

How COVID-19 Revealed Brutal Reality of Bangladesh Garment Industry?

Chuqi Huang, Hang Zhang

School of Economics and Management, Beijing Jiaotong University, Beijing, 100044

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Abstract: In order to slow the spread of the corona virus, public places including clothing stores, factories and warehouses were forced to close, and people all over the world stayed at home. Due to the closure of national borders, global clothing trade is controversial, and clothing demand has fallen sharply. In response, the fashion brand suspended orders and stopped paying for finished goods. More than one million garment workers are unemployed, and this crisis has seriously threatened the survival of workers. In this context, this report aims to answer three questions: a) The economic growth of Bangladesh's clothing industry is highly dependent on the consumption of core countries, so is there any exploitation in this country? b) Does the trading system benefit developed countries and cause inequality between developing and developed countries? c) In this crisis, can corporate social responsibility help fashion companies? How can it help? In order to answer these questions, we chose case studies as our desk research method for Primark and questionnaires, and used deductive methods to test the effectiveness of dependency theory and CSR in this case. The study found that exploitative working conditions prevail in the global fashion industry, and this relationship has hurt millions of workers in Bangladesh in the current crisis. For a long time, the clothing industry in Bangladesh has developed with a trade system that is conducive to developed countries, and this trade system has suffered extremely unfair remuneration. Consumers (especially women) attach great importance to corporate social responsibility and require fashion brands to maintain transparency and accountability. The research results are consistent with the main points written in the "Dependency Theory", which re-verifies the attitude of female customers towards corporate social responsibility. The COVID-19 crisis is a wake-up call for systemic changes in the global fashion industry. The fashion revolution requires the joint efforts of fashion brands and all consumers, and more importantly, government advocacy and policy changes.

1. Introduction

Bangladesh's \$30 billion clothing sector employs 4 million people and accounts for 80 percent of the country's export earnings, but the pandemic has resulted in more than \$3 billion in canceled orders, according to the Bangladesh Garment Manufacturers and Exporters Association. Consequently, more than a million workers have been fired or furloughed in this crisis and the immediate impact on them and their families will be devastating (Bain, 2020). The global supply chain is undergoing a potential revolution in garment industry and Bangladesh stands in the vortex center (Narula, 2020). Our group realized it is necessary to analyze the impact of COVID-19 on Bangladesh garment industry to reveal brutal reality and to test the validity of dependency theory and the importance of CSR in this unprecedented pandemic. This report will start off by going through related literatures of dependency theory and CSR and introduce methodology that we have used. Then, the report will provide analysis on our key findings and finally draw a conclusion.

2. Literature Review

Ghosh (2019) pointed out in the book "Restudy of Dependence Theory" that developed countries, as permanent buyers, use cheap labor and raw materials provided by less developed countries to continuously obtain resource value from developing countries and make Products returned to developing countries. They started this process with colonial heritage, and the current major powers have a vested interest in keeping developing countries' poverty. Based on Marxist political economy

thinking, there is an inherent exploitative relationship between developing countries and developed countries. This is largely because developing countries still maintain a dependency relationship with developed countries: the accumulation of capital in these countries And expansion is highly dependent on external forces. For example, the extent to which imports from industrialized countries and neighboring countries depend on consumption in core countries (Ghosh, 2019). At the same time, developed countries are cautious about the single market concept that encourages trade liberalization, that is, through tariff reduction, privatization, and deregulation to eliminate or reduce restrictions or obstacles in interstate trade, because countries cannot allocate resources very much. Because it is easily captured by interest groups, and the market does better (McGee & Weatherill, 1990). According to Baldwin, McLaren, and Panagaria (2000), developing countries are trying to develop a trading system that benefits developed countries, because this liberalization will allow preferential arrangements between rich countries and make inequalities more serious.

Quoting Sheehy (2015), corporate social responsibility (CSR) is defined as "a form of international private self-regulation that focuses on reducing and mitigating industrial hazards and providing public goods." People often argue that when the concept of corporate social responsibility was first proposed, there was a mutually reinforcing relationship between corporate social responsibility and corporate financial performance (Cochran & Wood, 1984). However, with the rapid development of science and technology in recent decades, there are correct arguments for both positions. In fact, some studies have shown that corporate social responsibility does not significantly affect financial performance, as previous studies have shown, with the emergence of dynamic methods (Lin et al., 2019). Although it is not clear whether CSR can really bring benefits to the company's financial performance, Bery (2012) believes that female customers' assessment of CSR will affect their brand trust and customer loyalty. Considering the huge social benefits that corporate social responsibility can bring to the community, there are many calls to classify corporate social responsibility as a public regulation or make it a public law, because it is still mainly private self-regulation (Sheehy & Damayanti, 2019). By gradually recognizing its importance, some countries such as Denmark, France, Australia, China and Indonesia have continuously adopted relevant measures to legislate corporate social responsibility (Panwar et al., 2018).

Table 1: Specific questions posed and corresponding sources

Question	Source(s)
Is there an exploitative relationship existing in Bangladesh garment industry since its economic growth is highly dependent on core country's consumption?	Ghosh, B.N. (2019). Dependency theory revisited.
Does this system of trade favor developed nations indeed and result in an unequal growth between developing nations and developed nations?	McGee, A., & Weatherill, S. (1990). The evolution of the single market: harmonisation or liberalisation.; Baldwin, R. E., McLaren, J., & Panagariya, A. (2000, January). Regulatory protectionism, developing nations, and a two-tier world trade system.
Could CSR be helpful to fashion companies in this unprecedented pandemic and how could it help?	Bery, P. (2012). Antecedents and Consequences of Female Consumer Expectations and Evaluations toward CSR Activities.; Sheehy, B., & Damayanti, C. (2019). Sustainability and Legislated Corporate Social Responsibility in Indonesia.

Based on the previous literature review, this report intends to answer three questions with case studies as the main method. First of all, because the economic growth of Bangladesh's clothing industry is highly dependent on the consumption of core countries, is there any exploitation in the country's clothing industry? Second, does this trade system really benefit developed countries and cause inequalities between developing and developed countries to grow? Finally, can corporate social

responsibility help fashion companies in this unprecedented pandemic, and how can it help? Table 1 shows the specific issues raised in this report and the corresponding sources.

3. Methodology

Given the current complexities of world economy, the impact of COVID-19 on global supply chain is vastly different to each industry. Our group then selected case study as the methodology to conduct our research more effectively and adopted deductive approach to test the validity of dependency theories and CSR through this case. To intensively study the case of Bangladesh garment industry and have an in-depth understanding of the relationship between Bangladesh garment factories and fashion companies, we launched desk research on Primark which is a famous budget clothing chain as well as a major client of Bangladesh garment factories. It is estimated that the orders canceled or on hold at Bangladeshi garment factories from Primark reached US\$273 million, ranking first among all the fashion companies (Bain, 2020). Secondary sources of COVID-19 are limited since the epidemic is new scenario almost for everyone. Besides, social distancing made it difficult to collecting data through observation and face-to-face interviews. Therefore, our group decided to design a questionnaire and sent it out to our family, friends and classmates through WeChat group who come from a diversity of field and have a wide range of age to listen to public opinions as every one of us is inevitably playing the role of consumer in daily life. To ensure respondents developing a consistent understanding of us, we keep our questionnaire as simple as possible and finally got 235 people in total to respond.

3.1 Pilot Study

Before committing to a full-blown study, our group conducted pilot study within group members and some close friends to test the questionnaire. As it is shown in Appendix 1 (initial questionnaire), we asked respondents whether they will be willing to make a purchase after considering the background in Question 5. However, there was disagreement over its intention, doubting whether guiding consumption purposely existed in this question. Therefore, we removed the question from our questionnaire to avoid unnecessary trouble meanwhile it has little relevance to the topic. In addition, it is worth noting that there were several respondents choosing the option 'others' in Question 6 with further explanation that fashion companies are supposed to guarantee minimum wages of workers during pandemic. We then made this strategy an option in the final questionnaire. The final version of our questionnaire and its result are shown in Appendix 2.

3.2 Ethics

Many questions in our questionnaire involves moral stance which may incur criticism and be judged by others especially when it comes to CSR. To protect the rights of respondents and take responsibility for either the validity or the functioning of collected data, our group gave informed consent in the first place. The content of the informed consent includes the right to know and the right to consent as shown in both Appendix 1 and 2. As it is written, all answers from respondents are confidential and all identifying information is kept anonymous. The details of research ethics are shown in Appendix 3.

4. Findings and Analysis

4.1 Dependency Theory

The fact that 87% of the population of Bangladesh work in the informal sector and most informal workers have no fixed contracts is given in a fashion transparency report released by Fashion Revolution (2020). According to this report, there are few policies in place to make sure women working in the supply chain do not experience verbal, physical and sexual harassment. The report also indicated that mandatory fire and safety training for the people who make clothes is rarely required by fashion companies and companies seldom have programs or partnerships in place to improve worker health and safety. Moreover, it is difficult for many workers in the supply chain to

get fair pay who are struggling to only earn a living wage and they have no possibility to negotiate their wages or conditions.

According to Pimentel, Aymar and Lawson from campaigning group Oxfam International, it takes 4 days for a CEO from one of the world’s top five fashion companies to earn what a female Bangladeshi garment worker earns in her whole lifetime. The clothing retailer giant Primark did £ 7.8 billion in sales, earning £ 913 million in operating profit in 2019 while its spokesperson said they had no option but to close all their stores and currently are losing sales of £ 650 million a month as a result of COVID-19 and consequently, more than a million garment workers in Bangladesh are out of work (Bain, 2020). As for Bangladeshi garment workers who can barely earn a living wage, the immediate impact of cancelled or delayed orders on them and their families could be devastating.

Wealth accumulation over centuries makes developed countries gain the initiative and fashion industry is no exception. It has been rooted in inequality for decades, to the point where exploitation feels embedded in the supply chain. Millions of workers are fired or furloughed because of cancelled and delayed orders while advanced economies are less affected. For fashion companies, closing all the stores may temporarily result in losing sales, but for local suppliers and its garment workers, it determines whether they would survive and there is almost no way for them to protect their own rights since they work in the informal sector without fixed contracts. Big brands too often put the blame on complex, fragmented supply chains or claim that labor abuses are not their faults since manufactures are contracted, putting the responsibility on the least profitable part of the industry. When CEOs of fashion companies are topping the list of the richest people, those people who make the clothes are living in extreme poverty.

4.2 CSR

Aside from desk research on Primark, the results of our questionnaire also provide some important implications for the research on CSR. Firstly, as shown Figure 1 and 2, nearly 77% of female have bought new clothes during COVID-19 while that proportion of male is relatively low (58.11%). The frequency for purchasing clothes of female is more immune to current crisis compared with males.



Figure 1: Percentage of male clothes buyers during COVID-19

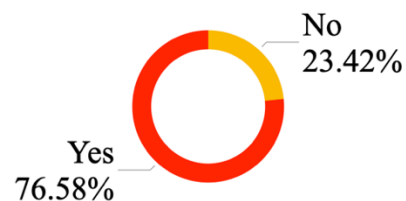


Figure 2: Percentage of female clothes buyers during COVID-19

Secondly, male and female respondents presented different perspectives towards each question, among which how important they consider CSR to be showed differentiation between genders. According to Sheehy’s definition of CSR, those fashion companies who do their best to live up to commitments and take delivery of garments already made and those in production to protect the interests of suppliers and workers are considered to fulfill their CSR in this case.

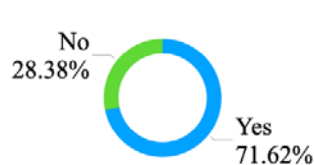


Figure 3: Percentage of male who will choose fashion companies which fulfill CSR in the future

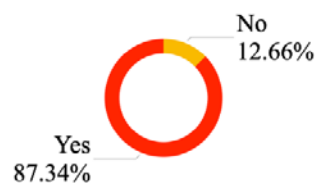


Figure 4: Percentage of female who will choose fashion companies which fulfill CSR in the future

Although Primark promised to be in close and regular contact with suppliers and many clothes retailers tried to support them as much as possible, whether they live up to commitments is not clear. To alleviate burdens on garment workers, Bangladeshi government has announced a stimulus package worth about US\$588million (Bain, 2020). Bain (2020) argued that the legal obligations for fashion companies to pay for the work they have previously ordered from suppliers may not be very straightforward although they are strongly expected to do so.

5. Conclusion

Systemic problems of fashion supply chain were exposed by the unprecedented crisis and challenges it has created are significant and we should learn from it. Fashion brands are cancelling orders from their manufacturers and suppliers and are stopping payments for orders already in production. Manufacturers and suppliers are then closing doors and laying off workers. Already paid so little, garment workers have no social safety net to fall back on and have little or no access to healthcare. Many governments are not doing enough to protect workers from virus and its impacts although people earnestly hope them to take actions. Global fashion supply chain is an upholder of inequality and abuse. It validates the bias of the system of trade toward developed nations proposed by Baldwin, McLaren and Panagariya (2000) and is clearly linked to ‘exploitative relationship’ existing in developed nations and developing nations written in *Dependency Theory Revisited*. The fashion companies which fulfill CSR will hopefully receive positive feedback from consumers and from survey results, females show more interests on the importance of CSR than males.

5.1 Research Limitations

The research exists imitation: we conducted a small-scale survey questionnaire and the way we listen to the opinions about potential coping strategies has limited understanding. The sample size was small which may lead to inconclusive results. And it would be better if we have an interview with people who have insights to get richer perspectives and an in-depth understanding.

5.2 Further Research

Eventually the pandemic will pass, and business continuity is crucial, COVID-19 is a wake-up call for global fashion industry, warning us it is time to make a systemic change. Further research such as how consumers could demand better and what is effective government advocacy and policy change should be vigorously encouraged.

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