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Reducing Poverty by Employing Young Women: Hathay Bunano's Scalable Model for Rural Production in Bangladesh

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Innovations Case Narrative:
Hathay Bunano

Hathay Bunano (“hand-made” in Bangla), founded in 2004, produces hand-knitted children’s toys, both under our own brand, Pebble (www.pebblechild.com) and for international private-label clients around the world.

Using an innovative and much-needed model of rural production, we have taken the less skilled and time-consuming production tasks to the villages, creating jobs for thousands of young women whose economic opportunities are quite limited. For these young women, Hathay Bunano offers an alternative to moving to the city to work long hours in unsafe garment factories and spending most of their income on rent and food in unsanitary slums. Instead, given our 64 low-overhead rural production centers, these women can work within walking distance of their homes with highly flexible working hours that accommodate the cycles of the agricultural seasons and other family responsibilities. Our distributed production model has addressed many of the health and safety concerns that come with large

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Although all three authors contributed to the development of this article and it uses the first person voice of Samantha Morshed, Hathay Bunano’s founder, it was written primarily by Kevin McKague.



factory production, such as the building collapse in April 2013 in Savar, a Dhaka suburb. In the largest industrial accident since the 1984 Union Carbide gas release in Bhopal, India, it claimed the lives of 1,127 people—most of them young women.

Hathay Bunano employs over 6,500 women aged 18 to 30 in flexible, well-paid, and relatively high-quality jobs in rural areas, helping reduce poverty in a country where 40 percent of our 160 million people live on less than \$1 a day.¹

Hathay Bunano is innovative in two ways. First, it has scaled up a distributed rural artisanal production model that takes jobs to rural areas and to poor and disabled young workers in a way that is commercially competitive in the global marketplace. Second, it generates decent flexible jobs that create many spin-off benefits for individuals, families, and communities. We believe the Hathay Bunano model is important because it has the potential to improve both handicraft business models and production practices in the ready-made garment industry.

BARRIERS TO OPPORTUNITY FOR YOUNG WOMEN

In a poor country with few good job opportunities, Bangladeshi women in their late teens and early twenties are often seen as financial burdens to their families.

Families respond by arranging for them to marry when quite young, or sending them to cities to work in garment factories. Although the ready-made garment industry in Bangladesh has generated a tremendous number of jobs, these jobs require working long hours at minimum wage in less than ideal conditions. In addition to the tragic loss of lives in Savar, over 600 Bangladeshi garment workers have died in preventable factory fires over the last five years. Moreover, young

Taslima's Story

When Taslima first joined Hathay Bunano she was living in a room eight feet square with her husband and their baby Habiba, along with her parents-in-law and younger sister.

The room had no facilities and they shared one toilet, four gas burners, and an intermittently operating water pipe with 80 other people. Her husband made less than \$1 a day when he could find work pulling a rickshaw, and the family was living a precarious life in poverty. Taslima had worked in one of Dhaka's many garment factories but was forced to leave when Habiba was born. While garment factories are required by law to provide day-care facilities and maternity leave, the law is not enforced and day-care rooms at factories sit empty. Young women who become pregnant are let go, with some other reason given for their dismissal. Now that she works for Hathay Bunano and has a second child, Taslima takes them both to work with her, the baby to the crèche, which is clean and bright with lots of toys, and Habiba to the preschool. Employees' babies come to the crèche until they are three; their mothers are available for them at any time and can breast feed as necessary. They then attend preschool until age six, with a trained teacher. In Bangladesh, children begin attending school at age six; by offering preschool we can give the children a head start and a much better chance of getting into the better local free schools.



women living in the cities are often sexually harassed or pursued by boys and men. Turning down a man's advances can lead to an acid attack: an average of 200 occur every year.² Even when a girl finds a boyfriend herself, doing so can create difficulties for both her family and the young man's.

These are the same reasons why it is vital to create rural employment opportunities for young women. They can take on entry-level hand-knitting jobs with us and work their way up to becoming a trainer or manufacturing center manager;

they can also request our assistance in setting up centers of their own. We have seen many women delaying marriage because they are financially self-sufficient and are contributing economically to their families (see box, Taslima's story). The flexible working hours also mean that they can work with us while attending school (see box, Rozina's story). Also, the very nature of garment and textile work makes it possible to create employment for young women with disabilities, who face a dishearteningly high level of social stigma (see box, Yeasmin's story).

THE IMPORTANCE OF QUALITY EMPLOYMENT

Almost all of Bangladesh's 5,000 garment factories are located in Dhaka and Chittagong, the country's two largest cities. The young women who migrate from rural villages to work at these factories often live in appalling conditions, paying high rents to landlords who take advantage of the situation. The country's minimum wage has increased twice since 2000; with each increase, rents rise proportionately, leaving economic migrants no better off. Therefore, focusing only on wages will not automatically improve the living conditions of these workers. If the garment industry could relocate some of its production to rural areas following Hathay Bunano's model, it could offer much better employment conditions, keep families intact, and allow incomes to be spent in local communities. Employers would likely see greater productivity, reduced turnover, and greater loyalty from their employees.

In contrast to the urban factories, we offer several advantages to young women. First, our employees can work flexible hours in their home villages, so they need not disrupt either the rhythms of the day and season or their family and community bonds. Second, our workers are safe. It is estimated that 20 percent of Bangladeshi garment factories present high or imminent risks to their workers because they do not meet fire, safety, and health standards; under 2 percent meet very high safety standards. Instead of crowded, individual, indoor work and potentially unsafe working and living conditions, our small, safe rural centers are integrated into local communities. Third, mothers can keep working, instead of having to leave their factory jobs when they start a family. We include child care and early childhood education in our rural production centers. We also offer young women opportunities to develop their knowledge and skills and to work their way up through the organization into training and management positions. Thus, we aim to reduce poverty through employment by enhancing, rather than disrupting, the social and economic fabric of communities. At the same time, we are competing in the international marketplace very successfully, and offering a scalable model for rural production replicable in other least developed countries.

Women who make knitted items for Hathay Bunano are paid on a piece-rate basis that aims to compensate them at a rate 25 percent higher than Bangladesh's official minimum wage and 150 percent higher than the typical rates for similar rural-based work. We are currently in the process of reviewing fair living wages with Ecota Fair Trade Forum, the forum for fair trade in Bangladesh. In the rural

	Individual Level	Collective Level
Economic Development	Poverty alleviation, income	Economic growth
Social Development	Empowerment and self-esteem	Social cohesion

Figure 1. How jobs contribute to socio-economic development

Source: Adapted from IFC, “IFC Jobs Study,” Washington, DC: World Bank, 2013.

context it is important not to pay too much above community norms; doing so can lead to considerable family and cultural difficulties if, for example, a woman earns more than her husband. We calculate the time per piece generously so that women can put in extra effort and earn more income if they choose. They are free to work as much or as little as they want, based on their availability and need for income.

Because women are employed in their own communities, they also spend their earnings there, further benefiting the local economy.

Working together at rural production centers is also a safe and acceptable way for young women to socialize and build ties within their community. Although they may live fairly close to one another, many of our young employees do not initially know each other, so working together lets them develop a sense of community.

The employment we create shows that not all jobs are created equal in terms of their contribution to individual and community development. Although jobs are important for reducing poverty, some jobs contribute much more to overall socio-economic improvement than others. This point was emphasized by the recent IFC Jobs Study that identified four ways that employment contributes to development: it alleviates poverty, stimulates economic growth, and increases both personal empowerment and social cohesion (see Figure 1).³

Jobs help reduce poverty because they typically offer poor individuals higher and more stable incomes than day labor or necessity entrepreneurship. With more income, they have more opportunity to save, and to consume the goods and services—education, health-care, food, housing—that improve their options and standard of living. Jobs also help people develop individual skills and mental and physical abilities.

Second, jobs contribute to economic growth both in low-income communities and across regional and national economies more broadly. Whenever resources—human, natural, and financial—are allocated to more productive purposes, the entire society benefits through economic growth, as long as negative externalities,



like ecological damage, are avoided.⁴ Preventing, or compensating for, the ecological externalities of economic growth is essential if the gains from growth are to benefit the poor, who rely disproportionately on natural resources for their livelihoods and are at greater risk of harm from ecological damage and climate change.⁵ Jobs create greater positive spin-off benefits for the economy when they reduce gender gaps (like our work at Hathay Bunano) create public goods (like clean air and water), or help diffuse more sustainable and efficient practices throughout an economy, as we hope to do with the ready-made garment industry.⁶

Third, jobs contribute to individual empowerment and self-esteem. Beyond the positive economic effects of increased individual income and consumption, being employed has positive psychological effects, including an enhanced sense of identity, satisfaction, and self-worth.⁷ This is especially true for individuals marginalized in the labor market, such as disabled young women.

Fourth, jobs contribute to social cohesion. Interacting with others at work is a key way people socialize; we see this daily in our rural production centers. Interrelating through productive work increases the sense of connectedness within communities and society.⁸

The 2x2 framework in Figure 1 suggests that all jobs do not have an equal impact on individual and community development. At Hathay Bunano we aim to produce high-quality products competitively in the global marketplace while also creating good jobs for poor rural women in their communities.

Yeasmin's Story

In Bangladesh, it is unheard of for a disabled woman to marry and have children.⁹ The disabled are largely shunned by both their families and the community and face enormous discrimination. This makes Yeasmin's story a source of hope and inspiration.

Yeasmin is just over three feet tall, and thus considered disabled. She first came to Hathay Bunano at age 17. She had been living at the Center for the Rehabilitation of the Paralyzed, an inspirational NGO working with those who are both disabled and poor. When Yeasmin was 12, her father died and she was taken to live at the center, against her wishes. In 2006 she heard about Hathay Bunano and joined a training course in crochet.

Two other women, Jolly and Shima, both in wheelchairs, were doing crochet work at the center. We suggested a very bold step: to set up a residential room in the Hathay Bunano complex where all three could both live and work. While Yeasmin is short, she is capable of cooking and shopping and could look after the other two. So they moved in.

This worked well for a year or so until the landlord decided it was not good for his reputation to have disabled women living on his property. For a while, out of sheer stubbornness, we chose to stay in the building, but the landlord turned off the gas connection and deactivated the lift, making the building clearly unsafe for the women. We moved to a new building, but that landlord also objected to tenants with disabilities. We needed another solution.

My husband's family has a property in a village near Sonargoan, about an hour from Dhaka. The three women agreed to move there to live and work. They lived there very happily for three years, in fact so happily that Yeasmin met and married Hamid. He didn't see her disability. He saw only her lovely smile and sunny personality, and her strength and capability. She also had a secure and well-paid job.

Yeasmin and Hamid now have a beautiful baby boy and live in a house near the current Hathay Bunano head office. Yeasmin works there, leaving her baby in the crèche. Hamid found work in construction. They earn enough to care for their son and put away some savings. Yeasmin is already making plans for her baby's education and future. She has broken down cultural barriers and is a great role model to disabled women in developing countries around the world.



MAXIMIZING EMPLOYMENT FOR DISADVANTAGED WORKERS

Another important thrust of our work is to shift manufacturing tasks as far down the value chain as possible to maximize rural employment for young women. This usually entails locating the time-consuming, labor-intensive activities in the villages. Higher-skilled jobs, such as quality control, international customer relations, and new product design, are done in our head office in Dhaka. Other activities are handled most productively in the UK: graphic design and branding in North Wales, photography in Epsom, and public relations in London. This arrangement guarantees maximum efficiency, scale, and growth—and maximizes the amount of work the young women can do in the villages.

Moreover, given the nature of the work, we can employ women who are illiterate and/or disabled (see box, Yeasmin's story). The World Health Organization estimates that up to 10 percent of all Bangladeshis are disabled.¹⁰ We work with other organizations to hire disabled workers and allocate some of the simplest designs to artisans with more limited skills and abilities. We believe that Hathay Bunano has done for the hand manufacturing sector what impact sourcing organizations like Samasource and Digital Divide Data are attempting to do in the sectors of business process outsourcing and computer data entry.¹¹ We outsource as much of the work as possible to maximize the employment opportunities for disadvantaged workers: people who are young, poor, disabled, and/or refugees. Our model shows it is possible to create economic opportunities at scale. We have almost doubled our number of employees every year since we began operations in 2004. As of June 2013, we are manufacturing 250 different items and shipping between 80,000 and 120,000 pieces per month, depending on the season.¹²

MY PERSONAL STORY

I was 24 when I first visited Bangladesh with my British-Bangladeshi husband, Golam Morshed. Having never been outside Europe, I was completely shocked. At the Dhaka airport, the heat, the humidity, the noise, and the chaos were overwhelming. I arrived in September 1994 during a huge flood. It was so hot and humid, I still remember, that it took me a few minutes to catch my breath. All the roads were flooded up to the top of the cars' tires.

As we had been raising money for an NGO in Bangladesh, we went to the villages to see some of the projects they had been running. I visited many where the women were making embroidered items. It was always the same: they would ask me if I liked the cushion cover or bedspread and of course I would say yes. But to me they were, and could only ever be, tourist items. They would sell locally because they let tourists take away a memory of the place, but with few tourists in Bangladesh this clearly wasn't a huge market. So, in my broken Bangla, I would try to explain to the women that it didn't matter if I liked the items or not. The question they had to ask themselves was, "Would it sell in a shop in Europe or North America?" For me this is still the single most important question when starting any

Rozina's Story

Rozina started to work with Hathay Bunano five years ago. She attended the first training course in Jessore, and we later hired her to supervise the Jessore rural production center. A hard and diligent worker, she has been putting herself through university with the money she earns from knitting. She is currently in the final year of her honors degree.



Rozina's mother and father, Alea and Sofiar, also knit for us. Rozina taught Alea to knit, and she soon began working at Hathay Bunano. Then Sofiar, a landless agricultural day laborer, saw Alea and Rozina enjoying their work and making a good income and decided he also wanted to learn to knit. Sofiar also was concerned that he would not always be able to do strenuous agricultural work and earn enough to put Rozina's two younger siblings through school. Rozina taught him to knit, and in 2012 he started to make the popular knitted snake rattles for us, and became Hathay Bunano's first male knitter. Their parents' income from Hathay Bunano is helping to educate Rozina and her siblings.

production or manufacturing business: Where do you intend to sell, and who is the intended customer?

During family visits over the course of many years, I had the opportunity to see many rural handicraft projects that sought to generate employment by leveraging the women's skills in making embroidery, textiles, and other artisanal products.

Although the women were talented and willing to work, the poverty was especially challenging in rural areas and among young women and female-headed households.¹³ Although NGOs had been funding projects for decades, few were on a large scale or responded to the preferences of international customers. At the same time, I was aware that the huge ready-made garments industry in Bangladesh had grown tremendously over the past few decades and now employed 3.6 million people, primarily young women.¹⁴ Job creation on this scale was once unimaginable. I believed that the handicraft sector could learn something significant about scale, consistency, quality, and attractive designs from the garment sector. I applied these principles to my emerging idea for rural hand-made manufacturing. Without knowing it, in those early days we were sowing the seeds for a new business model for both the handicraft sector and the garment industry.

Somewhere I heard the saying, “Once you have seen you can never un-see.” I think of this when I remember my early visits to Bangladesh. Seeing tragedy and difficulty and poverty on television is very different from seeing it for real with all the smells and sounds and human connections. From my first visit, two questions lived with me every day: how to create economic growth in the rural areas of Bangladesh, and how to create opportunity for the rural poor.

Then, in 2000, I gave birth to my first son. Born four weeks early, he was very, very tiny and spent his first week in an incubator. Once he grew a little and came home, I was left with two distinct thoughts that have changed me permanently. First, if I had been a poor woman in rural Bangladesh, neither Zaki nor I would have survived. Second, how could a mother ever be separated from her child? It just seemed so wrong to me that women could be separated from their young children for long periods in order to get work and that families could survive only if the young women would migrate to urban factories. In 2004, when we arrived in Bangladesh as a family, I had had a decade to mull over what needed to be done and potential new ways to do it. So I set out to create a handicrafts project and fix all those things I had felt were wrong with existing projects.

PRODUCTION PROCESS

My husband, Morshed, and I established our first rural production center in the village of Shilmona in 2005. Today we can establish a center wherever a group of 100 women are interested in working and are willing to undertake six to eight weeks of training in knitting, crocheting, or embroidery. On average, our centers employ about 100 women, including two or three salaried local supervisors who began as employees themselves. We have found that clustering two or three production centers near each other creates a critical mass of loyal and skilled local talent which has several beneficial effects: it helps retain workers, raises productivity, and reduces the costs of training and transportation. We bring in supervisors and trainers from another production center to live in the village until the initial training is complete, production has begun, and local supervisors are selected and take over management of the center. Local supervisors are given responsibility for production, including quality control and paying workers each week.

Since we established our first center, we have developed a streamlined procedure for establishing additional centers, which currently number 64 (see Table 2). We generally go into a new location at the invitation of the community. We send in two trainers who live there and teach the local women to knit for several months. Hathay Bunano trainers are women who started their career with us as artisans; they come from villages just like those where they will teach, and their lives are very similar to those of the new trainees.

We entrust overall responsibility for the center to one of the best performing women, one who has a strong ability to pick up a new design and specifications for an item and an eye for quality, although she may not have the educational background to undertake administrative tasks and maintain accounts. If she lacks these

	2005	2006	2007	2008	2009	2010	2011	2012
Centers	4	9	15	24	34	45	54	64
Employees	300	625	1,200	2,000	3,500	4,300	5,600	6,500

Table 2. Hathay Bunano's growth

skills, we train her to develop them. Up to three supervisors, depending on the specialization of a center, one each for crochet, knitting, and embroidery, are selected from the trainees, based on their skill level, performance, and ability to disseminate the idea among the group members when an order with a new design comes to the center. Where the community requires child care or a teacher, two women are hired to provide it so that working women can always be close to their children.

From our head office in Dhaka, Hathay Bunano employs 108 staff to liaise with foreign buyers, supply production centers with the required raw materials, coordinate training, undertake the final stages of quality control and finishing (for example adding faces) and label, pack, and ship finished products (see Figure 1).

Designs for new products are brought to the rural production centers by master trainers who have moved up through the ranks and now work in the head office. The trainers and workers help to perfect the production process. Product quality is critical for our international clients and we emphasize it throughout the production process. Items shipped to our head office are checked for size, pattern, and color. When we find a production error, we send the item back to the respective worker to be fixed or reworked. The problem-free items, once washed and dried, are given a final check before being labeled, packaged, and shipped for export or to local shops.

SAFETY, ENVIRONMENTAL SUSTAINABILITY, AND TECHNOLOGY

All our toys conform to European safety standards and are "CE" marked for the European Community.¹⁵ In addition, our wholesalers around the world undertake any testing that is necessary for their territories. All our yarns are certified by Oeko-Tex, an international testing and certification system for textiles.¹⁶ We also offer a wide range of toys made from organic cotton. In addition, we have a large flat-bed metal detector in our finishing center; all products pass through it before being boxed for dispatch. Although our workers largely use crochet hooks and knitting needles and our products would rarely include a broken stitching needle, we err on the side of caution. In another effort to provide safety, our rural centers are all small single-story buildings with two exits.

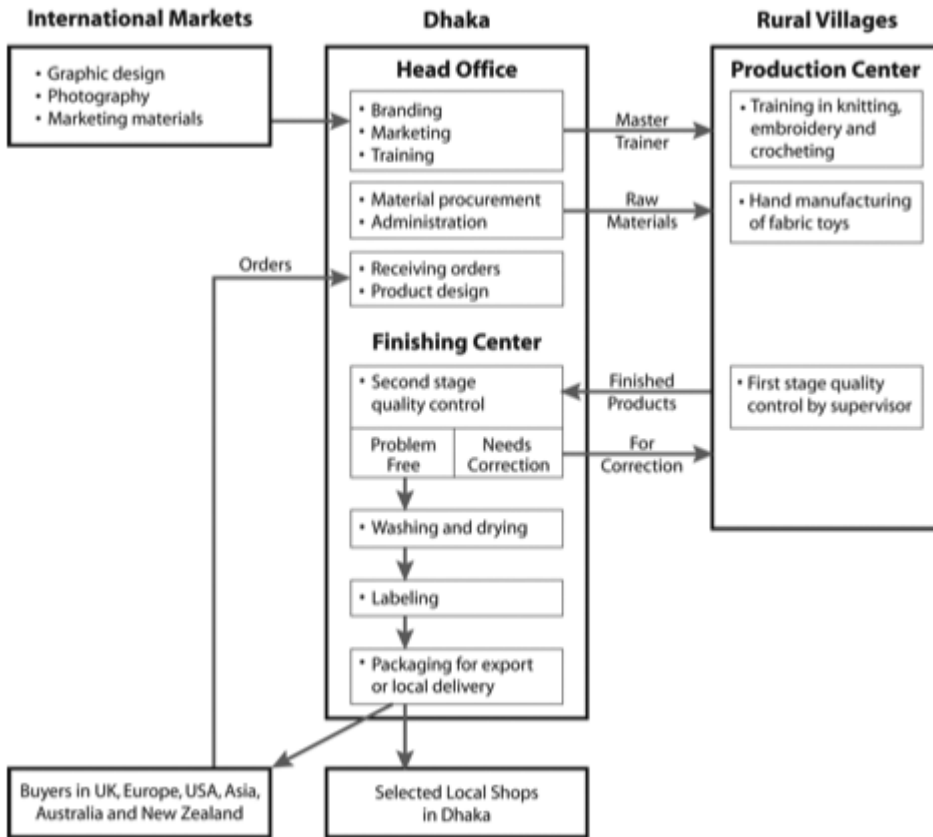


Figure 1. Hathay Bunano's production process

Technology has been key to our growth. Much as our global value chain maximizes rural employment, we use technology to good advantage. On the low-tech side, production equipment like knitting needles and embroidery frames are made by the women themselves or obtained locally. This eliminates high-cost imports, and we often end up with technologies that are finely tuned to local conditions. On the higher-tech side, in 2007 we developed a management information system using Oracle software to handle our production processes. We worked with a local IT company, ATI, and an expert volunteer from the Netherlands, who stayed with us for one month to ensure that we had developed a solid structure for the system.¹⁷ When we introduced this system, our order processing time dropped from over four hours per order to just a few minutes—enabling us to handle many more, and more complex, orders. The system has evolved over time and has been vital for our growth. Written with the future in mind, it contains elements we are not yet using but expect to one day. For example, the rural centers could have access to the system to inform us about the products they are sending back to Dhaka. Getting IT to function in rural Bangladesh has not happened as quickly as we would have



liked, however, and is still not workable. We see now that when this technology reaches rural Bangladesh it will come via smart phones.

Mobile phones are also key to the method we use to transport our raw materials and finished products on the bus system. All our packed-up parcels are transported around the country on top of public buses as unaccompanied baggage. When our packages are checked in at the bus station at either end of the journey, a mobile phone number is provided with them. Once the packages reach the destination bus station, an employee comes to collect them; what identifies him or her is a missed call on the mobile phone number registered with the goods. In nine years we have never lost a package on the Bangladeshi bus system—though we have lost several through international couriers and shipping agents.

In addition, we have recently started to use video to teach supervisors and workers how to make new products. This work is still in its infancy and I suspect it will grow enormously. For new products that involve a new technique and a particular way of doing something, I make a five-minute video of the technique and send it to our highly skilled sampling team at the Dhaka head office. They can then learn by seeing. This is very effective because they can learn at their own pace and refer back to the video at any time.

We are also interested in using mobile payments. BKash, a mobile payments system and joint venture between BRAC Bank Ltd, Bangladesh, and Money in Motion LLC, U.S.A., is the leading system in Bangladesh, but it is still relatively new. The costs per transaction are reasonable, but the cost to cash out (remove



money from one's mobile account) is still relatively high per transaction. Since not enough local traders accept BKash as a form of payment, the cash-out option is currently a constraint. However, I expect that this will change shortly. As soon as it becomes cost effective for our employees, we will move to a mobile payments model.

MOVING FROM PRIVATE LABEL TO BRAND

When we started Hathay Bunano in 2004, we made products to be sold under other people's brands, including Lark Designs in Australia, Urchin and Jojo Maman Bebe in the UK, and Tom Tailor in Germany.

By looking at the garment industry, we had identified an effective and low-risk strategy: ask for product specifications from companies and make their products to order. When the global economic crisis of 2009 hit, I expected to see no growth for the year. So, to make the best use of my time, I decided to stop marketing and instead worked on developing our own brand. We launched our Pebble brand in January 2010. We were able to convince some of our existing buyers to become wholesalers for Pebble. For example, in the UK, we had been making toys for Best Years Ltd.; when we offered them the opportunity to wholesale our new Pebble brand, they were delighted. The company was already attending six trade shows a year, so Pebble grew rapidly in the UK, taking advantage of our wholesaler's existing customer base. Similarly, in Australia, Funkid had been buying Lark products, which we were making; when I approached them with the opportunity to wholesale Pebble, they were delighted. These were the first two wholesalers for Pebble. We now have wholesalers in the UK, Australia, the U.S., Canada, New Zealand,

Japan, Singapore, Hong Kong, the countries of Scandinavia and the Benelux, Germany, France, Portugal, Spain, Switzerland, Hungary, Turkey, and Croatia.

In 2012 we developed the strategy further. Understanding that our smaller European wholesalers needed quicker delivery of smaller quantities, we decided to incorporate a company in the UK—Pebblechild UK Ltd.—and set up warehousing facilities there. We can now deliver to our European wholesalers—and to European retailers—in five to seven days. Given the currently difficult economic environment in Europe, this flexibility has made Pebble even more attractive as a supplier because both wholesalers and retailers need not tie up as much capital in stock. We have since set up a similar warehousing operation in Malaysia near the border with Singapore to supply Asian buyers. The year 2013 has seen significant political disruption in Bangladesh, which is likely to continue at least to the end of the year; our strategic warehousing facilities have let us weather much of this disruption.



While Hathay Bunano has moved from private-label manufacturing to manufacturing under its own name, our private-label history has been an important part of our growth and an important example of how to achieve low-risk growth within this sector. Our private-label work enabled us to grow and develop a reputation for quality, consistency, and timely delivery, which we were able to take with us to Pebble. When we launched Pebble as a brand in January 2010, it was not entirely new to retailers: many had been stocking Hathay Bunano products and were happy with them. If we had started out as Pebble, without going the private-label route, it would likely have taken longer to achieve the same growth.

In fact, we see ourselves as making a contribution to (re)branding Bangladesh itself. Our Pebble children's items are proudly labeled "Made in Bangladesh," with tags that include a Bangladeshi flag.

A special line of animal toys—including the Bengal tiger, Tokay gecko, owl, and otter—not only embodies the country's animals, but aims to create a more human link to the young women artisans who created them. Through these efforts, we are trying to rebrand the "Made in Bangladesh" label away from its current associations with low-cost clothes made in less-than-ideal working conditions towards a new model that provides decent jobs for the poor in a country with a proud tradition of both handicrafts and social businesses.

FINANCIAL AND ORGANIZATIONAL MODEL

In 2004, we registered Hathay Bunano as a nonprofit organization, although we have always operated like a business; from our first year, we were profitable and continually reinvested our income. Thus we followed Yunus's definition of a social business. We have grown in this way without external investors or debt. Part of my motivation was to demonstrate that it is possible to create market-driven rural employment in Bangladesh without donor grants or bank loans, which are often hard for start-up entrepreneurs to get. In fact, we even turned down offers of investment so that we could prove our concept.

By 2011 we were exporting so much that we could not really remain registered only as a nonprofit so we established Pebblechild Bangladesh Limited as a for-profit company in Bangladesh. All of our products are still made by Hathay Bunano (the nonprofit) and all training is conducted through our nonprofit arm, but all exports now move through the for-profit Pebblechild. The warehousing and distribution units we have set up in Malaysia and the UK are both registered as for-profit companies. So we started out as a single nonprofit organization and have now become a non-profit and three for-profit companies.

Since we have not taken on debt or investors, we face no outside pressure to engage in regular monitoring and evaluation. In the future, however, our profit-making companies will likely seek strategic investors so they can grow to the next level. Going forward, with the business more financially comfortable, we will invest in quantitative monitoring and evaluation as part of our annual reporting. In the past, to grow organically with scarce resources, we placed higher priority on creating jobs than on engaging in regular and systematic monitoring and evaluation. A number of third-party journalists, multilateral organizations, researchers, and doctoral students have examined our operations over the years and have published their findings on the impact we are having on young women's lives.¹⁸ In addition, our blog and website regularly feature case studies of women who work with us.

The findings of these third-party observers, plus our own experience, show the clear changes in the lives of our employees and their communities over time. When rural manufacturing centers are first set up, any observer can see, from the flip-flop sandals outside the door, that the women are very poor. But if they visit again a few months later, they see a row of nice sandals outside. When we visit young women in their homes, we can see tin roofs added to houses and more babies born in clinics rather than at home. When a new center is set up in a village, it is just a building in the village. But a few months later it will be surrounded by little shops and stalls selling all the things these women might need and want to spend their money on. And, over time, we have clearly seen the difference that better nutrition has made to families and entire communities.

WHAT CAN OTHERS LEARN FROM THE HATHAY BUNANO MODEL?

Hathay Bunano draws equal inspiration from two sources: the efficiencies, economies of scale, market orientation, and global reach of the garment sector; and the focus on poverty alleviation, women's empowerment, and economic development of social-sector handicraft projects. Although researchers discuss how hybrid social businesses like ours form and the unique challenges they face,¹⁹ they have not yet discussed the potential for successful hybrids to creatively disrupt both the traditional business sector and the traditional NGO-sector organizations from which we drew our initial inspiration. Here, Hathay Bunano is an important example because it can positively disrupt both the garment sector and the handicraft sector in the country.

Garment Industry

For the garment industry, instead of the capital-intensive, centralized urban production model, Hathay Bunano has pioneered a large-scale, geographically disbursed, low-overhead rural production model. The wages we pay are excellent in the village context, but still relatively low by global labor standards. Our rural production centers are in low-cost rented buildings (our first one cost \$4/month) with clean concrete floors, corrugated tin walls and roofs, and adequate light, ventilation, and working space for about 50 to 100 young women at a time.²⁰ Our centers operate without the need for electricity, further reducing manufacturing costs. Renting from community members eliminates capital investment and is a good way to elicit community support. Our low-cost model can, in some cases, out-compete machine-manufactured items in both price and quality. We believe garment manufacturers could use it profitably, if they examine their entire production process and identify which components could be made in rural areas. This could help create much-needed decent jobs, and also potentially save companies money and improve their reputation with international buyers.

Handicraft Industry

For the rural handicraft sector, consider that innumerable small-scale social ventures are started around the world every year with the aim of generating much-needed income for youth. Overwhelmingly, however, these well-intentioned ventures stay small and unconnected to international market preferences and economies of scale. To reach scale and generate maximum income and benefits for artisans and employees, handicraft ventures must focus on the market, implement quality control at every stage, build their brand, and adapt to change. Focusing on the market means focusing on what the customer wants and meeting that demand. We have an eight-stage quality control process, as shown in Figure 1. By building a brand and making market connections, we are better able to compete on quality and avoid the trap of low-cost production. Handicraft ventures should also be willing to constantly evolve, adapt, and transform as they grow and respond to changes in the marketplace and new technologies.

LESSONS WE HAVE LEARNED

Hathay Bunano will celebrate its 10th anniversary in 2014. Over these years of experimentation and growth, we have learned several important lessons.

Maximize social sourcing from young women in rural areas.

High levels of unemployment in rural areas represent a tremendous waste of productive resources and capabilities, including the skills of young women. By taking work to the villages and outsourcing the tasks that women and disabled individuals can do in rural areas, we can maximize employment for disadvantaged workers and artisans while generating business advantages. Tasks that can be done in villages should be done there, and tasks that should be outsourced to high-end professionals in wealthy regions should be done there. That system lets the business succeed so we can create more jobs for the poor.

Create jobs that are good for individuals and communities.

Not all jobs are created equal. Some do much more for the individuals, their communities, and the economy than others. With creative thinking and innovation, win-win solutions can be developed that improve working conditions, increase competitiveness, and enhance our reputation in international markets.

Develop pride and local ownership.

The motivation of the women artisans is important. Since they rarely see the final product on store shelves, we go out of our way to share with them the glossy catalogues and high-quality studio shots and magazine spreads of the products they have made. This creates great motivation for them to take pride in their work and continuously improve quality and consistency.

Local workers at rural production centers should feel ownership of their facility. Though we are paying rent and securing the buildings, the women feel it is their space. This is not a donor-funded project giving something away. Here the artisans take ownership of their work and their performance; this is very important in producing consistently high-quality work. Quality should come from positive reinforcement, not punishment. All people need the opportunity to produce a good piece of work, to feel good about that piece of work, and to be proud to submit it. Local ownership also leverages the women's problem-solving skills. They may be poor, but they are not stupid. Living their lives in difficult situations has taught them a resourcefulness that can be mobilized to build a business effectively.

Avoid founder's syndrome.

Maybe a founder can communicate effectively with 50 or 100 people, but scaling up a business requires processes and people. Managers need the space and oppor-

tunity to develop and make mistakes. To bring a business to scale, the founder must make herself redundant.

FINAL THOUGHTS

In Bangladesh, where 40 percent of the population lives on less than a dollar a day, creating manufacturing jobs to reduce poverty is imperative. Our model has the potential to creatively disrupt parts of the ready-made garment industry, as well as local handicrafts sectors. To have the maximum impact on poverty, jobs must offer choice, flexibility, and respect. They must enhance the social fabric, offer opportunities for promotion and capacity-building, and be physically safe. When they are, they can better provide essential economic opportunities for young women. Flexible employment has enabled the young women we work with to rise out of poverty by earning additional income for their families; they also enjoy a better quality of life. For these young women, employment has reduced their need to migrate to urban areas, empowering them, enabling them to gain more education, even higher education, and reducing the rate of early marriage. Working with multiple rural units has far more social impact than urban production and significantly reduces economic migration. Creating work that women can walk to quickly from home not only helps support families but keeps them together and stems the tide of economic migration. We have been able to scale our business model because we have allocated tasks to the parts of the global value chain that can most benefit the organization as a whole. But with innovation, we can genuinely alleviate poverty in ways that are not only financially profitable, but socially and competitively advantageous.

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1. See H. Rahman, "Hathay Bunano Proshikhan Society (HBPS): A Social Business Enterprise for the Rural Poor Women" GIM Case Study No. B064; New York: United Nations Development Programme, 2011.
 2. Statistics from the Bangladeshi NGO, Acid Survivor's Foundation:
<http://www.acidsurvivors.org/Statistics>
 3. International Finance Corporation, *IFC Jobs Study: Assessing Private Sector Contributions to Job Creation and Poverty Reduction*. Washington, DC: IFC, 2013.
 4. IFC, Jobs Study.
 5. S. M. Hsiang, K. C. Meng, and M. A. Cane, "Civil conflicts are associated with the global climate," *Nature* 476, no. 7361 (2011): 438-441; World Resources Institute, *World Resources 2005: The Wealth of the Poor*. Washington, DC: World Resources Institute, 2005.
 6. IFC, Jobs Study.
 7. A. Karnani, *Fighting Poverty Together*. New York: Palgrave Macmillan, 2011.
 8. Also see G. Pfitzenmaier, "Bringing Work to the People," in *The Global Compact International Yearbook 2010*, New York: United Nations, 2010: 124-125.
 9. Also see W. J. Werner, "Corporate Social Responsibility Initiatives Addressing Social Exclusion in Bangladesh," *Journal of Health, Population and Nutrition* 27, no. 4, 2009: 545-562.
 10. See Werner, "Corporate Social Responsibility Initiatives."
 11. K. Harji, H. Best, E. Essien-lore and S. Troup, *Digital Jobs: Building Skills for the Future*. New York: Rockefeller Foundation, 2013.
 12. We currently have three catalogues: our main catalogue, plus one for 100 percent organic cotton

items and one for Christmas.

13. People's Republic of Bangladesh, *Moving Ahead*. Dhaka: Planning Commission, Government of the PRSP, 2008.
14. The industry employs about 3.6 million people out of a total workforce of 74 million. It is responsible for 80 percent of the country's exports by revenue and 17 percent of GDP. About 20 million people rely on incomes from the sector.
15. All of our toys undergo the required safety testing regulation for Europe: European Standard EN71 parts 1 (physical properties), 2 (flammability) and 3 (heavy metals).
16. Oeko-Tex is the world's most stringent testing for dyes and chemicals in textiles; it entails annual random testing and the periodic submission of samples. See www.oeko-tex.com
17. These experts from the Netherlands were from the PUM program which sends senior business experts to volunteer on development projects. See www.pum.nl/
18. See, for example, Mark Dummett, "Taking Jobs to Bangladesh's Poor," BBC News, April 30, 2009, available at http://news.bbc.co.uk/2/hi/south_asia/7897097.stm; Rahman, "Hathay Bunano Proshikhan Society (HBPS)"; Werner, "Corporate Social Responsibility Initiatives"; Pfitzenmaier, "Bringing Work to the People"; and M. H. Rahman, "Creating Flexible Jobs for Rural Women in Bangladesh: The Case of Hathay Bunano," *Journal of Asia Entrepreneurship and Sustainability* 8, no. 2 (2012): 149-170.
19. See J. Battilana, M. Lee, J. Walker, and C. Dorsey, "In Search of the Hybrid Ideal," *Stanford Social Innovation Review* Vol. 10 (2012).
20. See also Dummett, "Taking Jobs to Bangladesh's Poor."