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## Letter From a Bangladesh Factory

*Before you can improve the lives of workers, you have to understand the industry.*

By [RUBANA HUQ](#)

Several tragedies at Bangladeshi garment factories in recent months have claimed hundreds of lives, and also focused international attention on this important but often overlooked industry. Yet greater scrutiny has not led to greater understanding, raising the prospect that any proposed solutions will have serious unintended consequences. Here are some basic facts confronting both workers and employers in the garment industry:

Much discussion has focused on Bangladesh's minimum wage law. It is true that at its current level, even after two revisions in recent years, the legal minimum wage still isn't enough to support a life. After working two hours of overtime per day, the average garment worker's take-home pay stands at between \$70 and \$80 per month.

Assuming the garment worker (80% of whom are women) is married to a rickshaw puller and has a child, the rent on a one-room home is around \$40 per month. The average food intake of 30 kilograms per adult costs \$13. Adding vegetables and occasional meat and fish costs another \$20 per adult. And add \$5 for milk for the child. Those bare necessities alone have already consumed more than the garment worker's wage.

One problem is that in this household, the garment worker is the primary breadwinner. Few other jobs in the country pay as highly relative to the skill level of the worker. Increasing the minimum wage in the garment industry to \$64 per month before overtime, or even \$90 as some have proposed, would certainly help such a household make ends meet. But that puts the entire burden for increasing Bangladesh's standard of living on a single industry that can ill afford it and now needs the price support of global brands.

Then there's the question of who is paying that minimum wage. While the worker is sewing, on another floor of the same factory building, negotiations are underway between the factory owner on one hand and a retailer's representative on the other. They're trying to settle on an order to produce over the next five months.



The factory owner is offering a shirt to the buyer at \$6.75 per piece. Of that, the owner will spend \$4.75 buying the 1.9 yards of 100% cotton with a fine 50's thread count, and another \$1 buying the labels, accessories and other components the retailer specifies. The remaining \$1 per shirt gets stretched thin. Part of it funds the "cutting and making," which includes wages for the workers. Part of it funds the next round of letters

of credit the manufacturer will use to ensure a steady supply of raw materials over the life of the supply contract. Part of it goes toward capital expenses. And part of that dollar will become the manufacturer's profit.

Imagine an order for 400,000 pieces of one shirt style is spread over a four-line (meaning four rows of sewing machines, each row with 50 workers) factory of 1,600 square meters. Those 400 workers produce 3,077 pieces per day. The wage cost works out to about 38 U.S. cents per shirt. Another 15 cents goes to sending the shirt for a fine washing spin. Rent and utilities for the factory floor works out to about 11 cents per shirt, and head-office and marketing costs for the factory are 11 cents.

As for the remaining 25 cents, that will just about cover repaying a 10-year bank loan at 18% interest, which the factory owner has used for set-up costs along with a home and car. All is at a delicate equilibrium, until the owner feels compelled to give in to a firmly worded request from the retailer for an additional discount, or a demand to air-freight, at manufacturer's expense, some boxes of shirts that suffered a two-week production delay and now won't be accepted by the retailer if they're any later than they already are.

Given this financial situation, some recent "solutions" to workers' problems would be extremely challenging for the industry. The government has proposed an increase in the minimum wage, but would make the increase retroactive to May 1. That will simply be impossible for manufacturers who are already locked into supply contracts for the next few months.

Meanwhile, an agreement announced between European retailers and workers' advocates this week, may lead to investment in safety enhancements. But many ground realities will continue to haunt the industry unless land and transitional funds are readily available to turn out-of-date factories into fully equipped and compliant facilities. The approximate calculation to set these factories up, assuming 2,600 square meters per floor would cost approximately \$128,000 per factory.

Some factory owners may be in pursuit of a quick profit. But for many of us, the problem is not that we don't want to have gleaming, fully up-to-date factories or to pay our workers a living wage. Rather, it's that we don't have the resources. And we have to balance the costs against the risk that purchasers will turn to other, lower-cost countries. That would be a disaster for Bangladesh, where 20 million people depend on garment workers for financial support.

*Ms. Huq is managing director of the Mohammadi Group, a garment manufacturer and exporter in Bangladesh.*

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