

# **Agricultural Cooperatives: A Proposal for Mitigating Labor Surplus in Bangladeshi Factories**

## **Introduction:**

Industrial accidents in Bangladeshi garment and other factories have brought the country to the attention of the international media many times in recent years. In the past 12 years, these disastrous accidents ranged from the collapse of entire buildings (over 1,221 people killed on 3 occasions) to factory fire (took 278 lives in 7 incidents) to a gas leak from a fertilizer factory (more than 100 people fell ill in one incident). These incidents became news because of their tremendous cost in human lives. Numerous smaller accidents take place every day in Bangladeshi factories that do not get included in any statistics.

After every incident, there were a flurry of discussions about improving workplace safety measures and labor rights, and various policies were established and undertaken; however, with time, the outcomes of these discussions evaporated. For example, after the 2013 Rana Plaza collapse, different associations of major Western retailers undertook two major initiatives to improve safety measures in Bangladeshi garment factories: one, The Accord on Fire and Building Safety in Bangladesh (the Accord) and, the other, The Alliance for Bangladesh Worker Safety (the Alliance); however, various reviews published a couple of years later found that these initiatives were ineffectual and did not follow through on the promises they had made.

In fact, after the Rana Plaza incident, there was tremendous pressure on the factory owners to take initiatives to improve workers' working conditions, and as a part of that effort, they agreed to increase the minimum wage of the workers in 2013. However, because of the

increased wages, they laid off hundreds of workers without any prior notice and almost doubled the production quota for individual workers. In addition, the bosses started to crack down on the workers when they fell short of their quotas. As it turned out, the raised minimum wage became a calamity for the workers since the increased layoffs created long lines of job applicants outside the factory and the additional quota caused them to work longer hours<sup>1</sup>. When fires occurred, the management forced the workers to stay at work on the factory floor, as happened in the Tazreen factory fire.

The factory owners are making a fortune out of the tension that was supposed to warn them and favor the workers. Instead, now they can fire any worker for any reason--or without any reason at all--and replace them with another worker with the same skill very easily. Thus, they can quash any organizing effort in the factory simply by getting rid of the workers who are taking the initiative to organize.

The reason why the Western readymade garment industry has found in Bangladesh such a lucrative destination for manufacturing is the cheap labor costs in the country. In 2014-15, readymade garment (RMG) made up about 82% of the country's annual export (Latifee, 2016). Thus, garment factory owners have a significant importance in Bangladeshi society because the general perception among Bangladeshi policymakers is that RMG factory owners are the saviors of the national economy. In addition, about 10 percent of the national legislators own garment

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<sup>1</sup> The December, 2015 International Labor Rights Forum report "Our Voices, Our Safety" published many interviews of the workers that described workers' plight because of the raised production quota. The report highlighted "Without prompting, 27 out of the 57 workers we interviewed told us that their workload had increased dramatically since the latest minimum wage increase in 2013."  
[http://laborrights.org/sites/default/files/publications/Our%20Voices,%20Our%20Safety%20Online\\_1.pdf#page=59](http://laborrights.org/sites/default/files/publications/Our%20Voices,%20Our%20Safety%20Online_1.pdf#page=59)

factories directly and a good number of legislators are involved with the industry indirectly (Yardley, 2013). Therefore, as in most other unionization efforts in history, workers are up against a greater force of domination than their combined force. As discussed, employers have converted a seemingly favorable development for the workers into a calamity for them--and make a fortune in the process.

The labor laws in Bangladesh are very ineffective and provide very little social security to workers (Anderson, Hossain, and Sahota, 1991). The primary source of Bangladeshi labor laws are the labor laws of British India<sup>2</sup>. Those laws were mainly created to dominate the indigenous population of the British colonies. After the country won its independence following a horrific war in 1971, the first independent government made a concerted effort to nationalize the country's industries, many of which were left abandoned by their non-Bengali owners after the war.<sup>3</sup> Subsequent governments tried to reverse that development by denationalizing those factories, selling them to private owners who in many cases ended up closing the factories (Sahota, 1991).

Because of this, in my opinion, it is now imperative to look for alternative strategies to give workers advantage in the Bangladeshi garment industry. What makes Bangladeshi garment workers vulnerable is the fact that there exists a perfectly inelastic supply of labor in the

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<sup>2</sup> Bangladesh was a part of British India inside the state of Bengal, which was split into two during the partition of India in 1947

<sup>3</sup> In order to understand the sudden changes in the government policies, one has to be familiar with the history of Bangladesh. During the war of 1971, the seceding government of Bangladesh received an enormous support from Soviet Union and India. Both of these countries preferred nationalized industries in their own economies as well as in the regions they had a political hegemony. In 1975, the political climate changed after a military coup that shifted the government's association from a pro-soviet to a pro-U.S. position that encouraged private ownership of the economic institutions. That caused the government policies to take the sharp U-turn.

industry. What this economic term means is that there exists an “infinite” alternative and equivalent supply in the market of labor for any price change. In order to create leverage in the workers’ favor, the labor supply needs to be restricted.

Anyone studying the garment industry in Bangladesh will quickly notice two characteristics of the industry. The first one is that most garment factories are located in urban areas, since the necessary infrastructures needed to establish a factory are not available outside the big cities in a third world country like Bangladesh. The second one is that most people working in Bangladeshi garments migrated from the rural areas to these big cities, especially to Dhaka and Chittagong. A staggering migration has swelled the population of these cities, leading to overcrowding and inadequate public services. As a result, Dhaka remains one of the least livable cities in the world according to The Economist Intelligence Unit Ranking.<sup>4</sup>

Not only garment workers face pure economic oppression because of this tremendous rural-urban migration but the social and political oppression due to their status as outsiders in the urban areas. As the December 2015 International Labor Rights Forum (ILRF) report found, factory owners use their close ties with local political leaders, thugs, and landlords to evict workers from their homes in response to any organizing effort in factories. In that circumstance, a worker’s birthplace made him or her susceptible to intimidations or attacks by the thugs (Claeson, 2015). That is because generally workers coming from villages do not possess enough social connections and weight to counterbalance what the owners offer to the perpetrators.

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<sup>4</sup> A Summary of the Liveability Ranking and Overview. (2016, August). The Economist. Retrieved May 13, 2017, from [http://pages.eiu.com/rs/783-XMC-194/images/Liveability\\_August2016.pdf](http://pages.eiu.com/rs/783-XMC-194/images/Liveability_August2016.pdf)

For example, in one incident, workers in a factory were able to complete most of the required steps to form a union, and then the owner's thugs picked up some union leaders and ordered them to abandon their organizing effort. That sent a chilling message to other workers in the factory that even the union leaders were not safe in that environment; therefore, ordinary workers would rather be more concerned about their own safety than about being organized, and that was the end of that campaign. On the other hand, workers at a different factory were able to unionize because some of their leaders were native to the locality. Therefore, the factory owners did not bother to go after them lest they use their influence in the neighborhood to cause a damage to the owners' properties.<sup>5</sup>

Of course, people do not migrate from their own homes in natural resource-filled rural areas to cities to be oppressed in man-made structures all day long for nothing. The reason rural-urban migration has mostly been so unimpeded is that under capitalism, the gap between incomes and economic opportunities in urban areas and rural areas has profoundly increased in Bangladeshi society in recent years. Because most of the capital is concentrated in urban areas, rural people remain in poverty and a burgeoning dependency on the urban areas for necessary supports. Only a few rural districts have quality healthcare facilities or higher educational institutions. Residents of these areas still have to migrate to cities to obtain these services.

At the same time, Bangladeshi peasants are not involved in the marketing processes of their agricultural produce, which is done by wholesalers who own produce in the villages at a cheap rate and sell them in the cities at a much higher price. These intermediaries take the lion's share of the profit in agriculture.

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<sup>5</sup> These two examples were taken from the ILRF report "Our Voices, Our Safety". The report published the story from the workers' account; of course, hiding their real identity.

It is possible that the solution to this urban migration problem has to come not from within cities but from the rural economy. That is because although migration does improve the economic situation of most migrants, as long as rural people are not able to create sustainable economic conditions on their own turf by themselves and claim their fair share in society, they will keep migrating to the cities. This rural-urban migration will perpetually reduce the organizing power of urban factory workers because it makes workers vulnerable against the factory owners' determination of squashing their organizing effort. In addition, a government of a developing country will not be interested in disrupting this migration, which causes an urban labor surplus, because the resulting lower wage helps generate a greater profit for the factory owners on whom the politicians depend heavily.

For these reasons, I will argue that there is enough evidence to believe that organizing efforts should be taken to make agriculture profitable for Bangladeshi peasants by forming peasants' cooperatives that would transform the rural economy by giving farmers a bigger share of the profit and improve the rural economy and living condition. A better rural economy could potentially hamper the labor supply in the urban factories and thus give factory workers leverage to negotiate a better workplace condition.

### **History of Industrialization in Bangladesh:**

Bangladesh inherited most of its early industries from import substituting industries established during the Pakistan period (1947-71). With a generous system of public subsidy and government protection, these industries were owned by a select group of non-Bengali entrepreneurs and were built with little productive efficiency (Bakht, 1991). After the liberation

war in 1971, the first government of the newly formed nation displayed a strong commitment to socialism and nationalized all abandoned industries, including the entire industrial production of some of the most common goods such as jute, sugar, paper, and fertilizer.

In many of these industries, trade unions, which in most cases were organized by left wing political parties, had a strong presence. The history of organized labor's participation in mainstream politics is long. During the Pakistan period, organized labor played a crucial role in the popular uprising in East Pakistan in late 1960s that ended the military rule of general Ayub Khan. Labor leaders also played an important role in the war of independence in 1971, where many of them actively fought against the Pakistani army as guerrilla soldiers.

After independence, a series of governments tried to capture these trade unions. As Anu Muhammad pointed out, the ruling parties abused the trade unions in many ways. It peaked during the 9-year military rule of general Ershad when labor leaders who sold out to management were accepted among the ruling elites in the society. This widespread corruption in the labor leadership sowed mistrust among workers and debilitated labor's power on the national stage. Eventually, many of these labor leaders affiliated themselves with rightwing political parties, becoming instruments of the subsequent ruling parties to execute their political agendas (Muhammad, 2011).

It appears that many long lasting policy shifts in Bangladesh compounded in 1980s. The decade began with the murder of the military president Ziaur Rahman, and the country went under another military rule led by general Ershad in 1981, who was ousted by a popular uprising in 1990. In 1980s, the neo-liberal policies started influencing the industrial sector, and the World Bank and International Monetary Fund (IMF) became the main perpetrator of them in

Bangladesh (Muhammad, 2011). There were other interesting developments that took place in the 1980s that will be discussed later in this paper. Even though, General Ershad left the power at the end of the decade, and subsequent politically elected governments replaced the military government, these policy shifts continued to flourish in the later decades.

In June 1982, the first government of general Ershad announced its New Industrial Policy (NIP'82), which accelerated the relaxation of the industrial sanctioning procedure and the rate of denationalization of a great number of public enterprises and also liberalized the import controls and import procedures. Gian Sahota states that, “within less than a year after the announcement of the NIP82, approximately half of the premier jute textile industry was denationalized/divested. Within about one year and a half, about half of the premier cotton textile industry was denationalized/divested.” (Sahota, 1991)

The next administration of general Ershad announced the Revised Industrial Policy (RIP'86) in 1986, which further expanded the measures undertaken in NIP'82. This time around, with the concessional borrowing from the IMF under the programs called Structural Adjustment Facility in 1986, the government was able to depreciate the domestic currency significantly and provided generous incentives to foreign investments. At the same time, various policies were taken to put public enterprises at par with the private sector (Muhammad, 2011). For example, the government reformed the financial sector to create a more flexible interest rate policy and provided subsidized refinancing to the private sector entrepreneurs that pushed the nationalized corporations into a tough competition.

As privatization was increasing, it became clear that the Bangladeshi industrial sector would be very different. The governments of the 1980s made a concerted effort to shut down



existing import substituting industries that had served the domestic market and worked to create a more liberalized, open and export-oriented economy. They provided various incentives to establish export-oriented industries and attract direct foreign investments. Establishing Export Processing Zones (EPZs), creating an Export Promotion Fund (EPF), institutionalizing tax-breaks for the export derived incomes, and providing exemptions of export license fees were some of their preferred policies to achieve that goal (Mahmud & Kabeer, 2001). In the absence of any major technological advancements, the advantages these newly established industries had against their international competitors were an incredible amount of government support and a seemingly eternal supply of cheap labor.

At the same time as the capture of the labor leadership, rapid privatization of the big manufacturing industries continued under the subsequent administrations of different political parties. Muhammad writes, “With the World Bank's privatisation projects, a number of top labour leaders were bribed in various ways, including foreign trips to ensure the success of privatisation.” At the path of privatization, the biggest jute mill in the world, Adamjee Jute Mills was closed in 2002 as part of the so called “jute sector development” program which was bolstered by a \$250 million loan from the World Bank (Muhammad, 2011).

It was in the 1990s that the RMG industry began to take over the industrial sector employment. Starting with a few thousands workers and only a 1.1% share of the national export in the early 1980s, there are now more than 5,000 garment factories operating with over 4 million workers in Bangladesh. The share of the RMG sector in the national export grew by 79.63% in 2013-14 (Farhana, Syduzzaman, and Munir, 2015). Some 80% of these workers are women. As opposed to the workers in the shutdown factories, these RMG workers are characterized by the characteristics of an informal economy such as easy entry and exit, an

absence of written contracts, irregularity of payments, violations of health and safety regulations, long hours of overtime, and low levels of unionization and high rates of turnover (Mahmud and Kabeer, 2003). Bangladeshi garment workers are among the lowest paid factory workers in the world today. According to a 2012 McKinsey & Company report, Bangladesh is expected to triple its share in the global apparel sourcing by 2020 (Berg, Hedrich, and Tochtermann, 2012).

It is obvious from the history mentioned above that the industrial labor movement in Bangladesh has been systematically neutralized and that the factory owners were unjustly advantaged against the workers by the promotion of the neo-liberal policies of the governments since 1980s. Because of the cutthroat nature of the new export oriented industries, traditional organizing tactics are failing to organize the workers, and workplace conditions continue to deteriorate. It is clear that the abundance of cheap labor remains the biggest problem in organizing workers in the factories since the long waiting lines outside the factories always keep workers under the threat of being replaced by someone else.

### **Making the Connection:**

Although most garment factories are located around the two major cities in Bangladesh, Dhaka and Chittagong, the supply of labor in these factories comes mainly from the countryside. For decades now, there has been an on-going discussion of issues of rural to urban migration; the poverty of the peasantry; the low wages and living conditions of urban workers; and possible developmental models to resolve these problems. Robert Kemper pointed out in the late 1980s that “the most recent government census (1981) shows that urban growth is continuing at a steady pace throughout the country, primarily as the result of internal migration” (Kemper, 1989). That trend is still visible, and as discussed, internal migration continues to generate urban

poverty and surplus labor for the urban factories. Hence, understanding the nature of the urban migration<sup>6</sup> in Bangladesh is a pre-requisite to solving the poor labor and workplace condition in its industries.

To study the causes of internal migration, Kemper suggested that in Bangladesh, both city and village residents find themselves in a common search for survival, competition for scarce local resources, and continuing dependence on foreign assistance programs (Kemper, 1989). On the other hand, Iqbal Chowdhury brings an interesting point that does not necessarily contradict Kemper's observation. He writes,

By comparing between the before and after situation of migrants, it is found that, most of the migrants' social and economic status enhances after migration. So, it can be concluded that, internal or rural to urban migration plays a dominant role for the upliftment of the socioeconomic status of the migrants and poverty reduction in Bangladesh (Chowdhury, 2012).

On the other hand, this same phenomenon could also be seen as a human response to geographic realities. The high rate of population growth in a country with a comparatively small area results in massive landlessness as well as causing rural unemployment. That in turn generates a growing flow of potential migrants, and the urban sector absorbs this surplus rural populace (Haider, 2010).

One could argue that the government should take the initiative to mitigate rural-urban migration. However, Oded Stark shows with his economic modelling that it is normally not in a government's interest to slow the flow of rural-urban migration unless the government has an anti-profit-earner policy stance. His simple argument is that rural-urban migration continues to benefit profit-earners from lower labor cost caused by abundance of labor supply, and that the immediate impact of the lower wages is higher profits. So long as government actions are

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<sup>6</sup> Internal migration from the villages to the cities.

influenced by profit-earners' interests, governments are unlikely to take an anti-migration policy (Stark, 1980). From the unhindered rural-urban migration in Bangladesh over past few decades supports Stark's claim as an example of the government's reluctance to hinder it. It also becomes evident from this argument that the factory owners prefer the rural-urban migration for their own interest.

It is also noteworthy that in workplaces owned by large urban employers, sometimes have presence of organized labor, and thus the wages do not go low. However, the increased supply of the migration-fueled urban labor will tend to weaken the bargaining power of the unionized labor because of (a) threat of competition from the unorganized labor, (b) the cheapness of the goods produced by unorganized labor in the urban areas and their increased consumption by the unionized workforce, (c) the fear of an increase in the practice by large employers of subcontracting their jobs to the non-organized enterprises where wages are determined by the market competition rather than the bargaining gains of the workers (Stark, 1980).

Another factor comes the factory owners' favor regarding policymaking. As mentioned earlier that in the developing countries, the factory owners usually run the government, and in case they do not directly participate in operating the government, they stay very close to the people who do run the government. On the other hand, workers are usually not able to reach high-level government officials. Nevertheless, generally speaking, governments in the developing countries have an interest in furthering the interests of the factory owners, since the politicians who run the government depend on the support of the factory owners to run their campaigns (Stark, 1980).

Stark talks about the possibilities of upsetting the above-mentioned scenario as well. He

suggested that two possible consequences might encourage factory owners to take an anti-rural-urban migratory stance. The first is a rise in the food prices that could potentially agitate the urban laborers and break the status quo in the cities. Therefore, it is a point of concern of the factory owners that the workers are well fed, which will keep them productive, and also helps ensure that they are moderate in their demands for wage increase. The second development that could make factory owners change their stance, Stark argues, is the rise of a militant population in the urban centers. That could happen as a response to either the rising unemployment or to a circumstance where the number of low-paid, and frustrated urban laborers channel their frustration and deprivation into political actions and start questioning the status quo in the urban areas. In conclusion, as long as the urban industries have to rely on the labor supply to maintain their production, factory owners never prefer an anti-migratory policy, and that in turn would keep the government from taking such initiatives to hinder rural-urban migration (Stark, 1980).

One alternative solution to the problem Stark laid out could be relocating industries to the rural areas where potential workers are located. However, that may not be a viable option for Bangladesh where the required infrastructures to establish factories are rarely available in the rural areas. In addition, it would cost a big portion of the country's GDP to establish those infrastructures in a short period time and consequently could deprive many essential government programs of funding in the short run.

Another contentious topic regarding the government's role in impeding rural urban migration is the effectiveness of such policies. The debate is centered around the idea that an economic system consisted of backward and forward linkages connects the rural and urban areas (Rhoda, 1983). Because of these linkages, development in rural areas could stimulate the urban economy and vice-versa. For example, agricultural development would create a demand for farm

inputs that would in turn result in the growth of urban production and distribution of farm related products such as machinery, fertilizer, credit and agricultural research and information. These would be the backward linkages. The forward linkages would be the transportation and storage of agricultural commodities, agro-processing works, the wholesaling and retailing of agro-products.

In addition, generally speaking, higher income causes a greater demand for urban goods as opposed to the demands for rural goods that do not vary because of income change of the population. Therefore, an increased income among the rural population due to the agricultural development would increase the demand for urban goods in the rural areas. This additional demand would create more jobs in the urban factories that would in turn induce more rural-urban migration (Rhoda, 1983).

Because of this conundrum, the connection between the level of rural development and the change in the rate of rural-urban migration remains unclear. Data from Asian countries show that low-income rural areas tend to have relatively high rates of out-migration. On the other hand, studies from Africa and Latin America shows a high rate of out-migration from rural areas with relatively high levels of income or education. Similarly, studies of rural-urban migration based on different criteria provide completely opposite results in different parts of the world. These disparate study results suggest that the relationship between the level of rural development and rate of change in rural-urban migration is more complex and unclear (Rhoda, 1983).

Despite the conflicting results, some general trends hold true for most developing societies. For example, decreased fertility, an increase in cultivatable land, and an income and land reform generally reduce rural-urban migration. On contrary, easier access to cities commercialized agriculture, strong rural-urban integration, improved education and skill level

among rural population, and increased rural inequalities generally stimulate rural-urban migration. However, it can be confidently said that agricultural development activities such as land reform, mechanical irrigation, and expansion of the agricultural services such as credit weaken rural-urban migration in both short and long run (Rhoda, 1983).

Based on the arguments put forward by Richard Rhoda and Oded Stark, it is clear that the necessary steps that need to be taken to hinder the rural-urban migration in Bangladesh should be based on two principles. First, they have to be based on policies that have positive track records of slowing down the rural-urban migration rate. Secondly, those steps can be taken with minimal government assistance as well as without much help from the existing industrialists. The establishment of peasant cooperatives could be such a solution, one that could simplify the execution of the necessary agricultural reforms suggested by Rhoda, and at the same time, that would let peasants take the necessary actions to implement the changes themselves, as implied by Stark.

### **A Different Argument for Cooperatives:**

Aside from the above arguments, there are other alarming developments for the future of the labor sector in the developing countries, especially for Bangladesh. For example, the recent International Labor Organization (ILO) report titled “ASEAN in Transformation: How Technology is Changing Jobs and Enterprises” (published on July 7, 2016) found that machines would replace 56% of all jobs in the ten countries that formed the Association of Southeast Asian Nations (ASEAN) over next few decades.

The report looked into five key employment sectors: 1) automotive and auto parts, 2) electrical and electronics, 3) textiles, clothing and footwear (TCF), 4) business process

outsourcing, and 5) retail. The report concluded that of all these sectors, workers in the TCF are most vulnerable to be replaced by technology. The new advancements of technologies such as 3D printing, body scanning technology, computer-aided design (CAD), wearable technology, nanotechnology, environmentally friendly manufacturing techniques, and robotic automation are soon to make the existing labor incentive jobs in the RMG sector obsolete. Moreover, 3D printing, CAD, and body scanning sensors are expected to move the production closer to the final consumers. That means the segment of the industry dedicated to export would leave the region (Chang, Rynhart and Huynh, 2016).

The above finding is particularly alarming for Bangladesh that entirely depends on its garment industry to receive more than three quarter of its export income. One way to avoid such disastrous job loss would be to train workers to be more skilled so that they can be shielded from the technological advances. However, JustJobs Network, a think-tank that works on global employment and development, found that when low-cost labor is the competitive advantage of the employers, they have no incentive to upgrade the skills of their workers because that would allow workers demand a higher wage. In addition, when there are not many industries available to absorb the displaced labor, the catastrophe is more likely to take place. JustJobs president concluded, “In the long-run, such a model that relies on exploiting cheap labor is unsustainable” (Bain, 2016).

Having this situation, I would argue that a peasant cooperative would not only be a possible way of keeping rural workers in the land but would also create more jobs in the rural areas by making agriculture more profitable. In a society where family relationship is viewed with seriousness, additional farm jobs might be able to accommodate the displaced workers from the urban factories through the means of helping out one’s family members.



### **A Brief Introduction to Cooperatives:**

Cooperatives in one form or another began centuries ago (Trewin, 2014). Dr. Chiyoge B Sifa defines agricultural co-operatives as agricultural producer-owned enterprises whose primary purpose is to increase the member producers' production and incomes by helping them to have a better link with finance, agricultural inputs, information, and output markets. The purpose of such business entities is to help farmers increase their yields and incomes by pooling their resources to support collective service provisions and economic empowerment (Sifa, 2012). Cooperatives emerged as early as the 1820s, if not before, and flourished in the 1830s along with the industrial revolution, with consumer cooperatives starting in 1844. The development of the inherent characteristics of cooperatives over time suggests that they have not been a static concept but that trends of development have become apparent (Trewin, 2004).

### **Relevance of Agricultural Cooperatives:**

Small farmers in Bangladesh and other developing countries are unable to take advantage of economies of scale and often lack the financial resources such as credits and loans to make their farms profitable. Sripad Motiram and Vamsi Vakulabharanam think that establishing cooperative farms in areas of developing countries where small farms are prevalent will allow farmers to share capital and reduce input costs and thereby would increase production and income. Farmers in cooperatives have more bargaining power, lower transaction costs in getting loans, and gain better access to information about their members and their resources compared to "outsiders" such as moneylenders and contractors. Thus, farmers in cooperative receive more benefit that further strengthen the cooperative's power (Motiram & Vakulabharanam, 2007).

Alexandar Chayanov also pointed out this fact in his 1926 book *The Theory of Peasant*

*Co-operatives*. He correctly observes that in a peasant co-operative, a small farmer would have to sacrifice his individuality for the sake of the undoubted advantages of a large-scale production over production on a smaller scale. Therefore, the farmer joins his neighbors to attain the large-scale production. Chayanov also pointed out that agricultural co-operatives work well when local capital is relatively weak. He suggests that the mere fact that co-operatives can sell their goods at the market rate and keep the profits for their members that otherwise would go to the intermediaries in the market is enough to wipe out any competition by commercial capital (Chayanov, 1926).

**Success stories:**

Cooperatives, specifically agricultural marketing cooperatives, have emerged as a critical rural development institution in some countries, for example, in Tanzania. Mwelukilwa Joshua Sizya explains how this took place. She suggested that the colonial governments promoted the formation of agricultural marketing cooperatives particularly for cash crops, mainly coffee, cotton and tobacco. Then the nationalist post-colonial government saw cooperatives as an important vehicle that could be harnessed to spread the benefits of development to a wide section of the Tanzanian population. As a result, this enabled the farmers to receive higher prices and combined the energies of the farming community and the workers to feed, clothe, house, and educate themselves and their children and generally improve their socio-economic conditions (Sizya, 2001).

Similarly, in Thailand, cooperatives have been successful in reducing nationwide poverty by operating both in the urban and in the rural areas. Suwanna Thuvachote points out that Thai cooperatives are quite heterogeneous in terms of its membership and services. There, members of agricultural cooperatives are mostly rural small and medium-size farmers, and the majority of

non-agricultural cooperatives' members are located in the urban areas. For instance, while agricultural cooperatives assist their members' access the agricultural inputs and farm supplies as well as to market their produce, the non-agricultural cooperatives such as the thrift and credit cooperatives provide urban members with a secured financial institution for deposit of savings and access to capital for productive investment (Thuvachote, 2011). As a result, there has been a steady decline of poverty in Thailand throughout the first decade of the twenty first century and in the following years.

In Africa, cooperatives have created employment opportunities in three different ways. First, by offering direct wage employment to people who work in primary and secondary cooperatives as well as in governmental co-operative support institutions, for example, in ministries, departments, and co-operative colleges etc. Secondly, co-operatives offered self-employment to their members, whose participation in the economic activities that they made possible substantially guarantees a decent income. Thirdly, co-operatives indirectly employed others through the spillover effects of their activities on non-members whose income generating activities are only viable through the transactions they have with, as well as opportunities created by, cooperative ventures (Wanyama, Develtere, & Pollet, 2008).

### **Cooperative Movement in Bangladesh:**

Interestingly, Bangladesh has an interesting history of cooperative movements. During 1960s, a small-scale scientific model of cooperative development took place in Comilla (an area in Eastern Bangladesh). By the end of May 1960, there were about ten village-based cooperatives were operating under the program. They primarily emphasized the following topics: training, regular weekly meetings, compulsory small deposits of money as growing capital, adoption of new technology such as High Yielding seeds, use of fertilizer, and irrigation. In the

following years, this initiative became known as the “Comilla Model” of cooperative. Over the following decade, the model was experimented with and further developed. Some variations of the model were also introduced then. In 1972, the first government of the newly formed country included village-based cooperative and its derivatives in its development plan (Bhuiyan, Faraizi, and McAllister 2005). At that point, the government decided to execute the program under Bangladesh Rural Development Board (BRDB).

At the beginning, the Comilla Model included mostly medium and large farmers with various structural and organizational barriers against entry possibilities of poor and landless farmers. The founders of the Comilla model confidently hypothesized that the “trickle down” effects of the ensuing prosperity of the cooperatives would benefit the left out members of the society through the additional high wage employment and cheaper food grains.

Because of numerous disruption in the project and the changed geo-political climate after the liberation war of 1971, it was very difficult to analyze the exact impacts of the program. One research suggested that during the period of 1972-8 the use of hired labor per-firm increased by 68 percent in the area under the cooperative program; whereas, it was decreased by 20 percent in the traditional villages. It is noteworthy that some later studies suggested that the cooperative did not bring about any significant changes in the real wage for the hired workers although it helped its members to build a good capital gain (Ahmed, 1982). The model mostly benefited the members of the cooperatives not only in terms of higher yields but also in terms of higher real estate values.

Comilla model was based on four basic strategies: 1) organizing the village people into primary cooperatives that they could claim ownership of, 2) integrating these cooperatives into

smaller administrative units for credit support (they called it Thana Central Cooperative Association (TCCA), 3) embarking on an extensive extension training system through the training and 4) development of Thana Irrigation Project (TIP). The following segments of the Comilla Model tried to organize different interest groups at the village level as well as linking them with the political structure through the lowest local government body, Union Parishad (Mondal, 2000).

Professor Harvey Choldin, who worked in Comilla for 20 months in 1964 and 1965, wrote describing the Comilla Cooperative model,

The assertion that the Comilla projects have been successful is supportable in several ways, and the evidence indicating this is presented by several scholars elsewhere. The projects have produced changes in the agricultural technology of the area, in the political organization of villages, in the rural communications system, in local level public administration, in farmers' attitudes, and in other social and economic aspects of the rural scene (Choldin, 1972).

After the independence of Bangladesh, initially the government formed Integrated Rural Development Program (IRDP) and later Bangladesh Rural Development Board (BRDB) to administer the cooperative organization (Mondal, 2000). However, only few cooperatives that they operated succeeded, mostly because of faulty government policies. For example, the legislature passed law to prevent the credit societies' credit misappropriation or misdirection of funds, and the bureaucracy received the enforcement responsibilities of those laws, which unfortunately backfired. The bureaucracy assumed a regulatory and restrictive role in enforcing the legislations instead of encouraging and promoting different ideas to meet rural demands. The government negligence is also apparent in the fact that they applied the legislations passed to regulate only the credit societies to all other cooperatives indiscriminately (Mondal, 2000).

As discussed earlier, there were some long lasting policy shifts in the late 1970s and 1980s in Bangladesh. Interestingly, some of those policies played a role in the derailment of

Bangladeshi cooperative movement. At that time, Non-Government-Organizations (NGOs) became increasingly involved not only in organizing cooperatives, but also in the greater rural development sector itself.

In addition, towards the end of the war, Pakistan army killed thousands of Bengali professionals and intellectuals in order to destroy the intellectual basis of the newly formed country. Thus, at the end of the war, most of the enterprises in the country were dysfunctional. Government became the only operational organization that had the ability to get something done. With the growing burden of expectations, the government failed in many ways to meet them. NGOs came to the forefront to make up the government deficiencies. As more NGOs were getting involved with the rural development, it was creating a pressure on the government service systems to improve efficiency. That pressure was creating a competition between the government organizations and the NGOs to deliver the services to the rural population.

The international donors were also looking for alternative ways to implement their projects in Bangladesh. They found the rejuvenated NGOs as a viable mean to carry out their neo-liberal agenda of prioritizing the efficiency of the service delivery over all other concerns. In the 1980s, NGOs around the world increasingly became the primary mode of executing the development projects in the developing countries, especially in distributing foreign aid, such as the donor assistance from the wealthy states and parastatal institutions to the developing countries.

It is true that some NGOs have a proven record of accomplishment in reaching the goals of the aid projects. After the liberation of Bangladesh, many NGOs came up with creative ideas to rebuild the country and its physical structures some of which were damaged during the war.

Many of these NGOs used the experiences from the Comilla Academy for Rural Development, the organization that developed the Comilla Model during the Pakistan period. In the 1980s, the idea, promoted by an NGO naming “Grameen Bank,” of making the poor ‘bankable’ became popular, and eventually the NGOs took over most of the rural development projects in Bangladesh (Haque, 2002).

However, by the late 1980s, as the donors shifted their focus to credit, micro-enterprise development and entrepreneurship, the NGOs abandoned the cooperative projects. They viewed cooperatives as an inefficient and overstaffed form of production that was unable to mobilize a broad spectrum of rural population. Multilateral donors preferred to use NGOs to implement their development projects, not only because they viewed NGOs as specialized in working directly with the rural poor, but also, “because such cooperation fit well within a neo-liberal framework whose cornerstone policy was to curb state spending and roll back government investments in social policies” (Feldman, 2003).

One of the country’s largest NGOs is Bangladesh Rural Advancement Committee (BRAC) that can be a good case study of how NGOs diverted the direction of rural development. BRAC started as a relief organization in 1972. Over time, it emerged as a rural powerhouse through its work on rural education and training, leadership and entrepreneurship development, skills in irrigation and water management, and income generation activities such as poultry- and livestock rearing, fisheries, forestry, and handicrafts. It was also involved in healthcare development and family planning projects. Although its initial target beneficiaries were the landless and the small farmers as well as women in rural areas, gradually the organization moved toward profit-making commercial enterprises such as retail outlets, printing presses, garment

manufacturing, commercial banking, and now even they own a university where most students come from the rich families of the country (Haque, 2002).

In this way, the former trend of focusing on common economic growth and redistribution in designing development projects shifted towards individualism and privatization of each sector targeted in the projects. The political climate change in late 1980s and early 1990s, when NGO leaders and their constituents actively participated in the attempt to topple the regime of Ershad and bring in democracy in the country, elevated NGOs as a proven agent to design and implement rural development projects. As the NGOs effectively delivered the services and lifted the pressure on the government for human resource development and maintaining the employment rate, they took a position as intermediaries between the donor groups and the government. Therefore, the government had little intensive to oppose the activities of the NGOs let alone taking over their roles.

It is against this backdrop, cooperatives lost track from their desired goals in Bangladesh and failed to achieve their desired goal in making the changes in the society.

### **Conclusion:**

By critically analyzing the history of cooperative development in Bangladesh, I argue that when cooperatives were able to develop and grow themselves independently of outside influence in the 1960s, they did make a significant progress. The fact that cooperatives were included as a fundamental development model in the first post-war government's development plan in 1972 reflects the claim. In addition, the fact that early NGOs in Bangladesh built their projects based on the work done by the Comilla Academy for Rural Development and its



progeny, Integrated Rural Development Program (IRDP) reinforces the idea that the Comilla model achieved a certain level of success.

From the events that took place afterwards, it is clear that the impediments to the cooperative movement developed in the 1980s when the international donors and their assistant NGOs changed their programs towards a neo-liberal framework prioritizing individual growth over the common social development, which was one of the central goals of the cooperative movement. They also abandoned the cooperative model in general in their development projects to achieve the objective of holding individuals responsible for their actions individually instead of in a group. The model they promoted was group formation to ensure loan repayment or loosely formulated collectivities to more efficiently distribute resources. In this model, individual group members would have certain responsibilities, and their performance would determine their rewards. Therefore, an individual group member's sole concern would be to carry out his or her responsibility.

Clearly, these models were neither sustainable nor effective to improve the economic situation of the vast majority of rural people. Millions of migrants from the rural areas are leaving their homes each year because the rural economy has not found its own base yet. The primary purpose those models served was to ensure an efficient distribution of the donors' money rather than creating an economic base that would help rural people to build on it which was the goal of the cooperative movement.

It is also noteworthy that NGOs are only in business as long as there is work available for them. If the rural population could find their own direction by themselves, NGOs would become irrelevant in the society. As Kamala Visweswaran mentioned, "With over 1,200 directly foreign

funded NGOs and with 13,000 registered NGOs, Bangladesh has emerged on the development map as the 'NGO capital of the world' (Visweswaran, 2011, p. 271). That staggering number suggests how much influence these NGOs exert in the socio-economic landscape of Bangladesh.

It is also possible that the early cooperative movement in Bangladesh (also in the East Pakistan before 1971) faced many enormous challenges that have been alleviated over years, such as the high illiteracy rate, extremely poor socio-economic and physical infrastructures, and the very poor healthcare system. Despite these challenges, they made significant progress with an ambitious goal. Of course, these cooperatives had flaws in their designs and implementation plans. However, instead of fixing those flaws, both the domestic and international neo-liberal interests in Bangladesh thwarted the cooperative movement.

Now that other rural development models failed to improve the rural economy at a desired scale, urban factories are taking the brunt of the unemployed rural workers' migration. That, in turn, is creating a surplus of labor in the factories and allowing the factory owners to reap a higher profit while workers are being tortured in their workplaces every day. Such an unhealthy environment is not ideal to organize workers. Bangladeshi garment workers are some of the lowest paid workers in the world. In December 2016, garment owners fired 1,500 workers because of their demand for a higher wage. Having plenty of alternative options to replace the workers, factory owners do not even hesitate to fire such a large number of workers.

Thus, my proposal is that workers organize themselves even before they reach the dire situation of migrating to the cities and working at a marginal wage. Cooperatives would make it possible by helping workers organize for their own interests in a place they are all familiar with, and they would organize to improve the immediate conditions of themselves and their families.

On the other hand, mechanization of garment factory jobs are posing a seemingly inevitable threat to the garment industry, which makes up over 80% of Bangladeshi annual export, worldwide. Bangladesh still has a largely an agriculture-based economy that could potentially absorb the enormous number of displaced workers in case of mass job losses. Agricultural cooperatives would allow workers to prepare for any future economic turbulence independently of the elites of the society whereas in the current status quo they are completely at the mercy of the factory owners.

The lack of literature on the current state of the cooperative movement in Bangladesh reflects an urgency of the thought leadership for the actions on the ground. Therefore, labor rights organizations, academia, and activists working on Bangladeshi labor rights should seriously look into the possibility of an agricultural cooperative revolution. This revolution has to come from the grassroots in the rural Bangladesh in order to economically and politically empower the rural peasantry in the villages, which in turn would help the workers in the factories get organizing leverage in the big cities.

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