Establishing Social Protection for Women Garment Workers in Bangladesh

The ready-made garment (RMG) industry in Bangladesh has become the main export sector and a major source of foreign exchange since the late 1970s. From about 4% of the country’s total export earnings in 1983–1984, within a span of 15 years, the RMG industry accounted for about 76% of the country’s total export earnings in 1999, making Bangladesh one of the 12 largest apparel exporters in the world. In 2006, the industry accounted for 10.5% of the country’s gross domestic product (GDP); contributed 40% to the manufacturing output; and provided jobs for 4.5 million people, 80% of whom were women.

Two non-market factors have played a crucial role in ensuring the continued success of the garments sector: large quotas under the Multi-Fiber Arrangement (MFA) in the North American market, and preferential market access to European markets. Under the MFA, large importers of RMG like Canada and the United States imposed quota restrictions that limited the export of apparels from Hong Kong, China; India; Indonesia; Republic of Korea; Malaysia; Singapore; Sri Lanka; Taipei, China; and Thailand. On the other hand, application of the MFA worked as a blessing for Bangladesh. As a least developed country, Bangladesh received preferential treatment from the United States and the European Union (EU). To maintain their competitive edge in the world market, the traditionally large suppliers/producers of apparels relocated RMG factories to countries that were free from quota restrictions and had enough trainable cheap labor. They found Bangladesh as a promising country and so the RMG industry grew.

With the growth of the RMG industry, linkage industries supplying fabrics, yarns, accessories, packaging materials, etc. have also expanded. Demand for services like transportation, banking, shipping and insurance has also increased. All these have created additional employment, particularly for poor Bangladeshi women. While women workers offer a low-cost and compliant labor force, they have gained greater control over their personal affairs and decision making in family affairs, and achieved greater social mobility and independence despite harsh working conditions and social environment. Remittances from garment workers also created redistribution from city to countryside and helped raise the status of women in their families and communities.

Mitigating Impacts of the MFA Phaseout
When the MFA was phased out in December 2004 to become part of the World Trade Organization (WTO) Agreement on Textile and Clothing, the quota allocation was lifted. The phaseout of quota under the MFA was feared to imperil the country’s garment industry. Without the preferential treatment and with a liberalized trade market, Bangladesh was thought to lose to more competitive countries with more integrated garment and textile industries. The possibility of closure for most of

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the RMG factories was looming and would have adverse impact on the industry’s workers, who are predominantly women.

The Government, RMG industry, labor leaders, and nongovernment organizations (NGOs) have explored a business strategy for the industry and its workers. Studies have been carried out on its various aspects, including competitiveness, enabling environment, backward linkages with the textile industry, labor standards, workers’ living conditions, and the potential of female labor absorption in other industries. Although the possible impacts of the end of the MFA phase-out were discussed, little was done to estimate the impact on human resources, including the development of a system to identify retrenched garment workers, and to design possible social protection and re-employment measures. The Government was concerned with this issue and showed interest in developing a social protection strategy for RMG workers. A long-term view on social protection and preventive measures to protect women from further slipping into poverty would address humanitarian and the overall poverty reduction concerns in the country. Also, continuing education and skills development to improve the future prospects of women either within the RMG sector or outside was seen as a necessary intervention by the Government and the employers.

**ADB Intervention on Designing Social Protection**

The Asian Development Bank’s (ADB) Technical Assistance (TA) 4320 Bangladesh Social Protection for Poor Female Workers in the Garment Sector in the Context of Changing Trade Environments Project was designed to develop and test various approaches that would reduce unemployment risks associated with the MFA phaseout and improve job opportunities for female garment workers.

The TA had two phases. Phase one dealt with the development of a social protection strategy and designing pilot projects to test and evaluate the suggested approaches. Among the main activities conducted were:

- Development of a suitable mechanism for tracking and identifying the target group paying particular attention to the female workers.
- Needs assessment of the female workers in terms of skill development, primary education, shelter, interest areas for a shift into other sectors for re-employment, status of existing social security measures.
- Preliminary review of the labor market to identify alternate livelihood activities suitable for re-employment and self-employment for the female workers retrenched from the jobs.
- Identification of institutions or training resources available with the Government, NGOs, and private sector partners.
- Identification of NGOs or private sector organizations as well as government initiatives that already have a network or outreach activities among the RMG workers.

Phase two, on the other hand, focused on the implementation of pilot projects meant to provide a timely response to help displaced workers re-integrate into the labor market should the sector shrink after 2005, understand the risk and vulnerabilities of the sector, and draw out lessons from the pilot projects to incorporate into a long-term social protection policy for the sector as a whole. During phase two, the TA identified retrenched workers and their profile and established centers to help retrenched women find new jobs and provide them access to training. It was also able to assist about 1,500 women workers (not only retrenched) to find housing and other services, such as training and health care, and to redeploy about half of about 1,000 retrenched women workers back into the sector. The TA surveyed 10,000 garment workers and provided livelihood counseling to 2,000 (those who were retrenched and those threatened by retrenchment). The TA developed new approaches for dealing with structural changes in the labor market, a contribution that was acknowledged by development partners.

The extension of the TA until December 2007 allowed for the completion of a feasibility study on the creation of a Welfare Fund as a model for providing social protection to unprotected workers in the RMG sector. The study addressed issues like wage discrimination and non-issuance of appointment letters to the female workers, working conditions, health insurance, and accident insurance.

**The Need to Strengthen Social Protection**

The gloomy post-MFA predictions did not happen. Prior to the MFA phaseout, there were predictions that up to 2 million women garment workers could lose their jobs, both through an absolute decline in markets and through technological upgrading in an attempt to compete (which would result in a transfer of jobs from women to men who have greater access to skills training). However, in defiance of predictions, the mass layoffs have not materialized and, in fact, since the lifting of quotas, garment exports from Bangladesh have grown by half a billion dollars, with most of the increased sales in the US market.

But this does not mean that Bangladesh’s RMG industry has no need for more improvement. The
TA confirmed that social protection of the garment workers is practically absent and the fermenting issue of employment conditions needs to be addressed. The TA made a substantial contribution to develop and test social protection arrangements in a changing industry environment. The pilot project also provided a model for other areas of the economy that are undergoing restructuring due to globalization and changes in the economic environment. The TA has also shown that with the involvement of NGOs and the target groups, improvements are possible.

Endnotes
6 Commonwealth Secretariat. Gender and Trade Website: Garment Workers in Bangladesh. www.genderandtrade.org/ginformation/164419/164436/164438/garment_workers_in_bangladesh/
11 Commonwealth Secretariat. Gender and Trade Website: Garment Workers in Bangladesh. www.genderandtrade.org/ginformation/164419/164436/164438/garment_workers_in_bangladesh/

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