Privatisation and workers' quality of working life in Bangladesh: A case study of five privatised enterprises.

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Certificate of original authorship

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the thesis.

Signature of Student

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Abstract

Since independence in 1971, Bangladesh has relied on foreign aid as its major source of external finance. According to the Ministry of Finance of Bangladesh (2003, 2012), from 1971 to 2011 over US$54.5 billion in foreign aid has been provided to Bangladesh. Much of this aid has come from major international institutional donors such as the World Bank and the International Monetary Fund (IMF) and has been provided on the condition that the government commit to several reforms. One condition has been that the Bangladeshi government privatise its state-owned enterprises. To execute the privatisation programme efficiently, the Privatisation Commission of Bangladesh was formed in July 2000. According to this Commission (2010b, 2014), a total of 38 state-owned enterprises from seven government corporations were privatised by the Privatisation Commission during the period July 2000 - July 2014. By 2014, however, of the 38 privatised organisations only 14 were fully operational, while 20 had closed, three had changed businesses, and one was partly operational.

This thesis examines the arguments for and against privatisation as a condition of aid, in particular focusing on the impact of privatisation on Bangladeshi factory workers. Unlike most research on this topic, this thesis has gone beyond evaluating aid agency-directed privatisation in terms of its effects on profitability and other more readily quantifiable measures of economic performance, and looks more closely at the impact of privatisation on workers themselves. To do this the thesis presents the findings of five in-depth case studies on fully operational privatised state-owned Bangladeshi firms in the manufacturing industry that have been privatised by the Privatisation Commission and compares these cases with five government-owned and five privately-

owned organisations that are comparable in terms of industry and size. The case studies focus on the impacts of privatisation in terms of effects on workers' quality of working life. And, workers' quality of working life (QWL) are analysed according to the eight major conceptual areas of Walton's QWL model (1975).

The research finds that workers' compensation, job security, access to trade unions, and leave entitlements in most privatised case study organisations are less than their counterparts in comparable state-owned and privately-owned organisations. The study also finds that most privatised organisations have taken slightly better initiatives to develop staff capacities, though workers' health and safety at work, social integration, and social relevance of working life are not significantly different to those in the state-owned and privately-owned organisations.

These findings have important implications for the privatisation programmes in Bangladesh as the findings raise issues for those that wish to pursue the uncritical application of privatisation schemes. The findings highlight how these schemes are based on assumptions, broadly informed by neo-classical interpretations of economic development and subscribed to by major institutional aid agencies such as the World Bank and IMF, that private ownership leads to improved profits and private sector-led growth which, by extension, improves workers' conditions. This thesis argues that there is a need to reassess this approach through greater appreciation of the perverse affects of privatisation and renewed efforts to develop an approach that is more sensitive to the Bangladeshi context.

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List of acronyms/abbreviations

ADB	Asian Development Bank
BBS	Bangladesh Bureau of Statistics
BLL	Bangladesh Labour Law
BSCIC	Bangladesh Small and Cottage Industries Corporation
CAS	Country Assistance Strategy
DFID	Department for International Development (of United Kingdom)
EPZ	Export Processing Zone
FY	Fiscal Year
GDP	Gross Domestic Product
HDI	Human Development Index
IFIs	International Financial Institutions
ILO	International Labour Organization
IMF	International Monetary Fund
LDC	Less Developed Country
LEDC	Less Economically Developed Country
NGOs	Non Government Organisations
PRSPs	Poverty Reduction Strategy Papers
QWL	Quality of Working Life
SAPs	Structural Adjustment Programmes
SOEs	State Owned Enterprises
UN	United Nations
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

Glossary

Some terms commonly used in this thesis are defined in this Section.

Conditionality:

Conditionality is defined by Killick, Gunatilaka and Marr (1998, pp.10-11) as an effort to make policy change in return for loans or grants. According to the Oxford English Dictionary (2012), a condition is ‘something demanded or required as a prerequisite to the granting or performance of something else, a stipulation.’

Developing country:

A developing country has a comparatively low standard of living, an immature industrial base, and a low-to-moderate human development index (HDI) score. In developing countries there is low capital formation, low per capita income and extensive poverty (World Bank 2004; UNDP 2009). In academia, the current term in use is ‘developing country’ instead of ‘third world’. The term ‘developing country’ is also interchangeable with less economically developed country (LEDC) or less developed country (LDC).

Donor:

Countries, communities or international agencies which help, mostly in an economic sense, in response to humanitarian emergencies or to attain various socio economic goals are referred to as donors (Banerjee 2006).

Employment:

Employment is a contract between an employer and an employee. An employee can be described as a person in the service of another under a contract of hire, written or oral, where the employer has the right to direct the employee in the matters of how the work is to be executed (Garner 1999).

Foreign aid:

Foreign aid is the assistance, mostly economic, that is provided by governmental and nongovernmental agencies to achieve the social, political and economic development in developing countries (Rist 2002; Banerjee 2006). Foreign aid may be bilateral or multilateral. The government of one country gives bilateral aid when it is directly applied to another country. Many governmental aid agencies distribute bilateral aid, such as DFID (Department for International Development) in the U.K. and USAID (Malmqvist 2000). Multilateral aid is provided from the government of a country to international agencies, for example the IMF, the World Bank, or the European Development Fund and these agencies provide aid to other countries. Usually these agencies are governed by the contributing countries (Malmqvist 2000).

The use of the term 'foreign aid' in international relations is quite diverse. Foreign aid is also called development assistance, development aid, economic assistance or economic aid. The term 'Official Development Assistance (ODA)' has gained international use, which also refers to and substitutes for the term 'foreign aid'.

Official Development Assistance (ODA):

OECD (Organisation for Economic Co-operation and Development) provides a clear definition of ODA. OECD is an international economic organisation of 34 countries founded in 1961 to stimulate economic progress and world trade. It is a forum of countries committed to democracy and the market economy. The United States of America, United Kingdom, Germany, France, Japan, Canada, Netherlands, Australia, and Sweden are the member countries of OECD who give the highest amounts of ODA.

According to the OECD (1999), ODA is the official financing administered with the promotion of the economic development and welfare of developing countries as the main objective, and which are concessional in character with a grant element of at least 25 percent. By convention, ODA flows comprise contributions of donor government agencies to developing countries (bilateral ODA) and to multilateral institutions. The multilateral organisations encompass:

a) IMF (International Monetary Fund) and IDA (International Development Association), which share the largest portion of the multilateral ODA. IDA is the World Bank's fund for the poor countries.

b) UN organisations, such as UNDP (UN Development Programme), UNHCR (UN High Commission for Refugees), and IFAD (International Fund for Agricultural Development); and

c) Regional development banks, such as ADB (Asian Development Bank), AfDB (African Development Bank), and IDB (Inter-American Development Bank).

ODA is categorised as food aid, commodity aid and project aid. Food aid covers payment for food and costs associated with food supply such as transport, storage and distribution. Commodity aid represents funding for industrial raw materials, agricultural inputs, and commodity goods such as fertiliser and petroleum. Project aid is the financial assistance for projects and programmes, generally listed in the annual development programme (ADP). All types of aid come under the classifications of grants and loans. Grants are provided for free while loans are provided as credit which is normally on a 0.75 percent interest rate to be paid in 40 years with 10 years grace periods.

Poverty:

Poverty is a state in which a person or society is deprived of, or lacks the basics for a minimum standard of life and well-being. These basics may be material resources such as food, shelter, and safe drinking water, or they may be social resources such as education, health care, access to information, or the chance to build up meaningful associations with other people in society (Mosley et al. 2004).

The World Bank describes extreme poverty as living on less than US$1.25 per day, and moderate poverty as less than US$2 a day. It has been calculated that 1.22 billion people lived on less than US$1.25 a day and 2.4 billion people lived on less than US$2 a day in 2010 (World Bank 2013).

Privatisation:

Cook (1986) defines privatisation as the purposeful sale of state owned enterprises by a government to private proprietors. Major international institutional donors, such as the IMF and the World Bank, typically make privatisation a component of their Structural Adjustment Programmes (SAPs) which are based on specific interpretations of the value of economic liberalisation, competition, free trade, and little government interference (Cook 1986).

Quality of Working Life (QWL):

QWL refers to the favourable conditions and environments of a workplace that support and promote employee satisfaction and well-being (Beaudoin & Edgar 2003). Sirgy et al. (2001, p. 242) define QWL as: 'Employee satisfaction with a variety of needs through activities, resources, and outcomes stemming from participation in the workplace'. Employees with high QWL have a high level of job satisfaction, job performance, and a lower level of absenteeism, grievances and quits (Havlovic 1991; Newaz et al. 2007; Janes & Wisnom 2010).

Recipient:

A recipient is an entity that receives goods or services. The entity can be a person, a group of persons, an organisation, or a country (Banerjee 2006).

Structural Adjustment Programmes:

Structural adjustment is an example of aid conditionality. The term is used to express the policy changes required of developing countries by the IMF or the World Bank as a condition of new grants or loans or for acquiring lower interest rates on existing loans from those organisations. Conditionalities are imposed to confirm that the money will be spent in accordance with the objectives of the grant or loan and to pay off debt which has accumulated (Dreher 2002). Structural Adjustment Programmes were introduced through conditionalities in the 1980s and may include internal changes (particularly deregulation and privatisation) as well as external changes, mainly the shrinking of trade barriers (Ensign 2001).

Wages:

Wages can be defined as cash paid for some specific quantity of labour. Wages are paid according to a wage rate (based on units of time worked), in contrast to salaries, which are paid periodically without reference to a specific number of hours worked (Garner 1999). The minimum pay that an employer is legally allowed to pay for a particular group of workers is called award wages (English Collins Dictionary 2014). The term real wages refers to wages that have been adjusted for inflation (Garner 1999).