

SITUATION ANALYSIS OF THE TANNERY INDUSTRY IN THE AGE OF COVID-19



15 MAY, 2020


Together for
Decent Leather
RIGHTS FOR WORKERS



বাংলাদেশ লেবার ফাউন্ডেশন (বিএলএফ)
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Background

Bangladesh's was the world's seventh fastest growing economy has seen sharp growth over last few years where last year the GDP growth counts 8.13 in 2019 whereas it was 7.3 and 7.9 in the previous two year. Historically, exports and remittances have been the two key growth drivers for Bangladesh. Ready-made garments (RMG), accounting for over 80% of the annual export receipts. RMG also accounts for over 45% of gross value added in manufacturing. The leather and leather goods accounted for about 4% of the country's export which is the second largest after the RMG and contributing 0.5% of country's total GDP. The government has had set a target to bring this contribution to 2.5% by 2021.

The coronavirus COVID-19 pandemic is the defining global health crisis of our time and the greatest challenge we have faced since World War Two. Since its emergence in Asia (China) December last year, the virus has spread to 208 countries and regions of the world, significantly affecting the global economy. The virus has been growing so exponentially, even the developed countries have been unable to contain its spread. As a result, people are dying in the affected areas and countries at an alarming rate.

Bangladesh is being forced to endure lockdowns differently says as general holiday to tackle the Covid-19 pandemic. These lockdowns are having a crippling effect on workers and businesses across the country. The unprecedented Covid-19 pandemic has caused disruptions to global trade, business, and education. Bangladesh is equally affected by this infection. The economic consequences of the Covid-19 outbreak are tough to handle as the entire global supply chain has been

interrupted due to worldwide transportation shutdown. The economy of Bangladesh has almost come to a standstill and devastating effects are being observed in almost all sectors.

Bangladesh will fall into a really difficult situation if the country remains locked down for a longer period. Here, a huge number of people live from hand to mouth. Consistent high growth has been unable to create sufficient jobs in the economy. Due to inequality of income and asset distribution, the advantages of higher GDP growth are not evident in society. The developed nations are already started facing medium-to-long-term recession and the oil-producing countries are enduring enormous economic pressure due to plummeting of oil prices. All these have led to huge setbacks for Bangladesh particularly in its remittance inflow, export earnings, industrial production and also in services sector.

There are differing opinions on possible impacts of Covid-19 on the Bangladesh economy. Both the World Bank and the International Monetary Fund (IMF) have expressed worries about the economic growth that may slide down to just over 2.0 per cent during the current fiscal year. Their prediction appears to be realistic given the decline in or negative growth in developed and developing nations. The Bangladesh government still remains optimistic about growth prospect. However, damages to the Bangladesh economy will depend largely on duration and pervasiveness of Covid-19, as well as effectiveness of government measures to tackle the calamity.

Like other sectors, the coronavirus pandemic has also upset the leather production, production process, productivity and its supply chains in all respect. The country's leather

exporters are going to be hit hard for the coronavirus outbreak in China, which is their largest export destination (about 60%) of leather from Bangladesh. According to the stakeholders, Bangladesh tanneries and leather sector as a whole facing a huge financial loss amounting over USD300 million and the figure is increasing daily basis. There are around 300 containers of leather and leather goods that are packed up on the factory premises for shipment. Most of the previous export orders are being cancelled by the foreign buyers as the countries from where the order came has also been hit hard. Shaheen Ahmed, chairman of the Bangladesh Tanners Association said “If the situation persists like this, we may face a huge loss as there are so many containers of semi-finished leather remain pending for export to China.” He mentioned out of the 123 tanneries operating in the leather industrial park at Savar, only 10 to 12 are large and have capacity to store their products. Most do not have adequate storage. It is not only exporters but also raw materials importers who are dependent on China facing the same predicament. Leather and leather products are the biggest foreign currency earner after apparels. Bangladesh exported \$1 billion worth of leather and leather products last fiscal year and this year's target had been set at \$1.1 billion. He demanded government support immediately, otherwise, many tanneries will shut down and a big number of workers will lose their jobs.

The workers are most effected because of this pandemic as many of them are tense on the upcoming future. Although they are suffering much with the current liabilities but they still hope to recover if they can further go back to work again. There are workers thinking of

alternate jobs like riskshaw pulling, daily laborer's, shop keepers etc etc.

Under the circumstance of the above since the situation has been changing continuously, Bangladesh Labour Foundation has been taken the initiative to conduct series of situation coverage where this one is the first part of our research which covered immediate impact on the industry due to COVID-19. As a labour support organization, our major focus was to find out the current conditions of the workers where definitely we have gone through the industry update as a whole. This analysis will further follow up with the next series with mid-term and long term.

Current Situation in Bangladesh and Government Initiatives

The first case of Covid-19 in Bangladesh was detected on 8 March 2020. So far, the country has detected 23,870 confirmed cases of Covid-19, of whom, 349 have died and 4558 have recovered after treatment. There are 41 laboratories are having COVID-19 testing facilities around the country. Outside Dhaka, 21 testing laboratories are currently operational in all major cities

Economic and Social Justice Measures

Prime Minister Sheikh Hasina has announced several stimulus packages worth TK 95,619 Crore TK (approximately US\$ 11.26 billion) for tackling the impact of the pandemic on Bangladesh economy. On 5th April HPM announced a package worth 72,750 Crore (approximately US\$ 8.5 billion). The package consists of four main features: 1) Increasing public expenditure; 2) Introducing fiscal packages; 3) Expanding social security programmes; 4) Increasing money supply.

Earlier, the Hon. Prime Minister had announced an urgent hardship fund worth TK 5000 Crore (approximately US\$ 592.2 million) for paying the salaries and other benefits of workers from export-oriented industries. Altogether, the value of the stimulus package announced by the Prime Minister stands at 72,750 Crore Taka (approximately US\$ 8.573 billion), which is 2.52% of the GDP.

On 12th April, Prime Minister also announces a stimulus package worth Tk. 5000 crore (approximately US\$ 592.2 million) from which the farmers can take a loan with a 5% interest rate. Farmers will be provided with fertilizers, machinery, fuel and electricity at subsidized prices under one of the packages involving Tk 9,500 crore. Prime Minister have declared allocation of Tk 200 crore for harvesting and mechanization of agriculture and Tk. 150 crores for seeds and seedlings distribution among affected farmers so that farmers can continue agriculture production.

The government will also give Tk 4000 crore (US\$ 471 million approx.) as cash support to each of the 50 lakh urban families hit hard by the nationwide shutdown. Each family will get Tk 8000.

On 4th May, Prime Minister Sheikh Hasina has declared a special loan package of Tk 3000 Crore (US\$ 353.3 million) for low-income professionals, farmers and small & medium entrepreneurs.

On 14th May, HPM has announced an allocation of Tk 2500 Crore (US\$ 293.8 million) to Karmasangsthan Bank and Probashi Kalyan Bank to help the youths and expatriate Bangladeshis who became jobless amid the coronavirus pandemic.

Government has also launched a cash support program for 5 million destitute families. A total of Tk 1250 Crore (US\$ 147.2 million) will be disbursed for these families.

Objectives

The objectives of these series analysis are to explore the experience of the Tannery Industry in Bangladesh due to the pandemic. Parallely, it also intends to:

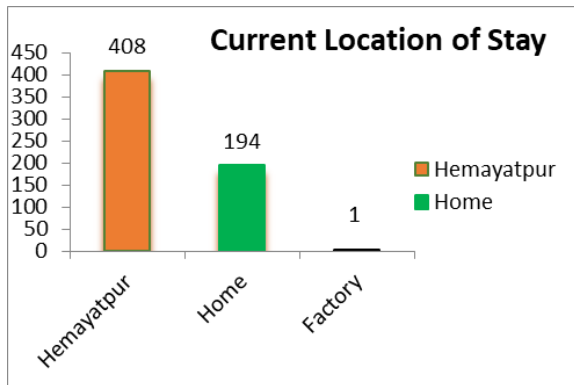
- Explore the socio-economic consequences of the Tannery Workers amidst the COVID 19 crisis
- Identify the Government initiatives to handle COVID-19 along with its initiatives to uphold the economy in respect to Business and the citizens
- Examine the current Tannery Industry conditions and how it relates with the multi-stakeholders' initiatives such as government, employers, buyers, associations.
- Explore the socio-economic consequences and status of the Tannery Workers and their livelihood during this pandemic
- Short term remedy recommendations to overcome the current situation and future action for recovery

Methodology

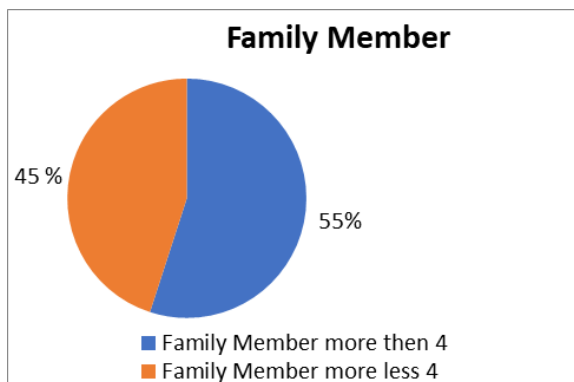
We have collected data from desk reviews, online-based observations, content analysis, and telephone interviews with key informants. We have conducted 603 telephone interviews with both male and female workers from Tannery Industry from 41 factories in Savar where 522 are male and 81 are female. Out of the interviews 37% workers are permanent and 63% are temporary workers. We did not use any scientific methodology while collecting data

rather tried to reach as many participants as we can to get an in-depth field picture from them. The study were taken place from 15th April to 15th May 2020. The telephonic conversations were also taken place with all relevant stakeholders such as Employers Association, Department of Factory Inspections (DIFE), BSCIC local project office, local community leaders. The respondents, where possible, were selected randomly with existing confirmed database and who has access to the real-life situation

Illustrative of the findings and interpretation

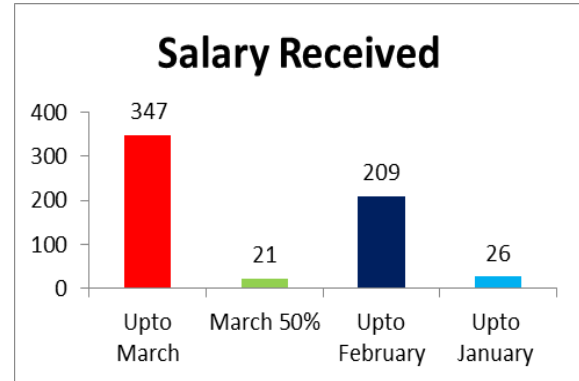


Out of 603 workers about 68% of the workers are still staying in Hamayatpur and the rest went back to their village when the government declared general holiday

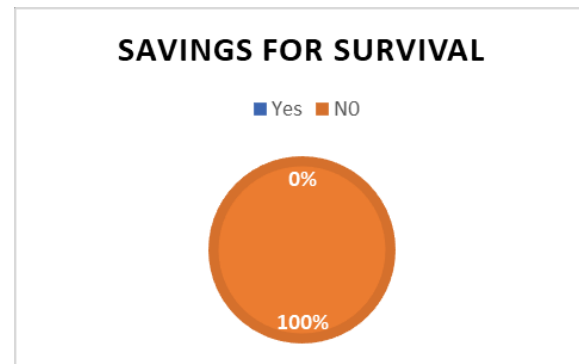


55% of the workers are having a family member of over 4 persons whereas 45% of the

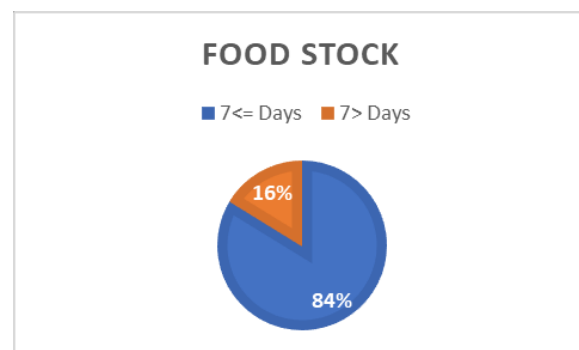
respondent are having at least 4 persons in their family. Half of the respondent mentioned that they are the only earning members of the family



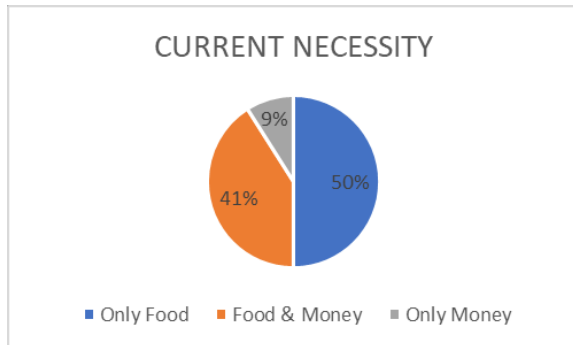
About 60% of the workers received the salary of the month of March and rest of the workers still have salary due of January and February



It has been revealed that none of the workers have a savings amount to survive without getting wages



84% of the respondent mentioned that they have only a food stock of 7 days at home and most of the workers do not know what they will do after that. Whereas 85% of the respondents said that they have not received any support from any government and nongovernment organizations



Almost all of the respondents are currently in need of food support as they are forced to stop working with no notice thus, they do not have earlier preparation to handle such situation.



60% of the workers do not know about their future at work. It is really uncertain whether they can go back to work. Out of this 60% workers majority do not know what they will do if they will not allow to go back to work anymore. Rest of the respondent mentioned that they will go for alternative daily laborious job to survive like rickshaw puller, daily labour, agriculture workers, shop stewards etc etc.

Major Findings

With the challenge of COVID-19, the Tannery Industries has started its production from 5th May 2020. Out of 127 factories at least 87 factories are operating till date. Bangladesh Tanners Associations has published a detail guideline for the factories who are opening should maintain the guideline apart from all government guidelines should be followed. About 60-70% of the permanent workers have come back to work while facing huge challenges during the journey back from home. The small factories who have sub-contractor started work with some 10 to 15 temporary workers. We have spoken to the owners and senior management regarding the permanent workers who have not yet joined and received positive response of consideration of joining when they come back. Most of the temporary workers could not manage to come back yet and they are the one who will face tremendous trouble in future and are in extreme vulnerability to possibilities to lose the job as because many small factories will lose their domestic and international buyers on post COVID-19 impact nationally and internationally.

Three major associations of owners' namely Bangladesh Tanners Association (BTA), Bangladesh Finished Leather, Leather goods and Footwear Exporters' Association (BFLLFEA) and Leather Goods and Footwear Manufacturers & Exporters Association of Bangladesh (LFMEAB) are lobbying & negotiating to receive loan grant with minimal interest from government declared incentives for the export-oriented industry workers salary. From the workers representatives' source of different factories mentioned that the owners have collected their NID/Birth Certificate with Job Cards but have not yet get any confirmation of payment or any

schedule of payment. The owners have taken the documents from only permanent workers where the temporary workers are left behind. On the other hand, small factories who do not export directly but through the local buying agent are not entitled to receive the grant thus these workers may face troublesome conditions to get any types of payment from the owners. The Leather Goods and Footwear Manufacturers & Exporters Association of Bangladesh (LFMEAB) is conducting an online survey to assess the business impact of COVID-19 specially on factory capacity, export capacity, business loss and job security.

China is the biggest importer of leather and tanning from Bangladesh. Due to this pandemic the export is either hold or cancel since long by which the owners are carrying loss. The employer's associations are judging the volume of loss and shall published it soon. The tanning and leather industry in Bangladesh majorly depend on imported chemicals from China and Europe. Due to COVID-19, the raw materials import has been held since long thus the factories will face huge challenges of chemical within a short period. While speaking to different factory owners, they have mentioned that if the situation goes like this and the global transportation remain close for long time, we can not run the production long time and forced to shut the factories off.

With the analysis of BLF, it has been found that most of the workers have received the salary of March 2020 but no workers have been not paid for April. The owners are mentioning that they are very much depending on getting government incentives. Workers in tanneries is asking for full salaries of April and May with Eid bonus and are still in negotiation through

Tannery Workers Union. But there is still no positive response from the employers.

Al though many factories have resumed their work but COVID-19 safety precautions remain avoided as like earlier. There are factories who installed basin outside the factories but they do not provide soap and hygiene materials constantly. Workers still have to bring their gloves and masks by themselves. There are no temperature measurement instruments are in place to measure the temperature of the employees which is a mandatory precaution while opening in a factory. Government has already published a National Guideline for the owners to maintain when opening a factory but none of the factories seems they are well aware of that and workers safety is almost ignored. The workers are now in a high vulnerability of possible spreads in the area. They cluster is also very close to the RMG factories while contact tracing is also very difficult as they share the places with many people.

The workers in tannery and their families are highly suffering from foods and daily commodities. Some workers got some food materials support from different organization and local government representatives but this is not adequate for them. The temporary workers demand is very high as they do not have regular job. As a result, the families are starving and living days with one meal or no meals. There are workers going for alternative jobs to survive like Rickshaw pulling, Daily labours, Street vendors etc. Workers are anxious to join in the factory even they are worry on losing jobs in post COVID situation.

Recommendations

- Simplify access to finance for the Tannery Owners in the government declared stimulus fund for workers wage;
- Ensure wages for the permanent and temporary both types of workers who joined and who are still to join;
- Ensure proper safety measures such as disinfectant booth, masks, gloves, soap, sanitizers etc for all employees including the workers in and outside of the factories;
- Form dedicated medical team for instant medical support for the workers;
- Set up COVID-19 testing facilities for the Tannery Workers for immediate identifications;
- Enhance TU role in monitoring and documentation of the implementation of various government provisions.

Conclusions

Though this analysis we have tried to figure out the current overall conditions in the Tannery Sector as a whole specially the conditions of the Tannery Workers. COVID 19 brings new challenge for building different practices of OSH apart from conventional ideas to make a healthy workplace. The analysis will be followed up by midterm and long term during and post COVID period with the possible recommendation to make the industry sustain for future.

About Bangladesh Labour Foundation (BLF)

Bangladesh Labour Foundation is a non-government organization strives to improve the social economic development, human rights situation, human culture and democratic value, empowerment, gender equality and raise the standard of creativity with education, training, and protection of the environment, legal aids, advocacy, rehabilitation and support. It also

plays a catalyst role in bridging trade unions, employers, associations, civil society and the government on labour market issues.



Tannery Industrial Estate, Savar during COVID Closure

[For more info, you may write to office@blf-bd.org](mailto:office@blf-bd.org)



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