



Digest 7

Readymade Garments of Bangladesh in COVID-19 Times Challenges and Way Forward

INNOVISION
Research | Technical Assistance | Project Management

Impact of COVID-19

Readymade Garments of Bangladesh

Challenges and Way Forward

Background:

Innovision Consulting Private Limited initiated original studies to understand the impact of COVID-19 on distinct population groups of Bangladesh. As part of this effort, we looked at the immediate impact of the pandemic on the readymade garment (RMG) workers through a telephone survey. To get a comprehensive picture of the overall impact of COVID-19 on the RMG sector of Bangladesh, and to follow-up with the worker survey, we talked to other stakeholders of RMG sector - the mid-level management of factories, the owners of garment factories, buying houses/brand representatives, worker associations and NGOs working in the sector. These interviews helped us understand the overall impact of COVID-19 on the RMG sector and guided us formulate suggestions to keep and enhance Bangladesh's position in the global RMG scenario.

Introduction

Readymade garments sector is of immense importance for Bangladesh and one of the primary growth engines over the last few decades. Bangladesh's RMG sector contributes more than 84% of overall export of the country¹ and employs around 3.5 million people directly². Bangladesh's RMG products has two major export destinations despite different government and private initiatives to identify and tap other markets, European Union (EU) countries and the United States of America (USA). In the year 2017-18, Bangladesh exported around 64% of its total RMG products to European Union countries and 17% to the USA³. In recent years, Bangladeshi RMG exports have been facing a declining trend to the USA market. For instance, the total share of exports to the US market has been reduced from 21% in 2014-15 to 17% in 2017-18⁴. After continued growth for many years, in 2019-2020 fiscal year, Bangladesh garments export is experiencing a declining trend, achieving \$21.84 billion in the first ten months compared to \$23.12 billion for the corresponding period in the last fiscal year.⁵

The COVID-19 outbreak has brought the RMG sector in Bangladesh to a standstill situation and added to the difficulty the sector was already experiencing. First identified in December 2019 in Wuhan, China the virus soon spread throughout the world. As a result, on January 30, 2020, the World Health Organization (WHO) declared the outbreak as a "Public Health Emergency of International Concern (PHEIC)"; and on March 11, WHO described COVID-19 as a pandemic⁶. By May 7, 2020 the virus infected

¹ Sabbir Rahman Khan. Reimagining the future game-plan of Bangladesh's RMG industry. Retrieved from <https://www.textiletoday.com.bd/reimagining-future-game-plan-bangladesh-rmg-industry/> on April 25, 2020

² Akhi Akter, Employment trends in 2018 in Bangladesh textile and apparel industry, retrieved from <https://www.textiletoday.com.bd/employment-trends-2018-bangladesh-textile-apparel-industry/>

³ Hossain, Md. Sajib & Kabir, Rashedul & Latifee, Enamul Hafiz. (2019). Export Competitiveness of Bangladesh Readymade Garments Sector: Challenges and Prospects. 8. 45-63. 10.20525/ijrbs.v8i3.205. URL: https://www.researchgate.net/publication/333003885_Export_Competitiveness_of_Bangladesh_Readymade_Garments_Sector_Challenges_and_Prospcitation/download

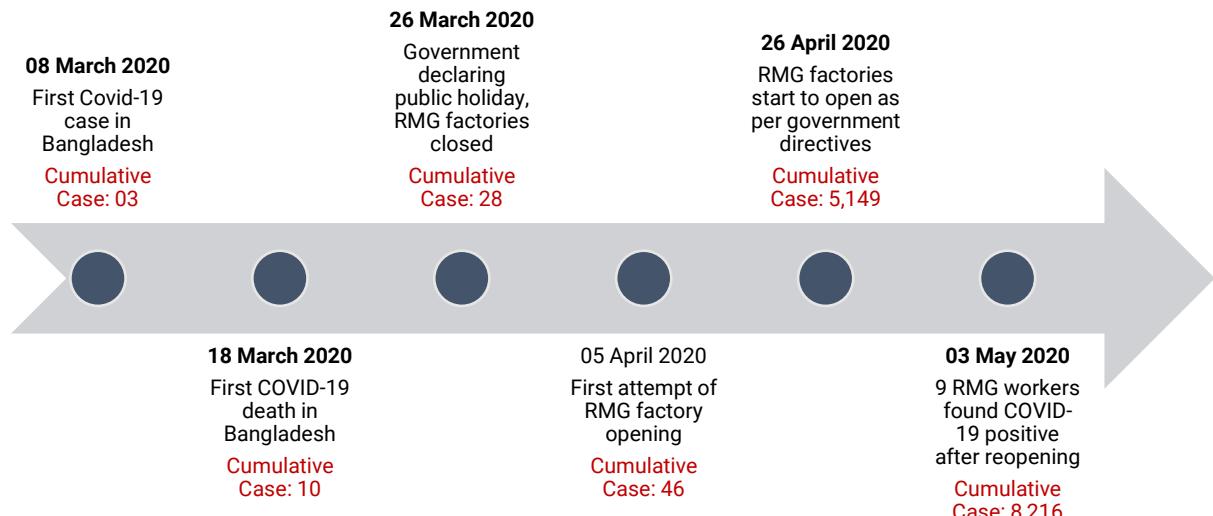
⁴ Ibid

⁵ Monira Munni, Mar-May RMG exports might fall by \$5.0b, retrieved from <https://thefinancialexpress.com.bd/economy/bangladesh/mar-may-rmg-exports-might-fall-by-50b-1586746252> on 02 May 2020

⁶ Coronavirus disease (COVID-19) outbreak. Retrieved from <https://www.who.int/westernpac/emergencies/covid-19> on April 25, 2020

more than 39 million people and caused more than 270,000 fatalities worldwide⁷. Remarkably, around three quarters of total cases and 86% of total deaths took place in the EU countries and the USA⁸, the major destinations of Bangladeshi RMG products. European countries and the states in the USA have been on lockdown for several weeks by now; and the upcoming situation is yet to unfold.

In Bangladesh, officially the first COVID-19 patient was identified on March 08 and the first death occurred on March 18. Bangladesh government declared a general holiday with closure of all business and non-essential activities from March 26 and the holiday has been extended a number of times (it has been extended till 16 May 2020 on 02 May 2020 at the time of writing the report). Most of the RMG factories declared closure as per the government directives on the same day. In such a context, understanding the challenges, difficulties the RMG sector in the country is facing because of COVID-19 and way forward for the sector is of utmost importance. The major timeline of events related to COVID-19 and Bangladesh RMG sector is provided below for better understanding of the context and suggestions discussed later.

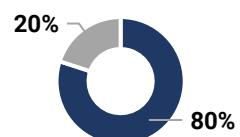


RMG workers and their situation amid COVID-19

The RMG workers have an average income of BDT 11,632 (male workers earn slightly higher than the female workers) and they are almost solely dependent on their wages from factories for this earning.

80% of the surveyed workers do not have any savings. So, when most of the factories closed as per the Government's public holiday order, the RMG workers were in grave danger. Their salaries for March 2020 was delayed, and many factories declared lay-off according to the specific clauses of Bangladesh Labor Law. By April 3, a minimum

RMG Worker Savings at the start of Lockdown (Source: Innovision Survey)

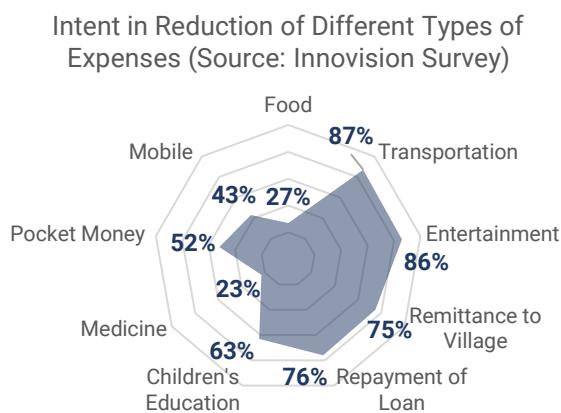


■ No Savings ■ Some Savings

⁷ <https://www.worldometers.info/coronavirus/>

⁸ Ibid

of 1 million RMG workers in Bangladesh lost their jobs⁹. The government declared over **US\$588 million (BDT 5,000 crore) stimulus package** to pay salaries of export-oriented industries, from which apparel industries can get the major portion of benefit.¹⁰ Although majority of the RMG factories paid the salary of March 2020¹¹, it was decided by the government, factory owners and labor representatives that workers will get 60% of salary up to April 25.¹² Remarkably, on April 26, RMG workers demonstrated and blocked roads in Gazipur district in demand of their dues.¹³



Many of the workers chose to move to their home districts to minimize the cost of living in the cities or close to their factories. The workers have, on average, BDT 3,686 (US\$43.4) in cash with them and the **amount can meet the needs of their family expenses for barely 16 days**. To cope with the situation, the RMG workers reduced all types of expenses, the food expenditure went down 27%. **79% of the surveyed RMG workers use mobile wallets** that they use to send money back to their relatives in villages.

As RMG is the backbone of Bangladeshi export sector, the export-oriented factories have been allowed to reopen from April 5, although the entire country was declared to be in public holiday till 16 May. However, due to lack of coordination among various entities like government, workers, factory owners and labor leaders, thousands of garment workers used local transports, ferries and even walked to reach their working place which in turn increased their health risks and the risk of spreading the contagion further.

After quite some dilly dallying, RMG factories started to open from April 26. Again, the workers from different districts came to Dhaka, Gazipur, Narayanganj areas in large numbers despite the closure of public transports. Bangladesh Garment Manufacturers and Exporters Association (BGMEA) has issued safety guidelines for owners, including social distancing advice and personal protection equipment for employees.

The situation of RMG mid-level management

Status of employment for the mid-level management employees of RMG sector during the lockdown period, as reported by the RMG Times¹⁴, shows just 0.5% of them were working at the factory, 18.7% are working from home, 42.9% were on paid leave, while 27.6% are laid off. 3.4% of the mid-level

⁹ 1 Million Bangladeshi Garment Workers Lose Jobs Amid COVID-19 Economic Fallout. April 3, 2020. npr.

<https://www.npr.org/sections/coronavirus-live-updates/2020/04/03/826617334/1-million-bangladeshi-garment-workers-lose-jobs-amid-covid-19-economic-fallout>

¹⁰ Bangladesh garment workers return to work amid lockdown. Al Jazeera. April 27, 2020.

<https://www.aljazeera.com/news/2020/04/bangladesh-garment-workers-return-work-lockdown-200427091544354.html>

¹¹ 87pc RMG workers received wages: BGMEA

<https://thefinancialexpress.com.bd/economy/bangladesh/87pc-rmg-workers-received-wages-bgmea-1587032979>

¹² RMG workers to get 60% salary for April

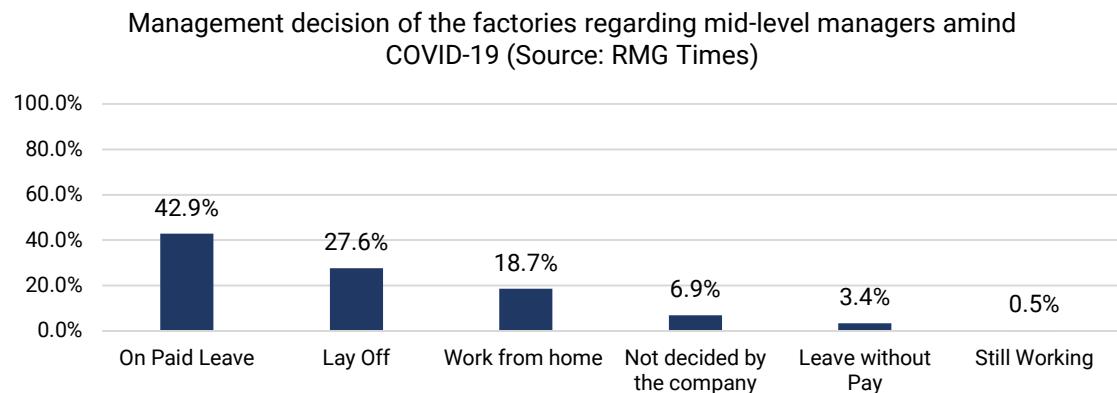
<https://tbsnews.net/economy/rmg/rmg-workers-get-60-salary-april-74995>

¹³ RMG workers demonstrate for dues in Gazipur. April 26, 2020. UNB – United News of Bangladesh.

<http://unb.com.bd/category/bangladesh/rmg-workers-demonstrate-for-dues-in-gazipur/50555>

¹⁴ Chanchal, T. I. Employees are in Dilemma to choose life or living – COVID-19 Impact. RMG Times. April 13, 2020. Retrieved from <https://rmgtimes.com/news-article/12340/>

management employees were on leave without pay and for 6.9% the management did not decide on the employment future.



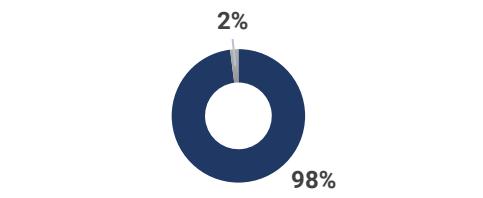
Most of the RMG factories have been shut since March 26 following the government order. In such a context, managers/ senior managers, as the representative of the factories, from 58 factories were interviewed. It found that about 98% (57 out of 58) of factories, whose mid-level managers were interviewed, were shut. In addition, the respondents were asked about their workers' payment. Some of them said that they paid off their workers for the month of March but not sure about the upcoming months. They were planning to apply for government subsidies to pay off their employees for April and May.

During the shutdown period, the mid-level management staffs did not have any idea, when the factory might open, but stressed that the factories are going to follow the government directives. By now, the closure has been extended by the government, in several stages, till May 16. However, at least 600 of the factories have been reopened as of April 28, 2020 and a minimum of 850 factories are going to follow the same soon **in spite of the high possibility of spreading the disease further¹⁵**.

In the early days of COVID-19 case detection up to March 26 when the factories were open, most of the **factories were using their public announcement system to convey messages to prevent COVID-19 and ensure safety** from it. A majority of the factories also had soaps and disinfectants for the workers and asked the workers to wash their hands frequently. Some factories had provision of thermal scanners to take the temperature of the workers and provided masks to them.

The mid-level management staffs confirmed that most of the factories were running at full capacity before they were closed because of the pandemic. The factories also had orders for the next few months ranging between two to six months for most of the factories. A few factories also did emergency shipment even during the factory closure, with special arrangements. Only a handful of factories were running at below capacity and did not have enough orders for the next few months.

Factory Status amid COVID-19 up to April 25 (source: Innovision Survey)



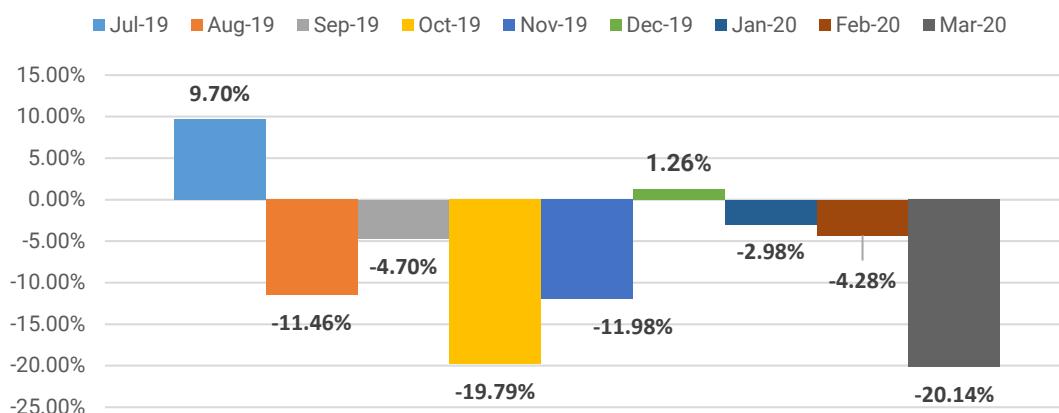
¹⁵ Bangladesh Reopens 600 Apparel Factories Despite Virus Risk. The New York Times. URL: <https://www.nytimes.com/aponline/2020/04/28/business/bc-as-bangladesh-garment-industry.html>

The mid-level management staffs were well-aware of the situation in the markets (Europe and USA) and understood that until the pandemic situation improves in those markets, the future order situation can be very erratic. They were afraid that new orders might not come or get delayed that were under development.

The plight of Bangladesh RMG owners

The RMG factory owners worked relentlessly over the years to make this sector the number one export earner for the country. In 2019 financial year, RMG (knit, woven, home textile) fetched US\$34.13 billion in export earnings.¹⁶ In the 2019-2020 financial year, Bangladesh RMG sector was experiencing an erratic situation because of various factors, including the USA-China trade war. **From July 2019 to March 2020, the sector experienced negative growth for seven months (out of nine months)** compared to the export figure of the similar periods of 2018-2019.¹⁷ March 2020 export experienced a slump of 20.14% compared to March 2019. April 2020 export figure is likely to be very low, as the majority of the RMG factories were closed up to April 25.

Growth Rate of Bangladesh RMG in 2019-2020 compared to 2018-2019
(source: BGMEA)



RMG factory owners faced double-edged sword during the COVID-19 situation. **50% of buyers canceled their production which were in process or already completed** and 98.1% of the buyers refused to pay any attention to the partial wages of abandoned workers justified by law¹⁸. Furthermore, more than a month of silence some buyers are proposing a significant amount of discount on the agreed price or canceling the order¹⁹ at such a time when the factory owners have little choice to negotiate. Bangladesh Garment Manufacturers and Exporters Association (BGMEA) has been monitoring the situation and claimed that for the outbreak exports worth of \$3.17 billion has been canceled or suspended by April²⁰. On the other hand, the RMG factory owners faced pressure from the workers and the relevant government agencies to pay the salaries of the workers within due date. The owners were also frustrated with the terms and conditions imposed by the Bangladesh Bank in accessing the US\$588 million stimulus package to pay the workers.

¹⁶ <https://www.textiletoday.com.bd/rmg-exports-posted-11-49-rise-to-34-13-billion-fy19/>

¹⁷ Bangladesh's RMG Exports to World, FY 2018-19 & 2019-20 <http://www.bgmea.com.bd/home/pages/TradeInformation>

¹⁸ Anner, M. Abandoned? The Impact of Covid-19 on Workers and Businesses at the Bottom of Global Garment Supply Chains. March 27, 2020. PennState Center for Global Workers' Rights (CGWR). Retrieved from <http://www.workersrights.org/wp-content/uploads/2020/03/Abandoned-Penn-State-WRC-Report-March-27-2020.pdf>

¹⁹ Uddin, M. Why factories are accepting huge discounts. April 12, 2020. URL: <https://www.dhakatribune.com/opinion/2020/04/12/why-factories-are-accepting-huge-discounts>

²⁰ Impact of COVID-19 on Bangladesh RMG Industry. Retrieved from <https://www.bgmea.com.bd/> on April 28, 2020

For these reasons, **many factories declared lay-offs to minimize their liabilities** following Bangladesh labor law.²¹ Thousands of workers to be unemployed overnight because of these lay-offs. According to some estimate, 2.27 million of the country's RMG workers are facing this²². But the workers associations and relevant government ministries were not happy about the situation and asked the factories not to lay workers off, or else they won't be able to access funds from the stimulus package.²³ The factory owners put pressure on the government to reopen the factories so that the operation can continue, export can take place and wages and salaries of the people in the factory can be made. They also made the case that competing countries like Vietnam has its factories open and new orders coming to Bangladesh might go away if the factories are not open soon. Considering the overall economic impact of the country, the government allowed the garments to restart operation from April 26.

Buyers of Bangladeshi products and their situation

Most of the buyers of Bangladeshi RMG products are not responding positively since the COVID-19 outbreak. As per the Penn State Center for Global Workers' Rights (CGWR) study²⁴, over 50% of buyers canceled their production which were in process, or already completed. Although the buyers are under a contractual responsibility to pay for these orders, they have applied the general *force majeure* ("which frees both parties from liability or obligation when an extraordinary event or circumstance beyond the control of the parties" - Wikipedia) clauses to justify their stands. The buyers have been putting pressure to improve the working condition in the garment factories since the Rana Plaza disaster, and the factories have made many changes as per the recommendations to ensure worker health and safety. But **while canceling orders or deciding not to place any new orders, they did not consider the consequence of it on the workers** leaving them on the mercy of the RMG factory owners and Bangladesh government.

With some backlash, some major buyers decided to stand by their commitments to the garment manufacturing suppliers by taking delivery of the already produced garments as well as goods in production.²⁵ On the other hand, a few of the buyers imbued hope that it would pay for any product under production, finished and planned for handover by 17 April.

The story is not one sided though.²⁶ The western retailers have been experiencing significant drop in sales due to the outbreak. Most of the retail stores are closed during lockdown in Europe and USA (and around the world). According to research from Retail Economics and Alvarez & Marsal, sales in the UK's fashion retail sector are supposed to be dropping down by 70% since the lockdown²⁷. This caused the retailers to halt or dismiss the orders. As the westerners buy their garments focusing upcoming seasons, the spring and summer collections by the retailers are now heading to a £15bn worth stock

²¹ The relevant sections of the labour law can be found here <https://www.fairwear.org/covid-19-dossier/covid-19-guidance-for-production-countries/covid-19-impact-and-responses-bangladesh/>

²² Rebecca Wright and Salman Saeed, CNN Business. Updated 0636 GMT (1436 HKT) April 22, 2020. Bangladeshi garment workers face ruin as global brands ditch clothing contracts amid coronavirus pandemic. URL: <https://edition.cnn.com/2020/04/22/business/bangladesh-garment-factories/index.html>

²³ Ibrahim Hossain Ovi, 397 RMG factories laid off, ineligible for Tk5,000cr fund <https://www.dhakatribune.com/business/2020/04/20/374-rmg-factories-laid-off>

²⁴ Bangladesh Reopens 600 Apparel Factories Despite Virus Risk. The New York Times. URL: <https://www.nytimes.com/aponline/2020/04/28/business/bc-as-bangladesh-garment-industry.html>

²⁵ <https://www.ecotextile.com/2020040225912/fashion-retail-news/inditex-agrees-to-bangladesh-order-payments.html>

²⁶ Coronavirus: Next website halts orders hours after reopening. BBC News. 14 April 2020. Retrieved from <https://www.bbc.com/news/business-52276149>

²⁷ Ibid

that most possibly won't be sold.²⁸ Moreover, with the increased number of unemployment claims in USA and Europe, it is likely that the sales of apparels would be slow even in the post-pandemic situation. Fortunately, amidst the overwhelming global crisis, country like Sweden is not going to cancel any RMG order from Bangladesh.²⁹

The worker associations and NGOs in RMG sector

Data from interview with NGOs and various RMG related foundations show that **they barely possess any authority to make any of the buyers or owners accountable**. However, they are putting effort to bring benefit to the entire sector. The buyers' forums accord and alliance (now Nirapon) were working to ensure workers' health and safety by partnering with brands and factories.

The worker associations were vocal against the worker lay-offs. They pursued to the government effectively and ensured that the factories that announced lay-off are unable to access the stimulus fund announced by the government. They also represented the workers in joint meetings among the government agencies, owners and workers and voiced the concerns of the workers. The worker associations, however, were not that much helpful in terms of extending support to individual workers who are in need. They're also providing, with their limited capacity, cash, food and hand washing materials to some RMG employees.

The NGOs working in the RMG sector were relatively quiet during the lockdown period. There were sporadic studies and statements from some organizations, but they were not very effective in raising the concerns of the workers, factory owners as well as brands.

Way forward for Bangladesh RMG Industry

The situation has changed dramatically from April 26 when the government allowed the garments to be opened. Following that, many garments have reopened and started their production and other regular operations. The government has also decided to open the mosques for prayers from May 7 while shops, shopping malls from May 10 considering the Eid season. Although the general holiday to in Bangladesh to continue till May 16, these decisions mean Bangladesh is going for achieving herd immunity (the resistance to the spread of a contagious disease within a population that results if a sufficiently high proportion of individuals are immune to the disease, especially through vaccination)³⁰ rather than containment, especially when the number of COVID-19 cases has an increasing trend in the first week of May. The success in getting the right vaccine has no assured timeline, so all stakeholders need to do things in this "new normal", where fear of getting infected by COVID-19 is a constant.

- **Ensuring workers' safety:**

The Bangladesh government allowed export-oriented garments factories to reopen³¹ since April 26 by following appropriate health measurements. Although workers living in Dhaka were to join initially thousands of them started to rush from around the country using local transports, ferries or even on foot to reach their destinations in Dhaka, Gazipur and

²⁸ Ibid

²⁹ <https://rmgtimes.com/news-article/12545/>

³⁰ https://www.lexico.com/definition/herd_immunity

³¹ Bangladesh RMG workers left in the lurch amid coronavirus shutdown. New Age. April 6, 2020. URL: <https://www.newagebd.net/article/103889/bangladesh-rmg-workers-left-in-the-lurch-amid-coronavirus-shutdown>

Narayanganj³². Many workers have returned to their work to save their livelihood, and many others are still coming back. To ensure the safety of workers, factories have arranged some precautionary measures as per the directives of the government. There is arrangement of disinfectant in the entry and exit gates, factories have adequate soaps for the workers so that they can wash their hands, workers are wearing masks while in the production floor and safety messages are disseminated regularly using factories public address (PA) system etc. Still, some things need to be done to ensure that workers are not infected with COVID-19:

- Factories should ensure the **food and housing facility** of the workers, otherwise one individual worker can get infected and infect many others in the factory. These are also very crucial to ensure good health and better productivity.
 - **Safe transport** from workers' residence to the factory should be arranged.
 - **The buyers should effectively monitor** if the RMG factories are maintaining all the suggested safety protocols effectively on a daily basis.
 - **The buyers should support factories** to bear the additional cost for ensuring health and safety of the workers.
 - **NGOs and development organizations should focus on the worker safety** measures during the "new normal" period.
- **Proper testing for COVID-19 close to the factories for workers:**
There has been reports of COVID-19 infection among the RMG workers. Bangla daily KalerKancho reported on 3 May that 9 workers were identified with COVID-19 positive after the reopening of factories on April 26.³³ This is quite a dangerous situation as one infected person can infect many others in the factories. It is thus important that workers are regularly checked to see if they are COVID-19 positive or negative. If someone is found infected, s/he should be isolated and put to home quarantine or sent to hospital according to health protocols. To make it happen, **in every RMG cluster, there should be easily accessible COVID-19 testing booths**. Workers can go there, give their samples and get the results. The worker, the co-workers, factory management all can be assured and continue with their work.
 - **Long-term financial security of the workers:**
As discussed before, most of the workers have little to no savings. This is one of the prime reasons why they came back to work even when there is an obvious threat to their lives because of COVID-19. It is essential that the workers have some financial capacity to sustain any hardship for some period. We have also seen many workers do not have any bank account or mobile wallet. There was a rush in opening mobile accounts by the workers as the government instruction was to pay workers digitally. The following needs to be ensured in the coming days:
 - **All wages of the workers must be paid digitally**, either through bank account or through mobile wallet. The government and other agencies in that way will be able to track the number of workers, their payments and timeliness of payment.
 - There should be a **mandatory provision of savings for the workers** for any emergency. The amount can be given by the worker and factory in equal ratio. This can be used by

³² Rashid, M. Bangladesh apparel factory workers rush back amid shutdown. New Age. April 4, 2020.

<https://www.newagebd.net/article/103809/bangladesh-apparel-factory-workers-rush-back-amid-shutdown>

³³ <https://www.kalerkantho.com/print-edition/news/2020/05/03/906618?fbclid=IwAR3nE00U6PrE4CFrr2OUcE5XfeEw0blk3ahaTi0ikMZunbBmVs09rxyCAow>

the workers for many purposes, they can take loan from this fund for designated purposes at a minimal interest. The fund can be managed by a committee comprising management and workers.

- **Rethinking production and marketing:**

The data of export earnings for the 2019-2020 financial year shows that Bangladesh RMG sector was experiencing a negative growth even before the COVID-19 pandemic started. COVID-19 pandemic worsened the situation. The buyers, who have been working with factories for many years canceled orders or asked for large discounts without any hesitations. Because of the pressure from owners' association and global media, some brands decided to take products that were under production but it is uncertain what will happen to the products that were under development. Majority of Bangladesh RMG factories are designed to process large quantity orders. But the **global apparel fashion industry is also changing and factories need to take note of these changes**. Increasing number of people are buying online and small boutique online shops are looking for factories that can supply smaller quantity of products of one design. The product turnaround time needs to be faster for cater to this market. To get to this market, Bangladesh RMG factories need to transform themselves, **change their production facility to modular production and even look at opening up online shops to cater to the consumers in the European Union and the USA directly**. Some funds from government's stimulus package can be utilized for this purpose as well for the long-term sustainability of the industry.

Annex: Methodology and Scope

We followed a cross-sectional study design which collected data at particular time period. To understand the situation from various perspectives, data was collected from various stakeholders involved with the industry—RMG workers, mid-management of factories, factory owners, buying houses, brand representatives, worker associations and NGOs working in Bangladesh RMG sector. In addition, quite a good number of relevant literature and newspaper articles were reviewed.

Sample Size: This study followed a convenience sampling strategy. That is, the sample were taken from the respondents easy to access to ensure social distancing due to corona pandemic. The total sample size of this study is shown in Table-1.

Table: Sample distribution of the study

Type of Respondents	Means of Data Collection	Sample Size
RMG workers	Telephone interview using a semi-structured questionnaire ³⁴	84
Mid-level manager from garments	In-depth interview (IDI) by phone	58
Buyers/ brand persons	In-depth interview (IDI) by phone and written response	9
Garments owner	In-depth interview (IDI) by phone	2
Garments association/ NGO	In-depth interview (IDI) by phone and written response	4
Total		157

Data Collection: RMG worker survey was conducted from April 7-9, 2020, while we conducted all other interviews by one-to-one telephone interview from April 16-23, 2020.

³⁴ Details of the RMG worker survey findings can be found in <http://innovation-bd.com/covid-19-impact-studies/digest-3-impact-on-rmg-worker/>

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