**Current Developments in Bangladeshi Textiles**

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Bangladesh’s prime minister has offered a stern response to the striking garment workers amid some deadly clashes over pay. After unions rejected a government offer, Prime Minister Sheikh Hasina on Friday last week rejected the demands of the protesting workers for a higher pay rise. The premier insisted that they accept the offer on the table or “go back to their villages”. Union leaders expressed concern that her words could provoke more violence from police and security forces. Large protests have resulted due to at least three deaths over the past two weeks. In response, a government-appointed panel agreed on Tuesday to raise the minimum wage by 56.25 percent to 12,500 taka ($113). However, unions swiftly rejected the offer, demanding instead 23,000 taka ($208), and the unrest has since continued. Bangladesh’s 3,500 garment factories account for about 85 percent of the country’s $55bn in annual exports, supplying many of the world’s top brands including Levi’s, Zara and H&M. But conditions are dire for many of the sector’s four million workers, the vast majority of whom are women whose monthly pay starts at 8,300 taka ($75). Amidst all this the prime minister has been taking a rather tough stand, even at the cost of her popularity with elections just round the corner: “I would say to the garment workers: they have to work with whatever (level to which) their salary is increased, they should continue their work. If they take to the streets to protest at someone’s instigation, they will lose their jobs, lose their work and will have to return to their villages. If these factories are closed, if production is disrupted, exports are disrupted, where will their jobs be? They have to understand that.” She was furious that 19 factories were “attacked and destroyed”, businesses that “give them bread and butter and food and employment”.
With Bangladesh being our major competitor in textile exports, it would be prudent to see how we stand in the same area in comparison, meaning how do we fare in its comparison when it comes to labour costs (wages) in Pakistan - as we know wages are a very important factor in the international competitiveness of the textile sector. Wage increases in Bangladesh are taken every 5 years, whereas here it is annual exercise. Meaning, the last wage increase in Bangladesh was in 2018 and now with all the current fuss being witnessed there, it in essence relates to the 5 years’ due increase in 2023. Currently the minimum wage in Bangladesh is Taka 8,200/- or about $75 per month. Here in Pakistan it is at present PKR 32,000/- or about $113 per month. Correspondingly the associated overtime-calculation in Bangladesh is @ $20 as compared to $70 in Pakistan. Bonus & Gratuity/Provident Fund plus EOBI/SESSI contributions total $13/person (Note: there are currently no EOBI/SESSI levies on exports in Bangladesh) over there as compared to $60 per person at our end. Within this, if we break it up further, the basic salary (on which all dues are calculated) is $41 (55%), whereas in Pakistan it is $79 (70%). Additionally, a compound differential that occurs due to an export friendly policy framework in Bangladesh relates to the cost on overtime payments, because in Bangladesh it is calculated as the hourly rate based on basic salary, whereas in Pakistan it is double the hourly rate based on gross salary. The latest situation at the time of writing this column is that on Saturday last week, the manufacturers invoked Section 13/1 of the labour laws on export oriented industries and shut almost 150 factories indefinitely in the major export industrial towns of Ashulia & Gazipur citing illegal strikes. Ashulia is home to some of the biggest Bangladeshi factories, with some employing as many as 15,000 workers in a single multi-storied plant and supplying to almost all the leading global brands and chains including Walmart, Amazon, etc. The government is standing firm behind the exporters by stating that it will not allow any one to play with the economic future of the country. For now it seems to be complete deadlock with neither side willing to budge.
So, where will this impasse lead to? Well, at least for now, not surprisingly the benchmarking, both by the Bangladeshi government and the factory owners, is being done with realities in Pakistan. The main argument being that if they accept the unions’ proposals, it will take the wage cost to becoming much more than in Pakistan and this is something that they can neither afford nor allow! Ironically, the manufacturers in Pakistan on the other hand have been operating with this dichotomy for almost quarter of a century now. And this not withstanding the fact that numerous other cost inputs that are also being subsidised to the Bangladeshi textile exporting factories in fact account for even a wider competitive advantage than the mere wage differential; namely in energy and gas prices, lower sales tax slabs and significantly lower borrowing rates. Naturally, all these make it almost impossible for the Pakistani producers to globally compete with their Bangladeshi counterparts. The results and trends between Bangladeshi and Pakistani textile exporters are there for everyone to see. One takes it that our caretaker minister handling the textile portfolio is quite a vibrant character who draws his strength from this very sector and today under his watch, it will be interesting to see on how swiftly can we respond to this brewing opportunity for capturing an enhanced international market share, because this window may not last for very long!