

## **Labor Law practice in Bangladesh: A comparative Study between Local/ Govt. organizations and foreign organizations/MNCs operating in Bangladesh.**

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**Abstract:** *The Purpose of the study is to find out the Labor Law Practices between Local/ Govt. Organizations and Foreign organizations/MNCs operating in Bangladesh. An empirical study is conducted to identify the findings. Respondents are from both types of organizations. The result shows that there is significant differences exist between these two types of organizations. But in some aspects local organizations have done well in terms of Labor law practices within the organizations. The study will open the new avenue of research in the field of Labor law practices.*

**Keywords:** *Labor Laws, Local Organizations, Foreign Organizations, BLA 2006.*

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### **I. Introduction**

Labor Law means those rules & customs of state by which the relation of employer Labor is structured in order to secure harmony in the Industrial arena. The modern Labor law is compiled by the state. In the eye of Labor law, the capital & the labor both are equally important. In modern time, the basic purpose of labor law is to create exclusive relation between capital & labor. There were many labor laws in previous but now it has only one complied labor laws in Bangladesh. The name is Bangladesh labor Law2006. The Bangladesh labor code is one of the very recent laws with major overhauling changes in the field of labor legislation which is amended in time to time in order to cope with the changes and overcoming the drawbacks. Yet the initiatives have taken by the state in respect of Labor law but the real practices are not reflected in the industries as expected. Many organizations are performing well in terms of labor law Practices within the organizations but most of the firms especially the Local and Government organizations have failed successively in case of labor law practices. The research is intended to find out the gap in between two types of Organizations Namely Local/ Govt. Organizations and MNC/ Foreign Organizations.

### **II. Rationalities of the Study**

Bangladesh is highly populated country. Low cost labor is thus one of the major competitive advantages of Bangladesh. Many labor intensified industries have been developed after the independence of this country. Poverty and illiteracy make the majority of the population to work in different industries that are operated either by Government, local businessmen or by the FDI and MNCs. In 2006 Bangladesh Government first complied the labor laws that is named by Bangladesh Labor Law 2006. The complied laws would be the main basement of the labor management and ensure the fair treatment of the labors. However since the compilation of the labor Law 2006, still the majority of the labor forces are deprived of from the basic rights and benefits that are driven by the Labor laws 2006. Government has amended the labor laws in time to time to overcome the draw backs of the existing laws. Despite the efforts, the real objectives of the Labor Laws have yet to be accomplished. Many incidences likely the labor unrest due to wages and deadly accidents in Rana Plaza and Tazreen fashion have indicated that the working conditions of the workers in most of the organizations are not up to mark. But it is well said that the foreign owned and MNCs are in terms of ensuring labor laws in the respective industries better than the local and government owned organizations. The rationality of this study is to find out whether there is any such differences in terms of labor law practice between local and Foreign/MNCs or not. The study will also help to understand the real practices of the labor laws in different industries and it would be helpful to identify the benchmark practices relating to labor laws Practice.

### **III. Objectives of the Study**

#### **Main Objectives:**

To find out the whether there is any significant difference exists in terms of Labor law practice between Local/Government organizations and Foreign/MNCs operating in Bangladesh.

**Other objectives:**

1. To understand the labor law practice in different organizations
2. To find the loopholes of the labor law practice in different organizations
3. Employees perceptions regarding the labor law practice in respective organizations

**IV. Scope of the Study**

The scope of the study is confined within the organizations operating in Bangladesh. Only relevant labor laws will be included in the study.

**V. Methodology**

For the purpose of Empirical study, data are collected from different HR and Management professionals who are working in different organizations in Bangladesh. A structured questionnaire is used in order to collect the data from the respondents.

In this study the following statistical measurement are used.

1. Descriptive Analysis. ( Mean, Standard Deviation, Significant level
2. T- test
3. One Way ANOVA test
4. F- test
5. Regression Analysis including Beta, T- test and significant level.

For the purpose of Statistical Measurement, SPSS software is used.

**VI. Literature Review**

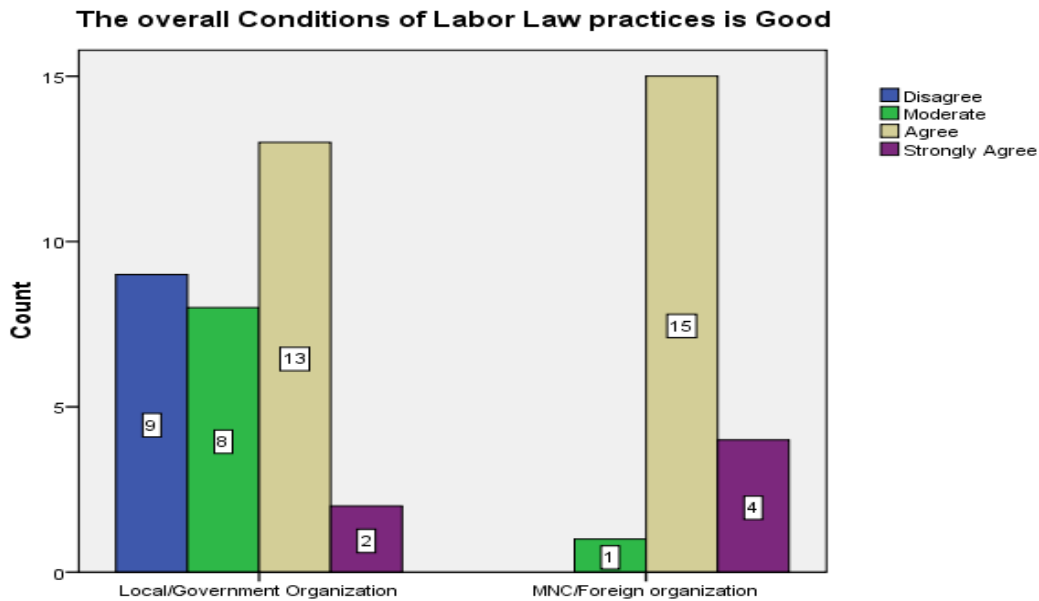
Labor law is chiefly apprehensive with this elementary singularity of social power. The principal purpose of labor law, is to regulate, to support and to restrain the power of management and power of organized labor (<http://www.bdlawnews.com/perspective-of-labour-law-in-bangladesh-advocate-wasim-khalil>, n.d.). The main object of labor law has always been to thwart the inequality of bargaining power which is inherent and must be inherent in the employment relationship. There can be no employment relationship without a power to command and a duty to obey. But the power to command and the duty to obey can be regulated. The characteristic feature of the employment relation is the individual worker is subordinated to the power of management but that the power of management is co-ordinate with that of organized labor. The regulation of labor results from combination of those agreed between him or his association and the union through collective bargaining. In the formulation of the rules which regulate the relations between employers and workers the common law has played a minor role.

**VII. Hypotheses Development**

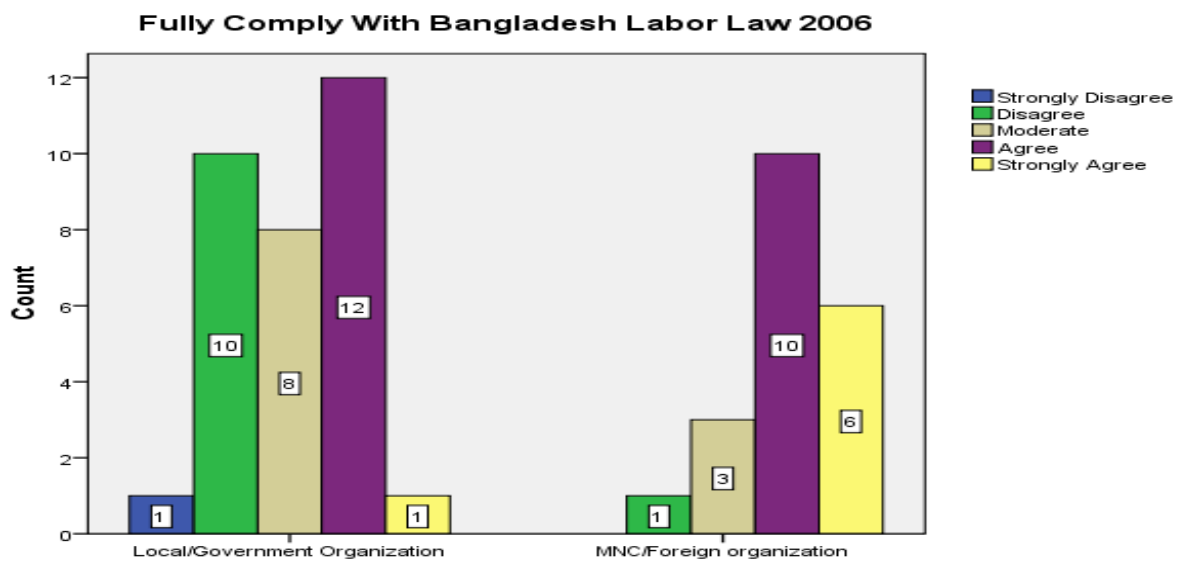
Multinational corporations (MNCs), commonly referred to as ‘big business’, are a powerful economic force (Chandler). In an increasingly globalized world, MNCs integrate with developing countries in a multifaceted manner. The debate over MNCs is not new, nor is it complete. Marx, in *Capital Vol. 1* (1876), and Marshall, in *Principles of Economics* (1920), note that the concentration of competition among firms leads capitalist processes and labor division creation, which are critical to attain economies of scale. At present, access to cheap labor is an essential integration that MNCs exploit by outsourcing to small and medium contract firms in producer countries. Outsourcing shifts core activities that used to be within MNCs to arms-length transactions. The big business’s ability to improve labor standards as the discussion point simply formulates. Rather, it is a multifarious issue with overlapping motivations from a plethora of actors. As profit seeking entities, MNCs’ motivations are complexly tied with labor standards and its practice. Second, MNCs’ foreign direct investment (FDI) flows selectively and strategically to a handful of fast-growing, highly populated developing countries and therefore mainly influences labor standards in those countries. For the rest of the developing world, MNCs’ ability to affect labor standards is very limited. Third, MNCs are not the only actor in the current international trade environment capable of improving labor standards. Other actors include the World Trade Organization (WTO), the United Nations (UN) International Labor Organization (ILO), host governments, non-government organizations (NGOs), and labor/trade unions, all of which are inter-engaged in complex political-economic contexts. On the other hand Local/Govt. Organizations have to follow the law of the land and ILO standards on which the country is signed to comply. The Multinational Firms that are operating in the different industries in Bangladesh have to abide by the law of the land and as the chain of the foreign companies they have to maintain the international standards that may not be mandatory by the local laws. Generally it is assumed that MNC/ Foreign organizations are better in terms of practicing labor law comparing to local/Govt. organizations. In this research we mainly focus on three Hypotheses namely:

1. There is no significant difference in case of overall good Practices of Labor law between Local/ Govt. Organizations and MNC/ Foreign Organizations.
2. There is no significant difference in case fully comply with BLA-2006 up to amended between Local/ Govt. Organizations and MNC/ Foreign Organizations.
3. There is no significant difference in case of providing Minimum wages between Local/ Govt. Organizations and MNC/ Foreign Organizations.

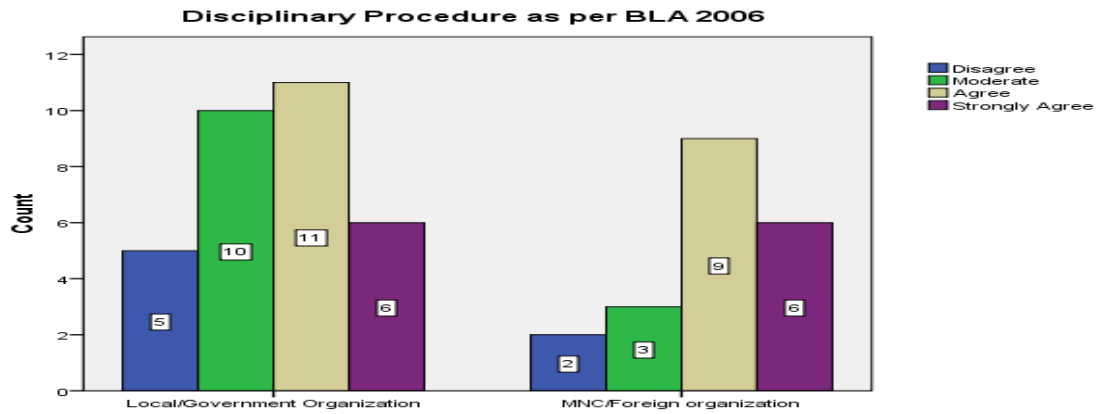
**VIII. Comparative Result of respondents in respect of Local/ Govt. organizations and MNC/Foreign Organizations.**



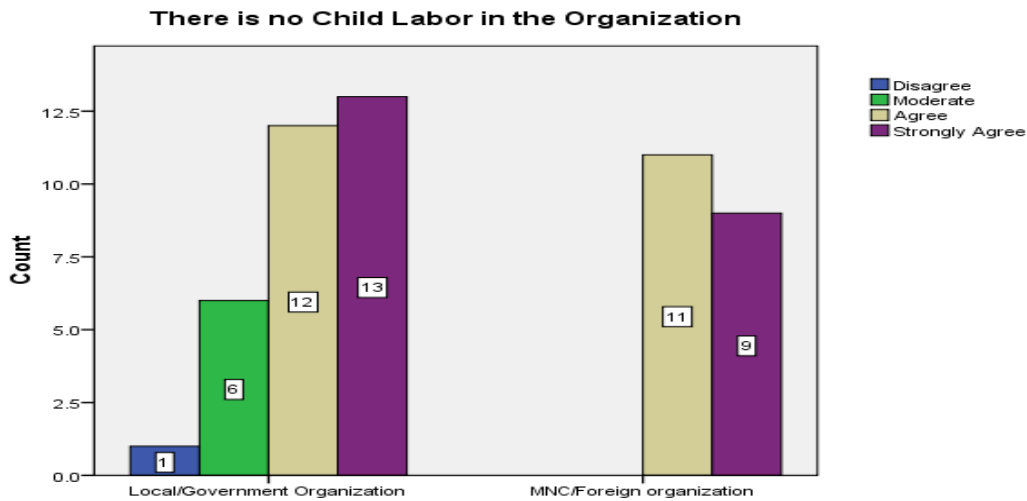
In Case of overall Good conditions of the Labor law practices 40.63% of the respondents from Local/Govt. Organizations agree about that on the other hand 75% of the respondents from MNC/Foreign organizations agree about the overall good conditions of labor law Practices in the Respective organizations.



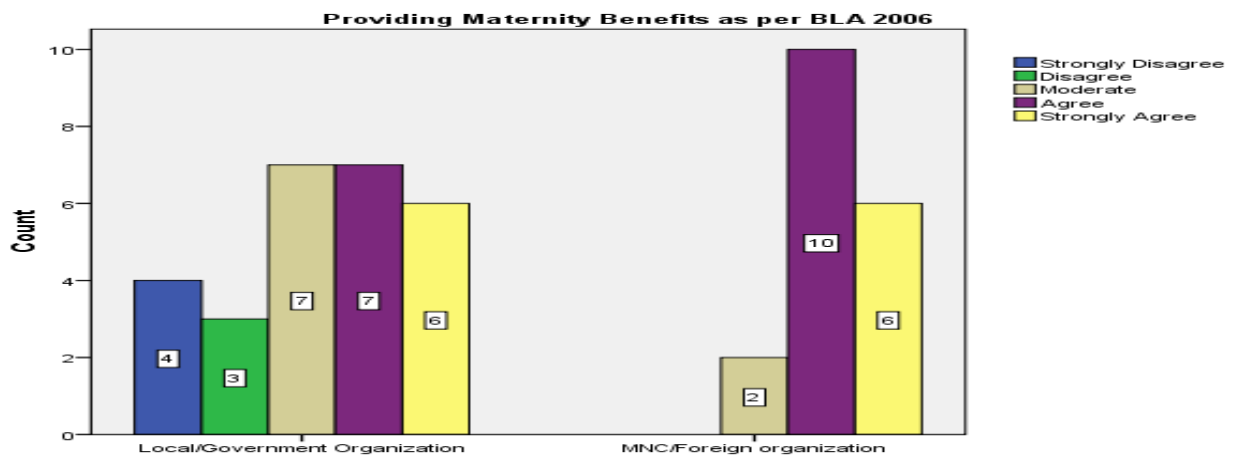
Whether the organizations fully comply with Bangladesh labor law 2006, only 37.5% from the Local/Govt. organizations agreed about that on contrary 50% of the respondents from MNC/Foreign organizations agreed regarding this question.



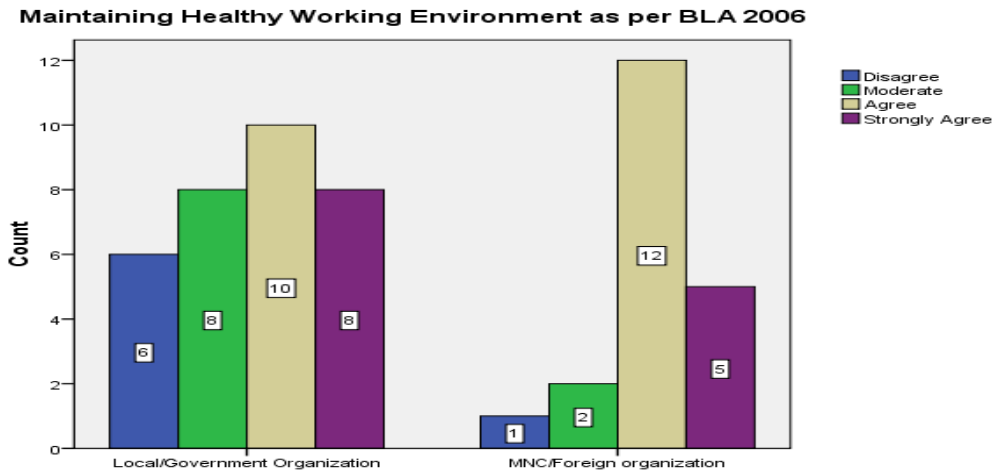
In case of Disciplinary Procedure according to BLA 2006 34.38% from Local/Govt. organizations agreed about that on the other hand 45% from MNC/Foreign organizations agreed that they follow the Disciplinary procedure as per BLA 2006.



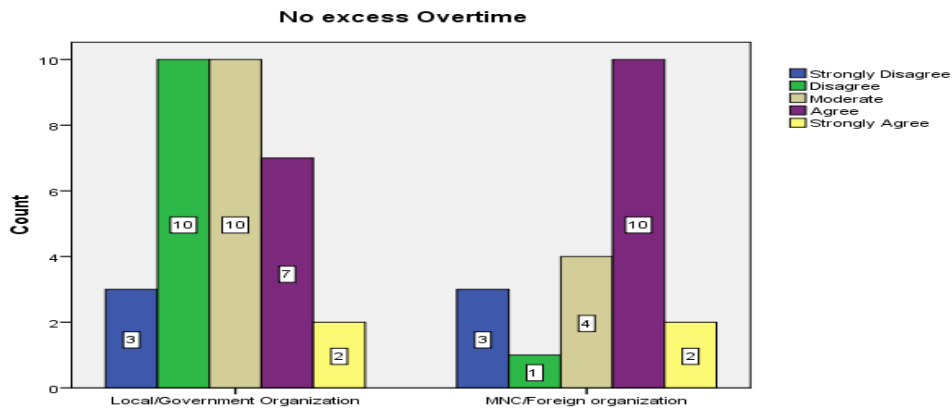
55% of the Respondents from MNC/Foreign Organizations agreed that that they have no Child labor in their Organizations. On the other hand 37.5% agreed from Local/Govt. Organizations.



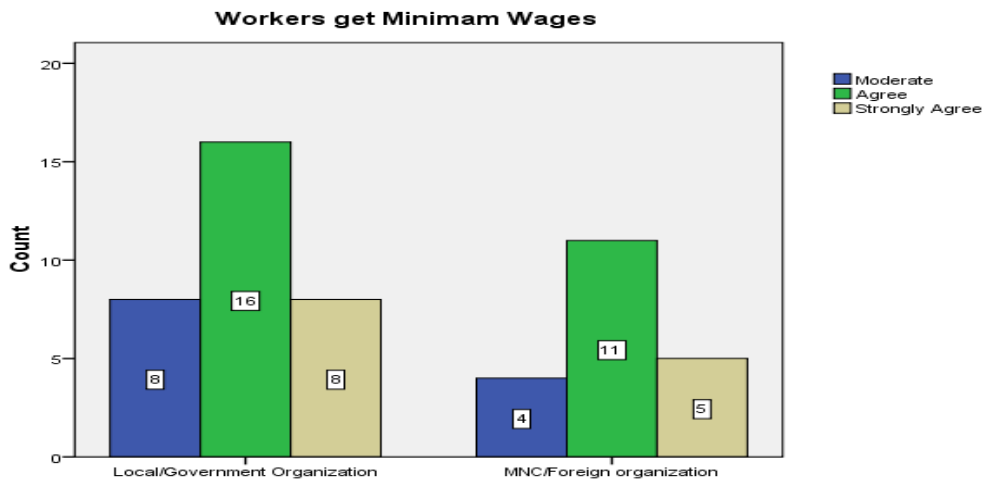
16 out of 20 from MNC/Foreign organizations' respondents agreed that their organizations provide the Maternity Benefits as per BLA 2006.



Significant differences also observed in case of maintaining Healthy working Environment as Per BLA 2006 comparing with Local/Govt. Organizations and MNC/Foreign organizations.



Only 21.87% of the respondents from the Local/Govt. Organizations agreed that they have no Excess Overtime on the other hand 50% of the respondents from the MNC/Foreign organizations agreed that they have no Excess Overtime according to BLA-2006.



50% of the Respondents from the Local/Govt. Organizations agreed that their organizations provided Minimum Wages to the Workers and 55% of respondents from the MNC/Foreign Organizations agreed that their workers get Minimum legal wages in their respective organizations.

**IX. Hypotheses testing result and interpretation:**

H1: There is no significant difference in case of Overall Practices of Labor law between Local/ Govt. Organizations and MNC/ Foreign Organizations.

**Table 1: a**

Notes					
Group Statistics					
	Type of organization where you are currently working?	N	Mean	Std. Deviation	Std. Error Mean
The overall conditions of labor law practices in your organization is good	Local/Government Organization	32	3.250	.95038	.16801
	MNC/Foreign organization	20	4.150	.48936	.10942

**Table 1: b**

**Independent Samples Test**

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
The overall conditions of labor law practices in your organization is good	Equal variances assumed	17.681	.000	-3.913	50	.000	-.90000	.22999	-1.36194	-.43806
	Equal variances not assumed			-4.489	48.608	.000	-.90000	.20050	-1.30300	-.49700

From the table 1: b we see that the sig. is .000 for F test which is less than 0.05 thus equal variances not assumed. In that case t is -4.489 and sig. is .000 that is less than 0.05 thus we can reject our Null Hypothesis. From Table 1: a we also see the differences in case of Mean value (MNC/ Foreign Organizations = 4.150 and Local/ Govt. Organizations = 3.250

Thus we can interpret that there is significant differences exist in case of overall good Practices of Labor law in between Local/ Govt. Organizations and MNC/Foreign organizations.

H2: There is no significant difference in case fully comply with BLA-2006 up to amended between Local/ Govt. Organizations and MNC/ Foreign Organizations.

**Table 2:a**

**Group Statistics**

	Type of organization where you are currently working?	N	Mean	Std. Deviation	Std. Error Mean
Your organization fully complies with Bangladesh Labor law 2006 up to amended	Local/Government Organization	32	3.0625	.98169	.17354
	MNC/Foreign organization	20	4.0500	.82558	.18460

**Table 2:b**  
**Independent Samples Test**

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Your organization fully complies with Bangladesh Labor law 2006 up to amended	Equal variances assumed	2.726	.105	-3.743	50	.000	-.98750	.26380	1.51736	-.45764
	Equal variances not assumed			-3.898	45.595	.000	-.98750	.25337	1.49762	-.47738

From the table 2: b we see that the sig. is .105 for F test which is more than 0.05 thus equal variances is assumed. In that case t is -3.743 and sig. is .000 that is less than 0.05 thus we can reject our Null Hypothesis. From Table 2: a we also see the differences in case of Mean value (MNC/ Foreign Organizations = 4.05 and Local/ Govt. Organizations = 3.06

Thus we can interpret that there is significant differences exist in case of fully comply with BLA-2006 up to amended between Local/ Govt. Organizations and MNC/ Foreign Organizations.

H3: There is no significant difference in case of providing Minimum wages between Local/ Govt. Organizations and MNC/ Foreign Organizations.

**Table3:a**  
**Group Statistics**

	Type of organization where you are currently working?	N	Mean	Std. Deviation	Std. Error Mean
	MNC/Foreign organization	20	4.0500	.68633	.15347

**Table3:b**

**Independent Samples Test**

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Minimum wages of workers have been maintained by your Organization	Equal variances assumed	.031	.861	-.248	50	.805	-.05000	.20135	.45443	-.35443
	Equal variances not assumed			-.251	41.892	.803	-.05000	.19920	.45204	-.35204

From the table 3: b we see that the sig. is .861 for F test which is more than 0.05 thus equal variances is assumed. In that case t is -.248 and sig. is .805 that is more than 0.05 thus we can accept our Null Hypothesis. From Table 3: a we also see there is little differences in case of Mean value (MNC/ Foreign Organizations = 4.05 and Local/ Govt. Organizations = 4.00

Thus we can interpret that there is no significant differences exist in case of providing Minimum wages between Local/ Govt. Organizations and MNC/ Foreign Organizations.

### **X. Regression Analysis**

Here Dependent Variable The overall conditions of Labor law Practices in the organization  
Independent Variables:

- a) Maintaining working Hour
- b) Maintaining Minimum Wages of the workers.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.614 <sup>a</sup>	.377	.352	.73499	.377	14.855	2	49	.000

a. Predictors: (Constant), Your organization maintains working hour as per BLA 2006 Under Chapter IX, Minimum wages of workers have been maintained by your Organization

**ANOVA<sup>b</sup>**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	16.049	2	8.025	14.855	.000 <sup>a</sup>
Residual	26.470	49	.540		
Total	42.519	51			

a. Predictors: (Constant), Your organization maintains working hour as per BLA 2006 Under Chapter IX, Minimum wages of workers have been maintained by your Organization

b. Dependent Variable: The overall conditions of labor law practices in your organization is good

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.072	.601		1.785	.081
	Minimum wages of workers have been maintained by your Organization	.386	.171	.296	2.260	.028
	Your organization maintains working hour as per BLA 2006 Under Chapter IX	.298	.095	.409	3.126	.003

a. Dependent Variable: The overall conditions of labor law practices in your organization is good

From the Anova table we see that the F value is significant at .000 and R square is .377 that is higher than 0 thus we can say the overall Regression Model is Significant.

From the Coefficient table we see that both the independent variables are significant. The Beta indicates that minimum wages of workers has greater influence on overall conditions of Labor law Practices than maintaining working hour.

**XI. Conclusion**

As many national and international rights organizations and foreign buyers expressed their serious concern over worker’s rights and safety, especially aftermath of Rana Plaza and Tazreen Garments tragedy; the government of Bangladesh took steps to amend the Bangladesh Labor Law-2006 to ensure adequate rights for workers of Bangladesh. As a result the National Parliament has recently passed Bangladesh Labor Law (Amendment) bill 2013. But frustratingly, the new labor law has practically ignored this fundamental spirit raised from the industrial sector. Section 12, S.13, S.23 (3) and S.4 of the new law do not clarified the definition of the term ‘closure of institution’ and ‘misconduct of worker’. Due to only this flaw of the section any employer or owner can abuse this law by accusing any procession or strike as ‘worker’s misconduct’. Taking the advantage of this section of the law an employer or owner can dismiss his workers. New law has kept the previous provision of 30% membership for forming new unions, which practically complicated the idea of free



trade unionism. Section 180 (b) of the new law limits the eligibility of the membership of trade union only for the enlisted workers of a particular factory, so the fear of dismissal and harassment from the employer's side practically discourage workers to form trade union in their institution. Section: 2(45) of the new law excluded house rent benefit from workers wage, which was totally illogical and inhumane. Not only this, despite repeated pledges from the government, this labor law does not provide any provision to provide 6 months maternity benefit for female workers. Section: 10 (5) of the law does not clarify provisions for sick leave or temporary leave for the workers. Statics show that majority workers of the country are presently engaged private sector. If the new law fails to bring desired stability and development in industrial sectors, then definitely the responsibility will be conferred upon the law makers and consequently, the private sector and our majority urban workers will face maximum damage.

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