



**Good Governance in the Ready Made Garment Sector:
Review of Progress during Last One Year**

(April 2014 to March 2015)

Executive-Summary

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Good governance in the Ready Made Garments Sector: Promises and Progress (April, 2014 to March, 2015)

Executive Summary *

Introduction

The Rana Plaza accident has been regarded as a stark example of lack of good governance and corruption in the Ready Made Garment (RMG) sector in Bangladesh. After this accident, there has been immense pressure especially from national and international stakeholders to establish good governance in the RMG sector; thus different stakeholders including the government undertook numerous initiatives to improve the governance scenario in this sector. In October 2013, TIB conducted a research that identified some causes of such accidents and lack of compliances in RMG sector that include coordination gaps among relevant stakeholders and their negligence of duties, political influence, and irregularities and collusive corruption that exist between regulatory agencies and factory owners. Based on study its findings TIB proposed 25 point recommendations to establish good governance in this sector. It also conducted a follow-up study on the first anniversary of the accident in 2014 to assess progress of numerous initiatives undertaken by various stakeholders in the aftermath of Rana Plaza accident. According to that research, the government and other stakeholders had taken 102 initiatives under 54 issues during one year after the accident, of which in 91% cases some positive progress¹ was achieved. As part of continued follow-up, TIB has undertaken the present research on the occasion of the second anniversary of the accident to assess progress of remaining and new initiatives during 2014 -2015.

Research Objectives and Method

The main objective of this research is to assess progress and implementation status of different initiatives and efforts undertaken to ensure good governance in Ready-made Garment Sector in the last one year (April 2014 to March2014). Specific objectives are-

- To assess initiatives undertaken by the government;
- To review implementation status of national and international initiatives taken up by different stakeholders with an aim to ensure the safety and rights of workers and to eliminate obstacles towards good governance

* Executive summary of the research report “Good Governance in the Ready Made Garment Sector: Review of Progress during Last One Year presented in a press conference held in TIB conference room on 21st April, 2015

¹ Major initiatives implemented include amendment of the labour law; formulation of National Occupational Safety and Health Policy, 2013; formation of taskforce to review inconsistencies in industry-specific laws; increase of minimum wage for garment workers by the Minimum Wage Board (76.7% increase in the lowest grade); Government Order (GO) not to issue construction approvals by Union Parishad, safety inspection surveys administered by Buyer Forum (Accord and Alliance) etc.

- To determine existing challenge and provide recommendation to solve those challenge.

This study mostly followed qualitative research methods. Data for this study were collected from both primary and secondary sources. Primary sources include different regulatory agencies and other stakeholders associated with the RMG sector (Department of Inspection for Factories and Establishments (DIFE), RAJUK, Department of Labour, Fire Service and Civil Defense, garments owners, BGMEA, labour unions, buyers, workers and experts on readymade garments sector). Secondary sources include websites, government reports, court directives, research reports, news and articles published in print and electronic media, etc.

Progress of initiatives undertaken by various stakeholders

In this follow up study, 56 issues supposed to be considered for assessing progress and implementation status of initiatives. In doing so TIB discarded another 7 issues that had been considered in 2014 study. Out of 56 issues no initiatives have been taken on 8 issues over the year. Thus, 48 issues are left to be assessed under current research. It is observed that 80 initiatives belonging to these 48 issues have been undertaken. Assessing their progress and implementation status, it is observed² 15% implemented completely, 45% experienced considerable progress and 15% showed slow implementation and 25% experienced no notable progress³. Notable from unresolved eight issues on which no initiative had been undertaken include establishment of 'Lead Ministry/Authority' for the garment sector, forming of rules and regulations for functions of trade unions and federations, formation of garment sector workers' welfare fund. (For details, please see the Annexure).

Major initiatives taken by the government

The government has made considerable progress in implementing initiatives taken in the last one year. Major steps include amendment of EPZ law, 2013; appointment of panel lawyers to help workers in the labour tribunal, finalization of labour rules and preparation of guideline for sub-contract factories. It has also formed two taskforces to monitor inspections carried out by Accord and Alliance. Appointments of staff to enhance the capacity of Director General of Factory and Establishment and Fire Service have been completed. Moreover, decentralization process of Director General of Factory and Establishment and RAJUK has also been realized.

Major initiatives taken by other stakeholders

There has been considerable progress in a number of initiatives undertaken by other stakeholders as well. Around 95% factories⁴ started giving salaries as per wage board. Most of the compliance factories completed issuing identity cards to their workers. The BGMEA undertook "Center of Excellence" initiative with the help of Swedish brand H&M to enhance workers' awareness on fire safety. European buyers' forum 'Accord on Fire Safety (Accord)' and

² See appendix

³ See appendix

⁴ As per data provided by DIFE and collected from field

American buyers' forum 'Alliance for Bangladesh Workers Safety (Alliance)' completed surveys on around 67% factories to ensure fire, electrical and structural safeties⁵.

Under Rana Plaza Trust Fund, 19 million US dollar against the promise of 30 million US dollar has been collected to support the victims of Rana Plaza accident. Interestingly, 9 international buyers who had no orders in the factories housed in Rana Plaza are among the contributors. Out of this amount, 12.52 million US dollar has been distributed among the victims. On the other hand, Primark that had order in a factory in Rana Plaza distributed 6.3 million dollar with its own arrangement⁶. However, 14 other retail brands (like Li Copper, JC Penney, Carrefour, etc.,)⁷ that had orders in Rana Plaza factories have not made any contribution. Moreover, Wal-Mart and Benetton made contribution of 1 million US dollar that was far below of the expectation⁸.

After Rana Plaza accident many government and non-government organizations and a good number of individuals made 16 million US dollar (approximate 127crore)⁹ donations to the Prime Minister Relief Fund. Payments made from this fund in the name of Prime Minister Welfare Fund was 2.48 million US dollar (approximately 19 crore)¹⁰. Amount supposed to be left in the fund was 14 million US dollar (approximately 108 crore) on which Rana Plaza victims should have their exclusive rights.

Existing Challenges

Although laudable progress has been achieved on different initiatives over the last one year, still some governance challenges are present.

The government and its functionaries

The Cabinet approved the amendment of EPZ labour law in line with labour law. However, it is observed that various articles of Labour Law [(23, 27, 189, 2(65))] have not been applied meticulously. Because of the delay in making labour rules, health safety committees in factories have not been formed. Moreover, non-submission of charged-sheet on Rana Plaza cases, Plaza, inordinate delay in settling cases filed in Labor Courts and reluctance of regulatory agencies to take various administrative matters are posing barriers to establish rule of law in this sector.

By assessing the implementation of promises made by different stakeholders – it is observed that there have been coordination gaps among various government agencies to implement decisions and delay their implementations. Although the Directorate of Factory Inspection

⁵ As of 23 March, 2015 as provided by DIFE

⁶ www.ranaplaza-arrangement.org

⁷ www.cleancloth.org access on 4 April 2015

⁸ www.uniglobalunion.org access on 4 April 2015

⁹ Agricultural Minister Matia Chowdury presented relevant data in the Parliament to answer the question of Parliament Member Mohibur Rahman Manik on 14 July, 2013 that was released in different newspapers on the following day (15 July).

¹⁰ *Ibid.* 4

started receiving online applications and established a hot-line to receive complains on negligence of factory safety, there has been inadequate campaign to make them popular. On the other hand, the decision to establish a hot-line at the Labor Department to ensure workers' safety has not been implemented. There have been allegations against before registration some officials of Department of Labor disclose workers' identities to factory owners. Moreover, influence of vested-interest groups and receiving of bribe during their registration are still prevalent. Appointments of necessary manpower including design verification experts and magistrates in RAJUK are yet to be done. Moreover, there have been delays to set up 9 fire stations in Dhaka zone and a garment village in Munshiganj.

Factory owners and their association (BGMEA)

After increase of wages some factories force workers to work one hour extra without giving any payment. Most compliance factories are putting 60% additional production target to workers, terminating workers at helper level without any legal recourse, harassing workers engaged in collective bargain and unions and dismissing workers. On the other hand, 90% subcontract factories are not paying wages according to the wage board¹¹. Female workers are staying away working at night because of lack of safety arrangements. The BGMEA has been enjoying leverage over the policy level because of their influence over the government. Because of this influence they have managed to prevent gazette notification on fire fighting and protection guideline, extend overtime hours to 4 and prevent provision of keeping 25% roof structure vacant.

Workers Associations

It is observed that activities of trade union have increased in the last one year. At the same time, activities of "Pocket trade union" or "Yellow" trade union allegedly friendly to BGMEA have also increased. Major concern is that some non-registered trade unions and federations are being increasingly used for political and personal interests.

Buyer

There have been allegations against some buyers that they conducted their surveys in a hurried manner and ordered some factories to close their unit. During inspections some buyers demonstrated dominance over some factory owners. Even there were instances of disagreements on inspections findings between buyers and review panel. According to information from different sources so far 220 factories have been shut down due to cancellation of orders and closure of few small and medium sized factories mainly due to compliance gaps. For such closures approximately 100-150 thousand workers lost their jobs¹². Compared to the last year, the closure of factories increased 360% and in case of the job loss the increment was 200%. On the other hand, although buyers, the government and BGMEA

¹¹ 20 October, 2014, The Guardian .www.theguardian.com, accessed on 15th March

¹² The independent, 24th April, 2015; The Daily Star , 11th September 2014; The Dhaka Tribune, 11 May; Reutter, September 11

promised to conduct surveys on sub-contract factories and improve their compliances, they have been averting those promises. It is a major concern that if this situation continues 150 thousand workers from this sector would lose their job.

The safety surveys that the buyer forums conducted went well. However, there have been delays in the release of their findings. As per agreement, Accord promised that they would continue workers' salaries for any renovation works during their surveys; however, in reality they failed to comply with that promise. The broader objective of this inspection process would not be successful if there is delay in the release of 'Corrective Action Plan (CAP)' by buyers and participation of less number of buyers in the remediation process.

Once more, the desire to cement owner and workers relationship and strengthening of safety standard and workers' rights would be jeopardized as trade unions were not included in the Steering Committee formed by Alliance and reluctance of factory owners to join the Advisory Committee formed by Accord. Moreover, Alliance formulated a policy to get approval once a factory is established and Accord made it mandatory to import fire safety items from firms certified them. These measures pose conflict of interests risk and slack regulatory control.

Responsible behaviors to shoulder compliance cost in giving increased salary to workers have been visible among factory owners. However, participation of different brands and retailers to bear additional cost in this regard has been negligible. It is observed that buyers gave orders to non-compliant factories in the past for making extra profit. Needless to say workers invariably sustained the aftermath once there was an accident (TIB 2013). However, instead of helping non-compliant factories to make them compliant on fire safety and structural flaws, buyers' withdrawal of orders and closure of factories ultimately jeopardize workers. However, it is the opinions of European labor organizations that if buyers agreed to pay addition 3 cent for each of garment items, the additional compliance cost can be managed.

Conclusion

In the last one year, notable progress has been achieve on initiates undertaken by the government to improve the capacity its functionaries and their administrative decentralization. At the same time, progress has been noticeable to ensure factory safety. However, there have been allegations on implementation laws and their misuse to ensure workers' right and their job security. Moreover, lack of political will is still visible to establish an environment for collective bargaining of workers. Although there have been laudable efforts by the government, buyers and factory owners to ensure compliances, such efforts are sill absent for non-compliance factories. On the other hand, the power of BGMEA to influence government policies for garment sector has increased further.

Measures taken so far by various stakeholders have been very encouraging in the context of a developing country like Bangladesh and reflect positive intent of all stakeholders including the

government, factory owners and workers to improve governance challenges in the RMG sector. However, a lot needs to be done yet. TIB provide following recommendations (Table-1) to ensure implementation of reform initiatives and remove various governance deficits and thereby establish good governance in the RMG sector in the country.

Table-1: TIB Recommendations to establish good governance in RMG sector

Serial	Recommendations	Implementing authority
1	A separate lead ministry needs to be created in the long run to ensure centralized and coordinate approach to establish good governance in RMG sector	Government
2	Various initiatives undertaken by stakeholders needs to be implemented in a coordinated manner in due time. A Public Sector Board involving the government and other stakeholders needs to be formed to strengthen intra coordination and communication	Government
3	A fund with the participation of various stakeholders needs to be formed for building compliance of subcontract and small factories	Bangladesh Bank, different international financial organizations, Buyers
4	A central Labor Welfare Fund needs to be created by providing 11 to 1.5 cent from each of exported garment items where buyers and owners share in forming this fund would be 75:25	Buyer and Factory owner
5	A workers database needs to be created as early as possible	BGMEA
6		Government and

Serial	Recommendations	Implementing authority
	Full list of all subcontract factories needs to be published	BGMEA
7	The provision of regular inspection needs to be created to enhance the capacity of labour department and monitor the status of collective bargaining and workers' rights at factory level	Labour Ministry
8	Every buyer has to release the name of their partnering factories in Bangladesh on their website	Buyer
9	Cases relating to Rana Plaza collapse should be settled quickly through a speedy tribunal	Government
10	List of deceased workers and amount of compensation made from Rana Plaza Trust fund should be disclosed	Rana Plaza Trust Fund arrangement committee