

CPD-MiB Study on

Vulnerability, Resilience and Recovery in the RMG Sector in view of COVID Pandemic: Findings from the Enterprise Survey

Presented by

Dr Khondaker Golam Moazzem

Research Director, CPD

Date: 23 January 2021



Study team

Dr Khondaker Golam Moazzem

Research Director, CPD

ASM Shamim Alam Shibly

Research Associate, CPD

Fahim Subhan Chowdhury

Senior Research Associate, , CED, BracU

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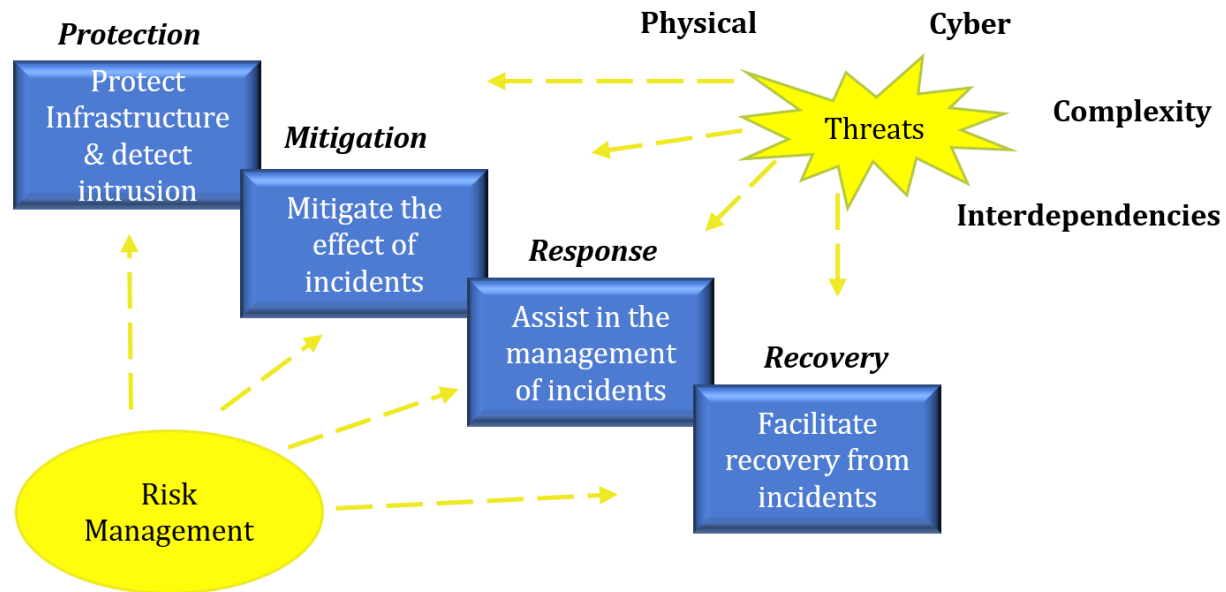
1. Introduction

- The export-oriented apparels sector of Bangladesh has been **struggling to recover** from the COVID-19 related challenges
- Since the outbreak of the deadly virus in the country, the sector has confronted multiple shocks and vulnerabilities
- The enterprises of the sector have undertaken **various steps as part of resilience and recovery** over the last several months
- **A number of studies** have undertaken at the initial phase to appreciate the level of shocks and vulnerabilities of the RMG sector during the crisis period
- The industry is in the **process of resilience and recovery** in view of gradual opening of economic activities as well as vaccine available in major countries
 - It is important to **appreciate the capacity of RMG enterprises** to be resilient and recovery from the COVID crisis
- The study **assesses the level of vulnerability and capacity for resilience** and recovery of RMG enterprises in the coming months
- The study has been **jointly conducted by** Centre for Policy Dialogue (CPD) and Mapped in Bangladesh (MiB) [RMG mapping project]
 - The project is implemented by Centre for Entrepreneurship Development (CED) of Brac University

2. Literature Review

- Resilience and recovery of an enterprise is part of its **risk management strategies**, initiatives and activities
 - This refers to protective measures against the vulnerability of the enterprises
- A **better understanding** on resilience related issues during pre-incident period help enterprises to **get prepared during the time** of any large-scale crisis

Risk Management Process



Source: Peerenboom, 2002

2. Literature Review

- The **level of resilience of an enterprise measures** risk management mitigation, responses and recovery
 - Resilience of an enterprise indicates its ability to reduce the magnitude and/or duration of disruptive events
 - The effectiveness of resilient enterprise depends on its ability to anticipate, adapt to, and rapidly recover from a potentially disruptive event, whether naturally occurring or human caused (NIAC, 2009)
- Resilience is defined as the **ability to reduce the magnitude and/or duration of disruptive events**
 - The **effectiveness of a resilient enterprise** depends on its **ability to anticipate**, absorb, adapt to, and rapidly recover from a potentially disruptive event, whether naturally occurring or human caused (NIAC 2009)
 - **Anticipation and absorption capabilities** reflect the capacity of the system to avoid a disruptive event or to decrease the detrimental impacts of that event
 - **Adaptation and recovery reflect** the capacity of the system during an event to avoid or to decrease the importance of the consequences to the environment by quickly returning to a normal state of operation

2. Literature Review

- The **robustness** component of resilience is the **ability to maintain critical operations** and functions in the face of crisis (NIAC 2009)
 - It is directly related to the ability of the system to absorb the impacts of a hazard and to avoid or decrease the importance of the event that could be generated by this hazard
 - Robustness can be seen as the protection and preparation of a system facing a specific danger
- **Rapid recovery** is the ability to return to and/or **reconstitute normal operations** as quickly and efficiently as possible after a disruption (NIAC 2009)
 - The concept of rapid recovery defines the passage of an asset from a degraded state to one of acceptable operation
- **Resourcefulness** is the ability to **skillfully prepare** for, respond to, and manage a crisis or disruption as it unfolds (NIAC 2009)
 - Resourcefulness begins prior to an event and continues into the response phase
 - It comprises the steps taken prior to an event to prepare employees and management for possible threats and the application of the training and planning once an event occurs

3. Methodology

- The analytical frame of the study focuses on enterprises' 'resilience and recovery' from a large scale crisis which is beyond the control of the enterprise
- The study estimates **the 'resilience index'** which is proposed by Argonne, 2010
 - The index comprises **three components** including robustness, recovery and resourcefulness

Major Components and Subcomponents of Resilience Index

Robustness	Recovery	Resourcefulness
Redundancy	Restoration	Training/Exercises
Prevention /Mitigation	Coordination	Awareness
Maintaining Key Functions		Protective Measures
		Stockpiles
		Response
		New Resources
		Alternative Sites

3. Methodology

- A **nationally representative sample survey** has been conducted in order to assess the vulnerabilities, resilience and recovery process of RMG enterprises
- Stratified Random **Sampling Formula** = $n_i = (N_i / N) * n$
 - n_i = Sample size for i stratum; N_i = Population size for i stratum
 - N = Size of entire population; n = Size of entire sample
- **Mapped in Bangladesh**- a digital mapping initiative of CED undertook the sample survey in the factories covered under the initiative
 - Out of 3211 listed enterprises, a **total of 610 sample** enterprises have been surveyed
- A **random sampling method** is followed for selecting the samples
 - These samples have been categorized into **two stratified sampling** technique – member and non-member factories
 - Different categories of enterprises have been randomly selected such as small (workers less than 500), medium (workers between 500 and 2500) and large (workers higher than 2500) scale factories
- The primary survey was conducted during **October-November, 2020**
 - In four major industrial clusters - Dhaka, Gazipur, Narayangonj and Chittagong

4. Basic Features of Surveyed Enterprises

- The primary sample covered both **member and non-member** RMG enterprises
 - 82% are member and 18% are non-member enterprises
- Location wise distribution:** these enterprises are located **in four major clusters**
 - Dhaka (36.7%)
 - Narayanganj (32.7%)
 - Gazipur (18.7%)
 - Chittagong (11.9%)
- Size wise distribution:** Out of the 610 sample enterprises
 - 54% are small
 - 40% are medium
 - 6.7% are large
- Average size of the sample enterprise (in terms of workers) was **790**
 - Average size of enterprises reduced by **10% during covid period**

Sample enterprises based on number of workers

Workers Size	No of factories	% of total
< 500 (Small)	328	53.8%
501-2500 (Medium)	241	39.5%
2501 and above (Large)	41	6.7%
Total	610	100.0%

Location wise distribution of sample enterprises

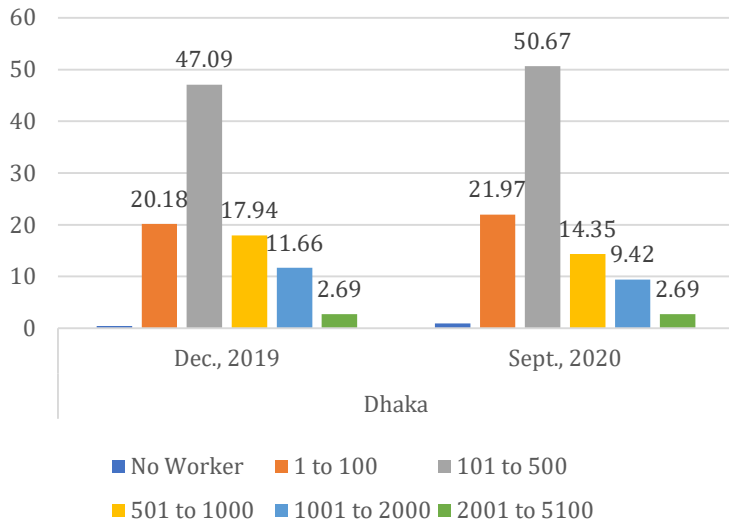
Location	No of factories	% of total
Dhaka	223	36.6%
Narayanganj	200	32.7%
Gazipur	114	18.7%
Chattogram	73	11.9%
Total	610	100.0%

Distribution of enterprises in terms of membership

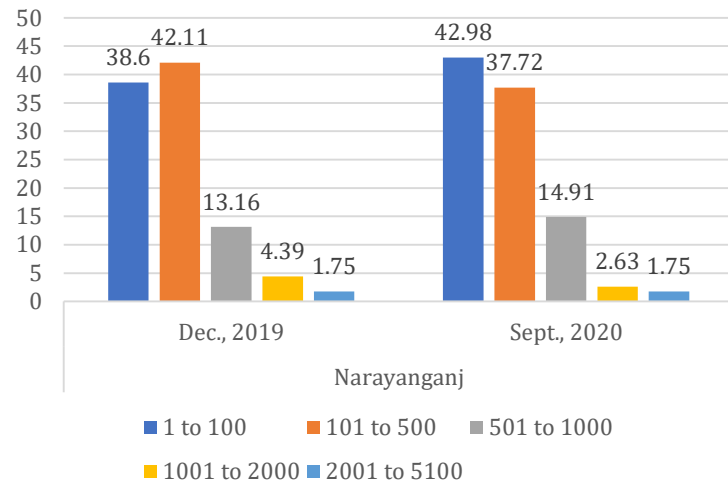
Membership Type	Freq.	Percent
Only BGMEA	365	59.84
Only BKMEA	88	14.43
Both	47	7.7
Non-member	110	18.03
Total	610	100

4. Basic Features of Surveyed Enterprises

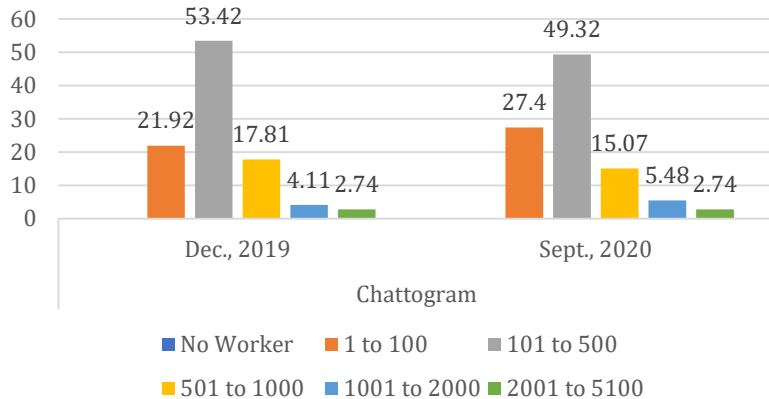
Changes in female worker composition during the covid period



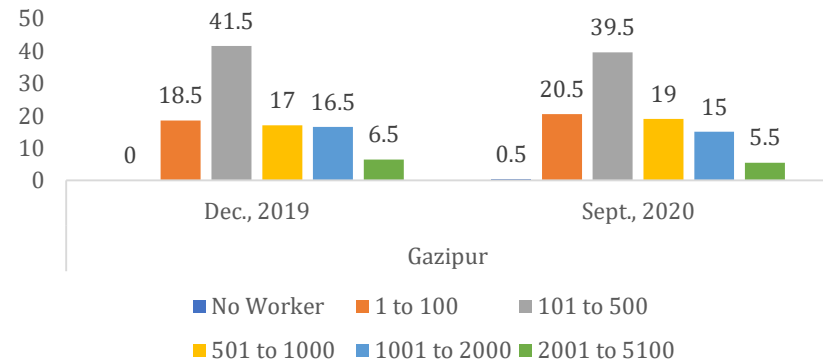
Changes in female worker composition during the covid period



Changes in female worker composition during the covid period



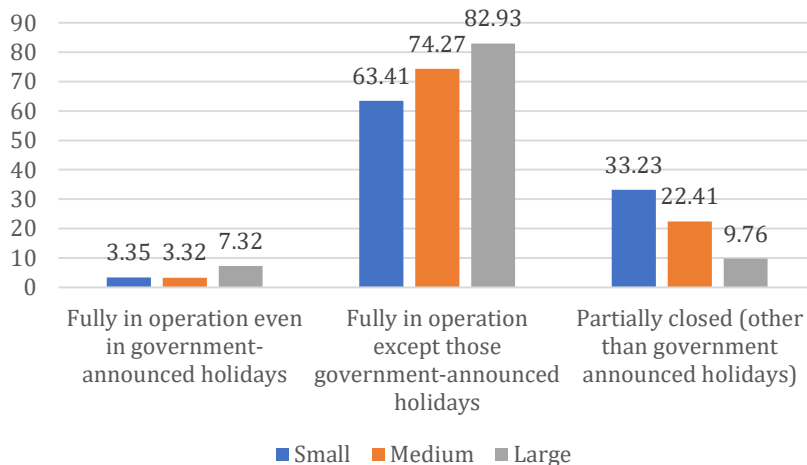
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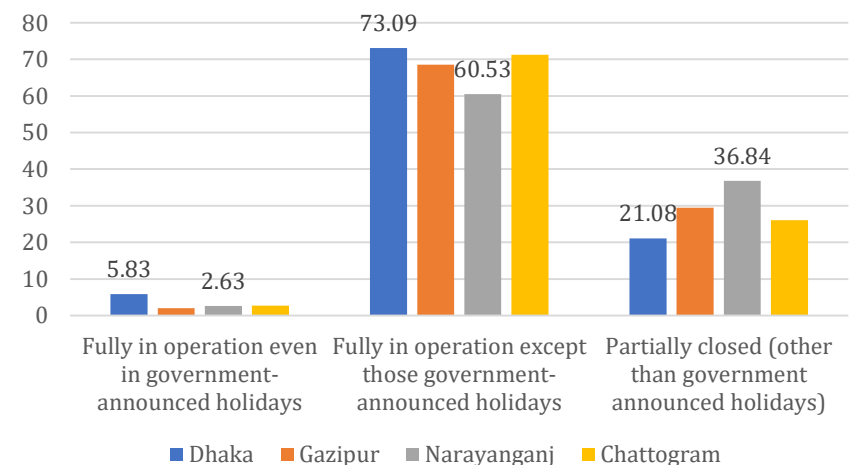
4. Basic Features of Surveyed Enterprises

- **Operation during crisis period:** Factories were in different types of operation during the period of 'official holidays' and the rest of the period
- Most of the factories were closed during official holidays (about 95%)
 - However few large, medium and small factories were in operation. DIFE had allowed such operation
- Over 1/3rd of small factories were partially closed during the covid period
 - Such factories were high in case of medium sized factories as well. Even 10% of large factories were found to be partially closed
- Factories located in Dhaka districts were opened by the largest number
 - Factories located in Gazipur and Narayanganj were partially closed

Operational status of factories during covid period (size wise)



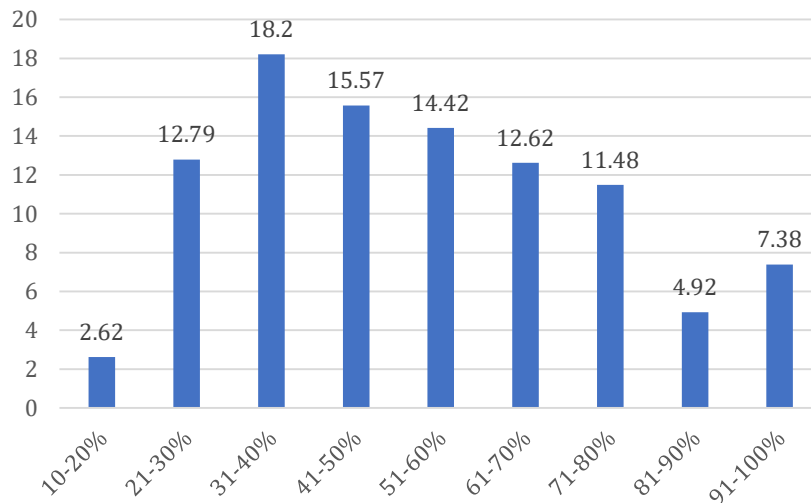
Operational status of factories during covid period (location wise)



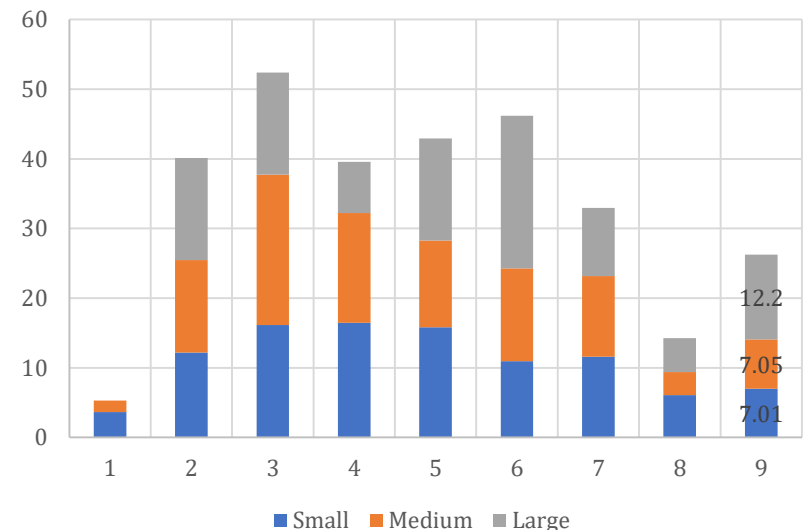
4. Basic Features of Surveyed Enterprises

- **Business with buyers:** Majority of suppliers do business **with few buyers**
 - Over **50% of the suppliers are** doing business with limited a number of buyers
 - The share of top-most buyer in suppliers' total production accounted for over **90%** (in **7.4% factories**), 80-90% (in 5% factories) and 70-80% factories (12% factories)
- The dependence on single buyer (90-100%) is prevailed **not only in small factories** but also in medium and large enterprises - 7%, 7.1% and 12% respectively
 - Such **high dependence on a singular sources** is a major weakness which causes major challenge during the time of crisis
 - Dependence on single source is **higher in factories located in N'gonj and Dhaka**

Share of top-most buyer/brand/retailer in total orders shipped by factories, 2019

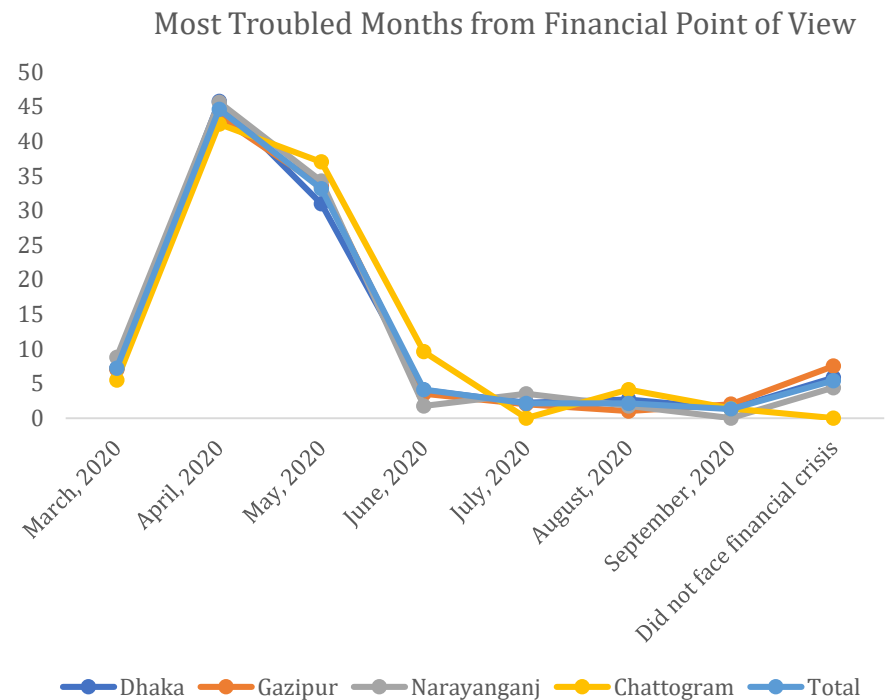
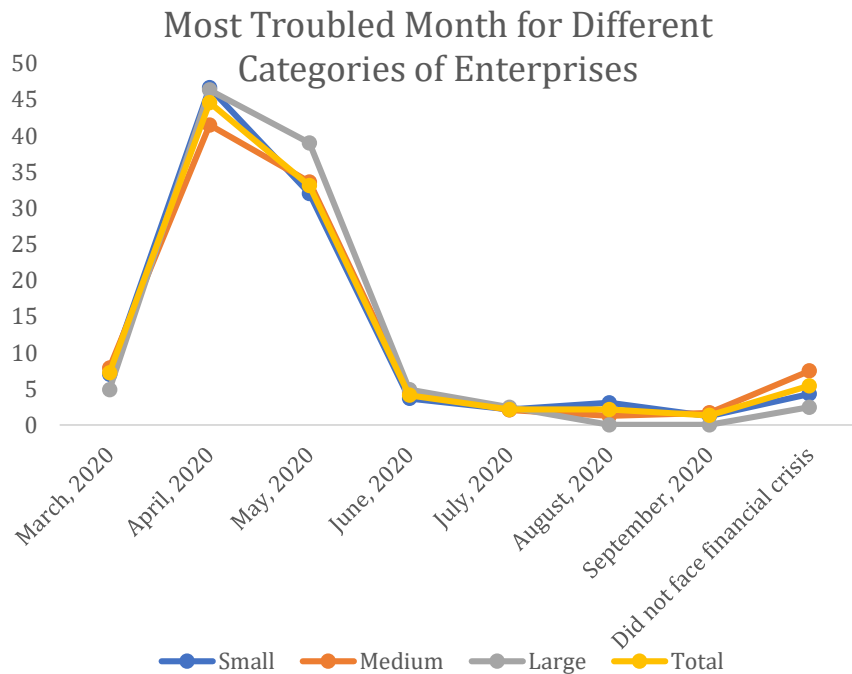


Share of top-most buyer/brand/retailer in case of total orders shipped in 2019



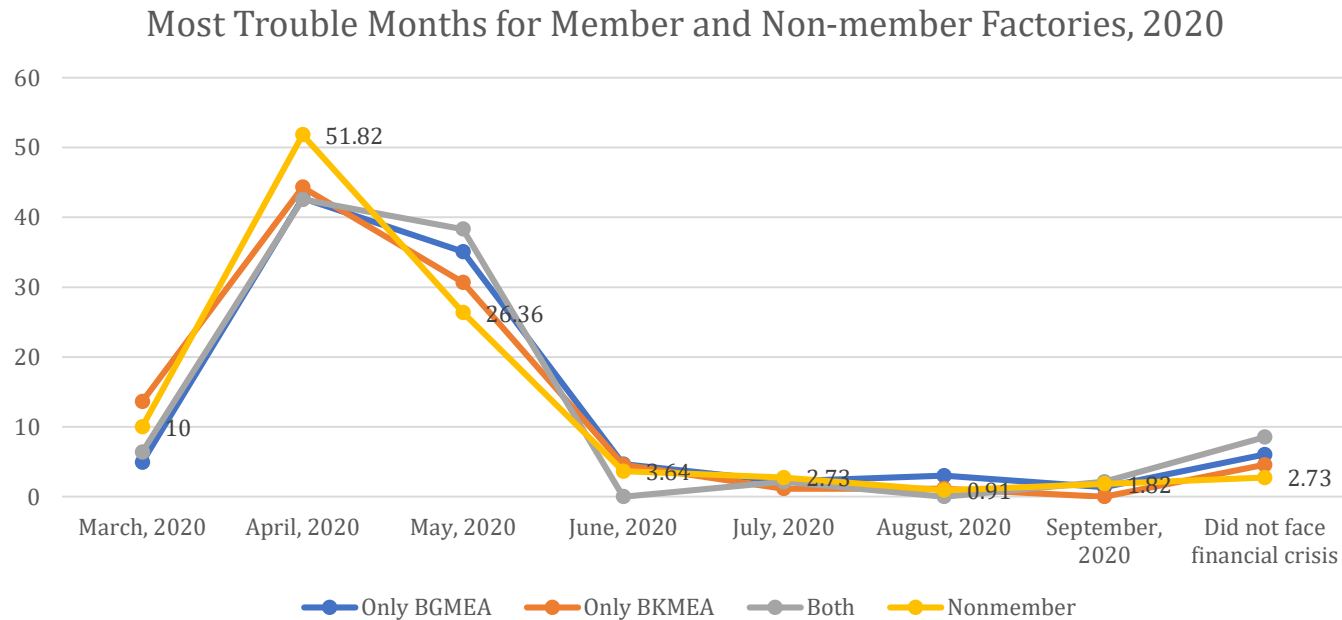
5. Vulnerabilities during COVID Pandemic: Survey

- **Most difficult months for businesses:** Majority of enterprises found **April and May, 2020** as the most troubled months for their businesses (78%)
 - A small percentage of enterprises (5.4%) **did not face major financial** problem during covid period
- Enterprises across the board found the first two months most difficult to deal with
 - This **reflects lack of contingency and business continuity plan** for all categories of factories
 - **Weak financial management** is a major challenge for RMG sector of Bangladesh (CPD, 2018)



5. Vulnerabilities during COVID Pandemic: Survey

- **Most difficult months for businesses:** In case of financial difficulties, both member and non-member factories are found to be in the same trend
- **Non-member factories faced the cash-hit situation more early**
 - Unfortunately, non-member factories were not eligible to get government's stimulus package for subsidized credit
 - However, they were eligible for other non-monetary support (deferred payment facility of utility bills, repayment of loans)



5. Vulnerabilities during COVID Pandemic: Survey

- **Cancellation and reinstatement of orders:** About one-third of factories **complained** that at least some of their orders were cancelled and necessary payment was not made
 - However, a section of buyers deferred shipment with timely payment (in **30% factories**)
 - Another section of buyers settled with deferred payment (in **20.5% factories**)
- **16% factories claimed that buyers** settled a part of their orders at a **reduced price**
 - A small section of factories (**1.8%**) complained that buyers cancelled orders but agreed to pay the cost of raw materials
- Application of '**force majeure**' clause in such incidences were widely discussed
- A section of buyers/brands reinstated the cancelled orders
 - Brands formed an **alliance to ensure payment** of raw materials and works that have been done
 - Some **buyers were bankrupted** which caused problems for local suppliers

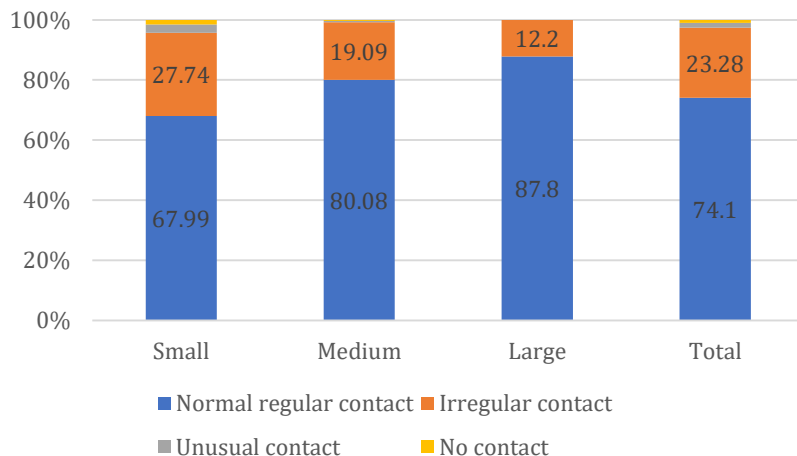
Status of Cancellation of Orders

	Small	Medium	Large	Total
Order's cancelled and not paid	31.71	34.02	31.71	32.62
Buyers cancelled and will pay only raw materials cost and wage cost (both or one)	2.74	0.83	0	1.8
Orders that the buyers deferred	24.39	35.27	36.59	29.51
Orders have been settled with deferred payment	21.65	19.09	19.51	20.49
Percentage of orders have been settled for reduced price compared to same orders shipped before March 2020	16.77	15.77	9.76	15.9

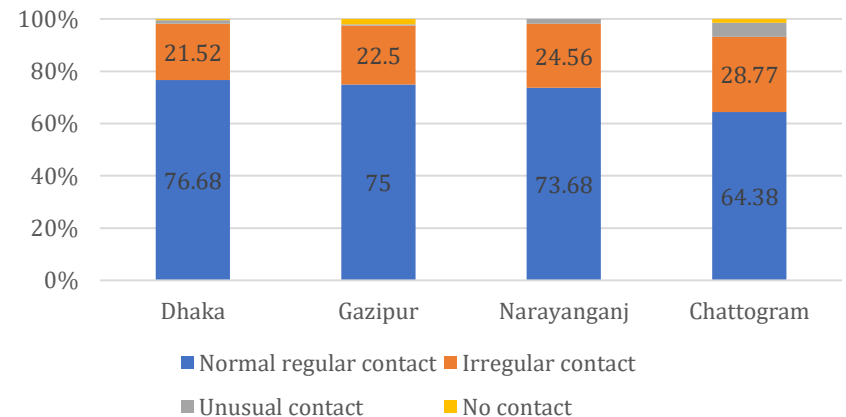
5. Vulnerabilities during COVID Pandemic: Survey

- **Business contact with buyers:** Discontinuity in normal business contact with the buyers/brands immediately after the pandemic was a major challenge for suppliers
 - About 75% factories indicated that they could maintain normal contact with buyers/brands; however, another 23% indicated about irregular contact and even a small percentage of factories indicated about no contact with buyers
 - Small and medium size factories as well as Chittagong based factories were found to be behind in maintaining normal contact
- Buyers and brands are supposed to maintain normal business contact particularly during the crisis period - discuss the issues and challenges confronted by the suppliers
 - Try to provide predictability to the suppliers with regard to orders, prices and market situation

Business contacts status with top brand/buyer during April, 2020



Business contacts status with top brand/buyer during April, 2020

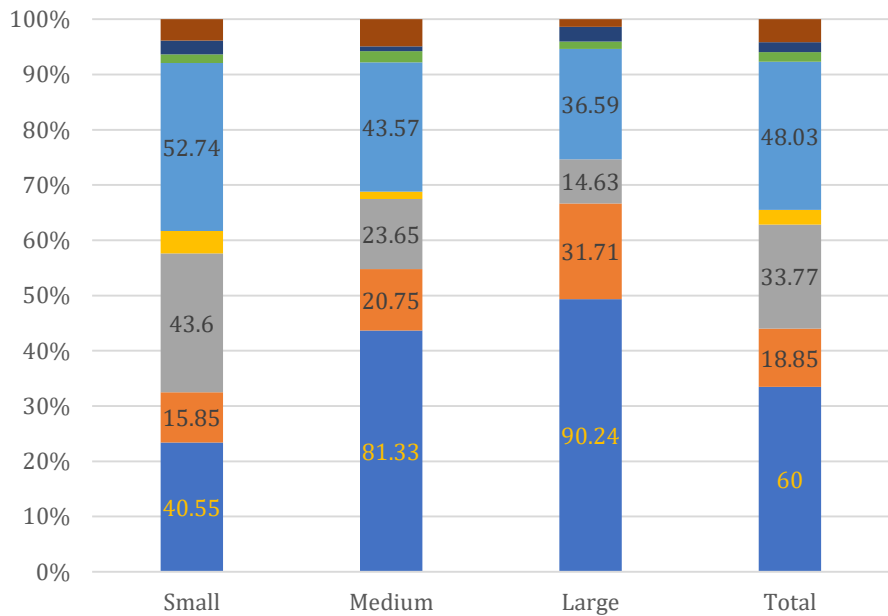


5. Vulnerabilities during COVID Pandemic: Survey

- **Coping up strategy:** Majority of factories depend on **three sources to cope up with** the crisis - applied for for getting subsidized credit (60%); informal credit (33.7%); encashed bank deposits (34%)
 - **Smaller factories were dependent** more on informal sources and encashment of deposits (53%) because of lack of adequate support under stimulus package
 - Only **40% small factories applied for stimulus** package against **90% of large factories**
 - Interestingly, **15% non-member factories** have applied for loan though they were not eligible for those loans
 - **Narayangonj and Chittagong based factories dependent more on informal** credit and encashment of deposit
 - See the figures in the next slide

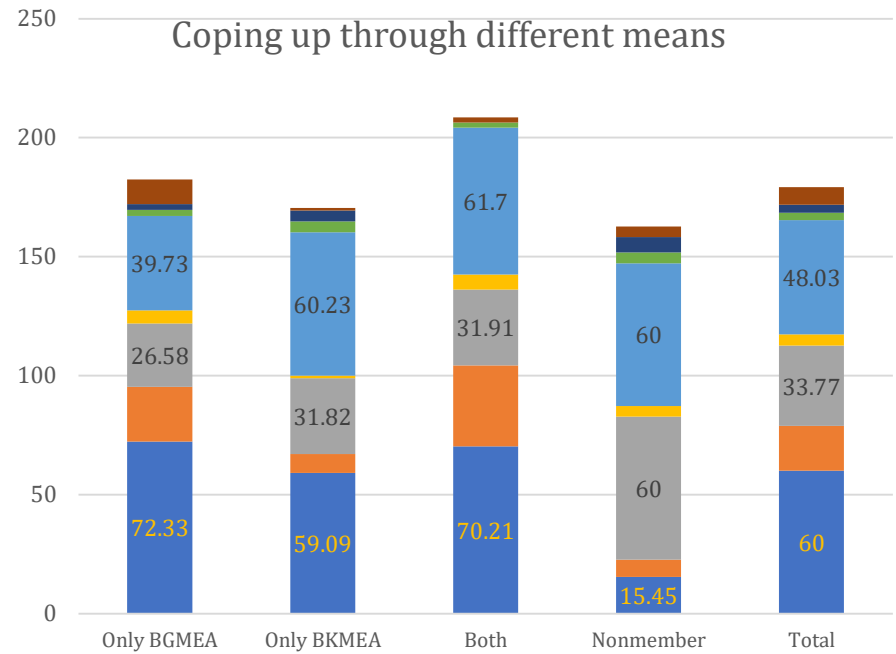
5. Vulnerabilities during COVID Pandemic: Survey

Coping up through different means



- Others
- Fund from local buyers (factory)
- Fund from buyers (brand)
- Encashed bank deposits (such as fixed deposits, savings certificates, etc.)
- Sold assets (land, building, etc.)
- Took loan from informal sources (loan from relatives, friends)
- Took loan from banks/other financial institutions
- Applied for loan under stimulus package

Coping up through different means



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5. Vulnerabilities during COVID Pandemic: Survey

- **Changes in employment:** **Male-female ratio of workers** in sample enterprises have observed **some changes** during covid period (between Dec., 19 and Sept., 20)
 - 36% factories did not experience any change
 - 32% factories experienced higher share of male workers
 - 32.2% factories experienced higher share of female workers
- Although average ratio of male and female workers in the factories was **unchanged** during covid period, about **one third of factories experienced** lower ratio of female workers compared to that pre-covid period
 - Similarly, one third of factories experienced lower ratio of male workers
 - Retrenchment of male workers was relatively high (10% or more) in case of Narayangonj and Chittagong
- Majority of factories found with **very few 'laid-off' of workers** during covid pandemic period -the share of retrenched workers is as low as 2.2%

Changes in Male-female worker ratio	No of factories
Unchanged	218 (35.7%)
Higher ratio for Male	195 (31.9%)
Higher ratio for Female	197 (32.3%)
Total	610

Total Worker in Dec'19	540696
Retrenched Workers	14682
% of worker officially laid off	2.72

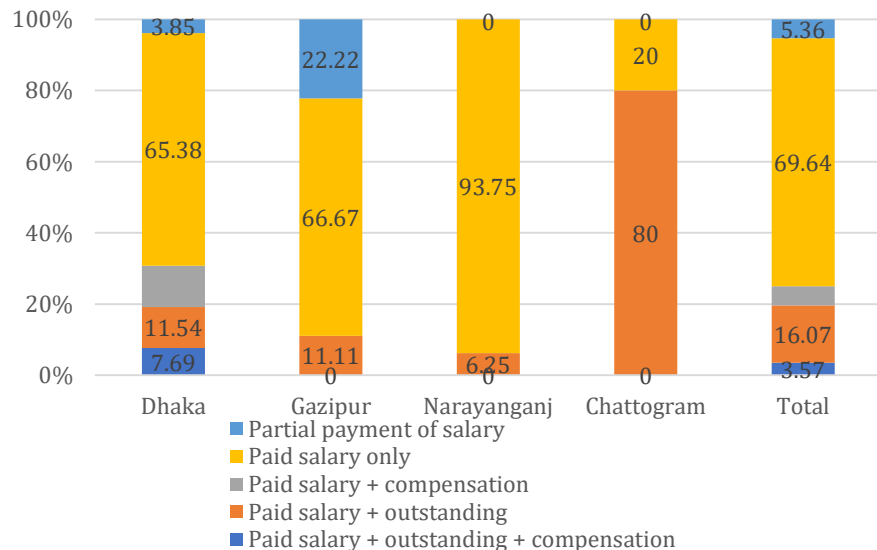
5. Vulnerabilities during COVID Pandemic: Survey

- **Changes in employment:** Considering changes in employment between pre-covid and covid period reveals that over **50% of factories have less workers** in September, 2020 compared to what they had in December, 2019
 - **High rate of retrenchment** (over 10% of total work force) was happened in small factories compared to that in medium and large factories
- It was informally agreed that **those who received stimulus package** would not retrenched workers
 - Factories official record shows total laid off workers is 2.2%
 - On the other hand, workers who lost **jobs during this period is 13.9%**
- This would mean that official record would indicate a laid off of workers of **56372 workers**
 - At the same time, a total of **357,450 workers** were lost their jobs out of 25,62,383 workers working in the RMG factories (MiB database)
- **Shut down of factories:** It is to be noted **retrenchment was also** happened due to shutdown of factories
 - As many as **232 factories were closed** down of which 180 factories are associated with BGMEA
 - This accounted for **6% of total** factories

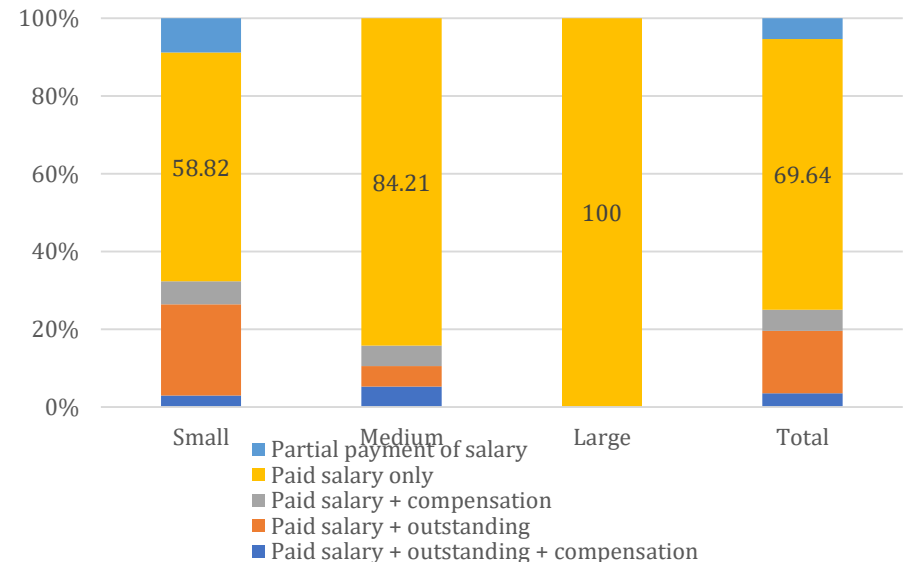
5. Vulnerabilities during COVID Pandemic: Survey

- **Process followed for laid off:** Majority of factories **did not follow the lay-off and termination rules**
 - **Only 3.6% complied** with the compensation principle (paid salary, outstanding and compensation)
 - About **70% of factories** paid the salary only
 - **Non-compliance is much higher** in factories located in **Narayanganj** and **large size factories**

Terms of termination benefits provided in most cases of terminated non-production staffs



Terms of termination benefits provided in most cases of terminated non-production staffs



5. Vulnerabilities during COVID Pandemic: Survey

- **Recruitment of workers:** Even factories went for recruitment during this period
- About **59.5% of factories recruited** new workers during covid period
- **All categories of** factories recruited workers during this period
- BKMEA member factories recruited more
 - Non-member factories recruited less
- Recruitment of workers were **high in Dhaka and Gazipur** districts
- It is alleged that **a section of enterprises recruited their retrenched workers** at a lower wage rate and on temporary basis

Newly recruited workers who had been recruited between March, 2020-September, 2020, were working in September, 2020	No Workers Recruited	Recruited	Total
Small	43.9	56.0	100
Medium	36.1	63.8	100
Large	36.6	63.4	100
Total	40.3	59.5	100

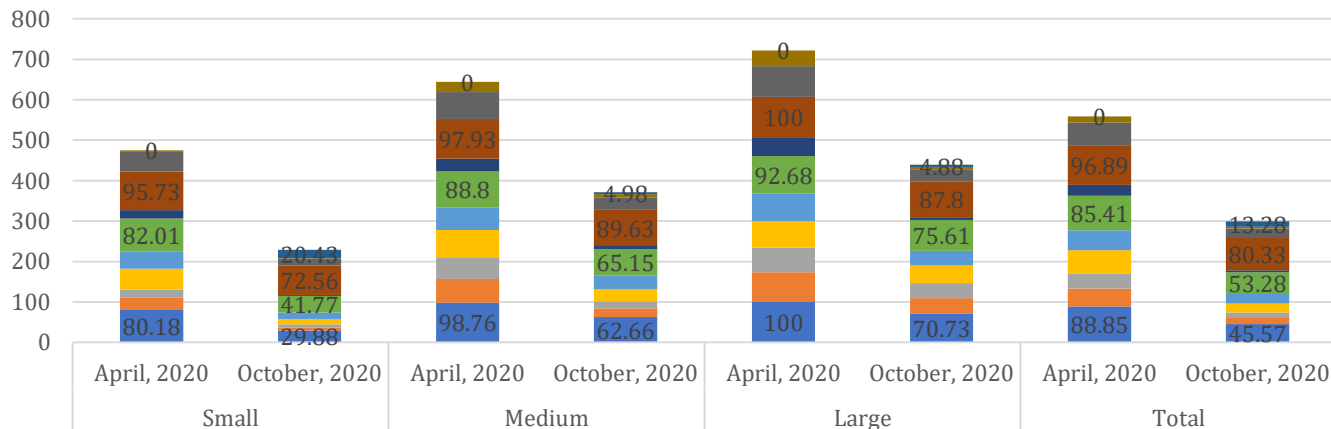
Newly recruited workers who had been recruited between March, 2020-September, 2020, were working in September, 2020	No Workers Recruited	Recruited	Total
Only BGMEA	39.2	60.7	100
Only BKMEA	34.1	66.0	100
Both	42.6	57.5	100
Nonmember	48.2	51.9	100
Total	40.3	59.5	100

Newly recruited workers who had been recruited between March, 2020-September, 2020, were working in September, 2020	No Workers Recruited	Recruited	Total
Dhaka	38.6	61.5	100
Gazipur	35.5	64.5	100
Narayanganj	46.5	53.5	100
Chattogram	49.3	50.7	100
Total	40.3	59.5	100

5. Vulnerabilities during COVID Pandemic: Survey

- **Safety measures in the workplace:** Factories largely followed **three types of measures** for workplace safety against corona virus
 - Checking body temperature, sanitizing workers, wearing masks
 - Over time **application of all these and other measures** have declined
- **Wearing face masks** which was most applied in April (96%) have reduced (80%)
 - **Sanitising workers and checking body temperatures** have reduced to almost half now compared to the initial period
- Practice of safety measures **declined in all categories of factories**
 - Small scale factories observed the highest drop in all kinds of measures
- As high as **13.3% of factories reported** to have no measures taken

Changes in Health and Safety Measures



6. Emergency Support and Entrepreneurs' Responses

- **Fiscal and monetary policy support:** Factories have tried to get different fiscal and monetary policy support during covid period
- About **46% factories took the facility** of delayed payment of utility bills
 - **33% factories took** the facility of delayed payment of bank loan
 - **Only a few (1.3%) took other loan** than stimulus package
- The **question is why** other factories did not take that facility given their liquidity constraints during April-June, 2020?

Received any other loan under stimulus package (e.g., loan for SMEs, loan for large scale industries, loan from export development fund)	Freq.	Percent
Yes	8	1.31
No	315	51.64
Eligible but did not apply	205	33.61
Not eligible	80	13.11
Others (e.g., pending)	2	0.33
Total	610	100

Taking the facility of delayed payment of bank loan (Other than loan provided under stimulus package) installment till December, 2020	Freq.	Percent
Yes	200	32.79
Partial	68	11.15
No	342	56.07
Total	610	100

Taking the facility of delayed payment of different utility bills (e.g., electricity bill, gas bill, water bill, VAT payment) from April to June, 2020?	Freq.	Percent
Yes	283	46.39
No	327	53.61
Total	610	100

6. Emergency Support and Entrepreneurs' Responses

- **Commercial loan:** The loan facility other than stimulus package had been taken at a smaller scale
 - Mainly by **large factories (5%)** followed by medium and small factories
- Majority of factories did not apply for that (51.6%)
- **33.6% factories** claimed that they were eligible but did not apply for such loan
 - Mainly medium (47%) and large factories (32%)
- The question is why other factories did not take that facility given their liquidity constraints during April-June, 2020?

Received any other loan under stimulus package (e.g., loan for SMEs, loan for large scale industries, loan from export development fund)	Small	Medium	Large	Total
Yes	0.61	1.66	4.88	1.31
No	51.22	50.21	63.41	51.64
Eligible but did not apply	23.48	47.72	31.71	33.61
Not eligible	24.39	0	0	13.11
Others (e.g., pending)	0.3	0.41	0	0.33
Total	100	100	100	100

6. Emergency Support and Entrepreneurs' Responses

- **Subsidized credit:** About 70% of factories applied for subsidized credit under government's stimulus package
 - Of which 65% for four months and 4% applied for two months
 - 17% factories indicated that they did not apply because of non-eligibility
- It is important to consider providing support under the stimulus packages to cover all types of enterprises which are partially or fully involved in export-oriented activities

Applied for credit for workers' wages under the government stimulus package	Freq.	Percent
Yes (for four months)	398	65.25
Yes (for two months)	24	3.93
Non-eligible and did not apply	102	16.72
Eligible but did not apply	70	11.48
Others	16	2.62
Total	610	100

6. Emergency Support and Entrepreneurs' Responses

- **Subsidized credit:** A major part of enterprises (58%) did not apply because of complicated procedures – mainly those which are small factories (67%)
 - However, large factories did not apply because they do not need fund (80%)
 - A small share of small factories (6.6%) did not apply because they are not capable of paying the installed amount
 - Complicated procedures are mentioned by factories located in Chittagong and Dhaka

Eligible but did not apply (Reason)	Small	Medium	Large	Total
Did not need fund/ Had enough own fund to pay salary and other expenses	26.23	57.69	80.00	38.04
Application procedure was complicated	67.21	42.31	20.00	57.61
Not capable to pay installed amount	6.56	0.00	0.00	4.35
Total	100	100	100	100

Eligible but did not apply (Reason)	Dhaka	Gazipur	Narayanganj	Chattogram	Total
Did not need fund/ Had enough own fund to pay salary and other expenses	31.43	52.38	50.00	18.75	38.04
Application procedure was complicated	65.71	47.62	40.00	75.00	57.61
Not capable to pay installed amount	2.86	0.00	10.00	6.25	4.35
Total	100	100	100	100	100

6. Emergency Support and Entrepreneurs' Responses

- **MFS/Bank Account Use:** About 50% of total factories did not provide wages through bank account/mobile financial services
 - Due to wage payment through MFS under stimulus package **major improvement happened**
 - Use of MFS/bank account was **lowest in Gazipur and Dhaka** and **highest in Narayanganj**. It is important to look into this issue
- MFS/bank account facilities were **highly used by large factories** (87.8%) and medium factories (72.6%)
 - It is used at the lowest level in case of **small scale factories (29%)**

Workers received wages through bank account/mobile financial services in September 2020	Dhaka	Gazipur	Narayanganj	Chattogram	Total
Workers did not receive	50.22	36	70.18	54.79	49.84
Workers received	49.78	64	29.82	45.21	51.16

Workers received wages through bank account/mobile financial services in September 2020	Small	Medium	Large	Total
Workers did not receive	71.04	27.39	12.2	49.84
Workers received	28.96	72.61	87.8	51.16

6. Emergency Support and Entrepreneurs' Responses

- **MFS/Bank Account Use:** Unfortunately, a **large section of factories (29.3%)** which have provided wages through bank account under stimulus package did not continue that afterwards
 - This is high in case of **small factories (44.5%)** followed by medium (22%) and large (14%).
- **Factories should continue providing** wages through bank account which ensures transparency and accountability

Table on A30 by size and if A26=Yes—Factory received credit for workers' wages

A30	Small	Medium	Large	Total
Not Received	44.53	22.17	13.51	29.27
1 to 100	3.65	0	0	1.3
101 to 500	51.09	6.6	2.7	22.02
501 to 1000	0.73	28.3	0	15.8
1001 to 2000	0	35.85	2.7	19.95
2001 to 5000	0	6.6	67.57	10.1
5001 & Above	0	0.47	13.51	1.55
Total	100	100	100	100

6. Emergency Support and Entrepreneurs' Responses

- **Monthly credit received:** Monthly credit support received by factories varied according to total number of workers of the factories and their wage structure
 - The instalment of credit was highest within the **ranges of Tk.50 lac-1 crore (22%)**
 - In case of small scale factories, the highest range of loan was **Tk.10-20 lac**; for medium Tk. 1 crore-2 crore and in case of large factories it was **Tk.2-5 crore**

Monthly average amount of credit received under the stimulus package	Dhaka	Gazipur	Narayanganj	Chattogram	Total
Tk 250000 to 1000000	2.16	4.02	11.83	7.5	4.94
Tk 1000001 to 2000000	7.24	6.7	13.53	10	8.3
Tk 2000001 to 3000000	10.83	4.69	13.55	15	9.34
Tk 3000001 to 4000000	13.74	8.05	8.46	15	10.89
Tk 4000001 to 5000000	8.68	6.04	5.07	0	6.23
Tk 5000001 to 10000000	22.41	20.78	20.31	30	22.32
Tk 10000001 to 20000000	13.74	27.49	11.84	12.5	18.68
Tk 20000001 to 50000000	14.46	12.74	8.45	10	12.46
Tk 50000001 to 300000000	6.5	9.38	6.77	0	7.02

Monthly average amount of credit received under the stimulus package	Small	Medium	Large	Total
Tk 250000 to 1000000	13.14	0.47	0	4.94
Tk 1000001 to 2000000	22.63	0.47	0	8.3
Tk 2000001 to 3000000	21.9	2.83	0	9.34
Tk 3000001 to 4000000	18.98	7.54	0	10.89
Tk 4000001 to 5000000	6.57	7.06	0	6.23
Tk 5000001 to 10000000	13.87	31.11	2.7	22.32
Tk 10000001 to 20000000	1.46	32.05	5.41	18.68
Tk 20000001 to 50000000	1.46	11.78	56.75	12.46
Tk 50000001 to 300000000	0	6.58	35.12	7.02

6. Emergency Support and Entrepreneurs' Responses

- **Monthly instalment of payment:** Majority of factories need to pay a monthly instalment of credit within the range of **Tk.20-50 lac (23%)**, Tk.10-20 lac (21%) and Tk.5-10 lac (20.8%)
 - Monthly instalment for **small scale factories are relatively lower (Tk.5-10 lac)** followed by medium factories (Tk.20-50 lac) and large factories (Tk.50 lac-1 crore)
 - Thus instalments are at moderate level for payment. Despite that a **section of small factories did not apply** due to lack of their capacity to pay the instalment
 - Government has extended **initial grace period from 6 months to 8 months**

Monthly repayment installment	Only BGMEA	Only BKMEA	Both	Nonmember	Total
Tk 45000 to 100000	1.08	3.78	0	5.88	1.56
Tk 100001 to 200000	1.78	11.34	0	11.76	3.38
Tk 200001 to 500000	10.4	28.32	2.78	29.4	12.97
Tk 500001 to 1000000	22.57	15.11	16.68	17.64	20.79
Tk 1000001 to 2000000	20.75	18.89	25.01	23.52	21.04
Tk 2000001 to 5000000	25.8	11.33	30.56	0	23.11
Tk 5000001 to 10000000	10.73	5.67	13.9	0	9.87
Tk 10000001 to 800000000	7.19	5.67	11.12	11.76	7.54

Monthly repayment installment	Small	Medium	Large	Total
Tk 45000 to 100000	3.65	0.47	0	1.56
Tk 100001 to 200000	9.49	0	0	3.38
Tk 200001 to 500000	31.39	3.3	0	12.97
Tk 500001 to 1000000	35.77	14.6	0	20.79
Tk 1000001 to 2000000	15.33	27.77	2.7	21.04
Tk 2000001 to 5000000	3.65	36.27	18.91	23.11
Tk 5000001 to 10000000	0.73	8.49	51.33	9.87
Tk 10000001 to 800000000	0	8.93	27	7.54

6. Emergency Support and Entrepreneurs' Responses

- **Monthly instalment of payment:** In majority of cases, this monthly instalment of credit was within **the range of 5-10% of total monthly income**
 - Both the highest and lowest amount to be paid by factories located in

Narayanganj

Monthly instalments as % of monthly income.

B28_B32	Dhaka	Gazipur	Narayanganj	Chattogram	Total
>0% to 5%	38.41	29.53	47.46	10	33.42
>5% to 10%	33.33	36.91	18.64	50	34.2
>10% to 25%	14.49	21.48	11.86	35	18.91
>25% to 40%	2.9	1.34	8.47	5	3.37
>41% to 50%					
>51% to 65%					
>65% to 80%	1.45	0.67	0	0	0.78
>80% to 95%	0.72	0.67	1.69	0	0.78
>95%	8.7	9.4	11.86	0	8.55
Total	100	100	100	100	100

Membership wise (Monthly instalments as % of monthly income).

B28_B32	Only BGMEA	Only BKMEA	Both	Nonmember	Total
>0% to 5%	31.07	33.96	50	35.29	33.42
>5% to 10%	37.5	28.3	25	17.65	34.2
>10% to 25%	19.64	18.87	11.11	23.53	18.91
>25% to 40%	2.86	7.55	0	5.88	3.37
>41% to 50%					
>51% to 65%					
>65% to 80%	0.71	1.89	0	0	0.78
>80% to 95%	0.36	0	2.78	5.88	0.78
>95%	7.86	9.43	11.11	11.76	8.55
Total	100	100	100	100	100

7. Preparedness against Vulnerability and Risk-coping Strategies

- **Business continuity plan:** About 60% factories indicated that they have some form of business continuity plan in written form as well as emergency plan (written) and contingency plan (written)
 - This is largely prevailed in case of factories located in Gazipur (68%) and lowest in case of Narayanganj (40%)
 - Large and medium size enterprises (93% & 79% respectively) are way ahead in case of having such plans compared to that of small enterprises (40%)

Have business continuity plan (written), emergency plan (written) and contingency plan (written) for the crisis period	Dhaka	Gazipur	Narayanganj	Chattogram	Total
Yes	62.33	67.5	40.35	53.42	58.85
No	37.67	32.5	59.65	46.58	41.15
Total	100	100	100	100	100

Have business continuity plan (written), emergency plan (written) and contingency plan (written) for the crisis period	Small	Medium	Large	Total
Yes	39.94	78.84	92.68	58.85
No	60.06	21.16	7.32	41.15
Total	100	100	100	100

7. Preparedness against Vulnerability and Risk-coping Strategies

- **Training:** Factories provided training with regard to business continuity plan/emergency action plan to the senior or mid-level management
 - Mainly by **large and medium sized enterprises** & enterprises located in Gazipur and Dhaka
 - **Small scale enterprises** and Narayanganj based enterprises are **behind**

Providing training on business continuity plan/emergency action plan to the senior or mid-level management	Small	Medium	Large	Total
Yes	42.68	75.93	95.12	59.34
No	57.32	24.07	4.88	40.66
Total	100	100	100	100

Providing training on business continuity plan/emergency action plan to the senior or mid-level management	Dhaka	Gazipur	Narayanganj	Chattogram	Total
Yes	60.99	69	35.96	64.38	59.34
No	39.01	31	64.04	35.62	40.66
Total	100	100	100	100	100

Providing training on business continuity plan/emergency action plan to the senior or mid-level management	Only BGMEA	Only BKMEA	Both	Nonmember	Total
Yes	70.14	47.73	68.09	29.09	59.34
No	29.86	52.27	31.91	70.91	40.66
Total	100	100	100	100	100

7. Preparedness against Vulnerability and Risk-coping Strategies

- **Exercise/execute those plans:** These plans are not just prepared but also been exercised by factories
 - All categories of factories which have these plans have exercised those plans
 - There is little difference observed between factories in terms of size and location and membership of factories

If b_17 = Yes, did factories ever exercise/execute those plans	Small	Medium	Large	Total
Yes	95	97.81	100	96.96
No	5	2.19	0	3.04
Total	100	100	100	100

If b_17 = Yes, did factories ever exercise/execute those plans	Dhaka	Gazipur	Narayanganj	Chattogram	Total
Yes	98.53	94.93	100	95.74	96.96
No	1.47	5.07	0	4.26	3.04
Total	100	100	100	100	100

7. Preparedness against Vulnerability and Risk-coping Strategies

- **Vulnerability/ security threat assessment:** A large section of factories have made their assessment with regard to vulnerability/ security threat considering any large-scale crisis
 - The practice is rather high in case of BGMEA member factories compared to that in BKMEA factories. Narayanganj-based factories are behind (47%)

Vulnerability/ security threat assessment of factory considering any large-scale crisis	Dhaka	Gazipur	Narayanganj	Chattogram	Total
Yes	71.3	70.5	47.37	68.49	66.23
No	28.7	29.5	52.63	31.51	33.77
Total	100	100	100	100	100

Vulnerability/ security threat assessment of factory considering any large-scale crisis	Only BGMEA	Only BKMEA	Both	Non-member	Total
Yes	71.23	59.09	72.34	52.73	66.23
No	28.77	40.91	27.66	47.27	33.77
Total	100	100	100	100	100

Vulnerability/ security threat assessment of factory considering any large-scale crisis	Small	Medium	Large	Total
Yes	60.37	73.03	73.17	66.23
No	39.63	26.97	26.83	33.77
Total	100	100	100	100

7. Preparedness against Vulnerability and Risk-coping Strategies

- **Special assignment officer/team:** 54% factories assigned special officer/team in case of taking preparation vulnerability/ security threat related crisis
 - Mainly in case of large scale factories followed by medium sized ones
 - Less in case of factories located in Narayanganj

Special assignment officer/team in case of taking preparation on vulnerability/ security threat related crisis	Small	Medium	Large	Total
Yes	39.02	67.22	90.24	53.61
No	60.98	32.78	9.76	46.39
Total	100	100	100	100

Special assignment officer/team in case of taking preparation on vulnerability/ security threat related crisis	Dhaka	Gazipur	Narayanganj	Chattogram	Total
Yes	55.16	56.5	43.86	56.16	53.61
No	44.84	43.5	56.14	43.84	46.39
Total	100	100	100	100	100

7. Preparedness against Vulnerability and Risk-coping Strategies

- **Identified redundancies:** 70% enterprises have identified at least some redundancies in their factories particularly in case of utility usages, wastages, machine capacities and others between 2017—2019
 - This is mainly observed more in case of large and medium size factories
- Majority of factories which claimed to identified redundancies have taken action against those
 - Majority of factories benefitted by taking measures to reduce per unit/per month cost during 2017-2019

Identifying redundancies in factories between 2017—2019 for cost cutting	Small	Medium	Large	Total
Yes	61.28	78.84	87.8	70
No	38.72	21.16	12.2	30
Total	100	100	100	100

If identified, then firms taking measures to adjust those redundancies between 2017 and 2019	Small	Medium	Large	Total
Yes	95.02	96.84	100	96.25
No	4.98	3.16	0	3.75
Total	100	100	100	100

If measures were taken, did that help to reduce per unit/per month cost during 2017-2019	Small	Medium	Large	Total
Yes	93.72	95.65	100	95.13
No	6.28	4.35	0	4.87
Total	100	100	100	100

7. Preparedness against Vulnerability and Risk-coping Strategies

- **Recycling/cost-saving technology use:** Despite having policies and operation to address vulnerabilities, **investment on related physical facilities is rather low**
 - Only **40% factories mentioned** that they took initiatives to recycle wastages/excess inputs generated during 2017-2019
 - Only 50% factories mentioned that they installed cost-saving technologies
 - **Small scale enterprises** are behind compared to that of other categories of enterprises; Narayangonj based and partly Chittagong based factories are behind
- Majority of favorites took major management decision immediately after the crisis (89%)

Undertaking any initiative to recycle wastages/excess inputs generate between 2017 and 2019	Small	Medium	Large	Total
Yes	35.98	41.91	65.85	40.33
No	64.02	58.09	34.15	59.67
Total	100	100	100	100

Installation of any cost-saving technologies between 2017 and 2019	Small	Medium	Large	Total
Yes	39.63	61	68.29	50
No	60.37	39	31.71	50
Total	100	100	100	100

7. Preparedness against Vulnerability and Risk-coping Strategies

- **Alternate sources for procurement of raw materials:** A large number of factories (43%) do not have alternate sources for procurement of raw materials in case regular sources are found to be unavailable
 - This is a major problem for over 50% of small factories, 35% of medium factories and 29% of large factories
 - Depending on a single source is a major weakness for smooth operation particularly during the time of crisis
- **Narayangonj and Chittagong based enterprises** are behind in terms of diversifying the sources of raw materials

Having alternate sources for procurement of raw materials in case regular sources are found to be unavailable	Small	Medium	Large	Total
Yes	48.48	65.15	70.73	56.56
No	51.52	34.85	29.27	43.44
Total	100	100	100	100

Having alternate sources for procurement of raw materials in case regular sources are found to be unavailable	Dhaka	Gazipur	Narayanganj	Chattogram	Total
Yes	65.02	58	43.86	46.58	56.56
No	34.98	42	56.14	53.42	43.44
Total	100	100	100	100	100

7. Preparedness against Vulnerability and Risk-coping Strategies

- During January-March, 2020 about **15% factories were in trouble** due to shortages of raw materials
 - Large factories which required bulk amount of raw materials fall in trouble more in this case
 - Majority of factories (57%) procured raw materials from alternate sources at a limited scale
 - Narayanganj based factories procured more from alternate sources compared to other sources

Facing shortages of raw materials during January-March, 2020	Small	Medium	Large	Total
Yes	14.94	12.03	24.39	14.43
No	85.06	87.97	75.61	85.57
Total	100	100	100	100

If b_20 = 1, did you procure from any alternate sources	Small	Medium	Large	Total
Yes	59.18	51.72	60	56.82
No	40.82	48.28	40	43.18
Total	100	100	100	100

If b_20 = 1, did you procure from any alternate sources	Dhaka	Gazipur	Narayanganj	Chattogram	Total
Yes	59.38	50	68.75	50	56.82
No	40.63	50	31.25	50	43.18
Total	100	100	100	100	100

7. Preparedness against Vulnerability and Risk-coping Strategies

- **Covid-19 related health safety guideline:** About 40% factories mentioned that they arranged training for all staffs/workers following Covid-19 related health safety guideline prepared by DIFE/BGMEA
 - Majority of large enterprises did the training while the rate was almost half for small scale enterprises
 - Chittagong based factories were far behind in providing training
 - DIFE's strong monitoring is necessary in order to ensure proper training at the factories

Conducting training for all staffs/workers based on the Covid-19 related health safety guideline shared by DIFE/BGMEA	Small	Medium	Large	Total
Yes, all	32.62	48.55	60.98	40.82
Yes, partial	28.35	29.88	26.83	28.85
No	39.02	21.58	12.2	30.33
Total	100	100	100	100

Conducting training for all staffs/workers based on the Covid-19 related health safety guideline shared by DIFE/BGMEA	Dhaka	Gazipur	Narayanganj	Chattogram	Total
Yes, all	43.05	41	51.75	16.44	40.82
Yes, partial	22.87	31.5	34.21	31.51	28.85
No	34.08	27.5	14.04	52.05	30.33
Total	100	100	100	100	100

7. Preparedness against Vulnerability and Risk-coping Strategies

- **Brands/buyers' supportive measures:** Majority of factories (86%) indicated that brands/buyers did not take supportive measures during the period of pandemic
 - With regard to factories' financial and workers' health related concerns
- About 10% of small factories indicated few measures undertaken by factories including providing health safety equipment, paid medical expenses and provided training on ways to avoid getting infected

Brands/buyers helped factories in any nonfinancial ways	Small	Medium	Large	Total
Yes, paid for the medical expenses related to Covid-19	2.90	0.81	0.00	1.90
Provided health safety equipment for the workers (sanitizer, gloves, masks, face shields, etc.)	4.06	2.83	0.00	3.32
Provided training on ways to avoid getting infected	2.61	3.64	2.44	3.00
Not applicable (e.g., subcontract factory)	10.43	0.40	0.00	5.85
No, the brands did not help	80.00	92.31	97.56	85.94
Total	100	100	100	100

Brands/buyers helped factories in any nonfinancial ways	Dhaka	Gazipur	Narayanganj	Chattogram	Total
Yes, paid for the medical expenses related to Covid-19	4.88	0.00	0.00	0.00	1.90
Provided health safety equipment for the workers (sanitizer, gloves, masks, face shields, etc.)	6.10	2.00	0.00	2.74	3.32
Provided training on ways to avoid getting infected	6.10	1.50	0.88	0.00	3.00
Not applicable (e.g., subcontract factory)	8.13	4.50	7.02	0.00	5.85
No, the brands did not help	74.80	92.00	92.11	97.26	85.94
Total	100	100	100	100	100

7. Preparedness against Vulnerability and Risk-coping Strategies

- **New types of orders:** About 12% factories received new types of orders during the time of covid crisis
 - New orders included face masks (48%), PPE & face mask (28%) and PPE (21%)
 - Such new product orders partly helped factories to maintain their business operation during the covid period
 - **Non-member factories** partly survived by supplying these new products

Received orders for new types of products (other than what is usually ordered) from the brands/buyers during Covid-19 period	Small	Medium	Large	Total
Yes	13.72	10.37	2.44	11.64
No	86.28	89.63	97.56	88.36
Total	100	100	100	100

If b_27 = 1, please specify	Small	Medium	Large	Total
Face Mask	44.44	56	0	47.89
Face Mask, PPE	31.11	20	100	28.17
Jacket	0	4	0	1.41
PPE	22.22	20	0	21.13
Tops	2.22	0	0	1.41
Total	100	100	100	100

7. Preparedness against Vulnerability and Risk-coping Strategies

- **Practices for survival:** Diverse practices observed among enterprises to cope up with the crisis
 - A good number of factories took orders during April-September, 2020 which were not even covered their production cost
 - About **10% factories indicated that they had taken 50-100%** of their orders which did not cover their costs
 - Such tendency is rather high in case of factories located in Dhaka and Gazipur – mainly woven factories
 - This rather raised the **purchasing practices of buyers** as well as weak negotiation of the suppliers

If b_33 = 1, what percentage of orders taken between April - September, 2020 did not cover the production cost	Dhaka	Gazipur	Narayanganj	Chattogram	Total
1 to 5	14.55	5.88	33.33	0	11.45
6 to 10	16.36	14.71	13.33	18.52	16.03
11 to 15	10.91	14.71	13.33	7.41	11.45
16 to 20	10.91	26.47	20	29.63	19.85
21 to 30	16.36	20.59	20	11.11	16.79
31 to 50	16.36	8.82	0	25.93	14.5
51 to 100	14.55	8.82	0	7.41	9.92
Total	100	100	100	100	100

8. Resilience and Recovery from the COVID Crisis

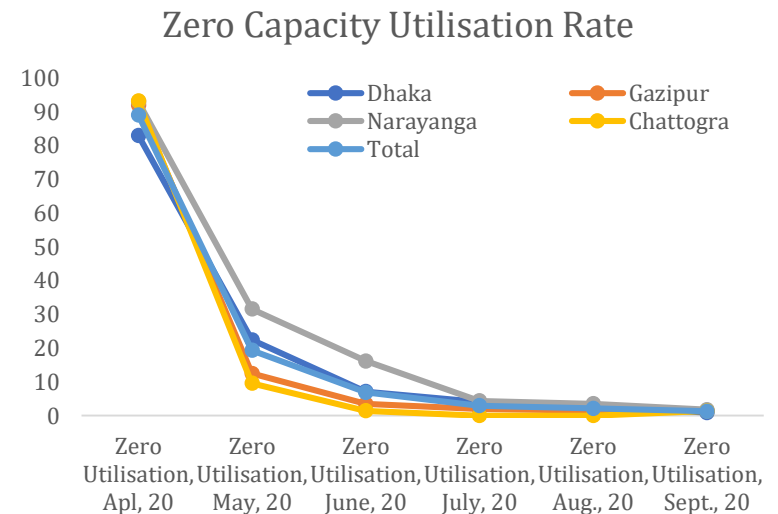
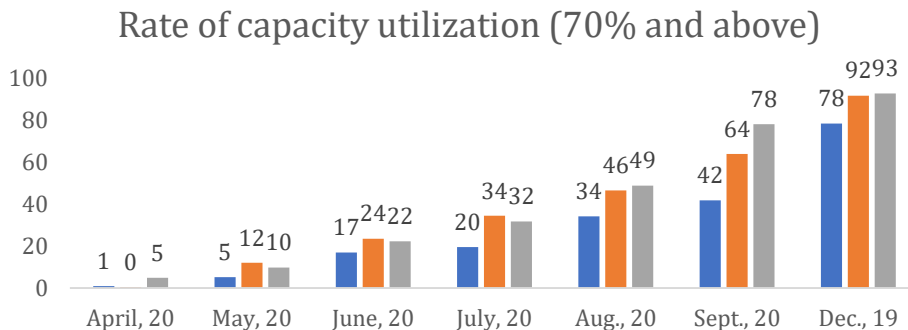
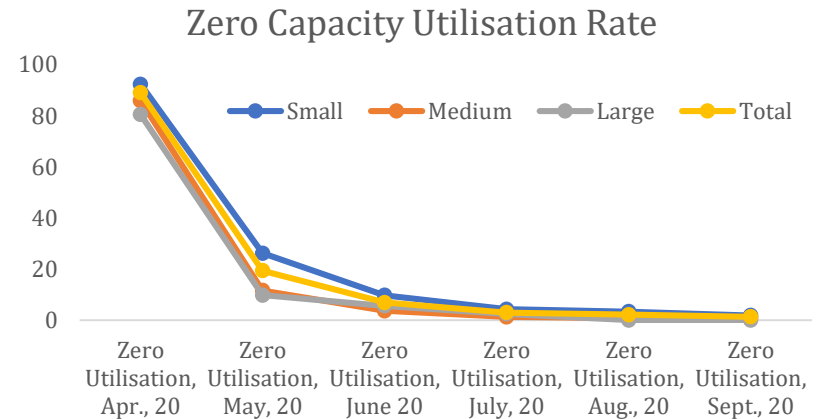
- **Contact with new buyers/brands:** About half of the enterprises tried to contact with new buyers/brands with whom they did not do business during last three years (2017-19)
 - The tendency is slightly higher in case of small factories (53%) followed by medium factories (52%)
 - Even 25% of them who contacted were successful in getting orders – mainly small factories (29%)

Trying to contact new buyers/brands (whom a firm did not do business in 2017-2019) for orders during March-September, 2020	Small	Medium	Large	Total
Yes	53.35	51.87	46.34	52.3
No	46.65	48.13	53.66	47.7
Total	100	100	100	100

If b_29 = 1, did you receive orders from new buyers/brands during April – September, 2020	Small	Medium	Large	Total
Yes	28.57	21.6	15.79	25.08
No	71.43	78.4	84.21	74.92
Total	100	100	100	100

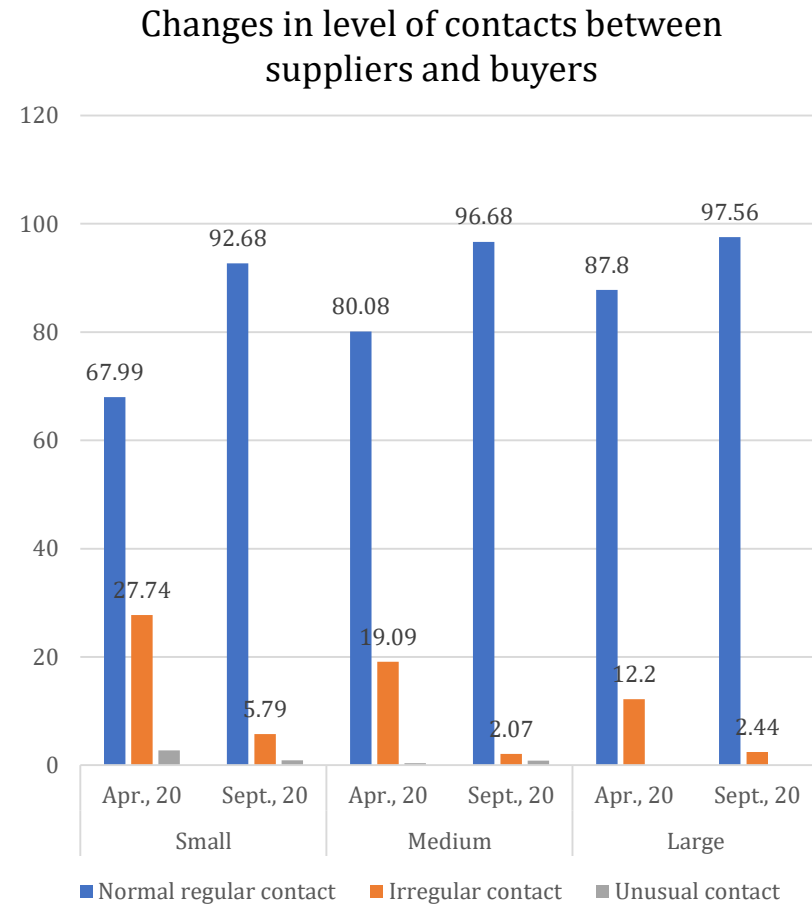
8. Resilience and Recovery from the COVID Crisis

- **Capacity utilization: Enterprise's capacity utilization has improved** overtime with the rise in production orders
 - From as high as **89%** zero capacity utilization in April, 2020 to as low as **1.3%** in September, 2020
 - Though the pattern is almost same for all categories of enterprises, the pace of reduction of zero capacity was **slower for small scale factories and factories located in Narayangonj**
- The **gap in capacity utilization** between large and small factories have been **widened overtime**
- In other words, **recovery is slow** in case of small factories



8. Resilience and Recovery from the COVID Crisis

- **Restoring business contact with buyers:**
Business contact with buyers have been almost fully restored
 - Normal business contact which was lost by small factories during April, 2020 (68%) have increased to 93% in September, 2020
 - This would help the small enterprises to be engage with buyers more effectively for the future orders and their predictability
- Brands and buyers have taken positive move to be more engaging with suppliers in the country
 - Still 8% small factories complained about irregular contact with their suppliers



8. Resilience and Recovery from the COVID Crisis

- **Orders for the next six months:** Regarding the orders for the next six months (November, 2020- April, 2021), **only 44% factories claimed** that they have certainly in orders
 - The rest **56% have different level** of uncertainty; even 11% factories indicated high uncertainty with regard to orders for the next 6 months
 - These factories are mainly small scale factories and partly medium scale factories
- Level of uncertainty is **higher for factories located in Chittagong**

Condition of orders for the next 6 months (November, 2020-April, 2021)	Small	Medium	Large	Total
Highly Uncertain	16.16	6.22	2.44	11.31
Moderately Uncertain	46.04	45.23	29.27	44.59
Certain	37.8	48.55	68.29	44.1
Total	100	100	100	100

Condition of orders for the next 6 months (November, 2020-April, 2021)	Dhaka	Gazipur	Narayanganj	Chattogram	Total
Highly Uncertain	11.66	10	12.28	12.33	11.31
Moderately Uncertain	41.26	47.5	36.84	58.9	44.59
Certain	47.09	42.5	50.88	28.77	44.1
Total	100	100	100	100	100

8. Resilience and Recovery from the COVID Crisis

- **Price of raw materials:** Majority of enterprises mentioned that price of raw materials was higher in September, 2020 compared to that in March, 2020
 - This is claimed mainly by small and medium size enterprises
 - Narayanganj based factories particularly knit factories claimed that more
 - Despite the lower level of global demand of apparels why the price of raw materials increased – needs to explore?

In September, 2020, change in the price (per unit of order) of the raw materials compared to that in before March, 2020?	Small	Medium	Large	Total
The price of raw materials is lower than before	1.22	2.07	0	1.48
The price of raw materials is higher than before	72.56	70.95	56.1	70.82
Same as before	26.22	26.97	43.9	27.7
Total	100	100	100	100

In September, 2020, change in the price (per unit of order) of the raw materials compared to that in before March, 2020?	Dhaka	Gazipur	Narayanganj	Chattogram	Total
The price of raw materials is lower than before	1.35	2.5	0.88	0	1.48
The price of raw materials is higher than before	73.99	69.5	86.84	39.73	70.82
Same as before	24.66	28	12.28	60.27	27.7
Total	100	100	100	100	100

8. Resilience and Recovery from the COVID Crisis

- **Shipment cost:** Rising shipment cost is also indicated as a new concern for the factories
 - Majority of Chattogram-based factories did not experience higher shipping cost

In September, 2020, change in the price (per unit of order) of shipping cost compared to that in before March, 2020	Small	Medium	Large	Total
The shipping cost is higher than before	61.28	63.07	60.98	61.97
The shipping cost is lower than before	4.27	2.07	0	3.11
Same as before	34.45	34.85	39.02	34.92
Total	100	100	100	100

In September, 2020, change in the price (per unit of order) of shipping cost compared to that in before March, 2020	Dhaka	Gazipur	Narayanganj	Chattogram	Total
The shipping cost is higher than before	61.43	66.5	71.93	35.62	61.97
The shipping cost is lower than before	3.59	2.5	5.26	0	3.11
Same as before	34.98	31	22.81	64.38	34.92
Total	100	100	100	100	100

8. Resilience and Recovery from the COVID Crisis

- **Wage cost:** Majority of factories indicated that wage cost **remained at the same** level in September, 2020 compared to that in pre-covid level
 - Since workers expenditure has increased during the last one year, it is important to ensure timely increment for workers
 - **Brands and buyers should adjust that additional** expenses of suppliers in their orders

In September, 2020, change in the price (per unit of order) of wage cost compared to that in before March, 2020	Small	Medium	Large	Total
The wage cost is lower than before	3.66	0.83	0	2.3
The wage cost is higher than before	34.45	27.39	24.39	30.98
Same as before	61.89	71.78	75.61	66.72
Total	100	100	100	100

In September, 2020, change in the price (per unit of order) of non-industrial costs compared to that in before March, 2020	Small	Medium	Large	Total
Non-industrial costs (interest payment, other charges) are lower than before	1.22	1.24	0	1.15
Non-industrial costs (interest payment, other charges) are higher than before	46.65	58.09	48.78	51.31
Same as before	52.13	40.66	51.22	47.54
Total	100	100	100	100

8. Resilience and Recovery from the COVID Crisis

- **Recruitment of workers:** Factories recruited workers during the period of covid in order to continue their business operation
 - Thanks to continued demand for production workers in the factories
- As many as **58.7% of factories** recruited new workers
 - The distribution in terms of size include 56% of small factories, 64% of medium factories and 63% of large factories
- The number of recruitment of workers depend on the size of factories and demand for workers
 - Highest share of factories recruited are located in Dhaka and Gazipur region
 - Less recruitment observed in Chittagong

New Recruit_a22	Small	Medium	Large	Total
No New Recruitment	144	87	15	246
1-20 Worker	86	7	0	93
21-40 Worker	35	15	0	50
41-60 Worker	31	26	2	59
61-80 Worker	11	6	0	17
81-100 Worker	10	13	2	25
101-200 Worker	7	48	6	61
201-1200 Worker	4	39	16	59
Total	328	241	41	610

New Recruit_a22	Chattogram	Dhaka	Gazipur	Narayanganj	Total
No New Recruitment	36	86	71	53	246
1-20 Worker	12	33	22	26	93
21-40 Worker	3	23	13	11	50
41-60 Worker	7	29	17	6	59
61-80 Worker	1	8	7	1	17
81-100 Worker	0	10	12	3	25
101-200 Worker	7	14	31	9	61
201-1200 Worker	7	20	27	5	59
Total	73	223	200	114	610

8. Resilience and Recovery from the COVID Crisis

- **Retrenchment vs. Recruitment:** As many as **37% factories have been identified** which have both retrenched and recruited workers during the covid period
 - All categories of factories have **recruited at the same level** (which have retrenchment record as well)
 - Recruitment is **higher for Dhaka and Gazipur based** factories (which also retrenched workers) and lower for Chittagong based factories
 - Highest recruitment took place in BKMEA-member factories followed by BGMEA member factories
 - Interestingly, a sizable **share of non-member factories** did the recruitment
- It is alleged that factories which recruited new workers have largely recruited their retrenched **workers but at downgraded level** (e.g. lower grades, lower pay, regular basis, contractual basis etc.)
 - Though workers got the job through this new recruitment, but they lost **entitled benefits due to discontinuation** of their jobs

Size	Recruitment & Retrenchment
Small	115 (35%)
Medium	96 (39%)
Large	15 (36%)
Total (Ret. & Rec.)	226 (37%)

Location	Recruitment & Retrenchment
Dhaka	92 (41.3%)
Gazipur	80 (40%)
Narayanganj	37 (32.4%)
Chattogram	17 (23.2%)
Total (Ret. & Rec.)	226

Membership	Recruitment & Retrenchment
Both	13 (27.7%)
Nonmember	35 (31.8%)
Only BGMEA	141 (38.6%)
Only BKMEA	37 (43.5%)
Total (Ret. & Rec.)	226

8. Resilience and Recovery from the COVID Crisis

- **New business opportunities:** During the time of crisis, **new business opportunities usually emerges** which entrepreneurs intend to avail
 - Unfortunately **only 4% entrepreneurs** mentioned that they have started some new businesses with in RMG or in non-RMG sector during April-September period, 2020
 - This is happened in case of large scale enterprises which are largely located in Dhaka district

Factory owners started any new business (e.g.: RMG/ Non-RMG/other sector/factory expansion) during April-September, 2020	Small	Medium	Large	Total
Yes	4.27	2.49	9.76	3.93
No	81.71	80.08	63.41	79.84
Don't know	14.02	17.43	26.83	16.23
Total	100	100	100	100

Factory owners started any new business (e.g.: RMG/ Non-RMG/other sector/factory expansion) during April-September, 2020	Dhaka	Gazipur	Narayanganj	Chattogram	Total
Yes	5.83	2.5	3.51	2.74	3.93
No	74.89	80	78.95	95.89	79.84
Don't know	19.28	17.5	17.54	1.37	16.23
Total	100	100	100	100	100

8. Resilience and Recovery from the COVID Crisis

- **Exploring new markets:** New markets have been explored but **less by the small** scale enterprises and those located in Chittagong
 - Experience of participation **online stores is very** low (less than 2%)

Explored new markets (Geographical market) during April-September, 2020	Small	Medium	Large	Total
Yes	51.52	64.73	60.98	57.38
No	48.48	35.27	39.02	42.62
Total	100	100	100	100

Explored new markets (Geographical market) during April-September, 2020	Dhaka	Gazipur	Narayanganj	Chattogram	Total
Yes	60.54	63	50	43.84	57.38
No	39.46	37	50	56.16	42.62
Total	100	100	100	100	100

Have ever made products for online stores (international/export market) before March 2020 (before Covid-19)	Small	Medium	Large	Total
Yes	1.83	2.07	2.44	1.97
No	92.68	88.38	78.05	90
Don't know	5.49	9.54	19.51	8.03
Total	100	100	100	100

Have ever made products for online stores (international/export market) before March 2020 (before Covid-19)	Dhaka	Gazipur	Narayanganj	Chattogram	Total
Yes	3.14	2.5	0	0	1.97
No	89.69	88.5	86.84	100	90
Don't know	7.17	9	13.16	0	8.03
Total	100	100	100	100	100

8. Resilience and Recovery from the COVID Crisis

- **Participation in on-line sales:** During the period of covid pandemic, **no noticeable improvement happened** for factories to participate in on-line sales (1.64%)
 - Mainly by **large scale enterprises (2.5%)** followed by medium scale enterprises (1.7%)

Shipped products for online stores during April-September, 2020	Small	Medium	Large	Total
Yes	1.52	1.66	2.44	1.64
No	93.6	91.7	80.49	91.97
Don't know	4.88	6.64	17.07	6.39
Total	100	100	100	100

Shipped products for online stores during April-September, 2020	Dhaka	Gazipur	Narayanganj	Chattogram	Total
Yes	2.69	2	0	0	1.64
No	93.27	90	87.72	100	91.97
Don't know	4.04	8	12.28	0	6.39
Total	100	100	100	100	100

8. Resilience and Recovery from the COVID Crisis

- **Expand online market exposure:** It is good that factories **are planning to expand their online market exposure** – mainly by large and medium. Interestingly small factories are also interested to participate there.
 - However, only **13% factories have concrete** plan to set up online based IT infrastructure in their factories within next three years
 - Lower number of **Narayanganj based factories** have concrete plan in this regard

If b_36 = 1, are factories planning to expand their infrastructure for online market (export market) in the next three years	Small	Medium	Large	Total
Yes	60	100	100	80
No	40	0	0	20
Total	100	100	100	100

If b_35 = 2 and/or b_36 = 2, are factories planning to set up online based IT infrastructure in factory in the next three years	Small	Medium	Large	Total
Yes	11.33	14.48	18.18	12.97
No	88.67	85.52	81.82	87.03
Total	100	100	100	100

If b_35 = 2 and/or b_36 = 2, are factories planning to set up online based IT infrastructure in factory in the next three years	Dhaka	Gazipur	Narayanganj	Chattogram	Total
Yes	13.88	11.05	11	17.81	12.97
No	86.12	88.95	89	82.19	87.03
Total	100	100	100	100	100

8. Resilience and Recovery from the COVID Crisis

- Future strategies:** Future strategies for expanding businesses are quite diverse- highest share of **factories will explore new buyers/brands (28%), followed by exploring** new markets (23%), **expanding production capacity (22%)**
 - Product development and productivity enhancement, pollution management** are of **less priority** to them

Future strategy for expanding businesses in next three years	Small	Medium	Large	Total
Introduction of new product line	14.09	14.75	12.50	14.26
Expansion of production capacity	21.30	22.58	22.22	21.93
New management set up	6.89	7.14	7.64	7.06
Productivity led measures	14.71	12.44	13.89	13.66
Pollution management	3.29	7.14	9.72	5.44
Exploring new brands/retailers/buyers	30.97	25.69	26.39	28.33
Exploring new markets	23.46	22.70	21.53	22.98
Total	100	100	100	100

Future strategy for expanding businesses in next three years	Dhaka	Gazipur	Narayanganj	Chattogram	Total
Introduction of new product line	15.09	13.42	14.97	13.16	14.26
Expansion of production capacity	22.50	20.78	21.26	24.56	21.93
New management set up	6.31	9.24	2.40	9.65	7.06
Productivity led measures	16.46	13.56	4.79	17.98	13.66
pollution mana	4.94	7.79	3.89	2.19	5.44
Exploring new brands/retailers/buyers	28.12	26.55	32.63	28.07	28.33
Exploring new markets	23.05	22.22	24.85	22.37	22.98
Total	100	100	100	100	100

8. Resilience and Recovery from the COVID Crisis

- ❑ Overwhelming majority of enterprises perceived that their enterprises need not require to scale down the operation
 - Only 5% enterprises have apprehension for squeezing their operation- mainly those of small scale enterprises
 - These factories are mainly located in Gazipur district
 - Keeping their operation at a minimum level during this crisis period would help them survive in the long run

Does the factory need to scale down/contract operation in next one year (from now till December, 2021)	Small	Medium	Large	Total
Yes	5.18	4.15	2.44	4.59
No	94.82	95.85	97.56	95.41
Total	100	100	100	100

Does the factory need to scale down/contract operation in next one year (from now till December, 2021)	Dhaka	Gazipur	Narayanganj	Chattogram	Total
Yes	4.04	5.5	4.39	4.11	4.59
No	95.96	94.5	95.61	95.89	95.41
Total	100	100	100	100	100

9. Resilience of RMG Enterprises: Resilience Index

- ❑ Resilience index of sample RMG enterprises is calculated based on **Argonne, 2010**
 - This index comprises three components including **robustness, recovery and resourcefulness**
- ❑ Bangladesh's RMG enterprises resilience performance is **below the average** (43.4 out of 100)
 - Enterprises are relatively better in case of **recovery sub-index** (48) but they are poor in terms of **robustness sub-index** (38)
- ❑ Better performance is observed in case of coordination and awareness related issues
 - Weakest performance is observed in case of **maintaining key functions and alternate sites**

Resilience Index

	Overall (out of 100)
RI: Resilience Index	43.4
Pillar 1: Robustness	38.0
Redundancy	60.5
Prevention/Mitigation	40.3
Maintaining Key Functions	13.0
Pillar 2: Resourcefulness	44.9
Training Exercises	54.9
Protective Measures	53.6
Awareness	66.2
Alternative Sites	18.7
New Resources	30.7
Pillar 3: Recovery	47.7
Coordination	75.0
Restoration	20.1

9. Resilience of RMG Enterprises: Resilience Index

- Despite major differences in terms of performances in business operations, resilience performance is **not widely varied between different categories** of factories
 - Large enterprises are **modestly above compared** to other enterprises, but they are poor in case of maintaining key functions, alternate sites
 - Small scale enterprises **are weak in case of maintaining** key functions, alternate sites, restoration and new resources

Resilience Index: Factory wise

	Small	Medium	Large
RI: Resilience Index	37.8	49.2	54.2
Pillar 1: Robustness	32.5	43.6	49.1
Redundancy	52.5	67.5	82.3
Prevention/Mitigation	30.1	51.1	58.6
Maintaining Key Functions	14.6	12.0	6.1
Pillar 2: Resourcefulness	37.1	52.6	61.5
Training Exercises	40.9	68.7	86.0
Protective Measures	39.0	67.2	90.2
Awareness	60.4	73.0	73.2
Alternative Sites	17.7	19.3	23.9
New Resources	27.4	34.6	34.2
Pillar 3: Recovery	44.2	51.7	52.1
Coordination	66.8	83.9	88.2
Restoration	21.3	19.2	15.7

9. Resilience of RMG Enterprises: Resilience Index

- As per membership of factories, **BGMEA factories are better performer** compared to that of BKMEA factories
 - Weak maintenance of key functions is the weakest part for all categories of factories
- Non-member factories are least resilient** in a large number of areas

	BGMEA	BKMEA	Both	Non-Member
RI: Resilience Index	47.6	39.2	45.9	31.8
Pillar 1: Robustness	42.3	32.9	40.2	26.7
Redundancy	65.5	55.1	66.0	45.5
Prevention/Mitigation	47.2	32.2	48.2	20.6
Maintaining Key Functions	14.0	11.4	6.4	14.1
Pillar 2: Resourcefulness	50.3	39.9	50.4	28.7
Training Exercises	62.0	51.1	65.2	30.0
Protective Measures	62.7	46.6	66.0	23.6
Awareness	71.2	59.1	72.3	52.7
Alternative Sites	20.3	15.2	17.0	17.1
New Resources	35.0	26.8	31.2	19.5
Pillar 3: Recovery	50.5	45.2	47.5	40.3
Coordination	80.7	74.0	77.9	55.7
Restoration	20.0	16.0	17.0	24.6

10. Conclusion

- The unprecedented crisis confronted by the RMG sector of Bangladesh has put challenges to its pace of growth in the global apparel value chain
 - Exposed a number of weaknesses with regard to addressing the vulnerabilities, resilience and recovery
- The study has estimated the performance of resilience of RMG enterprises of Bangladesh for the first time
 - Overall resilience performance is below the average (43.4) while its major strengths are in coordination and awareness but its weaknesses are spread across various issues most importantly in case of maintaining key functions and alternate sites
 - Despite major differences in business operations, resilience performance is not widely different between large and small scale factories
 - A new sets of preparation is required in order to be resilient and to ensure quick recovery of RMG enterprises
- The sector is overwhelmingly burdened with poor performance of different categories of factories
 - This is particularly important in case of small scale factories, non-member factories, factories located in Narayangonj and Chittagong
 - Dependence of a very small number of buyers (and brands/retailers) is a major weakness not only for small scale enterprises but also for large scale enterprises
 - Associations should encourage to diversify their buyers/suppliers base by including not only large scale buyers/brands but also small scale buyers/brands

10. Conclusion

- Due to covid size of operation of **factories have scaled down**
 - Average number of workers in a factory during December, 2019 was 886 which came down to 790 in September, 2020 (**reduced by 10.8%**)
 - Although sample enterprises reported 2.7% laid off of their workers however total job lost during this period was **as high as 13.95%**
 - In other words, the sector has lost jobs **of 3.57 lac** workers during this period
 - Overall gender composition **did not change in the sector**; but as many as **33% factories** have lower share of female at present compared to that in pre-covid period
 - **BGMEA and DIFE should take special measures and awareness programmes**
 - DIFE needs to ensure that factories **follow the official wages** and also put focus on **recruitment of old workers not below their earlier status**
 - BGMEA and BKMEA also look into those issues and take necessary action
- A large share of factories tried to **accommodate its retrenched workers**
 - It is expected that these **factories will recruit them considering their job experience** and skill not below the rank, grade, wages and terms that they were earlier employed in
- About 232 factories were closed during COVID period which is **about 6.9% of total factories** (3342 factories)
 - Out of those 188 are BGMEA member factories (9.8%)
 - Examine how **many of these factories could return to** business and what kinds of support could return them back to the business, are important

10. Conclusion

- **Financial management** of RMG enterprises **is very poor**. Majority of factories including those of large enterprises did not have financial back-up and plan even to cope up with the immediate crisis
 - **Subsidized credit** provided under the stimulus package and the **gradual rise of** production orders helped factories to address the crisis
 - Financial management should put emphasis on financial sustainability plan of RMG enterprises
 - Associations should **put pressure to its members to develop/follow-up** its financial sustainability plans
- Stimulus package covered demand of 70% of enterprises; however about 30% enterprises were left out of the package mostly small and non-member factories
 - However, these **small and non-member factories needed those** fiscal and financial support due to their financial constraints
 - **Procedural difficulty discouraged a sector** of factories to apply-Bangladesh bank and commercial banks need to revisit to make the process easier
 - Any future package for the sector need to be **customized** considering priorities to small scale enterprises and non-member enterprises
- **Special development programme** needs to be designed for factories located in **Chittagong and Narayongonj**
 - The programme development include technological upgradation, management improvement, financial management improvement, buyers' networking, online based IT investment
 - **Technology upgradation fund could prioritise** factories of small scale and located in Narayongonj and Chittagong districts

10. Conclusion

- **Safety measures need to be upgraded** in factories
 - DIFE should improve its monitoring with regard to workplace safety measures in order to ensure safe working environment in the garment factories
 - Most importantly, Chittagong based factories were behind in terms of safety measures which need to be addressed by BGMEA and BKMEA Chittagong office and DIFE office in Chittagong
- Brands and buyers have increased their regular contact with suppliers
 - It is expected that they **will be more proactive to be engaged** with small scale manufacturers in order to facilitate their upgradation in the value chain providing technical know-how and other business related advices and support
 - Brands and buyers should **ensure better buying practices**
 - **Sourcing country governments should** come forward to ensure responsible business practices under the responsible business conduct guideline
 - It is expected that buyers ad brands **will provide more predictability** to the suppliers with regard to future demand and orders
- Small scale enterprises have been **recovering at a slower pace compared** to that of medium and large scale enterprises
 - The process of recovery of these enterprises **would stalled unless** they get orders and supports in the coming months
 - Buyers should give **better predictability of order to** local suppliers

10. Conclusion

- It is important to consider making necessary changes in the fiscal incentive structure currently provided to all categories of factories
- A major focus should be **redirect those incentive to SMEs** and non-member RMG factories in order to facilitate their upgradation. This could be done in the upcoming national budget
- It is expected that a large part of RMG enterprises will target online market and therefore make necessary investment for developing IT infrastructure at the factories
 - **Technology upgradation fund could facilitate the** process
- It appears that COVID-19 has changed the focus of enterprises and halt their forward looking perspective
 - It is expected that these factories will not only make investment for expansion of business operation but also **focus on productivity improvement** through improvement of the management, product line development
 - **Associations should make it mandatory** the minimum academic qualifications for key management professions with mandatory skill requirement
 - Associations should encourage members to **develop their sustainability plan focusing on using renewable** energy and green technology and reduction of industrial wastes

10. Conclusion

- The resilience and recovery will require proper planning and development with regard to robustness, resources and recovery related issues
 - Most importantly **factories need to diversity its sources of industrial raw materials** and ability to maintain key functions
- BGMEA and BKMEA should cooperate to identify **actual number laid off** workers in full and submit the list for making necessary payment under social safety net
 - Under the EU-German support for the retrenched workers of export-oriented factories. DIFE should facilitate in this process
 - The **database available at BGMEA and BKMEA** could help in this regard
 - Unemployment insurance needs to be introduced
- BGMEA/BKMEA should **discourage its member factories** not to retrench workers only gender related point of view
 - DIFE should examine status of female employment in these factories
- Non-member factories **should be gradually make member** of BGMEA and allow them to apply for various stimulus packages
- Government should **make it part of compliance requirement of factories to pay workers' wage** payment through MFS/bank account/agent banking

10. Conclusion

- It is important to make the application **process for stimulus** packages easy to apply particularly for small scale enterprises
 - Despite making the terms easier, a section of enterprises did not apply due to their inability to pay monthly instalments
 - How these enterprises survive and continue their business operations, needs to be explored
- The future development of the RMG sector should **consider more foreign direct** investment (FDI) in the different segments of the value chain

Thank you.