

# Industrial Relations in Bangladesh: A Comparative Scenario between Public & Private Sectors

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*The present study is aimed at exploring differences between the public and private sector industrial enterprises of Bangladesh with respect to overall status of industrial relations. Data collected from twenty six public and thirty four private sector industrial enterprises show that the overall status of industrial relations in the private sector industrial enterprises is significantly better than that in the public sector industrial enterprises. Some implications are also offered for overall improvement of the industrial relations in the public and private sector industrial enterprises of Bangladesh.*

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## Introduction

One of the major functions of human resource management is to maintain smooth industrial relations (IR). It is also treated as one of the oldest functions of HRM. It is basically allied with the relations between the employer and the workers in the industry (Singh & Kumar, 2011: 3). According to Weeratunga (2003: 5) "Industrial Relations or Labor Relations, the terms used interchangeably, can be viewed as the interaction between the various interested parties involved in employment. The employer and the employee are obvious parties. The state, in ensuring a level playing field for both sides, provides the legal framework within which such relations may take place". In industrial relations, workers are generally represented by their trade unions formed under chapter 13 of Bangladesh Labor Act - 2006 whereas employers are represented by their associations such as Bangladesh Employers Federation. HR managers mediate the relationships between workers and employers though they are appointed by the representatives of employers. Another related term is 'Employee Relations'. Though both the terms industrial relations

and employee relations are structurally similar (Decenzo & Robbins, 1999: 18), employee relations includes, in addition to industrial relations, such aspects as participative management, employee wellbeing, employee development, employee compensation, employee protection and health, and the like (Aswathappa, 2008:534). Generally industrial relations cover the areas such as trade unions, collective bargaining, settlement of industrial disputes, grievance handling procedure, role of government, labor laws, courts and tribunals and role of employers. In the context of developing countries, industrial relations has been influenced by features such as high exploitation of workers, low level of worker participation in decision making, government and political interferences, high rate of illiteracy of workers, low level of employment, low level of awareness among the laborers regarding rights, laws, and trade unionism, and low labor productivity (Khan & Taher, 2008: 222-23).

**Though performance based pay is considered to have significant impact on employee performance it is not at all practiced by the public sector enterprises in Bangladesh.**

Industrial relations plays an important role in establishing and maintaining industrial democracy (Monappa, 2004: 9) and it is the key to improve productivity in industrial enterprises (Aswathappa, 2004: 534). Human resource management can play vital roles in enhancing cooperative and friendly industrial relations. In Bangladesh, col-

lective bargaining on pay between employer and workmen is prohibited in the public sector enterprises as the government designs uniform pay and benefits for the employees of all public sector enterprises (Mahmood, 2008). The limited scope of collective bargaining in the public sector of Bangladesh influences the trade unions to develop network with government, political parties and other powerful bodies in organizing their activities. It hinders effective interactions between the representatives of employers and workers at enterprise level. Though performance based pay is considered to have significant impact on employee performance (Dessler & Varkkey, 2010: 15), it is not at all practiced by the public sector enterprises in Bangladesh. As a result, public sector enterprises in Bangladesh have been incurring huge losses. On the other hand, all types of collective bargaining takes place at enterprise level in case of private sector enterprises (Khan, 1996). Mahmood (2008) mentioned that the industrial relations process in the private sector was often disturbed by links between private and public sector unions.

### Objectives

- a) To explore the differences between public and private sector industrial enterprises of Bangladesh with respect to overall status of IR.
- b) To put forward policy implications of overall improvement in IR of Bangladesh.

### **Industrial Relations Studies in Bangladesh**

Khan (1986) studied industrial relations in Bangladesh with special emphasis on trade unionism. The time frame of his study was from 1971 to 1984 with the influences of two colonial periods — British and Pakistani periods. Rahman (1989) examined the labor management relations in the Crescent Jute Mills, Khulna. He found the presence of strain between workers and management, labor discontentment, hostile attitude of workers towards management and vice versa in the mill. He also observed that job dissatisfaction was very high among the employees of the mill. Overall labor-management relation was very poor. He identified inadequate salaries and benefits, mal-distribution of facilities, improper working conditions, lack of recognition for better performance, insufficient housing and recreation facilities, lack of training and supervision as main reasons behind the poor labor-management relations and very low level of employee job satisfaction in the mill. He finally recommended some measures for overall improvement of the labor-management relations of the mill. A similar study (Alam, 1989) also investigated the labor relations in some selected industries of Chittagong.

Another study by Rahman (1994) assessed the influence of labor-management relations on improving productivity in the context of Bangladesh. He described various aspects of labor legislation, labor practices, wages, productivity, and labor relations in Bangladesh. He

emphasized on smooth labor-management relations, which is proved to be a vital determinant for improving productivity. He also prescribed a shared beneficial model of labor-management relation favorable to improved productivity and sustained development in Bangladesh. Taher (1994) examined the roles played by the various governments in Bangladesh in the context of industrial relations during 1972-1992. He also described industrial relations in two colonial phases – British and Pakistani periods. He found that governments in different periods played significant roles in shaping industrial relations in Bangladesh. Another study (Taher 1999) uncovered that trade unions in Bangladesh were highly politicized. He observed that politicization of trade unions was against the interest of the workers.

**Politicization of trade unions was against the interest of the workers.**

Ahmed (1999) studied current features of and trends in industrial relations (IR) system in Bangladesh and outlined the future challenges faced by the IR paradigms in the context of globalization. He mentioned that the highly confrontational and unfriendly scenario of IR in Bangladesh needed to be changed to meet the requirements of modern world in order to intensify industrial productivity and employment generation. He also recommended a healthy and cooperative labor management relations paradigm, an effective collective bargaining system, transformation of the legal and institu-

tional framework of IR practices into instruments of promoting and maintaining a harmonious labor management relations, and peaceful resolution of industrial disputes. Taher and Hossain (1999) evaluated the important factors that have an effect on the labor-management relations in Bangladesh. They identified that the reasons for deteriorating labor-management relations in Bangladesh were: conflicting government decisions, anomalies of labor laws, delay in settling disputes and grievances, and attitudes of employers. They recommended some measures to be taken for improving industrial relations such as democratic practices in society and in the industry; positive roles of the government; mutual trust and respect among state, workers, and employers; non-interference of political parties; development of efficient and honest trade union leadership; training and orientation for workers; only one trade union in each enterprise; reasonable pay structure and benefits; and favorable labor laws and policies.

**As an area of research, IR has not yet received proper attention in Bangladeshi context.**

The above literature survey demonstrates that as an area of research, IR has not yet received proper attention in Bangladeshi context. Moreover, very insufficient number of studies has been conducted so far to explore the comparative scenario of IR with respect to public and private sector industrial enterprises in Bangladesh.

## Methodology

A sampling frame of 155 public and private sector manufacturing firms was prepared comprising 64 public sector firms (running) under the six state-owned manufacturing corporations such as BCIC, BSEC, BSFIDC, BFIDC, BJMC, and BTMC, and 91 private sector manufacturing firms listed under Chittagong Stock Exchange (CSE).

Questionnaire survey method was used to gather data in the present study. IR practices were measured by a scale (Cronbach's  $\alpha = .85$ ) composed of five items on five-point Likert type scale (where 1 = strongly disagree to 5 = strongly agree). To assess the validity of the scale of the present study, content validity was used. It is a "subjective but systematic evaluation of how well the content of a scale represents the measurement task at hand" (Malhotra, 2007: 286). For this purpose, the contents of the questionnaire were prepared with the help of leading literature, models, theories, and texts pertaining to the subject and questions of research. After necessary modifications, the content validity of the scale was approved by a panel of experts. As HR managers are the most competent persons to provide data related to any HR practices such as IR, the structured questionnaire was sent to the HR managers of the surveyed industrial enterprises. Finally, 60 useable questionnaires were obtained for the study (26 from public sector and 34 from private sector)

To analyze the data, this study used descriptive (mean, standard deviation) and inferential statistics (*t*-test, *F*-test).

**Results**

Status of industrial relations of the public and the private sector industrial enterprise was assessed by five items (Cronbach's  $\alpha = .85$ ). The descriptive statistics of the five items are shown in Table 1.

Differences were observed in the means of the items between the public and the private sector industrial enterprises in Bangladesh. To be sure whether these differences were statistically significant, independent-samples *t*-test was carried out for every item. The results are presented in Table 2.

*Item 1: Management has positive attitudes towards trade unions*

Equal variances were not assumed for this item as  $F = 18.971, p < .01$ . From the *t*-test it was found that the difference between the public and the private sec-

tor industrial enterprises of Bangladesh with respect to having positive attitudes towards trade unions was statistically significant ( $t = -2.184, p < .01$ ). It can be inferred that the managements of the private sector enterprises ( $M = 4.29$ ) have significantly more positive attitudes towards trade unions than of the public sector enterprises ( $M = 3.54$ ).

*Item 2: Labor-management relationship is very cooperative and friendly*

Equal variances were not assumed as  $F = 16.109, p < .01$ . From the *t*-test, it was found that there was significant difference between the public and the private sector industrial enterprises with respect to cooperative and friendly labor-management relationship ( $t = -4.430, p < .01$ ). It can be inferred that the private sector enterprises ( $M = 4.62$ ) have significantly better cooperative and friendly labor-management relationship than the public sector enterprises ( $M = 3.46$ ).

**Table 1 Descriptive Statistics of the Items Assessing the Status of IR**

Item	Type of the Organisation	N	Mean	Std. Deviation	Std. Error Mean
1 Management has positive attitude to wards tradeunions	Public	26	3.54	1.606	.315
	Private	34	4.29	.836	.143
2 Labor management relationship is very cooperative and friendly	Public	26	3.46	1.240	.243
	Private	34	4.62	.551	.095
3 Workers are free from outsiders' influence	Public	26	2.96	1.536	.301
	Private	34	4.26	.790	.136
4 Collective bargaining is encouraged	Public	26	4.00	.632	.124
	Private	34	4.12	.769	.132
5 Management accepts workers' suggestions	Public	26	4.12	.816	.160
	Private	34	4.32	.475	.081

*Item 3: Workers are free from outsiders' influence*

Equal variances were not assumed since  $F = 14.374, p < .01$ . From the  $t$ -test, it was found that there was significant difference between the public and the private sector industrial enterprises with respect to having workers free from outsiders' influence ( $t = -3.946, p < .01$ ). It can be inferred that the private sector enterprises ( $M = 4.26$ ) are in a significantly better position than the public sector ( $M = 2.96$ ) enterprises with respect to having workers free from outsiders' influence.

*Item 4: Collective bargaining is encouraged*

Equal variances were assumed in case of this item. From the  $t$ -test, it can be inferred that there is no difference between the public and the private sector industrial enterprises with respect to encouraging collective bargaining.

*Item 5: Management accepts workers' suggestions*

Equal variances were not assumed as  $F = 9.087, p < .01$ . From the  $t$ -test, it can be inferred that there is no difference between the public and the private

**Table 2 Independent-Samples  $t$ -test for the Items Assessing the Status of IR**

Item	Levene's Test for Equality of Variances		t-test for Equality of Means		Sig. (2-tailed)	
	F	Sig.	t	df		
1 Management has positive attitude towards trade unionsnot	Equal variances assumed	18.971***	.000	-2.361	58	.022
	Equal variances not assumed			-2.184**	35.287	.036
2 Labor management relationship is very cooperative and friendly	Equal variances assumed	16.109***	.000	-4.853	58	.000
	Equal variances not assumed			-4.430***	32.561	.000
3 Workers are free from outsiders' influence	Equal variances assumed	14.374***	.000	-4.270	58	.000
	Equal variances not assumed			-3.946***	35.065	.000
4 Collective bargaining is encouraged	Equal variances assumed	.319	.575	-.633	58	.529
	Equal variances not assumed			-.650	57.658	.518
5 Management accepts workers' suggestions	Equal variances assumed	9.087***	.004	-1.240	58	.220
	Equal variances not assumed			-1.159	37.704	.254

\*\*p < .05

\*\*\*p < .01

sector industrial enterprises with respect to accepting suggestions of workers.

One of the objectives of the present study was to explore the difference between the public and the private sector industrial enterprises of Bangladesh with respect to the status of industrial relations. To this end, the hypothesis mentioned below was developed for testing:

Hypothesis  $H_0$  = There is no difference between the public and the private sector industrial enterprises of Bangladesh with respect to the status of industrial relations.

$$H_0 : \mu_1 = \mu_2$$

$$H_1 : \mu_1 \neq \mu_2$$

To test the above hypothesis, independent samples *t*-test was run with SPSS. Before *t*-test, *Levene's test for*

*equality of variances* was carried out to be certain about the homogeneity of variances of the comparing groups. From the *Levene's test for equality of variances*, it was found that variances were not equal ( $F = 7.785, p < .01$ ). Accordingly, independent-samples *t*-test was conducted. It was found that the difference between the public and the private sector industrial enterprises with respect to status of industrial relations was statistically significant ( $t = -2.786, p < .01$ ). Therefore, the null hypothesis was rejected. It can be concluded that the status of industrial relations of private sector industrial enterprises of Bangladesh ( $M = 4.5882$ ) is significantly better than that of the public sector industrial enterprises ( $M = 3.9615$ ).

**Table : 3 Descriptive Statistics of the Status of IR**

Item	Type of the Organisation	N	Mean	Std. Deviation	Std. Error Mean
Industrial Relations	Public	26	3.9615	1.03849	.20366
	Private	34	4.5882	.55692	.09551

**Table 4 Independent-Samples *t*-test for the Status of IR**

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	t	df	Sig. (2-tailed)
Industrial Relations	Equal variances assumed	7.785***	.007	-3.004	58	.004
	Equal variances not assumed			-2.786***	35.890	.008

Note: \*\*\* $p < .01$ .

**The status of industrial relations of private sector industrial enterprises of Bangladesh is significantly better than that of the public sector industrial enterprises.**

### Summary

In the case of industrial relations significant differences exist between the public and the private sector enterprises with respect to having positive attitudes towards organizing trade unions, cooperative labor-management relations, and influence of outsiders on the workers. However, no significant differences are found between the public and the private sector in regard to encouraging collective bargaining and accepting suggestions of workers. In our country the scenario of industrial relations, especially in the public sector is historically characterized by mistrust, industrial disputes, politicization of unionization, and misuse of power by both the management and the workers. The private sector enterprises use different employee relations mechanisms to maintain a satisfied workforce. The status of industrial relations in the private sector enterprises is found significantly better than that of the public sector enterprises.

### Implications

Labor-management relations should be improved in the public and private sector enterprises of Bangladesh through fostering mutual trust and confidence. Trade unions should play proactive roles and work for the well-being of their members.

Influence on trade unions especially external political interferences should be stopped. Management should value and honor the rights and privileges of workers and meet the requirements of the labor laws of the land. As IR is comparatively better in private sector in Bangladesh, the local and foreign investors should come forward to invest in the private sector of Bangladesh to take advantages of better industrial relations and cheap labor.

### Limitations

Present study collected data only from the HR managers of the surveyed enterprises. Future studies may be carried out by collecting data from both the main parties of IR such as workers and managers/employers.

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