

A Study Report on the Labors of Informal Sectors in Bangladesh: Through Analysis of the SGRA Research Project

Takaharu Okuda ¹

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his is the revised report for making some suggestions to the Japan International Labors Foundation (JILAF) for the purpose of analyzing present labors' conditions of informal sectors in Bangladesh and making some contributions to improve them as a part of the Supporting Grass-Roots Activities (SGRA) research project in which

*I was engaged as advisory member in 2011. The SGRA project was organized by the JILAF on the research of socio-economic conditions of the labors of informal sectors in several countries of the Third World and carried out from November to December in 2011 in case of Bangladesh. It showed us their real situations to some extent by focusing on various aspects of their labor conditions and livelihoods through more than 320 samples in total. It was doubtlessly meaningful material for us not only as academic tool for understanding them but also as sociopolitical one for reformation which must contribute to improve their working conditions and social status.
(Author)*

¹ Professor, Faculty of International Studies, Bunkyo University

I. Overviews of recent macro-economic performances and the labors of informal sectors in Bangladesh

Although Bangladesh was once regarded as a typical country of the Least Developed Countries or LDC's, it has been achieving relatively high economic growth. Its GDP growth rate in FY2010 (ended June 2010) was 5.8% and the prospect of it in FY2011 is to be 6.7% as well as to be 7.0% in FY2012. The main engine of it is export of labor-intensive industrial products, especially readymade garments which occupies nearly four-fifth of total exports. The forecast of growth rate of merchandise export will be 21.0% in 2011 and 22.0 in 2012.² It shows the fact that Bengali economy has been on the road of export-oriented industrialization which will bring this country to cause drastic economic and social transformation.

However, in spite of remarkable development in recent years, the circumstances of Bangladesh's labors in informal sectors are far from being improved. Because of prevalent poverty in rural areas, many people who cannot make their livings are forced to be pushed out from their home places and flowed into cities. For the reason that low-skilled labor powers can only entry into jobs of low-barrier of miscellaneous duties, they are very difficult to be absorbed by manufacturing sectors. As the result of it, they are obliged to settle in the "service sectors" which have, however, not any base of the development of primary and manufacturing industries. Thus, the labors in the "service sectors" are called those of informal sectors, meaning that they are not recognized as "formal" work-

ers for securing minimum wage or humane standard of livings as well as being fixed on the lowest class of the society.

Needless to say, they are very poor due to low income and unstable job access. Moreover, surging inflation in recent years³ urged them to degrade into more severe labor circumstances. Lack of education and poor opportunities of vocational training deprives them of possibility for being freed from the "vicious cycle of poverty." It is very difficult for them to get skill-up access and bigger income by their own efforts. However, the detail situation of them has not been so clear till now. Because there are so many sorts of "informal" labors in this country and because of their diversities and lack of information on their livelihoods, we have not been able to understand their real situations exactly. The data sampled by the SGRA research project for more than 320 cases through individual interviews from the labors working in the Bengali informal sectors could give us very meaningful opportunity to know their labor circumstances and livelihoods.

II. Analytic considerations from the results of the SGRA research

The research was performed in several Bengali cities including Dhaka, Chittagong, Mymensingh etc., through direct interview with several informal sectors' labors such as rickshaw, barber, rice boiler, porter etc., sampled more than 320 in cooperation with each local labors' union. Summarized data of the research can be referred in Table 1.

² Source: ADB, *Development Outlook 2011, Outlook 2011 Update and Key Indicator for Asia & Pacific 2010*

³ Forecasted inflation rate indicates 8.0% in FY2011 and 8.5% in FY 2012. Source:ADB

Table 1 Labors' Conditions and Circumstances of Bengali Informal Sectors

Jobs	Rickshaw	Barber	Boiler	Porter	Const- ruction	Tailoring	Hawker	Ghat*	Domestic Worker
Sample Numbers	62	20	20	20	20	40	103**	20	20***
Average Age of the sampled Labors	42.3	34.5	39.4	29.9	41.1	29.9	37.1	46.9	34.1
Education Carrier(at final stage:%)									
Primary	55.6	55.6	60.0	60.0	52.5	45.6	71.4	21.4	10.0
Junior High	11.1	35.0	0	10.0	32.5	23.3	14.3	14.3	10.0
High	1.6	10.0	10.0	5.0	0	19.4	5.0	0	0
University	0	0	0	0	0	2.9	0	0	0
No enrollment	23.9	0	30.0	25.0	15.0	7.8	9.5	57.1	80.0
Average Income/month (Tk)	4060	6150	2582	4833	6354	3738	9000	6700	1590
Working Hours/day	10.0	13.0	10.7	12.1	8.9	9.0	13.3	9.0	9.4
Service Years Engaging in	20.0	19.8	19.5	5.7	20.4	8.0	19.5	9.6	3.4
Average Income/day (Tk)	228.8	537.6	92.5	183.6	340.3	155.0	313.3	894.3	50.0
Monthly Rent for Apartment (Tk)	825.4	1325	78.5	-	1286.3	2163.7	2238.1	822	3950.0
Debt Outstanding in Average (Tk)	27889	7050	2030	11350	34675	15147	61667	47571	3950
Maximum Debt Outstanding	200000	40000	50000	30000	150000	200000	250000	200000	20000
Minimum Debt Outstanding	0	0	600	0	0	0	0	0	0
Average Debt/Monthly Income(%)	687	115	79	235	717	405	685	710	248

* Ghat: Porters working at river and sea ports

(as of December,2011)

** Due to invalid answers from the interview, the valid samples were 75.

*** Due to invalid answers from the interview, the valid samples were 11.

As the result of the research, I can point out some characteristics as below,

1. According to the research in some labor unions, monthly income of the labors was various in each job. Average income per month was 4,060Tk of rickshaw workers, 6,150Tk of barber workers, 2,582Tk of rice boiler workers, 4,833Tk of porter workers, 6,354Tk of construction workers, 3,738Tk of tailoring workers,

9,000Tk of hawker workers and 1,590Tk of domestic workers. However, it is clear that the income level of the whole labors of informal sectors is very low. Also, they have worked very hard. Their working hours per day in average was 10.0 hours of rickshaw workers, 13.0 hours of barber workers, 10.7 hours of rice boiler workers, 12.1 hours of porter workers, 8.9 hours of construction workers, 9.0 hours of tailoring workers, 13.3 hours of hawker workers and 9.4

hours of domestic workers. These data shows us the fact that their labor conditions are rather hard in consideration with their working efforts.

2. The research shows us evidence that most of the labors of informal sectors have come from rural areas, those who are forced to be “pushed out” from by extensive poverty in their native places. Because of insufficient development of manufacturing industries, though they have been growing rapidly in recent years, many rural people with poor job skills are pushed out and have come to take low-income and less-skilled jobs of informal sectors in the cities. For this context, our understanding on prevalent poverty in Bengali rural areas is essentially critical issue for overcoming the difficulties on improving their labor conditions as well as securing their income.
3. In relation with the above-mentioned, educational carrier of the sampled labors is very low. In each union, some of them had no access to school and more than half of the labors had stayed on primary stage. There are rare cases of them who have educational carrier of secondary and more. In Bangladesh, proportion of pupils who can reach to the last grade (grade 5) of primary school is only 54.8%⁴ which seems to be same average number of the labors researched. However, the concept of their “carrier” does not always mean their real situation. Some of them may mention to their “carrier” just as the experience having gone to primary school for a few years and dropped out before graduation. Their

opportunities for education access must be considered very small. Not so large number of literacy rate of 15-24 years old (74.4%)⁵ in this country may be a proof of it. For this reason, the sampled labors’ abilities for understanding their livelihoods of status quo and their futures are limited, and thus, it is worried that they cannot make their better livings with rational way of thinking.

4. On the issue of their debt. In the research, average rate of the sampled labors’ debt outstanding per annual income (their monthly income×12) was 57.3% of rickshaw workers, 9.6% of barber workers, 6.6% of rice boiler workers, 19.6% of porter workers, 59.8% of construction workers, 33.8% of tailoring workers, 57.1% of hawker workers and 20.7% of domestic workers, relatively high level in comparison with their income. It means the fact that most of them have relatively big debt for securing their family more than their small earnings. Though the main lenders of them are Non-Governmental Organizations such as ASA which lends them money with moderate lending interest rate (16-18% per annum) through the scheme of micro-credit⁶, not vicious usurers, increasing debt becomes big burden for the borrowers. We can find out some labors having so large amount of debt of 200,000-250,000Tk in the research. In short, to escape from their imminent economic hardship, they have general tendency to lend money without any appropriate prospect for repayment. Their growing burden of debt will

⁴ As for 2005, source: ADB

⁵ As for 2008, source: ADB

⁶ According to the announcement of ADB, the average lending interest rate is 14.6% per annum in 2009 in Bangladesh.

suppress their wishes for making better living standard in the long run. So, unless rational guidance of the payment scheme was applied to them, growing debt pressure might lead them to be more difficult economic situation from which they could not be liberated their present poor standard of livings.

5. The research also shows us the fact that the sampled labors have been engaged in their jobs for long years, contrary to the established academic theory of development economics that liquidity of labors is regarded as relatively high because of low barriers for their entry and retreat in informal sectors. In reality from the research, however, their average continuous service years in each union was 20.0 years of rickshaw workers, 19.8 years of barber workers, 19.5 years of rice boiler workers, 5.7 years of porter workers, 20.4 years of construction workers, 8.0 years of tailoring workers, 19.5 years of hawker workers and 3.4 years of domestic workers. It shows us the unions' social significance for securing jobs for their members, to some extent. For, their bargaining powers surly restrain the employers' arbitrary intentions to the labors, even though they might be small. Also, it will suggest us difficulty for the labors to have opportunity for their skill up. Once they take jobs in the specific informal sectors, their possibilities for career up access become so confined, this is due to their daily hard works and insufficiency of opportunity for their skill up training. Their tendency of fixing on simple and low-income jobs is one of the hardships to improve their living standard.
6. Through the research, we can understand the unions' contributions for improving their mem-

bers' working conditions and socio-economic status. Many sampled labors answered that their membership surly reduced their risk of layoff as well as securing their income, for example. On the other hand, the research shows us the fact that some of labor unions have very close relation with the established political parties. Several union members are often mobilized in political campaigns of the parties such as joining in demonstration, assembly etc., which may disturb them from earning in daily jobs. In consideration with the fact that the priority of labor union should be focused on encouragement to their members' efforts for improving their working circumstances, it is doubtful that some unions tend to make use of their members for power struggle between the parties. For, most of union members have little interest and knowledge on national politics. Dependence of labor movements on politics, i.e., subordination of labor unions into the political parties may cause confused situation in Bangladesh. It often becomes in reality that political conflict has brought not only social chaos on Bengali society but also economic distortion to all labors, especially those in informal sectors.

7. Difficulty on financial sustainability is big issue for developing labor union's social significance in informal sectors of Bangladesh. Because of their members' poor economic conditions, most of the unions interviewed replied that they had difficulty to collect their union dues. Some unions of rice boiler or barber workers have been obliged to stop collecting dues from their members because of their poor income. For the sake of developing their activities, it is neces-

sary for them to establish appropriate collecting union dues system as well as to make efforts for getting aid from the organs of the authorities.

III. Some proposals for making plan of actions

1. Majority of the interviewed labors replied that they are in favor of getting opportunities of vocational training for upgrading their skills. On the other hand, however, they did not realize the significance of basic education. Needless to say, basic human skills such as those of literacy and calculation are essential tool for their skill up and human development. In Bangladesh, many NGOs have developed so-called non-formal education to the poor children. But, for the illiterate adults, they have little opportunity to access “re-education” of basic human skills from their working places. From the medium and long-term point of view, necessity of establishing opportunity for their re-education of basic skills is very large. However, as they afraid that it may make them expense their opportunity cost in short-term point of view, all they are not positive to take it. So, for the labors in informal sectors, we need to organize the comprehensive training programs in which we can combine skill up training for their present jobs or job change with classes of re-education on basic human skills which enable them to achieve their carrier up, i.e., increasing opportunity of job change to the formal sectors. If labor unions could take initiative on these programs and donors could support them, they would get more respects and reliance of the labors and the significance of labor union would be recognized among them. These programs would also encourage unions’ sustainable activities by the members’ increasing dues.
2. Unstable employment and low wage are remarkable characteristics of the labors’ status quo in informal sectors. They are the main reasons of their poverty as well as main difficulties disturbing socio-economic development in the Third World. In most of the developing countries, labors in those sectors have no security of minimum wage, legal employment contract and appropriate standard of working hours. It is clear the labor unions in these countries should make efforts to establish these schemes even in informal sectors as well as their governments should do. In this context, the developed countries and their organs can provide diverse measures such as funds, technological know-how, study on legalization of the labor standard law etc., for supporting their efforts.
3. Change of the labor’s economic consciousness is necessary for achieving his better living of standard. Many labors of the informal sectors in Bangladesh tend to borrow money easily for escaping from immediate economic hardship, and as the result of it, they have been sinking down in more miserable situation by increasing debt. To prevent them from increasing debts, it is necessary for us to make them foster rational consciousness on security of their livelihoods by their own hands. For this, establishing the schemes of consultation and assist for their life-planning will be useful. And they will be significant not only for the labors but also for their unions. If any union could organize these schemes, their role for the members must become very important and they could occupy better social position. Of course, we can support

them with appropriate aid and dispatch of the experts on this issue.

4. Many experts on development economics point out the fact that growing informal sectors of cities in the Third world are one of the results of prevalent rural poverty. Most of the labors come from their native villages whose poor circumstances forced them to push out into urban areas for getting jobs. Considering the issue of poverty of informal sectors' labors, we should not exclude that of rural poverty. They are nothing but both sides of one coin. So, we need not only to cope with the labors' socio-economic improvement of informal sectors, but also to do with rural socio-economic reformation through programs such as relief projects for landless farm labors, schemes for land redistribution, supports for poor peoples' joint-self help efforts through microcredit etc. It is essential that synthetic and integrated socio-economic programs for relieving poor peoples should be organized and performed by many organizations having concerns on jointly and cooperatively.
5. Though Bangladesh's real relations between some labor unions of informal sectors and the political parties are not clear, the first role of labor unions must be focused upon improvement of working circumstances of the labors not upon power struggle in politics. It is worried that some labor unions can be easily made use of by the specific party's authority as end tool against the opposite one. In the complicated Bengali political context, subordination of union to the political parties might cause unstable confusion for securing employment and income of the labors. In addition, old-fashioned political structure remains firmly in Bangladesh which

has passed 40 years since its independence and lack of transparency of political money flow makes corruption rampant as well as strengthens bureaucracy and authoritarian regime in this country. It is hoped for all people having concerns on the issue of labors' social status quo, especially for any leader of any labor union to reconfirm the axiom that labor union exists for the sake of their members' socio-economic benefits not for any political party's interests and political party exist for the sake of peoples' benefits not for itself in democratic society.

6. Nevertheless the fact Bangladesh has been performing remarkable economic growth in recent years, social conditions of the labors in informal sectors are still in hardship. They always face at the risk of unemployment and degradation of their livelihoods because of poor working conditions. Recent economic growth will not be able to solve their situation instantly. Rather, as Simon Kuznets' pointed out in his economic theory of inverted U-shaped relation between income disparity and economic growth, economic growth will bring the increasing Gini coefficient to Bangladesh in the beginning stage of economic development. It means their hardship will increase in accordance with growing economic disparity from now on, unless any appropriate measures had been applied to them. Unions' effort for raising their members' wage in negotiation with their employers is the first step for improving their working conditions as well as securing their jobs. And the government should take actions for improving their social status. Of course, the governments and organizations in developed countries should also hold out their helping hands to them who have

desired to achieve their socio-economic self-independence, that is, support for their efforts of empowerment.

Conclusion

The SGRA research project suggests us a part of difficult situations and hardships of labors in the Third World. In the underdeveloped circumstances, most of them are obliged to engage in informal sectors. Most of them cannot secure wage enough to support the livelihoods of labors and their families, while they can entry into them without high-skills and education. However, due to the unsustainable labor circumstances, they cannot be freed from poverty easily. In this context, our efforts for making assistance to them should be focused on the “qualitative” aspects such as human development or empowerment of them not just on “quantitative” ones such as money donation or technological transfers. Bangladesh, called one of the “Next 11,” is promising country in the future. We, Japanese can keep better friendship and cooperation with Bengali people from now on.

***[Additional Note]**

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