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# The Impact of Covid-19 on the Readymade Garment Industry in Bangladesh

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## Background and Research

- 1. The readymade garment industry (RMG) is the mainstay of the Bangladesh economy accounting for over 80% of exports by value.
- Suppliers in Bangladesh are in competition with those in other low and middle income countries with RMG industries for orders from Western countries
- Survey of 1,000 suppliers carried out in December 2021 – samples selected so findings are generalisable to all suppliers in Bangladesh.
- Interviews and focus group discussions with RMG workers mainly employed by factories selling into the UK market and key informants (e.g. trade union officials, ILO, UN Women, NGOs, activists) between September 2020-December 2021).



## **Why we did the research**

### Findings from the Qualitative Research

1. Many workers were made redundant in March/April 2020 without any compensation.

2. When the factories reopened:

- they did not retain all their workers;
- Some workers were forced to sign new contracts thereby losing accrued benefits;
- bullying and harassment of workers and especially the sexual harassment of women workers intensified as they struggled to meet unrealistic production targets;
- some workers were forced to do unpaid overtime to reach production targets;
- without paid overtime most workers were struggling to make ends meet.

Reports in June 2020 estimated that buyers had cancelled or deferred orders worth \$3.7 billion.

From the findings from the survey we estimate that 26% of RMG workers lost their jobs in March 2020 most without compensation.

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# Main Findings from the Survey

# IMPACT OF GLOBAL CLOTHING RETAILERS' UNFAIR PRACTICES ON BANGLADESHI SUPPLIERS DURING COVID-19



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## Unfair Practices by Buyers in Response to Covid-19

- 37% of the 1,138 buyers named by the factories had engaged in one or more unfair practices
- Larger brands were more likely to do so, 90% of those purchasing from four or more factories and 100% of those purchasing from 15 or more factories were reported as engaging in one or more unfair practice.
- 30% of factories had orders cancelled in March/April 2020.
- 20% of factories had had buyers that reduced the price paid for orders they had already contracted in March/ April 2020.
- 11% of factories had had buyers refuse to pay for goods that had already been dispatched before the March 2020 lockdown.
- 25% of factories and had buyers that delayed payment for goods already dispatched by more than 3 months.
- 51% of factories had been subject to at least one of these unfair practices.

**Impact of  
Unfair Practices by  
Buyers between March  
2020 & December 2021**

- 76% of factories were selling to suppliers at the same price as in March 2020 although the cost of production have increased.
- 24% of factories have had suppliers reduce the price they are paying for goods compare with March 2020.
- 8% of suppliers were selling goods at below the cost of production.
- 18% of factories were struggling to pay the minimum.
- 38% of factories had experienced a reduction in demand for their goods.



## **Main Conclusions**

- The unfair buying practices of buyers had a negative impact on workers.
- Not all buyers engaged in unfair practices but the larger buyers, many of whom are well know UK high street retailers were more likely to do so.
- Unfair practices are widespread in the RMG industry globally and some buyers are reportedly engaging in them in response to the financial crisis in 2023.
- Suppliers take on the financial risk of producing garments – they are paid when the goods are received.
- There is a power imbalance between the suppliers and the buyers such that the suppliers are reluctant to take the buyers to court when they have broken a contract.



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# Reports

- Muhammad Azizul Islam, Pamela Abbott, Shamima Haque, Fiona Gooch (2023).
- Impact of Global Clothing Retailers' Unfair Practices on Bangladeshi Suppliers During Covid-19. Aberdeen: University of Aberdeen.
  
- Muhammad Azizul Islam, Pamela Abbott, Shamima Haque, Fiona Gooch and Salma Akhter (2022).
- The impact of Covid-19 on women workers in the Bangladesh garment industry. Aberdeen: The University of Aberdeen and the Modern Slavery and Human Rights Policy and Evidence Centre (Modern Slavery PEC), UK.

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