

ENTREPRENEURSHIP AS A KEY TO YOUTH EMPLOYMENT

DHAKA SUNDAY FEBRUARY 17, 2019, FALGUN 5, 1425 BS 13

RMG industry as the major employment sector



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The ready-made garment (RMG) industry in Bangladesh is entering an important new chapter in its history. Decisions made now by the industry and its leaders could have important long-term ramifications. The industry has the chance to become the leading garment production centre in the world, providing high quality, fairly paid jobs to millions of people working in the lifeline industry of the country.

Supply chains in the global apparel industry are changing fast and these changes, while on the one hand being a threat, are also a source of huge opportunity. Demands placed on apparel suppliers—in terms of cost and compliance—are greater than ever. In this landscape of survival of the fittest, Bangladesh is fantastically placed. Why? To answer this question, first we must briefly revisit the history of the Bangladesh RMG sector as history is always the best guide to the future.

The industry is around 40 years old and began from nothing. To offer some perspective, the export of RMG from Bangladesh was only USD 3.5 million in 1981. This figure had increased to USD 10.7 billion in 2007, in large part thanks to the favourable trading arrangements that resulted in industrialised countries outsourcing garment and textile production to Asia.

Bangladesh has continued to benefit from duty-free access to some developed countries, especially the European Union, the result being that by 2018, RMG exports from Bangladesh had reached USD 30.61 billion in the last fiscal year and are continuing to grow. Bangladesh is now firmly established as the second largest garment and textile exporter in the world, behind only China. Vietnam is the next closest rival to Bangladesh, while other major exporters include Cambodia, Turkey, India and Myanmar?

The RMG industry provides jobs for over four million people and contributes over 83 percent of the country's total export receipts. While some might view this as a potential weakness, Bangladesh can turn this into an advantage by marshalling resources, ideas, and investment which can be pumped in to make this industry the best in the world.

The Bangladesh government has set an RMG export target of USD 50 billion by 2021 which will undoubtedly be reached one day. But it is impossible to predict how long that will take given that there are so many variables which could impact on this growth. These

include development of other garment production hubs, digitisation and mechanisation of the production process, the entry of new competitors from the African continent such as Ethiopia into the market and the changing dynamics of the international apparel industry.

The history outlined above would not be complete without mentioning the deadly Rana Plaza accident that happened in 2013. Rana Plaza was one of the world's worst ever industrial accidents. Perhaps, for the first time, it focused the eyes of the world on Bangladesh's RMG industry and forced people to reflect on the fact that, sometimes, there is a terrible price to be paid for cheap clothing. If Rana Plaza had a silver lining, it is that the incident provided a catalyst for the RMG industry in Bangladesh to implement much needed changes. More than 90 percent of the remediation both suggested by the Accord and Alliance have already been completed and the rest is ongoing.

However, continuous improvement will be an absolute must for Bangladesh to achieve a genuine world class status throughout the RMG sector.

Since April 2013, Bangladesh's RMG industry has undergone the most wide-reaching and ambitious safety overhaul in industrial history. Led by the Bangladesh Accord for Fire and Building Safety and Alliance for Bangladesh Worker Safety, thousands of garment factories have been inspected by experts and carried out Corrective Action Plans outlining the safety improvements they need to undertake to bring them up to internationally acceptable standards. Many of these action plans have now been completed and, while there is still minor percentage to be done, there is no question that Bangladesh now boasts the safest garment production industry in the world.

Earlier, it was mentioned that Bangladesh's RMG sector is embarking on a new chapter in its history. The safety overhaul which has been under-

taken by the industry is an important part of that journey. To future-proof itself, then, Bangladesh's RMG sector needs to take a slightly different path over the next decade—to integrate technology into the manufacturing process. Bangladesh needs to embrace automation and technology at all stages of the garment production process, including design and development, cutting and sewing, washing and finishing, purchasing and delivery. Increase used of technology, as well as improving the quality and design of products will ensure that products reach customers quickly to keep up with the changing fashion trends. This path could potentially lead to continued job creation but many of these jobs will be in higher value-added areas.

Automation is a fact of life in the apparel production whether we like it or not. Bangladesh cannot afford to fall behind on this issue, as other garment manufacturing hubs are also exploring on how to use technology to boost productivity. We should embrace tech-

nology wholeheartedly, and this starts from the top downwards. This might include the establishment of special economic zones which encourage the use of technology by offering favourable tax regimes that encourages investment in technology, automation and most importantly, in skills development of people in line with the new technologies. A series of grants and subsidies could be made available to make this happen.

One consequence of the safety overhaul has been the shifting of business from smaller, less reputable operators to larger, often vertically integrated suppliers which are better placed to adhere to the increasingly stringent compliance standards of international brands. As well as investing heavily to improve and overhaul existing safety standards, these larger operators are also in a position to invest in other areas—in people, technology and automation.

CONTINUED ON PAGE 18



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