

Public Perception of Financial Incentives During COVID-19: A Case Study of the Ready-Made Garment Sector in Bangladesh

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In the midst of the COVID-19 pandemic, researchers are considering resilience factors for global industry to provide public policy experts with field insights. Financial incentives are one tool used to support industry. This article focuses on the ready-made garment sector suggesting there is a relationship between incentives and workers in this industry, specifically when facility owners anticipate incentives from the government. The primary findings are that sector respondents are aware incentives by the government will be provided, that additional support allocations can be used for alternative uses by the owners, and that the sector is recovering by utilizing resilience factors.

Keywords: ready-made garments (RMG), Bangladesh, financial incentive, public perception

INTRODUCTION

Due to public health concerns during the COVID-19 pandemic, policy measures have been enacted around the world to provide relief to citizens globally. Some policies include mandates on wearing masks, social distancing, self-quarantines/isolation, cleanliness protocols, contact tracing, and forced ‘social-barricading’ in some regions. Governments around the world were forced to request the closure of non-essential retail operations, including fashion and textiles. The effect on the fashion industry was immediate after COVID-19 hit (Brydges and Hanlon, 2020). The global apparel industry is currently facing arguably its most trying and challenging time in over a century. Store closures across Europe, the United States and other countries have led to a ready-made garment (RMG) industry shutdown for much of the sector (Anner, 2020). Further, Anner (2020) investigates three areas of concern during the crisis: raw materials, cancellation of orders in progress, and delayed payments. As of 22 March 2020, buyers had canceled \$1.44 billion USD worth of Bangladesh garments products (ibid).

The current socio-economic conditions being faced due to the global pandemic further require financial capital as a vital component to run the garment industry. Government financial assistance is coordinated by fiscal and monetary policy to alleviate the financial losses incurred. In the United States for example, the government has provided stimulus funding to individuals and CARES Act / Paycheck Protection Programs (PPP) to businesses, including those operating in the garment and textile sectors. Financial incentives are even more critical in shaping programs in low and middle-income nations pointed at breaking intergenerational cycles of destitution. Individual financial incentives are progressively being utilized to propel patients and common populaces to alter their conduct (Marteau et al., 2009). Low-income individuals may not need formal services when casual investment funds, credit, and protections markets work sensibly well and the benefits of formal fiscal related aid support cooperation, so long as the benefits do not surpass the costs (Cole et al., 2009).

It is expected that numerous organizations will engage in global monetary transactions related to COVID-19 [stimulus], potentially leading to a worldwide fiscal union. The initial monetary objectives should be a strategic tool to prevent worker cutbacks (furloughs, layoffs, etc.) and sustaining a framework of support to company productivity aimed at incrementally boosting operations to pre-COVID-19 output levels. Those levels should be at a rate that mirrors the diminishing effect of the virus (Vaccaro et al., 2020). A frequent proposal has been to redirect funding from non-health care businesses and settings such as development, research facilities, dental specialties, veterinarians, and ranches in order to divert them to the healthcare industry by means of charitable requests, community organizing, financial incentives or government command (Livingston et al., 2020). This is often easier to accomplish in private firms where the operations and monetary movement for productivity expansion or contraction are clear. It is more troublesome within the open segment where the essential objective is not organizational benefit but the level of shareholder satisfaction (Cainarca et al., 2019).

Financial incentives give quick feedback through action of labor, whereas non-financial incentives provide long-term support with intrinsic motivating forces (Dambisya, 2007). Financial incentives alone are not sufficient to significantly improve the performance of healthcare specialists, whereas internal motivational components are. It is important to note intrinsic motivations are nation specific such as money motivating forces, career advancement, and management issues (Willis-Shattuck et al., 2008). For more on this, review Herzberg's Hygiene Theory (Sachau, 2007). However, short-term financial incentives may be a way to bridge the gap in company performance. Having marginal contributions to human capital in the short run, financial incentives can provide long term stability to business investments and production (Fryer, 2011). The characteristic of investment incentives is coordinated with support from the government to the private sector which differs from generic financial incentives by especially influencing corporate investment (Erdoğan et al., 2012).

In light of this, this article presents a study which surveys the opinion of respondents from the garments trade and their perception when garment factory owners expect more financial incentives by the Bangladesh government during the COVID-19 crisis. Moreover, this article evaluates and assesses respondents' perceptions at a certain point in time after accepting incentives from different stakeholders.

LITERATURE REVIEW

Financial incentives can be given to an individual person or an organization under the premise that funding will lead to future security of the needs of the individuals or operating entity. Marteau's (2009) research team reviews evidence on the adequacy of financial motivations in accomplishing wellbeing related conduct, and alteration, while also looking at the premise for ethical and other concerns (Marteau et al., 2009). Management teams have often determined the motivational framework for their organizations, attempting as much as possible to guarantee accordance with the assessment criteria (Cainarca et al., 2019). Andon et al. (2018) anticipate that both the nearness of a money related motivation and high recognition of earnestness are emphatically related to the purposeful act of whistleblowing. Andon et al. (2018) advance the proposal that this positive relationship between financial incentives and deliberation to whistleblowing will be directed by the earnestness of watching for wrongdoing.

Fryer's (2011) study describes an arrangement of school-based field tests to measure the effect of financial incentives on scholastic achievement in young students. In over 200 urban schools across three cities the effect of financial incentives on understudy accomplishment, and the effect of financial incentives on student achievement is statistically zero, in each city (ibid). The presentation of financial incentives appears to have relatively no general effect in that case.

While financial incentives had negligible effect on student performance, Doran et al. (2011) show a correlation between monetary incentives and practitioner performance. In a UK study involving 148 general practitioners, care activities for patients improved significantly in the first year of the study and continued to improve over the next couple years, but at a decreasing rate before plateauing (ibid). Negatively, non-incentivized activities decreased during the same period. Doran summarizes this dichotomy as follows: "Should these incentives succeed, the potential benefits for patients with the relevant conditions are considerable. Incentives might also improve general organization of care, benefiting processes and conditions beyond those covered by the incentives. Financial incentives have several potential unintended consequences, however. For example, they might result in diminished provider professionalism, neglect of patients for whom quality targets are perceived to be more difficult to achieve, and widening of health inequalities" (Doran et al., 2011, p. 1).

Economic policy, financial incentives, regulations, and laws are all tools governments wield to affect the behavior of businesses and individuals. As previously illustrated by many studies, financial incentives seem to have a marginal effect producing their desired outcome and, in many cases, even have unintended negative effects. However, stimulating an industry or company may be absolutely necessary when the circumstances are dire and demand immediate action, such as the case with COVID-19 and subsequent global lockdowns.

METHODOLOGY

Content analysis is a set of qualitative and quantitative methods for collecting and analyzing information from verbal, print, and electric communication with various applications (Konracki et al., 2002). Weblogs, or blogs, a contemporary expansion to the cluster of web-based content, also provide qualitative analysts an inventive way to collaborate, communicate and community-build (Chenail, 2011). Selection of method(s) depends on the type and length of material to be analyzed, the cost of using the material, the needs and intentions of the researcher, as well as their technological capabilities (Konracki et al., 2002).

Tanacković et al. (2014) contend that the conclusions in professional literature drawn from newspapers as a data source reflect the differing viewpoints of the reader. Newspapers may be an invaluable resource of region-specific information but they may impose increased subjective bias from both the author and reader. For example, the media coverage of the COVID-19 related lockdowns has been a cause of an existential threat to industries. Through the pandemic, company actions and information has been less transparent and harder for employees, stakeholders, and external groups to access. Journalistic investigative pieces have become more valuable throughout the pandemic to shed light on industry actions or misconduct.

One medium of analysis was blog posts and subsequent comments. We relied on decentralized information provided directly from people on the ground. Blogs have become an imperative tool shaping discourse and freedom of expression for a developing extension of the populace (Jones et al., 2008). Three types of informative sources were monitored to conduct the research: blogs in textile and garments merchandising, investigative news articles, and accessible industry documents. There were 49 public perceptions collected regarding financial incentives by the government from blogs and another 38 comments inspected averaging 100 words per comment. All the commenters were vetted for their experience and work divisions. We attempted to focus our analysis on commenters with more than five years of experience in the garments and textile sectors.

FINDINGS & RESULTS

Owners in the garment industry have lobbied for cash from the Bangladesh government to pay for three additional months' worth of compensation and allowance. The garment sector is in a financial crisis due to the decrease of consumer purchases and, in some cases, the complete suspension of orders. After the cancelation of \$1.44 billion USD worth of exports (Anner, 2020), RMG companies claimed that financial assistance is necessary to pay compensation and wages for workers in the months of July, August and September 2020. Owners state that most RMG manufacturing plants do not have the capacity to pay compensation during the current COVID-19 pandemic. Owners are optimistic in the next season they will receive new orders from buyers; however, there are few signs to suggest this is the case. Cash flow is needed immediately to keep operations running and businesses open. It may take up to six months to get cash flowing from organic operations, so companies require government assistance to survive. Workers need their wages paid for their work and to continue to afford living costs.

Adjusting for the COVID-19 pandemic, RMG companies are attempting to get back to normal operations. In order to do so, companies are reliant on financial assistance as well as strategic decisions on their use of equipment and procedures to best handle the vicissitudes of the external environment. There are a few outside partners such as the Bangladesh government, the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), NGOs, and other worldwide organizations working on this issue either separately or in consortia. At the start of the COVID-19 outbreak, garments manufacturers were stressed with most of their overhead taking a toll on their ability to pay out labor compensation and representative compensation. Many buyers are canceling their running arrangements and holding their installments. Bangladesh's government is playing a critical part, in this case, to talk about the circumstances with international buyers and provide support for requests for financial support from manufacturers.

One finding from this research is that the public perception of garment business owners is that they expect more financial incentives from the Bangladesh government. One employee working in the garment trade explains the economic condition of Bangladesh is not good and if the government helps them financially, it may not be a good decision because of the mismanagement of funds. One issue is that garment-mill owners have no constraints from requesting cash from the government. Another informant echoed this concern with financial incentives, emphasizing there may be improper use of the cash provided, postulating there will be a chance the money could be laundered or that the mill owners could use the funds as an investment in another trade. An employee from a different trade clarified that the government should carefully consider the disbursement of funds; either it is truly vital at this moment or it is not, and the government should consider if distributing funds to industries would really be beneficial to the workers or simply used to line the pockets of corporate owners. Currently, people from the garments trade and other trades are concerned whether the financial assistance given by the Bangladesh government is being properly utilized to ease economic distress of employees and keep them employed. The executive director of the Bangladesh Center for Workers Solutions (BCWS) states that owners are trying to put the burden on the shoulders of the government and the workers, claiming that if the government gives monetary support, then no workers can be laid off as a stipulation of accepting the support of the government. Similar policies have been enacted in other countries globally.

The most vulnerable population during this crisis is the laborers. Five million people are working with no reserve funds to handle the loss of income. Many workers in the industry do not even own a bank account creating a massive barrier to receiving financial distributions from the government and employers. In addition, 90 percent of the total costs in the RMG sector are labor costs and raw materials, so there is a major impact on labor wages when buyers withhold payments for running orders. To ease the situation, on 25 March 2020 the prime minister of Bangladesh announced a package of five thousand crores to pay wages to the country's workers. Afterward, Bangladesh Bank issued a policy on 2 April 2020 that stated businesses will receive credit from the fund to pay three months (April, May and June 2020) of wages. There is no interest attached to the loan, with the exception of commercial banks that may pay up to 2 percent. Some of the terms are similar to the terms from the United States CARES Act / PPP.

One informant from this trade positively clarifies that financial incentives are critical to pay labor compensation. For three months during the beginning of the catastrophe, most of the production lines were closed, so government assistance was necessary for them to pay wages. But now financial incentives are less important as manufacturing plants are completely reopening and working at full or nearly full-scale. Though while some companies' official narratives state that they are working at full capacity once again, one industry employee disagrees. He clarified working on the production line each day until 11:00 pm and claims the business orders are still not at pre-COVID-19 levels. While anecdotal, the comments are telling of the current situation.

DISCUSSION, CONCLUSION AND FUTURE WORK

Financial incentives were found to be useful as a tool to support resiliency in the RMG sector during the initial stages of the COVID-19 pandemic if used responsibly and correctly. This study shows that the public perception for financial incentives is wary about the handling of funds from the Bangladesh government (not dissimilar from what we are seeing globally). The RMG sector is especially vulnerable to virus-related lockdowns and external aid is being applied to the RMG supply chain to encourage normalcy. Business owners put pressure on the government for the execution of diverse monetary procedures at a national level to ease their financial distress. The people from this industry believe they are well informed on the issues of order canceling, buyers' behavioral changes, other stakeholders' support, global uncertainty, and the ultimate impacts on business.

Most people welcome any aid provided by stakeholders, government, and external groups as a means of preventing RMG companies from closing, or to help them reopen if they already have shutdown. Employees and other commenters appear to have faith manufacturers and international buyers will address the monetary shortage and production problems currently faced by the industry. Counter to the previous optimism, many respondents do not believe that additional financial incentives provided by the Bangladesh government will help alleviate problems because of the high rate of misappropriation of funds and corporate corruption. This dichotomy of perception suggests that financial help during times of crises may be necessary in the immediate term to prevent companies from collapsing and continuing to pay worker wages. However, the benefits from such payouts may be short lived, and continued payments may have decreasing marginal returns of benefits and can lead to corruption.

Future work could include a full and detailed gap analysis between the perceptions and expectations of the public, RMG factory owners, and RMG sector workers. A limitation of this study is that there has been comparable work conducted in the RMG sector in Bangladesh before the breakout of COVID-19. The public perception on government intervention and financial incentives shifted after the breakout of the virus. However, there is a limited time frame from which relevant reports may be analyzed. In such a volatile climate, public perceptions continue to change rapidly, and this study will continue to monitor how the RMG sector is impacted by financial assistance and its effect on public perception.

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