of assistance to the fully retarded	25.00	40.00	60.0
Seasonal unemployment reduction fund	55.00	55.00	0.0
Retraining and employment of voluntarily Retired/retrrenched employees/ laborers	50.00	30.00	-40.0
Development fund for Ready Made Garment workers	20.00	20.00	0.0
VGD, VGF, Food for works Programme	100	100	0.0
Test Relief and Gratuitous Relief (GR)			
To meet emergencies due to natural disaster			
Total	921.00	935.00	1.5

Source: Centre for Policy Dialogue, 2007.⁽¹⁾

Box 2.4: FORMAL SOCIAL SAFETY NET PROGRAMS: PROVISION AND FINANCING

Safety net programs in Bangladesh roughly cover below 10 per cent of poor individuals and are administered by a large number of agencies. GOB spends the equivalent of less than one percent of GDP on the safety net programs. The expenditures on social safety net programmes show a declining trend which . The ratio of expenditures on safety net programmes as a percentage of GDP and public expenditures has been declining While expenditures on social sectors (including spends on other social protection programs as well as on education and health) have remained fairly constant since the mid- 1990s in the range of 3.5-4 percent annually, safety net expenditures social sector expenditures, down from indicating crowding out of social assistance.

Source : The World Bank, Bangladesh Development Series, Paper No. 9, January, 2006.⁽¹⁹⁾



2.2.6 Challenges Ahead for the RMG Sector in Bangladesh

- While Bangladesh has falsified the gloomy predictions on exports of RMG following the abolition of quota system from January 2005, it will be a mistake to take a complacent view for the future.
- As mentioned earlier, the restrictions on trade imposed, as safe guard measures on countries like China will also be removed by 2008. This will give China the opportunity to make use of its full potential for exports of RMG hurting the interest of smaller countries like Bangladesh.
- Pressure on prices of exported RMG products along with depreciating TK may force RMG factory owners to squeeze expenditure on wages and welfare of workers and even force some to exit leading to displacement of workers.
- This type of pressure on profits is likely to increase further due to increasing bargaining power of the international buyers on account of issues relating to compliance to social and labour standards.
- While the GOB will make every effort for duty free access to the markets of the developed world, some of the least developed countries as in Africa are likely to be on priority for the U.S and the E.U for allowing duty free access to the products from these least developed countries than from Bangladesh.
- In the situation of heightened competition, the competitive edge will also depend on how best integration is achieved in the backward and forward linkages in the RMG sector.
- It will also depend on how prompt and efficient support comes from national policy and infrastructure.
- It is also evident that within RMG, the structural shift is taking place from woven to knit. The lagging woven segment particularly the small and medium enterprises are likely to face serious challenge for survival and job losses in the future that can not be totally ruled out.
- It would therefore better to be prepared for the risk should they happen rather than wait for them to happen and search for mitigation strategies.

Pilot projects on Social Protection for the RMG workers

03

The Social Protection strategy and the pilot projects implemented during the course of this project lays emphasis on practical initiatives at grass root level and builds on utilising people or workers' own strengths and information on markets. Simultaneously, in developing the Social Protection Strategy it is recognised that employers need flexibility in adjusting the workforce under fluctuating and competitive markets.

The proposed strategy emphasises the provision of social protection through income generation by developing livelihood competences thereby mitigating the risk of job loss.

The pilot projects were set up to test and evaluate the various approaches and amelioration measures appropriate for the women workers affected by the external shocks experienced by the RMG sector. Economic empowerment and access to information on the 'help' or initiatives available in the sector was cited as the foremost and fundamental need by the workers.

The objective of the pilots was to facilitate their transition into alternative avenues of gainful employment or participation in income generating activities through self - employment. The programme was a short term assistance put forth by the ADB before the MFA phase out, to assist MOWCA in helping the job losing women workers cope with the impending crisis. The target group was restricted to women retrenched or displaced workers after January 2005.

The pilot projects were intended to

- a) create a timely response for facilitating the re-integration of the displaced workers into the labour market should the sector shrink after 2005 as predicted
- b) design an effective mechanism for tracking the target group
- c) identify the risk and vulnerabilities of the workers in the RMG sector and
- b) draw out lessons from the pilot projects to be incorporated into a long term SP Policy for the sector as a whole.

It is argued that a strategy for improving the quality and living standard of the RMG workers will strengthen the bargaining power of the RMG industry in the context of the competitive international trade.

In developing Coping Mechanism and designing Pilot Projects, the consultants undertook detail consultation at all levels that included meetings and focus group discussions with beneficiaries and stakeholders - working and retrenched female garment workers, employers, NGOs, CSOs, trade unions, ministries and government departments, donors, academic and research institutions, assessment and review of ongoing government support programmes for the sector, assessment of the labour market, review of training facilities and institutions, and workshops, presentations etc. The consultants also reviewed similar programmes in the region especially those in India and Cambodia.

Although there is no evidence of any mass retrenchment in the sector, the displacement of RMG workers and their substitution by better skilled workers being added to the labour market is an on going phenomenon. The concern is that the displaced are without any form of social safety net support or compensation and it is difficult to track them.

Existing Employment Pattern and Practices in the RMG Sector

Although the RMG factories are, by and large covered under the factory law and the Bangladesh Labour Code 2006, enforcing the legal requirements is an up hill task due to the nature of the demand and supply of labour in the sector.

The labour law provides for legal protection of service benefits and working conditions. However labour ministry enforcement mechanism is inadequate and cannot be said to be effective. This is partly due to the fact that the supply of labour far exceeds the demand for labour in RMG sector.

Common conclusions on service benefits, service conditions and employment are as under:

- Workers working in EPZ factories have relatively better benefits. However the numbers of such factories are less than 200. Vast majority of workers are working in factories outside EPZ, 80 per cent of which are small and medium size factories.
- According to the information from BEPZ, RMG workers are availing benefits like Conveyance Allowance, House Rent, Medical Allowance, Maternity Benefit, Festival Bonus, Over Time and leave benefits and also of group insurance scheme.
- Generally the workers have no bargaining power due to absence of unionisation of workers. A letter of appointment is not issued.
- Workers turnover is high and we have not come across cases of retrenched RMG workers who were paid retrenchment compensation.

- The capacity to pay varies across factories.

- The usual practice is to force a worker for voluntary exit through subtle methods rather than by retrenchment notice. This is done to avoid legal liability on employer by not allowing an employee to be on permanent roll for long.

- In majority of the cases the reasons cited for removal are sicknesses, maternity or problems faced by the factory or business. However a part of the turnover has been a job switch to another RMG factory for better opportunities.

- Even at this stage, the re-absorption within the RMG sector, as can be seen from the sample data is limited. If the worker displacement is large, the re absorption within the RMG sector will become increasingly difficult.

- Though the employment is expanding in diversified sub sectors of the RMG; the required profile of the workers in demand is likely to be different from those who loose jobs.

- The employment also fluctuates sometimes depending on the orders and, some of the workers are employed for a short duration between three to six months.

- A vast majority of the women workers have migrated from rural villages or from adjoining areas to Dhaka and they usually take shelter in residential clusters or slums around the RMG factories with friends, relatives, or in messes and hostels.

- Almost three-fourth of the women workers are below the age of thirty years and the level of education is primary or below.

However, legal entitlements of labour will have to be met through government intervention.

Key Issues and Concerns

In summarizing the issues and concerns of the workers, three studies undertaken during the period of 2004 to 2007 have been taken into account. The idea was to understand the changes in the workers condition given the increasing vulnerability after MFA phase out. These studies are restricted in scope and therefore do not necessarily provide an impact evaluation on the initiatives and programmes undertaken to improve the productivity and competence in the sector. However, it does point to the fact that much ground needs to be covered. The studies referred to include the survey conducted by BIDS in 2004 and the recently concluded CPD Study (October 2007) which confirm the results of the Workers Survey (2006) as a part of this Pilot Project⁽¹⁹⁾.

Employment Issues

- The Export Processing Zones (EPZs) have 54 garment manufacturing factories suggesting that a vast majority of RMG factories are outside EPZs.
- RMG factories outside the EPZ are characterized mainly by small and medium enterprises.
- A majority of the smaller and medium factories are sub contracted by the export oriented larger manufacturers and hence, are likely to be under greater pressure of competition and hence are likely to be marginalized.
- However, the large RMG factories outside are equally competitive as those in the EPZ and have access to overseas market and the resources to comply with the stipulated social and labour standards.
- The increasing pressure for compliance on social and labour standards will severely impact their profit margins under strong international competition.
- The knitwear section is growing at a fast pace and is likely to be less affected due to its competitive strengths and preferential access to markets in developed countries.
- On the whole the female employment in the RMG sector account for about 70 per cent of the workforce with a significant contribution to the family income.
- While the female employment in the knitwear section is only 35 per cent approx, female workforce is concentrated in the woven garment manufacturing which is likely to suffer the most with the removal of the quota regime.
- The number of female employees in the RMG sector than the male workers with 77-81 per cent of the female workers under the age of 25 years.
- 67 per cent of the female workers in the RMG factories located outside Dhaka EPZ have primary level education or below.
- However the unskilled female workers employed as helpers earned less than the minimum wage and continue as helpers even after training for a long period with low pay.

The strategy for retaining the maximum of the present jobs is being pursued by the GoB and BGMEA as is evident in their various documents and presentations in various forums. A collective effort by all the three parties Government, Employees and the Trade Unions is in the direction that the RMG industry must be enabled to face these new challenges.



DHAKA DECLARATION

Dhaka Declaration of 21st June, 2005 is a collective effort of the leading Chambers of Business and Industry and trade unions from the Asia Pacific least Developed Countries (LDCs).

These countries have joined together to support the legislation introduced in the United States Congress S.191 and HR 886, The Tariff Relief Assistance for Developing Economies Act (TRADE Act of 2005) that would create incentives for investment and opportunities for employment for the least developed Asia Pacific countries and Sri Lanka.

Employee Concerns

The major struggles for the female garment worker in the RMG sector are:

- Absence of legal identity as worker within a factory particularly in the medium and small enterprises outside the EPZ which are more in number and employ majority of the RMG workforce. The letter of appointment or employment contract is not provided. Hence, it is difficult to identify and track the retrenched female workers.
- No compensation on job loss and no statutory benefits for most of them.
- Absence of any state sponsored social safety net program for workers in the sector.
- Due to strong resistance to trade union activity by employers, bargaining power is very low and fear of job loss places workers in helpless situation
- On job loss, chances of losing shelter are high and it only increases the vulnerability of the workers on retrenchment.
- Low level of education is a serious constraint in developing programs which can help in raising and stabilising income at higher level.

3.1 Components of Pilot Projects

Given the employment conditions in the sector and the migratory nature of the workforce the need is to develop practical approach for tracking for provision of social protection measures for the RMG workers. Hence, continuing education to improve their future prospects either within the RMG sector or outside will be a necessary intervention by the Government and the employers. Simultaneously, as a long term strategy, retention of students at least up to high school education and vocational education in middle school syllabus deserves attention.

The pilot projects had five major components listed below:

Component 1: Tracking the Target Group

Component 2: Livelihood Counselling

Component 3: Redeployment Assistance

Component 4: Retraining and Re-skilling

Component 5: Awareness Creation

3.1.4 Component 1: Tracking the Target Group

In the absence of official record of employment and retrenchment it was difficult to track or identify the retrenched workers. This was mainly because the workers were not registered or identified in terms of their employment status either by the employers or any Government department. The RMG workers are also characterised by a very high tendency to migrate within the sector and the region.

However, a closer look at the living pattern of the RMG workers revealed that the RMG workers are concentrated in the residential clusters or slums in and around the RMG factories.

Therefore, the focal point for tracking mechanism was to create 'Access Points within the Residential Clusters of the RMG workers'. Consequently, the pilot projects were located in two residential clusters around Dhaka which have a large concentration of RMG factories: Mirpur, and Malibagh in Rampur. These counselling centres were set up as a platform to interact with the workers in an informal environment unlike the factories and also to inform them about the services available within the project.

The counselling centres conducted a survey in the respective localities in order to identify the workers who had lost jobs or displaced from the RMG sector (Appendix 2,3). It also served as an effective tool to create an information system on retrenched RMG workers. The survey of the RMG workers was an ongoing exercise covering the entire region assigned by the SSNP Cell till the completion of the pilot projects.

Tool Box 3.1 Survey - Tracking and Identification

- The nodal agencies undertook a survey in the identified locality so as to identify and track the target group - the women workers retrenched from the RMG sector. The survey of the RMG workers was an ongoing exercise covering the entire region assigned by the SSNP Cell till the completion of the pilot projects.
- The information collected from the survey was used to assess the needs of the target group. These included various factors like the socio-economic profile of the workers, service benefits, key skills, capability to adapt to a new sector or self employment, kind of training that is suitable, welfare measures etc.
- The NA administered the survey through structured questionnaire, covering approximately 200 workers every week in each region.
- NA registered the retrenched workers providing them a unique identity code and prepare a profile of individual retrenched worker in the format designed.



3.1.5 Labour Market Assessment

The Social Safety Cell and the Nodal Agencies reviewed the secondary data and identified some of the sectors suitable for employment for the target group. The identified sectors include:

Health and Diagnostics Sector Report of the National Taskforce on Development of Small & Medium Enterprises (SMEs) describes 11 sectors as booster sectors. Healthcare and Diagnostics is one of them. The SSNP Cell carried out meetings with leading enterprises in this sector. Initial meetings revealed that, good employment opportunities exist in this sector. Ex garments workers are suitable in posts like cleaner, word boy/nurse etc. Discussions with the leading hospitals like the Square Group revealed that these are jobs are mostly outsourced to a service agency. The SSNP cell is negotiating with the outsourcing agencies for exploring the possibility of employment for the workers.

Effective counselling required direct and continued interaction with the worker as well as with her family members.

Knitwear and Ready Made Garments is another growth-oriented sector identified by the Taskforce. The sector posted an export growth of 30 per cent in the current year. The SSNP Cell held meetings with various officials of the BKMEA and some of the 1105 member factories.

The discussions focussed on the type of skills and job requirements in this sector. Some of the employers have posted their vacancies with the regional centres. Our Regional centre has already successfully negotiated with some employers of knitwear factory and employed workers.

Security service has also been identified as a growing business in Dhaka. Recent turmoil in RMG industry has increased the demand for private security services in factories. The SSNP Cell has negotiated with a security company CEMOX securities to employ retrenched garment workers into garment factories as security guards. SSNP has also listed potential employers in this sector.

3.1.6 Component 2: Livelihood Counselling

Effective and multi dimensional counselling on available livelihood options is a pre-requisite for providing gainful income opportunities. This also makes the centre a 'one - stop shop' for providing the relevant information on the job opportunities within the sector as well as outside, training and self employment courses etc. It also helps in promoting long term social protection measures by introducing the workers to instruments like insurance that the workers are generally unaware of.

The key to re-integration of job less workers into the labour market was establishing appropriate linkages with the growing informal sector.

Livelihood counselling helps the workers to find suitable opportunities taking into consideration the interest and capabilities. Under the project, livelihood counselling activities included:

- a) Presenting alternative and sustainable livelihood options available
- b) introducing the worker to private entrepreneurs or other agencies willing to provide exposure to a particular trade specially in the informal sector for related skill development

c) information dissemination on a variety of issues concerning the workers like vacancies in RMG factories, rental accommodation, Government and industrial initiatives for rehabilitation and redeployment, prevalent social security or insurance schemes or saving schemes, and relevant programmes initiated by NGOs, international donors or employers associations etc.



Tool Box 3.2 : Livelihood Counselling

Livelihood counselling was conducted by trained counsellors who have a thorough understanding of the concerns and expectations of the workers. Counselling starts immediately after the initial survey and the need assessment is complete. Counsellors are expected to ascertain the issues confronting the workers and their expectations.

- Each identified retrenched worker will be counselled individually at the centre and the counsellor will conduct a detailed discussion on the possible options that could be considered by the worker for redeployment.
- The discussion will help the counsellor to undertake a detailed need analysis to be able to suggest a practical and appropriate livelihood option available. The livelihood options offered should take into account the strengths, the skills and experiences as well as the interest of the worker.
- The NA will prepare an action plan for redeployment based on workers, preferences and the available opportunities, clearly outlining the rationale for the option chosen and the benefits thereof, to the SSNP cell. The action plan will include the mode of redeployment i.e., alternate employment or self employment, the skill requirement, trainers or agencies that can be involved in retraining, micro-credit agencies and the financial assistance etc., in accordance with the needs of workers.
- The counselling will be followed by focus group discussions organised to disseminate information on a regular basis.
- The NA after the completion of the counselling, will organise the target group into batches depending on the type of redeployment assistance chosen.
- The SSNP cell has compiled a livelihood information pack on gainful livelihood options through self-employment with details on more than 70 activities (Presented separately in a CD). This became an effective tool in providing information to workers interested in self-employment and micro-credit. The suggested activities were chosen paying particular attention to compatibility and comfort factor of the workers to undertake these projects.

Tool Box 3.3 : Focus Group Discussions

- The NA formed groups according to the redeployment option chosen by the workers. The NA organised focus group discussions for each group, not exceeding a total of 25 including the resource person and the organisers.
- It is also important to ensure that right types of resource person are invited for interaction with the worker to provide them the necessary and relevant information on the livelihood / training option chosen by them. These resource persons were mainly entrepreneurs in the same trade or potential employers or their representatives.
- Within 3 days of completion of the FGD, the organizer prepared the report on the FGD with all details and documents in a specified format for further action to be taken by the NGO with the approval of the SSNP Cell.
- A livelihood information pack on about seventy livelihood options was prepared and is separately presented on a CD.

3.1.7 Component 3: Redeployment Assistance

Follow up services to livelihood counselling are essential to help workers identify new employment avenues. This includes - job search assistance and an active canvassing of the database with details of profile and skills of the workers with the potential employers.

It is important that these follow up services are provided by those who have earlier provided counselling assistance to workers. It includes liaison with private entrepreneurs in the informal sector, financial institutions for self employment ventures, experts, employers and master trainers for skill up-gradation etc.

The Social Safety Net Cell and the nodal agencies were jointly responsible to facilitate financial assistance from lending institutions and micro-credit agencies for the workers interested in self-employment. Notwithstanding the fact that redeployment cannot be guaranteed, every effort was made by the agencies involved, for the efforts to fructify resulting in redeployment or generating gainful income.

Tool Box 3.4 : Redeployment Assistance

Job Search Assistance

There are several employment generation projects implemented either separately or in coalition by the local government authorities, NGOs and community self-help groups, to develop employment opportunities at a local level. These can include large-scale, labor intensive public works programs, local community schemes, or small enterprise development projects to maximize the scope for redeployment.

Posting Notices at Garment Factories

The Nodal Agencies posted notices on the notice boards of the garment factories giving details of the project activities. This facilitated the redeployment process as nodal agencies were able to tap into the vacancies available within these factories and it also motivated the workers to contact the regional centres for assistance.

Formation of Peer Groups

The centre organizers identified experienced and socially oriented RMG workers in the area to form 20 peer groups. These peer groups were actively engaged in informing the centre about vacancies available with their own employers, workers who were displaced and shelter vacancies in their locality.

3.1.8 Component 4: Retraining and Re-skilling

Retraining was important to help workers acquire new skills for integration into the labour market - either in wage employment or through self employment. Experience in other countries shows that the private entrepreneurs with a demand for labour are willing and better able to provide the necessary orientation or on the job training to the workers in order to develop the necessary skills for employment in their establishments. Upgradation of skills will also require an overlap with the training institutes, programmes by other agencies. The



retraining programme also included developing Self - Help Groups, building entrepreneurial ability and instilling confidence to start a new venture. Duration of the retraining programmes of vocational nature will range from a few weeks to a maximum duration of six months depending on the nature of training and the existing skill-set of the workers. Basically, the retraining programmes by and large focussed on imparting or upgrading skills or home based self employment activities driven by the market demands and not the available training resources or institute.

3.1.9 Component 5: Awareness Creation and Dissemination of Information

The SSNP training manual prepared for the Nodal Agencies and the SSNP cell prepared during the first phase discusses the procedures in details.

Tool Box 3.5 : Awareness Creation

Project Handouts

The SSNP cell has also prepared a hand out giving details of the programme and the address of the regional centres to create awareness among the RMG workers on the SSNP programme. As a result the RMG workers voluntarily visit the centre seeking information on training, micro credit, self-employment, shelter etc.

Audio visual training materials

SSNP has also collected CDs (12 CDs on 12 livelihood projects) containing hands on training material on various livelihood projects successfully implemented by NGOs and CSOs. These CDs were used by the Regional Centres to provide training on livelihood projects to workers.

3.2 Implementation Progress

Progress made in implementation of each of the components is recorded in the following subsections.

Table 3.1 No. of Beneficiaries covered under Pilot Project Activities

Activity	KN	BAWF	Total
Survey	4998	3802	8800
Livelihood Counselling	1937	1450	3387
Redeployment	141	386	527
Self Employment	282	12	294
FGD	22	25	47
Training	302	76	378
Peer Group	22	20	42



3.2.4 Tracking the Target Group

The Nodal Agencies completed the survey of 8800 RMG workers as of November 2006. The survey results are presented separately in Appendix 2. The Nodal Agencies have prepared the profile sheet of the unemployed workers, accompanied by a photograph and a photocopy of the attendance card of the previous employer. This is compiled into a centralised database, available at SSNP cell for planning and organising further assistance to the workers. The surveyed workers were categorised into four categories, which are as follows:

Table 3.2 Category of workers surveyed

Category of workers	Description
A	Workers who lost job since January 2005 but found jobs in RMG sector
B	Workers who lost job and found jobs in other sectors
C	Workers who lost job and are self employed
D	Workers who lost job and are unemployed

The total number of workers surveyed within each category is shown in the table 3.3 below:

Table 3.3 Total Number of workers surveyed

Sr. No	Category of Workers	Nodal Agency 1 Rampura	Nodal Agency 2 Mirpur	Total
1	A. Retrenched since 2005 and Found employment in RMG	800	450	1250
2.	B. Workers who lost job and found jobs in other sectors	67	19	86
3.	C. Workers who lost job and are self employed	237	33	270
4.	D. Workers who lost job and are unemployed	3894	3300	7194
	Total	4998	3802	8800

1.1.4 Livelihood Counselling

The team of Social workers at the counselling centres have undertaken one to one counselling of 3387 workers. The counselling activities focussed mainly on category D i.e, those workers that have lost jobs and are unemployed. During the counselling session with each worker, the social workers introduced the alternative avenues or job possibilities in RMG and other sectors. Most of the workers have shown a preference for a job in the RMG sector. This is primarily because RMG sector continues to be attractive in terms of the high demand for low skilled labour, and most of the workers have a limited educational background of primary or intermediate level.

1.1.5 Redeployment Assistance

Identifying new employment avenues

Besides traditional sectors, the SSNP Cell has also established linkage with employers in the emerging sectors. Security Service providers are one such category of employers. Female security guards are required in most of the RMG factories where majority of the workforce are women. Interview with major players in Security Service industry revealed that there is a growing demand for reliable female security guards, recently. Some workers with a suitable profile were identified during the counselling session and the database of these workers was passed on to the security company, CEMOX. Cemox also conducted a preliminary training session during one of the Focus Group Discussions conducted at the Counselling centres of the Nodal agencies.

Information to local factories

Both the Regional Centres have contacted garment factories at their respective area of operation to promote the database of experienced garment workers. Eventually, garment factories have started contacting Regional Centres for filling up vacancies.



3.2.7 Self Employment

Exporters interested in contract works

Exporters also contacted the SSNP Cell to use worker base for assigning contract jobs to the workers. One such exporter of RMG products had requested SSNP to find workers with embroidery skills. The exporter was willing to engage them in the embroidery work and necessary materials. In addition to providing materials and equipments, the exporter agreed to provide training to the workers if necessary. The contractor agreed to assign 30,000 pieces of embroidery work the workers at the initial stage.

Home Based activities

During the month of Ramadan, demand for fried foods increases and many small roadside shops spring up with such food products. With the help of our livelihood project ideas, a number of retrenched workers took the seasonal opportunity to earn some money. Both in Rampura and Mirpur, retrenched workers established or supplied fried foods to small shops.

Popcorn Making

An FGD organized at KN's Regional Centre where the staff from Agribusiness Company (ABC) demonstrated the process of making Pop corn and packaging. After the FGD 3 of the participants showed interest taking up the venture. ABC then, supplies the raw pop corn to the Regional Centre every according to the demand placed by the workers at the regional centre. The workers prepare, pack and deliver the popcorn to the local retailers.

Micro Credit Organisations

Both Regional Centres have located micro credit providing organizations, mostly banks. Information about acquiring micro credit is also being collected. SSNP has established linkage with two micro credit providing organizations to get special offers for retrenched workers.

Resource Integration Centre (RIC) and Association for Realization of Basic Needs (ARBAN) has agreed to provide micro-credit to the garment workers.

RIC has a micro-credit programme in Rampura area and agreed to work with the regional centre in Rampura, to provide the workers into self-help groups to extend micro-credit from their Urban Micro Credit Project. RIC is also working to provide shelter to female garment workers in the garment factories in the Ashulia region close to the Savar EPZ. Studies conducted by RIC also revealed that low cost accommodation is an urgent need of the workers. RIC has built a hostel in this area to provide shelter to the workers close to their workplace, which is near completion.

ARBAN, operating in Mirpur is willing to train the retrenched workers and then provide them micro credit for entrepreneurial initiatives. Some of the training courses conducted by ARBAN is free of cost and the workers have shown interest in undertaking the course.



3.2.8 Retraining

Training for Security Service

Security Service Provider, CEMOX organised a preliminary training session for the interested workers at the regional centres. CEMOX had also placed a vacancy for about 10 workers to be employed immediately after the month of Ramadan (i.e. end October).

Training on Leather Products

The SSNP team has counselled a group of 10 workers in order to undergo an apprenticeship course on sandal making. The course is run by an organisation called and entitles the worker to receive a stipend of 20Tk. Per day. Three workers have already enrolled and started the course.

Training on Embroidery and tailoring

Based on findings from counselling sessions and the profile of the workers both the Regional Centres have identified centres providing training on Tailoring (Sewing and cutting, Embroidery, Block and Batik). The training will start from January 2007. The trainings will take place in two different training organizations in Rampura and Mirpur. A training proposal for Tailoring is attached at the end of the report. According to the popular demand placed by the workers, BAWF has planned a training course on Hand Embroidery or Karchupis.

Focus Group Discussion

Focus Group Discussions were organised every fortnight beginning in July 2006. The NA s arranged the workers into groups based on their interest for various redeployment options presented to them during the counselling sessions and the profile of the workers best suited for the job. In all, 19 FGDs were organised with a workers participation of 326, at the two regional centres.



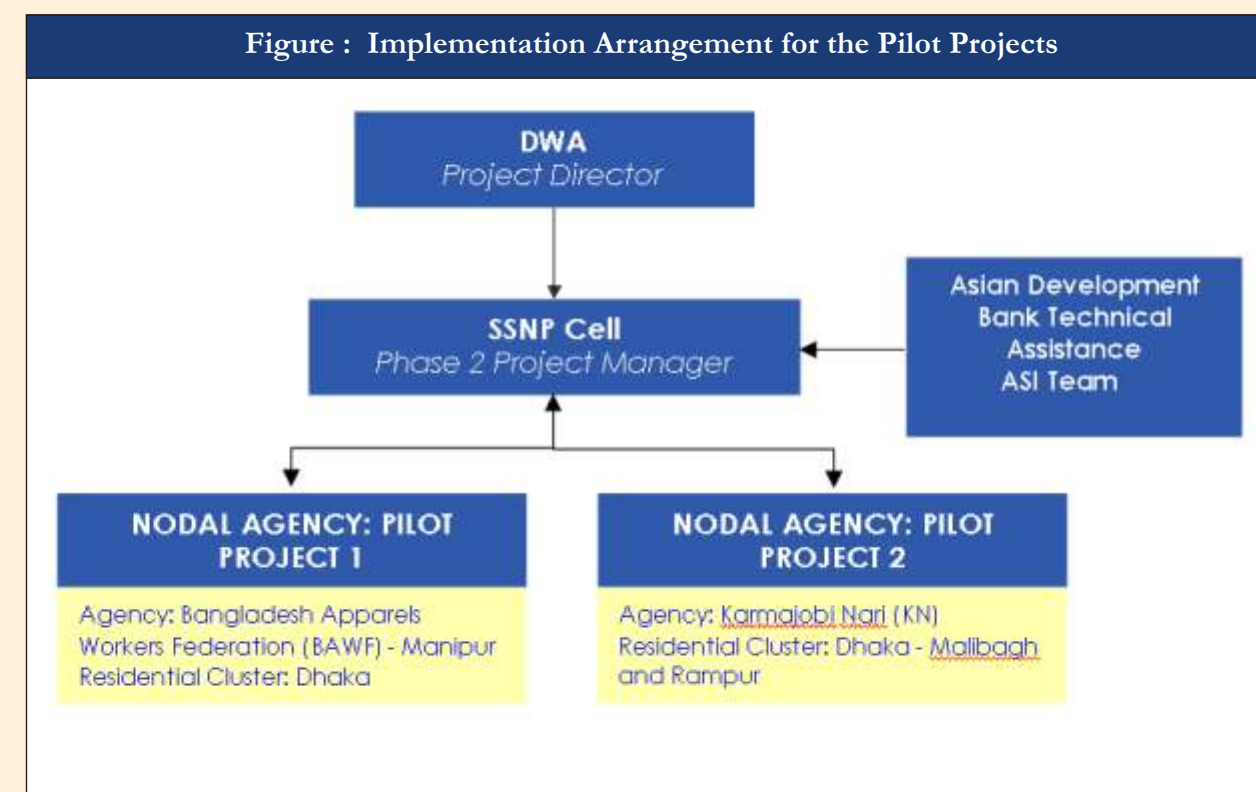
3.3 Organizational Structure and Institutional Arrangement

The effectiveness of any programme is often seen to be critically dependant on the institutional framework responsible for the implementation of the programme. Hence it is important to set up an institutional arrangement, which can assist the Government to respond to the job losses in the RMG sector with necessary social safety net activities and welfare measures. This is particularly important in the context of the prevailing employment and working conditions in the sector.

In the first instance it was decided to implement the Social Protection Programme in the pilot phase in two residential clusters around Dhaka which have a large concentration of RMG factories: Mirpur and Malibagh in Rampur. To this effect, the Department of Women affairs set up a Social Safety Net Cell with dedicated team with a clear mandate to co-ordinate and manage the programme. The implementation of the programme was undertaken by two Nodal Agencies - BAWF in Mirpur and KN in Malibagh (Rampura). The selected NAs established Regional Centres at the designated locations to effectively reach out to the target group and deliver the projects. The key partners for effective delivery of the programme:

- Department for Women Affairs in the MWCA
- The SSNP Cell in DWA
- Nodal Agencies (i.e. NGOs) implementing the pilot projects
- Partner or Training agencies

The diagram below shows the links between the key institutions involved in the implementation of the Social Protection Strategy:



3.3.4 Social Safety Net Programme Cell

The SSNP Cell was set up in the Department of Women Affairs to perform a management and advisory role to guide, supervise, monitor and approve the activities under taken by the centres. The Cell was an effective interface between the stakeholders within the programme - the Government, the nodal agencies, potential employers, trainers and the beneficiaries:

The principle focus of the Social Safety Net Programme Cell was

- Scoping the Labour Market to identify emerging opportunities particularly in the informal sector
- Forge appropriate linkages with the prospective employers in the growth-oriented sectors, particularly the informal sector.
- Identifying the opportunities and the corresponding skills required to develop livelihood competences driven by market demand.
- Build a credible information base on the dynamics and functioning of the labour market which would facilitate redeployment in other sectors and identify long term interventions for labour welfare.

The Labour Market Studies involved regular and close interaction with the private entrepreneurs, employers associations, trade promotion agencies, chambers of commerce, marketing associations, retailers, financial institutions and training experts and institutions.

The Cell played a proactive in net working with a variety of institutions and agencies to establish linkages with micro credit, self employment, placement in jobs in RMG/other small factories and establishments

The Cell is managed by the Phase 2 Manager (i.e Phase 2 Manager under the ADB TA), Programme Officer, MIS/Accountant, a team of counsellors and support staff. The Accountant and the team of qualified social workers/counsellors were appointed by the DWA. This arrangement will ensure continued involvement of the Government. ASI team will provide continued support to the SSNP Cell during Phase 2.

Box 3.6: TERMS OF REFERENCE FOR THE SSNP CELL

- Project management and co-ordination of the programme
- Interface with Nodal and Training Agencies on behalf of DWA
- Facilitate appropriate linkages with employers associations, non governmental organisations, micro-credit agencies, insurance agencies to ensure effectiveness in implementation
- Ensure transparent and cost effective mechanisms for retraining and redeployment assistance activities
- Facilitate strengthening and mid-course corrections
- Labour market assessments: undertake survey to assess livelihood opportunities relevant to the retrenched workforce
- Set-up appropriate MIS for the project (e.g. tracking systems)
- Financial management and financial reporting
- Project reporting like monthly progress reports, mid term report etc.
- Awareness activities

Following lessons from the pilot project implementation, recommend a long term strategy and roll-out of a programme to address concerns of the female workers in the RMG sector

The Nodal Agencies (NA)

Nodal Agencies were selected on the basis of their local presence and existing infrastructure in Mirpur and Malibagh, following discussions with DWA and NGOs.

The selected NAs were:

Bangladesh Apparels Workers Federation (BAWF) for the Mirpur area: BAWF is a Trade Union which has impressive local level network of Centres and Groups of young and dynamic female workers working as supervisor, operators etc in various RMG factories in the area. The Union is active in collecting information on displaced RMG workers and is making efforts to enable the displaced to set up self-employment and finding jobs

Karmojibi Nari (KN) for the Malibagh area in Rapur: KN, a NGO, has grass root level network in the form of local centres or cells in various residential areas of RMG workers in Dhaka. KN focuses on the advocacy of rights of RMG workers and through information and education empowers RMG female workers in Bangladesh. The KN also recognises the need for promoting income earning activities through imparting training although the skill training activities are at present on modest scale.

Staffing Arrangements at the Regional Centre

The centre was operated by centre organizer; two counsellors / social workers and a support staff, a total of four persons per centre.

Box 3.7: TERMS OF REFERENCE FOR THE NODAL AGENCY :

- Establish and operate Regional Centres and be accessible to workers;
- Effective survey and counselling of workers in line with best practices;
- Prepare an employee profile - socio-economic data from the survey data
- Assess workers needs, skill and capabilities;
- Identify the sectors with redeployment opportunities relevant to the target group;
- Identify the necessary skills and profile for employment in the emerging opportunities specially in the informal sector.
- Identify the redeployment options on a case-by case basis to suit the skill, interest n experience of workers.
- Draw up an action plan stating rationale/approach for redeployment giving details of employer / type of employment for the new jobs need for training, type of training as reflected in the information supplied in the survey.
- Ensure participation of target group, trainers, industry experts, financial institutions in Focus Group Discussions;
- Conduct focus group discussion in batches with workers having similar profiles and livelihood interests. Inviting experts from various growth oriented sectors, factory managers, financial / insurance / saving schemes, programme co-ordination from other agencies conducting self help groups / involved in developing alternative livelihood programme, private entrepreneurs in the informal sector.
- Address the skill gap if any by approaching small scale entrepreneurs, trainers, other agencies or existing programmes available to direct the target group for acquiring the skills needed for redeployment in the new sectors
- Assist in retraining & redeployment and sustainable self - employment efforts; Direct the workers to NGOs / other agencies (eg,PKSF) involved in training for income generating activities the formation of self help groups.
- Identify income generating activities for self employment, workers can be redeployed in gainful income generating activities by:
 - formation of self-help groups based on market demand
 - involving organizations / agencies directly or indirectly involved in developing alternate livelihood .
- Provide follow-up services through liaising with financial institutions and other agencies for micro - credit;
- Track and support redeployment efforts of re-trained workers
- Furnish monitoring and review reports to SSNP Cell periodically
- Monitor programmes and ensure quality inputs;
- Certify the completion of training programmes if any.
- Provide inputs for centralised MIS
- Report, monitor the progress of redeployment assistance activities.
- Work with project office to meet overall objectives of the programme

Box 3.8: Terms of Reference for the Centre Organizers

Each centre was managed by a fulltime centre organiser to be appointed by the NGO with the approval of the department. The regional centres were under the direct supervision and control of the SSNP cell within the DWA, co-ordination closely with the NGO or Trade Union running the centres. The activities of the focussed on:

- Weekly Focussed Group Discussions by inviting factory managers, trainers, microfinance experts, Govt. officials.
- Training needs analysis at the counselling centre through FGDs
- SSNP cell with approval of DWA will contract trainers/training institutes
- System for monitoring, Inspection, test and certification will be set up by SSNP cell.
- Due to low level of education, the training course may contain basic education module.
- Training courses are expected to be of 3 months duration, for 4 hours and 26 days a month.
- Designed to provide flexibility to workers to be involved in other income generating activities if any.
- Training is to be demand driven and as a means to achieving of sustainable redeployment.
- Entrepreneurship Skill Development on identified sector specific activities
- Information dissemination - activities of the project, handouts and brochures on project details
- Placement Mechanism through Peer Group Formation in the residential clusters
- Through Training Institutes on incentive based placement.
- Placement by networking with Employers and Industry Association like BCCI and BGMEA
- Collecting and compiling information of retrenched workers and feedback on the activities carried out by the centre.
- Display of suitable advertisement on the notice board of counselling centre
- Information on training and employee profiles on project website
- Provide access and advice on suitable employment opportunities abroad
- Negotiations with private sector and placement agencies for placement in RMG or other sector, financial assistance for micro enterprise etc.

Monitoring and Evaluation Committees

The operation of the Project will be monitored and reviewed by a Programme Review Committee (PRC) on a fortnightly basis comprising the following representatives:

1. Project Director, DWA
2. Project Manager, SSNP Cell
3. One representative from each nodal Agencies (as invitees)

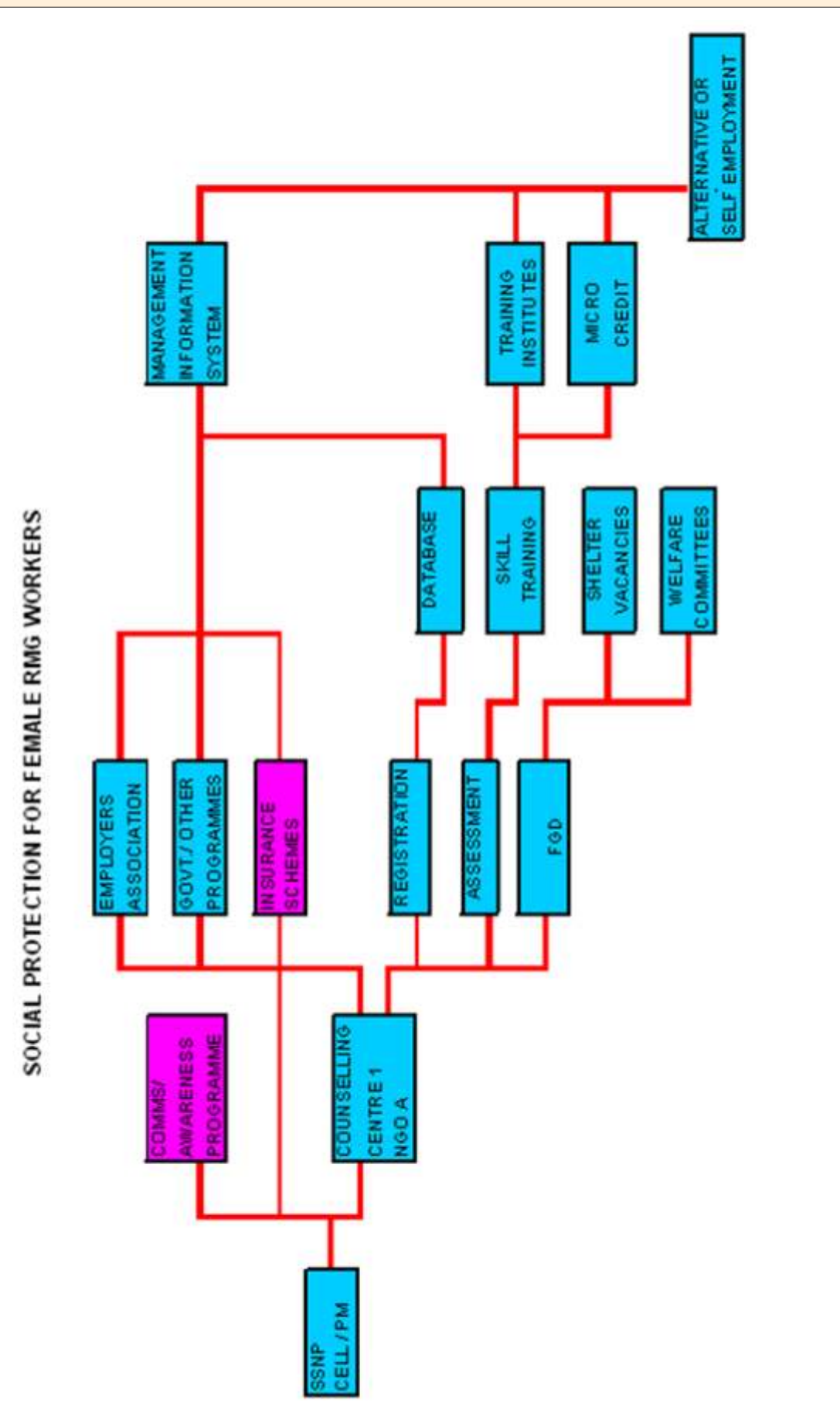
The committee will meet at the DWA office and examine proposals from NAs for approval of training programme and selection of training agencies. A format for submitting proposals is placed at Schedules 4. Mandate of the Programme Review Committee: To oversee the day to day operations of Project.

The Project Implementation Committee (PIC), will review the progress and provide policy level guidelines and other related issues of the project, periodically. The PIC will constitute:

Project Implementation Committee

- | | |
|---|------------------|
| 1. Director General, DWA | Chairperson |
| 2. Director/Add. Director, DWA | Member |
| 3. Deputy Chief (Planning) MWCA | Member |
| 4. Sr. Asst. Secretary (Dev), MWCA | Member |
| 5. Sr. Asst. /Asst. Chief, MWCA | Member |
| 6. Representative, Planning Commission | Member |
| 7. Representative, IMED | Member |
| 8. Deputy Director (Planning & Evaluation), DWA | Member |
| 9. Project Director | Member Secretary |
| 10. Representative from ADB | Member |
| 11. Project Manager | Member |

Figure 2 : SP Pilot Projects : Components and Activities



3.4 Financial Arrangements - Cost & Expenditure (All Amounts in BDT)

Administrative Costs (June 2006 to November 2007):

KN	BAWF	Total Expense
8,80,000	6,40,000	15,20,000

Equipment:

KN	BAWF	Total Expense
75,480	65,500	1,40,980

Activities (June 2006 to November 2007):

No	Activity	Month	Centre (KN)	Centre (BAWF)	Total Number	Expense
1	Profiling of Workers	Upto Nov 07	4998	3802	8800	880000
2.	Counselling	Upto Nov 07	1,903	1,322	3,225	no expense
3.	Training	Upto Nov 07	252	197	449	no expense
4.	Redeployment	Upto Nov 07	293	456	749	3,74,500
5	FGD	Upto Nov 07	26	28	54	1,03,358

3.5 Lessons from the Pilot Projects

The pilot projects gave an insight on the nature and characteristics of the target group and also helped in gauging their needs in terms of social protection. These were taken into account in the development of possible approaches and timely responses to address the key problems and opportunities that have been identified and agreed in discussion with key stakeholders. The proposed strategy will be presented at the stakeholder's workshop to be held at the end of the project. The purpose of the Workshop will be to recommend to the Government of Bangladesh alternative solutions and reach consensus on actions. Government of Bangladesh should make the final decision on a long term strategy for social protection of the vulnerable groups among the RMG workers. We believe that timeliness of interventions will be particularly important. If the interventions are too late, they will not produce the desired results. The main considerations for scale up would be:

- There is a need for setting up a more sustainable and meaningful integrated system of social protection for RMG workers in Bangladesh
- Social Assistance is a State responsibility met from revenue,
- It is not an alternative to tripartite contributory social protection schemes.
- A Sector wide approach for protection and insurance arrangements complemented by a robust institutional framework for design and implementation rather than an individual enterprise based approach is required.
- It includes a tripartite contribution from all the Stakeholders - Government, Employers and Workers.
- The advantages of a tripartite system are that the risk are cross-subsidised is shared among many enterprises and does not lie on one single enterprise, as the capacity to pay varies among the enterprises
- The administration is less costly and much more efficient and effective
- The schemes being contributory in nature involving Employers, Government and the workers make the stakeholders more accountable
- The sharing of the financial burden leads to a more affordable and financially sustainable system without putting the entire liability on the employer
- It is also an equitable arrangement for mobilisation of funds as it will result in cross subsidisation of the scheme and of the groups of individuals and employers
- The existing institutional arrangement is that of supervision and control while the social protection and social insurance schemes can be implemented through Public Private Partnerships.
- It is evident from the available level and type social protection that much ground is yet to be covered.

Strengthening Social Protection in the garment sector - Strategies and options

04

The long term goal of every nation is to emerge as a welfare state. This however poses serious challenge to commit necessary resources for credible and sustainable social protection system.

The developing countries are unlikely to have sufficient resources to provide social protection against all contingencies as mentioned above; while, perceived social security needs defer for different groups of workers working in different occupations and activities depending upon their demographic, social and economic profile. These needs may also differ by gender, age, social status etc. Hence, prioritization of risks and focusing on the key risks of the concerned target group is a feasible approach.

A number of studies by ILO and others have thrown light on these dimensions. For example, agricultural labour and construction workers perceived unemployment, old age and employment injury as bigger risks. The domestic workers showed major concern about old age and sickness. Women workers, particularly the young among them, gave priority to maternity.

In case of health care it is observed a low level of health security is endemic for informal workers putting their income and resources under the great strain. Illness episodes were the most important stress events associated with health dominated outflows comprising 48 per cent of annual household expenditure.

In a compilation of studies conducted on the poor working women of SEWA, India, Chen (2005) noted that the most common risk include illness and loss of jobs⁽²⁰⁾. Members of SEWA, who are all poor self employed women, emphasised that "Health is their only wealth". Poor health status affects their productivity forcing them to spend their hard earned money on expensive health care (Sinha, 2003)⁽²¹⁾. Poor health and frequent illness episodes not only zaps the physical strength, but also result in the loss of wage and in some cases a loss of job.

Box 4.1: Employment in RMG Sector : Formal or Informal ?

Firm level data from Export Promotion Bureau (EPB) also reveal that the employment in 2387 firms add up over 1.2 million or 60% of the total employment .In other words, 0.8 million of RMG workforce is employed in firms that are mainly subcontractors. Further, top 650 firms which accounted for 81% exports employed 411000 or 21% of the total workers while the remaining 1737 firms that exported only 19%, employed about 790,000workers or 40% of the total. This also means that workers in these factories have low productivity and are likely to face exploitative practices by the employers.

The Bangladesh Labour Code 2006 defines a factory as ⁽²²⁾:

“Factory” means any premises or yard whereon generally five or more workers work on any day of the year and in any part of which a manufacturing process is being carried on but does not include a mine. Almost all establishments in Ready Made Garment industry (RMG) in Bangladesh including woven garments, knit wear or sweaters are covered under the definition of a factory as per the Bangladesh labour code 2006.

The U.N Economic and Social Council (ECOSOC) defines Informal Sector as ⁽²³⁾:

A)All private unincorporated enterprises (Informal Enterprises) or house holds engaged in the production and sell of goods or services and

B)Enterprises with employment size below a pre determined threshold (SNA, 1993). The term informal worker (or employment) is defined to include persons whose employment relationship is, in law or practice, not subject to labour legislation, social protection and certain employment benefits. It is recognized that even in the organized / formal sector, there are workers without any social protection. On the other hand even in the un organized sector, some workers enjoy all the benefits available to the organized labour in the organized sector.

Considering these dimensions in defining the informal workers, ILO coined the term “Informal Economy, (ILO 2002)” ⁽²³⁾.

A closer look at the operations of the RMG factories reveal that most of these are akin to factories in the unorganised sector

4.1 Social Protection - Needs of Workers

The report of inspection visits of the Task Force on Labour Welfare prepared by the Ministry of Labour and Employment, GOB revealed that the factories which have been categorized as A & B are mostly export oriented large units and are, by and large, compliant to labour and social standards as per the law. However, both in terms of number of factories and workers they accounted for 30 per cent and 50per cent respectively. On the other hand the category C & D categories of RMG factories consisted of mainly small and medium enterprises and majorities among them are sub contractors in the industry

A recent study by Centre For Policy Dialogue, Dhaka (October,2007), has shown that 70-80 per cent of the enterprises covered in the sample were not providing the Letter of Appointment to the workers; however, 40-50 per cent of large enterprises provided letter of appointment to the workers ⁽¹⁹⁾. The social protection of the workers in these factories as well as the self employed and home based workers in the RMG sector is de facto almost absent. It may be also mentioned that almost 75 per cent of the workers in the industry are women below the age of 30 years and hence also likely to be more vulnerable.

International convention No 102 contains the notion of social security as postulated by International Labour Organization (ILO). Convention No 102 includes nine core contingencies that lead to stoppage or substantial reduction of earnings these are:

- Sickness
- Maternity
- Employment injury
- Unemployment
- Invalidity
- Old age
- Death
- The need for long term medical care and for supporting families with children



4.2 International Experience of Social Protection Schemes

We have described below key features of health insurance schemes for workers in the informal sector in three different countries Tanzania, China and India. This is based on the country studies sponsored by ILO on social protection for the excluded categories⁽⁷⁾. The three schemes differ in their approach, ownership, and funding and implementation mechanism. These international experiences provide useful lessons for incorporation in the readymade garment female workers in Bangladesh. A comparison of the key features of the social security schemes focussing on health and life insurance in the three countries is presented in Appendix 4.

The social protection schemes in Tanzania seem relevant for focusing on aspects of self financing and self management but there are no predetermined available sums as benefit. The two pilot projects focus on mutual assistance, group formation which are important and urban informal sector.

The unique feature in the experiment by SEWA, in designing insurance specifically for women in the unorganised sector is that it brings in **insurance company as a risk taker** and the scheme provides for certain entitlement in terms of money for availing the benefit particularly for health care.

Among these smaller schemes, the insurance based approach as can be seen from the SEWA experience, are likely to be more sustainable due to contributory nature, and more importantly due to the involvement of insurance companies bringing their expertise and large volume of business.

Box 4.2: Tanzania - Self Financed Health Insurance for Workers in the Urban Informal Sector

UMASIDA, a health insurance scheme or Mutual Aid Society for Health care for workers in informal sector in Tanzania was the outcome of ILO project in Dar-e-Salam⁽²⁴⁾. UMASIDA was setup as a mutual help association with supreme authority vested in the general body of the members. There is also a professional advisory board consisting of a physician, pharmacist, and a lawyer, who advise on the quality of health care and legal issues.

The worker from the informal sector becomes the primary member of the scheme, whilst the coverage is extended to their family members as well. Primary health care services are provided by carefully empanelled service providers who are selected on the basis of specified criteria. Secondary and tertiary health care/treatment is provided by the government health care units. Prenatal care, deliveries, postnatal care, child clinics immunization and chronic illnesses such as TB, Diabetes, Mental illness are provided by the government but, the cost sharing charges are met under the scheme. All service providers are supplied with the list of beneficiaries registered with UMASIDA with a unique photo identity card.

The contribution is fixed as per the norms given in the World Development Report 1993⁽²⁵⁾. The study suggest U.S \$ 12 per person per year for meeting annual health care requirement i.e. T Sh 20 per day per person. Immediate family members can avail the benefit on payment of T Sh 40 per day. The size of the target group is 4500 persons.

There are several options for operating the scheme like :

Capitation fee:

A fixed rate of contribution for free health care by local private health care provider is one of the ways. The danger is that since the contribution is fixed, members may overuse the service.

Case by Case Payment: Payment is made on case by case merit basis. Under this method overall cost is higher than in capitation fee arrangement.

Enterprise Clinic:

One of the participant groups established its own clinic / dispensary financed by collective contributions. It provided basic health care to the members while secondary and tertiary care was under UMASIDA.

For control, the chairman or the secretary of the scheme signs a Sick Sheet for a member who is in need of medical care. The idea is that this arrangement brings the leaders of the scheme in the control group but, it can be arbitrary and leaves scope for corruption. Along with sick sheet, two copies of circulating invoices which specify charges for different types of services are also attached. All payments are made through bank cheque by the treasurer of the scheme.

Success of the Scheme

- The group which established its own dispensary and contracted service providers in the other groups who were easily accessible to the target group in the residential areas, could provide basic health care effectively. In addition, activities such as awareness on occupational health was also undertaken to promote the scheme.
- Quality of health care improved particularly in contracted private health care providers. It generated competition among the private health care providers which resulted in the improvement in the quality of services.
- The risk pooling aspect reduced the burden on individual member and services were available at a lower cost than the actual cost.

Shortcomings of the Scheme

- Smaller groups of workers had difficulty in mobilizing enough funds.
- It needed considerable improvement in control and monitoring system.
- The need to improve the awareness about the health insurance scheme
- The UMASIDA scheme is directly managed by the group through their governing body. There is no involvement of any insurance company. The entitlement of the member in term of certain sum of money for health expenditure is not provided. It provides for free primary health care treatment in designated medical institution while secondary as well as tertiary treatments were in government hospitals and cost s were shared.

Box 4.3: Tanzania - The Ingunga Community Health Fund

Ingunga Community Health Fund (ICHF) in north west Tanzania was set up as a pilot project by the Health ministry⁽²⁴⁾.

The ICHF aimed at mobilizing communities to take greater responsibility for their health care units and to contribute money so that a matching contribution can be obtained from the government. This was expected to improve the health care system and also make it sustainable and accountable. The government contribution was expected to be phased out over a period of time and the full responsibility for financing and management of the health care system will be of the local community.

Community size-target group was 50000 people and individual households contributed US\$ 10 or T. Sh 5000 per year. The fund was managed by the District Health Board and implemented by Committees at the Ward and Village Level. All these committees and the Board had full powers and autonomy in exercising powers in their jurisdiction.

Health care services are provided by rural health centres and dispensaries and Mission hospital in the district. Private health care providers were not available in the district and hence the system was a monopoly of the Government institutions. However there was freedom to choose from within the identified service providers.

The model is an area based health care arrangement for all the people in the district who make contribution to the fund. The scheme is managed by the involvement of the beneficiaries even though the health care institutions are mainly of the government. The costs of the basic health care are met in the system; however secondary and tertiary health care costs are not met by the system but referral services are provided. 50 per cent of the people in the district paid the contribution for the scheme, which shows that the idea was acceptable.

However the gaps were many. The scheme depended on 50 per cent contribution from external sources or the government which may not be available always. Top heavy administration and multiple structures were unsustainable in terms of sufficiency of resources for administration.

Box 4.4: People's Republic of China - Health Insurance for workers in the Public Sector

The workers in public enterprises and collective units are covered by a workers health insurance scheme. Basic medical care is almost free (dependents pay half the charges). Medical care costs are charged to the workers welfare funds in their enterprises and thus are basically an employer based insurance. The medical services are mainly provided by State owned medical institutions financed by government as well as subsidies from the local governments and directly run by industrial and mining enterprises, collective enterprises. However, with the passage of time certain serious drawbacks have emerged

- The contribution of the government to health expenditure decreased from 36.4 per cent to 20.6 per cent between 1980 and 1994.
- The contribution by enterprises fell from 40.4 per cent in 1980 to 37.4 per cent in 1994. On the other hand the contribution of individual employee increased from 23.3 per cent in 1980 to 31.3 per cent in 1990 and to 42 per cent in 1994.

A reduction in the public expenditure on health and a decrease in the employers' contribution to the fund might be a cause of concern both in terms of the quality of services as well as the viability of the scheme in the long term.

Box 4.5: India Insurance & SP for Unorganised Women Workers

The Self Employed Women's Association (SEWA), India is a registered trade union and is known for its activities of developing livelihoods of low income self employed and home based workers in India as well as internationally. In addition to providing micro-credit SEWA also runs insurance and savings schemes for the workers that has become a powerful instrument for promoting and supporting economic activities and in promotion of social protection of the members. The insurance scheme include reproductive health related medical as well as financial support, and insurance against the risks of accidents, death, illness, loss of income earning assets etc. About 78000 women, 22000 men and 2700 children have been insured under the program.

The key feature of the insurance scheme is that it provides flexibility for payment of premium by the workers. The worker can pay the premium either on an annual basis or deposit a lump sum as fixed deposit in the SEWA Bank. The premium in case of a deposit linked scheme is paid by way of the interest earned on the fixed deposit. A deposit linked scheme provides the insured person a comprehensive insurance cover as well as reduces the financial vulnerability through asset formation. The economic viability and sustainability of the scheme is a prerequisite. SEWA negotiates with both government and private insurance companies as well as private health care units to run the scheme.

The SEWA scheme is unique as it is managed through local teams of 120 grass root level women leaders called "Aagevans" or Insurance promoters who go through an intensive training process. They decide on claims and ensure their repayment to the members. The latest insurance schemes implemented by SEWA is presented below:

Table 4.1 Vimo SEWAs Insurance Scheme 2008
(figures are in terms of Indian Rupees)

	Premium (Rupees)		Compensation (Rupees)				
	Annual	Fixed	Natural Death	Sickness	Damaged to household assets	Accidental death	Accidental death husband
Option No 1							
Family Insurance	325	-	-	-	-	-	-
Women workers insurance	125	2100	7500	Up to 2000	Up to 10000	40000	15000
Husbands insurance	100	1500	7500	Up to 2000	-	-	25000
Children insurance	100	-	-	Up to 2500	-	-	-
Option No 2							
Family Insurance	600	-	-	-	-	-	-
Women worker s insurance	275	5000	20000	Up to 6000	Up to 20000	65000	15000
Husbands insurance	225	4000	20000	Up to 6000	-	-	50000
Children insurance	100	-	-	Up to 2500	-	-	-

Table 4.2 : SEWAs Fixed Deposit Linked Insurance.

Option No 1	Fixed Deposit (Rs)	Payable Compensation (Rs)
	1000 or less than 1000	Natural death 7500 , accidental death 10000
	1000 - 2100	Natural death 7500, accidental death 40000, house insurance up to 10000 ; accidental death of husband 15000
	2100	Full compensation to women worker as per option 1
	3600	Full compensation for women worker and her husband as per option 1
Option 2	3600 or less than 3600	Natural death 20000; accidental death 65000
	3600 to 5000	Natural death 20000; accidental death 65000, house insurance up to 20000, accidental death of husband 15000
	5000	Full compensation to women worker as per option 2
	9000	Full compensation to women worker and her husband

Source: SEWA

- Almost all accepted life insurance claims resulted in payment of Rs. 3000 (U.S \$ 63) for death by natural causes. In case of health insurance the average total cost of hospitalization was Rs. 4500 (U.S. \$ 94) and the average rate of reimbursement was 47 per cent.

Box 4.6: International Experience on Insurance as a SP strategy for women workers - Important Lessons

1. Insurance is an essential economic support to women in crisis.
2. It encourages them to organize and build their own organization. And by preventing indebtedness promotes self reliance.
3. Financial services like savings and credit encourage women to save for insurance which in turn, promotes savings and credit and long term financial planning. It is a part of micro finance and should be integrated with asset building program.
4. People are ready to contribute for insurance program. The government and employers must also contribute towards financial viability.
5. Contributory insurance programs for the poor must be developed and managed by them.
6. Poor prefer coverage of multiple risks through an integrated insurance program. Coverage for sickness is the top priority followed by life and accident insurance.
7. Health insurance including reproductive health coverage, complements the public health system and creates demand for better quality services. Thus, health insurance must be developed to complement the public health system.
8. Education on insurance accelerates membership and expansion.
9. Insurance services can provide employment to local women as insurance promoters.
10. Insurance should be developed in a decentralized manner by and with the involvement of local women and their organizations.
11. Government needs to create a conducive policy environment which encourages workers organizations to run their own appropriate and decentralized social security system.

Box 4.7: Sustainability Issues in Insuring women workers ?

1. Servicing costs are high in insuring the poor.
2. The risks can be pooled only if the cost can be spread over a sufficiently large group of beneficiaries.
3. Affordability and accessibility are key to ensure a buy in from the workers. At the initial stages the increase in premium must be gradual.
4. Government and private equity is required for over all sustainability of the scheme.
5. If workers, government and employers and or private capital contribute a third each, the entire program can be sustainable. In SEWA's program workers contributed 50 per cent of all running cost; government contributing 17 per cent and the employers and private sector had not yet given any contribution although some fund are made available for capacity building as donation.
6. Linking with a preventive health program is both necessary and helpful to reduce a burden of illness which in term has positive impact on reducing health claims.

4.3 Available Levels of Social Protection in Bangladesh

Several ministries in Bangladesh are involved in poverty reduction programmes that are broadly known as social protection initiatives. These include the Ministry of Social welfare, Ministry of Women and Children Affairs, Ministry of Youth, Ministry of Education, Ministry of Local Government and Rural Development, Ministry of Food and Rehabilitation. Most of these programmes provide relief and rehabilitation to the poorest households by way of social assistance, micro-credit, skill development, women and Child welfare. These programmes have been oriented to address and successful in mitigating risks and vulnerabilities caused by various socio economic factors or an after effect of natural disasters.

However, they lack a Sectoral approach on providing proactive measures to prevent workers or vulnerable groups among the economically active strata of the society from further slipping away into poverty. It is the preventive nature of social protection schemes that distinctly differentiates social protection from social assistance and welfare programmes.

In RMG sector, the stakeholders are directly identifiable and are concentrated in few areas. The sector is the back bone of export earning, of employment particularly of women out side agriculture and hence, are a crucial partner who deserve full support of the stake holders for their social protection.

While there are some employer driven schemes and some schemes for social assistance in distress cases are available, they are not the substitute for the social insurance in which insurance companies bring their expertise as risk takers.

4.4 Social Security for the female RMG workers in Bangladesh: Possible products

Although China and India are in the process of launching large scale initiatives for social protection for organized as well as the unorganized workers, it is practical to begin with a few pilot projects for social protection of RMG female workers in Bangladesh. It is well known that Bangladesh has a rich tradition and experience in designing and implementation of innovative schemes for economic empowerment and social protection for the poor, particularly the poorest of the poor in rural areas. Most micro-credit schemes also have an insurance component but there seems to be a gap in the insurance of workers both in the formal or the informal sector particularly those characterized by a low wage and low income disposability to invest in such schemes.

Therefore it is proposed to run a few pilot for the female workers with a focus on community based initiatives rather than on enterprise level initiatives. An implementation arrangement at the grass root level will create easy accessibility and also promote the scheme within the community. Integration of the social and skill based activities at the local community centres with the social security schemes will facilitate the organization and empowerment of the women workers. The concept of local women organizers within the community as insurance promoters, as in the SEWA scheme also deserves careful attention.

The pilot projects can be made participative by involving the target group in designing and management of the schemes to ensure affordability and effective coverage. While the government and the employers pay their contribution, the beneficiaries too must develop a stake by making financial contribution and by involving themselves in decision making and in implementation in the programme. The size of the target group must be sufficiently large so as to make the scheme financially viable.

Service providers must be selected on the basis of their track record, medical infrastructure, and qualification of the manpower and ease of accessibility by the target group. Registration of the members, issuance of photo identity card for the member along with the complete details of the family members is suggested.

Priority Risks

The proposed risks for coverage for RMG workers are accidental and natural death and health care. The scheme is proposed to provide cover to a family of five members. Maternity benefit as a statutory benefit should be enforced effectively for all women workers and hence is not recommended as a part of the insurance package proposed. Keeping in view the profile and needs of the target group it is suggested to focus on:

- Health insurance and life cum accident risk. The insurance cover should be extended to the family to include the spouse and two children.
- Medical and health care covering hospitalization, pre and post hospitalization treatment of most common illnesses and diseases except major illnesses and major surgeries.

**schemes to
ensure
affordability
and
effective
coverage**

Institutional Arrangements for the Pilot Projects

It is proposed to setup **local information and welfare centres** in three areas in Dhaka region to begin with, having larger concentration of small and medium size RMG factories and women workers like Rampura or Mirpur. The area based counselling centres setup under the ongoing social safety net pilot projects for the displaced RMG female workers may be scaled up as full fledged local welfare centres in the proposed pilot project. The programmes in the local centres should be implemented by a CSO, NGO, Trade Union or other government institutions with a local presence and established network within the chosen residential cluster. This important to make the tracking and outreach to the workers effective.

These welfare centres are expected to be centres of multiple activities for RMG female workers in the area. These community level centres will have two primary functions. Firstly the local centre will become a **'one stop shop'** for the RMG workers on several useful programmes and services by the government, NGOs and International Development Agencies. Secondly, the local centres should be a platform for running multifarious programmes like education, training on relevant skills that might be helpful in engaging in home based income generation and socio-cultural activities. Linking the social protection schemes with these activities will not only promote the insurance and social protection measures but also engage the workers and enlist their active involvement.

These activities could include:

- Education and skill development part time classes preferable in the evening.
- Cultural and recreational programs and activities with full involvement of RMG female workers and there by, providing avenues for their all round development.
- Organize them as self help groups / savings and credit associations and register them as members.
- Also function as a counsellor and advisor for migrant workers and displaced workers so as to perform a role of informal employment exchange etc.
- Participate in designing and implementing a suitable social security scheme covering health care benefits, accident cum disability compensation, life insurance etc for all registered members and their families.
- It is recommended that such an insurance scheme should be fixed deposit linked insurance scheme with option of annual contribution.
- The contribution should be paid by all the three partners- government, employer and workers. As far as possible the annual contribution of workers should be fixed keeping in view their capacity to pay.
- The involvement of the insurance companies is very important. The amount of premium, coverage of risk and the sum to be insured should be negotiated and they should be assigned key role in implementation.
- These welfare centres are proposed as the first point of contact with the RMG workers. These centres will report to RMG workers welfare board for Dhaka region which may be setup as an extension arm of the National Labour Welfare Foundation which is already setup under the Ministry of Labour and Employment Government of Bangladesh.

Possible Products

At the initial stage, two sets of programmes are suggested:

Adult education cum skill development

Most female workers in the RMG were found to have primary or below primary education. Training agencies offering skill upgradation training within the factories have reported that it is sometimes difficult to train workers without a minimum threshold level of education. This also becomes an impediment to the workers as they find it difficult to graduate from the helper to operator or supervisor level. This gap can be closed if the workers are offered adult education programmes which will complement the formal on the job training they receive within the factories and also enhance the quality and success rate of these training programmes.

The local centres can explore tie-ups with other agencies and ministries that run adult educational programmes for vulnerable groups for workers and their family members on an ongoing basis. It is proposed that the GOB provides full funding for this program including premises of the centre, staff salaries, and fund by way of honoraria etc for conducting the activities

Insurance Schemes

Social Protection measures for the workforce should focus on the family and not the worker alone. For funding these measures, contribution should be made by the workers, employers and the Government in the ratio of 20 per cent, 35 per cent, and 45 per cent by each stake holder in that order. The administrative and implementation cost which normally should not exceed 5 per cent of the program cost. It is suggested that the administrative costs be met by the government.

To run the insurance scheme it is important to negotiate with a local insurance company who can customise the product according to the needs of the workers. The schemes have to be affordable and the repayment mechanism has to be robust. The schemes should also have flexible payment options for premium which can be either on annual basis or a Fixed Deposit Linked scheme in which interest earned on the fixed deposit, is adjusted as premium. It would be ideal if the fund management is handled by a separate agency like the postal department which already have small saving schemes particularly in working out a fixed deposit linked scheme etc. The registration fee as well as the family contribution for the scheme can be paid at the post offices in the area.

The premium rates suggested in the table 4.3 below are calculated in consultation with Insurance agencies that insurance schemes and for similar types of target groups are used. The premium rates were worked out in consultation with the Insurance Agencies who are implementing similar schemes.

Size of the Target Group

25,000 RMG female workers families in each pilot project with three such pilot projects, the total number of families for coverage is 75000 or about 300,000 persons including children.

Table 4.3 : Integrated Social Insurance Scheme for a Family of five members of RMG female worker in Bangladesh.

Scheme	Premium in TK		Benefits in TK			
	Annual	Fixed	Natural Death	Sickness	Accidental death	Accidental death of husband
Family Insurance	1000 (15)	-	-	-	-	-
Women workers insurance	460 (6.88)	8375 (125)	33500 (500)	Up to 10000 (150)	100000(1625)	25000 (375)
Husbands insurance	375 (5.63)	6700 (100)	33500 (500)	Up to 10000(150)	-	80000 (1250)
Children insurance	165 (2.5)	-	-	Up to 4000 (62.5)	-	-

Note : The figures in the parenthesis are in US Dollar (1 USD = TK67). Benefit amounts are shown as approximate round figures.

Costs and Financial Requirement for THREE PILOT PROJECTS for a period of two years -

Social Insurance Scheme:

Annual premium of TK1000 for 75,000 families is equal to TK75,000,000 or TK 75 Million i.e., US Dollar 2.2 Million for two years.

Local welfare centres:

Table 4.4: Staffing needs and costs for the local welfare centre

Designation	Salary per Month in TK	Number of Positions	Period (month)	Total PayTK
Organizer cum chief counsellor / manager	30000	3	24	2160000
Computer operator	20000	3	24	1440000
Counsellor	10000	9	24	2160000
Accounts Clerk	15000	3	24	1080000
Adult Education teacher	15000	3	24	1080000
Peon	7500	3	24	540000
Sub total (a)				8,460,000

Table 4.5: Other recurring costs for the local welfare centre

Activities and Other Costs	TK	Unit	Number	Duration	Total TK
Trainers Remuneration*	1,000	Per day	100 batches each year for each centre (100X2X3=600)	15 days course	9,000,000
Stationery & conveyance	100,000	Per year	3 centres	2 years	600,000
Rent for the centres	20,000	Per month	3 centres	2 years	1,440,000
Fixed costs (Computers, AC, Furniture)	150,000	Lump sum for each centre	3 centres	-	450,000
Training tools	100,000	Lump sum for each centre	3 centres	-	300,000
Sub total (b)					11,790,000

* Minimum 10 types of skill development programs will be identified.

Table 4.6: Summary statement of the total funds requirement

(3 Pilot Projects of 25000 families each for a period of 2 years)

Sr. No	Item	Cost Per Centre (TK)	Estimated Funds (TK)	Estimated Funds (TK Million)	Estimated Funds (U.S. \$ Million)
1	Insurance Scheme	50,000,000	150,000,000	150.00	2.2380
2	Local welfare centres staffs	28,20,000	8,460,000	8.46	0.1262
3	Rent of Centres	4,80,000	1,440,000	1.44	0.0214
4	Stationary	2,00,000	600,000	0.60	0.0089
5	Fixed equipments/ machines	1,50,000	450,000	0.45	0.0067
6	Skill development activities Trainers remuneration	3,000,000	9,000,000	9.00	0.1343
7	Skill development activities miscellaneous expenses	100,000	300,000	0.30	0.0045
8	Training Tools	100,000	300,000	0.30	0.0045
Total		53,200,000	170,550,000	170.55	2.5445

Future Perspectives - Social protection for RMG workers in Bangladesh

The year 2005 presented obvious uncertainties for the International Textile Trade due to the Expiry of the Multi Fibre Agreement in January, causing serious concern among developing economies and Least Developed Countries (LDC). For most LDCs exporting low end textile products is the primary route for integration integrating into the world trade.

In case of Bangladesh, two major sources of foreign exchange earnings are: export of RMG and remittances. The export earnings of Bangladesh stood at USD 7,517.4 million at the end of FY 2006, registering a growth of 24.7 per cent over the corresponding period of FY 2005. In view of the global trade environment becoming increasingly competitive, the GOB took several proactive steps for mitigating the likely negative impacts and securing growth in the sector. These strategic interventions were focused both on the industry and the workers.

In 2004, GOB recognised the need for provision of Social Security and legal protection to the workers in the RMG sector to cope with the employment contraction and job losses predicted by various international agencies and labour organizations.

The social protection mechanism needs to have a holistic approach in terms of coping mechanisms, information on alternative means of livelihood, identification and redeployment in new growth oriented sectors, developing the necessary skills for employment in other sectors and social insurance as well as shelter support to name a few.

It is also important to deal with the long-term policy issues arising from the observed current status of available protection and benefits for re-employment, service benefits for employment, and working conditions. It is argued that these measures for improving the quality and living standard of the RMG workers will strengthen the bargaining power of the RMG industry in the context of the competitive International Trade.

However, the effectiveness of any programme is often seen to be critically dependant on the institutional framework responsible for the implementation of the programme. Hence it is important to set up an institutional arrangement, which can assist the Government to respond to the job losses in the RMG sector with necessary social safety net activities and welfare measures. This is particularly important in the context of the prevailing employment and working conditions in the sector.

5.1 Key Elements of Social Protection Strategy

Looking to the nature of RMG sector and the pattern of employment, mere labour laws are unlikely to ensure full protection. However, the law of the land relevant to the legal protection of employment and working conditions of the workers in the RMG sector in particular, will need effective enforcement and to achieve this objective, enforcement mechanism should be strengthened and trained.

The Social Protection strategy suggested here carefully considers the risks and vulnerabilities facing workers arising from the observed current status of available protection and benefits for re-employment, service benefits for employment, working conditions and social security. Hence, apart from short-term measures, long-term policy measures and institutional arrangement for sustainable social protection is recommended.

The suggested approach is to develop insurance based social protection system rather than social assistance. The social assistance programmes involve the administration of subsidized schemes by institutions or Government agencies; whereas the advantage of involving an insurance company as a risk taker is much more qualitative and sustainable because of its contributory nature and adoption of business principles.

The focus of the social assistance programmes are limited in scope and coverage of ultra poor target groups and the insurance based programmes can be more inclusive offering more options and choice in the quality and variety of service providers.

Insurance based schemes are more successful for vulnerable groups within the economically active groups both on account of capacity to pay and preventive mechanism in erosion of income or assets. In the consultants' view the insurance route for social protection would be a viable strategy for the future. It is argued that these measures for improving the quality and living standard of the RMG workers will strengthen the bargaining power of the RMG industry in the context of the changing International Trade scenario.

5.1.4 Sectoral Approach for Sustainable Long Term SP System

It must be emphasized that in developing such a system a sector based approach rather an individual enterprise based scheme is recommended. Sector approach means that the welfare and insurance arrangements are not based on the individual enterprise but are managed by an industry, region or country wide institution like the Labor Welfare Foundation. A proposal on implementation measures and social protection activities to the support the establishment of Labour Welfare Foundation made by the consultants in April 2007. (see details in Appendix 5). The sector wide approach has the following advantages:

- The risk is shared among many enterprises and lies not on one single enterprise;
- The administration is less costly and much more efficient and effective;
- The need for one to one employer employee identification is not necessary and therefore is more acceptable to the employers;
- The schemes being contributory in nature involving employers, Government and the workers will make the stakeholders more accountable;
- The sharing of the financial burden leads to a more affordable and financially sustainable system without putting the entire liability on the employer;
- It is also an equitable arrangement for mobilization of funds as it will result in cross subsidization of the scheme and of the groups of individuals and employers;
- The workers will have a unique social security number or identification number for availing the benefits of the scheme even with job changes.

5.1.5 Tripartite Approach in Management

Post MFA challenge to RMG workers can be met through tripartite approach in managing issues. This is equally important for managing the social protection system. Tripartite efforts are likely to ensure a 'win win' outcome in the changed scenario of international trade. The recommendation is to set up a Regional Welfare Board for RMG workers under the Ministry of Labour and Employment and which will have the representatives of workers, employers and the government. The board will guide, supervise and control the activities and enter into negotiations for contracts for implementation of the schemes by insurance companies, using post offices as fund manager and the NGOs for implementing, training and micro credit schemes etc.

The pilot projects proposed with the objective of creating the necessary conditions and environment within the sector and among the stake holders so that the long term strategy can be implemented.

5.1.6 Empowerment of Women and their Families through Enhancement of Employability and Stabilization of Family Income

Based on the experience gathered from the pilot projects under this ADB TA, it can be safely concluded that the social protection schemes will have better results if they are focussed on family as a unit rather than the individual worker alone. The proposed local welfare centres will run one or two core activities of interest to the worker to enlist their participation and ensure a consistent involvement. The core activities will have to be carefully chosen on discussion with the workers and should add value in equipping them for generating additional income.

The income generating activities will have to be home based which the workers can take up on a part time basis with the involvement of the other family members. Such activities will then become useful in sustaining the interest as well as enhance the employability and help in the stabilization of income of the family to tide against job loss or times of adversity.

5.1.7 Bottom up and Participatory Mechanism in Implementation of the SP Schemes

The proposed strategy lays emphasis on involvement of the beneficiaries at various stages of designing the social protection schemes and their implementation. The local centres will have to introduce skill based training that suit the demands of the labour market and the needs of the workers rather than focussing on the locally available training resources. The insurance products will also have to be specifically designed keeping in mind the priority risks of the workers and factors like affordability, accessibility and flexibility in the payment options. The schemes will also have to be promoted at the community level by involving workers.

5.2 Long Term Scenarios for SP in the RMG Sector

RMG Workers Welfare Board

Along with strengthening the system of enforcement of Labour Laws, an institutional arrangement which is tripartite in nature is suggested for design, administration and coordination of welfare and social protection schemes for workers in RMG sector. This can also be replicated later in other export production sectors like shrimp production etc. Such institutional arrangement is in the long term interest of the employers, workers and the society. The RMG workers are indispensable partners in the creation of the wealth and foreign exchange earnings in the RMG sector. With increased pressure for compliance to labour and social standards in international trade, the employers may end up losing much more than the small incremental cost to provide social protection to their workers. It is striking that the state intervention for all round development and welfare of the RMG workers in general and of female workers in particular is almost absent.

Due to variations in capacity to pay, scale of business and status of factory premises, only some large factories in EPZ will be able to meet the required standards. A vast majority of factories and workers may face adverse circumstances leading to further deterioration in working condition, sick factories and even closures.

Supply of labour being higher than the demand, they can be easily dispensed even without meeting the minimum entitlements under the Labour Law. Any attempt to raise voice against the management can lead to total exclusion from job in the RMG sector. It is observed that under the existing situation of normal labour turnover, re-employment within the RMG sector is less than 40 per cent. If the extent of job losses increase, re-absorption in the sector may become even more difficult.

This is also one of the important reasons as to why the GoB needs to take a long-term view for a sustainable institutional arrangement for social protection of RMG workers.

At the same time however, the employers' need for flexibility in adjusting the workforce in the context of fluctuating business has to be recognised. And hence, it is not desirable to put the entire responsibility of social protection on the employers alone.

A collaborative effort by the Government and the industry to set up a national level Social Protection Board/Labour Welfare Board to deal with a range of issues impacting RMG female workers in a holistic manner is recommended.

National Labour Welfare Board

The RMG Workers Welfare Board is proposed to be tripartite in composition with representation from the Government, Employers and representatives of workers. The administrative structure of the Board will have two functional levels:

- National Labour Welfare Board as an apex body supported by Regional Welfare Boards
- Labour Welfare Centres at local level, (4-5 centres in and around Dhaka)

The RMG workers are indispensable partners in the creation of the wealth and foreign exchange earnings

The board will design and implement schemes covering early child care, health and medical care, group-life-cum accident insurance, some financial help/compensation on involuntary job-losses. The board will also ensure that non formal education is imparted to the RMG female workers who do not have even primary level of education which can be a big constraint in skill upgradation in the future.

Moreover, the board will encourage development of talent and creativity among the workers by encouraging recreation, sports and games, dramatics, music and skill development activities. Community facilities like reading rooms, library under local welfare centre may be set up. Also workers and other family members can benefit from the evening classes for learning new skills for supplementing the family income.

Negotiations with service providers and contracts

The board shall implement the social protection schemes as approved by the government and for the purpose, negotiate with the other partners-insurance agencies, Department of Post, NGOs etc., for their involvement in implementation of the schemes.

The proposal envisages that the entire 'book keeping role' covering registration fee, contributions from workers, employers and the government managed by the department of post and the benefits under the schemes are disbursed by the post offices through a passbook.

The insurance scheme will require negotiation with the insurance companies for best terms and condition including the amount of premium to be paid by the regional board. For health insurance, service providers may be empanelled on the basis of set criteria's such as manpower qualifications, infrastructure etc.

While the scheme is to be implemented by the insurance companies in terms of risk coverage, the actual procedures should be implemented at the grass root level by the associations of the beneficiaries with their full participation as can be understood from the approach adopted by SEWA, an NGO based in India and in UMASIDA project in Tanzania, Africa.

Mobilization of Funds, Insurance and Expenses

Since sector based employer-employee relationship is visible and acceptable, funds for the board should be raised by contribution from the Government, Employers and the workers. Some contribution can also be made from international buyers and through donations from international agencies.

The recommendation is to adopt contributory approach to mobilize funds but it will require reasonable level of subsidization for providing protection against major risk in the lives of the workers.

It is proposed that the National Labour Welfare Foundation take initiative to set up a welfare fund in which mandatory contribution from employers and workers are received and the government adds its own contribution and, also collects donations.

The responsibility for collection of the mandatory sum of total contribution / fund from employers may be entrusted to the employers associations. The association will adhere to the basic levels of contributions as prescribed by the foundation and mandated for all members of the associations. The associations however, may take in to account the ability to pay for different categories of factories and adopt a flexible approach to collect and contribute the total of the employers contributions.

It is recognized that there are large number of factories and the workers who are not the members of any of the employers associations. The responsibility for collection of contribution for such employers should be of the labour department.

The contribution from workers can be an annual registration fee and annual contribution by way of their share to avail the benefits of the package of insurance and other schemes of welfare and skill development proposed for implementation for workers and their families.

It is proposed to collect about US \$15 or TK1000 as the annual contribution for family and self. This contribution it is recommended that be shared in the ratio of 20 per cent, 35 per cent and 45 per cent by worker, employer and the government respectively. In other words a worker will contribute TK 200, an employer will contribute TK350 and the government will contribute TK450 per year. The annual registration fee may be about U.S \$ 1 to TK 75.

The Department of Post normally has extensive and decentralized net work of post offices easily accessible in all areas. It is suggested that the GoB explore the possibility of involving the Department of Post as a key institution to manage the finance and expenditures under the scheme. Hence, for collection of contribution and disbursement of benefits through pass book entry is suggested.

For information, counselling and registration, the key role may be assigned to the local counselling centres. In the pilot project, it is suggested that the GoB, setup 2 to 3 such centres preferably in the residential clusters of Dhaka region on the lines of local counselling centres set up for the RMG female workers.

The legal backing of the proposed arrangement is expected to be taken care of by the frame work of the labour foundation itself. The recommended approach to social protection for RMG female workers in Bangladesh is to combine the family income stabilization and empowerment with the measures of social protection for the family.

Registration, Identity Card:

The labour welfare centres with the help of local government and other interested agencies can register the RMG workers on payment of the specified registration fees and on registration, the worker will be given ID Card, registration number and a list of entitlements/benefits under various schemes. The computerization and nation wide network is necessary so that the registration number remains unchanged irrespective of the change in place and work.

Implementation Schedule

It is obvious that before launching the project, a great deal of preparatory work is needed. Forms and pro-forma for registration, identity card, contract format for service providers, invoice format, procedures for claim filing and settlement, disbursement of benefits, designated centres for registration as member, payment of premium etc. needs to be developed.

The board will also conduct prior consultations with stakeholders for explaining the programme of activities and fixing roles and responsibilities of various stakeholders envisaged, contributions etc.

5.3 Conclusions and Recommendations

Loss of employment amongst RMG sector workers will have a cascading effect on employment and income in other allied informal sectors like low cost rental housing, transport and a variety of other services and consumer goods markets. Hence, social protection of RMG workers has economy wide ramifications. The GoB is rightly concerned with policy initiatives and programs, for enhancing the competitive edge of this sector which among others, includes training of existing workforce at all levels to improve the productivity and prevent redundancy. A recent World Bank Study on Improving the Living Conditions of Urban Poor in Dhaka concludes that the RMG workers form a sizeable proportion of the urban poor population in Dhaka⁽²⁾.

While Bangladesh has falsified the gloomy predictions on exports of RMG following the abolition of quota system from January 2005, it will be a mistake to take a complacent view for the future. We hope that the findings in the final report would invite a rapid response to a range of challenges presented by the changing economic and global trade scenario at the national policy level and effective Public Private Partnerships for the provision of sustainable and inclusive social protection. A well defined social protection strategy which is accessible, affordable, preventive and promotional can become an effective tool in delivering the RMG workers from the clutches of poverty.

References

1. Centre for Policy Dialogue, 2007. State of the Bangladesh Economy in FY 2005-05 and Outlook for FY 2006-07. Dhaka: CPD.
2. The World Bank, 2007. Dhaka: Improving the Living Conditions of the Urban Poor. Dhaka : The World Bank, BDS Paper No. 17. Available from <http://www.worldbank.org.bd/bds> [Accessed Date: 31st October 2007]
3. H.K. Nordas, 2004. "The Global Textile and Clothing Industry Post the Agreement on Textiles and Clothing", World Trade Organization (WTO) Geneva, Switzerland.
4. Aggarwal, Vinod K. 1985. Liberal Protectionism : The International Politics of Organised Textile Trade. Berkeley: University of California Press.
5. Finger, J Micheal, and Ann Harrison. 1996. 'The MFA Paradox: More Protection and More Trade ?' In Anne O. Krueger, ed, The Political Economy of American Trade Policy. Chicago : University of Chicago Press.
6. World Trade Organisation 2006. World Trade Report 2006. Geneva : WTO.
7. ILO, 2005. Promoting fair globalization in textiles and clothing in a post-MFA environment; Report for discussion at the Tripartite Meeting on Promoting Fair Globalization in Textiles and Clothing in a post-MFA Environment, Geneva, 2005, p5
8. Siddiqui Rahman Choudhury, Md. Ghulam Hussain, 2005. Post-MFA Issues and Challenges : Social Dimension. Enhancing Employment and Global Competitiveness through Decent Work: Post-MFA Challenges and Opportunities. Dhaka, 24 August 2005.
9. The Asian Drivers And SSA: MFA Quota Removal And The Portents For African Industrialization, Raphael Kaplinsky, Institute For Development Studies, University Of Sussex And Centre For Research In Innovation Management, University Of Brighton, U.K; Mike Morris, Policy Research On International Services And Manufacturing, Saldru, School Of Economics, University Of Cape Town, April, 2006
10. United Nations Commodity Trade Statistics Database.
11. US Department of Commerce, Bureau of Census, International Trade Statistics (2005)
12. The World Bank, Bangladesh Development Series Paper No. 2, December 2005.
13. Ministry of Commerce, (2003), Swiss firm: GHERZI Textile Organization, and was funded by the World Bank.
14. Bazlul H. Khondoker, Abdul Razzaque and Nazneen Ahmed in their paper "Exports, Employment and working conditions: Emerging issues in the post MFA RMG industry" (a paper prepared for the ILO July 2005)
15. Majid and Hussain (2005), "Survey of Workers, Supervisors, Managers and Entrepreneurs of RMG Sector of Bangladesh" Prepared for the Preparatory Assistance Project on Sustainable Employment Policy Options in the Post-MFA Era, supported by UNDP.

References

16. The end of Textile Quotas: A case study of the impact on Bangladesh, Montfort Mlachila and Yongheng, Yang, Policy Development and Review Department, IMF.
17. Bangladesh Export Statistics, 2004, Export Promotion Bureau, Bangladesh
18. The World Bank, Bangladesh Development Series, Paper No. 9, January 2006.
19. Centre for Policy Dialogue, 2007. Bangladesh Apparel Sector in Post MFA Period: A Benchmarking Study on the Ongoing Restructuring Process. Dhaka: CPD.
20. Chen Marty A. 2005. Towards economic freedom: the impact of SEWA. Ahmedabad :Self Employed Women Association.
21. Sinha, Shalini (2003) "Strength in Solidarity: Insurance for women in the informal economy," Ahmedabad: SEWA.
22. Md. Abdul Halim and Masum Saifur Rahman, 2007. The Bangladesh Labour Code 2006. Dhaka: CCB Foundation.
23. National Commission for Enterprises in the Unorganized Sector , India (2006), "Social Security for Unorganized workers."
24. International Labour Office, Geneva. "Social Security for the Excluded Majority" Case studies of Developing Countries (Edited by Wouter van Ginneken) 1999.
25. World Development Report, 1993, Oxford University Press Publication, USA.

Additional Resources

Background and Overview Papers/Case Studies:

1. Guhan S (1993). "Social Security for the poor in the Unorganized sector: a feasible blue print for India" in Kirit S Parikh and R. Sudarshan (eds). "Human Development and Structural Adjustment, Macmillan, New Delhi.
2. ILO 2001, Social Security: A new consensus, International Labour Office, Geneva.
3. SEWA (2001) "Women Organizing for Social Protection, The SEWA's integrated insurance scheme (India)" ILO, Geneva.
4. Sinha, Shalini (2003) "Strength in Solidarity: Insurance for women in the informal economy," SEWA Ahmedabad.
5. STEP and ILO (2004) "Public Private Partnership initiatives Aiming at Extending Social Protection: Case study: Vivekananda", ILO.
6. STEP and ILO (2004) "Public Private Partnership initiatives Aiming at Extending Social Protection: Case study: Karuna Trust", ILO.

Websites

- AMRC Country Profile Bangladesh [http:// www.amrc.org.hk/4906.htm](http://www.amrc.org.hk/4906.htm)
- Bangladesh Knitwear manufacturers & Exporters Association (BKMEA) <http://www.bkmea.com>
- Bangladesh Garment Manufacturers & Exporters Association (BGMEA)
- <http://www.bgmea.com>
- Women Working Worldwide, "Garment Industry Subcontracting and Workers' Rights: A Report of WWW, Action Research in Asia and Europe, 2003", <http://www.poptel.org.uk/women-ww/resources.html>

Appendix - 1

Statistics on World Trade in Textile and Clothing

World Trade in Textiles, 2005

(Billion dollars and percentage)

Value	203
Annual percentage change	
1980-85	-1
1985-90	15
1990-95	8
1995-00	0
2000-05	5
2003	13
2004	12
2005	4
Share in world merchandise trade	2.0
Share in world exports of manufacturers	2.8

Major regional flows in world exports of textiles, 2005

(Billion dollars and percentage)

	Value	Annual percentage change		
	2005	2000-05	2004	2005
Intra-Europe	59.2	4	11	-5
Intra-Asia	45.6	3	11	5
Asia to Europe	16.4	11	14	19
Asia to North America	15.5	11	13	20
Intra-North America	10.6	-1	6	4
Asia to Middle East	6.5	8	10	5
Asia to Africa	5.3	14	18	14

Appendix - 1

Leading exporters and importers of textiles, 2005

(Billion dollars and percentage)

	Value	Share in world exports / imports				Annual percentage change			
	2005	1980	1990	2000	2005	2000-05	2003	2004	2005
Exporters									
European Union (25)	67.98	-	-	35.9	33.5	4	14	11	-6
Extra-EU (25) exports	23.51	-	-	11.0	11.6	6	15	15	-3
China a, b	41.05	4.6	6.9	10.3	20.2	21	31	24	23
Hong Kong, China	13.83	-	-	-	-	1	5	9	-3
Domestic exports	0.60	1.7	2.1	0.7	0.3	-12	-23	-10	-12
Re-exports	13.23	1.6	5.8	7.8	6.5	2	8	10	-3
United States	12.38	6.8	4.8	7.0	6.1	2	2	10	3
Korea, Republic of	10.39	4.0	5.8	8.1	5.1	-4	-2	1	-4
Taipei, Chinese	9.71	3.2	5.9	7.6	4.8	-4	-2	8	-3
India C	7.85	2.4	2.1	3.8	3.9	6	14	2	12
Pakistan	7.09	1.6	2.6	2.9	3.5	9	21	5	16
Turkey	7.07	0.6	1.4	2.3	3.5	14	24	22	10
Japan	6.91	9.3	5.6	4.5	3.4	0	7	11	-3
Indonesia	3.45	0.1	1.2	2.2	1.7	0	1	8	9
Thailand	2.76	0.6	0.9	1.2	1.4	7	7	19	8
Canada	2.46	0.6	0.7	1.4	1.2	2	4	7	1
Mexico a	2.13	0.2	0.7	1.6	1.1	-4	-5	-1	3
United Arab Emirates, c, d	1.70	0.1	0.0	0.8	0.9	&	11	45	&
Above 15	183.52	&	&	90.5	90.5	-	-	-	-
Importers									
European Union (25)	65.83	-	-	33.2	30.8	4	14	11	-4
Extra-EU (25) imports	21.36	-	-	9.8	10.0	6	15	14	2
United States	22.54	4.5	6.2	9.6	10.5	7	8	13	9
China a, b	15.50	1.9	4.9	7.7	7.2	4	9	8	1
Hong Kong, China	13.79	-	-	-	-	0	7	9	-2
Retained imports	0.57	3.7	3.8	0.9	0.3	-17	-4	-17	14
Mexico a, e	6.02	0.2	0.9	3.5	2.8	1	-2	5	5
Japan	5.81	2.9	3.8	3.0	2.7	3	11	11	4
Turkey	4.43	0.1	0.5	1.3	2.1	16	21	21	6
Canada e	4.32	2.3	2.2	2.5	2.0	1	1	7	5
Korea, Republic of	3.54	0.7	1.8	2.0	1.7	1	-3	8	5
Viet Nam c	3.33	&	&	0.8	1.6	19	18	21	13
Romania	3.31	&	0.1	1.0	1.5	14	21	16	-1
United Arab Emirates, c, d	3.22	0.8	0.9	1.2	1.6	-	11	36	-
Russian Federation c	2.68	-	-	0.8	1.3	17	31	18	19
India C	2.10	0.1	0.2	0.3	1.0	30	24	26	51
Thailand	1.99	0.3	0.8	1.0	0.9	4	3	13	8
Above 15	145.19	&	&	68.8	67.9	-	-	-	-

a Includes significant shipments through processing zones

b In 2005, China reported imports of textiles from China amounting to \$2.7 billion.

c Includes Secretariat estimates

d 2004 instead of 2005

e Imports are valued f.o.b.

Appendix - 1

World Trade in Clothing, 2005

(Billion dollars and percentage)

Value	276
Annual percentage change	
1980-85	4
1985-90	18
1990-95	8
1995-00	5
2000-05	7
2003	13
2004	11
2005	6
Share in world merchandise trade	2.7
Share in world exports of manufacturers	3.8

Major regional flows in world exports of clothing, 2005

(Billion dollars and percentage)

	Value	Annual percentage change		
	2005	2000-05	2004	2005
Intra-Europe	83.7	9	13	2
Intra-Asia	47.6	6	8	15
Asia to Europe	34.8	10	13	17
Asia to North America	32.4	4	12	-6
Intra-North America	12.0	4	6	-2
Asia to Middle East	11.0	-4	-1	-2
Asia to Africa	7.3	34	55	27

Appendix - 1

Leading exporters and importers of clothing, 2005

(Billion dollars and percentage)

	Value	Share in world exports / imports				Annual percentage change			
	2005	1980	1990	2000	2005	2000-05	2003	2004	2005
Exporters									
European Union (25)	80.35	-	-	26.9	29.2	9	18	12	5
Extra-EU (25) exports	22.62	-	-	6.8	8.2	11	13	11	18
China a	74.16	4.0	8.9	18.2	26.9	16	26	19	20
Hong Kong, China	27.29	-	-	-	-	2	3	8	9
Domestic exports	7.23	11.5	8.6	5.0	2.6	-6	-2	-1	-11
Re-exports	20.06	0.8	5.7	7.2	7.3	7	6	13	18
Turkey	11.82	0.3	3.1	3.3	4.3	13	24	12	6
India B	8.29	1.7	2.3	3.1	3.0	6	10	0	25
Mexico a	7.27	0.0	0.5	4.4	2.6	-3	-5	2	-3
Bangladesh	6.42	0.0	0.6	2.0	2.3	10	7	16	13
Indonesia	5.11	0.2	1.5	2.4	1.9	2	4	8	15
United States	5.0	3.1	2.4	4.4	1.8	-10	-8	-9	-1
Viet Nam b	4.81	-	-	0.9	1.7	20	32	28	8
Romania	4.63	-	0.3	1.2	1.7	15	25	16	-2
Thailand	4.09	0.7	2.6	1.9	1.5	2	1	10	3
Pakistan	3.60	0.3	0.9	1.1	1.3	11	22	12	19
Tunisia	3.33	0.8	1.0	1.1	1.2	8	1	21	1
Sri Lanka	2.88	0.3	0.6	1.4	1.0	0	7	10	4
Above 15	228.98	-	-	77.3	83.1	-	-	-	-
Importers									
European Union (25)	120.70	-	-	39.8	44.8	9	19	16	4
Extra-EU (25) imports	70.97	-	-	20.8	24.7	10	20	15	8
United States	80.07	16.4	24.0	32.3	27.9	4	7	6	6
Japan	22.54	3.6	7.8	9.5	7.8	3	11	11	4
Hong Kong, China	18.44	-	-	-	-	3	2	7	8
Retained imports	-	-	-	-	-	-	-	-	-
Russian Federation b	7.84	-	-	1.1	2.7	29	49	38	30
Canada c	5.98	1.7	2.1	1.8	2.1	10	12	16	14
Switzerland	4.72	3.4	3.1	1.5	1.6	8	15	9	2
Australia c	3.12	0.8	0.6	0.9	1.1	11	20	22	17
Korea, Republic of	2.91	0.0	0.1	0.6	1.0	17	13	8	6
Mexico a, c	2.52	0.3	0.5	1.7	0.9	-7	-9	-15	-2
Singapore	2.13	0.3	0.8	0.9	0.7	3	16	7	-5
Retained imports	0.67	0.2	0.3	0.3	0.2	4	2	14	7
Norway	1.86	1.7	1.1	0.6	0.6	8	13	8	11
United Arab Emirates, b, d	1.67	0.6	0.5	0.4	0.6	-	20	40	-
China a	1.63	0.1	0.0	0.6	0.6	6	5	8	6
Saudi Arabia b	1.57	1.6	0.7	0.4	0.5	14	13	10	13
Above 15 e	267.26	-	-	92.1	93.1	-	-	-	-

a Includes significant shipments through processing zones

b Includes Secretariat estimates

c Imports are valued f.o.b.

d 2004 instead of 2005

e Excludes retained imports of Hong Kong, China

Appendix - 2

Key Findings of the Survey

- Only 17per cent of the total workforce surveyed were able relocate themselves in any kind of gainful employment, with a majority (81per cent) of these re-employed workers find themselves back in the RMG sector. Those that have secured jobs in other sectors are less than one percent with three percent opting for self-employment opportunities. The remaining 83per cent of the retrenched workforce continues to seek help for employment with a preference for regular jobs within the RMG sector.
- Labor law requires that all workers receive an appointment letter, yet not a single worker out of 8807 female workers surveyed has reported any formal confirmation of their appointment. The only identity proof a worker has is the daily attendance card, which is renewed every month and validates their entry into the factory premises as well serves as a daily wage log.
- Most often workers are dismissed from their jobs without prior notice, and the dismissal is often made to look voluntary either on medical grounds or due to irregular payment of wage and overtime.
- The Minimum wage according to the Minimum Wage Ordinance enacted in 1994, was revised in October 2006, almost after a period of 10 years. The minimum wage before the revision stood at Tk 930 per month usually paid to the entry level workers called the Helper category. The workers have reported a decline in the number of helpers hired and an increase in the demand for operators, as the current minimum wage now matches the wage paid to the workers at the operator level earlier.
- This has affected the employment pattern, as the workers at the entry level are now required to have the skills at the operator level thereby making it difficult for the unskilled workers to enter into the RMG sector. As a result the workers with lesser skill at the entry level jobs are being replaced by workers with better skill.
- The displaced workers which form 83per cent of the total retrenched workforce surveyed that find alternative forms of employment difficult in spite of the overall growth in the RMG sector and corresponding employment generation.
- According to the Factory Act of 1965 weekly holiday is mandatory and a worker should work no longer than 10 days consecutively without a holiday, but the number of workers who enjoyed regular weekly holidays only form 19per cent of the total. Almost 42per cent workers reported that the weekly offs were irregular and 37per cent did not get weekly offs at all for more than a month.
- Only 160 workers claimed to have received maternity leave of 3 months. Fifty percent of the workers were unaware that they are entitled to 12 weeks of maternity leave as provided by the Maternity Benefit Act of 1950.
- Rent becomes a major expense for the workers as seventy percent of the workers surveyed have reported that the rent charged usually forms 50 to 60per cent of their individual incomes. The remaining 30 per cent of the workers are entirely dependant on their families for meeting various expenses as their salaries are almost equal to or less than the rent paid.

Appendix - 2

- Eighty Percent of the women workers surveyed have migrated from rural villages or from adjoining areas to Dhaka and they usually take shelter in residential clusters or slums around the RMG factories with friends, relatives, or in messes and hostels.
- There is also a tendency to share the accommodation with a group of 5 to 6 workers to share the rent burden as 22 percent of the workers are either single, divorced or widows. This makes the workers highly susceptible to various kinds of diseases due to lack of sanitation and proper and affordable healthcare, in addition to the occupational hazards prevalent in the sector.
- Workers in the EPZ are entitled to various non-wage benefits including accommodation transport, meal and medical allowance, bonuses, pension, provident fund and insurance benefits (Factory Act 1965). Most of the factories, do not confirm the employment status with a formal appointment letter and the garment industry workers outside EPZ, are largely deprived of these benefits. However, majority of the workers approximately 80per cent confirmed that they received a bonus.
- None of the garment workers received transport facilities from the factories. Usually the workers have to walk more than 1 Km to reach their workplaces everyday.
- Only 10 per cent of surveyed female workers report that their firms have regular physician while Factory Rules of 1979 provide that "the medical practitioner shall always, be available on call during working hours". 15per cent of the workers said they received no medical benefits at all.
- The workers in category B, those who were retrenched from the RMG sector but found jobs in the other informal sectors also confirmed that they did not receive any kind of appointment letters from the employers.
- None of the employees in Mirpur reported any kind of medical insurance or accident cover both by the employers or privately owned. Only 12 per cent in Rampura reported Group Insurance Scheme is available in their factories. The current law makes a provision for General Insurance for employees at all levels with provision for natural death cover as well as accidental death for those employees with 3 years of service.
- None of the workers in all four categories have reported to have received any kind of retrenchment compensation from the employers as in most cases the retrenchment is made to look voluntary on the part of the workers.
- A marginal fluctuation in the income levels can push the workers to near destitution levels causing a high dependence on the family or friends without any fall back mechanism.
- The educational level of the RMG workers specifically those working in the EPZ was higher than the RMG workers outside with only 19per cent workers with or below primary level education.
- More than 70 per cent of the women have migrated from rural areas and are living in the slum areas of in and around the city.
- 70-80 per cent of these female workers live with their families while about 15 per cent live in groups in privately rented rooms.

Survey Tables

01. Age of the worker					
	A	B	C	D	G. Total
15-20	706	14	59	2830	3609
20-25	351	37	106	2635	3129
25-30	110	17	61	1064	1252
30-35	32	9	20	462	523
35-40	15	4	9	206	234
40<	5	3	4	42	54
	1220	83	259	7238	8800

	A	B	C	D	G. Total
0-1000	438	32	54	1516	
1000-2000	614	43	151	4494	
2000-3000	151	9	51	1109	
3000-4000	13	0	3	79	
4000-5000	4	0	0	22	
5000<	0	0	0	17	
Depend on production	1	0	0	0	
	1220	83	259	7238	8800

03. Salary of the worker (new)					
	A	B	C	D	G. Total
0-1000	77	23	92	0	
1000-2000	724	46	128	0	
2000-3000	369	10	32	0	
3000-4000	32	2	4	0	
4000-5000	12	0	3	0	
5000<	4	2	1	0	
Depend on production	1	0	0	0	
Daily Basis	1	0	0	0	
	1220	83	259	0	1562

04. Marital Status					
	A	B	C	D	G. Total
Married	622	70	230	5852	
Unmarried	573	7	23	1285	
Divorced	12	1	3	42	
Deserted	13	6	3	57	
Widowed	0	0	0	2	
	1220	83	259	7238	8800

Survey Tables

05. Education					
	A	B	C	D	G. Total
Illiterate	88	8	28	507	
Below Primary	444	42	100	3211	
Primary	513	16	82	2543	
Class-8	124	9	40	671	
SSC	49	5	9	275	
HSC	2	4	1	31	
Degree	0	0	0	0	
	1220	83	259	7238	8800

07. Reason for Leaving job					
	A	B	C	D	G. Total
Baby Keeping	17	14	50	689	
Bad Behavior	104	8	14	577	
Change Accommodation	13	0	1	15	
Excess Duty	15	2	9	34	
Factory Closed	21	2	2	68	
Family Problem	15	1	14	645	
For Illness	139	28	76	2010	
Got Married	24	2	6	302	
Go to village	25	1	3	130	
Long Distance	7	0	0	3	
Low Salary	618	8	11	177	
Maternity	33	6	41	1395	
Night Duty	7	0	0	18	
No leave	6	0	0	2	
No overtime	7	0	1	0	
Salary problem	62	4	6	349	
Change Designation	67	2	0	39	
Change Factory	14	2	6	36	
Long distance	5	0	0	14	
Under age	3	0	0	33	
Admitted to school	0	0	0	8	
Personal problem	0	3	1	99	
Prohibition from husband	0	0	19	531	
Fathers & Mothers death	0	0	0	9	
Factory shifted	0	0	0	18	
Factory damaged by fire	0	0	0	32	
Absent	0	0	0	6	
Accident	0	0	0	2	
	1220	83	259	7238	8800

Survey Tables

06. Designation(old)					
	A	B	C	D	G. Total
Helper	613	59	100	3145	
Operator	557	19	154	3724	
Quality	9	1	3	64	
Bua	0	0	1	19	
Cleaner	0	0	0	10	
Supervisor	0	0	1	3	
Quality Inspector	12	1	0	30	
Folding Man	9	0	0	56	
Iron Man	2	0	0	1	
Aya	0	0	0	3	
Block Batik	0	0	0	1	
Button Operator	0	0	0	3	
Checker	0	0	0	32	
Knitting Operator	0	0	0	2	
Linking Operator	4	0	0	15	
Maid Servant	0	0	1	22	
Mending Operator	4	0	0	8	
Poly Man	0	0	0	18	
Printer Man	2	0	0	13	
Production Quality Controller	3	0	0	7	
Quality Controller	1	2	0	38	
Training Operator	0	0	0	1	
Weaving Operator	0	0	0	6	
Cooker	4	0	0	0	
Design Man	2	0	0	0	
Other	0	1	0	13	
	1220	83	259	7238	8800

08. Family Income					
	A	B	C	D	G. Total
0-1000	0	2	3	45	
1000-2000	43	3	9	241	
2000-3000	183	9	28	1073	
3000-4000	242	13	45	1586	
4000-5000	298	32	102	1952	
5000-6000	224	14	36	1222	
6000-7000	79	3	20	445	
7000-8000	101	2	4	399	
8000<	30	0	9	240	
Dont know	19	7	0	74	
	1220	83	259	7238	8800

Survey Tables

09. Properties Back					
	A	B	C	D	G. Total
House	303	20	44	1338	
Land	134	2	11	193	
House+Land	157	4	11	245	
Cow+House	0	0	0	1	
Nothing	289	44	119	3523	
Something	290	13	74	1902	
	1220	83	259	7238	8800

10. Appointment Letter					
	A	B	C	D	G. Total
Given	0	1	0	0	
Not Given	1220	82	259	7238	
	1220	83	259	7238	8800

11. Accommodation Type					
	A	B	C	D	G. Total
Rent	792	80	247	6419	
Self	427	3	12	820	
	1220	83	259	7238	8800

12. Compensation Received					
	A	B	C	D	G. Total
Yes	0	0	0	197	
No	1220	83	259	7041	
TOTAL	1220	83	259	7238	8800

Appendix - 3

Survey Questionnaire

Please check and collect a copy the ID card or Attendance card (either present /past job)

SURVEY OF RETRENCHED /JOB LESS RMG WORKERS DURING LAST TWO YEARS (2005&2006) IN DHAKA REGION BANGLADESH:

[Pilot Project on Social Safety Net, Department of Women Affairs, GOB]

Basic Information of the Retrenched Female RMG Worker- INFO SHEET

Serial Number:

A <input type="checkbox"/>	B <input type="checkbox"/>	C <input type="checkbox"/>	D <input type="checkbox"/>
Employed at another RMG	Employed at Non RMG	Self Employed	Unemployed

1. Individual Profile

1.1.1 Name _____ **1.1.2 Do /** _____
W/o _____

1.1.3 Address for correspondence

House+Road/ Village _____ Area/PO/PS _____

1.1.4 District _____ **Phone** _____ (on request)

1.1.5 Any other address or phone number that you may be approached at

House+Road/ Village _____ Area/PO/PS _____

District _____ **Phone** _____ (on request)

1.1.6 Date of birth (dd /mm / yyyy)..... **1.1.7 Age**.....

1.1.8 Marital status ☐ Married ☐ Unmarried ☐ Divorced ☐ Deserted ☐ Widowed



1.2 Education

1.2.1 General Education

☐ Illiterate ☐ below primary ☐ primary ☐ non matriculate

☐ matriculate ☐ Intermediate ☐ Degree

1.2.2 Any other skill/technical skill

1.2.3 Certification (if any): Yes/No

2.1 Identification of the Target Group

Worked in Garments:

2.1.1 Start Date

(Month...../Year.....)

2.1.2 End Date

(Month...../Year.....)

2.1.3 Duration: _____

2.1.4 Monthly Salary: _____

2.1.5 Name of the organization: _____

2.1.6 Address of the organization: _____

2.1.7 Designation: _____

2.1.8 Department: _____

2.1.9 Job description: _____

A	B	C
Employed at another RMG	Employed at Non RMG	Self Employed
A.1 Start Date (M...../Y.....)	B.1 Type of job	C.1 Type of self employment
A.2 Sector	B.2 Start Date (M...../200.....)	C.2 Start Date (M...../200...)
A.3 Monthly salary	B.3 Monthly salary	C.3 Address:
A.4 Name of the organization	B.4 Name of the organization	C.4 Monthly income
A.5 Address of the organization	B.5 Address of the organization	C.5 Product/service:
A.6 Designation	B.6 Designation	
A.7 Department	B.7 Department	
A.8 Job description	B.8 Job description	
	B.9 Product/service	

2.2 Number and type of jobs lost/quit during last two years and reasons for change/loss:

Job	Salary	Reason

2.3 Present work, establishment and service conditions/benefits

2.3.1 Monthly Salary:
Basic _____ Medical allowance _____ Rent: _____ Others: _____ Total: = _____

2.3.2 Are you given a letter of appointment? Yes/No.

2.3.3 Distance between residence and place of work _____

2.3.4 Mode of transport used to reach the place of work _____

2.4 Service benefits:

2.4.1 No of days of casual leave ?with /?without pay : Day. _____

2.4.2 Annual earned leave ?with /?without pay : Day _____

2.4.3 Sick leave with pay ?with /?without pay : Day _____

2.4.4 Maternity leave ?with /?without pay : Day _____

2.4.5 Bonus (specify) Yes/No : Tk. _____

2.4.6 Medical allowance or any benefit Yes/No : Tk. _____

2.4.7 House rent allowance Yes/No : Tk. _____

2.4.8 Festival cash advance Yes/No : Tk. _____

2.4.9 Food grain cash advance Yes/No : Tk. _____

2.4.10 Free group life/accident insurance Yes/No : Tk. _____

2.4.11 Your private paid insurance or saving scheme Yes/No

2.5 Statutory Entitlements:

Provident fund contribution per year

2.5.1 Worker (per cent)

2.5.2 Employer (per cent)

2.5.3 Government (per cent)

2.5.4 Gratuity month salary for each years of service _____

3. Family details:

	Male	Female	Total
3.1 No. of family members	3.1.1	3.1.2	3.1.3
3.2 No. children below 10 years age	3.2.1	3.2.2	3.2.3
3.3 No. of earners other than self	3.3.1	3.3.2	3.3.3

3.4 Nature of job/work of earners in the family: _____

3.5 Family income excluding the income of self (Tk. P.M.) : _____

3.6 Migration :

3.6.1 Born in Dhaka ? Yes/No,

3.6.2 when did you come to Dhaka : _____ years.

3.7 If migrated :

3.7.1 Native District : _____

3.7.2 Family members back : _____

3.7.3 Type of property including cattle in native place : _____

3.7.4 Monthly remittance (Tk) to family in native place : _____

3.7.5 Frequency of sending money: _____

3.8 Accommodation in Dhaka:

3.8.1 [] Rented [] Own [] Other arrangement (specify) : _____

3.8.2 If rented, rent (Tk) P.M. : _____

3.8.3 How did you find rented accommodation (specify) : _____

4. Self assessment/ opinion on current job/ activity requirement of training/skill

- 4.1 Are you satisfied with your present job/self employment activity? Yes/No (if yes go to 5)
- 4.2 If no, what are you searching? another RMG factory job; other than RMG factory job; self employment; loan/micro credit / any other (specify)
- 4.3 What type of new/ alternative job/self employment you are looking for and where (Give details of your plan) including requirement of capital, space, etc.
- 4.4 Do you have necessary skills/ training to undertake the proposed activity/job
- 4.5 What type of new skill/ up gradation of existing skills you think is required to realise your objective of new job/ employment (Give details)
- 4.6 How much you can spend on acquiring new skill / up gradation of skills and whether you have identified such trainer (Give details)

5. Post Retrenchment life-status of efforts at alternative livelihoods

- 5.1 Alternative job
- ☐ undecided ☐ identified the type of vocation
- ☐ acquired the required skills ☐ approached the employers ☐ got employed
- ☐ out of employment again ☐ searching for better employment ☐ any other
- 5.2 Self Employment
- ☐ undecided ☐ identified the type of activity
- ☐ planned the self employment activity ☐ mobilized the resources
- ☐ started the project ☐ failed in the project ☐ any other
- 5.3 Job search, assistance:
- 5.3.1 Who helped you to get your present job/work And what was the nature of help (write below)
- 5.3.2 How much time it took to get your present/previous (if unemployed) job/work :
- 5.3.3 Is your present job /work better than the previous job/work in terms of:
- > Status of the job > Salary
- 5.3.4 In case of previous job loss form RMG factory, Did you get any retrenchment compensation as per the law

- 5.3.5 Did you get any other cash compensation (Give details if any)
- 5.3.6 Were all your dues cleared on retrenchment (If not, pl specify)
- 5.3.7 If you have lost RMG factory job and are at present without work; How are you managing your livelihood
- ☐ Loan ☐ Savings ☐ Help from friends ☐ On other members of the family ☐ Others.....
- 5.3.8 How are you paying house rent
- ☐ Loan ☐ Savings ☐ Help from friends ☐ On other members of the family ☐ Others.....
- 5.3.9 Have you changed/forcibly evicted from rented accommodation after job loss Yes/No
- 5.3.10 If yes, please give how you got the new accommodation and who helped you
- ☐ friends ☐ family ☐ Colleague ☐ Others.....

Date
Place:

Signature of Interviewer

NOTE: The interviewer will attach a passport size photo and copy of the attendance card from the previous RMG employer for verification.

Appendix - 4

Comparative analysis of social security schemes (focussing on Health and Life insurance): Cases in Tanzania, China and India

General comments -

* Insurance based health care should not be treated as substitute to the existing (planned) services provided by the public health care institutions. rather it should be developed to complement the public health system.

Cases analyzed	Tanzania	Tanzania	China	India	India	Comments
	UMASIDA health insurance	Ingunga Community Health Fund	Health Insurance in China	SEWA - an NGO	Health Insurance for the workers by Govt.	
Sector / Activity / employment and Target Group	Informal sector	District level - voluntary participation from community with individual contribution.	Three types- 1. State owned,2. State owned but run by enterprise based industrial enterprises,3. collective enterprises subsidised by local govts.Civil servants, Employees and wokers in urban areas.	Informal Sector low income self employed	Workers in un-organised sector in various occupations and activities	
Size of the group	4500	50000	NA	2,00,000	NA	
Scheme focus	Health	Health	Health	Life and Health	Life, Health, Old Age	A mix of life and health insurance is well received however the focus or priority should be determined as per the need analysis of the group.
Contribution	USD12/person /year	USD10/person /year 50per cent additional contribution from the Govt.	Employer based*	Variable - Fixed deposit linked 50per cent paid by members	Rs.3 per worker per day contributed equally by the worker,state and employer.	Premium should be shared by employer as well as the employees; however an initial grant from govt. or facilitating agency should help easier roll out the scheme.
*size and distribution of beneficiaries	Small / compact	Medium		Large / Scattered		This guides in the planning and choosing ideal scheme framework ie., Centralized vs Decentralized

Appendix - 4

Cases analyzed	Tanzania	Tanzania	China	India	India	Comments
Organisational structure	Uniquely designed "Mutual Help Association" -	NGO in collaboration with Govt. - with community level participation	Multilayered govt. depts. Someyimes with enterprises.	Co-operative structure		Identified Agencies
Members' participation	High	Good		High		It creates ownership in the overall execution and management. Eg., SEWA model
Implementing Agency	Workers Organization	Community	State	Through its' own	State plus Insurance Agency	
Scheme design						

*Basic medical care is almost free (dependents pay 5(per cent); costs are charged to worker's welfare funds in their enterprises.

PROSPECTS	* Good organisational structure	* Good participation from the	* Its' primarily a employee	* Very good organisational structure	* Comprehensively designed.
	for smaller groups in compact area.	community reflects successful	contribution scheme - but	helped good implementation and	
	* Well structured selection criteria	implementation of the scheme.	is indirect as the medical	management at the grass root level.	
	for the medical care service providers	*Well structured executive body at	care costs are charged to	* Deposit linked insurance -	
		District, ward and village level.	workers welfare fund.	the premium is paid by the interest accrued	
			* Load on Govt. exchequer	on the deposit, No dependency on Govt.fund	
			is decreasing and so for the	* Premium is based on the family/members of	
			eterprises as well. However	the family - offering options to choose.	
			the contribution from the employees is increasing.	* There is also an option for Annual premium or fixed premium.	
				* Well laid out structures for claim and claim settlement	
				* Fixed ceilings of compensation	

Appendix - 4

CONSTRAINTS	* The organisational structure	* The organisational structure	* It's all govt. initiated with	* High rate of rejection of claims vs honoured claims,	* Execution is questionable.
	will be difficult to cover large geographically scattered beneficiaries.	is too complex (multiple layers) for the smooth implementation of the scheme.	little room for intervention by private agencies	* Preventable illness- coverage not clear	
	* Upscaling to large no. of beneficiaries	* Lack of information flow -	* Lack of rational mechanism	* Flexibility in the premium options and compensation categories	
	also is constrained due to highly centralized structure,	resulted in poor co-ordination at the executive level,	to fund/contribution, * Lack of effective	is good on one hand for better cost effectiveness of the scheme but it	
	* Since the contribution is fixed,	* Service providers are mainly from	mechanism to restrain	gets complicated in settlement issues and	
	the members may overuse the service -	Govt. sector (as no private service	service providers and	understanding of the scheme	
	poor control mechanism.	providers were there)	beneficiaries for their	per se by the downtrodden classes.	
	* Complicated operating methods -	* Scheme is dependent on the 50per cent	inclination towards expensive		
	capitation fee, case by case method	contribution from Govt. - thus	services,		
	or enterprise clinic - leads to poor	sustainability is questioned.	* people are used to free		
	management and control.		medical services and are		
	* For smaller groups of workers		unaware of rising cost -		

Appendix - 5



PROPOSAL

FOR IMPLEMENTATION OF MEASURES TO SUPPORT THE ESTABLISHMENT OF THE LABOUR WELFARE FOUNDATION

ACCORDING TO LAW NO. 25 OF 2006

I. INTRODUCTION

1. The Government of Bangladesh, Ministry of Labor and Employment, has established the Labor Welfare Foundation under the recently enacted law titled Labor Welfare Foundation Law No. 25 of 2006. The Law has been notified in the official gazette dated, 6th July 2006. The Welfare foundation is governed by a Board of trustees, chaired by the Minister of Labor and Employment and Secretary, MoL as Vice Chairman. The Board is tripartite in composition with total membership of twenty representatives including the Chairman and the Vice Chairman. There are seven representatives from the GOB Ministry of Labor, Jute, Cotton Industry, Expatriate Welfare, Law and Commerce. In addition the board also consists of four members representing the National Trade Unions, five from the Employers Federation and one workers representative.
2. The ADB funds TA 4320 Social Protection for retrenched female workers in the RMG sector in the context of the changing trade environment as a result of the expiry of the Multi Fiber Agreement in January 2005. The Ministry of Women and Children Affairs, GoB is the Executing Agency with the objective to provide social safety net measures for the retrenched women workers. The present note proposes to support the GoB in the establishment of the Labor Welfare Foundation from the funds available in TA 4320.

II. Activities of the Labour Welfare Foundation:

3. The activities to be undertaken under the foundation are wide, including provision of financial and other assistance to the deserving and needy workers and their families.

The activities comprise:

1. Undertake projects and implement them for the welfare of workers and their families;
2. Provide financial assistance to disabled and other workers who are unable to work;
3. Provide medical and financial help to sick workers;
4. Provide financial help to the family of a workers who dies in accident;
5. Provide financial support and scholarship to gifted children of the workers;
6. Introduce Group life Insurance for workers, the premium to be paid from the fund;
7. Organize different activities for collection of funds and administration activities.

III. Mobilisation of Funds

4. The Foundation shall mobilize funds under the statutory requirement of the Companies Profit (Workers Participation Act, 1968) Act No. XII of 1968. According to the Bangladesh Labor Code, it is applicable to a company in which hundred or more workers are employed in any shift at any time and the paid up capital as on the last day of its accounting year is at least Tk. one Crore or more and the value of the fixed assets is Tk two Crore or more. Under the Act two funds are established, managed by a Board at the company level which include :
 1. Participation Fund
 2. Welfare Fund.
5. The Company contributes five percent of its net profit to the participation fund and the welfare fund in the ratio of 80:20.
6. Section 242, Utilization of Participation Fund: Two third of the amount deposited in the Participation Fund every year shall be distributed in equal proportion to all workers in cash and the one third shall be invested.
7. Section 243 Utilization of Welfare Fund: the amount deposited in the Welfare Fund shall be utilized for such purposes and in such a manner as the Board may, with the approval of the Government, decide.
8. Section 249, Funds Benefits to be in Addition to other Benefits: The benefits to workers under these funds shall be in addition to and not in substitution of any other benefits to which the worker will be entitled under any law, contract or terms and condition of employment etc.

IV. Social Protection in RMG Sector

9. TA 4320 developed a Social Protection Strategy and set up pilot projects in two residential clusters in Dhaka to test and verify the amelioration measures designed to mitigate the risk faced by the retrenched workers. The key components of the pilot projects were :
 - Tracking and Identification of Retrenched female workers through Survey
 - Livelihood Counselling
 - Redeployment Assistance
 - Retraining
 - Awareness Creation
10. A survey of the target groups helped in identifying the displaced workers and examining the employment conditions and level of social protection available to and needed by the RMG workers. The Nodal agencies surveyed 8,800 workers and provided livelihood counseling to 1,756 workers. The project activities facilitated the redeployment of 300 workers back into the RMG sector and others into activities like shoe and sandal making, security, embroidery, shopping bags etc. The survey of the RMG workers and research undertaken by other institutions indicate that there is considerable ground to be covered in ensuring the minimum of social protection suggested under the labor laws. The survey has covered mostly workers working in the small and medium enterprises in Rampura and Mirpur (for more details see the attachment).

V. Conclusion

11. The Labor Welfare Fund set up by the Labor Ministry is a desirable initiative for the pursuing the goal of welfare support to distressed workers. The proposed activities focus on workers as well as on the families and thereby take into account family welfare.
12. However, the constraints for providing the welfare measures will be mainly the availability of adequate financial resources for the foundation. It appears that there is no statutory backing for collection of necessary resources from the stakeholders. It is therefore understood that the foundation aims to provide social assistance to the needy and the criteria for those in need is yet to be defined. In view of uncertainty in the availability of financial resources there is an inherent problem of lack of sustainability of the fund unless these and other details are carefully elaborated.
13. While social assistance to the distressed is a state responsibility, it is not an alternative to the contributory schemes for setting up a meaningful and sustainable social protection system. Social Insurance is also distinct from social assistance as it seeks to cover the economic and social aspects of risks and vulnerabilities faced by the entire RMG workforce uplifting their social status and is not limited to economic transfers to the marginalized or the economically inactive or disabled workers. Social insurance is no alternative to social assistance; it is complementary and needed even by those who are not belonging to the group of most needy. It means to share risks and to avoid falling into poverty because of crucial life risks like serious disease, maternity, death of breadwinner, accidents, old age.

14. The survey findings together with the interaction with various stakeholders and NGOs suggest the need for developing an integrated system of social protection for the RMG workers comprising as suggested by the Labor Welfare Foundation Law social assistance as well as social insurance. It must be emphasized that in developing such a system a sector based approach rather an individual enterprise based scheme is recommended. Sector approach means that the welfare and insurance arrangements are not based on the individual enterprise but are managed by an industry, region or country wide institution like the Labor Welfare Foundation.

The sector wide approach has the following advantages:

- The risk is shared among many enterprises and lies not on one single enterprise;
- The administration is less costly and much more efficient and effective;
- The need for one to one employer employee identification is not necessary and therefore is more acceptable to the employers;
- The schemes being contributory in nature involving Employers, Government and the workers make the stakeholders more accountable;
- The sharing of the financial burden leads to a more affordable and financially sustainable system without putting the entire liability on the employer;
- It is also an equitable arrangement for mobilization of funds as it will result in cross subsidization of the scheme and of the groups of individuals and employers;
- The workers will have a unique social security number or identification number for availing the benefits of the scheme even with job changes.

15. The existing institutional arrangement for implementation could be mainly that of supervision and control while the social protection and social insurance schemes can be implemented through Public Private Partnership. It must be noted, that the Welfare Foundation and its activities neither overlaps nor conflicts with the framework for a social protection system. On the contrary: The Welfare Foundation can be the framework for a comprehensive tripartite social insurance and social protection arrangement.

VI. PROPOSAL

16. From this background, it is proposed to support the comprehensive social protection and social insurance arrangement as suggested within the framework of the Labor Welfare Foundation under the Ministry of Labor. This requires the following activities, which partly can be funded under TA 4320 and which should support the establishment of the Labor Welfare Foundation and its Board:

-Elaboration of a proposal for the detailed design of the welfare and insurance scheme, including detailed description of the benefit schemes, membership rules, contributions, administrative and organizational arrangements, financial management. This should be done in the framework of the Law 25 of 2006;

- Elaboration of a proposal for detailed legal regulations under Law No. 25 of 2006, regulating the organization, functioning and legal provisions for the social assistance and social insurance benefits, to be approved by the Government following the constitutional arrangements in Bangladesh;

- To elaborate a proposal for an implementation plan for approval of the Board of the Social Welfare Fund and the Ministry of Labor;

- To present alternatives taking into account international best practices and the view of the main stakeholders in Bangladesh for information of and decision by the Board and the Ministry of Labor;

- To put all this together in a document that will be presented to the Board of the Labor Welfare Fund once it is established and to the Government.

These activities would last 6 months and could start on June 1, 2007 after approval of these by the GoB. Within the framework of these activities the following inputs would be funded from TA 4320:

- Workshops and capacity building activities (20per cent of the funds);
- Local expertise from specialists and stakeholders and international expertise as far as seen necessary by the Board and the Government (60per cent of the funds);
- Equipment, travel costs, miscellaneous (20per cent).

The approval of the GoB is requested to proceed in this manner. Detailed costing and TOR will be elaborated immediately when the GoB in principle agrees to this proceeding.

Centre For Policy Dialogue, 2007. State of the Bangladesh Economy in FY2005-06 and Outlook for FY2006-07. Dhaka : CPD.

The World Bank, 2007. Dhaka :Improving Living Conditions of the Urban Poor. Dhaka: World Bank, BDS Paper No.17. Available from: [http:// www.worldbank.org.bd/bds](http://www.worldbank.org.bd/bds) [Accessed Date : 31 October 2007]



Adam Smith
INTERNATIONAL

Adam Smith International Ltd.
3 Albert Embankment London SE1 7SP, UK
Ph.: +44 (0) 20 7735 6660 Fax: +44 (0) 20 7793 0090

Adam Smith International (India)
Bharat Yuvak Bhawan, 1, Jai Singh Road, New Delhi 110 001
Ph.: +91 11 4150 2291 Fax: +91 11 4150 2292

www.adamsmithinternational.com