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PRIVATIZATION AND LABOUR POSITION:  
BANGLADESH PERSPECTIVE

BY

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IN PARTIAL FULFILLMENT TO THE REQUIREMENT  
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বিশ্ববিদ্যালয়  
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# **PRIVATIZATION AND LABOUR POSITION: BANGLADESH PERSPECTIVE**

**A Thesis**

**Presented to the  
Faculty of Social Science**

**In Partial fulfillment to the Requirement for the Degree of  
M.Phil in Political Science**

400424

**BY**

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**Registration No. 171/95-96**

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**DEDICATED**  
TO  
MY PARENTS AND HUSBAND

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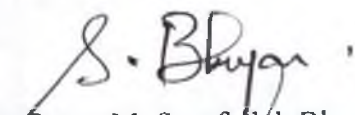


**The University of Dhaka**

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The undersigned certifies that he has read, and recommends to the department of political science for acceptance, a thesis entitled **“PRIVATIZATION AND LABOUR POSITION: BANGLADESH PERSPECTIVE”**, submitted by Shajeda Chowdhury, in partial fulfillment and the requirements for the degree of M.Phil. It is also certified that the thesis or any part of it has not been submitted anywhere for publication.

Date: March 31, 2002

  
( Professor M. Sayefullah Bhuyan )  
Supervisor.

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## **ABSTRACT**

As in most developing countries, privatization is a much-debated subject in Bangladesh. However while most developing countries have moved fast, despite such debates against to privatized state owned enterprises, Bangladesh has been moving relatively slowly towards privatization. Over the study we have tried to identify the major reasons behind this slow paces of privatization. From experience in Bangladesh it is evident that workers are opposing privatization program. We have found that they are opposing it due to different realities. They are not actually diehards of nationalization. But the performances of different divested industries make them afraid over privatization. There are also few other questions regarding the post-privatized divested industries over their efficiency, retrenched workers and employees. Proper design and implementation of privatization policy, fulfillment of the government commitment with workers and employees in the divested industry work as pre conditions for smoothness or full pace of privatization in Bangladesh.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 (a)General Overview**

Bengali nation is constituted of people of many sections and classes. The nation has a history of glorious events like the mass movements of 1966,1969, and 1970 and also the war of liberation of 1971. All classes of people participated in the liberation movement of Bangladesh. The contribution of the working class in the movement was not an act of impulse rather it has a long background. Workers' participation was not so smooth. Some times the movements of the working class were slow, weak and sporadic and sometimes forceful, big and with greater speed. Political propaganda also politicized the working class activities. As politics is defined to be authoritative allocation of values in a society, we can say that the main stream of politics also disturbs the spontaneity of working class participation. In a greater sense, privatization is a part of politics. It also affects the spontaneous participation of working class in mass movement.

The working class movement is known as trade union movement. Basically, the workers' demand for the realization of their rights gave birth to trade union. According to Karl Marx "Unions are the natural outcome of the development of Capitalism". There are social, economic and political causes behind workers' formation of unions, and the government plays important role in this regard.

There can be doubt that the failure and breakdown of Communism in Soviet Union have given a strong impetus to the gaining of the ground of the idea of privatization all over the world. However, there are counter arguments advanced against privatization<sup>(1)</sup>. Some political groupings on the left are opposed to privatization for ideological reasons. They argue that certain activities are carried out by the state owned enterprises, especially in the so-called public utilities such as Transport services, Telecommunications, Medical services and Education. The most vehemently defended argument against privatization is the fear of trade unions that privatization leads to dismissals and layoffs, which causes deterioration of workers' incomes and conditions of work, and to a diminution of participation rights that workers enjoy in some public enterprises<sup>(2)</sup>.

The study will focus on the movement of working class in the changing socio economic context. In that case privatization is an important phenomenon to bring in change and also to collapse the working class movement. Recent studies<sup>(3)</sup> found that the public sector workers have more scope to be united and to form and continue trade union movement rather than the workers in the private sector. For example, garments workers get less freedom and scope to organize their movements<sup>(4)</sup>. They are always afraid of losing jobs. In most the garment factories, there is no limit to working hours because they have to work beyond their assigned time. Service rules are too rigid. So the labour of private industries are always afraid of raising complaints or in placing demands. Therefore it can be hypothesized that privatization is a threat to workers' movements.

In the new world order privatization is being encouraged for growth and socio-economic development. Now privatization is the pre-condition for receiving aid and assistance from the World Bank & other donor agencies.

Increase of production is an important consideration for privatization. Here labour plays a critically important role in economic development<sup>(5)</sup>. Globalization is also related to privatization and open market economic system<sup>(6)</sup>. Increase in production and proper management between production & distribution are essential for survival in open market economy. Total development i.e. development of production depends on efficient utilization of various factors of production, such as labour. If Labour interest is taken care of then production will increase.

The thesis has been structured in the following manner. It is divided into seven chapters. In Chapter One, a brief introduction about labour movement and privatization is given. This chapter also clarifies the concept of privatization, the rationale and objective of the study and the methodology to be followed in writing the thesis. In Chapter Two, an attempt is made to summarize the earlier works on privatization. In Chapter Three, different phases of privatization in Bangladesh are shown. The findings of the survey are shown in Chapter Four and presented in the form of tables based on relevant questions on the issues. In Chapter Five causes of slow pace of privatization are analyzed from the secondary sources of data. A few policy options are

given in Chapter Six. Finally, few remarks and observations are included in Chapter Seven.

### **(b)WHAT IS PRIVATIZATION?**

The term “Privatization” is used in a number of different meanings and connections. In fact, it is a broader concept. Privatization means the partial or total transfer or sale of public undertakings to private ownership, handing over individual public enterprise to a form of management more characteristics of private firm. Social or welfare aspects are given secondary consideration. It also encourages private investors to spearhead economic development. This also implies promoting joint public/private (often- foreign) production ventures. Privatization leads to re-capitalizing public companies through private sector investment, facilitating private sector competition with the public sector by a policy of liberalization and deregulation, Selling lands and publicly owned housing stock etc. is also privatization.

In brief privatization means transfer of both ownership and control of public enterprises from the public sector to the private sector<sup>(7)</sup>.

### **(c) Common Characteristics of State Owned Enterprises (SOEs)**

SOEs are generally characterized by<sup>(8)</sup>;

- (1) Poor financial performance
- (2) Overstaffing
- (3) Dependence on subsidies and unilateral budget transfers.

Highly centralized and politicized union

- (4) Exclusion of competitive imports

- (5) Exclusion of domestic competitors (In eastern Europe the state sector crowds out the emerging private sector by denying it access to raw materials, component and financing)
- (6) Poor external performance
- (7) Corrupt practices
- (8) Being vehicles for capital flight.

**(d) The objectives of privatization**<sup>(9)</sup>

- Reduce the government's operating cost
- Raise the cash through SOEs sales
- Generate new sources of tax revenue
- Reduce external debt largely through debt equity swaps
- Deepen domestic capital markets and broaden domestic ownership
- Democratization of capital
- Encourage the return of flight capital
- Promote domestic investment
- Attract direct foreign investment and new technology
- Increase domestic and international business confidence
- Increase competition
- Create opportunities for employment through real growth
- Increase productive and operating efficiency
- Turn around or restructure sick SOEs
- Increase exports
- Increase the quality of services and
- Reduce the role of the state in the economy.

Among these objectives some are immediate outcomes of privatization such as to reduce the drain on public resources, raising cash through SOE sales. Other objectives can give long-term outputs.

There is a common consensus about privatization that external and internal categories of variable are effective for privatization. Internal means the internal features or condition of the factory such as how it is running and external means the effect of globalization.

### **1.2: The Rationale of the Study**

While a number of agrarian studies on peasant struggles and movements in Bangladesh are conducted. But little is written on the causes, behavior and consequence of industrial workers' movement in Bangladesh during the post-independence period. The proposed study attempts to explore this issue in the context of long tradition of labour opposition to privatization in Bangladesh.

In fact, Privatization has been on the active policy agenda in Bangladesh since the early eighties, irrespective of the regime changes. That is, whether the Government was the Jatiya party, the Bangladesh Nationalist Party (BNP) or the Awami League. Privatization policy was a common issue. All the successive Governments with strong support from the major donors have insisted on privatizing the country's ailing State Owned Enterprises (SOEs). About 513 enterprises (including small and medium) were privatized since independence<sup>(10)</sup>. The blockbuster in this round of privatization was the decision of 29 Jute and 32 cotton textile mills which were handed over to their previous Bangladeshi owners. The decision was followed by sharp trade union



response, including several militant workers movement in the form of Gheraos, Strikes, Hartals nation-wide. The Awami League Government has recently earmarked about 43 enterprises to be privatized during the calendar year of 1997. As has been in the past, the announcement regarding new privatization campaign invited sharp response on behalf of the organized trade unions. In spite of having apparent consensus on the issue of private sector and market economy, the issue of labour regarding privatization still remains alive. This brings us to the question as to why the organized labour opposed privatization?

### **1.3: The Objective and Scope of the Study**

The key objective of the study is to analyze the characteristics of the labour politics in relation to the privatization program. The scope of the study would be restricted to the dynamics of workers movements and responses in the Textile, Jute and Chemical industries, although example relating to other sectors such as Banks, Transport etc would be cited.

Major questions to be empirically enquired in the present study are:

- (1) Among the workers who participated in the anti-privatization movement? Was it restricted only to the politicized / unionized sections of the labour, or was it participated by the ordinary workers as well?
- (2) Why workers opposed privatization initiatives? Is it because of fear of losing jobs / reduced wages, or because of lack of trust in new

owners/management of the industry or because of the concerns derived from the imperatives of the current national politics?

(3) How was labour support recruited? What factors are responsible for labour organization and movement in Bangladesh?

#### **1.4: Data and Methodology**

The present study is interdisciplinary in nature and is based on historical method, while the central focus is on labour politics. The term privatization and divestiture are used synonymously over that study. Data relating to socio-economic status of the workers in Bangladesh are collected. Information is collected from primary as well as the secondary sources. The main data base for the study is collected from content analysis of the daily news papers pertaining to the period, interviews with the labour leaders and ordinary workers, private owners / managers, bureaucrats etc. Review of the existing studies and reports of factual nature are conducted including those done for the major donor agencies such as the World Bank and Asian Development Bank.

## **CHAPTER TWO**

### **A BRIEF DISCUSSION ON PRIVATIZATION**

A number of studies conducted by the scholars both home and abroad revealed the problems and prospects of privatization in Bangladesh.

**HUMPHERY'S, CLARE<sup>(1)</sup>** studied shows the character of privatization in Bangladesh. Her study found that; Privatization is more influenced by political issues than by strictly economic considerations. There is no standard formula for privatization. Conditions, problems, strategies and solution vary from country to country. Although many of the more basic privatization issues appear almost everywhere, these are controlled by barriers.

She has also given a few prescriptions to overcome the problems of privatization in case of Bangladesh. According to her view, Privatization should be under taken to develop viable enterprise and a more vibrant economy, not simply to cut state owned enterprise (SOEs) losses or reduce government deficit. The government must view private sector as economic partner and not a competitor. Privatization should be approached as a policy- oriented subject and not as a bookkeeping problem.

According to Humphery the interest of the people will be served well if economy is firmly placed in the hands of government. She said that government's controlling has a lot of merits.

Privatization will generate revenue for the treasury. It will protect national security through direct intervention in strategic areas, and it will expand the economy and control the direction it takes and the way it functions. Privatization will encourage foreign investment and cooperation with large, stable government institutions, and ensure equitable distribution of products, Services and benefits to all segments of the society. She said that the basic purpose of privatization should be to strengthen the economy of the country, not just to relieve the government budget.

**JOHANNES SCHREGLE<sup>(2)</sup>** (Honorary President, International Society for labour law and social security Switzerland) analyzed the definition of privatization. He argued that somebody define privatization as the transfer of public to private ownership whatever the legal nature of the enterprise. The decisive criterion of them is whether the sole or majority ownership is in public or private hands. But others place emphasis more on the legal structure of the enterprise who are more concerned on the property rights.

For people holding this view, the transformation of public corporation or government department into a share company under private commercial law is in itself an act of privatization, even where the state continues to be the sole or majority shareholder of the new company.

For still others, the decisive factor is neither the ownership nor the legal nature of the enterprise but whether it is run according to “business” principles, i.e., criteria of profitability and management responsibility and accountability consistent with these principles. According to this view, as long as an enterprise is run effectively and with a profit motive, it matters little whether its shares are own by individual citizens, other companies, bank or central, regional or municipal authorities.

**TOP MANAGEMENT FORUM, ASIAN PRODUCTIVITY ORGANIZATION<sup>(3)</sup>** (Privatization and industrial relation: Japanese Experience, APO, Tokyo, Japan 1993) organized a seminar on “Privatization and industrial relation” from 21<sup>st</sup> to 26<sup>th</sup> September in Tokyo, Japan. They summarized a wide variety experience in privatization among member countries. According to the forum, privatization itself has been privatized in member countries in the sense that it has different connotations and meanings in different continual backgrounds. Each country has its own history, culture and particular socio-economic circumstances that must be undertaken into account in proceeding with privatization.

The forum also argued that privatization is a political movement. However the degree of its political nature varies among member countries due to different ideologies and aspirations. In some countries, privatization has received high political priority at the cost of economic rationality. In other countries, its priority is still low with more emphasis on increasing the efficiency and effectiveness of SOEs.

The forum showed that, experience of member countries in job security varies. For instance, on the one hand, in Malaysia no employee can be retrenched within five years of privatization except on disciplinary grounds. On the other hand, in Philippines, the law on privatization mandates the automatic termination of employer- employee relations in the affected corporations and relegates the right of employees to future employment in the privatized corporation.

**TERNO, SUZUKI<sup>(4)</sup>** Secretary General, Trade Union Productivity Congress, Tokyo, Japan (Privatization and industrial relations: Japanese experience, APO, Tokyo, Japan, 1993) analyzed the Japanese experience of privatization and trade union stance. He said that in the movement towards privatization and deregulation, Unions had several concerns. First, while the government was asking for stringent limits on expenditure, the national budget for defense continued to rise. At the same time the USA is asking Japan to take over some of its defense responsibilities. Unions were against this shift of defense expenditure from the USA to Japan while Japan was trying to hold down its overall expenditure. Secondly, the public sector trade unions are being privatized and thus losing government control. The third was opposition to the planned cut in the welfare budget.

Among these concerns, the strongest opposition came not from the trade union but also from management. This was because of the territorial division of the public corporations after privatization. Another issue arising out of privatization was the adjustment of manpower or layoffs. In Japan, Unions are organized in individual enterprises and there is a

consensus that if a surplus manpower cannot be utilized in the same public company, then the government as well as other public corporations will work there to absorb the surplus employees.

**AMMUAY VIDRAVAN**<sup>(5)</sup> (Privatization, Financial choices and opportunities, International Centre for Economic Growth, Page 14-15) indicated the factors that create favorable environment for affecting investment climate and privatization feasibility. He argued that political stability, availability of professional managerial skills, freedom to manage without political interference, growth potential of the national economy and depth of the local capital market are the most important factors that affect privatization feasibility. Both foreign and local investors consider political stability and consistent favorable economic policy for private enterprise as prime prerequisites for long-term capital investment. Political stability and predictable economic policies have been the most important supporting factors for economic success of the newly industrialized countries of East and Southeast Asia.

**THE WORLD BANK**<sup>(6)</sup> (World Bank Review 1989) gave an idea of factors other than the ownership which might affect performance of an enterprise "This exercise, however, has had mixed results: a number of privatized enterprises were closed down and several others have faced continuing problems, in part due to the weak demand for jute and textiles and accumulated liabilities and debt servicing"(World Bank, 1989,page.20). This proves that at least in some cases losses are not the results of ownership, but of general market conditions and inadequate management. These refer to the factors like power failure, political

unrest, labour dispute, strike, frequent quality change in the production process, non-utilization of read space production of lighter fabrics and etc.

**M.M.AKASH<sup>(7)</sup>** Associate Professor, DU (Privatization and its implication for labour Relation, International Labour Office, Dhaka) noticed a paradox in the current privatization process in Bangladesh. He emphasized, “The stronger ideological drive for privatization”. He also observed that “continued vacillation in the privatization process possibly originates from the indecisiveness of the current ruling party”. From several studies he concluded that privatization is neither a necessary nor a sufficient condition for better performance. In experience, he shows a mixed record performance for both the public and private sector enterprises. Thus there is no economic rationale behind wholesale privatization in the sense of mere transfer of ownership. He also identified the impact of privatization on industrial relations. He referred to labour retrenchment as the main social cost. Although it appears that there is political consensus with regard to free market economy and privatization, there are strong opposition forces inside both the ruling and opposition parties.

An opinion poll carried out by **Centre for Policy Dialogue (CPD)<sup>(8)</sup>** (A think-tank) among 46 MPs and 50 workers chosen from two major parties of the country revealed that 47% MPs and 52% workers think that privatization is not necessary (Privatization and its implication for labour relation: The Bangladesh Experience” ( Annex.1).



**SUNUTA KIKER: JOHN NELLIS, MARY SHIRLEY<sup>(9)</sup>**

(Privatization: The lessons of Experience) reviewed the experience of countries with state-owned enterprises and with the privatization of these enterprises. The main lessons of experience are clear.

Private ownership itself makes a difference. Some state-owned enterprises have been efficient and well managed for some periods; government ownership seldom permits sustained good performance over more than a few years. The higher probability of efficient performance in private enterprise needs to be considered in choosing whether to invest public funds in SOEs or in health, education and other social programs. The process of privatization, although not simple, can work and has worked: this is true for a variety of enterprises in a variety of settings, including poor countries.

They also showed the impact of privatization in Latin America, Africa and Asia, as well as in industrial countries. Privatization improved domestic welfare in eleven of the twelve cases analyzed by the World Bank in Chile, Malaysia, Mexico and United Kingdom. Productivity went up in nine of the twelve and showed no decline in other three. Expanded investment and diversification of production resulted in rapid growth in many countries studied. For example, the Chilean Telephone Company doubled its capacity in the four years following sale. Labour as a whole was not worse off, even taking into account all layoffs and force retirements. Consumers were better off or were unaffected by sale in a majority of cases. Buyers of the firm made money, but in the main the other stockholders – labour, consumers and government gained as

well. (Privatization, the lessons of Experience by Sunita Kikeri, Than Nellis & Mary Shirley, page 1-3).

**“DOES PRIVATIZATION DELIVER”**<sup>(10)</sup> – (a publication from economic development institute of the world bank, edited by Ahmed Gala and Mary Shirley) an article presented by **LEROY JONES** “Winners and Losers in Privatization” illustrated various cases.

He showed that Privatization has a positive impact. He found positive welfare changes in eleven of the twelve cases in various studies. After privatization output doubled in few years with substantial gains from consumers. He also stated the demerits of privatization that. Private sector will exploit consumers where there is monopoly or oligopoly power. Privatization may lead not only to more efficient operation, but also to more efficient exploitation of consumers.

In case of consumer, privatization leads to increase in prices, as highly subsidised industries turn to rational pricing after privatization. So price must increase which leads to one kind of exploitation of consumers. He showed that in twelve cases only one case makes worker worse off. In a number of cases workers did better, whether through higher wages or through share purchased in a privatize economy. He found no case in which employees overall are worse off as a result of privatization. He also showed that privatization had also had a positive effect on income distribution and on the poor. He concluded that privatization has clearly been a successful policy if not a perfect one.

In the same publication to show the policy implications **AHMED GALAL**<sup>(11)</sup> writes that in case of privatization there are few questions: Which enterprises should be sold and in what prices?, Does it matter to whom the enterprises are sold?, When should the process start? He emphasizes on the starting of privatization by smaller firms and also emphasizes on selling of public enterprises to employees. The advantage of selling to employees is obvious. The disadvantage is less so. So to avoid financing problems, workers were allowed to use their severance pay to buy shares.

In the same publication, a different article “ **THE JIGSAW PUZZLE**”<sup>(12)</sup> by **NANCY BIRDCALL** showed the differences in implementing privatization. There is a political problem because the gains are so diffuse. No interest group can know in advance that it will be certain to benefit from privatization. It is difficult to know the losers- who are they, the workers, the bureaucrats, the manager involved in the public enterprises.

A workshop organized by center for analysis and choice on “**TRADE UNION AND PRIVATIZATION**”<sup>(13)</sup> was held in April 1, 1995. A resource person **AHMED ALI** presented keynote paper. Twenty participants belonging to various professions and four observers were present in that workshop. They expressed their views on the matter, why trade union opposes privatization? Resource person Mr. Ahmed Ali said that, during the last 20 years the process of privatization has been less than successful. The principal impediment to divestment (privatization) according to expert views is opposition of organized

labour. To show the progress of privatization in Bangladesh he said that according to World Bank report it has been disappointing as in 18 years between 1976 to 1994 only 125 SOEs were divested out of 350 that remained in the public sector in 1975. But he said that according to Clare Humphery, Bangladesh has been one of the two (the other was Chile) champions of divestiture, and so views may be due to inclusion of commercial and trading units by Clare Humphery in her research work. Mr. Ali said that there are always some factors which influence privatization or divestiture and the World Bank has identified five such factors –

- (a) Politicians
- (b) Bureaucrats
- (c) Intellectual Community
- (d) Business Community
- (e) Organized Labour

He also stated in a report in case of Pakistan where senator Saeed Quadir showed that following group oppose privatization:

- (a) Owners of nationalized unit
- (b) Bidders
- (c) Labour Unions
- (d) Management of association of executives.

Ali claimed that support of the industrial labour is indispensable for making any headway in the divestment process and to overcome labour opposition to divestment as an element for successful privatization. He stated that, privatization is first and foremost a political process and that equating it with divestiture of SOEs has confused the issue and as a result the success and failure of privatization in Bangladesh have been difficult to achieve. He said that SOEs account for 6% of GDP and 1% of total labour force and that the real private sector represents an overwhelming 97% of GDP and 99.5% of the labour force. Thus he said that the significance of the SOEs and the influence they have on the economy of Bangladesh appear to be overstated as are the labour issues connected with them.

About the reasons for labour militancy he said that militancy in Bangladesh is less significant than elsewhere in the world and that politicization of labour organization is responsible for such militancy. Labour union represents only 3% of the labour force and that only a fraction of that takes part in any single act of militancy.

The problem of labour militancy in Bangladesh is cultural and all pervasive, and not peculiar to organized labour. Though there are many powerful enemies of divestment of state owned enterprises, exclusive focus is given on organized labour on the question of resistance of divestiture. As a result, it has become difficult to identify the real factors, which may actually help in augmenting the process.

Speakers from different professions like Member of Parliament, leader of trade union also viewed about some common grounds of privatization

and labour situation. Speakers said that it is always blamed that Trade Union/ Organized labour is responsible for opposing privatization of SOEs but this is not justifiable because of the fact that organized labour constitutes a very insignificant number. Trade Unions oppose or resent in the modalities of transfer and subsequent management of such divested enterprise. Lack of such modalities of transfer of SOEs has thrown many workers out of job. In this connection workers retrenched 10 years ago because divestment has not yet given alternative jobs or adequate compensation.

Speakers found the reasons why trade union opposes privatization. They also gave the definition and purpose of formation of trade unions and said that trade union is a necessity for upholding the interest of workers and management does not oppose trade union.

To identified the reasons for opposing which are- Job insecurity, cutting wages, mismanagement or malpractice, conflicting interest between employers and workers, political reason, and communication gap between workers, employers, politician and bureaucrats.

Labour in SOEs are also liable for opposing privatization. In the same workshop another leader also cited an example, In that time in Adamjee jute mills there were 20000 workers but at the time of workshop report shows that the number of labour in Adamjee jute mills swelled over 50000. If that industry is being privatized then most of the labour will be unemployed, because there is no necessity of so many workers in that particular industry. Speakers also blamed government for cheating with labour in the name of “Golden Handshake” program. This was

criticized because government cannot fulfill its commitment with labours. It also increases the workers fear. They stated one more example. By showing the example of multinational company they said that there is no problem like trade union movement because there have been prevailing good environment of work, higher wages and other facilities.

Speakers in that workshop also showed some successful privatization programs where new employment opportunity was created. In case of machine tools factory, the new management was reported to have worked out its requirement of staff at an over 10000 but before such transfer there were about 280 workers only. They also mentioned different policies regarding privatization. For example In China instead of divesting public sector enterprises, workers are given the responsibility to run a unit and they pay to the government a certain percentage of profit.

The reason for slow rate of privatization is the conflicting interest between employers and workers. This is due to lack of patriotism and lack of understanding of the problems of workers. Good relationship between workers and employers is a sine qua-non-for privatization.

## **CHAPTER THREE**

### **DIFFERENT PHASES OF PRIVATIZATION**

It is important to have a brief look to the situation of industry in public and private sector in Bangladesh under the British rule and in Pakistan period. Next comes the nationalization period after the liberation war of Bangladesh under Sheikh Mujib regime. Finally, different phases of privatization, which started in 1975 from Ziaur Rahman regime up to the present time can be illustrated.

#### **3.1: The British Period (1757-1947)**

Under the British rule this part of the Indian sub-continent was known as East Bengal and it was the main supplier of raw materials for British and Scottish industries. When British built jute mills in Scotland in the early nineteenth century, Bengal lost its market. Within few decades of the British rule, the prosperous weaving industry which developed in Bangladesh area under the Mughals was destroyed. This industry used to cater the needs of the wealthy people in Europe. This industry was destroyed in the wake of industrial revolution in Europe<sup>(1)</sup>.

#### **3.2: The Pakistan Period (1947-1971)**

At the time of partition in 1947, the industrial sector throughout Pakistan was small and negligible in East Pakistan. Bangladesh, which was formerly known as East Bengal inherited only two percent industries from undivided India in 1947. Only 252 of the 13163 industrial establishments of undivided India were located in West Bengal. After partition of India, Pakistan developed industrial Sector which was mainly located in West-Pakistan. For developing industrial Sector PIDC (Pakistan Industrial Development Corporation) was formed. EPIDC was formed in 1962. EPIDC tried to create a class of entrepreneurs



among Bengali small trading class. But it failed to do so because of the lack of Bengali entrepreneurs.

EPIDC during the decade of its existence helped to establish 74 manufacturing units in East Pakistan in such industrial fields as jute, textile paper products, cement etc. But EPIDC encouraged investment on the line of increase in productivity. EPIDC also helped by giving loan but the repayment rate of such loan was very poor. Between 1952 and 1958 PIDC assisted the private sector to establish 12 jute mills. The first was the world's largest Adamjee Jute Mills. But most of the share holders were West Pakistani<sup>(2)</sup>.

The industries were used to be run by the then PIDC/EPIDC till they were ready for transfer to the private owners. Some of the major industries transferred includes Adamjee Jute Mills, Karnafuli Paper Mills. Some industries were wholly divested and some were joint ventures between the then EPIDC and the local entrepreneurs. Such joint ventures were exclusively in the jute sector and were known as associate Jute Mills which were jointly owned but operated by the private sector. There were also numerous projects that were wholly owned and administered by the then EPIDC<sup>(3)</sup>.

In 1969-70 EPIDC privatized one cotton mill, one sugar mill and two large paper mills along with 12 jute mills. Following tables show the number of mills owned by Bengali industrialists before the liberation war in 1971.

**Table 1:** Ownership of the mills by the Bengali Industrialists.

Field	Number of enterprises (owned by Bengalis)
Jute mills	36
Major Jute Exporting	16
Textiles	25
Sugar	1
Inland water transport	12
Bank	1

Source: Privatization in Bangladesh, Clare, E. Humphery, UPL, 1992

At the end of Pakistan period (1971) we find the following scenario:

**Table 2:**Ownership of the Public and Private enterprises by Bengali Industrialists at the end of Pakistan period.

Type of Ownership	Number of Units	Value of fixed assets (in TK millions)	Percent Share(Fixed assets)
Under EPIDC ownership	53	2097.0	34
Under private non-Bengali ownership	725	2885.7	47
Under private Bengali ownership	2253	1118.8	18
Under foreign private ownership	20	36.0	1
Total	3051	6137.5	100

Source: Privatization in Bangladesh, Clare E. Humphery, UPL, 1992.

This figure indicates the percentage share of Bengali owner at the time of liberation and the number of privatized firm. It is clear that government took initiatives to privatize different firms, but divestiture program was not so much successful for lack of entrepreneur<sup>(4)</sup>.

### **3.3: Liberation and Nationalization : The Mujib Period (1971-1975)**

After nine months of glorious liberation war Bangladesh became an independent nation in 16<sup>th</sup> December 1971. The liberation war of 1971 bought about a change in the social perspective. The Bengalis fought in this war essentially against inequities of political and economic system

that had led to unequal regional development<sup>(5)</sup>. The initial policies of the government of newly independent country were to rearrange different activities on a number of fronts. On January 1972, The Government under Sheikh Mujibur Rahman passed abandoned property ordinance and took possession of not only factories and commercial establishments but also houses and income property and even vehicles of all types. According to that ordinance Bangladesh government took possession of all the enterprises, irrespective of whether their owners were Pakistanis or Bangladeshis. The table presented below provides an idea of industry by industry and corporation network, in December 1972<sup>(6)</sup>.

**Table : 3** Number of enterprises under different sectoral corporations

Sectoral Corporations	Number of enterprises
Bangladesh Jute industries corporation	77
Bangladesh Textile Industries Corporation	72
Bangladesh Sugar Mills Corporation	16
Bangladesh Food and Allied Product Corporation	54
Bangladesh Fertilizer, Chemical and Pharmaceutical Corporation	13
Bangladesh Paper and Board Corporation	9
Bangladesh Tanneries Corporation	30
Bangladesh Still Mills Corporation	20
Bangladesh Engineering and Shipbuilding Corporation	34
Bangladesh Minerals, Oil and Gas Corporation	7
Bangladesh Forest Product Corporation	20
Total	352

Source: Privatization in Bangladesh, Clare E. Humphery, UPL, 1992.

It is stated in Chisty's<sup>(7)</sup> landmark paper on Privatization in Bangladesh that "the nationalization policy of 1972" did not clearly define the role

of private sector. It particularly excluded private sector enterprises from Jute, textile and Sugar industries, raw jute, export trade, insurance and banking. Before presidential order 27 in February 1972 the ministry of industry had prepared a working paper proposing that large units be run by the state, medium sized units be considered for joint ownership with the private sector and small units be sold to the highest bidder. Even the idea of joint ventures with the private sector was proposed. Similar type of views or proposals came under debate. But finally the decisions for nationalization of all industries were taken. Any plan for mixed economy or joint public-private enterprises was rejected.

The private sector was to be tolerated only until the public sector was strong enough to take over. Among the 462 abandoned enterprises almost all of those selected for release were small. They were losing money and were not considered potentially viable. Only 52 were eventually sold to private investors, and 30 were turned over to the former owners.

Foreign venture investment was allowed only in the joint ventures with government holding of at least 51 percent of shares. Altogether this and other limitations announced virtual strangulation of the private sector. Private sector also prohibited for Jute, Textile and Sugar industries, and private sector was not even permitted to grow in the few areas left to them. There was only way open for private sector, which was black market. Though policies for development were taken but ultimate goal could not be achieved. Wealth became increasingly concentrated in the hands of a few greedy leaders. Most importantly even though

production of large-scale industries was in the government hands, the marketing and distribution system were firmly in the hands of the private sector. Each frustrated the other. At that time public sector was not performing well up to expectation.

### **3.4: The Period Under Zia (1975-1981)**

Steps taken for denationalization during the period of Ziaur Rahman made transition to a mixed economy much easier and paved the way for a major privatization move in 1982. Actually privatization as a policy started from the regime of Zia. It changed its pace afterwards but did not stop at any time.

A policy at the time of Sheikh Mujibur Rahman was “anti-bourgeoisie” but virtually it turned to the pro-bourgeoisie”. In December 1975 Zia declared that “The government is ready to extend all possible support to the private sector for utilizing full potential of the private entrepreneurs in stepping up of the productive economic activities in the country”<sup>(8)</sup>.

According to the new investment policy of 1975 government declared 18 reserved categories. But it opened 10 of them to joint ventures between the public corporations and private investors indigenous or foreign. At least 51 percent of the equity was reserved for government. The limit on private investment was raised to taka 100 million (US \$8.3m). Eight categories were reserved only for public sector<sup>(9)</sup>

Arms, ammunition and allied defense equipment, atomic energies, jute (sacking, Hessian and carpet backing), textile (excluding handlooms and specialized textiles), sugar, air transport, telephone,

telegraph and wireless apparatus, generation and distribution of electricity.

Open for investment in private sector were Paper, Iron and Steel, Shipping and Shipbuilding, heavy engineering etc. Tax holding and other incentives for privatized industries were increased. Government gave different incentives to divested enterprises and also to private sector mills. Investment Corporation of Bangladesh was authorized and Dhaka Stock Exchange was reactivated which was shut down during the nationalization policy of 1972. It reopened with little fanfare and less interest in July 1976 with two listings in board.

From different sources<sup>(10)</sup> it is reported that by late 1977 the possession of 21 industries was turned over to new owners. Another 15 were divested but not handed over, 33 under process and another 17 under consideration. Among 224 originally confined to corporation, 110 were privatized during Zia regime.

To facilitate the divestiture a disinvestment board was established in December 1975. They gave higher priority to jute and textile sector for divestiture. During the six years tenure of Ziaur Rahman a total of 255 SOEs were divested or privatized<sup>(10)</sup>. 30 of these were “enemy” or “vested” property another 115 were small firm. The rest of 110 were large entities under different corporations which are shown in the following table.



**Table:4:** Number of large divested industries at the regime of Zia.

Type of corporation	No. of industries
Tanneries, hides and bones	25
Mental works	17
Textile	11
Jute products	07
Tobacco	06
Rubber products	05
Food products	05
Wood products	05
Vegetable oil	05
Matches	04
Ice and cold storage	04
Engineering	03
Chemical and Pharmaceuticals	03
Miscellaneous	10
Total	110

Source: Clare Humphery, Privatization in Bangladesh, UPL, 1992.

Finally, during the regime of Ziaur Rahman (1975-1981) privatization process or divestiture advanced significantly.

### **3.4: The Ershad Regime (1982-1990)**

The continuing loss of SOEs increased during the period 1982-1990. For that reason industrial development was sluggish and even stagnant in overall concern. Government decided to give emphasis on private sector and according to government policy makers, private sector played dominant role in the economy. To promote industrial sector government has took New Industrial Policy (NIP) in 1982. NIP contained a long list of objectives the most Important policies of NIP<sup>(11)</sup> are stated below

- (a) To expand the manufacturing factor with increased participation of the private sector.
- (b) To limit the public sector to the establishment of basic heavy and strategic industries.
- (c) To improve the efficiency and profitability of public sector enterprise.
- (d) To protect and promote local industries by reasonable tariff measures and/or by banning imports where there was adequate domestic capacity.

In that new policy more emphasis was given on private sector development, the divestiture of SOEs, and encouragement for public-private joint venture investment. In 1975 policy 18 categories were reserved but now among these, six industries remained on reserve list where private investment was disallowed. Other 12 categories were

allowed for both public and private investment. The list included <sup>(12)</sup>; Jute industry (Sacking, Hessian and carpet backing), Cotton textiles (Excluding handlooms, Power looms and specialized textiles), Sugar, Paper and newsprint, Iron and steel (Excluding re-rolling mills), Shipbuilding and heavy engineering, heavy electrical industry. There are also Minerals, Oil and Gas, Cement, Petrochemicals, heavy and basic chemicals and basic Pharmaceuticals, Shipping, Appliances and Telecommunication Service.

In NIP'82 provision for award was provided to the private investors even in cases of public-private joint venture industries. The main feature of NIP'82 was the decision to return jute and textile mills nationalized a decade earlier to their original Bangladeshi owners. At that time loans were given at a huge amount to the new owners of the divested industry and loans were also given to the politicians to buy SOEs<sup>(13)</sup>.

Non-payment of these loans remained a major unresolved problem. At the time between June 1984-June 1987 the number of SOEs divested were 33 Jute and 31 textile mills along with other categories. During the regime of Ershad the main opposition party Awami League opposed privatization. AL was deadly against privatization and it even recommended renationalization in some industries.

Organized labour also opposed privatization. Strikes were called almost automatically whenever a public enterprise was even removed as a potential candidate of privatization. After mid-1984 privatization process slowed down. It is said that it may be due to Shafiul Azam's departure from the position of minister of industries. In 1986

government had took another industrial policy where emphasis was given on private-public joint venture investment and '51-49 plan' were taken in that policy. Under new policy government faced the problem of loan default. Under this new policy 222 SOEs under the NIP'82 and IP'86 were divested during Ershad regime<sup>(14)</sup>.

### **3.5: The Khaleda Zia Government (1991-1995)**

The newly formed democratic government under Khaleda Zia took a new industrial policy in 1991. The government of Khaleda Zia was a strong supporter of globalization and free market economy. In the new industrial policy government gave highest priority to improvise private sector and to the divestiture of loss making SOEs. Finance minister said, "It is now world wide accepted view that government cannot run the business". The minister was also a strong supporter of free market economy which was the ultimate outcome of privatization. In the industrial policy of 1991 the major goal was to increase efficiency and productivity in the industrial sector through privatization. The government industrial policy in 1991 was revised in 1992 and was further extended for market economic policies. In 1993 government formed a privatization board to improvise privatization process consisting of 13 members and the chairman of the board ranking that of deputy minister<sup>(15)</sup>. Although a number of steps were taken towards privatization, the success cases were a few. A total of 1,076 enterprises were privatized and of them 609 were in the industrial sector. Only 13 large industries were divested at that time and foreign investment was low. Achievement were seen in the early period of government. In the later part of government due to political

turmoil achievements were rare. Ministers, Political leaders and bureaucrats were liable for that. In some cases substantial under pricing took place due to the corruption of bureaucrats and ministers<sup>(16)</sup>.

### **3.6: Situatın Under the regime of Sheikh Hasina Government (1996-2001)**

The new industrial policy in 1997 also gave emphasis on the private sector development. Although most of the industries were nationalized at the time of Awami League government after liberation and they were against privatization, the policy of privatization continued to be an agenda of AL since 1997. After the formation of government by Awami League under Sheikh Hasina in 1996, government declared that their policy would be privatization oriented. They also gave emphasis on industrial development through privatization process. In 1999, another industrial policy was formulated by the government. In this policy more emphasis was given on the industrial development through divestiture of different SOES. In fact, the new policy over the previous policy could help entrepreneurs in knowing new incentive packages available to them and the procedures to be followed by them in taking any venture. Although different policies were undertaken, the rate of divestment at that time was very low. Only six large industries were divested and huge number of small industries were divested but the achievement in comparison to the target was very low. Despite different economic liberalization, this stage of privatization experienced in delays due to different reasons. Some of the reasons were- lack of commitment of the political leaders,

bureaucratic opposition, lack of trust between management and employees, lack of consistency for privatization, lack of transparency and the weakness of national financial system etc<sup>(7)</sup>.

## CHAPTER FOUR

### FINDINGS OF THE PRIMARY SURVEY

#### 4.1: Comparative Scenario of Nationalized and privatized industries:

For empirical study of my thesis I had to undertake field work which involved visiting and interviewing 5 different enterprises out of them 3 are nationalized : Chatak Cement factory Chatak, Sylhet, Kaderia textile mills, Tongi, Gagipur, Adamji Jute mills, Narayanganj, the other two are privatized and they are (1) Kohinoor Chemical Industry, (2) Ashrafia textile mills Gagipur. Among the Sample size of 50, 30 workers' and worker leaders from nationalized Industries and 20 workers and worker leaders of privatized industries were interviewed. Some Union leaders were intensively interviewed. Mr. Abul Bashar, Mr. Ayub Ali, and Mr. Nizamuddin were interviewed to get in depth and details picture of their complains, views and opinions. Data illustrated below in Percentage & numeric are some of the findings from primary survey.

**Question: 1:** Do you get your wage regularly?

**Table:5** Wage payment system

Category	Payment system
Nationalized	Regular in most cases (at the end of each month)
Privatized	Irregularity in a significant number

Wage payment systems are more regular in nationalized industry than privatized industry.

**Question:2:** Do you get your bonus?

**Table:6** Bonus payment system

Category	Bonus Payment System	Regular	Irregularity
Nationalized	Regular two bonus	30(100%)	Nil
Privatized	Irregularity also prevailing in one /two cases	15(75%)	5(25%)

Bonus payment is more or less regular in both categories( Nationalized and

Privatized) but few irregularities also found in case of privatized industry.

Two type of bonus production bonus and profit bonus depends upon the fulfillment of production target and profit.

**Question : 3:** Where do you reside?

**Table : 7** Residential status of the workers

Category	Colony		Self Residence		Rented	
	In No.	In %	In No.	In %	In No.	In %
Nationalized industry (Sample Size 30)	21	70%	7	23%	2	7%
Privatized industry (Sample Size 20)	8	40%	2	10%	10	50%

In the above table it can be seen that out of 30 workers of nationalized industries, 20 reside in colony, 7 in self-residence & 2 in rented house.

Opposite picture is found in privatized Industries. Out of 20 workers 10 are living in Rented house 8 in colony & 2 in self-residence. So the sample represents that 70 % of nationalized workers are living in Colony against 40 % of privatized industry workers. 50% of privatized industry workers are living in rented house, while only 7% of nationalized workers can live in expensive rented house.

**Question : 4**

Does the Company provide you with any job training since the starting of you job?



**Table : 8** In-job training of the workers

Category	Yes		No	
	In No.	In %	In No.	In %
Nationalized	22	73%	8	27%
Privatized	16	80%	4	20%

Training facilities are higher in privatized Industries, which is 80% against 73% in nationalized industries. This means that privatized industries are more interested for skilled labours to meet production target efficiently.

**Question : 5**

Are you engage in any other work other than your job?

**Table : 9** Engagement in second jobs.

Category	Yes		No	
	In No.	In %	In No.	In %
Nationalized	5	17%	25	83%
Privatized	1	5%	19	95%

Workers in nationalized industries are having more leisure time than those in the privatized industries. 17% of the of nationalized industries workers are engaged in other business to get an extra income to support families. In privatized industries only 5% are involved in other business as they to spend most of their time at their work place.

**Question:6** What is the rate of payment for overtime work?

**Table:10** Rate of overtime payment

Category	Payment rate
Nationalized	Double
Privatized	Double

The overtime payment double than the usual rate of wage in both nationalized and privatized industry.

**Question:7** How many days for Sick and Casual leaves ?

**Table:11** Sick and Casual leave

Category	Casual	Sick
Nationalized	10 days	14 days
Privatized	10 days	14 days

Though the number of days are same in both cases but leave in privatized cases depends upon the willingness of owner and management.

**Question :8**

Are the production targets determined with the consent of the workers?

**Table : 12** Consent of the workers for production target.

Category	Yes		No	
	In No.	In %	In No.	In %
Nationalized	2	7%	28	93%
Privatized	Nil	Nil	20	100%

7% workers of the nationalized industry workers are sought consent while determining the production target. In privatized industry no consultation take place. Its solely determined by the authority.

**Question : 9**

In your opinion what are the main reasons for not fulfilling the production target?

**Table : 13** Opinion on nonfulfillment of production target.

Category	Machine		Management		Govt. Policy		Raw materials		Other	
	In No	In%	In No	In%	In No	In%	In No	In%	In No	In%
Nationalized	10	33%	5	17%	9	30%	4	13%	2	7%
Privatized	9	45%	3	15%	5	25%	2	10%	1	5%

Lack of machinery or default is machinery are main reasons for hampering target in both, nationalized & privatized industry. 33% in nationalized & 45% in privatized industry responded like this. Privatized industries are getting obsolete machines from their ancestor – state owned enterprise. Besides, diverted privatized industry does not have sound financial condition to improve their technical equipment. Government policy is also playing a major role in obstructing production target. The figure shows that 30% workers of nationalized industry & 25% workers of privatized give their opinion against Govt. policy. Unskilled & unfair management, lack of raw materials are the other prime reason behind not fulfilling production target.

**Question : 10**

Is there any written document supplied to the employees retrenched from the job?

**Table : 14** Written document for retrenched employees

Category	Yes		No	
	In No.	In %	In No.	In %
Nationalized	26	87%	4	13%
Privatized	Nil	Nil	20	100%

In most cases 87% workers in nationalized industries are provided with written document of why they have been terminated. In privatized industry the authority does not bother for giving any such statement.

**Question : 11**

Is the Collective Bargaining Agent (CBA) fruitful in industry ?

**Table : 15** Opinion on fruitfulness of CBA

Category	Yes		No	
	In No.	In %	In No.	In %
Nationalized	28	93%	2	7%
Privatized	13	65%	7	35%

In nationalized industries CBA is more influential than in privatized industry. 93% respondent of nationalized industry said positively about the fruitfulness of CBA and only 7% opposed the CBA method. On the other hand in case of privatized industry 65% respondent positively about the necessity of CBA and only 35% opposed the CBA activities.

**Question : 12**

Do you think that the existence of more than one basic union in factory is helpful?

**Table : 16** Usefulness of more than one Basic Union

Category	Yes		No		Don't Know	
	In No.	In %	In No.	In %	In No.	In %
Nationalized	10	30%	12	43%	8	27%
Privatized	6	30%	9	43%	5	27%

Majority of the employees of both nationalized and privatized industries passed opinion against the existence of more than one basic union. Those who are the supporter of more than one union they argued that the existence of more than one union might protect other union from bravery and corruption. On the other way those who are against, they claimed that more than one union may create collision between workers. They also argued that

management may use one union against other and the existence of different basic union may create the use of the shelter of political party.

**Question : 13**

Are you involved with Basic Union?

**Table : 17** Involvement with Basic Union

Category	Yes		No	
	In No.	In %	In No.	In %
Nationalized	26	87%	4	13%
	13	65%	7	45%
Privatized				

The above data shows that 47% of workers in nationalized industry are involved in Basic union where as it is 67% in privatized industry.

**Question : 14**

Is trade union is required to improve the present situation/condition.

**Table : 18** Necessity of Trade Union

Category	Yes		No	
	In No.	In %	In No.	In %
Nationalized	26	87%	4	13%
	17	85%	3	15%
Privatized				

Most of the workers think that trade union is required for the sake of protecting workers interest and for saving themselves from the torture of owners and management. Among them 8% even think that it is their democratic right to organize themselves through formation of Trade Unions.

**Question : 15**

Whose interest in the mill was taken care of by CBA?

**Table : 19** Protection of interest by CBA

Category	Worker		Labour-Worker		Own Interest	
	In No.	In %	In No.	In %	In No.	In %
Nationalized	6	20%	21	70%	3	10%
Privatized	4	20%	21	60%	4	20%

Respondents answered that basically CBAs meet the labour and workers interest. 70% of the nationalized and 60% of the privatized industry workers responded positively for CBA.

**Question:16** Was there any collision between labours during last five years?

**Table: 20** Collision between labours since last five years

Category	Yes	Not
Nationalized	26%	74%
Privatized	16%	84%

The reason for most of the collision was individual interest.

**Question: 17** Do you support divestiture?

**Table:21** Supporter of divestiture

Category	Yes	Not	Neutral
Nationalized Industry	25%	72%	3%

In nationalized industry though the numeric number of labour against privatization is high but they are not strongly against privatization. If labours interest fulfilled then they might support divestiture. Those who supported privatization they argued that it is required for the welfare or prosperity of the country.

**Question : 18**

If the govt. takes steps to divestiture your factory, what can you do after divestiture? This question was asked only to the SOE's workers.

**Table : 22** Option after the divestiture of SOEs

Uncertain		Business		Agriculture		Industrial work	
In No.	In %	In No.	In %	In No.	In %	In No.	In %
25	83%	2	7%	2	7%	1	3%

This table shows that the labours have fear about their future. 83% of the respondents think that their life will be uncertain if they lose job. They are not confident whether they could do any Business and 7% said that they would do agriculture & only 3% replied that they will try to join other enterprises.

**4.2 Analysis of the Result of Primary Survey**

Opinion about privatization were collected from mass labour and different trade union leader. After completion of collection of data, it seemed that the opinion of all labours are more or less the same about privatization. They are not strongly against privatization. If government is able to provide or fulfill their requirements they cannot oppose privatization. But some sort of different views are still remaining. The union leaders in different nationalized industries are strongly opposing privatization. They give strong argument against privatization though mass labours are not strongly opposing it.

Most of the labours in our country are engaged with different trade unions. Majority of the leaders are members of different unions. It

seemed that unions might be able to meet their demands through bargaining with the Government. It was largely felt that without union they might be tortured by the owners/ industrialist. Different views are also expressed. Few workers said that trade unions were harmful for production purpose because union leaders are free from work. Management always tries to convince them. Because management knows that if leaders of the trade unions try to create unrest in the industry, they are able to create it, which hamper production in the industries. The workers who opposing trade unions said that the collision between different unions is a common matter. Management always tries to make such a noisy situation among different unions. They also bribe them because if all unions are together then it would create a difficult situation for management and workers will be able to meet any requirement. It seems that workers are fully conscious about their claims and rights though most of them are not literate.

Some basic reasons behind losses of industries were cited by the respondents in different industries. Every worker was asked to cite three basic reasons behind loss in industries. Reasons indicated by the respondents are as follows-



**Table:23** Opinion regarding loss in industries.

Opinion	No. of respondents
Lack of appropriate steps in appropriate time	40
Problems of mechanical instrument	38
Lack of maintenance of different instruments	30
Inappropriate use of machinery tools	25
Unfairness of management	40
Unfairness of collective bargaining agent (CBA)	25
Unskilled management	37
Administrative burden	35
Inappropriate roles of Government	45
Imperfect policies of Government	45
Unfair rules and policies of government	47
Lack of raw materials	38
Lack of sharpness of management	35

Free market economy	25
Globalization of world economy	24
Unskilled management of BTMC (Bangladesh Textile Mills Corporation) in case of Textile industries	20
Electricity problem	35
Mechanical problem	42
Production loss	30

Source : Field Survey

Majority of the workers opined that the reason behind loss is the lack of appropriate policy by government and management. Next problem cited by the most was the unfairness of the collective bargaining agent. It was also stated that bribing CBA leaders, management take different unfair measures and they themselves gain profit out of it. Government's inappropriate policies are also responsible for loss.

An example may be cited to clarify the unfairness of management. Chatak Cement Factory is under Bangladesh Chemical Industries Corporation. It is one of the leading Cement industry in the South East Asia. For preparing Cement Soil and Clinkers are used. Clinkers come from India through connecting pipeline. At the time of establishment import of Clinkers was free of cost. Only transport cost was required.

In the early nineties the price of per ton clinkers was only nineteen taka in Bangladeshi currency. Later, without bargaining and India's strong demand it increased upto 300 taka per ton and later it increased upto 600 taka per ton without strong pressure and strong bargaining from India.

Workers said that it happened only because of by unfairness of management. Through this management was benefited. The increases in payment for per ton Clinkers increases the loss of that industry day by day. Labours are not liable for such kind of losses. But those who are supporting privatization are always claiming that workers are the main reason for losses in the nationalized industries. However they donot give emphasis on these stated reason of self interest of management. Primary survey data show that government, management and leaders of trade unions are liable for such losses in industries.

Mass workers do not have many scopes for seeking self interest because they are always working. However the number of workers is presently working as a crucial reason for loss in industries. In nationalized industry the number of workers is more than what is actually required. Management is also liable for it. By taking bribe they employ more workers than requirement. Political pressure is also responsible. Due to political turmoil production loss or losses of different industries in different sectors also occurs in Bangladesh.

Lastly, Labour is not the only reason for losses in industries, although it is stated to be so by the politicians and donor agencies. Working of

labour is a major reason in case of Bangladesh but the fairness of government and management is more important.

In our survey, when we asked the mass labour and different leaders of trade unions were asked about privatization- whether they support it or not, It was found that the percentage of the people against privatization was higher than the supporters of it. All the hundred percent of labour leaders said that they always opposed privatization. But those who supported privatization were the mass labours. In a supplementary question when we asked them why they opposed privatization, they gave varies answers. These are shown in the following table.

**Table:24** Opinion regarding opposition of privatization

Opinion	Number of respondents
Fear of loosing job	48
Job insecurity	48
Lack of government commitment	46
Failure of government to fulfill agreement with workers	44
Cheating of government with workers	42
National interest can not be fulfilled	35

Facilities of workers will be decreased	47
Overtime of workers will be decreased	39
Dishonesty of the owner of private enterprise	17
Bad behavior	35
Government will lost revenue	25
Government aims can not be fulfilled	30
No proper compensation	45
Lack of commitment	38
Lack of Patriotism by SOEs official	19

Source: Field Study.

According to mass labours they opposed privatization mostly because of the fear of losing job, Job insecurity, and failure of government to fulfill agreement in case of privatized industry those which were nationalized. A recent survey may conform it. A recent survey conducted by Dr. Binayak Sen.<sup>(1)</sup>, A senior research fellow of Bangladesh Institute of Development Studies (BIDS) under the supervision of ministry of Finance studied the performance of the 205

industrial units which were privatized between 1979 or on the early phases of privatization. The study of BIDS gives some interesting picture. According to the BIDS survey it was found that among 205 industrial units 112 or 54.6 percent were under operation, 83 firms or 40.5 percent firms were closed and 10 units or 4.9 percent had no existence. It can be presumed that the non-existing firms have been liquidated.

Among the 112 privatized firms which were under operation, the survey reported that 44 units. (40 percent of operated firm) were producing different commodities than what they did prior to privatization. Among 83 closed units the survey reported that 28 units (30%) were engaged in alternative activities (manufacturing, trading, and services) and 65 firms (70%) were reported to be inactive.

In 1991, there was another similar type of survey carried out by the Board of Investment, where only 47% privatized firms were under operation<sup>(2)</sup>. The BIDS survey of 205 units indicates that privatization increased unemployment rate. According to the survey, it was found that the employment in those running units came down from 1,08,645 to 82,324. A large number of workers have been fired. It was also found that among those 82,354 jobs, 32,813 persons were newly recruited. This implies that after privatization of 205 units among 1,08,645 workers only 49,541 or 47% persons were able to save their employment and 59,104 workers and employees lost their employment (53%) due to privatization. It was also found that in closed 83 units among 40,319 workers 39,007 lost their job.

The two third workers of those 205 industries lost their job either closedown or retrenchment. Roughly 1,00000 workers lost their job in these selected industries and it can be said that nearly 1,00000 families related to these 1,00000 workers were hampered after privatization. Government cannot provide new jobs for them and it also failed to give them job security and to ensure new job. So from that study it can be said that the workers fear of losing job or fear about the job insecurity is correct. And that is why they are strongly opposing privatization. After conducting present survey it seemed that most mass level of workers had no headache about the ownership of enterprises. They always tried to work or conduct their jobs and got their facilities. But the practical experience of different levels of fired workers feared them about losing job and insecure future. Though government was committed to ensure job for fired worker government failed to fulfill this commitment to the workers. It created fear among the workers about losing jobs after privatization. Respondents firmly stated that Government must provide jobs for unemployed workers. It is a basic right for a citizen. So without creating new job firing of workers should be stopped. This will create labour unrest and privatization process may be retarded. So it was found that labour thought it to be a right to oppose privatization in that context.

In 1984, two Bangladeshi scholars, Rehman Sobhan and Ahmed Ahsan, studied the performance of some of the industrial enterprises, which were privatized (divested or nationalized). Their period of study under consideration was 1976-83 and they dealt with the

enterprises divested under six corporations. Their test of hypothesis showed that the privatized enterprises were likely to operate more efficiently and profitably and the productivity in these industries increased and real sales also increased. But in half of the cases (45%), production and real sales fell. In a roughly 67% of cases financial performance deteriorated, and overall employment dropped by almost 13%. This strongly indicates that post privatization performance is not particularly good in the industrial sector though such conclusions have to be qualified and measured against what would have happened in the absence of privatization. The decline in production may be due to the “environmental factors” such as economic downturn, decline in export market prospect etc.

It is a major drawback of this study of post privatization that they do not attempt the (admittedly difficult) task of constructing a convincing “without privatization” counterfactual that takes account of such environmental factors and therefore provides a more appropriate benchmark for post privatization campaign. By taking consideration of different factors where large number of divestiture has completed, one cannot strongly argue that privatization / divestiture is completely successful and it works as a most powerful weapon to cover all of the pre-divestiture losses. A large number of unemployment added to out labour surplus economy. Large numbers of labours are quitted from different industries and they lost minimum ability to sustain their life.

In Bangladesh, production is affected by external factors including political unrest and natural calamities in different time. In 1988, for



example, a large number of mills were closed for 20 to 45 days due to unexposed floods in Bangladesh. The export demand and other textile materials also vary from time to time. During the survey time, jute was affected by external demand, textile was affected by internal demand (about 2% of the textile products were exported and rest was consumed locally). Since more than 75% of population are based on agriculture and their marginal propensity to consume is very high, when their income is low their willingness for manufacturing goods are very low. Exact qualification is not possible on each of the factors. Nevertheless, this gives an idea of factors other than the ownership, which might affect performance of an enterprise. So the concern of losses in the public owned enterprises only for labour or trade union reason is base less in most of the cases. Other factors influence that sector. Statistics also confirms these reasons. Similar conclusion is also reached by World Bank researchers. In their own word "This exercise, however, has had mixed results: a number of privatized enterprises were closed down and several others have faced continuing problem. In part due to weak demand for jute and textiles and accumulated liabilities and debt servicing" (World Bank, 1988, P 20). This strongly indicates and proves that loses are not the result of ownership but of general market conditions and inadequate management.

### **4.3 The case study /Impact of Divestiture (Experience from primary survey)**

From different interviews with trade union leaders and mass level workers of divested industries, opinions on the social impact of privatization / divestiture are collected.

#### **1) Lack of employment and lack of alternative job opportunities.**

The most inevitable outcome of divestiture is firing of workers from their job. After divestiture owners fired some workers for the sake of their interest. Half of the workers were already fired from divested industry. When few workers of Kohinoor Chemical Industry were interviewed they informed “When that industry was in government ownership 1200 workers were employed. In 1993 government privatized that industry. After hand over, new owner of that industry fired 800 workers who were employed in different sections of the industry”. Those fired workers are not yet getting any job. Most of them are workless now. A large number of people are back to their village home and are working in already overpopulated subsistence agriculture of our county. Few workers got job in other industry, which are very insignificant according to the total numbers of fired workers. A large number of privatized industries are still closed. The workers of that industry are living a very critical life. They are now crying for job and crying for right to live. Government cannot provide any new opportunity for them.

## **2) Increasing number of child labour**

Since the only earning member of the family is being unemployed for the reason of divestiture of his working place, so the other members must go to work in different places for sustaining their lives. Children of most families were employed for that reason and spent most of their working time in industry and at the same time they were missing the chance of studying which is the pre-requisite for a prosperous Bangladesh.

## **3) Unused of skilled labour**

In the process of privatization a large number of skilled workers are fired. Though a lot of skilled labours are fired, there is no new opportunity created for these labours. They are sustaining their lives by working as rickshaw Pullers, which is loss of skillness. On that matter, Abdul Kadir Hawlader, president, Jatiya Sramink league informed during collection of data that, Mr. Amir Ali from Tajgaon was a well-known, skill labour. But for the reason of divestiture of that industry now he became a rickshaw puller in Dhaka City. Mr. Hawlader also informed that without getting any new job in industry Mr. Amir Ali took the job of Rickshaw puller. This is loss of national skill ness. If government provides any new job in any industry then it could be possible for Amir Ali to give proper service the country's prosperity. In similar ways a large number of skilled workers and labours ultimately get lost.

#### **4) Torture over women increases**

For the reason of divestiture more than half of the labour are fired. So the pressure over existing labours increase at significant extent. Since 1200 labour was employed previously in one industry when it was under government ownership. Now under private ownership the number of labour came down to only 400. So pressure over existing labour increased. Most of the victims for this are women. They now return at night from their working place. When they return at night they feel insecure. On that matter President of Bangladesh Jatyia Samik Jote Md. Mejbahuddin stated that "As an aftermath of privatization, income of labour are decreases because now they spend most of their time at industry. Even they spend 10 hours in industry, which is the violation of human rights. Women, those who are employed in the industry are suffering much. They are being tortured when they return at night lonely after completion of their work in the industry. Some times, those women labours are raped.

#### **5) Good relations in family may be broken**

Divestiture creates serious social problem in our country. Divestiture makes a large number of workers jobless. For sustaining their life labours now are engaged in different works. But they cannot be happy with that level of earnings. So, their wives and children are also being engaged in different works. While observing Kohinoor Chemical Company during field work few labours then interviewed from them a labour from Mechanical sector Mr. Chandan Kumar Dalia and Day labour/General labour (washing soap, Card no 825) Md. Nur Hussain

informed that “ They received more when that industry was under government ownership. They led their life in a better way. But now they are working more but they do not earn sufficient for better life in comparison to the industry under government ownership. So the low earnings of family create problems to meet family needs and it creates problem for leading happy life in many ways.

#### **6) Children lost their right**

Since children are engaged in earnings they are losing their right of education. Education is a right for every child. But divestitures interrupt children to get their right. This basic right is now violated and lost. One of the workers informed that, before divestiture his children were in school because he was able to bear the expenditure of his children. But after his mill was privatized he couldnot send his children to school. Because earnings and facilities under private ownership reduced. Now his child is selling paper or is working as hocker and is contributing for his family and he is busy for earning money to sustain his life.

#### **7) Workers /Labour cannot get their receipt after divestiture**

During field work Rickshaw puller Mr. Shajid Miah from Modhubagh, informed that he was a labour in a state-owned industry. After divestiture of his industry he has been fired but yet he did get all receipts from government authority. On that matter General Secretary, Bangladesh Free Trade Union Mr. Mamunur Rashid Chowdhury said about the sufferings of the labour of the Mirpur Iron Company (which

is now laid off) that, after divestiture the labour of that industry are begging. They are suffering from various diseases but they cannot get any medical assistance and they cannot get any prescription from any doctor because they have no money. Their health conditions are deteriorating day by day and they spend miserable life. These are the aftermath of privatization. The result of privatization occurs because privatization took place before without taking proper steps and without implementing government commitment to labours. So most of the labours and trade unions are opposing privatization not for unlawful things. They are not diehards of nationalized industry. They only look for fulfillment of their basic needs and rights.

#### **4.4 Case study on Pre and Post privatization of different industries**

If the performances of industry in two different time periods- pre and post privatization period are observed then we can comment on the relative performance of the industry. A study presented in “ILO national Tripartite Seminar on Globalization and its Impact on Industrial Relations in Bangladesh” can be cited. In that study the situation of 13 relative performance of 13 divested industry are shown, which are as follows :

**Table:25** Relative performance of the divested industry

NAME OF ENTERPRISE	PRE-PRIVATIZATION	POST PRIVATIZATION
Ctg. Cement Clinker and Grinding	Cap Utilization 52%	Cap. Uti=72% Sales=86.42cr.Tk.
	Sales 49.68crore Tk.	Sales=86.45cr.Tk.
	Total no.ofWs=316	Ws=252
	Profitable	Profitable
Kohinoor Chemicals	Highest Loss incurred= 6cr Lossing just before	Now profitable Profit=79lac taka.
5R.ltd	Lossing. Loss=5.64cr. Tk.	Lossing Loss=47lac Tk.
Kishoreganj Textile Ltd.	Lossing Loss=64 lakh Tk.	Lossing Loss=2.16 cr. Tk.
Eagle Box and Cartoon	Lossing Loss=1.85cr.Tk.	Lossing Loss=3.13 cr.Tk
Style Fabrics	Lossing Loss=13 lac Tk.	Lossing Loss=30lac tk.
Hamida Textile Mills i.e.	Existed	Now non existent could not be found
Dhaka Vegitable industries	Running	Yet not started
BD Cycle inds.	Do	Do

Madaripur Textile	Do	Do
Sinha Textile	Do	Do
Quantum Pharmaceutical	Do	Do

Source: ILO seminar report, M.M.Akash, Dhaka, 1998

In a different study Dr. Binayak Sen showed that 74% private textile mills made loss during last five years, whereas the loss in the public enterprise is 62%. During the period of 1982-83, 35 jute mills divested. Till today these mills are not profitable and they have large default problem. A sample survey of 498 divested enterprises by the investment board in 1993 (See Sangbad 8/5/1993) found that 133 were closed, 141 were not found i.e., in total 174 were not running. In a study by World Bank it was found that productivity does not depend on ownership as it depends upon managerial efficiency. So from the above analysis we strongly say that the profitability of state-owned enterprises does not depend on ownership. It depends on other exogenous factors. Some case studies will make these factors clear.



## Case Study-1

### Madan Mohini Textile Mill, Khulna

The Madan Mohini Mill, which was established in 1972 and provided employment for 3000 worker-employees, is now closed. Within 10 years of establishment, the Madan Mohini Mill became profitable and a source of new employment due to sincere work with high level of productivity by the workers. In 1972 the Mill was privatized and by the end of 1975 the mill started to give losses due to lack of efficiency and corruption by the Mill management.

In 5<sup>th</sup> February 1982 the government closed the factory through liquidation. Thousands of workers became unemployed.

In 24 September of 1984 the Ershad government privatized it with only the cost of 11 crore 21lac taka and newly built BTMR project was handed over to a person with only the cost of 14 crore taka.

In 2<sup>nd</sup> February of 1985, the new owner started the function of the Mill with only 700 workers-employees. On protest workers showed agitation. The new owner of the Mill sacked 606 workers. In 1<sup>st</sup> November 1987 the new owner closed the operation of the Madan Mohini Mill and in July 1990 the government handed over all the responsibilities to the liquidation cell. Since then the factory is fully closed. Recently it was reported that one vaster quater is trying to occupy the overall assets of the Mill. 3000 workers and employees of the Mill are passing miserable life.

Source: The Banglar Bani, 29/01/1998

## Case Study-2

### Joba Textile Mills, Narshingdhi

The Joba Textile Mills was established in 1967 with private initiative. In 1972 the government nationalized this mill. In 1983 the mill was privatized. In the period between 1990-1995, the mill was laid-off for four times. On December 1995 it was started its operation and in October 1997 it was once again laid-off.

According to the workers and employees, there are two groups existing in the owner side and a case is running in the court with them. Due to this the mill was laid-off. Other reasons are the lack of management efficiency, massive corruption in mill management, carelessness between the owner side are valid reasons for the present condition of this mill.

No body is sure when the mill will re-open. Five hundred workers and employees are passing very hard life and three (3) workers already lost their lives due to massive poverty and lack of proper treatment. Children of the workers' and employees are out of the school as their parents have lost their capability for paying the school fee.

Source: Daily Sangbad, 24/04/1998

### Case Study-3

#### Hafiz Textile Mill, Pabna

Hafiz Textile Mill is located in Shitakundo, Chittagong was a State Owned Enterprise under the Bangladesh Textile Mills Corporation and privatized in 1<sup>st</sup> January 1997. Although the ministry of Jute has cleared all dues of the workers and employees, since the privatization of this mill, it is fully closed. But it was promised by the new owner to the government that he will continue the operation of the mill after taking over the responsibility.

Since one year has already passed and new owner has no intention to start the operation, therefore workers are sufferings with poverty and hunger. Now workers are planning to go for a movement to start the operation of the factory.

Source: Daily Sangbad 26/01/1998

### Case Study-4

#### Kalico Cotton Mill, Pabna

The Kalica Cotton Mill is located in Pabna. This state owned enterprise was privatized by selling 51% share to the private sector. Till the government could not receive the full payments and the related interests for 51% share from private owners.

After being privatized the Mill management violated the IRO'69 and laid-off the mill in 1993 with out any notice. The reason for close down of the mill was internal conflict for sharing of power, lack of efficiency in management. The mill is closed for five years. 700 workers and employees are jobless and around 5000 dependents for these 700 workers and employees are passing miserable life.

Source: The Ittefaque, 15/01/1998

**Source :** Chowdhury A.R. Repon: Privatization of State Owned Enterprises: A hard issue in the labour market; BILS Journal, 3<sup>rd</sup> issue, July-September, 1998

## **CHAPTER FIVE**

### **FROM PUBLIC TO PRIVATE OWNERSHIP**

#### **5.1 Comments of Analyst in Newspapers**

The process of divestment started in the year 1968-69 and since then it continued over the years up to date. Over five hundred enterprises have been divested at a price of Taka 3.00 billion (300 core). The incidence of default in payment of installment has been minimal<sup>(1)</sup>.

For well functioning of the state-owned firms well EPIDC type body may be formed. There is an example where we find that government owned firms are functioning well. At the time of EPIDC under Shafiu Azam (Chairman) was a golden era. It is stated in an article in the Daily Star, a leading English daily in Bangladesh by news analyst that, till 1971 the EPIDC was functioning quite efficiently in managing the public sector enterprises under its control, thereby providing the public sector with work (conducive environment is created- The basic one being total autonomy). Some outstanding executives who were in permanent staff administered the EPIDC<sup>(2)</sup>.

The civil servants who were posted as chairmen and directors were also the creams of the bureaucracy and civil servants like Shaiful Azam, Fasihuddin Mahtab, Muzaffer Ahmed, Kafiluddin Mahmud and Kazi Fazlur Rahman went on to become ministers. The golden era of EPIDC was certainly under Shaiful Azam. It was said that, he was very democratic. He was rude to his inferiors, he was rude to his equals and he was rude to his superiors. He ran the EPIDC autocratically with

ruthless efficiency. Corruption was a word unknown to the corporation. He brooked no Interference from anyone and not even God (such was a saying in EPIDC). Alas! One can now only look back at the EPIDC with nostalgia. So from here we may prove that management corruption is also playing a significant role for losses in public enterprises not only labour union.

According to the privatization Board, 2 lac worker will be fired so it is strongly indicative about the increasing rate of unemployment. That's why workers are opposing privatization. In 1997, 47 thousand 1 hundred 35 workers are fired from jute mills industries corporation. New recruitment in different sector corporations are now closed/stopped.

From the independence of Bangladesh till now nationalized industries in Bangladesh loses 45 core taka, which is sufficient for a developing country's backwardness<sup>(3)</sup>.

## **5.2 Out comes of Round Table Dialogue**

A round table meeting was organized by leading Bangla Daily "The Vorar Kagoj" where the leader of different political parties and leaders of different trade unions, leading industrialists, World Bank representatives were present<sup>(4)</sup>.

In that round table Industry minister Mr. Tofael Ahmed (1996-2001) said that, present government gives highest priority to privatization program and he gave emphasis on consensus among the political parties, because without consensus it is difficult to achieve. He also

added, “Donors are giving regular reminder on this issue to us. The industry minister pointed out that, “We have to approach towards privatization with consideration to protect the workers interest and well being of the industry”<sup>(5)</sup>.

Mr. Saifur Rahman, Former minister and leading supporter of privatization program said that, “It is now being proved that the state cannot run the business. Bangladesh is a worse example for government interference on autonomous institutions. Government’s task is to create an environment for formulating necessary institutions and controlling laws for the private sector. Until that the privatization process will be unsuccessful” Mr. Rahman also added that, “The common consensus is prevailing among the political parties on the question of privatization but without arranging any economic safety net for workers it can not be done. Workers have to pay all their genuine claims. Scheme needs to be arranged so that, after the retrenchment they can be act as small entrepreneurs”<sup>(6)</sup>.

The Chief of the Privatization Board, Mr. Kazi Zaffarullah also emphasized on exchanging views with the workers about privatization. Mr. Ahsan Ullah Master, member of the parliament (MP), General Secretary of Jatyā Sramik League and leader of SKOP said “Workers are not the problem in Privatization, But when any SOE becomes privatized, the workers have to face reality. No one can think about their association with the industry”. He also added, “Workers do not want to take wage without working. Enterprise gives loss due to

mismanagement and some times some interested trade union leaders join with management in the mismanagement activities<sup>(7)</sup>.

Mr. Nurul Islam form Trade Union Kendra expressed his view that, Privatization is not a panacea. The workers are not responsible for un-success of privatization. The real problem is existing policy on it. Examples are available on those who took self-retirement from railway and recently those who were retrenched from some textile mills. The collabouration of corrupt management and few so-called trade union leaders are responsible for it. He invited political party and different trade union groups on open Radio, TV dialogue for reaching a common consensus<sup>(8)</sup>.

### **5.3 Evaluation and updating of existing research on the post privatization performance of Industrial enterprises**

The basic motive for creation of public enterprises during the Pakistan period (before 1971) was based on natural monopoly, prevention of market imperfection, economic growth and the private sector. During the period of Sheikh Mujibur Rahman(1971-75) the motive for establishing public enterprises was “containment of private economic power and the promotion of economic growth with social ownership of means of production” (Ahmed, M. 1982, page-18). The period was characterized by entrepreneurial substitution and aimed at achieving economic growth primarily through social ownership of the means of production<sup>(9)</sup>.

The implementation of privatization program in industrial sector is more difficult than the privatization program in banking sector<sup>(10)</sup>.

According to different studies it is found that in the case of industry there are basically two types of people remaining

(1) Industrialist (2) Traders

In case of Chemical industry four kinds of activities done by industrialist are called B.M.R.E. or (a) B-Balancing (b)M-Modernization/Modification (c) R-Reconstruction and (d) E-Extension.

Industrialists always try to improvise industry. They cannot try to do corruption by tax. They are always positive to the country and always positive minded. They can realize people and they try to be honest.

On the other hand there are those who try to improvise themselves whatever goes against the country. They are not real countrymen. Trader's class buys those industries, which are privatized by Government at low price by offering bribes to Government officials. There are a number of examples where traders class buy different industries at a very low price, which cannot cover the price of land, owned by that industry. Traders also resale those industries. They donot look at the interest of the workers. They only look at the interest of themselves. In case of Bangladesh most of the transfers happened to traders not to industrialists. So the condition of industry changed significantly after transfer and in some cases it even deteriorated.

In case of financial sector it is easier to evaluate assets of banks and assess the capability of new owners to manage them, but this is more difficult in the industrial sector. Many of the industrial sectors or units taken for divestment in recent time were established in the 1950's and 1960's. This indicates that they have old and antiquated machinery and equipment giving rise to valuation problem. And it is found that new owners in most of the cases are not industrialist entrepreneurs and in many cases this lack of manufacturing experience subsequently gave rise to management problem.

#### **5.4 The inner politics of sluggish rate of privatization**

More than 10 lack workers are engaged in nationalized industry. Ninety percent of them have voting rights. They have influencing power on any government political party's vote bank. Bureaucrats are highly gainers from those nationalized industries. There is a problem of under pricing in nationalized industry. Without any appropriate plan government would like to get more revenue from that nationalized sector which could be impossible.

There are few arguments against privatization. These are- Poor loan repayment performance of some privatized enterprises, pre-mature privatization, and poor tax repayment record of some privatized enterprises<sup>(11)</sup>. Privatization process occurred due to various reasons. One of them is the revenue collection argument. Privatization is advocated on the consideration that the revenues earned from the sale of public enterprise can be utilized in other development activities<sup>(12)</sup>. In Bangladesh if we analyze the net revenue earned through divestiture, we



find that the impact is not so much significant<sup>(13)</sup>. Corruption in selling of nationalized Industry works as a major reason<sup>(14)</sup>. There is strong evidence in many cases about the under pricing of assets privatized. It is held that there was an under pricing of divestment of industrial enterprises in Bangladesh. Rehman Sobhan and Ahmed Ahsan (1984) estimated that the net value of the 162 divested enterprises they looked at was 8500.5 million. If it is true the substantial under pricing took place. Because of non-accessibility to documents prenatal to valuation of abandoned industrial enterprises, however it is not possible to comment on actual under prices in case of Bangladesh. But it is sure that substantial amounts of under pricing always happens in case of divestiture and the labour and other third and fourth-class employees bear the liabilities.

#### **5.5 World Bank view of difficulties faced in commissioning the newly privatized enterprises.**

According to the World Bank there are two major problems of privatization. Labour problems and the condition of the machinery and premises. Here we discuss these two problems briefly, which is also illustrated by World Bank survey<sup>(15)</sup>: In the illustrated study all the textile enterprises, which were closed down in order to begin privatization has covered, the government retrenchment in these enterprises under the ADB sponsored industrial sector program (ISPL). On that process Quantum Pharmaceuticals and Bangladesh Cycles were closed sine die and all the employees were laid off. Chittagong Cement Clinker, Kohinoor Chemical, Eagle Box are running after the

privatization. But in all of these cases the local labour union and families of the workers have personally appealed to and even threatened the new owners to re-hire the retrenched workers. Retrenchment created problem in such privatized enterprises (Eagle Box and Kohinoor Chemicals) because they did not inherit enough gratuity fund to compensate the workers.

In case of second reason it is stated that the problem incurred by the newly privatized enterprises did not end after the hand over to the private sector. As a result of the complications created by the government agencies involved in the privatization process, the delays in the hand over, and financial mismanagement under state control, the new owners had to face many more problems in commissioning enterprise. These included labour problems, damaged machinery, premises in disappear, unforeseen liabilities and non-reimbursed bills. All these problems stem from the inefficiencies of state owned enterprises and the inability of the government to manage the privatization process smoothly or properly. The World Bank prescribed that government should adopt a three-pronged strategy to deal with the problems of SOEs<sup>(16)</sup>.

- 1) Selected SOEs to be privatized
- 2) Enterprises likely to remain in the hands of government over the foreseeable future should be pushed to commercialize and face the current market.

3) Public sector entry must be encouraged in different sector, particularly telecommunications, transport, power, gas and different utilities.

The World Bank prescribed South-Asian developing countries to take different steps to pursue following reforms of SOEs<sup>(17)</sup>:

- ❖ Privatize to increase productivity and also improves the credibility of the Government's commitment to stop interference in production decision.

- ❖ Promote yardstick competition (i.e., competition induced by comparing peer performance) and allow unit managers more freedom to choose policies.

- ❖ Ensure that regulatory agencies have a degree of independence of the political process to ensure the political process regulatory process; and

- ❖ Reassess the guidance provided by cost-benefit analysis when externalities and economies of scale matter (i.e. when simple rules such as "raise tariff to long run marginal cost" can lead to wrong policy conclusions). In public expenditure review 1997, the World Bank recommended to Bangladesh government that:

- ❖ Announcing a clear policy with a strong poetical commitment to implementing the privatization program. Some key suggested actions are: preparation of a privatization policy paper and its approved by cabinet, early action on privatization act, which is under preparation and will require approval by the cabinet and parliament, in order to strengthen the legal frame work for privatization setting up for a cabinet committee on privatization table carried by prime minister, cabinet approval of the

list of SOEs to be privatized every year, greater empowerment and operational autonomy of privatization board; and review and revision of tender conditions which have introduced rigidities.

❖ Critically reviewing the proposed industrial investment program in FY 98 ADP and the TYRIP (FY96-98), particularly the new proposed investment, in the light of the specific reservations explained in Annex II (project 2.1-2.21) and taking appropriate actions-limiting of investment in on going projects to the minimum necessary to make enterprises ready for privatization, and dropping the proposed new investments from ADP and three year rolling investment program (TYRIP).

❖ Adapting a cautious and selective to BMREs, limiting such investment to crucial maintenance necessary for continued operation, within the context of privatization program, and avoiding capacity expansion through BMRE as a matter of policy.

❖ Avoiding new projects for expanding EPZs or establishing new EPZs in the public sector, in the context of recently private EPZ Act.

Focusing on improving the industrial regulatory framework and removing distortions in the incentive regime and reorienting the public sector agencies responsible for promotional services, utilities and infrastructure facilities, in order to enhance prospects for attracting foreign direct investment into industrial projects.

## CHAPTER SIX

### PRIVATIZATION AND LABOUR RELATION

#### 6.1 Privatization and SKOP

A joint forum of 18 different national trade unions, Sramik Karmachari Oykia Parisad was formed in 1982. It started its movements with five-points demand, where the main was to stop privatization. The major political parties of Bangladesh supported it. The last government in 1998 signed an agreement with SKOP, where two clauses were directly related to privatization. According to clause 3 “There will be no enormous dis-investment. Necessary steps will be taken by census in discussion with the SKOP and representative of the related industries including those industries for which tenders have been floated”<sup>(1)</sup> Clause 7 says that “Immediate necessary steps were taken to re-open and run the sick and closed industries by determining the real problems. SKOP will cooperate in this respect. These retrenched workers of those industries will given priority in re-employment”<sup>(2)</sup>.

Finally, it is found that government violated the agreement with SKOP and continued privatization of industries without consulting with SKOP. Now the question arises from labour leaders that, why the government signed such agreement and then violated it. They said that they are not opposing privatization but the interest of labour must be given priority before privatizing industries. It is quite obvious that the violation of agreement by the government created serious mistrust and paved the way for another new movement by mass labour.

Since the violation of the Agreement the privatization board has started campaign in the major daily newspaper about privatization in order to achieve public support for it. The key messages of the advertisements are as follows:

Ad. No. 1. "State owned enterprises are non-profitable, not time oriented. On the other hand, de-nationalized or privatized enterprises are profitable and time oriented. Productivity will increase if the enterprise becomes privatized. If enterprise expanded new employment will be generated for workers."<sup>(3)</sup> Ad. No. 2 "In the state owned enterprise workers do not work, on the other hand, in private enterprise workers are hardly working."<sup>(4)</sup> Ad. No. 3 "Every year the SOEs give 25000 core tk. Losses. The country can build one Jamuna multipurpose Bridge on every two years period with that amount". The Trade union leaders are calling it a campaign against workers and employees. They said the management of SOEs were also to blame. "The campaign went against the labours and workers, which would create confusion among the people." Union leaders seems that such a campaign is also liable for creating mistrust between government and union leader, which also interrupt in the process of privatization.<sup>(5)</sup>

## **6.2 Dependency and Privatization in Bangladesh**

We have already identified that two factors affecting the privatization process in Bangladesh one is internal and the other is external. And these two factors are not positive for Bangladesh.

1) Internal means the internal condition of industries in Bangladesh is not favorable for privatization. Most of the industries are sick and they are not ready to handover to the private sector.

2) External factor means the developed countries pressure to developing countries for their economic development.

Bangladesh is now taking the privatization policy due to the pressure of the developed countries. Before discussing the issue of privatization, we should have some idea about development and underdevelopment:

Under the capitalist system development is measured by such terms as GDP, GNP or per capita income. Socio-economic development, in fact, encompasses a broader concept that transcends the narrow quantitative perspectives. It involves qualitative change in the socio-economic and political development. The term development does not necessarily assume any conflict between growth and distribution <sup>(6)</sup>.

On the other way the main characteristics of the underdeveloped countries are inequitable distribution of national income, unemployment, low productivity, mass poverty, illiteracy, malnutrition and disease etc (Frank: 1973).<sup>(7)</sup>

Underdevelopment is a sort of subordinate development within the global capitalist system<sup>(8)</sup>. The structure of the global economy may be viewed as a totality within which underdeveloped countries are sub-systems and so the theory of underdevelopment turns out to be essentially a theory of dependence <sup>(9)</sup>.

Most of the development models in the existing world is capitalistic model. There are so many ways in development, which were mentioned by W.W. Rostow<sup>(10)</sup>, Lucian Pye<sup>(11)</sup>, David Apter, Such as; Economic, Social, Political and psychological. The root of all categories of development is from a basic paradigm. And this is modernization paradigm. According to this paradigm the characteristics of developed countries are the ideal for developing countries development. But expected development is not seen in the developing countries. And there is a question raised- what is the problem of modernization paradigm? To search the solution of the problem in the decade of 1960s some neo-Marxists Paul Baran, Dos Santos<sup>(12)</sup>, A.G. Frank<sup>(13)</sup>manuel Wallenstein, Galtung, Samir Amin<sup>(14)</sup> Hamza Alavi and others presented a third approach for development. This is called dependency theory. The main theme of the dependency theory is that the developed countries will give loans or aid to developing countries for their development. It is a continuous process to make dependent those countries that are trying to be developed. This is not real development, this is a subordinate development. The dependency theory said that if the dependent relationship is not broken then development will never come.

So the main theme of the dependency theory is the underdevelopment of developing countries caused by existing relationship between developed and developing countries. Basically this process has started from the colonial period. Including Bangladesh most of the third world countries were under British colonial role. They were the importer of primary product from third world countries like us and still now this is continuing. This is a common phenomenon of developed and



developing countries. Still now developing countries are exporting primary products and importing the manufactured goods. Raul Prebisch asserted that these countries were undifferentiated and specialized in the production of agricultural raw materials whose terms of trade declined relative to the manufactured goods and capital equipment produced in the developed countries. So these countries were put in a dependent position (Frank, A.G.: 1973)<sup>(15)</sup>

The British imperialist policies destroyed the progressive forces and destroyed the economy of Bangladesh and ultimately reduced her to a perpetual position of dependence and underdevelopment<sup>(16)</sup>

As the theory of imperialism focuses on the expansion and domination of the imperialist powers, the concepts of dependence highlights the fundamental problem facing underdeveloped countries (SO, 1990:98).

Dos Santos also asserted that, the relationship between two or more countries assumes that the form of dependence when some countries (the dominant ones) can expand and can be self-starting, while other countries (the dependent ones) can do this only as a reflection of that expansion (Dos Santos, 1970:226)<sup>(17)</sup>.

The dependency theory explains the world capitalistic system as a circle. The process or circle of underdevelopment is based on their relationship. They explain the capitalistic system by two factors;

- 1) Center- Developed rich countries (DC).
- 2) Periphery- Underdeveloped poor countries (LDC)

The theorists explain that way the developed countries are arising, in the same way the developing countries are going to be underdeveloped. It is not possible for the third world countries development by following the first world countries development procedure because the Socio-economic condition of both categories are not the same.

Underdevelopment is the result of world capitalistic system. The basic savings of the capitalistic state comes from the extortion/repression of the periphery state. They established a metropolis-satellite structure by looting the surplus value of the periphery state. Finally, they gave the third approach and said it is impossible to develop the developing countries without breaking the relationship.

Dependency is a historical method that relates third world as a subordinate state. The state of being connected to and subordinate to someone is the opposite of self-reliance. This term may be encountered in a Variety of Sociological context. In the study of economic growth and the sociology of development, it describes a situation in which Less Developed Countries (LDCs) literally depends on imports from the advanced industrial states. In order to achieve growth this can take the form of financial and technical aid, expertise or military support. Dependency is judged by theorists and others, to be a limiting condition to the long -term economic and political interests of third world states. (The concise oxford dictionary of sociology, 1994).

Dos Santos stated that, "Dependency is a conditioning situation inn which economics of one group of countries are conditioned by the development and expansion of others<sup>(18)</sup>. A relationship of

interdependence between two or more countries or between such countries and the world trading system becomes a dependent relationship when some countries can expand through self impulsion while others, being in a dependent position, can only expand as a reflection of the expansion of the dominant countries, which may have positive or negative effects on their immediate development (Dos Santos 1969)<sup>(19)</sup>.

Samir Amin noticed that the production of core and peripheral are unequal. Core produced mass consumption good and periphery produced luxurious goods.

Core	Periphery
1. Mass consumption goods 2. Capital goods 3. Mechanized good production	1. Luxury goods 2. Export commodities 3. Stagnant production

A.G.Frank analyzed dependency in terms of Metropolis- Satellite structure. Galtung, Hamza Alavi described this as Center-Periphery. Samir Amin expressed this in terms of Core-Periphery. The operational definition of all the term is same. But all of the theorist show that this is a circle of underdevelopment. They argue the existing categories relationship between both type of countries is not a positive sign of development. They also said that the developed countries development

is never the ideal for developing countries. Because the reality of both categories of countries were never the same. The developed countries were never underdeveloped. And underdevelopment is not the original condition of all countries. The developed countries have an indigenous growth. They had no external dependency. But the developing countries are running with external dependency. This dependency makes the developed countries development. The developing countries underdevelopment is the key of developed countries development. A.G.Frank also asserted that the capitalist development on world scale, the penetration of the Satellite through foreign investments and aid drains from the Satellite to the centre through the repatriation of profits and interests<sup>(20)</sup>.

This relationship makes a conditioning situation that makes some countries development by other countries under-development means repression and exploitation. This dependency is not good for a country. When the developed countries profit or development seems in any kind of idea or process then they imposed it to the periphery countries. And the periphery countries are bound to imply this policy. Bangladesh is now the victim of first world. We are now really not ready for privatization but we are bound to receive the policy of first world countries. Otherwise donation, loans and aid will be stopped. The existing capitalist development system does not allow her to take any other policy. Bangladesh has to face the non-co-operation of the metropolis states and her ongoing development process will be breakdown. This ongoing development process is started before two hundred years ago when British Colonial role started here<sup>(20)</sup>.

Dependency is a conditioning situation, which causes underdeveloped countries to be both backward and exploited. Bangladesh is now in a dependent position. This is a continuous process from British colonial role. It is not easy to break the dependent relationship with developed countries. The developing countries are bound to obey the first world dominating policy. So Bangladesh is also bound to obey this. As for example Bangladesh has prospect in Sugar industry. But now Bangladeshi people are buying other countries sugar. Because there is no roles or no restriction for people to buy local product. People realized that it is not fair or it is not a positive sign for industries. Because they are running not in a good position. It takes time, but the world bourgeois are not giving time to Bangladesh. Their policy of free market economy is now handling our whole market. Bangladesh is bound to take every policy of first world without questioning whether whatever it is better or worse for the country. This is the relationship, which indicate dependency. From the above analysis we may say that the theory of dependency is appropriate for explaining the case of Bangladesh.

### **6.3 Globalization, Industrial relation and Economic Development:**

The term “Globalization” is currently a major concern in the economic, Political, Social and cultural arena at the national and international level. According to some economist “Globalization’ is an unavoidable phenomenon and to have turned the principles of worldwide free market economy into almost an ideology<sup>(21)</sup>.

The term privatization is more or less related with Globalization. From the ideology of globalization we found the development of an economy through privatization policy. Now the question arises “Is globalization an unprecedented chance for development” or “will it bring mass unemployment”? “Will it be able to increase the efficiency and productivity of our industry”? “Will it further deepen the class differences and social inequities in society”? “Will it stipulate the upcoming of the middle class”? “Will it bring the development of human resources i.e., contribute to development of a highly skilled labour work force”? And many more questions could be raised. There is a paradox in the ongoing privatization process. The stronger is the ideological drive for privatization from both donors and business community the weaker is the real pace of privatization. Thus we are observing continuous vacillations in privatization process.

In case of economic development through privatization we found that privatization board claims that the SOEs every year is bleeding 2500 crore tk. which has to be subsidized by the state. According to World Bank report the opportunity cost of SOEs losses for eighteen months is equal to one Jamuna Bridge.

Some people become candid enough to recognize that the ground for privatization is at present mainly ideological and donor driven. Thus they want to denationalize jute and textile mills or as such all other manufacturing units without comparing the relative performance of both the public and private sector<sup>(22)</sup>.

From different isolated studies on the relative performance of public versus private studies. It is also quite difficult if not impossible to find out the exact performance change attributed to exclusively change in the form of ownership. In general today the theoretical consensus is moving towards a pragmatic one and has rejected the initial simplistic idea of privatization as a panacea of everything or privatization as a necessary condition for efficiency.

The relationship between the labour and production are:

- 1) If we upgrade the labour status then production will increase.
- 2) If production increases then labour status will be upgraded.
- 3) Increases of production is depends on labour security.

Now a question will arise: Which can get the priority between production and labour? Then we can definitely say production. Because production is our main goal or target. And obviously if we want to fulfill our target then we have to complete all the prerequisites of it.

The main element of production is labour and industry. Now we have to find out the clear relation between the labour and industry. What is the pattern of labour and the position or standard of labour?

Privatization of the industry is a trend of the whole world. And privatization is important for recent free market economy. The trend of world economy influences Bangladesh. Bangladesh also organized a privatization board. The board identified the sick industries and decided to hand these over to private sector. But there is controversy about

privatization. Some emphasizes privatization and others give counter arguments against privatization. Those who are opposing privatization said that privatization is against labour interest.

Donor agencies and international organization are giving support for privatization. Another question is that if privatization is against labour interest that implies that it will hamper production, then why they are supporting privatization? Theoretically market economy is in favor of labour development. Then why do the worker oppose their development? Is it a misunderstanding of the working class? Why the workers are opposing privatization? Is it only because of the lack of consciousness? To realize this we have to study the background of our labour politics. What is the labour status or labour standard? What about existing labour standard? Does it have any existence of labours own consciousness? Here the fact lies that workers are being used by some one especially labour leader. They are used for power.

Now we have to find out the mechanisms of power holders. How do they become powerful and how do they mobilize the workers and also the total economy? We need to clarify these variables.

Labour is an important issue for privatization. There was a common feeling of fear among the workers that they could lose their jobs due to privatization. It should be realized that labour would never oppose privatization if their interest are promoted and protected.

In the mid of 20<sup>th</sup> century public sector was recognized on the belief that state economy will be provided by it. It was hoped that every economic



development would be strengthened. By leaps and bounds it was also realized that if the private sector is allowed to play their role with public sector than the economy will be more strong. With the beginning of the decade of 1980's the wind of economic reforms began all over the world. And it also knocked development in Bangladesh. Basically developed countries played a pioneering role in holding a forceful debate with regard to adoption of reform packages under the banner of liberalization and globalization. Privatization was recognized as a proper and effective tool for economic transformation and development. From the first worldview privatization generates forces for improvement in the economy. But Bangladesh has different realities. We are really not ready for completely free market economy and full movement towards complete privatization. We have to make our industry sound first and then we have to transfer ownership from public to private ownership.

#### The External Effects for Privatization

Basically the concept of privatization starts from the ideology that private ownership works better than government ownership. It is also related to redistribution of wealth and power. But nowadays each and every corner of the world share slogans of privatization, open market economy and globalization. But the reality is that every country is not ready for privatization. Some of the countries are passing their critical time. What is right for them is to establish themselves first and then to go for globalization. Otherwise their economy can crack down or breakdown on the way. Now the developed countries of the world stand on a stable position to go along with full privatization.

## CHAPTER SEVEN

### POLICY RECOMMENDATIONS

- 1) Good relationship between workers and employers is a *sin-qua-non* for privatization.
- 2) Political consensus of all parties should be ensured<sup>(1)</sup>.
- 3) Rehabilitation of retrenched workers through some pragmatic government programs providing placement, training and counseling should be introduced.
- 4) Regular meeting between management and unions at the enterprise level is necessary.
- 5) Building of confidence and consensus of the social partners is necessary to create a congenial atmosphere for peaceful labour management relations which is essential for achieving higher productivity which is also a precondition to achieve the goal of privatization.
- 6) There are four types of institutions:
  - a. Sound and profitable
  - b. Sound but not profitable
  - c. Profitable but not sound
  - d. Neither sound not profitable

Actually, government is divesting last two kinds of industries. It is against the goal of privatization. But the success of privatization depends on divesting first two kinds of industries. So government has to take appropriate steps for successful privatization.

- 7) Privatization board is supposed to be autonomous, independent with no interference from the ministers/ ministry<sup>(2)</sup>.
- 8) Government should take steps toward balancing, modernization, replacement, expansion (BMRE) of state-owned enterprises before accelerating the process of privatization.
- 9) The success of privatization not only depends on labour issue but it depends on a firm and clean political commitment of government combined with a transparent and timely implementation.
- 10) Existing trade union and labour laws need to be amended with consensus of all political parties so as to ensure congenial atmosphere in all mills and factories<sup>(3)</sup>.
- 11) Excess manpower should be reduced from units which are to be privatized through a training program, entrepreneurship development and through some other social safety-net program. Appropriate strategies or safety net programs for retrenched workers and workers are needed.<sup>(4)</sup>
- 12) Retraining is needed for the retrenched workers for appropriate skill development.
- 13) Selling the units to worker's cooperatives. Some industries like Adamjee jute mills may be considered to be given to the workers for running them on an experimental basis<sup>(5)</sup>.
- 14) Productivity at management, labour and machine levels should be taken to make the ventures commercially viable<sup>(6)</sup>.
- 15) Awareness should be created through appropriate education and training of the union leaders and key employers.
- 16) Changing attitude should be developed towards trade union considering them as partner rather than adversary<sup>(7)</sup>.

17) Appropriate steps should be taken to increase labour productivity through training and retraining, skill development programs through incentive schemes, linking wage increase with productivity with appropriate sharing schemes.

18) Attempts should be made to modernize labour laws and enforce labour laws<sup>(8)</sup>.

19) Training is required for trade union leaders and management staffs in human resources<sup>(9)</sup>.

20) Political interference in industrial relations matters should be minimized.

21) Mutual trust needs to be developed.

22) A situation of self employment of surplus labours should be created.

23) Situation can be improved by sending them abroad with employment giving them preference over others<sup>(10)</sup>.

24) Other countries may be asked to use the large SOEs, Which the private bidders are unwilling to take over installing new machinery therein.

25) Security of investment should be ensured by private entrepreneurs and also creating necessary facilities for such investment<sup>(11)</sup>.

Trade unions are not opposed to privatization rather they can help privatization if security of jobs, favorable wages and other facilities are ensured to the workers.

### **World Bank Policy on Privatization**

World Bank, leading financial institution in the World has strong pressure and regular reminder to Bangladesh to speed-up the process of privatization of SOEs. To show the progress of privatization in

Bangladesh according to World Bank report has been disappointing as in 18 years between 1976 to 1994 only 1215 SOEs were identified for privatization between 1986 and 199. Although 113 SOEs were identified for privatization between 1991 and 1996, only 13 were privatized during the period. That means the Government is able to make good to only 11 percent of its promises when it comes to privatization of SOEs. According to them the important reasons for this slow pace of privatization are:

- 1) Lack of clear government commitment to the privatization program
- 2) Problem in selection of loss making state owned enterprises
- 3) Weak arrangements for financing privatization
- 4) Cumbersome and delay-prone privatization process and inadequate, inefficient and ill-suited staff of the board.

In case of Bangladesh the pressure and reminder comes very often from World Bank as pre-condition to receive technical and financial assistance for development projects usually placed by the Bangladesh Government.

According to the World Bank survey all the surveyed enterprises are optimistic that the problems caused during state control and as a result of the privatized process can soon be solved and profitability be achieved. They also stated that unfortunately, however, the privatization process itself be riddled with complications, inefficiencies, lack of transparency and unnecessary bureaucratic interference adversely affect

privatization. To continue privatization process, it is equally important to reform and reorient the relevant government agencies. The survey also suggests reforms through

- ❖ Bank financing
- ❖ Dispersion of long term liabilities
- ❖ Streamlining of tariff and tax rules

Favorable business policy environment often affects the sources of privatized enterprises. The success or failure of few stumbling enterprises which are unprofitable can not determine the success or failure of privatization in the country. It indicates that all is not wrong with privatization as some tend to believe. The survey also suggests that due consideration should be given to some exogenous factors that often affect the success of privatized enterprises.

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## **CHAPTER EIGHT**

### **CONCLUSION**

Basically the concept privatization starts from the ideology that private ownership works better than government ownership. It is also related to distribution of wealth and power. But now a days each and every corner of the world have a slogan of privatization, open market economy and globalization. But the reality is that every country is passing their critical time. They have right to establish themselves and then go for globalization. Otherwise their economy can collapse on the way.

An overall success of privatization program would depend on how sharply the problems are identified and how sensibly they are solved. The benefit of privatization are clear but they will become manifest in Bangladesh only if the privatization program is managed in a transparent, credible and well conceived manner.

Privatization in the present day in the context of Bangladesh is a very sensitive and delicate issue for the government. Privatization program is taken in different countries as a strategy under structural adjustment program to achieve rapid economic growth in the industrial level. Traders class are developing in Bangladesh, although the development of industrial class are necessary.

The main theme of the present research is privatization and labour. Privatization means the industry privatization. Labour means the workers and employees of the industry. And in case of Bangladesh the

discussion of privatization leads the discussion of labour also. There are two different views of privatization.

1. A theoretical view of privatization.
2. Practical view for Bangladesh.

In every theoretical research it is said that privatization is positive for production and industry. So it is positive for workers. Most private enterprises are reasonably high-tech operation, requiring employees with technical skills. So it will have a positive effect on income distribution and workers also.

The Privatization process started in Bangladesh for many reasons. The main reason was that the enormous public enterprise system was floundering and losing money in large amounts.

The fact that some privatized enterprises in Bangladesh have done well while others have not should come as no surprise to those who have monitored post privatization performance else where. The changes in ownership pattern have not always led to the expected improvements, at least not fast enough. Problems faced by enterprises after privatization and their spill over effects on the rest of the economy have thus become a matter of concern and the debate is now focusing on how to deal with the Post Privatization Problems.

All these debates on Privatization in Bangladesh seems to have neglected one important set of questions. The worsening condition of the Post Privatization Performance is due to many other factors, as well



as, inefficient management, lack of machinery, inappropriate government policy and others.

There is a common protest against privatization that private sector exploits the workers. And it is also said that few number of privatized industries are running efficiently and most of them are in worse position which exploited workers and ruined their life.

In Bangladesh privatization is a burning issue for globalization and development. Internal politics is also affecting the process of privatization. After the nationalization of industry the authority recruited more unskilled workers and employees. Majority of them are surplus in the factory. They are taking money from the government. When the government decided to give the industry in private sector then they fall in fear of losing jobs.

The major questions of the present study was to search -

The workers who participated in the anti privatization program. The finding clarify finding clarifies that both categories of labour (ordinary workers and union labours) are opposing privatization from their different realities. It is proved that workers are opposing it for their security. Most of the reasons are fear of losing job., reduced wages or the lack of trust that they have seen in the privatized companies which are not doing well.

Government officials and policy makers of different countries strongly proclaim that, if a country having a large scale state owned enterprise (SOEs) wishes to achieve sustainable economic growth in short period

and like to take the comparative advantage of free market economy in their current business and trade with the rest of the world should follow the implementation of privatization program. We have seen from the different sources that consistency has not been a hallmark of the Bangladesh government's Privatization policy. One sees little evidence of specific goal and targets that were to be met in carefully planned states.

From experience it is said that if any least developed country that have SOEs or nationalized industry take action program for privatization, the immediate reaction comes from workers and trade unions. It is also evident from the study that in major cases the labour of divested industry is being tortured by the owners of that industry. The theory of dependency also works in case of Bangladesh. Till today Bangladesh is not well prepared for privatization but the developed countries and donor agencies are imposing it over Bangladesh which is bringing harmful effects of privatization.

In Bangladesh the fear of losing jobs amongst the workers has been identified as a major obstacle towards privatization. The experience of Bangladesh shows that a successful privatization is only possible if the workers are involved in the process. A political consensus is also an essential pre-requisite. Government has to take appropriate policy and initiatives to meet the logical demands of the workers. The transparency and trust between workers and governments is also prerequisite for success of privatization.

The problem of labour militancy in Bangladesh is cultural and all pervasive, and not peculiar to organize. Though there are many powerful elements of divestment of State Owned Enterprises (SOEs) exclusive focus is given on organized labour on the question of resistance of divestiture. As a result it has become difficult to identify the real factors, which may actually help in augmenting the process.

It is said in major cases that the losses of nationalized industry are due to workers but the present study found that there are large number of factors also involved in this process. Such as lack of machinery, fair management, lack of bank financing, dispensation of long term liabilities, streamlining tariff and tax structure and lack of favorable business policy environment.

Government has to identify the reasons which are hidden behind the labour militancy. The identification and formulation of appropriate policy at appropriate time is precondition for the success of privatization policy in Bangladesh.

The industry, factory might be privatized or might not be, while it depends on present industrial and labour market situation and demands.

A program, which does not cover the general expectations and benefits of the ordinary workers in the concerned society is neither desirable nor realistic. So, common consensus, realistic evolution, transparency, accountability, responsibility and long term thinking and vision could be the key factors for privatization in Bangladesh.

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