Bangladesh All Party Parliamentary Group

After Rana Plaza

A report into the readymade garment industry in Bangladesh

2013
All Party Parliamentary Group on Bangladesh

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# Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreword</td>
<td>5</td>
</tr>
<tr>
<td>Executive Summary</td>
<td>6</td>
</tr>
<tr>
<td>Recommendations</td>
<td>9</td>
</tr>
<tr>
<td>Introduction</td>
<td>14</td>
</tr>
<tr>
<td>Part 1: An anatomy of industrial disaster: Tazreen Fashions and Rana Plaza</td>
<td>18</td>
</tr>
<tr>
<td>Infrastructural integrity</td>
<td>19</td>
</tr>
<tr>
<td>Labour rights</td>
<td>20</td>
</tr>
<tr>
<td>Poor working conditions</td>
<td>23</td>
</tr>
<tr>
<td>Compliance culture</td>
<td>24</td>
</tr>
<tr>
<td>Purchasing practices</td>
<td>26</td>
</tr>
<tr>
<td>Summary</td>
<td>28</td>
</tr>
<tr>
<td>Part 2: What is being done? Corporate Social Responsibility and Multi-stakeholder Initiatives after Rana Plaza</td>
<td>29</td>
</tr>
<tr>
<td>Corporate Social Responsibility</td>
<td>29</td>
</tr>
<tr>
<td>Audit regime</td>
<td>30</td>
</tr>
<tr>
<td>Brand liaison with government and workers</td>
<td>34</td>
</tr>
<tr>
<td>The Accord in Fire and Building Safety in Bangladesh</td>
<td>35</td>
</tr>
<tr>
<td>The Alliance for Bangladesh Worker Safety</td>
<td>37</td>
</tr>
<tr>
<td>National Tripartite Plan of Action on Fire Safety and Structural Integrity in the garment Sector of Bangladesh, the ILO and the EU Sustainability Compact</td>
<td>38</td>
</tr>
<tr>
<td>Summary</td>
<td>40</td>
</tr>
<tr>
<td>Working Conditions</td>
<td>42</td>
</tr>
<tr>
<td>International Brands</td>
<td>45</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>47</td>
</tr>
<tr>
<td>Planning and building control</td>
<td>48</td>
</tr>
<tr>
<td>Government Strategy</td>
<td>50</td>
</tr>
<tr>
<td>Summary</td>
<td>52</td>
</tr>
<tr>
<td>Part 4: Research Findings</td>
<td>53</td>
</tr>
<tr>
<td>Capacity development in construction industry</td>
<td>53</td>
</tr>
<tr>
<td>Government Strategy</td>
<td>55</td>
</tr>
</tbody>
</table>
Capacity development and a cultural shift on the factory floor........................................56
Increasing transparency in and introducing accountability to the supply chain.........................57
Tackling poor purchasing practices..........................................................................................60
Foreword

The collapse of Rana Plaza was one of the worst industrial accidents in recent history, resulting in the loss of over 1100 lives. The scenes of the disaster and the conditions of workers shocked the world and exposed the profound flaws within the Ready Made Garment (RMG) industry in Bangladesh. These prompted the APPG to commission a report on the RMG sector. We strongly believe that Bangladesh needs to be supported in reforming the RMG sector and that the UK as a major export market and aid donor has an important role to play in providing the required assistance and expertise.

The RMG industry has been a crucial part of Bangladesh’s economic success story since the 1990s with the potential to play a leading role towards Bangladesh’s ambition to become a middle income country by 2021. However, its future has been thrown into doubt as a consequence of the heavy human, economic and reputational costs which have been revealed by the disaster. It is imperative that the initial impetus from Rana Plaza is not lost but is translated into concrete actions that will improve working conditions and ensure that Bangladesh does not lose out on future investment opportunities.

We are grateful to all those who provided their time and expertise to the report and we recognise that there are no simple solutions to such a complex issue; the necessary reforms will take time and require substantial political and brand engagement. We hope that this report will contribute to the current agreements that have been drawn up since Rana Plaza and highlight some of the areas that need to be addressed as a priority.

Anne Main
Chair of the APPG on Bangladesh
Executive Summary

In the view of the All Party Parliamentary Group (APPG) for Bangladesh the Ready Made Garment (RMG) industry in Bangladesh is currently at a critical crossroads and in urgent need of reform to ensure its long term viability. The human costs of doing business in Bangladesh, as illustrated by the Rana Plaza collapse, combined with poor infrastructure and political instability are the most pressing challenges facing the industry. If Bangladesh is not to lose future investment in such a critical industry, all stakeholders must engage in dialogue together to address supply bottlenecks and rebuild the reputation of the industry by improving working conditions.

The RMG industry is a key driving force of Bangladesh’s economic development: in 2011-12 Bangladesh was the world’s second largest exporter of apparel and registered $19.1 billion of ready-made garment exports, a total which accounted for 13% of the country’s GDP. The industry currently provides employment for an estimated 3.6 million people and is predicted to be the fastest growing export industry over the next two decades. This growth is to be celebrated, but it is the concern of the APPG that the gains enjoyed at the national level are not evenly distributed and that the 3.6 million workers employed by the industry are labouring in precarious conditions.

On 24 April 2013 more than 1100 people died in one of the world’s worst industrial accidents. The collapse of Rana Plaza, an eight storey multiplex housing clothing factories, a bank, shops and several residential apartments in the Savar district of Dhaka, came just months after a fire in the Tazreen Fashions factory killed an estimated 112 workers. The collapse of the Rana Plaza factory has since become emblematic of the human costs of doing business in Bangladesh.

The rapid economic development and urbanisation that Bangladesh has experienced in the last few decades has led to strains on the ability of any government to meet infrastructural and regulatory need. GDP growth has been averaging 5-6% per year since the turn of the century and Bangladesh’s urban population has been growing by 6%; a trend that is expected to continue. As a result, Bangladesh needs to be supported by brands and the international community in their efforts to build up local capacity and reform the RMG industry. The UK as one of the major investors in Bangladesh and the third largest export destination for Bangladeshi textiles has an important role to play in supporting such a process. The UK is already one of the largest grant donors to Bangladesh and the APPG recognises the substantial progress in this sector that has been achieved by the Department for International Development (DFID) and believes that DFID could further develop its programmes in Bangladesh. In the opinion of the APPG, sanctions are counter-productive as they
threaten the future of the RMG industry without helping Bangladesh address the root causes of the problem. Nevertheless, as the World Bank recently stated, Bangladesh must act now or risk losing future investment and its favoured access to the EU which could see its total exports fall by as much as 4.1% to 8%\(^1\).

The APPG conducted a fact-finding mission in Bangladesh to discuss policy recommendations with stakeholders from the RMG industry. Six MPs participated in the visit: Simon Danczuk, Rushanara Ali, Jonathan Reynolds, Nick de Bois, Shabana Mahmood and Anne Main leading the group. The fact-finding mission built upon the research gathered from a range of qualitative interviews conducted beforehand with high street brands, NGOs, campaign groups, and with representatives from professional institutes, consultancies and the British and Bangladesh governments.

It is vital that the structural integrity of buildings and the infrastructure capacity of Bangladesh are improved. Poor infrastructure is a significant supply bottleneck which increases the pressures and costs of a supply chain characterized by a ‘fast-fashion’ model with short lead times and tight deadlines. Poor planning and building control have resulted in sub-standard construction and in 90% of buildings meeting no building codes\(^2\). Consequently, there is high chance of a repeat of the tragic events of Rana Plaza and Tazreen Fashion’s fire. These risks compromise the long term investments of brands and limit their ability to improve working conditions. In order to prevent a loss of future investment, the APPG recommends that the Bangladesh government, aided by brands and the international community, establishes a long term strategic plan to address these pressing concerns. The Accord on Fire and Building Safety, the Alliance for Bangladesh Worker Safety and the National Tripartite Plan of Action on Fire Safety and Structural Integrity (NTAP) are necessary first steps though these efforts must be coordinated and supported in order to build local capacity towards a sustainable solution.

In addition, brands have a responsibility to address the flaws in their purchasing practices. In a buyer driven market, brands have the ability to drive up working standards by creating the right incentive structure for purchasers and suppliers. There is a need for further brand investment in their supply chain to aid the up skilling of workers, improve management techniques and encourage more workforce representation. Best practice in corporate responsibility needs to be redefined by increasing expectations of what brands should achieve and by re-introducing the responsibility of the state to protect its own citizens. Brands themselves were encouraged by NGOs to integrate corporate social responsibility into their purchasing practices and to augment their auditing regimes with frequent factory visits and human rights due diligence. A more transparent and accountable
supply chain is essential to rebuild the confidence of consumers, buyers and investors in the ethical nature of production. The APPG is aware that several brands have already made strenuous efforts towards improving working conditions and implementing Corporate Social Programmes, and commends such efforts believing that they should be shared as a matter of best practice.

This APPG report has the objective of suggesting policy recommendations to promote a RMG industry that works for consumers, business, workers and Bangladesh. It is critical that regulatory and infrastructure reforms are carried out and working conditions improved to ensure that brands are not compelled to leave through global competitive pressures. The RMG industry will continue to have an important role as a driver of economic growth and employment if Bangladesh is to achieve its objective of reaching middle-income status.
Recommendations

Government Strategy

The RMG industry has been crucial to the economic success of Bangladesh in the last couple of decades nevertheless it is now at a critical crossroads as the recent tragedies have tarnished the reputation of the sector and infrastructure bottlenecks undermine its global competitiveness. If Bangladesh is not to lose out on potential future investment, vital to its objective of achieving middle income status by 2021, the Bangladesh government must engage in closer dialogue with industry stakeholders and formulate a long term strategic plan to overcome the challenges facing the RMG industry.

The APPG recommends that:

- The current Bangladesh government and the incoming government after the next election establishes a comprehensive and long term strategic plan to overcome the infrastructural challenges facing the RMG sector, including bottlenecks in transport and energy supply. The APPG supports Bangladesh’s National Tripartite Action Plan on Fire and Structural Integrity (NTAB) and urges the government to ensure its objectives are met;

- Western governments are urged to use their influence to encourage the government of Bangladesh to address labour rights, minimum wage levels, legislative enforcement, and the full implementation of the NTAB;

- Bangladesh government sets up direct lines of communication with businesses and worker representatives to facilitate dialogue. An individual with direct ministerial responsibility should be set up to address concerns arising from this vital economic sector;

- Brands co-ordinate and channel their messages through an official and recognisable trade body in order to prevent communication overload as the APPG appreciates that government capacity in Bangladesh is understandably stretched;

- The Bangladesh government establishes a disaster relief and fire emergency plan, under direct ministerial responsibility with adequate designated funding;
• The minimum wage is reviewed as the APPG believes that an increase in the minimum wage is the fairest and most practical means to improve living standards across all economic sectors including the textile industry. The APPG supports the Bangladesh government’s decision to set up a minimum wage board to review the minimum wage.

Capacity development and a cultural shift on the factory floor

The APPG was deeply concerned with the conditions of some of the workers in some of the RMG factories in Bangladesh. There is a need for additional investment in up-skilling the supply chain through greater worker training, more worker representation and better working conditions. Not only is this the moral responsibility of firms but there is also a strong business case as investment leads to higher productivity and lower rates of staff turn around. In addition, audit regimes need to be made more robust through a comprehensive risk analysis and co-ordinated to prevent the risk of ‘audit fatigue’.

The APPG recommends that:

• Brands invest in up-skilling their supply chain by providing worker training, improving management techniques, and addressing working practises on the factory floor, the APPG observed several such successful initiatives in Bangladesh which could be shared as best practice;

• Factory owners and Brands encourage greater worker representation and participatory structures within factories to facilitate cooperative industrial relations, building upon best practices observed by the APPG;

• All stakeholders, especially brands and the Bangladesh Department of Inspection for Factories and Establishments, in the RMG industry share best practices and coordinate audit efforts and health and safety standards;

• Brands prioritise dialogue with workers, possibly as part of a robust social auditing process which includes a risk based approach and due diligence;

• Western governments support the International Labour Organisation’s (ILO) bid for launching the Better Work Programme in Bangladesh;
Capacity development in the construction industry

Since the Rana Plaza collapse there has been a flurry of structural inspections from Brands, NGOs and governments to prevent a similar tragedy occurring again. Initial structural assessments from BUET have estimated that 60% of factory buildings are vulnerable and structurally deficient. The APPG believes that if a long term solution is to be found, there is a need to address the root causes of the problem which stem from the failure to monitor planning and building control according to the Bangladesh National Building Code which have allowed the structural integrity of buildings to be compromised. No simple solutions exist but there is an urgent need for the first steps to be established.

The APPG recommends that:

- Independent or non-political professional bodies are set up for both planning and building control. Such bodies would be responsible for ensuring the highest standards of inspections according to the Bangladesh National Building Code;

- The possibility of setting up a National Accreditation Board for structural engineers is investigated in order to improve their status and prevent a wider divergence in engineering standards and expertise;

- Rajdhani Unnayan Kartripakkha (RAJUK) set up a central public database with all relevant information including but not limited to blueprints, fire and building safety reports, violations, fines, sanctions and information on management and worker fire and safety training; the database should be maintained and updated on a regular basis;

- A National Construction Authority is established, possibly by expanding RAJUK’s mandate, which is responsible for the implementation of the Bangladesh National Building Code, and enforcing recommendations from inspections reports;

- DFID and international aid agencies should investigate how they can help build up local capacity in Bangladesh in building control and planning, including risk assessment, the training of engineers, the setting up professional bodies and data capture and management.
The British government coordinates the relevant British bodies, such as the Royalist Institute of Chartered Surveyors, Department for Business and Skills and the Institution of Civil Engineers, which have the expertise and capacity to assist capacity building in Bangladesh.

**Increasing transparency in and introducing accountability to the supply chain**

A lack of transparency in the supply chain of the RMG industry is a pressing concern for brands, consumers and investors. Sub-contracting is a common issue within the sector and presents an unquantifiable reputational and economic risk to all brands. Brands felt that despite their efforts it was a constant and uphill struggle to prevent unauthorised sub-contracting. The APPG believes that only through greater supply chain transparency and accountability will firms be able to guarantee their ethical credentials, which in turn will allow consumers and investors to regain confidence in the RMG sector in Bangladesh.

The APPG recommends that:

- **Brands improve their transparency and control of supply chains:** publishing supplier lists as a matter of best practise. Brands could consider including a Corporate Responsibility Statement in their annual report relating to supply chain transparency. The APPG has been made aware that IT systems facilitating supply chain accountability do exist which brands should examine;

- The possibility of introducing an ethical ‘kitemark’ on garments should be investigated in a way that is meaningful to consumers, that makes sense for brands, and that actually drives improved standards;

- Governments continue to employ their convening power to support brands to share non-proprietary information and best practice;

- The auditing industry should be regulated and mandated to share all cases of non-compliance with workers’ organisations as a matter of law;

- Flaws within the audit regime are addressed: audits should be paid for by brands not suppliers, workers should be consulted by skilled practitioners, and worker committees should have access to brands.
Tackling poor purchasing practices

In a market driven by buyers, brands have a key role in providing the correct incentives for the industry to improve. Corporate Social Responsibility should become more closely incorporated into the culture of the firm and into the performance targets of staff. High purchasing standards were observed by the APPG when brands share innovations and information on best practises and establish in-country offices with social compliance teams.

The APPG recommends that:

- Brands should incorporate the Guiding Principles on Business and Human Rights into their approach to supply chain management and CSR;

- Brands, as far as possible, should establish personnel in-country or collaborate with peers with in-country expertise;

- Ethical trade targets should be included as a performance indicator for buying teams and individual staff as a matter of best practice, and buyers should be issued with codes of sourcing practice;

- Buying and merchandising teams should report to Managing Directors in addition to, or instead of, Finance Directors as a matter of best practice;

- A feasibility study on the professionalisation of purchasing and supply should be commissioned.
Introduction

On 24 April 2013 more than 1100 people died in one of the world’s worst industrial accidents. The collapse of Rana Plaza, an eight storey multiplex housing clothing factories, a bank, shops and several residential apartments in the Savar district of Dhaka, came just months after a fire in the Tazreen Fashions factory killed an estimated 112 workers. The collapse has since become emblematic of the human costs of doing business in Bangladesh.

The story of how Tazreen Fashions and Rana Plaza came to disaster cannot be told without reference to the success of Bangladesh’s RMG industry. Since the start of its garment export industry in the late 1970s, Bangladesh has seen its RMG export levels grow steadily and has become a top global exporter: in 2011-12 Bangladesh was the world’s second largest exporter of apparel, registering $19.1 billion of RMG exports. Ready-made garments account for nearly 75% of export revenue, a 13% share of GDP, and nearly a third of total exports. Over the last 15 years, Bangladesh’s share of apparel imports to Europe and the US has more than doubled. High capacity and continued wage competitiveness have consolidated Bangladesh’s position as the third most prolific importer to the European Union and the fourth most prolific to the United States. Apparel production and export is the key driving force behind Bangladesh’s GDP development, a trend that will continue in the coming decades: in 2012 McKinsey & Company forecast an annual export-value growth of 7-9% over the next ten years, predicting that the market will nearly triple by 2020. Goldman Sachs has included Bangladesh in the ‘next 11’ of emerging countries after BRICS. JP Morgan has identified Bangladesh among its ‘frontier five’ emerging economies in which it is worth investing. However, this story of growth is shot through with digressions that hint at systemic vulnerabilities and exploitation.

On the ground this rapid growth finds physical reflection in the 5000 factories that fill the business districts and export processing zones of Dhaka. These 5000 factories provide employment for an estimated 3.6 million workers: between 2000 and 2009 employment in the apparel sector grew by 94%, and a city landscape built of bostees and workers’ hostels illustrates an influx of low-paid workers unprecedented in scale and speed. It is here, on the factory floors and in the slums of Dhaka, that the costs of economic success are revealed. Whilst the growth of the RMG industry has provided millions with an opportunity for paid work, the work itself can be precarious and its rewards are routinely low. Increases in employment have been matched by a decline in real wages.

1 A “bostee” is equivalent to a squatter settlement. In Bangladesh a bostee comprises of a group of thatched or tin-roofed one-room houses that stand next to each other with inadequate shared sanitation facilities.
and according to research carried out by Impactt workers can take home up to 62% less than the living wage\textsuperscript{10}. Moreover, as evidenced by the collapse of Rana Plaza and the fire of Tazreen Fashions, the conditions in which these wages are earned are sometimes unsafe. Between 2006 and 2009 414 garment workers were killed in at least 213 separate factory fires, and in a five month period following the fire at Tazreen Fashions in November 2012 a further 28 factory fires were reported, with at least 591 workers injured and eight killed by the end of January 2013 alone\textsuperscript{11}.

The events of Tazreen and Rana Plaza are not isolated incidents rather, hazardous conditions of varying severity are systemic to the industry. Thus, whilst Bangladesh’s rapid economic development is to be lauded, the lag in the development, application, and enforcement of labour legislation, building and safety standards must be understood and addressed. There are many drivers that fuel the industry’s permissive business environment: in Bangladesh the RMG industry is highly politicised and built on a foundation of weak governance and still weaker industrial relations. In the buyer-driven supply chain margins are thin and the fear of undercutting is strong. As such the purchasing practices of brands can incentivise violations of health and safety through undisclosed subcontracting, excessive working hours, and unauthorised factory expansions.

This does not mean that the answer to improving conditions for workers is for brands to pull out of Bangladesh. In viewing the problem through the ‘Protect, Respect and Remedy’ framework of the UN Guiding Principles on Business and Human Rights, states bear a duty to protect against human rights abuses by third parties, whilst business enterprises should act with due diligence to avoid infringing on the rights and address the adverse impacts their actions cause\textsuperscript{12}. Under the Guiding Principles brands have a responsibility to use their leverage and offer redress for poor conditions, a principle that was universally lauded by the brands interviewed in the course of this research. To abandon Bangladesh was seen to be an abnegation of responsibility and to refrain from addressing the systemic problems of doing business in Bangladesh was seen as a risk to the long term integrity of the brand and a potential risk to both consumer loyalty and long term share-price stability. The status quo is neither desirable nor sustainable for Bangladesh or for brands; economic growth and robust efforts to ensure social upgrading need to go hand in hand in order for the deaths of Tazreen Fashions and Rana Plaza to become a tragedy belonging in the past rather than an inevitable feature of Bangladesh’s future.

All of the brands who were interviewed and met with the APPG as part of the research were united in their desire to remain in Bangladesh, and to continue, in the words of one major brand, ‘to do the
right thing’. What this means and how it can be achieved by brands, by multi-stakeholder action, and by government will be reviewed in the following sections.

i. Aim and target group

The report is divided into two main parts. The first part of the research is based on a series of interviews with well known high-street retailers and several NGOs and campaign groups. The APPG were able use the research gained from the interviews in order to investigate on the ground in Bangladesh the possible recommendations that could be made. The report seeks to put these industrial disasters in context firstly by understanding the drivers of poor working conditions in the RMG sector, and secondly by reviewing the myriad measures taken by brands and governments in the name of corporate and social responsibility. Throughout the research and the APPG visit to Bangladesh a key question was kept front and centre, namely, ‘what do stakeholders need to address in order to improve working conditions in the RMG supply chain that extends between Bangladesh and Western markets?’ The report focuses specifically on the licensed export textile factories that cater to the international market, in which there is a large variety of working conditions.

ii. Methodology

This report, which was commissioned by the APPG on Bangladesh in response to the collapse of Rana Plaza, has a two-part methodology. The first part is based on extensive desk research and 29 qualitative interviews with representatives from the following brands, non-governmental organisations, companies and institutes:

- Arcadia Group, Asda, Asos, Austin Reed, Debenhams, Fruit of the Loom, Gap Inc., H&M, John Lewis, Marks and Spencer, New Look, Next, Primark, River Island, Sainsbury’s, Tesco;
- CORE, ETI, Labour Behind the Label, Oxfam GB, War on Want, Women Working Worldwide;
- Chartered Institute of Purchasing and Supply, Department for International Development, Impactt Ltd, Steering Committee of the Accord on Fire and Building Safety in Bangladesh, Threadneedle Investments, Department for Business, Innovations and Skills (BIS), Royal Institute of Chartered Surveyors (RICS).

The participating brands were selected to take part in the research owing to their location at the low- to mid-value end of the market and for their known sourcing of garments from Bangladesh. These brands source anything between c.1 – c. 33% of their products from Bangladesh and source
from between c.5 – c.100 factory bases in-country. Brand representatives were interviewed off the record, and company names are only mentioned if the information is publically available.

The results and information gathered from the interviews was used by the APPG delegation on their fact-finding mission in order to talk directly to stakeholders in Bangladesh about possible recommendations and solutions for the RMG sector. The APPG were in Bangladesh from the 13 to the 17 September 2013 and were able to meet with a wide range of local stakeholders including the following:

- Sheikh Hasina, Prime Minister of Bangladesh and leader of the Awani League, and Khaleda Zia, former Prime Minister and leader of the Bangladesh National Party;
- Bangladesh University of Engineering and Technology, Fire Service and Civil Defence;
- British High Commission, Department for International Development;
- Primark, Tesco;
- Awaj Foundation, Centre for the Rehabilitation of the Paralysed, Impactt, Underprivileged Children’s Education Programme;
- ABC Factory, Far Eastern Knitting and Dyeing Industries ltd, Armana Apparels.

iii. Outline

There are four sections following this introduction. Part 1 describes the factors that led to the collapse of Rana Plaza and the fire at Tazreen Fashions. Part 2 reviews the measures that have been taken to address poor working conditions in the supply chain. Part 3 outlines the key themes and discussions of the APPG delegation, while Part 4 draws out the main findings from the APPG using both the research from the interviews and the insights from the APPG fact finding mission.
Part 1: An anatomy of industrial disaster: Tazreen Fashions and Rana Plaza

On Tuesday 23 April cracks appeared in the walls of Rana Plaza. A day later the eight storey multiplex collapsed and over 1100 of the estimated 5000 workers that used the building were dead, and a further 2500 were injured, many severely. The cracks had not gone unnoticed; according to media reports the Industrial Police had recommended that factory owners using the building suspend operations until the safety of the building could be established by inspectors from BUET\(^\text{13}\). Not all of the floors were in use the next day, the ground and first floor of the plaza which had hosted shops and a bank branch were empty as the shop workers and bank staff had been told to wait until the integrity of the building was assured before returning to work. The garment factory owners who occupied the remaining floors allegedly ignored these directives and re-opened their units after engineers working for the building’s owner inspected the structure and pronounced it safe\(^\text{14}\). Faced with losing a day’s wage and, in some cases allegedly threatened with dismissal, many workers returned to their machines just an hour before the seven upper floors of the complex collapsed.

Five months earlier, at 6.30pm on 24 November 2012, a fire broke out at the Tazreen Fashions factory, killing at least 112 factory workers\(^\text{15}\). Though the majority of the workers had been dismissed for the day, 600 remained. When the fire swept up through the building from the ground floor storage facility, the 600 workers were told to ignore the fire alarm and keep working. A radio was turned up to cover the noise. Yet though the radio grew louder, the panic could not be contained and by the time panicked workers started to leave the building, many on the upper floors found it impossible to escape through the main exit, which was located on the ground floor where the fire had started. Survivors of the fire later told a local NGO that management staff had locked the gates on several floors of the building and in consequence, many of the workers had jumped to their deaths in attempts to escape the burning six storey building\(^\text{16}\). Tazreen Fashions produced for a number of European and American brands and retailers, including Walmart, the Edinburgh Woollen Mill, Sears and C&A.

These two tragedies, which have cast doubt on the ethical integrity of the ‘Made in Bangladesh’ label, should be viewed neither as unforeseeable nor as unavoidable accidents. Though the scale of these events has generated an unprecedented level of global attention, unsafe working conditions of varying severity have been part of the everyday reality of millions of garment workers since the RMG industry was established in the early 1970s. In order to consider how conditions could be improved,
it is critical that the multiple factors that cause industrial accidents, deaths, and disasters are established, understood, and addressed by the most relevant stakeholders in concerted and collaborative action. The following sub-sections outline these factors and their drivers, finding cause in weak governance, brand behaviour, and in the permissive and volatile nature of the business environment that results.

**Infrastructural integrity**

The immediate cause of the collapse of Rana Plaza was poor construction; in an early damage assessment conducted by the NGO Asian Disaster Preparedness Centre, it was revealed that the building, which hosted a total of three garment factories, was built for purely retail purposes. The thousands of workers and electrical generators exerted a weight estimated to be almost six times greater than the building was intended to bear. Load bearing support columns were found to have been erected haphazardly and experts have reason to suspect that the building materials and methods were below par: Rana Plaza, which experts assume was built largely with concrete, would have required a large amount of reinforcing steel, known as rebar. In developing countries steel is relatively expensive in comparison to labour and concrete, and often the recommended amount is not used. In a concrete structure that includes an adequate amount of rebar, a crack in the concrete can be withstood. Without the reinforcing steel, a crack in the concrete can prove fatal. Experts also pointed to the fact that the building was standing on reclaimed and potentially soft ground and that sections of the plaza were still under construction when it collapsed. That the building was used for industrial rather than retail purposes was not legal, and neither were the additional two floors that had been added to the building in violation of planning permission. The crack may have brought the building down, but it was constructed and used without proper administrative control, professional guidance or compliance with regulations.

It is not the case that there are no national codes or guidelines to follow, rather they are not applied. The National Building Code from 1993 and building construction guidelines from 2006 are rarely enforced and in July 2013 the director of Dhaka’s development authority revealed to members of the Bangladesh Parliament that an estimated 8000 buildings in the capital either lacked the required approvals or actively violated construction codes. Though companies are required to submit detailed plans to local officials it has been alleged that these plans can be bought, and that they need only be ‘rough outlines’ in order to be approved by the required architect and engineer, who may or may not be adequately qualified. One large brand that maintains a Dhaka office of over 50 staff and sources from over 100 factory bases in Bangladesh described the construction enforcement
regime as ‘absolute in its failure’, giving anecdotal evidence of encountering factories whose finished construction bore no relation to their architectural blueprints. However, given the fact that there were only an estimated 40 qualified inspectors responsible for overseeing the thousands of structures in Dhaka, weak enforcement of planning permission is almost to be expected.

In the activity that has followed the collapse of Rana Plaza hundreds of factories are undergoing a flurry of building inspections, some led by government agencies and others by concerned brands. Preliminary results released in July have suggested that nearly 40% of factories have major safety issues\textsuperscript{25}. In a business environment compromised by political relationships and vested interest in the permissive status quo, violations are either not identified or not addressed.

Brands are united in their efforts to source from safe suppliers, but it is apparent that it is a challenge both to find islands of excellence, and to maintain confidence in their integrity. This is especially so in the case of building safety given concerns with the authenticity of the building safety certification submitted to brands by suppliers and that the social and quality control audits that are regularly imposed on suppliers do not touch on building integrity. The high level of anxiety amongst brands that another similarly disastrous event could occur can be implied by the fact that the Accord on Fire and Building Safety in Bangladesh, which in its memorandum stage anticipated convening between five and six of the companies sourcing the highest volumes of garments, eventually accrued 82 brands as signatories to a binding agreement. In the assessment of one NGO interviewed for this research, there is a genuine and well-founded fear that Bangladesh is only ever a day away from another industrial disaster and that brands are only one accident investigation away from serious reputational damage.

**Labour rights**

When the cracks appeared in the walls of Rana Plaza, the building was identified as dangerous, the next day, after an assessment of the structure paid for by the factory owner, managers were prepared to send thousands of their workers back into the building. Not only was there exceptionally poor regard for the health and safety of workers amongst managers and owners, but there was no attempt by workers to collectively complain or demand explanation. A cursory review of the status of industrial relations in Bangladesh explains why: the grassroots labour movement is weak and highly fragmented, labour leaders consistently face physical harassment and abuse, and unions are confronted with highly bureaucratic obstacles to organisation and strike action. Though Bangladesh has ratified some ILO conventions pertaining to labour rights, the reality is that these rights are not
enforced in national labour law and the government does not guarantee that the right to organise and to bargain collectively is respected.

In March 2012 Aminul Islam, Head of the Bangladesh Centre for Worker Solidarity and the Bangladesh Garment and Industrial Workers Federation and a prominent national figure, was disappeared, tortured and murdered. This harassment is not uncommon. An incident that took place as recently as May 2013 at the Sadia Garments Ltd factory saw newly unionised workers subjected to an aggressive campaign by factory management. Workers were threatened with violence and the lead organiser was sent death threats. In June, a factory supervisor attacked the Sadia Garments Union General Secretary with scissors whilst demanding her resignation.

In the wake of Rana Plaza and the United States’ withdrawal of Bangladesh from the Generalized System of Preferences (GSP) trade program the Government of Bangladesh has made moves to ease freedom of association by amending national labour laws. These amendments are awaiting implementation and though these changes are to be welcomed, workers hoping to organise face significant challenges. In forming a union workers must gather signatures of 30% of the company’s workforce, a target which may comprise many thousands of workers spread across a number of factory floors. Though unions no longer have to share these lists with managers, once formed unions may only select leaders from their workplace, a measure that will enable employers to easily identify and potentially force out union leaders by firing them for allegedly non-union matters. In addition, the right to strike remains burdened by stifling bureaucracy: two-thirds of the membership must vote favourably, and even if decided, the government is able to stop industrial action should it deem that a strike may cause ‘serious hardship to the community’ or is ‘prejudicial to the national interest’. Given that an estimated 10% of parliamentarians are factory owners and that the RMG industry is a key driver of national economic growth, that any industrial action and all strikes would be defined as ‘prejudicial to the national interest’ is highly likely. However, though formal strikes are nearly impossible to organise, this does not prevent workers from venting their frustrations; in the place of collective bargaining and strikes with formal demands mass protests, known as hartals, which are frequently violent and often highly politicised, become the vehicle for communicating general public discontent and have the effect of adding to the pressures of production and in turn worsening working conditions.

Given this context it is pertinent to be aware of the gendered experience of work which is a daily reality for the majority of the RMG workforce. The RMG industry is one of the few economic sectors that offer formal employment to women and is potential a source of female empowerment; an
estimated 85% of RMG workers are women\textsuperscript{28}. Nevertheless, many of them struggle with pervasive gender based prejudice and discrimination that perpetuates their vulnerable position in the workplace and opens them up to verbal, physical, and sexual harassment. In this culture, the voices of women are often either not raised, not heard, or not credited in the workplace\textsuperscript{29}. At the Bangladesh Democracy and Human Rights conference hosted at the Houses of Parliament in July 2013 questions were raised by the Bangladesh Women’s Minister about the impact of political rhetoric from the opposition that implied a woman’s ‘place’ as in the home, though this has been disputed by the opposition. Women workers are sometimes undermined at the highest levels of politics and have very little power to demand change in the workplace. On the factory floor this cultural disempowerment can be expressed in the routine denial of maternity rights, in the compulsory nature of overtime, and in the excessively long working days that add to the burden of women’s domestic responsibilities\textsuperscript{30}.

Disempowerment also has a financial aspect. Bangladesh has the lowest hourly wage in the world at $0.32 cents per hour\textsuperscript{31}. The minimum wage for garment workers was last raised in 2010 and falls far short of the level which is considered to be an adequate living wage\textsuperscript{32}. Wages are dependent on meeting production targets which, if met, a sewing operator can take home 3861 taka, approximately £32, a month\textsuperscript{33}. The eight hour shifts that are mandated by law are frequently superseded in order to meet production targets, and given that the extra hours needed to meet production targets are not viewed as overtime, they can be unpaid in firms with poor Corporate Social Responsibility (CSR). To meet the costs of living, workers sometimes opt to take on additional paid hours, on occasion working more than ten hours a day and into the night to meet shipment deadlines. Research conducted in 2010 by War on Want found that of the 988 women garment workers interviewed, 243 had experienced overtime deductions in the preceding month\textsuperscript{34}. It is therefore no surprise that garment workers frequently survive on credit and that in consequence missing even a single day’s work can have a strong negative impact on their lives.

In the context of Rana Plaza and Tazreen Fashions, it is not surprising that some workers felt that they could neither raise concerns about safety, nor turn down the opportunity to work: they could not make a ‘free’ choice to return to the cracked building, or freely choose to be locked in a factory overnight. It would be misleading to equate their livelihoods to ‘slave labour’, but to understand why workers returned to Rana Plaza and why workers were labouring into the night for Tazreen Fashions without complaint is critical to finding solutions.
Poor working conditions

Research conducted by McKinsey in 2010 points towards the growing confidence that European and US based purchasing officers have in the compliance behaviour of suppliers in Bangladesh: 93% agreed that the compliance standard had either somewhat or greatly improved over the previous five years. The spread however was high, in the McKinsey study only 50 -100 manufacturers out the estimated 5000 that are active were mentioned as having achieved very high standards. This was echoed by the brands interviewed in this research: though each was confident that their codes of conduct were enforced and that compliant behaviour was supported, encouraged and in some cases rewarded, concerns about health and safety in the workplace remained, with just under half of the brands mentioning problems with occupational health and safety as one of the main challenges to ensuring ethical compliance. Social audits, which are conducted before a supplier is contracted and which continue on a periodic basis afterwards, routinely pick up health and safety violations, nearly all of the ethical trade and supply chain managers interviewed reported that the majority of audits encountered minor violations. In lesser infringements fire extinguishers may be out of date or exit routes may be blocked. More serious misdemeanours may see gates between floors locked, significant overcrowding on the factory floor, windows barred, and electrical equipment exposed. In terms of Human Resources (HR), records are often falsified for the purpose of passing audits. Double, or even triple, books recording overtime and wages are maintained for different brands and auditing companies. One international brand interviewed for this research mentioned that they were committing significant resource toward working with suppliers to access genuine records and implement sound HR policies as a result. This brand had recognised that a knock-on effect of falsification was that it had become the primary role for HR personnel and that the effort of meeting audit standards was prioritised above implementing policies around training, leave or worker registration. The pressure to meet audit standards and shipping deadlines means that not all workers may be formally registered with the supplier. Staff turnover can be very high and casual labour is frequently hired on a rolling basis during peak production. One implication of this practice is that the total number of causalities from Rana Plaza and other disasters may not be accurate. This generates problems not only for safe working conditions, but for the awarding of compensation in cases of disaster or business interruption. When considered as a whole these conditions are not conducive to the implementation of safety procedures, emergency or otherwise.

The brands interviewed repeatedly referred to their trust in their suppliers, the strength and relative longevity of their business relationships, and the robust nature of their voluntary codes of conduct. Yet when pushed, many admitted their perennial concern with finding evidence of unauthorised
sub-contracting in their supply chain. An international brand spoke of instances in which their trusted suppliers would occasionally request to alter the location of production during peak times. Though this request was refused as per the brand’s code of conduct, this anecdote gives an indication of the flexibility that suppliers adopt in their effort to meet delivery deadlines and gives a glimpse of the pressures suppliers are under and the kind of solutions they seek.

In the opinion of one brand director with decades of experience in garment supply chain management, every brand has problems with sub-contracting, this was echoed by a code of practice manager for another high-street brand who claimed that unauthorised sub-contracting is the biggest challenge facing the industry in Bangladesh, and by an ethical trade manager from a low value brand who claimed that it is a risk that is ‘near impossible’ to control. This was evidenced in the rubble of the Tazreen Fashions factory: in the days following the fire, Walmart issued a statement that though the factory had previously been on its list of suppliers, it was no longer authorised to produce merchandise for the brand. That Walmart labels were found in the burned out factory was blamed on Success Apparel, a supplier that had sub-contracted work to Tazreen without authorisation and in direct violation of Walmart’s policies. Unauthorised sub-contracting is a known risk and one that persists in spite of social auditing and quality assurance.

The flaws with the audit regime will be explored in the next section, but the fact that brands are fearful that evidence of unsafe conditions will arise is instructional. Fear persists when the risks are known and not managed. In the case of the RMG sector in Bangladesh it is well known that at some point in the supply chain human rights violations are likely to be taking place. It may be in the first tier, or the sixth. It may be in a factory the brand has contracted, or in an unauthorised sub-contracted unit.

**Compliance culture**

The retail industry is known for the opacity of its supply chains. A purchasing and supply expert interviewed for this research referred to the industry’s relatively low level of investment in supply chain management. In comparison to other sectors, which can be aware of the quality and reliability of their suppliers at the fifth or even sixth tier, risk awareness in the RMG sector often extends only to the second tier beyond which buyers may only be aware of high risk products in the broadest sense. At least two brands that were interviewed mentioned their policy of not sourcing cotton from Uzbekistan, a country where cotton production has been known to involve child labour, as evidence of strong supply chain management.
Without robust supply chain management maintaining confidence in ethical practice is a constant challenge. One large brand which sources 8% of its products from Bangladesh referred to occasions wherein to meet the unit cost determined by buyers, suppliers flagrantly offered the brand a choice of either an ‘ethical price’ or an ‘unethical price’. In an industry in which the low cost of garments translates into exceptionally thin profit margins, both the resources for suppliers to invest in stronger management, and the incentive for brands to accept responsibility for violations beyond the first tier, are low. If the first tier audit information and building certifications present a favourable picture, brands can very easily disassociate themselves from bad practice. One senior supply chain manager of a medium-sized UK brand suggested that some brands, determined to hear the right thing and dependent on the evidence presented in audit reports and CSR evaluations, could be considered culpable of perpetuating a flow of disinformation.

Over three-quarters of the brands interviewed expressed their frustration with the level of corruption in the industry and what they perceived to be the complacency of factory owners and suppliers, an attitude which was summed up by one participant as the ‘it’s Bangladesh’ excuse. They spoke of not being able to trust audit results and certification and of experiences wherein first tier suppliers refused to disclose their business relationships further down the chain. One brand spoke of being accompanied by members of the political and military establishment in business meetings and another referred to a recent case in which a factory owner had refused offers of financial support from brands to renovate his unsafe factory complex and instead continued to operate using other less reputable brands.

More than one brand cited low management capability as a factor contributing to low compliance: poor risk analysis and decision-making skills within middle management were seen to cause safety violations and fuel the reluctance of factory owners to proactively invest in HR, training, or staff facilities. Another brand speculated that the lack of incentive to upgrade social standards was evidence of a short-term view of business; in many cases a garment factory was found to be part of an owner’s extended business portfolio and perhaps to be a family institution over a decade old. In this scenario the presumption was that owners were confident from experience that the demands of brands could be weathered and that to implement new initiatives would be a risk not worth taking given that a business environment, which is built on the strength of political relationships, is inherently subject to volatility.

Whilst this evidence is anecdotal, the fact that Bangladesh is the cheapest place in the world to source garment labourers is not. A international brand interviewed for this research reported that
the next cheapest labour market for their product was nearly 10-15% more costly. The same brand disclosed that in a recent internal survey the country was placed in the bottom quintile of potential sourcing locations. Problems with infrastructure, corruption and compliance had pulled Bangladesh down the rankings; yet owing to the cost factor alone, the brand had, in words of its VPs, ‘no choice’ about whether or not to source from the country. Bangladesh’s comparative advantage, its sole asset value, is cheap labour and its correspondingly low unit costs. In this context the incentive and capacity for suppliers to invest and upgrade factories, either socially or technically, is weak. If demand is based on the bottom line, if margins remain thin and if social audits and planning permission can be bought or faked, then the incentive to comply with and the ability to plan and pay for the ethical standards set by brands are equally low. For the brand that does not ask the right questions, that does not verify audit findings, conduct human rights due diligence, consult workers, or address the role of its purchasing practices in contributing to poor working conditions, the pursuit of ethical trade in Bangladesh is lost before it has begun.

For the past 30 years the permissive business environment in Bangladesh has benefitted brands driven by the dictates of the bottom line. The brand that claimed that it had ‘no choice’ but to source from the country has, just like other brands that source from Bangladesh, profited from a gap in governance and enforcement. Frustrations with the weak compliance culture are genuine and well-founded, but to focus solely on the failings of middle management, owners, and government bodies is to divest brands of their responsibility to incentivise compliant behaviour. Moreover, it shifts attention away from the role that brands play in perpetuating and encouraging poor practice in the supply chain.

**Purchasing practices**

In Bangladesh’s RMG industry, where the politically connected barriers to entry are low and start-up costs are minimal, there is a surfeit of supply. In this market buyers drive the supply chain and set the terms of competition. In consequence suppliers and workers are the weakest actors, subject to conditions of input and order dependency, hand-to-mouth contracting, and footloose sourcing practices. According to a DFID sponsored study by the ‘Capturing the Gains’ research unit, apparel companies’ relationships with contract manufacturers in low-cost countries have often been transient working on a contract to contract basis. Deals can sometimes last only a few months as brands continuously pursue the lowest cost: on average one-third to three-quarters of a brand’s contractor portfolio turns over every year. Fear of undercutting is high and in this market context brand purchasing practices can exert significant influence on working conditions. If managed
ethically, purchasing practices can enable suppliers to be decent employers. However, if unchecked, the short supply lead times and tight margins imposed by some buyers in the name of ‘fast fashion’ can exert a distinctly different set of incentives.

The majority of low to medium value brands adhere to the ‘fast fashion’ model wherein their stores host up to 9 and, in some cases even 12, clothing seasons a year. For suppliers, this model demands very short lead times in which orders are required to be placed, produced and shipped within 90 days. With robust management the model need not spur the development and perpetuation of poor working conditions. However, if during the lead time buyers claim the right to alter their designs just days before production is scheduled to begin and if new materials need to be purchased to meet these demands the onus is on the supplier to resource the changes within the original deadline. This kind of time and cost pressure can have negative consequences for workers by incentivising suppliers to increase overtime beyond legal limits, and to turn to contracting for temporary or secondary workers. If the additional hours are not calculated into the cost of goods, overtime will not be paid to the supplier or to the workers who labour into the night; rather, unattainable wage-dependent production targets will be set, creating mandatory overtime and leading to workers, casual or permanent, enduring 12 hour shifts to qualify for their daily rate. Alternatively, in order to meet the shipment schedules of multiple concurrent orders, units may be sub-contracted out to other suppliers and factories facing identical pressures. The brands that create the risk are able to delimit their liability by correctly claiming that the units were sub-contracted on an unauthorised basis. In this scenario, where poor purchasing practices incentivise sub-contracting, the risk is safely offloaded to suppliers, deadlines are kept and fast fashion thrives.

According to the NGOs and campaign groups interviewed for this research, relationships between brands and suppliers in Bangladesh are frequently built on tight margins, intense time pressures and short-term contracts. Orders that continuously shift from supplier to supplier create an instability that denies suppliers the economic security necessary to make buildings safe, whilst pricing policies that do not take into account the investment needed for upgrading their buildings leave garment producers with insufficient capital. A problem compounded by the high interest rates that businesses face in Bangladesh. These relationships are not conducive to suppliers or factory owners improving conditions, training workers, or creating strong business plans. If there is neither time to plan business nor capital to invest, suppliers and factories will follow the low-road to competitiveness by continuing to squeeze labour costs in poor conditions.
Summary

When Rana Plaza collapsed the world watched as the costs of doing business in Bangladesh were made public. Systemic problems with the RMG industry unfolded before them, the collapse showing that poor infrastructure, weak labour rights, fragile industrial relations, a permissive business environment, lax supply chain management and intense pressure from buyers demanding fast fashion at low costs coupled with poorly constructed buildings coalesced to create hazardous working conditions for the nearly 4 million workers in Bangladesh. In the words of one NGO Chief Executive, Rana Plaza was the result of a ‘perfect storm’ of poor conditions and practices.

Bangladesh’s RMG industry promises a trajectory of upward mobility at a national scale but it is a trajectory hampered by forms of exploitation that chiefly effect those most vulnerable and least equipped to deal with them. None of the drivers described above should come as a surprise either to brands or to the government of Bangladesh and in preparation for the next disaster, which a number of brands and NGOs alike agreed was a matter of ‘when’ and not ‘if’, neither party should shy away from tackling the root causes within their remit of responsibility.
Part 2: What is being done? Corporate Social Responsibility and Multi-stakeholder Initiatives after Rana Plaza

The collapse of Rana Plaza has proved to be a catalytic moment for the RMG industry in Bangladesh. The disaster did not uncover previously unknown problems and nor was it a surprise for brands, governments, unions or consumers to find evidence of poor conditions. Rather, the disaster galvanised international action and sparked a critical review of the auditing regimes and programmes of CSR that have been implemented by buyers over the past two decades. The following section reviews the measures that brands and stakeholders have taken prior to Rana Plaza to remediate poor working conditions, and will endeavour to offer an initial assessment of the Accord on Fire and Building Safety, the Alliance for Bangladesh Worker Safety and the NTAP.

Corporate Social Responsibility

All of the brands interviewed for this research are aware of the conditions they work with in Bangladesh and they are acutely aware of the reputational risk that disasters such as Tazreen Fashions and Rana Plaza pose to the long-term integrity of their brand. Motivated by the fear of a diminishing consumer base and shareholder scepticism, over the past 20 years brands have developed and adopted extensive programmes of corporate social responsibility, endearing themselves to consumers, suppliers, and prospective employees through charitable projects, environmental targets, and efforts to manage supply chains ethically. In the context of working in Bangladesh, all the brands interviewed stressed the importance of cultivating long-term relationships with suppliers based on trust and backed by codes of conduct checked by regular audits. However, when Tazreen Fashions burnt down and when Rana Plaza collapsed revealing poor working conditions, unauthorised sub-contracting and labour violations at scale, the effectiveness of some of the CSR initiatives were cast into doubt.

In adopting and enacting CSR in its most basic form brands monitor and ensure their active compliance with the spirit of the law, ethical standards and international norms. To achieve this brands issue codes of conduct which set out standards that aspire to safeguard workers’ rights in the factory regardless of the legal and cultural environment in which the factory operates. The majority of codes, whether written by individual brands or adopted from ethical trade bodes, correspond with internationally accepted labour standards derived from relevant conventions of the
International Labour Organisation and clauses from the Universal Declaration of Human Rights. These codes make brands envoys for international principles; the Ethical Trade Initiative Base Code for example includes standards relating to the prohibition of child labour, the promotion of safe and hygienic working conditions, freedom of association, collective bargaining, the provision of living wages, and restrictions on excessive working hours. Contrary to the profit motive that exerts a downward pressure on wages and conditions, codes are an attempt to create an incentive structure that will encourage suppliers and factory owners to improve working conditions that are within their control.

For the larger brands that were interviewed CSR is about far more than code compliance. Many are engaged in actions intended to further social good beyond the immediate interests of the firm, in some cases going ‘beyond audit’ to tackle the root causes of poor living and working conditions amongst select groups. Foundations established by brands, or their CSR departments, may lead academies dedicated to increasing life skills and literacy for women workers, or direct programmes that subsidise training for engineers and technicians. From a brand perspective, this kind of social engagement meets consumer expectations, makes business sense, and limits the risk of reputational damage.

However, as the NGOs interviewed for this research pointed out, in their current incarnation CSR programmes are not a panacea to the systemic and chronic problems that plague the RMG industry in Bangladesh. Such programmes are voluntary initiatives that address the most visible problems of non-compliance and in scale and subject do not even begin to address the systemic flaws in the industry if they fail to incorporate an element of reflection and address brand purchasing practices. Of the 15 brands interviewed only two mentioned how ethical and sustainability standards were integrated into staff performance targets and indicators. While most brands discussed how responsible and ethical business was embedded in their corporate culture, buying teams often continue to report to Finance Directors and are rewarded solely on a cost based analysis. CSR can become a form of window dressing if it not driven by concern from the board level down.

**Audit regime**

Codes of conduct aim to incentivise the development of working conditions that comply with international standards. Prior to Rana Plaza, they were the main tool used by brands to encourage, facilitate and ensure good working conditions in factories which are the final point of manufacture for their garments. Brands determined the code of conduct which was then implemented by suppliers and factory owners and verified by means of regular audits which can be announced, semi-
announced, or unannounced depending on the brand’s preference. It was standard practice that audit information was submitted to brands in advance of the initial contract and suppliers were subjected to periodic follow-up audits, their frequency depending on the initial findings. For instance, if only a small number of minor infringements were found in the initial audit and were quickly resolved, the supplier would only have had to be audited annually or every 18 months to satisfy the brand’s code of practice.

If social audits uncovered major violations the supplier was unlikely to be contracted in the first instance, whilst in the event of violations, brands, auditors and suppliers collectively worked towards corrective action, with brands setting a deadline by which misdemeanours must be rectified. Many of the larger brands with in-country offices with teams dedicated to social compliance supplemented full audits with frequent factory visits. Depending on the size of the brand, audits may have also been carried out by internal specialist staff, more usually, however, third party auditing companies were contracted by brands to verify code compliance. Typically, suppliers themselves paid for the audits. Audit results were then assessed, with many medium to large brands grading audit results according to risk, awarding minor to major violations ratings, colours. These rankings were used internally, for example a buyer would know that an ‘orange’ rated supplier had either incurred repeated minor infringements or would be working towards correcting violations. All the brands interviewed strenuously confirmed their commitment to supporting suppliers to achieve compliance and expressed their commitment in terms of their corporate responsibility to exercise their leverage for positive impact. Only in cases of major violations where suppliers prove resistant to change, or in instances where infringements are repeated, would brands concede defeat and walk away from the offending supplier, cancelling orders and terminating their business relationship.

It follows that codes of conduct were only ever as strong as the brand’s leverage. In Bangladesh any given supplier was dealing with a number of brands and buyers, and each would request the implementation of their own codes, corrective actions and audits. Not only was this a time-consuming and costly process which absorbs vital managerial capacity and capital which could have been directed towards upgrading, but it had the potential to diminish the power of brands to demand remediation if codes differed, and especially if the volumes they sourced from the supplier were comparatively low. A 2006 impact assessment of ETI members’ ethical trade activities found examples in which ethical problems in the supply chain were counter-balanced by a critical mass of brands working together with suppliers towards code compliance. However, this potential was swiftly undermined by the use of individual company codes and the corresponding lack of coordination between companies regarding remediation. Whilst many of the brands interviewed...
spoke of the informal conversations that took place between Supply Chain Managers, CSR professionals and Managing Directors across firms and mentioned their engagement with systems such as SEDEX, a secure audit information sharing platform, and membership organisations such as the Ethical Trade Initiative (ETI) and the Fair Labor Association (FLA), these informal channels of communication and information sharing are voluntary, as are the codes and audits themselves.

In the weeks following the collapse of Rana Plaza a number of retailers initiated their own structural surveys of the factories they sourced from. On this basis two brands went on to end, rather than suspend, relations with one of its factory bases. After negotiations, the factory owner turned down an offer to relocate workers to another locale and refused entreaties to close the factory pending renovations. This case is instructive: it illustrates how construction regulations and proven safety concerns are flagrantly breached and ignored, and points to the lack of influence and leverage that brands may have in such an environment. In this instance at least one of the brands in question had been sourcing from the factory for over a decade, and though attempts were made to remediate and use the joint influence of two brands positively, attempts to exert leverage failed.

The incentive to follow codes of conduct is further undermined if the audit regime can be duped. The NGOs and brands interviewed spoke of factories being ‘audit-ready’: protective equipment can be rented especially for the day of the audit, workers can be coached by managers to give the ‘right’ answers in on-site interviews, child workers can be given a signal telling them to leave the floor ahead of inspection, and audit-ready books can be kept to present auditors with false pay and hours records in order to comply with standards41.

Even if findings are authentic, audits can only be relied upon to provide a snapshot of what is visibly happening on the factory floor on the day of the review. Their checklist approach is not designed to pick up chronic problems and findings run the risk of being unduly positive by failing to pick up on poor labour standards and the cultural elements that make for poor working conditions42. Though in a healthy supply chain which is based on transparency between brands and suppliers audits can perform as a useful ‘health check’ in addition to regular factory visits, in a supply chain built on short lead times and weak brand-supplier relationships, audits can incentivise fraud. Four brands mentioned that they had concerns with the integrity of the audit information they had received. One brand mentioned dealing with a factory that had submitted an audit report which bore evidence of data having been copied and pasted from a previous assessment, another voiced doubts that the implications of abiding by a code of conduct were understood by managers, whilst another referred to audits as a ‘necessary evil’ to establish baseline data. Yet for the brands that are disengaged from
their responsibility to improve conditions the pressure to question positive audit results that can
exculpate them from tackling the drivers of poor conditions is minimal, especially given the
voluntary nature of the exercise and the confidentiality of results.

Beyond questioning the authenticity of audit results, the NGOs interviewed pointed to concerns with
audit industry as a whole claiming that the way in which audits are funded is contrary to the
achievement of independent results. The majority of social audits are conducted by global firms, and
the majority are paid for by suppliers and submitted to appease brands. This business model
conflicts with the requirements for credible social auditing as it is unlikely that an auditor or auditing
firm that consistently registers violations will be commissioned on a repeat basis.

Transparency is low in the audit regime, brands are not legally required to act on findings, nor are
they required to share them with other stakeholders who could. When audits detect non-
compliance, brands could cut the business relationship without alerting other relevant stakeholders;
in consequence worker representatives, government bodies and other brands would be unable to
take preventative or remedial action. In theory, even if brands have ceased to do business with an
unsafe factory, it is entirely possible that the same supplier could later reappear in the brand’s
supply chain by taking on unauthorised subcontracted work. In this scenario not only are people left
to work in unsafe conditions, but the risk to the integrity of the brand remains. This is what
happened at Tazreen; in the months before the Tazreen Fashions fire five of the factory’s 14
production lines were contracted to supply Walmart. In a statement released after the disaster the
company claimed that at the time of the fire the factory had not been authorised to produce
Walmart merchandise. According to the statement, another supplier had subcontracted work to
Tazreen Fashions in violation of Walmart’s policies [43]. In the aftermath of Rana Plaza Walmart has
tackled this issue by publishing a ‘Red List’ detailing factories in Bangladesh that they deemed to be
unsafe. The list rapidly attracted the attention of fellow retailers with three asking for further
information about the factories in question.

The fundamental problem with the CSR regime is that brands are caught between a conflicting set of
incentives. In Bangladesh’s RMG industry brands are the largest and the most influential envoys of
international standards, but they are businesses foremost; businesses that balance the pursuit of
ethical standards with the pursuit of the bottom line. If their chief motivation for improving
conditions is to safeguard their reputational integrity it follows that the incentive structure that
determines brand behaviour is neither conducive to transparency nor welcoming of liability. It is
therefore not unsurprising those codes of conduct are self-imposed and that audit findings are
largely confidential and voluntarily acted upon. Of course, that labour compliance is better for business is known: better conditions, HR policies and management see staff turnover and workplace disruptions reduced and result in enhanced worker productivity. However, in a highly competitive industry the business case for sustainable sourcing is one that can only afford to be made collectively and if brands are not the only envoys advocating for decent working conditions and higher wages.

**Brand liaison with government and workers**

Over the past three years a number of brands have approached the government of Bangladesh with the aim of establishing dialogue on working conditions. In recognition of the fact that they alone could not force change, a coalition of brands sent a letter to the Government of Bangladesh in January 2010 commenting on ‘the increasing unrest in the textile and garment industry’ that posed a risk to their companies and caused ‘damage to the reputation of Bangladesh as a reliable sourcing market’. The coalition requested that in light of growing living costs that the Government of Bangladesh address the minimum wage issue in the garment sector by forming a review board with a built-in mechanism of a yearly review. The Chief Executive of H&M pursued this personally with the Prime Minister in September 2012, reiterating the need for wages to be reviewed annually. This review only took place in the summer of 2013 in the wake of the Rana Plaza collapse and with the full weight of the world’s attention focussed on the garment industry. When another similarly large brand was interviewed for this research they spoke of their absolute frustration in engaging with government and public administration, indeed they had ‘no expectation’ that any conversations held with senior officials would create change, and had no confidence that their requests regarding the minimum wage and their concerns regarding safety would reach the relevant branches of public administration.

The attempts by these few brands to use their leverage to engage with government in this instance proved ineffective. One NGO interviewed for this research opined that their leverage was diminished by the fact that though unsatisfied, these brands continued to source large volumes from the RMG sector and benefit from the low unit costs. In lobbying for an increased minimum wage they rightly identify the minimum wage as an issue that falls within the remit of government, but in approaching government independently brands limit their leverage and deliver mixed messages to the industry. If demand remains strong the impetus for a government to address wages at the behest of these brands is weak, especially given that the government relies on the industry, indentifies its asset value in low wage labour, and includes a number of officials and elected representatives with strong personal interests in maintaining the status quo.
When questioned about their interactions with workers and their representatives, a minority of brands either drew attention to the CSR work they carry out with local or international NGOs, or to their cooperation with multi-stakeholder initiatives such as the Ethical Trade Initiative (ETI) or the Fair Labor Association (FLA). Until the Accord on Building and Fire Safety was signed in May 2013 no brand dealt directly with organised workers. Four of the 15 brands interviewed mentioned that they had not received petitions from workers and nor had they sought them out. One respondent surmised that it was ‘as difficult for workers to reach us [the brand] as it for us to reach them’.

The NGOs and campaign groups that were interviewed were unanimous in their call for workers to be more involved in the audit process as the first step towards injecting transparency and authenticity into audit results. In the words of one NGO, including the voices of organised workers and sharing audit results with worker representatives would be the cheapest and most effective means of driving up standards. If brands want to find out working hours, levels of pay and the normal conditions under which orders are produced, those on the factory floor are likely to have a great deal of insight. Thorough audits include a physical inspection of the workplace, examination of records such as pay and working hours, meetings with workplace managers and private interviews with workers. In Bangladesh, where labour rights are rarely accorded, private interviews with individual workers are unlikely to yield findings contrary to the wishes of the supplier. Any incorporation of workers into the assessment framework would require a concerted multi-stakeholder effort to realise labour rights in Bangladesh.

The challenge that brands face in creating dialogue with government and with workers raises the question of how mutual concerns and interests should be channelled and shared between stakeholders. In the wake of Tazreen and Rana Plaza two agreements have been brokered that attempt to clarify the interests and remits of all the stakeholders involved.

**The Accord in Fire and Building Safety in Bangladesh**

Since the collapse of Rana Plaza the Accord on Fire and Building Safety in Bangladesh has been signed by 82 clothing brands and retailers. As of August 2013 approximately 1500 factories are covered by the Accord and with 20 brands yet to submit their factory lists to the Accord Secretariat, this total is expected to rise.

The Accord is a five year agreement which aspires towards a ‘safe and sustainable Bangladeshi RMG industry in which no worker needs to fear fires, building collapses, or other accidents that could be prevented with reasonable health and safety measures’[^47]. The agreement, drawn up by Uni Global
Union and IndustriALL and led by a Steering Committee composed of representatives from three brands and three global unions under the chairmanship of the ILO, builds on Bangladesh’s National Action Plan on Fire Safety and calls for an independent factory safety inspection regime. A complete list of all the factories covered by the Accord and all their inspection reports will be published in the coming months. The Accord calls for retailers to end business relationships with factories that refuse to make necessary improvements, and if subsequent to inspection a factory should be found in need of remedial action, brands are required to support the necessary upgrades and the Accord’s Secretariat is obliged to inform workers’ organisations and factory participation committees of the risks to workers and the anticipated response from the Accord’s partners. Funding for compensation and for factory renovations is anticipated to be forthcoming from brands, from official development aid and potentially from international organisations including the World Bank.

A key aspect of the Accord is that it is a legally enforceable contract with a binding arbitration mechanism. Of equal fundamental importance is that the Accord awards Advisory Board roles to government officials, unions and suppliers and reserves positions on the Steering Committee for brands and workers’ representatives. In addition, the agreement commits signatories to staying in Bangladesh for at least the next two years of the Accord.

From July 2013 an initial inspection regime designed to identify high risk hazards and buildings in need of urgent repair was due to be launched and an interim procedure to deal with remediation will apparently take effect in lieu of the appointment of a Chief Safety Inspector and a Chief Executive to the Accord’s Secretariat. In the words of one member of the Steering Committee, the Accord aspires to be a ‘clean slate’ for the RMG industry and such is the low level of trust in current system it is anticipated that the Chief Safety Inspector will not be a Bangladeshi national or any individual with existing links to the industry.

The NGOs interviewed for this report lauded the Accord as an ‘historic’ and ‘game-changing’ agreement. The Accord is the first endeavour in Bangladesh to have a legal commitment to tripartite communication and action. The Accord promises to be disruptive in the immediate term and as a platform for information sharing and as a mechanism for mandatory remediation it will, over time, incentivise brands and suppliers to develop honest and transparent business relationships. The Accord will also incentivise unions to develop their capacity to represent grassroots workers. The breadth of the coalition that the Accord has secured is significant; where H&M could not persuade the upper echelons of power to improve wages and conditions, 82 brands might. It is therefore crucial that these brands collaborate. However, two research participants, one of whom resides in
Dhaka and the other having recently returned, raised concerns that brands are already allegedly embarking on uncoordinated action.

As mentioned above, in the immediate aftermath of the collapse a number of brands initiated their own structural surveys of their suppliers’ factories. As a result factories have been subjected to an increased number of inspections and in collectively over-inspecting factories brands not only risk duplicating efforts, but are inadvertently increasing the pressure upon managers and workers by interrupting orders and production. There is an additional concern that different brands are applying different technical standards and are causing confusion and creating grounds for findings to be disputed. It was reported that adverse findings are being contested by factory owners who are calling in experts from the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), from the Industrial Police or from BUET to return more favourable findings.

Needless to say it is early days for the Accord and given the challenging political and business environment in which it operates, its coordination it will require the full support and commitment of its signatories. In understanding the extent of the challenge that the Accord faces, the reason why it was designed bears reiteration: the Accord exists due to lapses in key governmental institutions and responsibilities. Capacity deficits in the labour and infrastructure inspectorates and complacency throughout government to honour its obligation to protect human rights in its prize export industry have created a gap which CSR and audits, and now tripartite action, endeavour to fill. It follows that to be truly sustainable the Accord and its partners, where possible, must endeavour to develop the capacity of the government institutions that the Accord is currently substituting. It is important that Accord builds a health and safety system which is integral to the development of the industry rather than a parallel system which lasts only as long as the five year window mandated by the signatories of the agreement.

The Alliance for Bangladesh Worker Safety

The international conversation sparked by the collapse of Rana Plaza initiated another multi-stakeholder initiative: the Alliance for Bangladesh Worker Safety and the Bangladesh Worker Safety Initiative were signed by 18 brands in July 2013. Collectively, these Alliance members represent the majority of North American imports of RMG from Bangladesh which are sourced from more than 500 factories. Under the terms of the Alliance members have agreed to share their knowledge, experience and best practice and to contribute to a safety fund which as of August 2013 stood at $42 million. In addition the members have pledged to provide access to c. $100 million of low-cost capital for factory owners to facilitate factory improvements. The Initiative will see members of the
Alliance create uniform standards for fire and building safety that will guide baseline inspections of factories that do business with the membership. The safety fund will cover factory inspections, training, and worker empowerment, whilst a reserve of 10% will be ring-fenced to support workers temporarily displaced from factories.

Like the Accord, the Alliance will act over the next five years. Unlike the Accord, the Alliance it is not legally binding. The liability which was adopted by the signatories of the Accord was the prime motivation for developing an alternative agreement amenable to North American brands fearful of litigation. In the run up to the signing of the Accord, the Alliance was conceived by proponents of the Accord as a weaker ‘rival’ agreement. For one NGO that took part in this research the Alliance was perceived to be repeating the mistakes of CSR and the audit regime: without binding accountability, without a pledge to remain in the country, and without mandating the involvement of workers and their representatives, the NGO claimed that the Alliance cannot and will not adequately tackle the drivers of poor working conditions.

When interviewed a lead member of the Alliance was keen to purvey that collaboration between brands, suppliers and their workers is key to sustainable remediation and in that spirit, the Alliance includes provisions to notify worker organisations of imminent risks, and lead members anticipate that the Alliance will work in partnership with the Accord, sharing technical standards and results. Together the Accord and the Alliance will cover approximately 2000 factories, under half the total number of factories estimated to be operating in Dhaka. The remaining factories will be covered by the National Action Plan on Fire and Building Safety headed by the Government of Bangladesh and led by the BGMEA. According to the member of the Accord’s Steering Committee a number of deadlines in the implementation plan have been missed or moved. In order to tackle the widespread and chronic nature of poor working conditions in the industry as a whole it is crucial that the Government of Bangladesh is supported and encouraged to fulfil its pledge. Collaboration is crucial to the overall success of any endeavour to improve and apply standards in Bangladesh; a two tier system employing different standards would be a weaker system open to exploitation by vested interests.

**National Tripartite Plan of Action on Fire Safety and Structural Integrity in the garment Sector of Bangladesh, the ILO and the EU Sustainability Compact**

The NTAP was signed on the 25 July 2013, integrating the National Tripartite Plan of Action on Fire Safety in the RMG Sector signed on the 24 March 2013 with the Joint Tripartite Statement from the 4
May 2013. The NTAP is to be implemented by a National Tripartite Committee which brings together government, worker and employer representatives. The ILO is playing an advisory role and will assist with its implementation and coordination. The NTAP has set out a series of legislative, administrative and practical objectives to provide a comprehensive approach to promote fire safety and building integrity. Several short term objectives have already been proposed: an assessment of the structural integrity and fire safety of RMG factories, a strengthened labour inspection regime, better worker and management training, the development of health and safety awareness programmes and the rehabilitation of disabled workers. At this stage, it is too early to judge the effectiveness of the NTAP as most of its programmes have not yet been implemented.

One of the first actions taken under the NTAP has been to establish a system to undertake a preliminary assessment of the structural safety of factory buildings which was meant to start from September 2013. BUET, aided by the ILO, has been tasked to undertake these assessments by the end of 2014. BUET will provide 30 teams and the inspections will cover between 1500-2000 factories that are not covered by either the Alliance or the Accord. The Alliance, the Accord and the NTAP have agreed on the need to prevent any duplication of efforts and for a uniform approach to the setting of common fire, electrical and building safety assessment standards.

The Bangladesh government, aided by the ILO, undertook a review of the country’s Labour Law on the 15 July 2013 as part of the NTAP. The government has proposed most of the core International Labour Organisation labour standards including convention 87 and 98 on freedom of association and the right to organise and bargain collectively. However, the new Labour Act is still to be implemented and doubts have been raised whether it goes far enough by organisations such as Human Rights Watch. Unions may only select leaders from their workface, allowing employers to force out union leaders by terminating their contract, and they will require support of 30% of workers to be able to be formed. The government will be able to prevent any strike if it deems that it would cause ‘serious hardship to the community’ or be ‘prejudicial to the national interest’, both of which allow being loosely defined give a large leeway for any government to misuse the law. The NTAP also seeks to strengthen the capacity of the Department of Inspections for Factories and Establishments. 200 additional labour inspectors will be agreed and in the longer term the Department will be upgraded to a Directorate with a minimum of 800 inspectors.

The government of Bangladesh and the ILO have recently launched a $24.2 million initiative, including a new Better Work programme, on the 22 October 2013 to improve working conditions in the RMG industry. The three and a half year initiative will focus on minimising the threat of fire and
building collapse as well as ensuring the rights and safety of workers. The programme is intended to support the NTAP and build upon previous ILO projects. The Better Work programme will implement factory-level activities to improve compliance with national labour laws and aid in improving the efficiency of factories. The UK and Netherlands have already agreed to contribute $15 million towards the new initiative\textsuperscript{54}. To support the NTAB and the ILO’s Better Work Programme and ensure continual improvements in labour rights and factory safety, the EU implemented a Sustainability Compact signed on the 8\textsuperscript{th} July 2013\textsuperscript{55}. The EU has committed to assist the rehabilitation of those permanently disabled from the Rana Plaza collapse, review how the EU could provide funding or technical help to the Better Work Programme, and explore new funding possibilities.

The comprehensive and ambitious NTAP is still in its preliminary phases and seeks to provide a long term solution to the current lack of governmental capacity in its inspection and safety institutions. At present, it seeks to work in partnership with the brand led Accord and Alliance and thus there is a clear need for co-ordination and common standards in order to prevent any duplication of efforts. Doubts persist whether the NTAP will be able to achieve its objectives as a result of a lack of local capacity and funding; the initial structural assessments by BUET have already been delayed from 15 September to 1 November as a result of the unavailability of funds\textsuperscript{56}.

**Summary**

The story of Bangladesh’s RMG industry is one of successful yet rapid development; the country has become dependent on the industry through the low cost of its labour rather than the strength of its compliance or managerial and technical capacity. The challenge of how to create sustainable solutions to poor working conditions is a case of improving conditions in the immediate term whilst developing the capacity and incentive for government bodies, factory owners, suppliers to understand and implement measures to safeguard human rights in the industry. The success of any such initiative relies on the reform of the social auditing regime to detect and challenge the chronic problems with the RMG industry as it operates in Bangladesh. This requires that brands are cognisant of the human rights impacts of their business and that workers are supported to participate as stakeholders in the development of the industry.
Part 3: All Party Parliamentary Group on Bangladesh

Fact-Finding Mission to Bangladesh

The All Party Parliamentary Group (APPG) on Bangladesh, led by Anne Main MP, carried out a fact finding mission to Bangladesh in September 2013. For some of the members it was their first visit to the country and the mission enabled them to gain an enhanced perspective into the challenges facing the country and the RMG sector. Six MPs participated in the task: Simon Danczuk, Rushanara Ali, Jonathan Reynolds, Nick de Bois, Shabana Mahmood and Anne Main. The APPG recognises the complexity of the issue and that no simple solutions exist. The APPG sought to undertake a wide range of meetings with various stakeholders of the RMG industry which included factory owners, representatives of major clothing brands, NGOs, DFID, worker representatives, and political leaders. The objective of the visit was to gain a firsthand insight into the complex situation on the ground directly from those who are closest to the industry. Nevertheless, it is imperative to start the process of reform on the most pressing issues in order to ensure the safety and profitability of the RMG industry in Bangladesh.

It is the belief of the APPG that in order to ensure that the RMG industry continues to play such an important role in Bangladesh’s economic development and that the welfare of the workers is guaranteed, serious reform is needed which will need a long term strategy with government buy-in. The status quo is neither desirable for Bangladesh or for brands. If Bangladesh is to achieve its stated target of obtaining a middle income status by 2011, no complacent attitude is possible and it is urgent that the first steps of reform are made as soon as possible. The UK as one of the major investors in Bangladesh and the third largest export destination for Bangladeshi textiles has an important role to play in supporting such a process and supporting local capacity building projects. DFID is already one of the largest grant donors to Bangladesh and substantial achievements have already been made, yet it is necessary to look towards the future where significant challenges remain.

This section of the report will outline the issues that were debated during the APPG fact finding mission which need to be addressed in order to both secure the future of the RMG industry and ensure that the welfare of workers is assured. Several key topics were discussed: worker conditions, the role of brands, infrastructure and building control, and governmental support. It is the belief of the APPG that ‘support and not sanctions’ are needed to help Bangladesh benefit from the economic potential of the RMG industry whilst improving the conditions of workers.
Working Conditions

One of the main areas of concern raised during their fact-finding mission was the condition and position of some workers in the RMG industry. The RMG sector has had an important beneficial impact on employment in Bangladesh. Since the arrival of the textile industry in the 1970s, the rate of poverty has fallen from 70% to less than 40%, and the average wage has risen from $1 a day to more than $5 a day\(^57\). The RMG industry now provides employment for over 3.6 million workers and it will be crucial in achieving subsequent gains in poverty reduction. Nevertheless, it is the opinion of the APPG that further reforms are needed to spread more evenly the positive economic benefits and to strengthen the working and living conditions of the workers. Four out of ten workers still live on less than $1.25 per day\(^58\). The conflictual nature of labour relations can prevent cooperation in the workplace and mutually beneficial outcomes. Factory owners too often do not perceive the need to invest and train their workers whilst the latter lack a voice and an opportunity to organise. The picture is even more nuanced when it comes to the position of women workers. On the one hand, the RMG sector is the main sector in Bangladesh that offers formal employment to women, and 85% of textile workers are female. On the other hand, they too often remain limited to the lowest rungs of employment and face a daily struggle against gender based prejudice and discrimination which includes verbal, physical and sexual harassment. In such a context, brands have an important role to play in a buyer driven market to incentivise suppliers to improve worker conditions and encourage best practises in the supply chain.

It was noted by the APPG that one of Bangladesh’s main comparative advantage in the textile sector is the presence of globally competitive low wages. The McKinsey report of Bangladesh in 2011 noted that the global RMG industry is dominated by small margins and flexibility. Low prices and high production capacity are the two most attractive facets of Bangladesh for international brands. As a result, a balance needs to be found between maintaining Bangladesh’s comparative advantage in the sector whilst providing a fair wage to workers.

Negotiations concerning the minimum wage, currently 3000 taka ($38) per month, are ongoing in Bangladesh. The current government has recently set up a Minimum Wage Board in order to review the issue\(^59\). The APPG agreed that an across the board increase in the minimum wage would be the most effective way of raising living standards. International brands, in discussions with the APPG, expressed their willingness to accommodate appropriate wage demands as labour only constituted one element of supply chain costs. In fact, the main worries of both suppliers and buyers were associated with delays as a result of poor infrastructure. Nevertheless, concerns arose that any wage
increase would be immediately matched by a rise in accommodation costs which may prevent any improvement in living conditions. A minority of the APPG were sympathetic to the idea of Mohammed Yunus that brands and consumers should pay an extra $0.50 on every garment. It is envisaged that the money raised by the scheme would fund a social body or entity responsible for implementing social action projects to help the conditions of workers. Several practical obstacles to the success of the initiative were identified, notably that it would be difficult to differentiate between workers on the scheme and those outside it, and the scheme would potentially only benefit textile workers involved in the export market. Whereas an increase in the minimum wage was deemed to be the most effective means to raise living standards for all workers in Bangladesh regardless of economic sector.

It was felt by the APPG that overall the current nature of industrial relations between workers and employers was not conducive towards both the long term success of the RMG industry and worker conditions. A lack of workforce representation, limited promotion opportunities and inadequate training resulted in lower productivity and high staff turnover rates, all of which contribute to higher production costs and lost efficiency. In the Rana Plaza collapse and Tazreen Fashions’ fire, workers were unable to raise safety concerns without fear of possible repercussions. Trade unions could have an important role in supporting and defending the rights of workers, however, several stakeholders interviewed in Bangladesh were concerned by their deeply political nature as unions are often linked to the specific political parties and influenced accordingly. The current forms of informal strikes and expressing discontent, hartals, are deeply politicised and often add to the pressures of production. The delays incurred by hartals result in the need for overtime work or in missed deadlines, both of which impose higher costs on suppliers.

The APPG visited a DFID funded project, Empowering Women RMG Workers Project, which aims to improve the understanding of female labourers of their legal rights, ensure a gender friendly workplace and contribute towards women RMG workers having a collective voice. The initiative was inspirational and had enabled women to gain a voice to assert their rights, gain training and improve their wages. The APPG believes it is beneficial to promote the development of harmonious industrial relations through the development of greater worker representation and worker cooperatives which will provide a platform to workers to express grievances and contribute positively towards the long term sustainability of the RMG industry.

Cooperative relations within the factory can also be improved through management training and supporting vulnerable workers. The APPG visited two such initiatives during their fact finding
mission: Solutions for Management International (S4Mi) and Benefits for Businesses and Workers (BBW). Both are funded by the Responsibility and Accountable Garment Sector Challenge Fund (RAGS), a DFID scheme that seeks to make responsible and ethical production the norm. The projects not only enhance the efficiency of the RMG sector, a concern repeatedly raised by local stakeholders, but it also ensure that health-safety measures are properly implemented through middle management training and greater worker representation. In addition, worker training prevents labourers, especially women, remaining stuck in low-skill employment unable to advocate for better conditions and vulnerable to harassment. The management of these factories allowed the development of worker cooperatives where workers could express their views and grievances directly to higher management.

In the opinion of the APPG, both initiatives provided examples of possible best practices encouraging more modern management techniques, higher productivity, better working conditions and giving worker’s a greater voice. Nevertheless, the APPG was unsure whether such micro projects were the most effective allocation of DFID funds as they only targeted a small proportion of textile workers. It was felt by the APPG that such management projects, though beneficial, should be the responsibility of international brands.

During the fact-finding mission, the status of ‘helpers’ in the RMG industry was brought to the attention of the APPG, this is the lowest rung in the RMG industry reserved for new workers, often young rural female migrants, who are deemed to lack the skill set necessary to be an operator or a cutter. Their training often consists of learning by watching and carrying out the most menial tasks. Not only is this a waste of labour but in many situations helpers remain unpaid and are not guaranteed a job once their training period is finished. It is the belief of the APPG that this is an issue that needs to be addressed through greater training opportunities to prevent the exploitation of unskilled workers; the ILO has recently set up a three months training programme to facilitate the training of workers to prevent such practices. A member of the APPG suggested that a certification process for textile workers could be implemented to prevent workers remaining stuck as unskilled ‘helpers’.

The APPG was also deeply worried about the current trend in Bangladesh towards a two tier system of factories. Even though the report has focused on licensed export orientated textile factories that are directly linked into the global RMG industry, it was brought to the attention of the APPG that there are a large number of unlicensed textile factories that predominantly cater to the domestic market. Working conditions and wages are often much lower in these factories that lack the
regulations and auditing process that licensed industries have to undergo. Both the APPG and DFID lack the ability to access such ‘sweatshops’. Nevertheless, two MPs, Rushanara Ali and Shabana Mahmood, were able to visit one of these unlicensed factories and reported on the appalling conditions which they witnessed. There is a danger that the recent measures improving the RMG industry will only focus on the licensed export factories whilst ignoring the conditions in the lowest tier of textile factories that do not operate for the international market.

The APPG visited a Centre for the Rehabilitation of the Paralysed (CPR) and were humbled by the dedication and inspirational work of the centre. Several of the patients had been victims of the Rana Plaza collapse and told the APPG about their ordeals and bravery in the face of such a tragedy. The visit revealed to the APPG the absence of adequate safety nets and welfare provision both for textile workers and for much of the general population, particularly in the construction sector. The World Health Organisation estimates that 5.6% of the population in Bangladesh is disabled. The APPG considers that CPR is a notable example of a project whose work is critical to aiding the conditions of workers in Bangladesh which deserves funding from donors such as DFID.

**International Brands**

The APPG held several meetings with corporate brands to investigate the role that they can have in driving up standards in the RMG industry. Brands are aware of the acute reputational risks that disasters such as Tazreen Fashion and Rana Plaza present and acknowledge the need to improve their supply chains and use their influence to improve the conditions of workers. The tragedies have acted as a catalyst for brands to review their purchasing practises and auditing regimes which in several cases had been shown to be inadequate. The initiatives undertaken by brands before and since the Rana Plaza collapse have already been analysed in part two of the report.

The APPG were impressed by the efforts and initiatives that some brands had implemented in the RMG sector in Bangladesh. One of the brands that met with the APPG had trained 60 full-time staff to monitor conditions in the factories they used and ensure that no unauthorised sub-contracting occurs. They claimed that 90% of the factories they work with are inspected every week to ensure that health and standards are met. The same firm had established an Apparel Skills Foundation, in partnership with DFID, to improve the conditions and productivity in the textile sector; the firm also stated their positive experience of working with the British High Commission in Bangladesh. The APPG believe that such initiatives are necessary and that all brands have a responsibility to invest in improving the conditions and efficiency of their supply chain. In addition, to prevent ‘audit fatigue’, a recurrent complaint from suppliers to the APPG, audits need to be coordinated and a common
standard agreed upon between brands and the Bangladesh Department of Inspection for Factories and Establishments.

The firms also expressed their willingness to accommodate higher wage demands from textile workers as wages only formed one part of total production costs. Their main worry concerned costs associated with poor infrastructure and transport delays. A moderate rise in wages would not undermine their margins. Several members of the APPG proposed the idea of a ‘kitemark’ on garments as a quality assurance scheme which would help consumers and investors identify garments that have been produced with the highest ethical standards; an idea that has already been put forward by DFID. The firms were receptive to such an initiative and expressed their readiness to participate.

Nevertheless, brands expressed anxiety that their ability to raise standards in the RMG sector was limited without substantial improvements in infrastructure and the structural integrity of buildings which would require substantial governmental support. The fashion industry is characterised by high turnaround rates and short-lead times in order to meet consumer demands, a model known as ‘fast fashion’. Brands often seek to roll out between nine and twelve different fashion seasons in one year. Under such strenuous conditions, any delays as a result of a lack of infrastructure or transport delays may lead to significant costs cutting into small margins which are often passed onto the supplier. McKinsey has highlighted inadequate infrastructure as the single largest issue hampering businesses in Bangladesh. In addition, high levels of corruption have eroded all trust in audits and inspections carried out by local or governmental agencies. Brands felt that, considering the critical importance of the RMG sector for Bangladesh, they did not have an adequate channel of communication with the Bangladesh government and that their anxieties about the viability of the RMG sector were not taken seriously; a situation in stark contrast to their experience in other countries where a specific minister responsible for the industry had been created.

The corporate brands would prefer to remain in Bangladesh where they have already made substantial investments and built long-term relationships, however, the RMG sector is an internationally competitive market where new production possibilities may become more profitable. Several new sourcing countries such as Burma, Ethiopia and Morocco were mentioned which have more reliable infrastructure and which are either completing Special Economic Zones (SEZs) or have established governmental ministries specifically to attract new RMG investment. The cost of investing in a new location may be lesser than retro-fitting buildings in Bangladesh to the required health and safety level.
**Infrastructure**

It is the belief of the APPG that the combination of inadequate logistical and building infrastructure presents a lethal cocktail for the future health of the RMG industry in Bangladesh. Multiple stakeholders raised their serious concern to the APPG that it would be hard to get a substantial uplift in the conditions within a factory if the external infrastructure is not addressed. The Rana Plaza complex collapse and Tazreen Fashions’ fire are not isolated incidents but are representative of an endemic vulnerability in infrastructure.

The rapid rates of urbanisation and the demands of the RMG sector have led to a mushrooming of buildings in Bangladesh. Bangladesh urban population is expected to more than double from 41 million in 2010 to 87 million in 2040\(^\text{65}\). Dhaka’s population has increased fourfold in the last 25 years and it is now amongst the most densely populated cities in the world\(^\text{66}\). Such a breakneck speed of urbanisation has led to an understandable strain on domestic infrastructure, building capacity and urban services as supply has struggled to keep up with demand. In the World Economic Forum’s Global Competitiveness Report 2013-14, Bangladesh is ranked as 132\(^\text{rd}\) out of 148 for the quality of its infrastructure\(^\text{67}\).

Insufficient infrastructure was the predominant concern raised by both suppliers and buyers during the APPG visit and the largest part of total expenditure. Delays in production or transport resulted in the need to air freight the production to international buyers substantially raising costs. Several projects were mentioned to the APPG that would improve the speed and stability of transport infrastructure, most of which has already been mentioned in preceding reports\(^\text{68}\): expanding the Dhaka-Chittagong highway to four lanes, the development of a deep sea harbour, increasing productivity at Chittagong port, and improving the capacity of the Dhaka and Chittagong train connection.

Unreliable electricity supply was another significant concern raised to the APPG as it led to higher production costs and substantial delays. The World Bank in its Doing Business Index ranked Bangladesh last in terms of ease of getting electricity\(^\text{69}\). Power blackouts bring textile production to a standstill and workers often remain unpaid during this time. Overtime work becomes the inevitable result of poor infrastructure and power shortages. In order to prevent lost production hours most factory owners have invested in power generators even though the electricity from such generators is ten times more expensive than from the national grid. In addition, the Rana Plaza collapse illustrates the danger of ill-placed generators; it was the weight of several generators on the top floor of the building that was one of the triggers for the building collapsing.
Planning and building control

The APPG were profoundly concerned by the lack of planning and building control. According to Sheikh Hasina, the current Prime Minister, 90% of buildings in Bangladesh meet no building codes. It presents a consistent and widespread risk to the safety of workers both in the RMG industry and in the wider economy as exemplified by the Rana Plaza collapse. The Rana Plaza was built for retail purposes, not for industrial use, and had two extra floors beyond its original blueprint. As a result, the weight of the building was estimated to be almost six times greater than its intended weight.

After the collapse of Rana Plaza, there have been urgent calls from the Bangladesh government and major brands for a thorough inspection of all factories in Bangladesh to prevent such an event occurring again. Even though there are no quick fix solutions to the inadequate structural integrity of many buildings in Bangladesh, there is an urgent need to establish the first steps towards a long term resolution which will ensure the safety of not only the RMG industry but also of all industrial buildings throughout the country.

The fundamental problem is a failure to implement the building code and create a credible inspection regime to maintain building standards. The Bangladesh National Building Code, established in 1993 and consolidated in 2006, was deemed by BUET to be of a sufficient standard. Many brands, worried about the structural safety of their suppliers, have already started undertaking their own inspections surveys either on their own initiative or through the Accord on Fire and Building Safety and the Alliance for Bangladesh Worker Safety. Not only does this impose significant extra costs upon international buyers but a lack of trust and information sharing is leading to significant overlap and divergent inspections standards.

Fire remains a significant risk to the safety of workers in the RMG industry. Just a few weeks before this report was published, a fire broke out in the Aswad Knit Composite factory at Sripur killing at least nine workers and injuring over 50. The APPG visited the Fire Service and Civil Defence and were impressed by the organisation and capabilities of the service. Nevertheless, the APPG felt that there was a need for further investment in specialist technology and for a specific minister to be responsible for this critical issue.

The APPG held several meetings with stakeholders in Bangladesh, including leading structural engineers from the BUET, and conducted interviews with RICS as well as BIS, in order to understand the root causes of the problem. The APPG were concerned about how to create an inspection regime with the ability to restore confidence in the structural integrity of buildings. Dhaka’s development authority, RAJUK, is officially responsible for planning and building control but lacks
the manpower and capacity to enforce the National Building Code. In the aftermath of the Rana Plaza collapse, and as part of the NATB, thirty engineering experts from BUET will inspect 1500-2000 garment factories not covered by the Alliance or the Accord. Plans have also been drawn up to expand the number of inspectors at RAJUK from 40 to 240. However, in the view of RAJUK’s chief engineer, Mohammed Emdadul Islam, RAJUK’s task is still ‘impossible’ and the number of inspectors is insufficient. In addition, there is no National Construction Authority responsible for implementing the National Building Code throughout Bangladesh.

BUET were concerned that they lacked the capacity to carry out the required inspections. The university has only 30 qualified professors who will have to juggle their new responsibilities with their teaching commitments. The lack of qualified engineers and inspectors is the result of the low status of civil engineers in Bangladesh and a wide divergence in qualifications. Engineers are undervalued compared to their counterparts in architecture as illustrated by the wage differential: the APPG was told that architects could earn up to 100 times more than engineers. As a result, up to 50% of newly qualified civil engineers move abroad and many of those who remain in Bangladesh lack the necessary experience and expertise to carry out thorough structural surveys. BUET were also fearful that Bangladesh lacked sufficient technical centres with the ability to test core steel and concrete samples from any inspection which would lead to significant logjams and delays to any national action plan.

Discussions were held about the possibility of setting up a National Accreditation system for engineers. Professional bodies could also be established for both planning and building control. Planning control officers would monitor the use of land and any building permissions including any applications for a change in land use. Building control officers would be responsible for ensuring that buildings conform to the construction plans and carry out subsequent inspections on structural integrity. Such bodies would be responsible for maintaining the quality of inspectors and be able to remove any individual lacking in expertise or guilty of corruption. The APPG believes that a system of National Accreditation would be an important first step towards improving the safety of buildings in Bangladesh.

It is the view of the APPG that any new inspection regime will have to be transparent and contain a central public database containing information relating to building blueprints and the reports from any inspections. Public access to the information will allow brands to regain confidence in the structural integrity of buildings and prevent the duplication of inspection efforts. RAJUK set up a GIS database system in 2006, however, doubts exist whether it has been kept up to date. There is a clear
need for such a system at RAJUK and this is a possible area that international development agencies with the required technical expertise could assist with local capacity building.

Any credible inspection regime needs to be underpinned by a strong enforcement system which ensures that any recommendation is carried out. Unsafe factories need to be closed for immediate repair which will require substantial political will. At Rana Plaza, the day before the tragedy took place, the industrial police had recommended that the factory owners suspend all operations as a result of cracks on the wall. This directive was ignored as engineers from the building’s owner declared the building to be safe.

Funding also remains problematic as it estimated by the Workers Right Consortium of Washington that retro-fitting to the correct standard would cost $600 000 per factory or $3 billion over 5 years. BUET suggested that fines could be imposed on factories that have been found not to comply with building standards, and that the money raised would be used to pay for the inspection regime. The APPG were wary of such an idea that could lend itself to corruption but acknowledges the need to find new revenue streams to fund the necessary work.

**Government Strategy**

The APPG believes that Bangladesh is currently at a cross-roads and has a choice between improving the infrastructure and conditions of workers in the RMG sector or carrying on with the status quo which risks losing an industry that is crucial to its economic and social objectives. The APPG were concerned about the complacent belief in Bangladesh that the RMG industry will continue to invest in the country for the foreseeable future. Several businesses informed the APPG that even though they would like to remain in Bangladesh and ‘do the right thing’, if the infrastructural problems highlighted in this report are not addressed global competitive pressures may lead to production being shifted to new markets. Morocco, Ethiopia and Burma were some of the alternatives mentioned by brands which can apparently offer better infrastructure and lower safety and reputational risks.

In the latest Bangladesh development update by the World Bank in October 2013, the World Bank notes that GDP growth has decelerated for the second year in a row to 5.7%. Disruptions caused by political instability and the inadequate provisions of power, gas and infrastructure were the key factors in the growth slowdown. The most pressing challenges for the government and future governments, according to the World Bank, are the need to address the garment industry’s image and address infrastructure bottlenecks. The APPG believes that Bangladesh needs to be supported,
however, if reforms are not undertaken Bangladesh risks losing out on potential future investment. Bangladesh has already lost its preferential access to the United State’s market under the Generalised System of Preferences but if the EU were to suspend Bangladesh’s favoured access to its markets, Bangladesh’s total exports could fall by as much as 4.1% to 8%\textsuperscript{76} which would regrettably.

The APPG met with the Prime Minister of Bangladesh, Sheikh Hasina, as well as the leader of the BNP opposition, Khaleda Zia, during their fact finding mission. Whilst recognizing the profound political differences between both parties and their need to focus on agreeing the terms for the forthcoming elections, the APPG were concerned at an apparent lack of urgency and consensus on both sides of the political spectrum to tackle the profound issues facing the RMG industry which endanger the long term prosperity of Bangladesh. The APPG are aware of the upcoming elections in Bangladesh, and believe it is the duty of politicians to give the people a free and fair election while being mindful of the need to deliver business and social stability. It is imperative that the winner of the elections addresses the concerns of the RMG sector and engages in greater dialogue with business leaders and worker representatives.

There is a need for any government to have a long term strategy for economic development in Bangladesh which will reassure the RMG industry and help raise working conditions. The APPG recognizes that the economic success story of Bangladesh in the last couple of decades has put an understandable strain on domestic infrastructure and government capacity regardless of the party in power, and notes that in such a complex situation no simple answers exist. Nevertheless, it is essential that the first steps towards a sustainable solution are taken. The government’s plan to set up Special Economic Zones (SEZ), which has recently been re-iterated by Prime Minister Sheikh Hasina\textsuperscript{77}, was welcomed by international buyers. Yet fears persist that they would neither be placed in areas most useful to business nor guarantee the necessary infrastructural requirements. The Bangladesh Bank Governor, Atiur Rahman, has also expressed concerns over the slow bureaucratic process impeding the development of the SEZ\textsuperscript{78}. Several other infrastructure schemes have been proposed by the Bangladesh government which point in the right direction. A project is underway to expand the Dhaka to Chittagong highway to four lanes, which would help alleviate a significant transport bottle neck. However, progress has been slow as a result of an alleged lack of funds. The Chinese contractor has only been able to construct 7.5km out of a total of 140km over the last 20 months\textsuperscript{79}. Currently, businesses in the RMG sector lack confidence that a government of any political make up has the vision and political will to implement the necessary infrastructural changes. High interest rates, several respondents told the APPG that they faced commercial interest rates of around 14-16%, are a further obstacle preventing private investment in Bangladesh.
The APPG believes that the Bangladesh government should engage in dialogue with businesses and workers to ensure that their views are represented in any comprehensive plan for the industry. These groups, with whom the APPG met, felt that they lacked a channel of communication with the Bangladesh government and that their views were not represented. Businesses felt that they lacked leverage to engage the government and that only a threat of mass exit would gain the ear of the government: an option no one wants. Considering the critical importance of the RMG industry for Bangladesh’s economic development, it was mentioned several times to the APPG that it was surprising that there was no Minister with direct responsibility for the sector, a common practice in other countries.

Any long term vision needs to include stronger government regulation to ensure that building regulations and safety are enforced. If RAJUK and BUET are to carry out their mandate and restore confidence in the structural integrity of factories, governmental support will be essential to ensure that they have the required funds and authority for their recommendations to be implemented. The APPG notes that there is a risk that corruption and cut-corners will undermine the credibility of any new inspection regimes. A credible inspection regime, which is both independent and non-political, will take a long time to be implemented but is essential for the long term viability of the RMG industry.

Summary

It is the view of the APPG that urgent reforms, with governmental support, are needed in the RMG industry in Bangladesh to ensure the safety of workers in the sector as well as its long-term future. The human, commercial and reputational risks associated with inadequate infrastructure, poor working conditions and unsafe buildings are significant obstacles that threaten the viability of the RMG sector. There are no simple solutions to this complicated issue, nevertheless, the impetus generated by the Rana Plaza collapse must be translated into long-term actions. The APPG believes that there is a need for cross-party dialogue and cooperation to establish a long term strategy to keep the RMG industry within Bangladesh, which addresses the demands from both workers and businesses.
Part 4: Research Findings

The disasters that took place at Tazreen Fashions and Rana Plaza had the effect of pushing the government of Bangladesh, suppliers, factory owners, and brands into the spotlight and created space for brands, NGOs and governments to challenge the status quo. This section details the APPG’s findings which bring together the 27 research participants and the insights from the APPG’s fact finding mission. The APPG delegation in Bangladesh were able to investigate on the ground which policy suggestions would work best and what the funding priorities should be to ensure both that working conditions are improved and that the RMG industry’s long term future is ensured.

The objective of the APPG is to promote an RMG industry that works for consumers, buyers, suppliers, workers and Bangladesh. For this to occur and to prevent Bangladesh losing out on potential future investment, it is imperative that the obstacles associated with inadequate infrastructure and the structural safety of buildings and factories are overcome. Factories that are structurally unsound are an acute fire and safety hazard and present an unquantifiable reputational risk for international brands. Poor infrastructure increases the pressure on a tight supply chain leading to smaller profit-margins and cut corners. A view that has been recently re-iterated by the World Bank country director, Johannes Zutt: “this industry (RMG) is now at a critical crossroads, as recent high-fatality fires and a building collapse have exposed the hazards the workers face and also severely tarnished the industry’s image”. Addressing these issues is likely to have a multiplier effect on the wider Bangladesh economy, improving the working conditions of workers, and enabling firms to invest more to improve the interior conditions of factories. In conjunction with this, it is the view of the APPG that the incentives in the RMG industry need to be changed and ‘best practice’ in corporate responsibility needs to be redefined by increasing expectations of what brands should achieve and by re-introducing the responsibility of the state to protect its own citizens.

Capacity development in construction industry

It is the belief of the APPG that one of the main areas in need of improvement is the construction industry and its regulatory environment. An initial survey carried out by BUET has estimated that 60% of factory buildings are vulnerable to collapse. Though this does not mean that they are liable to collapse imminently, it does present a systematic hazard to the safety of workers and reputations of brands in the RMG industry. There is a risk that another similar disaster to Rana Plaza would push many brands out of the country. The structural problems are the result of a rapid urbanisation and
the pervasive failure in the enforcement of the Bangladesh National Building Code and inspection regime which have enabled shoddy constructions and poor quality materials to be used.

The Accord, the Alliance and the NTAP have all committed to carrying out structural surveys and safety inspections of their factory bases. There is a need to ensure that a common set of building and safety standards, compatible with the Bangladesh National Building Code, are enforced to prevent any duplication of efforts. The efforts of brands through the Accord and the Alliance are the inevitable result of an endemic lack of confidence in the ability of the government and local inspections to carry out the necessary surveys to the required standard. Nevertheless, both are only five year agreements and do not necessarily seek to build up local capacity in construction and inspection. It is necessary to tackle the root cause of the problem which stems from a persistent failure in the regulatory environment due to a lack of local capacity. Furthermore, currently there are is no National Construction Authority in Bangladesh responsible for implementing the National Building Code throughout the country. It was suggested to the APPG that RAJUK’s authority could be extended to cover the whole country. The APPG believes that planning and building control is an area where international aid and DFID can play an important role in supporting local capacity building.

Several British led initiatives have already been launched on this issues which reveals the significant role that the UK can play in this sector. DFID has already committed to fund specialists to review the building inspection regime. In May 2013, UKTI and the Institution of Civil Engineers hosted a joint meeting on infrastructure development in Dhaka, discussing higher education and vocational training as it pertains to the industry. The Royal Institute of Chartered Surveyors and BIS also carried out visit to Bangladesh in September 2013 to address the urgent need for improvements in safety and building standards in the RMG sector. These different initiatives are welcome but need to be part of a coordinated push for large scale improvements across the industry.

Any new planning and building control regimes need to have the required expertise and staff to carry out the technical and difficult building surveys. The information gathered must be transparent and open to the public so that all building constructions can be held to account. Lastly, any inspection regime must be both independent and corruption free, with the capability to enforce its recommendations and the retro-fitting of buildings to the required standard even if that includes closing down certain factories for repair. It was acknowledged by the APPG that such a state of affairs may be difficult to achieve, nevertheless, as much as possible any planning and building control regime should remain apolitical to ensure that corners are not cut and standards not
lowered. The APPG recognises that such a regime will demand substantial funds and calls upon the Bangladesh government, brands, local suppliers and international agencies to cooperate to find the adequate financing for a credible building and planning regime.

**Government Strategy**

The APPG believes that it is imperative that the government in Bangladesh recognises the depth and complexity of the challenges facing the RMG industry. Many of the issues highlighted in this report are the understandable consequences of the breakneck speed of economic development and urbanisation which has occurred in Bangladesh in the last couple of decades which has surpassed the ability of any government to provide services and an adequate infrastructure. Several brands who spoke with the APPG were worried that unless urgent reforms are implemented, they may be compelled to invest in new countries with better infrastructure and more governmental support as a result of global competitive pressures. According to the World Bank ease of doing business survey, Bangladesh ranks 129 out of 185 countries. If Bangladesh is not to miss out on future investment opportunities, the government will need a long term strategy to raise working conditions and address infrastructure and energy supply bottlenecks.

Brands and worker representatives wanted their trade to be supported by the Bangladesh government and felt that they lacked a sufficient channel of communications with any government to express their concerns. Poor infrastructure, unreliable energy and transport delays were the main sources of anxieties for both buyers and suppliers as they were the main contributors to production costs and increased pressures on the supply chain which has little margin for error. Businesses expressed their belief that without such infrastructural developments there was a limited scope for improvements within factories. Several brands reported to the APPG that taking into account the critical importance of the RMG industry for Bangladesh’s economy it was surprising that there was no specific ministry with a mandate to oversee the sector.

In addition, the APPG observed that the Fire Safety and Civil Defence budget came under the Home Office and there was no minister directly responsible for such a critical issue, and that no comprehensive disaster relief and emergence plan had been drawn up.

Most of the brands that met with the APPG expressed their willingness to accommodate higher minimum wages. Under the ETI Base Code and under the codes curated by brands themselves, brands are already committed to honouring local minimum wage scales. However, prior to July 2013 Bangladesh’s minimum wage had not been reviewed for three years and at 3000 taka ($38) a
month, does not constitute a living wage. When honouring national legislation brands may become complicit in paying a wage that can lead to further impoverishment through creating credit-dependency amongst the lowest paid workers. The aforementioned brands agreed that they while they bear responsibility to advocate for a higher minimum wage, it is a policy issue which they lack sufficient leverage to lead on. Brands risk being undercut by competitors with different standards or by local buyers with none. It is the view of the APPG that the most efficient way to improve living standards for RMG workers is an across the board rise in the minimum wage which will affect all workers in the Bangladesh economy. The APPG notes that the Bangladesh government has set up a National Wage Board to review the minimum wage which has recently proposed a new minimum wage of 5300 taka per month ($66), an increase of 77%. The new recommended minimum wage has not yet been accepted by the Ministry of Labour as this report went to print and it is too early to evaluate whether the new rate will provide a fair living wage whilst retaining the competitiveness of the RMG industry.

**Capacity development and a cultural shift on the factory floor**

In an industry where the cost of production trumps the imperative to safeguard workers, incentivising suppliers and factory owners to improve workers’ welfare and working conditions requires that a commanding business case be made for improving working practice. To this end the APPG met with a number of brands and initiatives that have looked to address production processes such as Solutions for Management International (S4Mi) and Benefits for Businesses and Workers (BBW). Sometimes known as ‘lean’ manufacturing, this model focuses on retraining workers and improving and re-engineering production flows so as to increase accuracy rates and wages whilst reducing business interruption due to absenteeism, disputes, or high labour turnover. Workers in Bangladesh currently have few opportunities to increase their skills via in-house training or technical colleges. As a result, workers often remain stuck on the lowest rung of employment. In addition to improving the ‘hardware’ of production, companies such as Impactt Ltd focus on addressing the ‘software’: targeting HR policies, communications, and the working culture on a factory floor as a means to improving relations in the workplace. This model garners impressive statistics, causing increases in efficiency and wages, and reductions in absenteeism and labour turnover. These programmes successfully relate the business case for improving social standards and go a long way toward improving conditions on factory floors.

The APPG believes that overall the current nature of industrial relations is harmful both towards worker conditions and the long term success of the RMG industry. A lack of worker representation
prevents the emergence of a constructive dialogue between suppliers, buyers and workers. Factory owners and brands should recognise the value of worker representation in facilitating better working conditions, while workers can have a constructive role aiding a thriving industry. Mature industrial relations would strengthen working conditions, redress flaws in audit regime through worker participation and reduce working time lost through strikes and hartals. Developed unions can have an important role in advocating for better working conditions, nevertheless, several stakeholders stated to the APPG that the current deeply politicised nature of unions hinders the emergence of cooperative industrial relations.

Audit regimes are often faulty: results are easily bought or duped and assessments are not designed to identify the structural problems that affect the majority of garment factory workers. Equally, suppliers can be subject to a number of similar but different codes of conduct that result in a proliferation of audits resulting in ‘audit fatigue’. Mechanisms, such as SEDEX and standard codes such as the ETI Base Code, exert a harmonising influence on codes and audits and insofar as the status quo is to be improved, are encouraged by the APPG. Several NGOs suggested to the APPG that audits could be enhanced through a comprehensive risk based audit which would include due diligence. Due diligence reporting would provide a comprehensive understanding of the full range of stakeholders that are involved and affected by the RMG industry.

A number of brands and NGOs are already on their way toward increasing the robustness of their reporting; a brand that took part in this research and which sees itself as a leader the field of corporate social reporting, has made inroads into more robust reporting by convening a working group composed of NGO partners to input on the methodology and findings of the brand’s outputs. Another firm submits its environmental, social and governance reporting to an independent auditor for verification. Oxfam’s work with Unilever is a notable example of best practice. In January 2013 Unilever partnered with Oxfam to uncover labour issues in their Vietnam operations and supply chain. Oxfam, using the Guiding Principles as a research framework, found evidence of low wages, precarious work, and instances of weak enforcement of labour rights that had evaded audit reports. Unilever’s level commitment to sustainability was only strengthened by its effort to uncover violations and in facing up to the flaws in the audit system has raised the bar on corporate responsibility.

Increasing transparency in and introducing accountability to the supply chain
The Brands interviewed and who met with the APPG acknowledged that they believe it is near impossible despite their best efforts to achieve 100% transparency in their supply chain. Subcontracting is common and difficult to control. Improving transparency in the supply chain is in part about improving purchasing practices and in part about improving how information is collected and shared between brands, as well as between brands and workers, consumers, and investors.

i. **Transparency between brands, auditors, and workers**

In the wake of Rana Plaza a small number of the larger brands that source from Bangladesh have begun to publish their factory and supplier lists. Under the terms of the Accord once a severe and imminent danger to worker safety is identified, it will be shared immediately with factory management, the factory health and safety committees, worker representatives, the Accord’s Steering Committee and unions. Under the Alliance, provisions have been made to share information of imminent risk with worker representatives. The APPG believes that this transparency is to be lauded, yet it must not be forgotten that the remit of the Accord and the Alliance stretches only so far as to cover building and fire safety. Cases of non-compliance vis-à-vis hours, wages, subcontracting, freedom of association and child labour are shared only at the discretion of the brand, and then only on an informal basis. Though many brands remarked that the sharing of such information was a growing trend, to tackle violations systematically requires this to become routine best practice.

The APPG have also been made aware that IT production tracking systems have been developed that have the capacity to enforce transparency and accountability in supply chains which should be considered by brands. Through such a system, brands are able to take full control of their supply chain by ensuring that every supplier or sub-contractor comes from an approved source.

Another target identified by NGOs in the campaign towards transparency and accountability in the RMG industry is the auditing firms that assess compliance. The flaws within the audit regime clearly need to be addressed: audits need to be paid for by brands rather than suppliers, workers need to be consulted off-site by skilled practitioners, participation committees and unions need to have access to brands and vice versa, and cases of non-compliance need to be shared with workers and their representatives. Currently auditors are accountable only to the suppliers or the brands that contract their services and because audits are confidential, companies’ and auditors’ knowledge of problems is their private intellectual property. When implemented correctly social audits can play a crucial role in driving up standards but it is clear that the audit industry is in need of review.
ii. **Transparency for consumers**

Increasing transparency is a concern for all consumers. One initiative that might increase consumer confidence would be to address garment labelling: in addition to listing the garment’s country of origin, labels could include the factory of final manufacture. Better labelling on clothing in addition to published factory lists and online information about the brand’s corporate responsibility programmes and supply chain could increase consumer knowledge and confidence and, in turn, would push brands to become more open about their programmes and way of working.

When put to participants, prior to the APPG visit, these suggestions appeared to receive a mixed response: though welcomed by some brands, labelling was shunned by others as too complicated and potentially confusing. One retailer that claimed that they had committed extensive time and resources into finding out what information consumers want and need in order to make informed choices had concluded that in general consumers want to know about the overarching policies and principles of the company rather than be informed about the individual story of each product. The complexity of such a scheme was seen as a barrier to its success.

However, brands who met with the APPG on their visit were enthusiastic about the possibility of a simple ethical ‘kitemark’ which would act as an understandable mark of quality assurance. To incentivise change and improve consumer confidence the mark would need to be rigorous in its standards, transparent in its findings, and independent in its assessment of ‘good’ practice. Whether the mark would incentivise better purchasing practices, whether it would be welcomed by consumers, and whether it would merely add to the noise of existing badges, codes and audits needs to be fully understood.

iii. **Transparency for investors**

Transparency in the supply chain is an issue for consumers and management, but transparency, or rather the lack of it, should also be a major concern for executive board members. The collapse of Rana Plaza drew attention to the reputational and economic risks that companies face by doing business in Bangladesh. Economic pressures are a significant driver of change, yet it is important that rather than exit Bangladesh brands address the security and sustainability of their supply chain. Currently the RMG industry is addressing supply chain problems post-facto: in Bangladesh structural surveys and additional funding for corporate social responsibility initiatives can be helpful, but they are no substitute for building the knowledge and practice that can prevent reputational damage in the first instance. In the view of one procurement specialist, supply chain management is commonly
seen as the ‘back-end’ of business and is afforded neither the attention nor the investment that its strategic import demands.

To challenge this trend, boards, analysts, and shareholders alike need to be cognisant of the risks of poor supply chain management and lead change from the top. Questions concerning supply chain mapping beyond the first tier, about the operational cost inflation posed by industrial disasters, about the legal and economic ramifications of human rights violations and about the quality and content of internal reporting need to be posed by boards and answered by managers.

**Tackling poor purchasing practices**

Brands have a key role to play in strengthening the incentive for the industry to improve. To realise this potential and protect their reputation, brands have to collaborate, sharing both information and standards. A number of NGOs alleged that CSR is too frequently a bolt-on initiative that ameliorates rather than tackles poor conditions and moreover, that social responsibility is too rarely incorporated within the commercial strategy or the day-to-day decision-making of buying and merchandising staff. The incentive structure needs to change.

Of those brands who participated in the research, best practice emerged when ethical trade was incorporated into the culture of the business, and more importantly, into the performance targets of buying staff. If, in addition to quality, speed to market and cost, social compliance becomes a performance target and results are published monthly, compliance will become a factor over which staff can compete. One brand that was interviewed had made ethical practice a competitive element between buying and merchandising staff and claimed that cases of non-compliance had halved over a course of just 12 months. This kind of reform may require changes to a company’s organisational structure: in reporting to Managing Directors rather than, or in addition to, Finance Directors, buyers and supply chain managers are enabled to look beyond profit margins to the wider impact of their decisions. In the course of the next financial year another brand will be incorporating elements of the company’s ethical plan into the personal objectives of every single member of staff from the board down. For staff working for this company the allocation of bonuses will rely on them meeting all of their targets. To engender such a cultural shift, ethical trade teams need to equip buyers with the tools to spot violations and identify how their actions impact on suppliers and workers which can in turn contribute to non-compliance. Just as suppliers are issued with codes of conduct, so buyers need to be issued with codes of sourcing practice and lent the support of ethical trade specialists on an ongoing basis. Good sourcing practice sees brands commit to long term business relationships with suppliers, promote social dialogue on the factory floor and engage with workers’ organisations.
Strong supply chain management sees brands establish in-country offices staffed with social compliance teams who regularly visit suppliers and factory bases in addition to commissioning audits. Competent supply chain management sees brands with resource constraints or that only procure low volumes collaborate with peers, sharing non-proprietary information and suppliers.

Best practice in purchasing can be encouraged through sharing innovations or through highlighting poor performance, but it can be further enforced by instilling accountability via professionalisation. One idea which is being spearheaded by the Chartered Institute of Purchasing and Supply (CIPS) is to professionalise the buyers wherein to practice, buyers and merchandisers would have to earn a license. Knowledge of ethical practice in supply chain management would be a basic requirement and continuing professional development would disseminate best practice through the network. As with other licensed professions cases of malpractice, for example cases wherein non-compliance is ignored, where fraudulent audit reports are accepted, or poor purchasing practices are pursued, would result in buyers being ‘struck off’ and barred from further practice. Brands need to challenge themselves, interrogating both their behaviour and the methodologies they use to assess and manage risk in their supply chain.


5 McKinsey & Company, Ibid.

6 McKinsey & Company, Ibid.

7 McKinsey & Company, Ibid.


9 Pickles, J., Ibid.


14 Nelson & Bergman, The Telegraph, Ibid.

15 Clean Clothes Campaign & SOMO, Ibid.

16 Clean Clothes Campaign & SOMO, Ibid.


20 Than, (2013) Ibid.


22 IRIN, (2013) Ibid.


24 IRIN, (2013) Ibid.


29 War on Want, (2013). Ibid.

30 War on Want, (2013). Ibid.

31 Clean Clothes Campaign & SOMO, Ibid.


33 War on Want, (2013). Ibid.

34 War on Want, (2013). Ibid.


42 Wilshaw, (2011) Ibid.


64 McKinsey & Company, Ibid.


The Economist, ‘Disaster in Bangladesh: Rags in the Ruins’.

IRIN, (2013), Ibid.


World Bank, 2013. ‘Bangladesh Development update: Resilient Economy facing Internal risk’, ibid

