Covid-19 Series

Impact of Coronavirus on Livelihoods of RMG Workers in Urban Dhaka

LightCastle Partners

Background

Bangladesh had witnessed its first official case of Covid-19 casualty on March 8, 2020. Similar to other global counterparts, Bangladesh opted for official lockdown from 26th March 2020 as a measure to contain the spread and restrict communal transmission.

Due to large scale closure of stores owing to the lock-down enforced by different governments, global demand for apparel has plummeted. Top exporting countries like Bangladesh have started feeling the heat due to raw material sourcing challenges and cancelled orders. Global brands have either postponed or cancelled orders, with many global high street brands refusing to compensate contractors for orders placed and partially completed before the effects of Covid-19 became apparent in the West. The ensuing media fallout has led to some of the larger fashion brands to reverse their position and take delivery of previously placed orders.

However, almost all recent orders have been suspended and new import orders from Bangladesh do not look to resume anytime soon. Bangladesh Garments Manufacturers and Exporters' Association (BGMEA) and Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) have each reported losing more than US$ 3 billion in orders by the end of March 2020. A report by Penn State University's Center for Global Workers' Rights found 58% of Bangladeshi clothing suppliers said they had to stop most or all of their operations because of order cancellations or lack of payment, which does not bode well for the sector.

If the Covid-19 lockdowns and deflated high street demand persist, the situation can be expected to exacerbate. The performance of the Readymade Garments (RMG) sector touches almost all aspects of the Bangladeshi economy, since the apparel sector contributes 84% of the country's export and employs over 3.5 million workers. The sector has also played a fundamental role in women's economic emancipation with more than 60% of employed workers being women. Furthermore, the RMG sector impacts the rural economy as there is significant outward remittance from urban RMG workers to their families in rural Bangladesh.

The advent of coronavirus puts more and more of the workers powering the RMG sector at risk of losing their livelihoods. There have been multiple developments on this front since the completion of the primary data collection for this study, including layoff of thousands of workers in Dhaka, Ashulia, Savar, Gazipur, Narayanganj and Chattogram, as reported by several rights groups. The vast majority of these workers belong to low-income communities and their household income roughly equates to the monthly expenses associated with maintaining the living costs at urban peripheries. Any potential job losses can be difficult to reverse for a sector that is inching towards automation, and any large-scale unemployment can unleash social and economic unrest in Bangladesh. The government, too, has realized the dire need of the RMG sector and introduced Tk 5,000 crore stimulus package in the form of soft loans for export-oriented industries - which are primarily composed of the RMG factories - and aimed at helping companies to clear outstanding payments of workers.

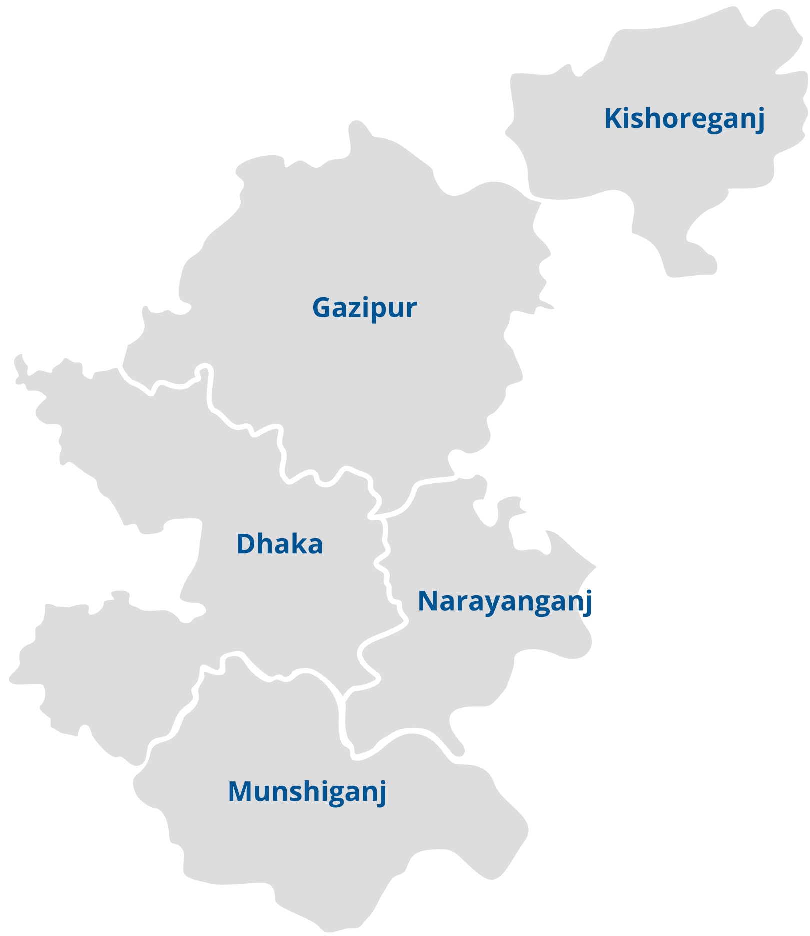
About the Study

Scope

In order to understand the impact of Covid-19 on the livelihoods of RMG workers in Urban Dhaka and their families, LightCastle Partners had conducted rapid response surveys across major Low-Income Communities (LIC) in the greater Dhaka region.

A total of 34 RMG workers were reached out via phone call questionnaires and the responses were recorded in order to evaluate the impact on livelihood and formulate recommendations to elevate the most vulnerable group from this economic calamity.

This rapid response survey of RMG workers formed a subset of a larger study on the effect of Covid-19 on livelihoods of Low- and Lower Middle-Income Population of Urban Dhaka. The data collection was conducted between the 5th and 7th of April, 2020 via phone calls.



34 RMG Worker Respondents

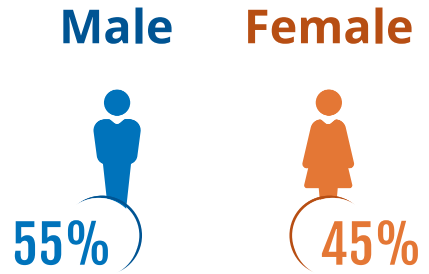
Residing in Urban Dhaka

Surveyed via Phone Call

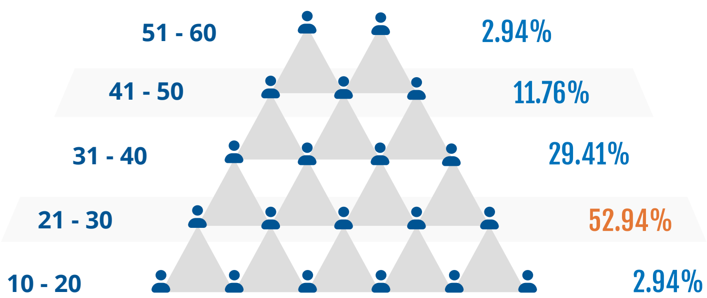
Quantitative Survey

Random Sampling

Survey Demographics



Age Group of Respondents



Source: LightCastle Partners primary data (N=34)

Mean Age of Respondents

32 years

Size of Household

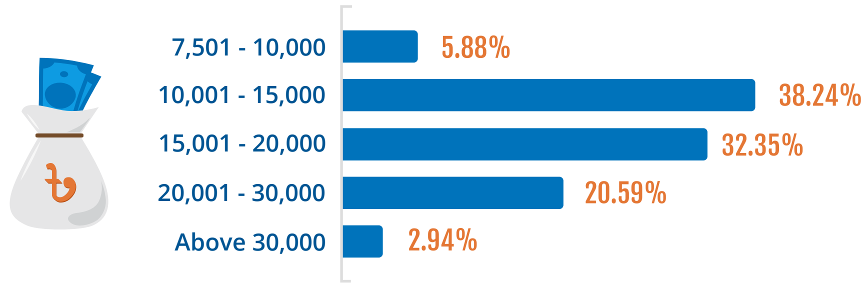
~4 members

BDT

18,735

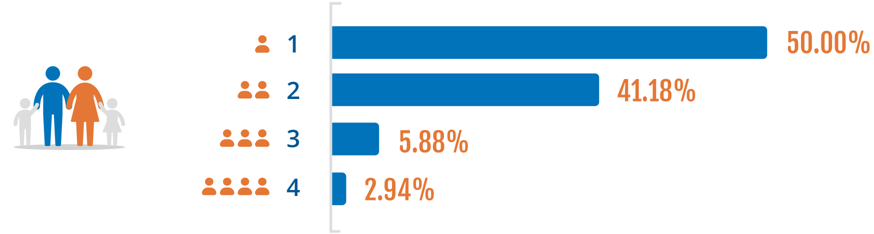
Average monthly income per household

Household Income Brackets



Source: LightCastle Partners primary data (N=34)

Number of Income Earners in Household



Source: LightCastle Partners primary data (N=34)

BDT

12,863

Average monthly income per earner

One income earner was found to support the living expenses of ~2 other dependents.

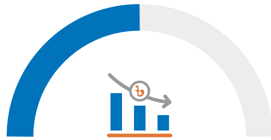
Income has declined for a vast majority of RMG worker households

Overall

Average Income of Households

	Before Covid-19	After Covid-19
	BDT 18,735	BDT 12,986

Change in income after Covid-19 **-31%**



56%
of RMG workers had lost at least one-third of their income due to Covid-19

88%
of households are currently residing in Dhaka

Only **9%**
of respondents had received external of support

Covid-19 has had an overwhelmingly negative impact on RMG workers and their households with approximately 60% of workers reporting a reduction in income when the study was conducted in early April. Due to factory shutdown, many workers were left to wonder if they would be able to receive wages for the coming months. 4 workers (12%) had reported losing all their household income after the Covid-19 lockdown, and more than 50% reported losing at least one-third of their incomes.

Retreating to their home districts, which is usually the solution when the going gets tough, is no longer an option for most as a combination of the transport lockdown, uncertainty over factories opening and being called back to work anytime and better hopes of receiving aid in Dhaka keeps almost 90% of workers and their families in Dhaka. Among those staying back in Dhaka, all but 2 workers (i.e. 93% of respondents) indicated that they either had no plans to return to their home districts, or did not know when they would be able to do so.

At the time of study, external aid and support were not effectively reaching these workers and their families, as only 3 respondents (9%) had reported receiving any form of aid and the majority of these were in-kind contributions by their RMG employers.

Note: *The survey was conducted between the 5th and 7th of April, 2020.*

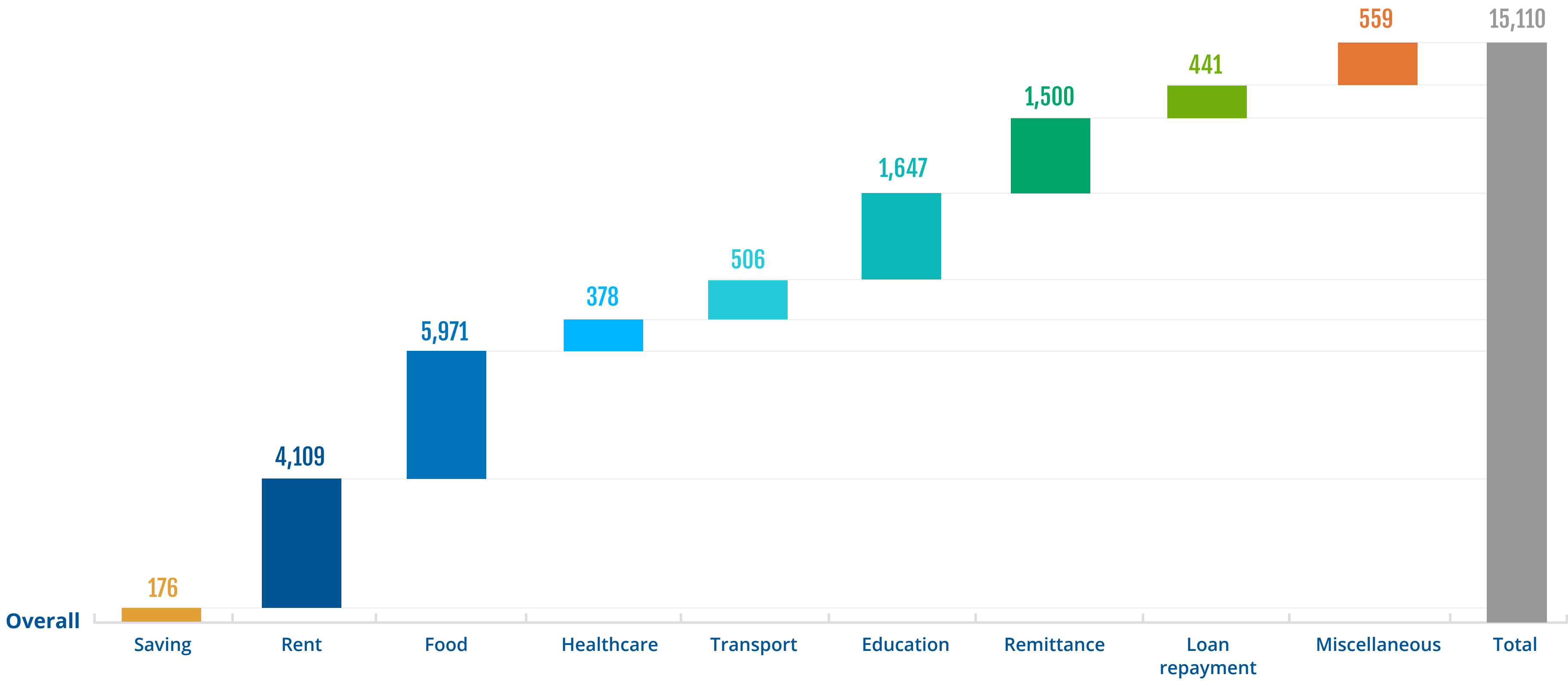
Household Spending Trends Before Covid-19

9%
Households saved on a regular basis

44%
Respondents send remittance back home

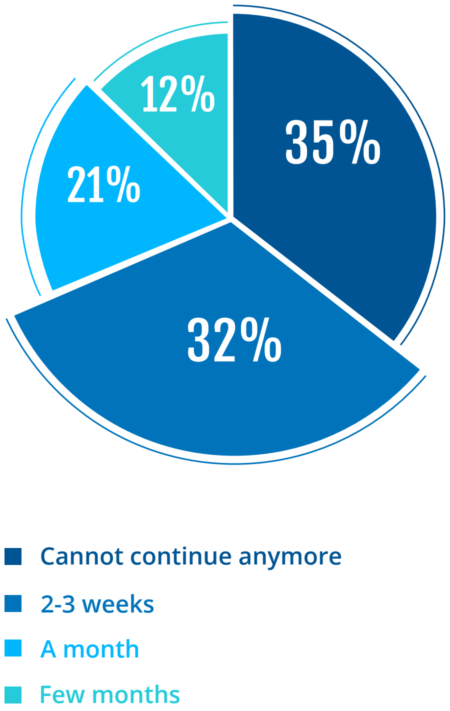
12%
Respondents have loan repayment obligations

Average Monthly Spending per Household



Source: LightCastle Partners primary data (N=34)

Transport and education spending categories see biggest declines post-Covid



Spending Categories	Percentage of households adjusting their post-Covid spending		
	Increase	No Change	Decrease
Rent	3%	97%	0%
Food	29%	41%	29%
Healthcare	12%	82%	6%
Transport	3%	18%	79%
Education	0%	59%	41%
Remittance	0%	74%	26%
Loan installment	5%	94%	6%
Savings	0%	94%	6%
Miscellaneous	3%	79%	18%

Source: LightCastle Partners primary data (N=34)

79% of overall households had reported a reduction in transport costs, which is to be expected given the ban on public transport that accompanied the lockdown. Education costs, too, had seen a large reduction due to closures of schools and other education institutions (including coaching centres). Due to Covid-19's impact on income, remittances for 26% of households had to be sacrificed. Large fluctuations were seen in trends on food spending, where 29% of households had reported an increase in food spending, attributed to higher food prices and 29% other households who had reported lower expenditure of food as a consequence of reduced income. Healthcare spending, at the time of survey, had not varied significantly due to effects from Covid-19. Rent was the most stable spending head, with 98% reporting that their rents had stayed static since the Covid-19 lockdown.

More than one in every three respondents had reported having no financial means to help sustain their expenses in the short-term. 32% of respondents reported having enough savings to help them survive the next few weeks and only 33% respondents reported that they may survive for a month or more considering the current financial conditions.

Note: *The survey was conducted between the 5th and 7th of April, 2020.*

Recommendations

Expand alternate G2P channels, via DFS, to ensure direct support to beneficiaries

Government should augment G2P (Government-to-Persons) channels to ensure direct payment of salaries to workers of impacted sectors like RMG and other export driven sectors. Such a model has already been initiated by a2i and the use of Digital Financial Services (DFS) to facilitate this process would ensure effectiveness and reduce system loss. Government should also facilitate LIC members to open and maintain their respective digital accounts. Private sector should also be encouraged to continue the payroll of its blue-collar workforce through digital channels.

Enact policies to protect RMG workers by encouraging companies to retain their employees, in lieu of receiving benefits from the stimulus package

GoB must tie in the stimulus packages to companies with conditions for retaining jobs. Any company breaching the condition must immediately be removed from any stimulus packages. Workers with less than one year of work experience face the highest risk of lay off as companies are not entitled to provide compensation for employees employed for less than one calendar year as per Section 16 of Bangladesh Labor Law 2006. Furthermore, if workforce reduction is an inevitable option for factories, the odds of inexperienced workers being laid off is much higher than the experienced workers. Hence, GoB needs to bring these vulnerable workforces under the economic safety net through proper measures.

Ensure positive behavioral change among workforce once operations resume

Safety measure guidelines should be provided to the private factories by the respective health departments and be exhaustively enforced by DIFE (Department of Inspection for Factories and Establishments). The factories must work on positive behavioral change of workers regarding hygiene, awareness and repercussions of Covid-19. Such a change can be brought through audio visuals, extensive training, support of supervisors and line managers. Collaboration with development agencies to create the awareness materials could be a feasible way of tackling this challenge.

Introduce micro-insurance schemes to protect workers subject to lay off

Currently insurance companies like Pragati Insurance and development agencies like SNV have already introduced micro health and life insurance for LIC workers. The government, in collaboration with these players need to scale up the coverage and bring the vulnerable workforce under the insurance umbrella in order to cushion such economic shocks.

Collaborate with BGMEA and BKMEA to create databases of vulnerable groups and mobilize support funds

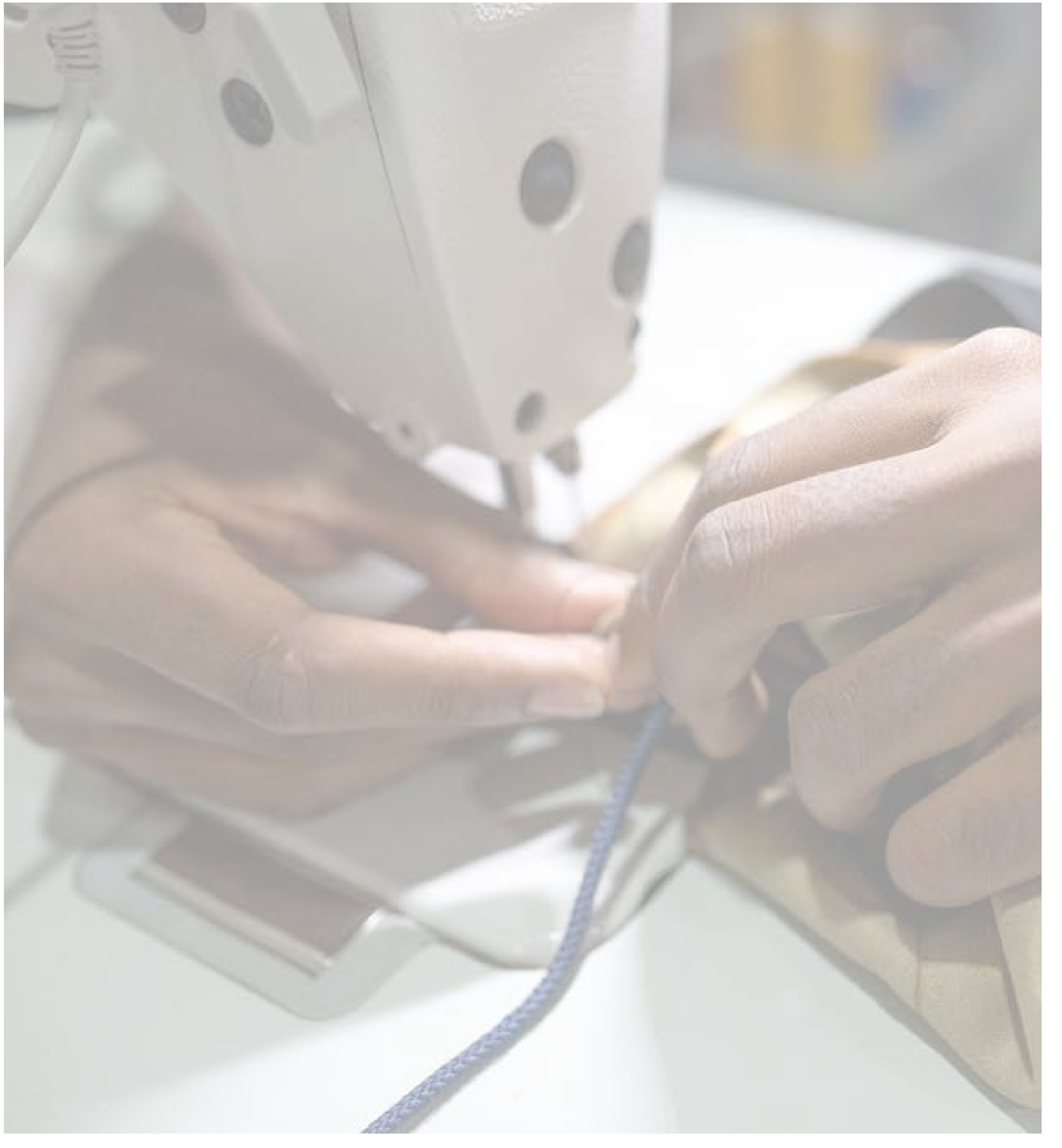
The government should collaborate with BGMEA and BKMEA in order to create databases through which vulnerable worker groups, can be identified and reached.

Join forces with development agencies based on specialization and work closely to reach the last mile beneficiaries and ultra-poor population

Government should work closely with development agencies/NGOs and collaborate based on specialization to cater to immediate needs of the vulnerable population. Many national level NGOs have in-depth experience of supporting ulta-poor population during natural calamities, which can be leveraged for designing effective level livelihood interventions in the RMG sector.

Maintain diplomatic ties with foreign buyers to maintain payment schedule and direct CSR funds towards livelihood assistance of the workforce

Government needs to ensure that the foreign buyers pay off the due bills and not cancel the placed orders in order to avoid further economic calamity. Diplomatic ties should also be maintained in an attempt to direct the CSR funds of major brand towards supporting the livelihood of the vulnerable LIC workforce.



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