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

Mehadi A Mamun

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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
Acknowledgements

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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.
Table of contents

Certificate of original authorship.................................................................................................ii
Acknowledgements .................................................................................................................. iii
Abstract........................................................................................................................................ iv
Table of contents ...................................................................................................................... vi
List of tables .............................................................................................................................. ix
List of figures and photos .......................................................................................................... ix
List of acronyms/abbreviations ............................................................................................... xi
Glossary........................................................................................................................................ xii

Chapter 1: Introduction.............................................................................................................1
  1.1 Introduction ................................................................................................................. 1
  1.2 Research background................................................................................................. 2
  1.3 Purpose of the study .................................................................................................. 6
  1.4 Significance of the study ........................................................................................... 7
  1.5 Outline of the thesis................................................................................................... 8

Chapter 2: Foreign Aid, Conditionality and Privatisation: A Literature Review.........................10
  2.1 Introduction ............................................................................................................. 10
  2.2 Definitions and overview: foreign aid, conditionality and privatisation ................. 11
  2.3 Theoretical frameworks of foreign aid and development ..................................... 15
  2.4 Practitioner and academic perspectives on privatisation .................................... 19
  2.5 Aid conditionality and privatisation in Bangladesh .............................................. 24
  2.6 Assessments of the Privatisation programme in Bangladesh .............................. 29
  2.7 Conclusion............................................................................................................... 31

Chapter 3: Quality of Working Life (QWL) ............................................................................33
  3.1 Introduction ............................................................................................................. 33
  3.2 Concept and elements of QWL ............................................................................... 33
  3.3 Measures of QWL .................................................................................................. 35
  3.4 Past researches on QWL in Bangladesh ................................................................ 40
  3.5 Used QWL measures for the present study ......................................................... 41
  3.6 Conclusion............................................................................................................... 43
Chapter 4: Research Design and Methodology ................................................................. 44
  4.1 Introduction ............................................................................................................. 44
  4.2 Methodology ........................................................................................................ 45
    4.2.1 Justification of methodology ............................................................................. 45
  4.3 Data collection method ......................................................................................... 47
    4.3.1 Justification of data collection method ............................................................. 47
  4.4 Case selection ........................................................................................................ 49
  4.5 Pilot interviews .................................................................................................... 51
  4.6 Sampling and conducting the fieldwork .............................................................. 52
    4.6.1 Access to the organisations and documents ............................................... 54
  4.7 Ethical considerations ......................................................................................... 54
    4.7.1 Consent and confidentiality of participants ..................................................... 55
    4.7.2 Risk to participants ....................................................................................... 55
    4.7.3 Data storage ................................................................................................... 56
  4.8 Data analysis ........................................................................................................ 56
  4.9 Conclusion .......................................................................................................... 59

Chapter 5: Policies and Approaches to Privatisation in Bangladesh ................................. 60
  5.1 Introduction ........................................................................................................... 60
  5.2 Bangladeshi policies and approaches to privatisation in different periods .......... 60
  5.3 International institutional donor policies on privatisation in Bangladesh ........... 67
  5.4 Privatisation policy and processes in Bangladesh ............................................. 70
  5.5 Conclusion .......................................................................................................... 73

Chapter 6: Five Case Studies – Analysis of Interviews with Factory Floor and Management Level Employees ........................................................................................................ 74
  6.1 Introduction ........................................................................................................... 74
  6.2 Case Study 1: Nobarun Jute Mill, Narayanganj ................................................. 75
  6.3 Case Study 2: Deshbandhu Sugar Mill, Narsingdi .............................................. 100
  6.4 Case Study 3: Kokil Textile Mills Limited, Brahmanbaria ............................... 122
  6.5 Case Study 4: Bangladesh Monospool Paper Manufacturing Company Ltd., Dhaka ............................................................... 143
  6.6 Case Study 5: Fishing Net Factory, Chittagong ................................................ 163
<table>
<thead>
<tr>
<th>Chapter 7: Cross-Case Analysis and Major Research Findings</th>
<th>182</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.1 Introduction</td>
<td>182</td>
</tr>
<tr>
<td>7.2 Floor workers’ compensation</td>
<td>182</td>
</tr>
<tr>
<td>7.3 Health and safety at work</td>
<td>184</td>
</tr>
<tr>
<td>7.4 Development of staff capacities</td>
<td>185</td>
</tr>
<tr>
<td>7.5 Professional growth and job security</td>
<td>185</td>
</tr>
<tr>
<td>7.6 Social integration</td>
<td>186</td>
</tr>
<tr>
<td>7.7 Organisations’ constitutionalism</td>
<td>187</td>
</tr>
<tr>
<td>7.8 Work and life space</td>
<td>187</td>
</tr>
<tr>
<td>7.9 Social relevance of work and organisation</td>
<td>188</td>
</tr>
<tr>
<td>7.10 Summary of the findings</td>
<td>188</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chapter 8: Conclusions</th>
<th>195</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.1 Introduction</td>
<td>195</td>
</tr>
<tr>
<td>8.2 Major findings of this study</td>
<td>196</td>
</tr>
<tr>
<td>8.3 Implications of this study</td>
<td>201</td>
</tr>
<tr>
<td>8.4 Contributions of this study</td>
<td>203</td>
</tr>
<tr>
<td>8.5 Limitations of this study</td>
<td>203</td>
</tr>
<tr>
<td>8.6 Further research opportunities</td>
<td>204</td>
</tr>
</tbody>
</table>

References .............................................................................................................................................206
Appendices ..............................................................................................................................................229
List of tables

Table 2.1 Total amount of global official development assistance disbursements (2001-2011) 13
Table 2.2 Total foreign aid to Bangladesh (1971-2011) 24
Table 3.1 Criteria and sub-criteria of Walton’s model for assessing QWL 36
Table 3.2 Some examples of simplified terms of Walton’s QWL model used in this study 42
Table 4.1 Corporations’ controlled total SOEs which were privatised and fully operational 49
Table 5.1 List of the Bangladeshi policy documents for analysis 60
Table 7.1 Summary of the cross-case analysis and findings 192

List of figures and photos

Figure 1.1 Operational statuses of the privatised organisations in Bangladesh (2000 – 2014) 05
Figure 2.1 Different views in the literature about the impact of privatisation 23
Photo 6.1 Nobarun Jute Mill 75
Photo 6.2 Karim Jute Mill 76
Photo 6.3 Sadat Jute Industries Ltd 76
Photo 6.4 Deshbandhu Sugar Mill 100
Photo 6.5 Carew & Co (BD) Ltd 101

Photo 6.6 Abdul Monem Sugar Refinery Ltd 101

Photo 6.7 Kokil Textile Mills Limited 122

Photo 6.8 Amin Textiles Ltd 123

Photo 6.9 Square Textiles Ltd 123

Photo 6.10 Bangladesh Monospool Paper Manufacturing Company 143

Photo 6.11 Karnaphuli Paper Mills 144

Photo 6.12 Ananta Paper Mills 144

Photo 6.13 Fishing Net Factory 163

Photo 6.14 Chittagong Fish Harbour 164

Photo 6.15 Farid Nets Limited 164
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
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).