

Good Governance in the Ready-made Garments Sector: Achievements, Challenges and Way forward

April 2015 to March 2016

Executive-Summary

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Executive Summary *

Introduction

The Rana Plaza accident has been considered as a stark embodiment of lack of good governance and corruption in the Ready-made Garments (RMG) sector in Bangladesh. After this accident, TIB's research on RMG sector (October 2013) identified major causes of accidents and compliance deficits in this sector that include lack of coordination among stakeholders, negligence to duties, political influence and different forms of collusive corruption and irregularities. The research identified 63 broader issues regarding governance deficits in RMG sector and assessed 102 initiatives undertaken by the government and other stakeholders after the accident. TIB also gave 25 recommendations to establish good governance in this sector. Afterwards, TIB conducted two follow up studies in 2014 and 2015 to track progresses of those initiatives. It is found through these studies that 34 initiatives have been fully implemented in two years after the Rana Plaza accident due to sustained efforts made by the government and other stakeholders. In this context, TIB has undertaken this study (2015-2016) to assess the progress of remaining 68 initiatives in the last one year.

Research Objectives and Method

The objective of this research is to assess the progress of different initiatives and efforts undertaken to ensure good governance in RMG Sector in the last one year (April 2015 to March 2016). Specific objectives are-

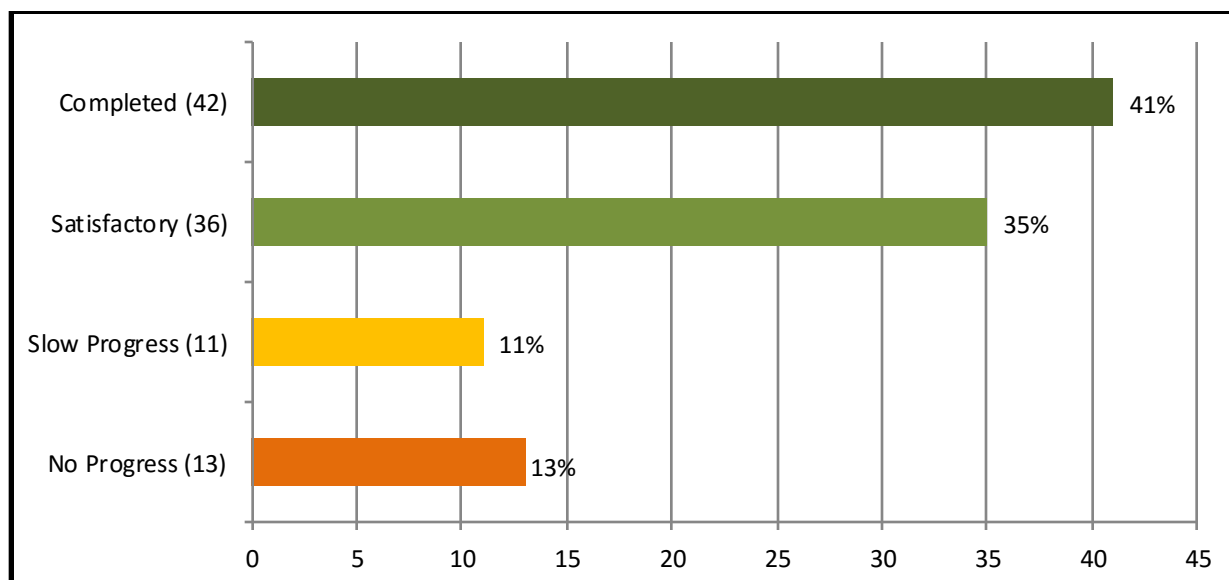
- To assess the progress of initiatives undertaken by the government and other stakeholders;
- To identify implementation challenges of those initiatives
- To provide recommendation to solve challenges.

This study has been done largely following qualitative research methods. Data were collected from both primary and secondary sources. The primary sources of information 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 RMG sector, two alliances of European and American buyers groups - Accord and Alliance). Secondary sources include different laws and rules, websites, government reports, court directives, research reports, news and articles published in print and electronic media, etc.

* Executive summary of the research report Good Governance in the Ready-made Garments Sector: Achievements, Challenges and Way forward presented in a press conference held at TIB Conference Room on 21st April, 2016

Progress of initiatives undertaken by different stakeholders

The earlier two studies conducted in 2014 and 2015 identified that 34 initiatives had been fully implemented. Thus, current study reviewed the progress of remaining 68 initiatives in the last one year. Analysing the progress status, it is found that 12% initiatives (8) have been fully implemented, 53% initiatives (36) made satisfactory progress, 16% initiatives (11) slowly progressed and 19% initiatives (13) not progressed at all.



However, analysing the progress of 102 initiatives over the last three years (2013-2016), it is found that 41% initiatives (42) have been fully implemented, 35% initiatives (36) made satisfactory progress, 11% initiatives (11) slowly progressed and 13% initiatives (13) not progressed at all. (For details, please see the Annexure).

Review of initiatives taken by the Government

The initiatives taken by the government include approval of EPZ Labour Law 2016 by the Cabinet; formation of EPZ Labour Court and Labour Appellate Tribunal to ensure legal rights of workers; passing of Labour Regulations 2015 in the Parliament; formation of separate welfare fund for RMG sector, formation of lawyers panel for providing legal aid to workers; and development of sub-contracting guidelines for factories. Moreover, a few initiatives have been found at satisfactory progress level, which include approval of draft protocol stating the procedures of factory inspection and monitoring by respective government authorities involving the members of National Tripartite Committee (NTC); setting up of a hotline at the Department of Inspection of Factories and Establishments (DIFE) to ease the submission of complaints on safety of factories; and formation of Alternative Dispute Resolution (ADR) for conflict management between workers and owners. The government has taken steps in recruiting new members in the work force responsible for strengthening capacity of the DIFE and Fire Service and Civil Defense. The government has also completed the decentralisation process of in the Department of Factories and Inspection and and Rajdhani Unnayan Kartipakko (RAJUK) as per plan.

However, this research shows that there have been complaints about deprivation of workers from their rights and entitlements through abuse of few sections of the Labour Law [particularly 23, 27, 189, 2(65)]. The cabinet has approved EPZ Labour Law 2016, which has been referred to the Ministry of Law for final scrutiny. It was stated in the proposed EPZ Labour Law that trade unions can be formed in the form of workers' welfare association. In reality, it appears to be a challenge for workers to form trade unions by meeting the requirements of getting consent of 50% workers as well as seeking approval of EPZ authority. Moreover, the Labour Regulations 2014 has some gaps in providing proper clarification about the process of forming Participation Committee as well as defining the role of Inspector General to form the Safety Committee as suggested in the Regulations. On the other hand, it was suggested to complete the formation of Safety Committee no later than six months after passing of the Labour Regulations. In reality, it has been found in the study that only a few factories have completed the formation of Safety Committee. This research also reveals that it has been taken huge time to resolve the cases against the offenders of Rana Plaza and Tazreen Fashion tragedies.

The research also has identified coordination gaps and delays in implementation of different initiatives undertaken by different agencies. The DIFE has started receiving online applications in a limited scale for preventing corruption during issuing license to factories or their renewal. However, it is found that necessary apps applicable for uploading necessary documents have been found to be less effective. Moreover, necessary campaign has not been pursued in this regard. Hence, the DIFE still depends on manual process in most of the cases. On the other hand, the DoL has not set up a separate hotline as per earlier action plan. Rather, it has been receiving complains through the hotline installed by the DIFE. It is also found that some officials and employees of DoL in collusion with factory owners divulge identities of workers who wish to get their trade union registered with the DoL. Moreover, there is an allegation against the DoL to receive bribe from workers for the registration of their union. The capacity of RAJUK has not been enhanced by recruiting relevant staff as per earlier plan. Similarly, another decision on setting up of nine new fire stations in Dhaka and its adjacent industrial areas has not been implemented due to complexities of land acquisition. The Prime Minister's Office had a decision to establish a Readymade Garments Zone in Munshiganj aiming at shifting all factories from Dhaka to that Zone. Later, BGMEA was given with the responsibility to develop the zone. The study shows that BGMEA has failed to make any progress in this regard. They argue that the price of land in the proposed areas has increased manifold, which has created dilemma among BGMEA leaders to proceed on with the responsibility.

Review of the initiatives undertaken by other stakeholders

The study shows that around 92% factories have been providing wages as defined by the Minimum Wage Board. Most of the factories have also provided identity cards to the workers with their emergency contact numbers. BGMEA has taken an initiative to develop a consolidated database for RMG workers. Moreover, BGMEA's training to 43,800 workers to enhance the capacity of workers and subsequent job placement through Asian Development Bank (ADB) funded the Skills for Employment Investment Programme (SEIP) is still going on. The

World Bank has also some efforts to provide training to the workers as well as to carry out fire safety crash courses under its projects entitled Skills and Training Enhancement Programme (STEP) and Northern Areas Reduction-of-Poverty Initiative (NARI).

A total of 30 million US dollar was mobilised after Rana Plaza tragedy, which has been distributed among the survivors and dependants of the deceased workers.

This study has found tremendous progress in many initiatives taken by the government and other stakeholders. However, this has also identified a few challenges in implementing remaining initiatives. Remarkable progress has been observed in the areas of ensuring workers' rights through enacting the Labour Law and Labour Regulations. However, workers' rights have not been ensured in all areas. In some factories, it has been identified that workers are forced to work for an extra hour without overtime allowances. In some cases, factories impose extra targets upon workers- even 60% increment of their real target. The study has also identified that workers lose job all on a sudden without getting any legal protection. Many factories are also alleged to harass their workers who are involved in trade union. The factories which are not the members of BGMEA or BKMEA do not maintain the minimum wages set by the Minimum Wage Board. The study has also found that most of the factories are following the provisions of Labour Law and issuing appointment letters, identity cards, annual leave and maternity leave to workers. However, in some cases it has been noticed that some factories do not provide casual leave to workers and even workers are forced to work in weekends. It has been alleged that in many cases female workers are given extra work load during their pregnancy period virtually to force them to leave job. It was defined before by a circular that the workers cannot be engaged in overtime duty for more than two hours. However, this has been increased to four hours as a result of BGMEA's lobby. The study has also found that the Fire Prevention Regulations 2014 has been held in abeyance due to objections from some stakeholders.

This study shows that a number of 351 trade unions have come under registration following the amendment of the Bangladesh Labour Law 2006 in 2013. Till date, 483 trade unions working in RMG sector have come under registration. However, many trade unions are not active in a real sense. Hence, the presence of trade unions is visible in only 10% factories across the country. The ideas of trade union have not received momentum due to negative attitude of factory owners as well as workers, lack of mutual respect and awareness among workers. On the other hand, the activities of unregistered trade unions and federations having political influence and motivated by narrow personal interests have increased to a great extent.

The National Initiative, European Buyers Accord on Fire and Building Safety in Bangladesh (ACCORD) and American Buyers Alliance for Bangladesh Workers Safety (ALLIANCE) have completed their surveys in all factories aiming at taking safety measures in factories. As recommended by the surveys, 39 factories were closed permanently where 42 factories were temporally closed. As part of implementing the corrective actions, 25 factories inspected by ALLIANCE and two factories inspected by ACCORD completed all corrective recommendations. The study shows that the main challenges in ensuring fire safety and technical compliance of factories are to implement reforms within the timeframe. In this respect, the main challenge is

that 15% factories are based in the shared or rented buildings. All of these factories are small or medium in size and capacity. There is a huge challenge to shift these factories suitable commercial spaces. Moreover, the reforms and shifting initiatives require huge financial resources. Some donor agencies and the World Bank have funded a project entitled 'Remediation Finance' in the form of loans at the rate of 0.01%-0.1% interest. However, there is a concern among factory owners about the final interest rate to be calculated when they would apply for loans from the end disbursementers under this scheme. They assume that it would be increased up to 10-15%. This study identifies that the loans at high rate of interest will not work properly to serve the real purpose of the scheme.

It has been found that the cost of production in factories has increased to a great extent when they have started ensuring the implementation of safety compliance and providing wages as per minimum wage regulations. However, none of the international brands or buyers has come up with assurance to help factories to make a balance between increased production costs and actual selling price. Unfavorably, factory owners have observed decreasing trend of prices of their products in the international market. They have observed 41% decrease of Bangladeshi garment products in American markets over the last 15 years. The international workers organisations opine that all factories can ensure compliance even after making profit if international brands and buyers can increase price of garment products at a rate of 3 cent for each item.

The major initiatives that have observed no-progress and slow progress include non-activation of the Fire Prevention and Extinguishing Rule 2014, non-finalization of sub-contracting policy or guideline, non-recruitment of human resources to enhance capacity of RAJUK, setting up of a cell at the Ministry of Commerce to resolve disputes, failure to set up fire stations in garments industry areas, not installing a hotline at the DoL to receive complaints from trade unions, not setting up of national standard of accident compensation etc.

Conclusion and Recommendations

In the last one year, notable progress is visible in initiatives taken by the government in improving the capacity of relevant agencies and bringing decentralization at different tiers of administration. In these respects, the Department of Factories and Inspection and the Fire Service and Civil Defense have made satisfactory progress. On the other hand, adequate measures have not been undertaken to improve the capacity of Department of Labour. Although satisfactory progress has been visible in the areas of technical compliances regarding factory safety, the progress on social compliance especially on job-related benefits and rights of workers have not been satisfactory. On the other hand, necessary steps have not been taken to improve technical compliance of factories who are not the members of BGMEA and BKMEA. The government has made some necessary amendments in labour laws and rules, however, they are not sufficient in upholding collective bargain of workers. Rather, in some areas, legal

processes have been made cumbersome. Thus, it appears the government has to assume higher level responsibilities in sustaining progresses and ensuring good governance in RMG sector.

Serial	Recommendations	Implementing authority
1	A separate lead ministry needs to be established in the long run to create a central authority to strengthening oversight and bring coordination for ensuring good governance in RMG sector	Government
2	Necessary measures need to be undertaken to ensure technical compliance of factories that are not members of BGMEA and BKMEA.	Department of Labour and The Ministry of Finance
3	The establishment of Labour Welfare Fund need to be accelerated and its speedy implementation also be ensured	Labour Ministry and Garments Owners
4	The cases filed for Rana Plaza and Tazreen Fashion incidences should be resolved through a speedy trial tribunal	The Ministry Home
5	The labour database should be developed immediately	BGMEA
6	A complete database incorporating all factories in garments industry has to be prepared and a guideline for sub-contracting has also to be prepared	The Ministry of Commerce and BGMEA
7	The capacity of the Department of Labour needs to be enhanced and regular inspections need to be strengthened to ensure rights to association and collective bargain of workers	The Ministry of Labour
8	The hotline number of Department of Factories and Inspection need to be posted in a visible place of each factory and necessary campaign to popularize it is also to be undertaken	The Ministry of Labour and BGMEA
9	The Fire Prevention and Extinguishing Rules 2014 need to be implemented immediately	The Ministry of Home

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Donor funded proposed loan for remediation of factories need to be distributed to garment owners in a lower interest rate. The fund needs to be considered as a special one.

The Ministry of
Finance and
Bangladesh bank