

SUCCESS OF THE GARMENT INDUSTRY AND ITS IMPACT ON GENDER EQUALITY IN BANGLADESH

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ABSTRACT

Bangladesh has been successful in transforming itself from one of the poorest counties in the world to a lower-middle-income country in 50 years. The readymade garment sector has been a major driving force behind its growth and development. It has contributed to higher per-capita income and catalyzed social and economic development, structural transformation, and gender empowerment. Using exploratory data analysis and literature survey, this paper intends to investigate the reasons behind the rapid growth of the readymade garment sector in Bangladesh and its importance in promoting gender equality in Bangladesh.

INTRODUCTION

Gender empowerment in wages is widespread in most developing countries and has been documented by various studies ([11], [18], [26]). The importance of reducing gender inequality is highlighted by the fact that it is one of the sustainable development goals stated by the United Nations [25].

Bangladesh has made notable economic progress in the last 50 years and has surged from a low-income country to a lower-middle-income one. Along with its economic progress, Bangladesh has been able to reduce gender equality. For example, Bangladesh is ranked 71 out of 146 countries in the Global Gender Gap Index, which is the best among South Asia, and significantly better than its colonial cousins, India and Pakistan, who are ranked 135 and 145, respectively (Global Gender Gap Report (2022), [12]). However, South Asia ranked the worst among the eight regions in the Global Gender Gap Report [12] in terms of closing the gender gap. Further, its rank of 71 (out of 146) implies that subsequent gender inequality still exists, as noted by several studies ([1], [2], [14]). Bangladesh, however, has made significant strides in reducing the gender gap in wages, and in recent years, the gender wage gap has not only reduced, instead, but in some cases, it has also become the opposite; women earn more than men ([16], [23]).

The readymade garment (RMG) industry had a crucial impact on the growth of Bangladesh's economy. It generates about 13 percent of the total GDP and contributes around 83 percent to the country's total export earnings. It is an export-oriented industry, with 95 percent of the woven and

90 percent of the knit exports directed to foreign markets. Around 90 percent of its earnings are generated through exports to the USA and European Union. Indeed, the readymade garment sector in Bangladesh has been so thriving that it is now the second largest in the world [28].

Employment in this sector increased from 0.040 million workers in 1983-84 to 4.22 million workers in 2021 (Bangladesh Bureau of Statistics [5]). Among them, about 80 percent are women [8]. The RMG sector is the largest employer of women in Bangladesh's industrial sector [17]. Therefore the development of gender equality and the reduction of the gender wage gap in Bangladesh is inevitably linked to the RMG industry. This paper attempts to study the link between the success and growth of the RMG industry in Bangladesh and its impact on gender equality. Specifically, the objectives of this paper are the following:

- a. The success and growth of the readymade garment sector in Bangladesh
- b. The development of gender equality and reduction in the gender gap in Bangladesh over the years.
- c. How did the growth and development of the readymade garment industry in Bangladesh lead to the promotion of gender equality in Bangladesh

The rest of the paper is organized as follows. Section 2 examines the growth of the RMG industry in Bangladesh. This is illustrated using export data (millions of US dollars) on the RMG industry obtained from the Bangladesh Garments Manufacturers and Exporters Association [19]. Section 3 traces the development of gender equality and women's empowerment in Bangladesh since its independence. Annual data on labor force participation and employment statistics are downloaded from the WordBank Database. Section 4 concludes.

The Growth of the RMG Sector

The RMG sector in Bangladesh is relatively new. This section presents the history and performance of this sector and how this sector contributed to social change.

History of the RMG Sector

The RMG industry in Bangladesh is less than five decades old. Although Bangladesh always manufactured garments for its population, it was never intended to be exported. The export began in the 1970s when it was a minor sector. Nobody thought the RMG industry would be so large and vital for Bangladesh's economy. In 1976, it contributed only 0.001 percent to the total export earnings, which increased to 81.82 in 2021-2022, when Bangladesh exported garments worth the equivalent of \$42613.15 million US dollars [19].

The RMG sector started exporting garments products after the independence of Bangladesh in 1971. Several factors contributed to this initiative – some are internal, and others are external. The two most important ones are evolving Government policies and the Multi-Fibre Arrangement (MFA) in the North American market's import quota. Bangladesh's industrial policies of 1973, 1982, 1986, 1999, and 2010 attempted to revamp the RMG sector [31]. In recent years, the RMG sector has become prominent, contributing over 80 percent of export and significant employment of low-income and low-educated people [19].

In 1973, M/s Reaz Garments Ltd. Started producing export-oriented garments in the export market. The first large shipment of direct export from Bangladesh was 10,000 men's shirts to a Paris-based

firm in 1978. Desh Garments Ltd, the first non-equity joint venture in the garment industry, was established in 1979. Desh had a technical and marketing collaboration with Daewoo Corporation of South Korea. Daewoo, noting that the MFA quota would be soon expiring for South Korean firms, looked for opportunities in other countries and became the first foreign firm to collaborate with a Bangladeshi firm, establishing Desh. Desh was the first hundred percent export-oriented garments manufacturing company in Bangladesh. It started production in early 1980 with just over 100 workers. With the advanced training of its 130 workers from South Korea, it became an effective venture. Another South Korean Firm, Young One's Corporation, formed a joint-venture garment factory with Trexim Ltd. in 1980. Bangladeshi partners contributed 51% of the new firm's equity, Young Ones Bangladesh, exporting its first shipment of padded and non-padded jackets to Sweden in December 1980. Several other firms, Bond Garments, Reaz Garments, Paris Garments, Azim Group, Sunman Group, Stylecraft Limited, and Aristocrat Limited, followed suit quickly [19].

Bangladesh began creating Export Processing Zones (EPZs) in 1978 to attract foreign capital and earn export dollars. In 1993, Bangladesh set up the Export Processing Zone Authority (BEPZA) and imposed a trade union restriction. This became an attractive feature for potential investors in the garments industry. The Government of Bangladesh currently encourages stimulating export for rapid economic growth of the country, primarily through manufacturing. It pursues an 'Open Door Policy' to attract foreign investment to Bangladesh. The BEPZA is the official organ of the government to promote, attract and facilitate such foreign investments in the EPZs, which provides plots/factory buildings in the custom bonded area, infrastructural facilities, administrative supports, and fiscal and non-fiscal incentives. With such support, at present, 58 percent of investments have 100 percent foreign ownership, 14 percent joint venture, and only 28 percent with 100 percent domestic ownership [6]. Many expatriate Bangladeshi people living abroad returned to Bangladesh to take advantage of this opportunity.

Export Performance of RMG

The continuous progress in the RMG sector is noticeable in every statistic reported in Bangladesh. Interestingly, the growth rate is not linear but rather exponential (Figure 1). Will this rate of increase continue? It is a valid question many researchers are asking at this time [7].

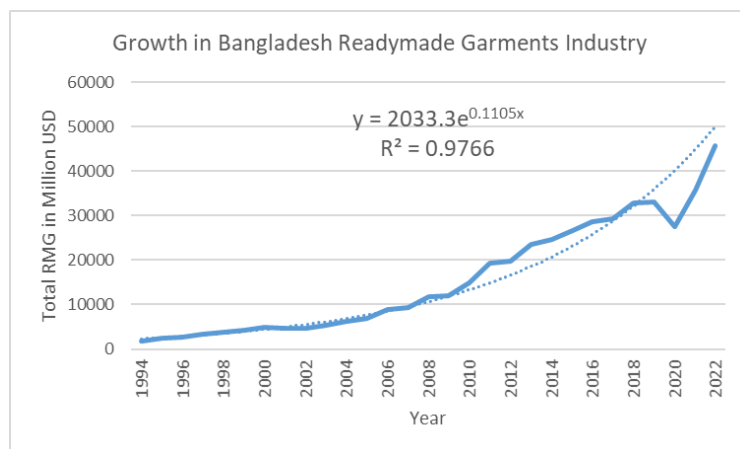


Figure 1. Growth of the RMG sector in Bangladesh (1994 – 2022)

It has been agreed upon that the growth of the RMG sector contributed substantially to the growth of Bangladesh's economy, especially through export growth. Figure 2 shows the comparative growth of the export value from the RMG sector, along with the total export and per capita GDP. The rate of growth of export value from the RMG sector is substantially higher than the total export and GDP.

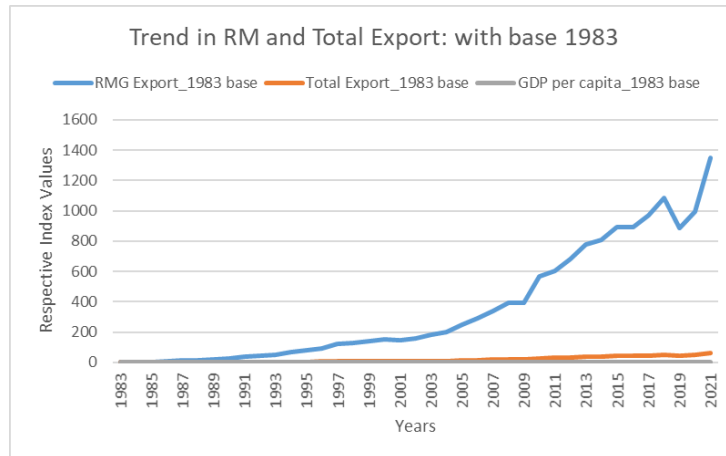


Figure 2. The comparative growth of the value of the RMG, total export, and per capita GDP

One can quickly ascertain that the exponential growth of the RMG sector is not sustainable. As the RMG sector is the principal contributor to Bangladesh's economy, its sustainability is vitally important. Over time, the industry has made substantial progress in many aspects, especially in working conditions, workers' safety, and corporate responsibility. However, it needs to do more, especially in the integration with the increasingly globalized situation. Berg et al. [7] rightfully suggest *“the industry will need to embrace a more holistic transformation, in partnership with manufacturers, international buyers, worker representatives, the government, and other stakeholders”*.

RMG in Social Change

The RMG sector of Bangladesh significantly contributes to social change, especially female employment and income generation. Traditionally, Bangladeshi women are less educated, fewer income earners, and stay-at-home. The situation has changed globally, and Bangladesh is no exception. However, the change in Bangladesh is much faster than in many other countries, and the RMG sector is a primary contributor. Studies in South Asian countries have shown that export-oriented industries such as the garment industry tend to employ relatively young, unmarried, and less educated women ([3], [4], [16], [18], [20], [32]).

The RMG in Bangladesh has resulted in several positive social impacts on the lives of Bangladeshi people, especially women. In general, girls exposed to the RMG delay marriage and childbirth. Marriage before the appropriate age among RMG workers is non-existent. They also delay childbirth, and girls having childbirth before the age of 18 are scarce. The negative welfare implications of early marriage are well-documented, and the RMG sector made a positive contribution in this case. It is also observed that girls exposed to RMG gain more

education. Increased demand for skills in the RMG is the primary driving force to attain a higher level of education [13].

The growth in the RMG sector has also contributed to breaking social norms that are counterproductive. Women's participation in family decision-making increases among RMG-involved families. The economic force behind this is that when they become salaried employees, they become involved in family decision-making. This is a positive impact as in the traditional Bangladeshi family, women play relatively less role in the family decision. The scope for employment and income earnings for women in the RMG sector has significantly improved gender equality in Bangladesh. The gender wage gap also improved. In fact, a recent labor force survey [16] shows that women are paid more than men. As women get employed in monetary earnings, they become more involved in decision-making.

Because of the export orientation of the industry, the RMG sector has to satisfy buyers and international regulations. For example, child labor is completely absent in the RMG sector. After several accidents, especially the infamous Rana Plaza disaster, the international community has become concerned about the working conditions of RMG production facilities. Because of international pressure and government regulations, the RMG sector in Bangladesh complies with both the buyer's and the ILO's requirements. Although, the working conditions in the RMG sector are not acceptable globally.

The RMG sector played a major role in the structural transformation of unemployed and underemployed women. Many women moved to Dhaka or other RMG production centers from rural areas due to the possibility of increased income and improved lifestyles. The women often improved their lifestyles and pulled the whole family up. This is definitely a positive contribution of the RMG sector to society. The RMG sector, no doubt, has made a positive contribution to society through the engagement of women in income-generating activities, empowering women to family and other decision-making, and improving national productivity and standard of living.

Gender Equality and Women Empowerment

It is widely accepted that no country can become truly developed unless economic growth is supplemented by women's empowerment. Without women's empowerment, the growth and development of a country could hit a roadblock. For example, it is claimed that the continuous growth of South Korea from a developing to a developed country has been possible due to a substantial increase in the labor force participation of females [29].

As mentioned before, gender equality has gradually improved in Bangladesh. It has certainly accomplished more than India and Pakistan in terms of the empowerment of women, as stated earlier in the introduction (Global Gender Gap Report [12]). For example, though lagging slightly behind India in terms of overall mean years of schooling (as mentioned before), the mean years of schooling for females are higher in Bangladesh. According to World Development Report [27], it is 5.7 in Bangladesh compared to 5.4 and 3.8 in India and Pakistan, respectively.

Further, labour force participation rates increased in the three countries since 1990. The percentage of women aged 15-64 who join the workforce has steadily increased in Bangladesh (it was only 3

percent in 1971!) and is now close to 39 percent, which is significantly higher than both India and Pakistan, with the latter two having a value around 22 percent ([16], [30]).

Figure 3 below illustrates the trends in labor force participation in Bangladesh. It shows that female labor force participation has increased continuously since 1990 (when it was about 25.2%) to about 39% in 2018. On the other hand, male labor force participation has marginally decreased.

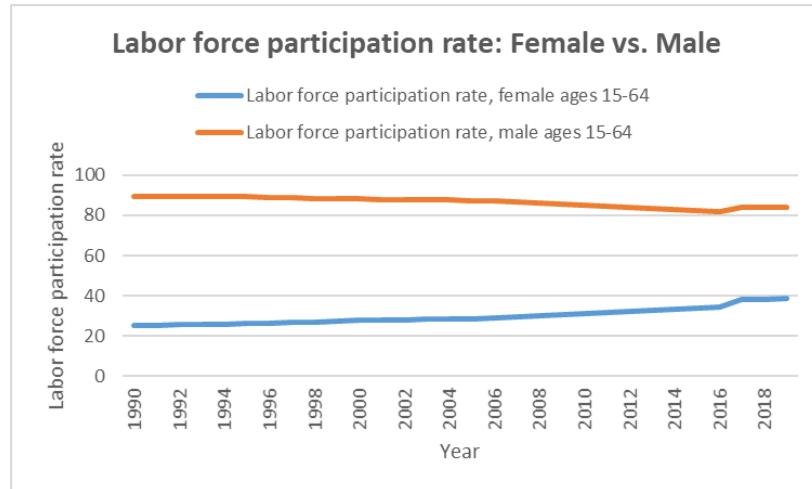


Figure 3. Trends in labor force participation rates by gender

On the other hand, the gender-wise trend in wage and salaried workers for both males and females has increased over time in Bangladesh (Figure 4). Furthermore, Figure 4 suggests that the gender-wise gap between male and female wage and salaried workers continues to decrease since 2011. A similar trend can be observed in graphs on employment rates in Industry and Service by gender (Figure 5). These figures are all in support of more women’s empowerment in Bangladesh over time.

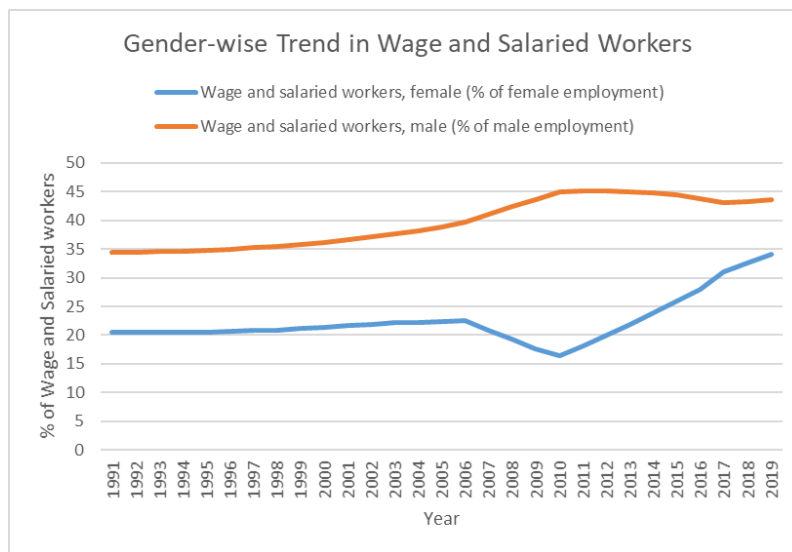


Figure 4. Percent of wage and salaried workers out of total by gender

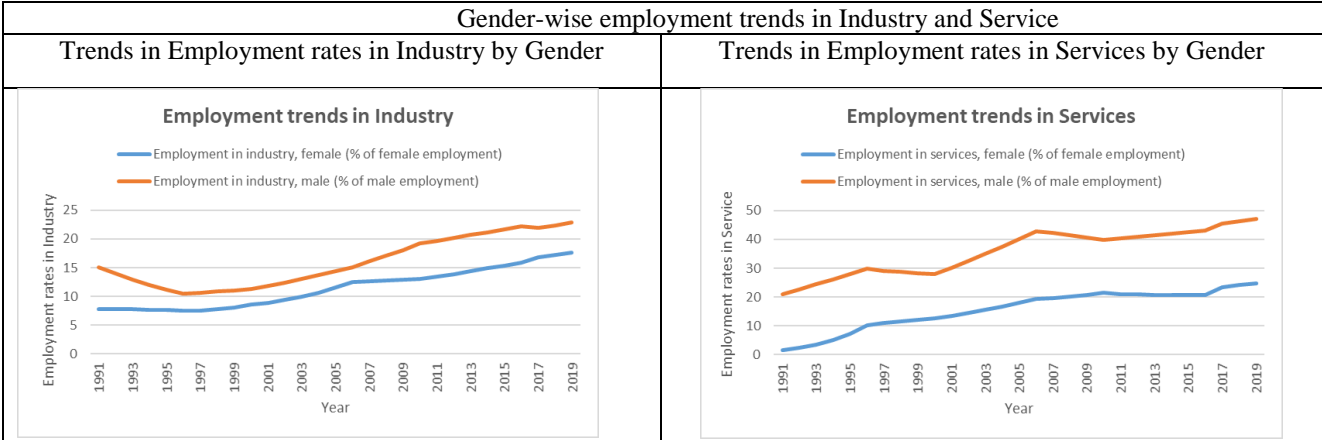


Figure 5. Gender-wise employment trends in Industry and Service

Bangladesh has undoubtedly made significant progress regarding gender equality and women’s empowerment, as stated in the introduction and supported by our graphical analysis based on the World Bank data [30]. Starting from 1991, leaving aside a couple of years, the prime ministership of Bangladesh has been shared by two women. Women in Bangladesh are currently seen working in various industries like the education sector, banking sector, government organizations, corporate sectors, NGOs, administrations, etc. However, the garment industry is by far the biggest employer of women in Bangladesh, and most of them come from rural areas and are less educated [10]. Therefore, gender empowerment in Bangladesh will invariably be linked with the treatment and empowerment of women in the garment industry.

Billah and Manik [10] reported that the contribution of the RMG industry to women’s empowerment in Bangladesh is significant. They used six indicators of women’s empowerment: the proportion of financial contribution to the family, participation in household decision-making, access to resources, perception of gender awareness, ownership of assets, and coping capacity to household shocks. Their study noted that the RMG sector contributed by positively influencing the first four factors among these.

The positive effect of the rapid growth in the RMG sector on various aspects of the lives of Bangladeshi women was also examined by Heath and Mobarak [13]. We find that the growth in the RMG sector significantly increased parents' propensity to keep younger girls in school and the older girls' propensity to engage in wage work. The combination of these two factors resulted in a significant reduction in fertility and the average age of marriage for women in Bangladesh (Demographic and Heath Survey). Bangladesh also attained gender parity in school enrolment after 2000. Heath and Mobarak [13] concluded that about 14.8 percentage points of the national gain in girls’ enrollment could be attributed to the growth in the garment industry.

Despite the abovementioned positive contribution of the RMG sector, the government of Bangladesh still needs to work vigilantly on women’s empowerment issues. Even in the RMG sector, women are often poorly treated, as noted by Osmani and Hossen [21]. They reported that women workers frequently face sexual harassment, verbal abuse, physical harassment, and job threat. This is also supported by Rahman and Jahan [24]. They also noted that women working in

this sector receive inadequate maternity and sick leave. These reports suggest that the government needs to be proactive to ensure a secure and friendly environment for women in the RMG sector. Bangladesh should adopt special laws concerning sexual harassment in the workplace [24].

Several studies indicate that the gender wage gap has decreased over the years in Bangladesh, as noted in studies like Hossain and Tisdell ([14], [16]). However, the actual amount of the gender gap calculated varies among various studies. This is understandable since each study typically uses a slightly different methodology to calculate the wage gap. In fact, the ILO study [16] reported that the factor-weighted average hourly wage is 5.0 percent more for women than men. In other words, there is a reverse gender gap of close to 5 percent!

This surprising finding has been studied in detail by Rahman and Al-Hassan [23], who used various methodologies and regression specifications to examine the gender wage gap in Bangladesh. They found a reverse gender gap of 4.5 percent if the human capital specification is used, which is close to the ILO 2018 [16] result. However, using the entire specification, they noted a gender gap of about 2 percent using OLS regression and 4 percent using median regression. They also reported that women's jobs are more concentrated in the low-wage segment of the labour market. Further, among employed women, the proportion of more educated workers is significantly lower than that of men. Next, using quantile regression, they found strong evidence of a glass ceiling in the Bangladesh labor market. At the bottom (15th percentile) and median of the wage distribution, women's wages are around 5% more than men, as reported in the ILO [16] study. However, women earn about 10 percent less than men at the top of the wage distribution (85th percentile).

Conclusion

From one of the poorest countries in the world during its independence in 1971, Bangladesh has succeeded in advancing steady growth and is now a low-middle income country with a high growth rate. It has also succeeded in promoting gender equity, especially if compared to its neighboring South Asian countries. However, by world standards, the current condition and status of women in Bangladesh are still low [12].

The RMG sector has been a remarkable success story and the catalyst behind Bangladesh's overall growth and development. It makes up more than 80 percent of the total exports in Bangladesh, and it is the world's second-largest exporter of clothes behind China. The RMG industry is also the largest employer of women in Bangladesh, so it is difficult to overestimate the importance of this sector in women's empowerment. Using exploratory data analysis and examining existing literature, this paper noted that the growth in the RMG sector has impacted women's empowerment in Bangladesh in several ways. Increasing the proportion of family income contributed by females has allowed their higher participation in household decision-making, access to resources, and perception of gender awareness. It also increased parents' inclination to keep younger girls in school and the older girls' willingness to engage in wage work. This, in turn, has increased the marriageable age of women and a substantial reduction in fertility. It also helped attain gender equality in enrolment rates. However, the role of microfinance and NGOs like the BRAC and Grameen Bank must also be acknowledged in achieving these women's empowerment goals. The gender gap in wages has also reduced significantly, though it is still present, especially in the top quantiles of the wage distribution.

Thus, while significant progress has been made in reducing the gender wage gap and promoting gender equity in Bangladesh, there is still room for substantial improvement in improving the condition of female employees in the garment sector. Achievement of that will have a positive multiplier effect on the gender empowerment of women in the whole country, which will help with sustainable economic growth.

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