

Challenges and Prospects in Garment Sector of Bangladesh

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Introduction:

The Garment sector of Bangladesh earns an aggregate of about \$25 billion in exports and employs around 3.6 million workers (65% women) in more than 3,500 factories which account for 40 percent of industrial workers. Currently the sector incomes around 83 percent of the total export value of the country. The garment industry has been the key export division and a main source of foreign exchange for the last 25 years. Presently China, the largest exporter of manufactured garments in the world, is facing shortages of labour and an increase in wage levels. Cheap labour is available in Bangladesh and the wage rate is about \$0.30/hour which is one fourth of the labour cost in China. So Bangladesh may be the next preferred destination of international buyers.

The Ready-made-garment (RMG) industry of Bangladesh has expanded over the last three decades. Since the early 1980s, the RMG industry has emerged as an important player in the country's economy and has gradually replaced the jute industry. The sector now dominates the modern economy in export earnings and employment generation. It has given the opportunity of employment to millions of unemployed, especially innumerable uneducated women of the country. Bangladesh exports 35 types of garment products to about 31 countries around the world and is considered an economic competitor in terms of international garment manufacturing by other countries of the region.

Problems surrounding ready-made garments sector

1. Price competitiveness:

China and some other competitors of Bangladesh have implemented sharp price-cutting policies in exporting garment products over the last few years, and Bangladesh cannot respond effectively to such policies, which are needed in order to remain competitive in the quota-free global market. In the world market, 115 to 120 types of clothing items are in demand whereas Bangladesh supplies only about 30 types of garments. Bangladesh is facing a challenge in manufacturing other categories of products to compete with other garment-producing

countries in the world. Foreign buyers squeeze the suppliers every year to slice the cost per unit of garment. Garment manufacturers, on the other hand, compete with each other by undercutting one another's prices; consequently price declines further. A constant supply of gas and electricity is not available in Bangladesh to keep the production process of the factories uninterrupted; as a result, factories need to rely on the use of generators, which results in an increased cost of production.

2. Safety:

Lack of adequate safety in the workplace also poses a problem. Between 2000 and 2013, more than 1,500 workers perished in garment industrial disasters caused by fire, building collapses or stampedes. The terrible fire in Tazreen Fashions on 23 November 2012 turned more than one hundred workers along with the factory into ashes. Bangladesh witnessed the worst industrial disaster on April 24, 2013 in Rana Plaza, Savar, killing 1135 workers, injuring many more, and with hundreds still missing. Most of the 'accidents' reveal the faulty structure of factory buildings including weak electrical wiring, lack of fire exits and fire alarms, narrow stair and exit paths, poor foundation, and locked doors. These problems continue to exist due to insufficient monitoring by the relevant government agencies. US stopped Generalized System of Preferences (GSP) on 27 June 2013 on the grounds that Bangladesh is not taking steps to afford internationally recognized worker rights to workers in the country.

Some important causes of the accidents are given below:

- Machine layout is often staggered;
- Lack of signage for escape routes;
- No provision for emergency lighting;
- Doors and openings along escape routes are not fire resistant;
- Adequate doors as well as staircases are not provided to aid quick exit;
- Fire exits or emergency staircases lack proper maintenance;
- Lack of proper exit routes and sometimes these are blocked by storage materials hindering the path to reach the place of safety;
- Parked vehicles, goods and rubbish outside of the building obstruct exits to the open air;

The following precautionary measures need to be adopted:

- Garment factories should be accommodated in buildings with proper construction and maintenance;

- Buildings should be constructed with fire resistant materials;
- Protection against fire and smoke should be ensured including the installation of alarm systems and adequate arrangement of extinguishers;
- Regular fire drills should be held;
- Electrical wiring must be properly designed, installed and maintained;
- Adequate exits routes should be designed and they should be lit at all times, kept clear and be indicated by signs;
- Emergency procedures including communication protocols must be in place with local Fire services.

3. Raw materials:

Bangladesh imports cotton, thread and other accessories as raw materials for garments. These inputs cost about 70% of the value of RMG exports. This dependence on raw materials hampers the development of the garment industry. Local development of the backward linkage industry may be a solution towards meeting this requirement.

4. Lack of managerial knowledge:

Most of the illiterate women workers employed in the garment sector are unskilled and so the industrial productivity is low. There is lack of marketing strategy, absence of available and effective middle management and lack of high standard training organizations for industrial workers, supervisors and managers. The majority of workers receive training on the job as most training institutions currently do not provide specialized training in garment manufacturing. The productivity of the industry may rise as it moves up the supply chain towards higher value exports.

5. Poor working condition and accommodation:

Poor working conditions, low wages, irregular payment of dues and the inability to organize are common in some factories. As most of the garment workers come from poor families in the remote areas of Bangladesh, it is common practice for the workers to rent a room in sub-standard and congested living conditions near the factory.

6. Lead time:

Lead time refers to the time required for supplying the ordered garment products after the export order has been received. In the 1980s, the usual lead time in the garment industry was 120-150 days for the main garment supplier countries in the world; it has been reduced to 30-40 days in the current decade. Bangladesh should improve its average lead time to compete in the international market which is about 90-100 days now.

Some prospective potential

- According to a recent study conducted by the United States Fashion Industry Association (USFIA) Bangladesh is reported to be a popular sourcing destination for US fashion retailers due to its price competitiveness. The study found that Bangladesh is the sixth most popular sourcing destination this year with 50 percent of the respondents currently buying from the country. The country is also among the top five sourcing destinations with the highest growth potential after Vietnam, India and the US. About 42 percent of the respondents expect to increase the sourcing value or volume from Bangladesh in the next two years.
- The International Finance Corporation of the World Bank Group recently announced it would provide US\$ 50 million financing for the local banks for making loans available to export-oriented garment factories for remediation. The IFC will provide US\$ 10 million each in financing to five Bangladeshi banks which will allow them to increase lending to garment factories to improve their structural, electrical and fire safety infrastructure, according to a press release issued by the IFC. The IFC also signed separate cooperation agreements with the North American retailers' group 'Alliance' and the European retailers' group 'Accord' to assist garment factories to monitor compliance.
- Bangladesh's comparative advantage lies in having the cheapest unit labor cost in South Asia. It costs only 11 cents to produce a shirt in Bangladesh, whereas it costs 79 cents in Sri Lanka and 26 cents in India.
- Government is planning to establish a specialized bank for the readymade garment sector to ensure low-cost financing and to encourage entrepreneurs to invest more in the sector.
- The apparel industry is working to reach the goal of a \$50 billion export target by 2021.
- The sector is planning to form a welfare fund. As per the current export value of \$25 billion, the owners' contribution to the welfare fund would be US\$9.0 million, which would amount to US\$ 19.28 million in 2021. The estimated contribution will be taken from the export value and deposited to the welfare account. This may contribute toward solving various problems of the workers relating to their housing, accident compensation etc.

Conclusion:

The RMG industry is the largest exporting industry which occupies an exclusive position in the Bangladesh economy. It experienced phenomenal growth during the last 25 years. With the remarkable entrepreneurial initiatives and the dedication of its workforce, Bangladesh can look forward to advancing its share of the global RMG market.

The price of ready-made garments is decreasing in the international market. Therefore, it is urgent to reduce the cost of production to comply with the foreign buyers' demand and to ensure a competitive international price. The emphasis has to be on improving productivity and better management ensuring RMG sector to be healthy, safe and compliant with all legal implications on child labour, effluent treatment etc. Due to a number of steps taken by the industry, Bangladesh still remains competitive in RMG exports. A few development projects supported by Development Partners are assisting to improve working conditions in the RMG sector. A set of labour rules have been enacted to support labor welfare which may facilitate solving the problems on wages, health and safety in the garment sector. Government has the responsibility to improve the situation by providing a sound policy framework to protect the garment industry, and to provide a complete safe environment for decent work in the RMG sector.