

Apparel sector productivity as means to development and wellbeing of the nation

S. R. S. D. K. Weerawansa

Department of Economics, University of Colombo, Sri Lanka

The apparel industry is the core manufacturing industry in the Sri Lankan growth spectrum, with widespread regional distribution of employment and feeding upon thousands of SMIs, providing a myriad of services, all of which form a strong fabric of national development and wellbeing among people. The growth of the apparel sector is fundamentally linked with its gains in the Total Factor Productivity (TFP) front as it faces strong competition in the global apparel supply chain. Having had its beginning as an industry that exploited the labor cost advantage under the Multi-Fibre Agreement (MFA), the apparel sector has been at the receiving end of many challenges from within and outside. With the elimination of the MFA in 1995-2005, the industry underwent unprecedented challenges initially. Through a prism of TFP measures, this study explores key attributes that defined the success of the industry. The research is an investigation into TFP growth in the apparel sector by employing alternative quantitative methods: namely a) growth accounting approach and b) regression approach (firm-level). The study reveals that the industry had made gains in the TFP in distinct periods as a fundamental strategy for its growth and diversification which translated into price competitiveness while it simultaneously embarked upon industry-specific product specialisations leading to collaborative value chain success with leading international brands. Maintenance of social compliances has enabled the local apparel trade to access the end-customer focus successfully. The study reveals that the industry's success is fundamentally linked with its ability to manage TFP growth while other factors were built around its success. The qualitative study revealed that the post MFA success was entirely attributable to the resilience of the industry and the entrepreneurial ingenuity against a backdrop of a prolonged policy and political environment that was unfavorable to exports as a whole. This study envisages that the research findings would shed new light on the status quo of the sector and provide a catalyst for the right policy support to unravel the true potential of the industry as a growth driver, and for broad economic development outcomes, which could decisively promote much-needed national wellbeing.

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