

# The Future of the Ready-Made Garment Industry of Bangladesh

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## Abstract

*The ready-made garment industry (popularly known as RMG), counts for almost 81% of the total exports of Bangladesh. This sector was the first to provide large-scale employment opportunities to women in a country where they traditionally have not worked outside the home. However, the challenges are many, varied and possibly insurmountable, raising the question of the sustainability of its present growth and its future growth as well. The purposes of this paper have, therefore, been to identify the present problems, the strategies to overcome these problems and finding the answers to the question(s) raised in the study. This study followed a qualitative research approach. Data were collected from secondary sources like project contracts and records, media reports and publications, documents and articles from relevant agencies. The findings indicated that to the extent that the cultivation of a spirit of openness, transparency and democratic governance were installed and political strife confrontational politics and labour unrest were reduced or eliminated, the present success story of the RMG sector would remain sustainable, guaranteeing a bright future. Implications and recommendations for future research are included.*

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## 1. Introduction

Though Bangladesh does not produce cotton, the ready-made garment sector (popularly known as RMG) accounts for almost 81% of the total exports of Bangladesh. The RMG has achieved a strong footing in international market and has reached 5% of the world apparel market share (Ahmed, 2015). This sector has also helped women to come out of poverty, as 3.6 million women are employed in the RMG sector (Islam, 2015).

The RMG industry has been playing a significant role in the economic growth of Bangladesh. By providing direct employment to almost four million people, of which over 80% are female workers, as is evidenced from 2014 report released by the Bangladesh Garments Manufacturers and Exporters' Association (BGMEA), this sector has been instrumental in bringing women into the labour force and has a potential lead in the social transformation of the country. The arrival of garments factories, it can be argued, has affected school enrollment, employment, marriage and childbearing decisions for Bangladeshi women. Indeed declining fertility, increasing age at marriage and rapid increase in girls' educational attainment in Bangladesh over the last 25 years may be attributed to some extent to the rise in garment factories. The number of factories increased almost 11 times from 1992 to 2014. As of 2014, there were in total 5,615 units in 2012-2013 in the RMG sector of Bangladesh. Of these, 2,723 are woven products factories, 1,383 knitted products, 629 woollen knitted and 880 sweater factories (BGMEA, 2014). So, it can be seen that the woven sector comprises is the largest with the sweater sector being the lowest. This tremendous growth has, therefore, played a significant role in the

socio-economic development of the country, accounting for over 80% of Bangladesh export earnings (BEPB, 2014).

However, this sector is not without unmixed blessings. Although the number of factories increased consistently from 1992 to 2013, there has been a certain drop in the number of factories in the year 2013-2014 (BGMEA, 2014). This decline resulted from the fire in Tazreen Garment factory and the collapse of the Rana Plaza Garments Factory Building. Recent developments like damaged infrastructure, compliance and safety issues, poor worker-management relations resulting in strikes and lockouts, the occurrence of fires in factories, the unplanned building of factories and political strife have now engulfed the RMG sector of Bangladesh. The Ghushan tragedy (which featured the killing of foreign buyers of garments) at Dhaka this year (2016) has added fuel to the fire in this industry. In view of these and other problems, the RMG industry has been at stake and its survival has been under question by academia, the business community and researchers alike. This research project is aimed at addressing these issues and concerns that affect the future of this industry. The study will contribute to the literature since these issues and problems affecting the future of this industry have not been widely researched and validated.

## **2. Objectives of the Study**

The objectives of this study are as follows:

1. To identify the strengths, weaknesses, opportunities and threats that this industry faces;
2. To identify the strategies for overcoming the impediments (threats and weaknesses) faced by this industry and
3. To identify the future of the RMG.

The research questions to be answered by this study are as follows:

1. What are the strengths, weaknesses, opportunities and threats faced by this industry?
2. What are the strategies to overcome the impediments faced by this industry?
3. What is the future of this industry?

Our assumption is that raising workers' productivity and skills, increasing the minimum wage for the workers, eliminating political strife, improving infrastructure, planned building of factories, environmental compliance, ensuring foreign investors' safety and security, safe and secure work environment and, more importantly, instituting a transparent and democratic government would be instrumental for the sustainable growth of the RMG industry and achieving its vision of \$50 billion of RMG exports in 2021, as envisioned by the BGMEA, when the country will celebrate its 50<sup>th</sup> anniversary of independence.

### **3. Background of the Study**

Formerly East Pakistan, Bangladesh came into being in 1971, when the two parts of Pakistan split after a bitter, nine-month long civil war, which also involved India. Its population of 170 million people, with an area of 55,598 square miles, makes Bangladesh the eighth most populous in the world with a high level of density (CIA, 2008). Among the large population, poverty is rampant and there is a systematic lack of educational and medical resources. Since its inception in the 1970s, political strife has also contributed to making the country one of the world's poorest. The adult literacy rate is 43.1% (53.9% for males) and the average life expectancy at birth is 64 years (*ibid.*). The county is trying to diversify its economy, with industrial development a priority. As a result the growth of industrial sector averaged 8.3% during 2001-02 to 2006-07, compared with a 2.1% growth rate in the agricultural sector over the same period (Mansur, 2008). Manufacturing is now an overwhelmingly important component of Bangladesh's export composition, thanks largely to the

rapid expansion of the RMG sector. From a small base of only around US\$32 million in 1984, garment exports have grown to around US\$25 billion in 2014, thereby accounting for around 81% of the total export earnings of the country (Raihan, 2014) and its contribution to the country's overall GDP is 10% (BGMEA, 2014).

Though the history of the RMG sector of Bangladesh is a fairly recent one, nonetheless it has a rich and varied tale. This sector started its journey in the 1980s. The industry emerged at a time when Bangladesh, after its independence, began a new struggle for economic emancipation and leading the country to prosperity with limited natural resources. The three largest industries at that time were Riaz Garments, Jewel Garments and Paris Garments. Among these, Riaz Garments was the most famous and the oldest in the industry in that time. From 1978, the company started exporting products abroad with a consignment of one million shirts to a South Korean Company named Olanda (Chowdhury *et al.*, 2014). Desh Garments is another pioneer of the Bangladesh RMG sector. In 1979, Desh Garments started a joint project with South Korean company Daiyuu (*ibid.*). The growth of the RMG sector now has put a positive impact on the overall economy and the human development index of the country. The RMG, within a short span of time, has become crucial to the economy as a source of export earnings and employment creation.

The RMG sector is basically a labour-intensive one and needs limited financial investment and relatively simple technology compared to other more highly technical industries. The success story of the garment industry in Bangladesh is the story of how the RMG sector was transformed from the late seventies, when it was an insignificant non-traditional export item, to a very highly contributing sector to the economy. Bangladesh RMG factories have given Western brands and retailers what they want. RMG is a vertical industry that manufactures high quality knitwear and woven goods, using both manmade fibres and cotton, including tops and bottoms, underwear and outerwear. As a result, in a period of 25 years, Bangladesh has risen from next to

nowhere to become the world's second largest supplier of apparel.

Although a bright prospect exists for Bangladesh in the export oriented production of garments, the industry is engulfed with many problems: poor labour law; poor infrastructure; low compensation for workers; lack of environmental compliance; lack of transparent and democratic government; lack of safety and security for both workers and foreign investors; political strife and confrontation and others. The industry and the country must address these critical issues to sustain the progress that has been made so far and brighten its future.

The study is divided into the following sections: methodology; current status of RMG in Bangladesh; strengths and opportunities; major issues and concerns (weaknesses and threats); strategies for eradicating issues and concerns; a look into the future and conclusions and recommendations.

## **4. Methodology**

This study employed a qualitative research approach. Data were collected from secondary sources such as project contracts and records, media reports and publications, documents, articles from relevant agencies and the BGMEA. This study mainly focused on the problems faced by the sector and strategies for overcoming these problems, mostly gathered from secondary sources.

The researchers have explored the following secondary sources to meet the objectives of the report: data from the inventory of Bangladesh Export Promotion Bureau (BEPB) relating to RMG exports and from data from the inventory of the BGMEA; data and articles from the Dhaka Apparel Summit, 2014; online news archive of newspapers and news agencies from home and abroad and the Bangladesh Apparel and Safety Exposition, Chittagong 2015.

## **5. Present Situation of the RMG Industry**

Although a quarter of its 170 million people still live below the poverty line, Bangladesh has clocked growth of around 6% nearly every year since the turn of the millennium, largely thanks to garment exports, which have become the lifeblood of its economy (Ford, 2016). Bangladesh is now the second largest exporter of RMG behind only China (McKinsey, 2011). The top three export destinations for Bangladesh garments were Europe, which accounted for US\$ 12.6 billion, followed by the US and Canada, which accounted for US\$5.0 billion and US\$980 million, respectively (*ibid.*).

The main apparel items exported from Bangladesh are shirts, trousers, jackets, shirts and sweaters. It can be seen from the Table 1 below that the exports have been increasing each year for each of these items to reach the highest levels now.

<b>Year</b>	<b>Shirts</b>	<b>Trousers</b>	<b>Jacket</b>	<b>T-Shirts</b>	<b>Sweaters</b>
<b>2009-10</b>	993.4	3,035.4	1,350.4	3,145.5	1,795.4
<b>2010-11</b>	1,566.4	4,164.2	1,887.5	4,696.6	2,588.2
<b>2011-12</b>	1,733.5	4,686.4	2,231.2	4,713.1	2,340.3
<b>2012-13</b>	1,972.9	5,185.5	2,634.3	5,143.2	2,620.7
<b>2013-14</b>	2,173.7	5,690.8	2,973.2	5,863.8	2,932.9

**Table 1:** *Main Apparel Items Exported from Bangladesh (value in US\$ million); source: BEPB*

Recent incidents like fire in the Tazreen factory that killed more than 110 people and the collapse of the Rana Plaza garment factory building in April, 2015 that killed over 1,100 people and injured more than 2,500 have been disasters in the history of Bangladesh's RMG (The Daily Sun, 2015). This could be because of the absence of qualified and skilled management or could be the outcome of labour

unrest and political strife that have been persistent in this country. As a result, the US government in June suspended Bangladesh from the Generalized System of Preferences (GSP), which allows duty-free entry of over 5000 goods to the US market from least developed countries like Bangladesh (BGMEA, 2014).

Although Bangladesh has a strategic advantage in terms of wages, India and Myanmar are breathing over the country's shoulder in this regard. Moreover, the low wages of workers in Bangladesh might be eroded since productivity there is lower than it is in India or Myanmar. In addition, India is poised strategically to attract US interest to counter potential Chinese supremacy, while China is likely to use Myanmar as strategic hub for cost minimization in the expansion of its interests. As a result, Bangladesh in the near future might lose its market share in the US and China. Further, concern persists that Bangladesh, wracked by political instability since independence in 1971, is sliding into deeper chaos, with police feeling themselves under pressure and responding by arresting every month countless people, many affiliated to political opponents, in desperate attempts in the name of cracking down on terrorists. The recent Gulshan tragedy in Dhaka in July, 2016 is a terrible and horrific one that reflects how security has deteriorated in the country. This violence represents a serious threat to the economy and is likely to keep fashion buyers away in forthcoming months.

Foreign buyers are becoming skeptical of the sustainability of this sector and some existing foreign buyers are reported to be cancelling their orders. RMG products (which make up most of the US imports from Bangladesh) are not included in the list of duty-free products in GSP. Losing the GSP facility is costing Bangladesh millions of dollars in taxes. It also influenced the European Union (EU) to take similar action. The European Parliament threatened to withdraw GSP, which is the duty and quota-free access to EU market that Bangladesh enjoys. The EU buys more than \$12 billion in Bangladeshi garments

each year or, roughly, three-fifths of the country's production (BEPB, 2014).

Owing to the recent political strife and unrest, the Bangladesh RMG sector has lost billions of taka every day. The blockades put the garment sector in a tight corner as exporters were counting losses from order cancellations amid rising transport costs. Buyers were cancelling orders since exporters failed to meet lead-times due to the transportation crisis. Some buyers also imposed penalties in the event of delayed shipments, cutting the prices of garment products since transport costs have surged by around 30% due to expensive air shipment costs. Many factories have halted production as they could not bring imported raw materials from foreign countries.

## **6. Strengths and Opportunities of the RMG Sector**

Despite all of the preceding, the RMG sector remains a success story for Bangladesh. It started in the late 1970s, expanded heavily in the 1980s and boomed in the 1990s. The rapid expansion of the industry was possible because of the following unique features of the industry:

- technology is less complicated (easy to transfer);
- machinery is cheap and easy to operate (sewing machines) and
- a large female labour force that is easy to train is readily available.

Besides the low cost of labour, one of the major factors behind the success of the RMG sector is the availability of offshore financing for world-priced inputs through back-to-back letters of credit (L/C) under the special bonded warehouse scheme. The presence of foreign buyers is also a major factor that helped introduce the system of international sub-contracting. Foreign buying houses not only bring the international market to the doorstep of local entrepreneurs, they also ensure the availability of essential inputs such as imported fabrics and

accessories for the industry. They also did the greatest favour for the RMG sector of Bangladesh by introducing the latest designs and by monitoring output quality. These measures especially were very influential in enabling inexperienced garments entrepreneurs to establish a strong foothold during the 1980s.

The strengths of this sector are its opportunities. The greatest opportunities lie in the apparently unlimited market outside of Bangladesh. In a quota-free world, the United Nations Commission for Trade and Development (1999) estimated that removal of the Multi-Fibre Agreement (MFA) and tariffs by developed countries will expand exports of clothing by 135% and textiles by 78%. In the knitting sector, Bangladesh gained substantial competitive advantage over her competitors. According to the Bangladesh Knitwear Management and Exporters Association (BKMEA), the cost of yarn production per kg is only US\$1.48, whereas in India it is \$1.78, in Pakistan \$1.60, in Japan \$2.38, in Korea \$1.73 and in Thailand \$2.78. Other opportunities lie in attracting new buyers by establishing new buying houses and encouraging new joint ventures.

## **7. Weaknesses of and Threats to the Sector**

Dependence on others for raw materials, low productivity, limited knowledge in international marketing information, poor infrastructure, political instability, disruptive trade unionism, inefficiency in port management and excessive dependence on raw materials from outside are some of the major weaknesses of the industry. Of these weaknesses, two of them (dependency on others for the supply of materials and low productivity of workers) merit particular discussion.

### **7.1. Dependence on Others for the Supply of Raw Materials**

The industry is heavily dependent on others for outsourcing of raw materials such as clothing and accessories. Bangladesh is currently importing raw materials (e.g. gray fabrics) for its RMG factories from

countries like India, China and Thailand under back-to-back L/Cs. In a quota-free environment, these countries will obviously try to export finished apparels to North American markets rather than sell fabrics to countries like Bangladesh. With equal access to the world market, these direct competitors will either stop selling materials to their competitors like Bangladesh (a strategic move) or charge higher prices for their materials (because of increased internal demand). In either case, Bangladesh will face difficulty in procuring the required raw materials at reasonable prices.

## **7.2. Low Productivity of Workers**

Another major shortcoming of the apparel sector is the low productivity of its workers. Labour productivity of Bangladesh is much lower than that in historical rivals Sri Lanka, South Korea and Hong Kong. Low productivity might erode the advantage of the low cost of labour in Bangladesh. Productivity is not as high as one would expect. The importance and impact of productivity on the apparel industry is significant and profound. Productivity is defined as the efficient use of resources – i.e. labour, capital, land, materials, energy and information - in the production of various goods and services. Lower productivity means accomplishing less with the same amount of resources or achieving lower output in terms of volume and quality for the same levels of inputs.

In a competitive global market, buyers demand shorter lead times and appropriate compliance as well as consistently higher quality products with low prices. At the same time, entrepreneurs expect profits and business growth. Lower productivity leads to business failures since it means suppliers cannot meet the demands of the buyers. Productivity increase is, therefore, a major factor in bringing about a balance between buyers and owners and eventually leads to sustainable business in a market economy.

## **7.3. Threats**

India, Sri Lanka and Myanmar are the biggest threats to the Bangladeshi RMG and textiles exports. Bangladesh is surrounded by India on three sides, which are north, west and east. India is now the biggest emerging threat to the Bangladesh RMG sector. States of India such as West Bengal, Assam, Tippera and Megalaya, which border Bangladesh, are significant hubs of low wage workers but with higher levels of productivity compared to Bangladesh. Political and industrial unrest and the confrontational politics of Bangladesh can result in industrial sabotage since the owners and workers of the factories are divided along political lines. This becomes a blessing for India's garment sector since, under these circumstances, foreign buyers might migrate to India. India, the closest neighbour of Bangladesh, has been enjoying a relatively peaceful and secure industrial climate since its inception. Unfortunately, the government, the people and the political parties have not been able to draw the appropriate lessons from this.

A threat has also emerged from fierce competition from efficient producers like Hong Kong, China, Thailand, Sri Lanka, Vietnam and many Caribbean countries. Threats might come not only from marketing but also from outsourcing. The potential danger is that these countries might either stop selling their raw materials to Bangladesh or increase the price of their materials significantly. Moreover, the low productivity of workers of Bangladesh compared to these other countries is also another threat.

Environmental issues, labour standards and the Trade Related Aspects of Intellectual Property Rights (TRIPs) might also represent deadly threats to developing countries like Bangladesh. Other issues like child labour have already proved to be sensitive issues in western markets. Regionalism is another threat to the industry. The growing concern and consensus among the Garments Exporters and Owners is that over the medium term it is also possible that North American Free Trade Agreement (NAFTA) may lead to a displacement of East Asian RMG imports to the US and Canada. These threats will also contribute to Bangladesh losing its competitive edge in the world

market.

## **8. Strategies for Overcoming Existing Problems**

To capitalize on the next industrial revolution, particularly in the apparel industry, Bangladesh needs to build on current strengths and carefully align investment with the needs of the RMG sector. The RMG sector needs to invest in human capital, relevant technologies, innovative and competitive enterprises. Every effort must be made to remove obstacles to the development and competitiveness of this industry. The following actions are suggested:

### **8.1. Transparency and Democratic Governance**

The most important challenge is the cultivation of a spirit of openness, transparency and democratic governance. Corruption has become the bane of all aspects of life of the people of Bangladesh. Political structures have remained highly confrontational. Personal and political enmity between political rivals has led to the killing, kidnapping and cross-firing of political opponents by the ruling party, with an attendant lack of respect for the elementary principles of democratic governance and this has become the principal characteristic of the national political system. No society, no matter the amount of knowledge embedded in its people, can prosper if corruption rules as king. Corruption will exist as long as confrontational politics and governmental anarchism prevails. Consequently, a transparent and democratic government is the critical need of the day for this country.

### **8.2. An Efficient Innovation System and Technology Adoption**

Schumpeter (1934) defined innovation as the process by which new products or new methods of production are introduced. Firms must be

able to tap into the growing stock of global knowledge, assimilate and adopt it to local needs and create new products and new methods of production. Establishing research and development (R&D) systems, as well as good governance and efficiency improvements will pave the way for an efficient innovation system in the country, thereby leading to the growth and development of industry in the country. Through research, this industry can enrich its knowledge and capability so that sector players can utilize the research with a view to competing globally. A research centre can play a vital role in providing ideas about product diversification, innovation and the development of new products and markets.

Although automation has remained somewhat limited in the RMG sector, since in many instances production in RMG involves manual operation of machines and the materials need proper feeding through the machines (Yunus & Yamagata, 2012), industry competitiveness in this digital world depends on the ability to respond quickly to demand with a variety of newer techniques and technologies. For example, companies in apparel markets today strive to cope with ever-changing fashion styles by reducing the time it takes to design, produce and deliver goods. Desired levels of production and quality can only be achieved by the adoption of newer technologies and techniques.

### **8.3. Product Diversification**

The majority of Bangladesh's RMG exports are concentrated in five basic product lines. If this sector is to enter the market for some higher-end products, like suits or blazers, lingerie, jackets, swimwear, sportswear, uniforms, raincoat and fishing wear, among others, this industry requires technological upgrading and strong human capabilities to process and package garments products for marketing nationally and internationally.

### **8.4. Human Capabilities**

The human capabilities issue relates to the absence of qualified and skilled workers. These workers are at the heart of the RMG sector. Productivity improvement is a critical need of the industry.

“We are living in an age of knowledge and information, fraught with opportunities and dangers. There are opportunities for the underprivileged and poor to become rich and strong. But at the same time there is a danger that gap between the rich and the poor could widen. The message is clear. We must continue to develop our human resources. The success or failure of individuals and nations as well as the prosperity of mankind depends on whether we can wisely develop our human resources (UNDP, 2001).”

Bangladesh labour productivity is known to be lower when it is compared with that of Sri Lanka, South Korea and Hong Kong. In addition, India, Myanmar and Cambodia, which are neighbours of Bangladesh, have enough capacity to build their industry even further. Bangladesh must concentrate on productivity and capacity utilization to start with and must look for ways to improve the productivity of its labour force if it wants to continue to compete globally.

Although the BGMEA, along with the government and other international organizations, has taken the initiative in developing the skills of workers, yet many more initiatives are required to meet the demands of the industry and enhance the productivity of local companies. The government and the companies must establish more technical institutes and utilize the existing vocational institutions to help produce more skilled manpower for the apparel industry and the whole economy. The potential and capacity of a vibrant workforce can be turned into a power through a set of productive skills, which will unlock the huge potential offered by this labour-intensive RMG sector.

## **8.5. Working Conditions and the Safety of Workers**

Working conditions in the RMG factories of Bangladesh have long been criticized as being less than ideal with a lack of sufficient space, light and supply of purified drinking water. Health and safety hazards in RMG factories have been pointed out as being depressing in nature. Some of the factories are operated in rented accommodation where industrial building standards become difficult to maintain. In the collapsed Rana Plaza, the building was over stressed with machinery and 4-500 people were working in each of the five floors used as garments factories in a space of only 6,000 square feet on each level.

Following the collapse of the Rana Plaza factory building and awareness of problematic labour and fire safety conditions in other factories, the RMG sector of Bangladesh has received considerable international criticism. Dhaka lacks an efficient operating network of fire stations and fire brigades. Poor infrastructure hinders rapid response in the event of emergencies. Access roads to the factories are often narrow and unpaved. The factories are poorly equipped with hydrants and fire extinguishers and the water hoses are mostly in worn out conditions, while the first responders in the factories are often poorly trained.

Bringing the garment industry and Bangladesh Fire Service together is seen as a way out of this situation. The training of fire inspectors, the development and implementation of decentralized fire stations located near the factories and making the access roads to the factories paved and wider is now deemed a key priority in Bangladesh to ensure the desired protection of RMG factories and their workers.

The lack of unified security and compliance standards are also notable in the RMG sector. RMG experts argued that the existence of unified parameters of safety and compliance would enable the BGMEA to monitor the work of apparel factories efficiently. Without creating a safe workplace, the country cannot create a safe and sustainable RMG industry.

## **8.6. Environmental Sustainability and Compliance**

Everything that is happening around us has an impact on the environment. The same is true for the garments business and all other business sectors as well. The traditional concept of doing business as the activity of making, buying or selling goods and services in exchange for money no longer exists. Rather, it encircles us with the obligation to do more for the society and environment in which we live and conduct our businesses. Business can no longer be viable without its important stakeholders being responsible to the existence of the environment and this is also true for the RMG sector, which is responding by attempting to go green.

The demand for green products has been on the rise from global buyers. It is now the time for the RMG sector to take into consideration the sustainable fashion approach called Eco-Fashion. Eco-Fashion is a part of the growing design philosophy related to the trend of sustainability. Environmentally sustainable products are one area that is created and produced with consideration for the environmental and social impacts of production. If necessary measures are taken to become eco-fashion and environmentally-friendly, the future of the RMG sector in this country will remain bright.

## **8.7. Industry-Academy Partnerships and Productivity Improvements**

An old Chinese proverb observes that giving a person a fish feeds the person for that day but teaching a person to fish feeds the person for a lifetime. In today's knowledge economy, one more level needs to be added for developing countries: teach the person how to process and package fish for export and market it, then we can see the improvement in knowledge and economic development. This is true for the RMG sector. Transforming the industry from a labour-driven one to a knowledge-driven one is of utmost importance. What is vital

at this situation for the RMG sector is the need to harness knowledge, both locally and globally. This knowledge can leverage the attainments of industry to facilitate a design industry, a fashion industry, an RMG-focused communication industry, service industries (e.g. education, banking and insurance) all specialized in some way to serve the RMG sector and inject further dynamism into the economy. Needless to say, investment in education and training is the principal weapon for productivity improvements among workers who are at the heart of the industry.

To facilitate the aforementioned growth needs, the garment industry must collaborate with the knowledge industry and academia in particular, where the needs of the industry can be better identified, elaborated, distributed, archived and continuously upgraded through ongoing programmes of education, training and research. The potential synergies could create a pool of talented and highly skilled workers for the RMG sector, thereby driving the growth and employment in this sector as well as in other economic sectors.

## **8.8. Labour Unrest**

Labour unrest is a big concern for factory owners. This has led to huge losses in production and destruction of the lives and properties of factories and workers. We cite here a few episodes of labour unrest in this study, as described by newspapers.

I. The labour unrest that started in May and lasted until the end of June 2006 accounted for the following incidents (see Marriott, 2010):

- a. 4,000 factories went on wildcat strike;
- b. 16 factories were burnt down;
- c. Hundreds of factories were ransacked and looted;
- d. Pitched battles were fought with cops and private security forces in work places and workers'

neighbourhoods;

e. Main roads were blocked;

f. The workers were shot dead, thousands were injured and

g. The army was called in to restore order.

This was a working class revolt that spread beyond the workplace and became generalized so as to involve the wider working class community.

In August of 2015, garment factory workers clashed after demanding a taka (the name of the currency of Bangladesh) rate of 8,000 as minimum monthly wage, which would be equivalent to US\$100. Many factories closed because of various clashes. In November, 18,800 people lost their jobs because of a fire in Standard Group. The factory was among the ten biggest in the country and it was the biggest supplier of Gap in Bangladesh and this was a huge setback for the country (The Daily Sun, 2015).

Several studies (e.g., Alamgir, 2010; Absar, 2001) and the daily newspaper reports have explored the number of causes of labour unrest in the RMG sector with the following conclusions: (a) the low levels of wages and benefits; (b) worsening living conditions of RMG workers; (c) deprivation of basic human needs (e.g. bread, butter and water); (d) the lack of housing facilities; (e) lack of safety and security of the workers; (f) discrimination against women workers in terms of wages and other facilities like training; (g) non-compliance with labour laws by the factory owners and (h) confrontational politics and political strife.

History tells us that the uprising of the workforce arises from the struggle for decent and dignified living and it can never be subdued. Coercive measures to disperse agitation only antagonise the workforce which, in turn, can turn instead to revolution (Yunus & Yamagata, 2012). Consequently, the government and all other stakeholders must

take necessary actions to solve labour unrest issues.

### **8.9. Infrastructure**

Power is the biggest logjam in the physical infrastructure of Bangladesh. Frequent power failures and low voltage transmission stand as big hurdles for the RMG sector. The shortage of electricity is another major deterrent to investment. Under these circumstances, the costs of products increase. The adequate supply of electricity, gas and energy needs to be ensured as these act as the engine involved in running the industry.

Infrastructure constraints are stumbling blocks for the country's ability to attract investment and inspire development. It is widely believed that delays in shipping and customs clearance, congestions and customs delays at Chittagong port, as well as inadequate telecommunications infrastructure, all contribute to the high costs found in Bangladesh's textile and apparel industry.

### **8.10. Government-Industry Relationship**

The government of Bangladesh has a critical role to play in dealing with all of the above named issues, by fulfilling its proper role as the protector of workers' safety, providing order and certainty, protecting the lives and properties of foreign investors, establishing transparent multi-stakeholder mechanism regularly to review the minimum wage, ensuring the supply of high quality inputs such as physical infrastructure, educated citizens, setting the rules of competition and providing good governance so that productivity and innovation will govern success.

## **9. Conclusion and Recommendations**

This paper has discussed and analysed the strengths, opportunities, weaknesses and threats to the RMG sector in Bangladesh, including those resulting from recent developments. The discussion has revealed that opportunities are immense. The “Made in Bangladesh” tag has made inroads at the highest echelons of global society. Bangladesh factories have given Western brands and retailers what they want: a vertical industry that manufactures high quality knitwear and woven products, using both manmade fibres and cotton, including tops and bottoms, underwear and outerwear. The other side of the story is that challenges are also plentiful. These include high dependence on EU and U.S. markets, safety and environmental compliance, the quality of the labour force, political strife since its inception (1971), confrontational politics, foreign supremacy and dominance over the political affairs of Bangladesh, which have all become difficult challenges for the RMG sector of Bangladesh.

In fact, to save this industry from falling apart, leading to possible unemployment for millions of workers, while hoping to capture the huge potential of the industry, what is needed is a comprehensive plan and effective agencies to implement it. That plan must include time bound necessary steps: (1) to ensure payment of compensation to the families of the killed, not less than their lifetime possible earning, as well as to the injured to compensate them for the loss of their lifetime ability to earn; (2) to ensure exemplary punishment to those who are responsible for disasters; (3) to ensure security at the workplace and sustainability of the sector, so as to develop national capability; (4) to fix the national minimum wage at the living wage level (i.e. it must be higher than the poverty level of income) and to work for establishing a global minimum wage and (5) to ensure the right to organize.

Above all, for sustaining the present growth of this industry and taking it to the next level, there is no other alternative but the cultivation of a spirit of openness, transparency and democratic governance. If these are not ensured and put into action, we fear that

the RMG sector's future will be at stake and the industry will fail to sustain its present rate of growth.

### **9.1. Implications**

The implications of this study are that opportunities for the growth of this industry are huge. The dangers are also many. In order to exploit these opportunities, the country needs to ensure a congenial and productive environment in which the workers will remain well-paid, entrepreneurs can make profits, investors will remain safe and industrial espionage and sabotage will not occur. Every stakeholder (the government, the creditors, the investors, the suppliers, the buyers) must realise that workers are at the heart of the industry. It is the sole responsibility of the government to act as protectors of the workers and other stakeholders. This implies that the government should enforce and uphold existing labour standards and statutes with enforced penalties against those who violate them.

Bangladesh is already facing stiff competition from a large number of apparel producing countries, including notably China, India and Pakistan. India is the most powerful and close neighbour of Bangladesh. Labour unrest and confrontational politics in Bangladesh have major implications for the survival and growth of this industry. India, China and Pakistan are all more productive than Bangladesh. For example Bangladesh's productivity rated at only 77% of that of India (Kochan & Zack, 2015). This has major implications for the competitiveness issue.

### **9.2. Recommendations for Further Research**

This study used secondary data. It would, therefore, be useful to explore this study empirically. The role of government, industrial associations, technology transfer and work environment are all contentious issues that need to be researched further. Further study is also needed to explore the impact of industrial espionage and

industrial sabotage on the future of the RMG sector of Bangladesh.

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