

Beyond Third-party Monitoring Post-Rana Plaza Interventions

SANCHITA BANERJEE SAXENA

The April 2013 Rana Plaza collapse, which resulted in the death of more than 1,125 people working in garment factories in the building, drew widespread attention to hazardous labour conditions in the export garment-manufacturing industry in Bangladesh. Five years later, two international agreements—the Accord on Fire and Building Safety in Bangladesh, and the Alliance for Bangladesh Worker Safety—signed in the aftermath of this tragedy, to monitor and inspect garment factories, have been analysed.

The building is safer, but as workers in the factory we still don't have any security in our lives ... Even if I am on my death bed, they will ask me to finish making two more pieces before I die...We are nothing but machines to them.

—Factory worker,
Ayesha Clothing (Kamat 2016)

On 24 April 2018, it will be five years since the deadliest garment factory accident in history. More than 1,125 people died and 2,000 were injured when an eight-storey building, Rana Plaza, on the outskirts of the capital of Bangladesh, collapsed. The building, which was originally built as a shopping complex, was not meant to serve as a garment factory filled to capacity with more than 3,000 workers and their machines. Four storeys had been added to the building without proper permits or documentation. The Dhaka building safety agency, the entity authorised to issue construction permits, simply could not keep up with the explosive growth of the industry over the last few decades. Large cracks in the building had appeared the day before the disaster and, other than the garment factory, all other parts of the building were closed that day. When the garment workers pointed out the cracks to their supervisors, they were reprimanded and told to get back to work, or they would lose their jobs.

Two Unique Agreements

In the aftermath of this tragedy, Western companies and brands invested in two organisations designed to strictly monitor and inspect a portion of Bangladesh's registered factories.¹ The Accord on Fire and Building Safety in Bangladesh is an agreement between global unions and over 180 retailers and brands from 20 countries in Europe, North America, Asia, and Australia. The accord is a legally binding agreement where all signatories agree to arbitration, or enforcement of fees can be pursued in their national legal

system. Companies commit to sourcing and maintaining purchasing volumes in Bangladesh for five years. The Alliance for Bangladesh Worker Safety is an agreement of 28, mainly United States (US)-based retailers. It is similar to the accord in its mandate, but the agreement is not legally binding, nor are labour groups or unions a part of the alliance.

This move by Western brands has been touted as unprecedented and innovative, and it is important to understand now, five years later, what has been achieved and what still needs to happen to make the industry safer. This is critical because both organisations are due to leave the country over the next few years, although there are discussions that the accord may extend its tenure for another three years.

Sector Background

The export garment-manufacturing industry in Bangladesh originated in the late 1970s following the establishment of the Multi-Fibre Arrangement (MFA) in 1974. The MFA, although it was only supposed to be a temporary measure, remained in effect for 20 years, until 1994. This arrangement restricted garment and textile imports to the US, Canada and the European Union (EU), by allocating quotas to countries throughout the developing world (Saxena 2014). Bangladesh's industry began with fewer than 12 garment firms. By 1985, there were 450 independent companies and, by 2015, close to 7,000 firms and subcontractors (Labowitz and Baumann-Pauly 2015). By the 1990s, women accounted for more than 90% of the almost 4 million workers and by 2016, garment exports accounted for 82% of the country's total exports. Today, the industry employs 5.1 million people (Winterbottom et al 2017).

Foreign buyers looked to Bangladesh as a source of cheap labour and, thus, ready-made garments became the country's main export in a short period of time. The focus on "CM" (cut and make) orders and the strategy of producing basic garments such as T-shirts, quickly made Bangladesh South Asia's "success story" (Saxena 2014). This success came in many forms: increased gross domestic product (GDP), improved development opportunities, and women's empowerment.

Sanchita Banerjee Saxena (*sanchitas@berkeley.edu*) is with the Institute for South Asia Studies, and the Subir and Malini Chowdhury Center for Bangladesh Studies, University of California, Berkeley.

The economic achievement in Bangladesh, however, also came with a very real price, one that resulted in an industry where low-cost garments were made in hazardous conditions, with low wages in unregulated factories, by workers whose physical and mental health was put under strain on a daily basis. Thus, in order to maximise their profits, Western brands not only outsourced production, but also, in effect, outsourced labour exploitation and environmental degradation in order to ensure that production prices remained low.²

Third-party Monitoring

Many studies analysing labour rights argue that there is a need for third-party accountability in order to push factories towards compliance with standards, because countries in the global South lack strong institutions and have high levels of corruption and instability, which make it difficult for internal actors to enforce regulation (Ruggie 2003; Nadvi and Wältring 2004; Vogel 2008; Belal et al 2015; Rubenstein 2007).

Workers and civil society are often seen as lacking the necessary power to be able to pressurise owners or the state to enforce the right policies. Against this context, “surrogate account holders” are better equipped to pressurise power wielders into doing what is right (Rubenstein 2007). Surrogates can take the form of governments, supranational bodies, civil society organisations, or partnerships among corporations. Both the accord and to a lesser extent, the alliance, were designed to serve this purpose (Sinkovics et al 2016; Reinecke and Donaghey 2015).

Critique of the Third-party Model

Table 1 demonstrates that the accord and alliance, while perhaps well-intentioned, have not met their intended goals. They both address a narrowly defined universe of factories with a very small subset of safety issues.

There are several notable flaws with this model.³ First, the singular emphasis by Western retailers on monitoring and compliance has neglected the larger issues around the entire global supply chain. There has been very little discussion around the indirect sourcing model

prevalent in Bangladesh, which results in the most-compliant factories depending heavily on subcontractors as a part of their regular business practice, in order to increase margins and boost production, while keeping costs low. Because subcontractors fall out of the purview of monitoring and inspection, it is relatively easy for Western brands to turn a blind eye to the potentially dangerous activities in which their “compliant” direct suppliers may be engaging.

According to empirical research conducted by the New York University Stern School of Business, Center for Business and Human Rights, garment production involves more than twice as many facilities than what brands and retailers currently monitor directly.⁴ While many brands are adamant about their “zero tolerance policy” with regard to unauthorised subcontracting, the policy is largely ineffective in practice. Bangladeshi manufacturers openly discuss the extensive network of small, less-compliant factories and how they play an important role in meeting the demands of the larger factories which maintain primary relationships with Western buyers.⁵ Current business models of brands and retailers incentivise the development of elaborate production networks in Bangladesh, as a result of which the garment business has remained profitable post the Rana Plaza disaster, despite fierce international competition, labour law reforms, and political blockages.

Second, focusing only on monitoring factories as a solution to prevent future disasters does not address the extreme

Table 1: Snapshot of the Garment Industry
(March 2017)

Value of the garment sector, 2015–16	28.1 billion
Garments as a percentage of total exports in Bangladesh, 2016	82%
Number of workers in the industry	5.1 million
Estimated number of RMG factories in Bangladesh	7,179
RMG factories actively engaged in remediation under the accord and the alliance (“active factories”)	2,256
Factories as a percentage of the total number of factories in Bangladesh	31%
Alliance inspections	744
Accord inspections	1,600
Total inspections	2,334
Factories covered by the accord and alliance that have completed the remediation process successfully	79

Source: Winterbottom et al (2017).

pressures suppliers face from brands to produce large quantities, at the lowest price, and within the shortest time possible. The extreme competition and insecurity around future work creates a perverse incentive structure and an environment of taking risks, even in factories that may have passed all the inspections (Saxena 2014; Gearheart 2016).

Locke (2013) argues that compliance programmes do little to address the root causes of poor working conditions. Many of the problems faced in global supply chains cannot simply be attributed to unethical factory managers in need of capacity building, auditing or policing. Much of it is due to the pressures and policies that have been put in place by global brands to maximise profits and minimise the risks of not meeting consumer demands in a timely manner. Compliance issues related to hours of work, wages, precarious contracts, child labour, undeclared subcontracting, and even fire and building safety, are all related to the downward pressure on prices and lead times, which drive manufacturers to cut costs and seek flexibility by almost any means possible (Labowitz and Baumann-Pauly 2014). Unfortunately, there has been little attention paid to this, which has allowed global brands to continue to maintain their business practices even in the light of the horrific disasters that have taken place.⁶

Third, because the business practices of global brands are left out of the discussion, when such disasters occur, it is easy to point fingers at the most visible offender: the Bangladeshi factory owner. While factory owners certainly bear responsibility for improving working conditions, as Shakya (2013) writes:

[t]o make a lone producer and a select few of his buyers culprits of this devastating accident of unprecedented scale, and to let the bigger powers off the hook, is to spank a racist while turning a blind eye to the regime of apartheid.

By making the factory owner the main focus of both international blame and condemnation, as well as holding him as the sole person responsible for preventing future disasters, global brands are absolved of any accountability and feel absolutely no pressure to change their lucrative business practices.

A Smokescreen of Concern

Initiatives focused primarily on monitoring and policing also allow brands to give the impression that they are serious about labour rights and factory conditions. When global brands terminate business relationships, they lose any leverage they might have had in improving conditions for workers, while leaving these workers in highly risky environments where improvements may never occur. Some even go as far as to argue that compliance initiatives are not designed to protect labour rights or improve conditions at all, but are really designed only to limit the legal liability of the global brands and prevent damage to their reputations (Bartley 2005).

In addition to holding Bangladeshi factory owners solely responsible for factory improvements, research by Winterbottom and Baumann-Pauly (2017) suggests that they are financially liable as well. The cost of addressing existing factory safety issues greatly exceeds the funds committed thus far, leaving many factories without the finances necessary to implement the more costly improvements. In order to maintain relationships with both the accord and alliance, factory owners must be in compliance with the agreement norms; however, they are expected to fund the improvements themselves. In instances where they are unable to afford these improvements, no one is obligated to assist them. The international donor community has also not pledged funding to address issues like poor infrastructure, but has focused primarily on inspection and empowerment programmes instead.

Fourth, with this singular focus on monitoring, most suppliers tend to be reluctant to enable rights that challenge deeply embedded labour relations or social norms, with a hope to avoid disruption to the production process. Consequently, issues such as gender discrimination, freedom of speech, and workers' skills development still remain neglected. Sinkovics et al (2016) find that while the accord achieved its mandate—ensuring safer and better-equipped working environments—in some of the factories under its purview, due to the high cost of compliance, companies were forced to terminate

initiatives that focused on some of the socially grounded needs of workers. Surrogate accountability often lack insights into context-dependent socially grounded needs of workers and can even impair social, economic, or cultural rights (Belal and Roberts 2010; Lund-Thomsen 2008; Sinkovics et al 2014).

As a result, the focus tends to be on the implementation of measurable, more visible standards (Barrientos and Smith 2007; Barrientos et al 2011). For example, Winterbottom et al (2017) find that after reviewing 100 remediation reports, there were an average of 59 non-compliance issues per factory. Electrical safety issues accounted for the majority (51%) of safety issues identified, followed by fire safety (30%) and structural safety (19%) issues. Prentice and De Neve (2017) also discuss a tendency to narrowly focus on safety and infrastructure issues which can be seen and audited. This tendency to focus on quantifiable, “checking the box” type of solutions—such as the number of factories inspected or the number of unions registered—often ignores how effective these solutions truly are, and overlooks many other important issues which threaten workers' health and well-being on a day-to-day basis.

Ultimately, the strategy to develop top-down interventions by third parties is often misguided as it ignores local movements already in place. Bangladesh has a long history of a vibrant and visible labour movement which has worked to make changes in the industry. However, instead of supporting these local struggles, parallel programmes were instituted to address issues that emerged following the disaster. In addition, the importance of collaborating with official trade unions—in terms of the number of unions established per factory, another quantifiable solution—is often highlighted as a solution to workers' rights, but, as a result, other vibrant civil society movements, often outside the structure of formal unions, are rejected. In Bangladesh, factory-level unions in the garment industry often tend to be hierarchical, politically connected, and male-dominated; these have not always been the most effective channels of representation for labour. On the other hand, garment

federations, which are made up of non-government organisations (NGOs), women's groups, and some unions, have often been far more instrumental in pushing for change than individual factory unions (Saxena 2014).

Where Should the Focus Be?

Top-down, third-party private sector initiatives are rarely effective or sustainable. Monitoring programmes can only be successful when there are clear mutual benefits for the buyer, supplier, and the worker. Evidence gathered since the establishment of the alliance and accord shows limited impact of the stated objectives of both agreements. At this critical juncture, we need to look at innovative ways of thinking about solutions which go beyond third-party monitoring, imagining a new role and approach for key players in the industry. There are already several areas where shifts and innovations are taking place among the various actors in the sector in Bangladesh and in other parts of South Asia. By examining the role of community-based movements, ensuring a more productive and influential function for factory owners, the government, and buyers, as well as implementing international labour standards, we can address many of the criticisms of monitoring and compliance initiatives articulated earlier.

Community involvement: Tewari (2017), for example, draws on lessons learned from an innovative place-based experiment in relational sourcing in India's Mewat region (2009–12 and ongoing). She argues that new solutions and new thinking are needed, which goes beyond the current focus on the single firm. Tewari's fundamental argument is that we need to move beyond the workplace and into the community where the most vulnerable, informal garment workers live and work, in order to really make a difference. To ensure that benefits reach them, we need to target the places, localised labour markets and communities of which they are a part. In addition to “place,” the state needs to create new sourcing models—involving networked ties between public sector agencies, branded buyers, and

locally rooted community associations or NGOs, which can provide continuous oversight, accountability and learning as global (and local) work reaches those who are the most unprotected at the bottom of the garment industry's value chains. These new ways of conducting business will change the incentives that firms face, and limit the room to manoeuvre where risk-taking is concerned. Also, by building local relationships, workers can become integral to local movements for creation of safer working conditions and decent work. Adopting such an approach could be critical to preventing horrific tragedies such as the Rana Plaza disaster from occurring again.

Renewed roles for stakeholders: The domestic private sector in Bangladesh must be a key player in ensuring worker safety and enabling workers' rights. There is evidence of a new role for Bangladeshi garment factories emerging through several private sector initiatives that focus directly on workers, including workers' welfare funds, production incentives, skills improvement programmes, educational opportunities, and community building, in order to ensure social compliance.

The Bangladesh government has been criticised for lacking the political will, technical capacity and resources necessary to protect the basic rights of its own workers, choosing, in some instances, not to enforce certain laws for fear of driving up costs and driving down sources of economic development and employment. Since the Rana Plaza disaster, however, the government has also initiated various methods of ensuring compliance with labour standards.

There is evidence that when buyers enter into a more collaborative, mutually beneficial, and long-term relationship with suppliers, working conditions do improve. Increased communication and interaction can lead to more collaborative and transparent relations between buyers and suppliers. It is important to understand the role of public-private partnerships (PPPs) where brands and buyers can be integrated in a new way, in the process of compliance assurance that goes beyond a model based solely on enforcement and policing.

International protections: Finally, due to the scale of global trade accounted for by garment global supply chains, there is an urgent need for global mechanisms to monitor and regulate these extensive global production networks. Due to a range of factors—including poor capacity, limited resources, infrastructural needs and, in some cases, adverse disposition towards protective labour standards—national labour standards in Asian garment-producing countries remain weak. Formally addressing these challenges for the first time, in June 2016, the International Labour Conference initiated tripartite dialogues aimed at addressing global supply chains.

Conclusions

It is clear that, by themselves, third-party monitoring initiatives are limited in their scope and focus, and are not likely to prevent future tragedies from occurring. To effectively address the gaps going forward, there must be a concerted effort by all actors in the global supply chain—both public and private, from consumers to donors, international organisations, local industry, civil society, to governments—to engage in dialogue. In order to prevent horrific tragedies like Rana Plaza from occurring in the future, larger flaws in the global chain must be addressed; direct and long-term buying relations with factories must be established; a shared responsibility sourcing model must be explored; the Government of Bangladesh must assume responsibility for properly regulating garment production; and linkages with existing movements must be created with the hope that this will change the way business is conducted and reduce the incentives for factory owners to take fatal risks in order to meet the demands of their clients.

NOTES

- 1 See Baumann-Pauly, Labowitz and Banerjee (2015: 6), for details on the governance structure of the Accord on Fire and Building Safety in Bangladesh and the Alliance for Bangladesh Worker Safety.
- 2 See Saxena (2014), Chapter 1 on the contradictions prevalent in this industry.
- 3 Many authors have written about the mixed results of the various compliance models in a variety of sectors. See Barrientos and Smith (2007), Egels-Zanden (2007), Korovkin and Sanmiguel-Valderrama (2007), Yu (2008), Nadvi et al (2011), and Saxena (2014).
- 4 The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) estimates that

there are 4,296 ready-made garment (RMG) factories in Bangladesh. The NYU Stern Center for Business and Human Rights, however, has estimated that there are more than 7,100 facilities producing for the RMG industry. Further research by the BRAC University's Centre for Entrepreneurship Development in Dhaka has estimated the number of factories to be more than 8,000 (Winterbottom and Baumann-Pauly 2017).

- 5 Stein (2016) states, "We estimate that there are approximately 3,800 of these factories, which includes a mix of formal, registered subcontractors and informal, unregistered subcontractors. These factories tend to be smaller than direct exporters and operate on much tighter profit margins. They are less familiar with international labour standards and have fewer discretionary resources to invest in safety or efficiency improvements. This part of the sector has remained largely invisible to the international community until now. Few resources or inspections are directed towards subcontracting factories or towards ensuring that workers in these factories enjoy minimum standards of safety and workers' rights."
- 6 Exceptions include Raworth (2004), Hearson (2008), and Raworth and Kidder (2009).

REFERENCES

- Barrientos, Stephanie and Sally Smith (2007): "Do Workers Benefit from Ethical Trade? Assessing Codes of Labour Practice in Global Production Systems," *Third World Quarterly*, Vol 28 No 4, pp 713–29.
- Barrientos, Stephanie, Gary Gereffi and Arianna Rossi (2011): "Economic and Social Upgrading in Global Production Networks: A New Paradigm for a Changing World," *International Labour Review*, Vol 150, Nos 3–4, pp 319–40.
- Bartley, Tim (2005): "Corporate Accountability and the Privatization of Labor Standards: Struggles over Codes of Conduct in the Apparel Industry," *Research in Political Sociology*, Vol 14, pp 211–44.
- Baumann-Pauly, Dorothee, Sarah Labowitz and Nayantara Banerjee (2015): "Closing Governance Gaps in Bangladesh's Garment Industry: The Power and Limitations of Private Governance Schemes," <https://ssrn.com/abstract=2577535>.
- Belal, Aatur Rahman and Robin Roberts (2010): "Stakeholders' Perceptions of Corporate Social Reporting in Bangladesh," *Journal of Business Ethics*, Vol 97, No 2, pp 311–24.
- Belal, Aatur Rahman, Staurt M Cooper and Niaz Ahmed Khan (2015): "Corporate Environmental Responsibility and Accountability: What Chance in Vulnerable Bangladesh?" *Critical Perspectives on Accounting*, Vol 33, pp 44–58.
- Egels-Zanden, Niklas (2007): "Suppliers' Compliance with MNC's Codes of Conduct: Behind the Scenes at Chinese Toy Suppliers," *Journal of Business Ethics*, Vol 75, No 1, pp 45–62.
- Gearhart, Judy (2016): "Global Supply Chains: time for a New Deal?" *Open Democracy*, 2 June, <https://www.opendemocracy.net/beyondslavery/ilc/judy-gearhart/global-supply-chains-time-for-new-deal>.
- Hearson, Martin (2008): "Cashing In: Giant Retailers, Purchasing Practices, and Working Conditions in the Garment Industry," Clean Clothes Campaign, Amsterdam.
- Kamat, Anjali (2016): "We Are Nothing But Machines to Them," *Slate*, 15 December, http://www.slate.com/articles/business/the_grind/2016/12/bangladesh_s_apparel_factories_still_have_apalling_worker_conditions.html.
- Korovkin, Tanya and Olga Sanmiguel-Valderrama (2007): "Labor Standards, Global Markets and Non-State Initiatives: Columbia's and Ecuador's Flower Industries in Comparative Perspectives," *Third World Quarterly*, Vol 28, No 1, pp 117–35.
- Labowitz, Sarah and Dorothee Baumann-Pauly (2014): "Business as Usual Is Not an Option:

- Supply Chains and Sourcing after Rana Plaza," NYU Stern Center for Business and Human Rights.
- (2015): "Beyond the Tip of the Iceberg: Bangladesh's Forgotten Apparel Workers," NYU Stern Center for Business and Human Rights.
- Locke, Richard M (2013): *The Promise and Limits of Private Power: Promoting Labor Standards in a Global Economy*, New York: Cambridge University Press.
- Lund-Thomsen, Peter (2008): "The Global Sourcing and Codes of Conduct Debate: Five Myths and Five Recommendations," *Development and Change*, Vol 39, No 6, pp 1005–18.
- Nadvi, Khalid, Peter Lund-Thomsen, Hong Xue and Navjote Khara (2011): "Playing against China: Global Value Chains and Labour Standards in the International Sports Good Industry," *Global Networks*, Vol 11, No 3, pp 334–54.
- Nadvi, Khalid and Frank Wältring (2004): "Making Sense of Global Standards," *Local Enterprises in the Global Economy: Issues of Governance and Upgrading*, Hubert Schmitz (ed), Northampton: Edward Elgar, pp 53–94.
- Prentice, Rebecca and Geert De Neve (2017): "Five Years after Deadly Factory Fire, Bangladesh's Garment Workers are Still Vulnerable," *Conversation*, 24 November, https://theconversation.com/five-years-after-deadly-factory-fire-bangladeshs-garment-workers-are-still-vulnerable-88027?utm_source=facebook&utm_medium=facebookbutton.
- Raworth Kate (2004): "Trading Away Our Rights: Women Working in Global Supply Chains," Oxfam International, Oxford.
- Raworth, Kate and Thalia Kidder (2009): "Mimicking 'Lean' in Global Value Chains: It's the Workers Who Get Leaned On," *Frontiers of Commodity Chain Research*, Jennifer Bair (ed), Stanford, California: Stanford University Press, pp 165–89.
- Reinecke, Juliane and Jimmy Donaghey (2015): "After Rana Plaza: Building Coalitional Power for Labour Rights between Unions and (Consumption-Based) Social Movement Organisations," *Organization*, Vol 22, No 5, pp 720–74.
- Ruggie, John Gerard (2003): "Taking Embedded Liberalism Global: The Corporate Connection," *Taming Globalization: Frontiers of Governance*, David Held and Mathias Koenig-Archibugi (eds), Cambridge: Polity Press, pp 93–129.
- Rubenstein, Jennifer (2007): "Accountability in an Unequal World," *The Journal of Politics*, Vol 69, No 3, pp 616–32.
- Saxena, Sanchita Banerjee (2014): *Made in Bangladesh, Cambodia, and Sri Lanka: The Labor behind the Global Garments and Textiles Industries*, New York: Cambria Press.
- Shakya, Mallika (2013): "Behind the Garment Disaster in Bangladesh," *Global Dialogue*, Vol 3, No 4, <http://globaldialogue.isa-sociology.org/behind-the-garment-disaster-in-bangladesh/>.
- Sinkovics, Noemi, Rudolf Sinkovics and Mo Yamin (2014): "The Role of Social Value Creation in Business Model Formulation at the Bottom of the Pyramid: Implications for MNEs?" *International Business Review*, Vol 23, No 4, pp 692–707.
- Sinkovics, Noemi, Rudolf Sinkovics and Samia Ferdous Hoque (2016): "Rana Plaza Collapse Aftermath: Are CSR Compliance and Auditing Pressures Effective?" *Accounting, Auditing & Accountability Journal*, Vol 29, No 4, pp 617–49.
- Stein, Nate (2016): "Foreign Funding Commitments for Bangladesh's Garment Sector," *Research Brief*, NYU Stern Center for Business and Human Rights.
- Tewari, Meenu (2017): "Relational Contracting at the Bottom of the Global Garment Value Chains: Lessons from Mewat," *Indian Journal of Labour Economics*, Vol 60, No 2, pp 137–54.
- Vogel, David (2008): "Private Global Business Regulation," *Annual Review of Political Science*, Vol 11, pp 261–82.
- Winterbottom, Madeline, Zoe Rosen and Dorothee Baumann-Pauly (2017): "Bangladesh Factory Safety—Four Years After Rana Plaza," *Research Brief*, NYU Stern Center for Business and Human Rights.
- Winterbottom, Madeline and Dorothee Baumann-Pauly (2017): "Estimating the True Cost of Remediating the Ready-made Garment Industry in Bangladesh," *Research Brief*, NYU Stern Center for Business and Human Rights.
- Yu, Xiaomin (2008): "Impacts Of Corporate Codes of Conduct on Labor Standards: A Case Study of Reebok's Athletic Footwear Supplier Factory in China," *Journal of Business Ethics*, Vol 81, No 2, pp 513–29.