Global capitalism undermines progress in workplace safety in Bangladesh’s garment industry

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In the aftermath of the 2013 Rana Plaza building collapse that killed 1,138 workers, Bangladesh has made real progress in improving health and safety in the garment industry. Now, four years later, the “sweatshop business model” of global capitalism is undermining those gains as international clothing brands continue to roam the world looking for the lowest production costs, the most vulnerable workforce, and the weakest, most compliant governments.

The impact of what’s called “savage capitalism” in the developing world undercuts workers’ safety not only in garment plants in Bangladesh, but also in other global supply chain factories (electronics, toys, food, consumer goods) in every corner of the world. The downward pressure on working conditions and workers’ rights affects all the world’s workplaces, which are all in desperate competition with one another to produce the highest profits for transnational corporations.

Progress Registered

The progress in Bangladesh's apparel industry has been led by the Accord on Fire and Building Safety, a legally-binding agreement between more than 215 international clothing brands and two international unions and their Bangladesh affiliates. Starting in 2013, the Accord has conducted more than 19,900 initial and follow-up inspections of more than 1,600 garment factories employing 2.5 million mostly women garment workers.

In August 2017, the Accord reported

- 111 factories had completed 100% of its Corrective Action Plan (CAP);
- 561 factories had completed 90% of its CAP;
- 79% of the 69,310 fire, electrical and building hazards identified in the initial inspections have been corrected;
- 669 issues related to health and safety issues or discrimination against workers had been "escalated" within the Accord's dispute resolution process, and 196 of these have been successfully resolved;
- 32 factories had been completely shut down due to imminent safety hazards, preventing the "next Rana Plaza" from occurring; and
- 81 factories that refused to correct on-site hazards were "terminated," meaning they are no longer eligible for orders from the Accord's 200+ brands.

In addition, 494 Accord factories have participated in a series of Accord trainings designed to establish effective versions of the legally-required joint management-worker health and safety committees, and 1.36 million workers have received training.

The other private-sector initiative – the all-voluntary, employer-only Alliance for Bangladesh Worker Safety –

reported in October 2017 that 195 factories of the 600+ plants covered by the 26-clothing brand program had completed 100% of their CAPs. The Alliance also reports that 1.2 million garment workers, and 20,000 security guards, have received training on fire safety and emergency evacuations.

This set of hazard identifications, hazard corrections and worker training on health and safety is unprecedented. The Accord has set the bar for global supply chains for using state-of-the-art building and fire standards, competent and independent inspections, public reporting of all results, mandatory correction of all identified hazards, genuine worker participation in factory-level health and safety programs.

This level of worker protection has never occurred before – not in garment supply chains and not in Bangladesh – and it is unmatched in any industry's global supply chain and any other country supplying consumer goods for the developed world. These advances have been registered only due to the world-wide outrage after the Rana Plaza disaster and in the aftermath of garment worker protests and mobilizations in Bangladesh over many years.

Progress Unrealized

But even after an industrial homicide with the scale of Rana Plaza, it has been impossible to get international clothing brands to meet all their responsibilities under national laws and international agreements.

- Four-and-a-half years after the disaster, only 672 of the Accord's 1,600 garment factories have corrected 90% or more of the identified safety hazards, which have grown to over 118,000 hazards with new plants entering the program.
- The Alliance, led by Walmart and Gap, has "suspended" – or walked away from – 158 of its 600+

> factories. That's nearly as many as the 195 factories reported to have reached "substantial completion" of their CAPs. The status of the other 250 Alliance factories is unknown because the Alliance stopped issuing progress reports. It has simply declared its "confidence" that all factories will be "safe" by May 2018 when the Alliance goes out of existence.

In response to these delays, in June 2017, an "Accord II" was announced by 47 brands sourcing from 1,200 factories and the international and national unions. Accord II will run for until May 2021 to complete the hazard corrections and implement new requirements.

The principal reason why progress has been slow and incomplete in Bangladesh is that the international clothing brands and retailers have failed to provide their suppliers with the support needed to finance and complete factory corrections. The companies sourcing from Bangladesh include H&M, Gap, Abercrombie & Fitch, Tommy Hilfiger, Calvin Klein, and JanSport – as well major retail stores like Walmart, Kohl's, Macy's, Target and Sears.

Brand and retailer support would include higher per-unit prices, long-term contracts and stable sourcing, and facilitating or providing low-cost loans required for correcting major building and fire hazards. But this support would only be possible with a fundamental change in the business model of global supply chains.

In addition, owners of the supplier factories already live on small profit margins and have few resources and little incentive to borrow money when future orders and reasonable prices are not guaranteed by the brands. Moreover, many international brands got a bad case of "buyer's remorse" after signing onto the Accord or the Alliance immediately after Rana Plaza. The international brands have done as little as they can get away with in addressing health and safety hazards in their supplier factories.

Progress Undermined

At the same time that improvements in workplace safety has been slowly achieved in Bangladesh, the workings of global supply chains have been eating away at this progress.

Bangladesh has become a case study of how global supply chains' "iron triangle of sourcing" – the lowest possible price, highest possible quality, and fastest possible deliverable – redirects the resources needed to protect workers.

Industry analysts report that the prices paid by brands to local suppliers have declined 5-8% annually over four years, while the cost of production for local suppliers has risen 15-18% a year over the same time period. Since the time of the Rana Plaza disaster in April 2013, clothing brands are now paying their local suppliers 19% less than at the time of the collapse. The slashed prices paid to suppliers occurs at the same time as local factories are being required to correct tens of thousands of fire, electrical and building safety hazards.

One telling statistic related to Bangladesh's 2016-17 exports is that the volume of exports (number of garments) actually increased by 10% over the last fiscal year – but the value of the products exported remained flat as the brands had collectively cut their prices to the suppliers by that same amount.

Not coincidentally, the profits these international clothing brands extract from their supply chains are more than 10 times the average return on sales of 2-4% for retail businesses. The trade journal *Women's Wear Daily* reported that the top 25 leading brands had gross profits on sales revenue in 2015 of 40% and more.

Savage Capitalism Roams the World

In the last fiscal year (July 2016 to June 2017), Bangladesh's garment exports rose only 0.2% –basically even and well below the average 13% growth that occurred between 2006 and 2016. The total exports rose to just over $28 billion (USD) and Bangladesh is still the world's #2 garment exporter behind China. The Bangladesh garment industry and government have been promoting the idea that apparel exports would rise to $50 billion a year within 5 years – a goal that seems very unlikely now.

During the same time period, China's garment exports declined by 14% or $8 billion from the year before. Bangladesh has not picked up this production, however, as the work has gone to Cambodia, Vietnam and Myanmar. Chinese garment suppliers have been shifting orders from their factories in China to factories in southeast Asia. Wages in these countries are now "competitive" with Bangladesh and regulatory compliance costs are lower because there is no Accord or competent regulators with the political will to act.

At the same time, the Indian government has spent $894 million in the last year to support the Indian garment sector. Between January and August 2017, India became the #2 supplier of garments to the United States market. Bangladesh dropped to the #6 exporter to the US, as 60% of Bangladesh's exports go to Europe. Worldwide, Bangladesh is the #2 exporter, with 6.4% of the global garment trade, but India is rising rapidly with $17 billion in exports (4% of global trade) last year. Moreover, India is expected to increase its garment exports by 15% in 2017, to as much as $20 billion.

Meanwhile, East Africa continues to be the "new promised land" with major investments by apparel brands in garment factories. In 2016, the 39 sub-Saharan countries generated $2.6 billion in clothing exports, with 92% of exports going to the United States under the duty-free provisions of the

AGOA (Africa Growth and Opportunity Act). Africa offers wages even lower than Bangladesh and with near-zero regulatory compliance responsibilities.

Chinese investors are flocking to the African continent, and, ironically, at least 12 factories in East Africa are operated by Bangladesh garment suppliers for international brands. That is, the brands have contracted with Bangladesh suppliers to produce clothes, just not in Bangladesh but rather in Africa. Bangladesh manufacturers are investing in Africa to deal with Bangladesh's anticipated loss of duty-free status as a "low income country." The country is expected to be classified a "middle income country" in 2018.

An Industry's Future and Workplace Safety in Doubt

The fate of the safety improvements in Bangladesh's garment industry is unclear. Suppliers squeezed by their brand clients with ever-shrinking per-unit pricing and ever-increasing production expenses are hardly in a position to implement and maintain safety measures that have significant up-front and ongoing costs.

The Bangladesh government, whose economic development plan depends on ever-expanding apparel exports, faces stiff completion from other low-end garment producers in Asia and Africa. The higher required levels of worker safety in Bangladesh now represent a "disincentive" and "discouragement" for garment production in Bangladesh – compared to the country's competitors – for the clothing brands that forever roam the world and play one country off against another.

The garment industry association (BGMEA) strongly opposes the extension of the Accord for three years, which would require not only the completion of the first Accord's CAPs but also the establishment of even more stringent benchmarks under Accord II. Claiming to be defending national sovereignty against foreign intrusion, the BGMEA has proposed an all-national program that few believe would have the resources or political will to effectively protect the health, safety and legal rights of garment workers.

The government itself announced on October 20th that it would deny permission for the Accord to extend beyond 2018, when the five-year initiative is slated to end. Six days later, after intense negotiations, the Accord reported that it had received government approval to continue after 2018, with an evaluation every six months as to whether the Bangladesh Labor Ministry has the capacity to take over the Accord’s inspection, hazard correction and training functions. The Accord will end six months after the government takes over all these duties in the garment sector.

Race to the Bottom

Improving worker safety in Bangladesh – a very poor country with very limited infrastructure and human resources – was and is always going to be a tremendous challenge. But real progress has been made in the garment industry in the last 4.5 years. This progress is being undermined by a relentless race to the bottom by global supply chains and the sourcing practices of transnational corporations.

This makes maintaining the kind of public pressure on international brands which forced them to establish the Accord in the first place all the more important. It is the key components of the Accord – legally-binding agreements, completely transparent inspection procedures and results, brand responsibility for hazard correction, and meaningful worker participation – that point the way for safer supply chains in all industries and supplier countries. Building the technical capacity and stiffening the political will of national governments to fulfill their legal mandates is the key long term strategy, along with supporting member-controlled worker organizations that actually empower workers to speak and act on their own behalf.

Why real change is needed in global supply chains factories – not only garment but also in electronics, toys and other industries – is evident in the "Garment Worker Diaries" where women workers in Bangladesh, Cambodia and India tell their own stories in their own words. We need to defend the recent gains achieved by these workers, even if they are only partial, and even if overturning savage capitalism – the underlying cause of unsafe and miserable working conditions – may take just a little while longer.

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Garrett Brown is a certified industrial hygienist who worked for Cal/OSHA for 20 years as a field Compliance Safety and Health Officer, and then served as Special Assistant to the Chief of the Division before retiring in 2014. Since retiring, Brown continues to follow Cal/OSHA issues and established the "Inside Cal/OSHA" website. Brown also has been the volunteer Coordinator of the Maquiladora Health & Safety Support Network since 1993 and has coordinated projects in Bangladesh, Central America, China, Dominican Republic, Indonesia, Mexico and Vietnam.

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