

Co-operatives for garment workers in Bangladesh

Introduction

This paper is not a project proposal, it is more in the nature of a think piece. It has been produced following a recent visit to Bangladesh by Just Solutions Network.

During the visit, press reports referred to demands by workers for fair price shops. This concept of fair price shops is widespread in South Asia; in the Indian system, they are part of the Public Distribution System, which targets people living below the poverty line. Basic commodities are sold at a subsidised rates to people who are able to demonstrate that they formed beneath the poverty line, and they are issued with a ration card.

In some enterprises and sectors, fair price shops operate on a “no profit no loss” basis and can be organised by the employer, or by a trade union in the workplace. They are often set up as a consumer co-operative.

Another problem frequently referred to by garment workers is the question of transport. This is not just a matter of the cost of transport to and from work, there are also problems with dangerous driving, and the personal safety of women workers.

Finally, another ongoing issue is the question of childcare. While manufacturers have now made steps towards providing creches as per the law, there is still reluctance by many garment workers to use them. Community-based childcare may be a more convenient option for working parents.

Delivery of these three services (fair price shops, transport and childcare) could well be more efficient on a community basis rather than on a factory basis. The question is, how could this be organised?

Co-operatives

At this point, it's important to make some general points about cooperatives. The official definition of a co-operative was agreed in 1995, by the International Co-operative Alliance (ICA). A co-operative is:

an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

Note the key words: autonomous - voluntarily - enterprise.

A co-operative can take different forms, depending upon the membership. If a group of dairy farmers come together to set up a cooperative, to process and market their milk, then that is called a producer or agricultural co-operative.

In the context of the Bangladesh RMG workers, what is proposed is a consumer co-

operative, or more likely a number of co-operatives. In this model, the members/owners are the consumers of the goods or services. The workers will use the shop, the transport and the childcare. And they will also be the member/owners.

As an enterprise, the co-operative has to make a profit. It is up to the members to decide how the profit is distributed. The normal model in a consumer co-operative is to distribute profit to members in proportion to the trade or business that they have done with the co-operative. So, in a situation where a co-operative can declare a 5% dividend, a member who spent 10,000 taka at the fair price shop in a year would receive a dividend of 500 taka. A member who had spent only 1000 taka would receive a dividend of 50 taka.

Not all profit has to be distributed as dividend, the members can choose to retain it for investment, or distribute some of it to a good cause. The point is that the members must decide democratically how the profit should be applied.

Some potential advantages of the co-operative model in the RMG sector

Co-operatives could be a good way of organising workers in a way that employers would not find threatening. It would give workers practice in running their own organisations, meeting together, handling constitutions and conflicts.

Because the co-operatives would be an enterprise, this will provide a very practical example to workers of the need for enterprises to balance different requirements to make a profit, or at least avoid a loss. If the members tried to set the prices too low, because they wanted goods and services very cheaply, then the co-operative would soon be bankrupt.

International brands, as well as factories, could contribute to some of the capital set up costs, for example by sponsoring a bus.

It might be more cost-effective for employers to work through a co-operative model than provide services themselves. For example, rather than running a creche, employers could provide payment, possibly through a voucher to a worker. This could be exchanged at the co-operative.

Could co-operatives work in the RMG sector?

Bangladesh does have a history of co-operatives. The British rulers set up the legal framework for cooperatives before the First World War and encouraged them. During the Pakistan period, co-operatives were heavily promoted in the rural and urban areas. In the post independence period, the reputation of co-ops was damaged by corruption and diversion of funds by the leadership. The early 1970s was a period of massive corruption, so it must have been truly spectacular in the co-operative movement.

Co-operatives come under the Ministry of Local Government, Rural Development and Cooperatives. There is a recognition that the law and practice needs updating.

The Bangladesh law, modelled on the old British law, currently provides too much power to government, and insufficient autonomy to co-operatives.

The biggest threat is the inability of workers to run a viable enterprise. Professional management and staff would need to be employed, and would need to be measures put in place to ensure that these people did not divert income and profit to their own pockets.

Workers would need to elect a management committee, or board of directors, to run the co-operative. There have been many problems in the countries of the directors misusing their position to benefit themselves.

It would therefore be vital to set up any co-operative on the basis that it has to be an enterprise that seeks to make a profit.

Additional points of interest

- There is an interesting link with labour standards. The International Labour Organisation, which of course provides the international labour standards that underpins codes of practice, is also the UN agency responsible for cooperatives. In fact there is an international labour standard on cooperatives, namely ILO Recommendation 193 on The Promotion of Co-operatives, adopted in 2002.

Next steps

It would be very unwise to rush into establishing co-operatives for RMG workers in Bangladesh. The first step would be to undertake feasibility studies into the possible business areas, namely fair price shops, transport and childcare. At the same time, further research will be needed into the legal and institutional framework of co-operatives in Bangladesh.

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