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Binding Power: The Sourcing Squeeze, Workers' Rights, and Building Safety in Bangladesh Since Rana Plaza

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Executive Summary

Despite more than two decades of private voluntary approaches to address workers' rights abuses in apparel supply chains, workers in the lower production tiers continue to face poor working conditions and chronic violations of their rights. Bangladesh has been emblematic of low wages, poor working conditions, union-avoidance, and a series of mass fatality disasters in garment factories, culminating in the collapse of Rana Plaza in 2013. With the five-year anniversary of the catastrophe approaching, the question arises as to whether the intervening years have seen meaningful gains for workers.

This report finds that gains have been severely limited in regard to wages, overtime hours, and work intensity in part due to the sourcing practices of the brands and retailers that sit at the top of global supply chains. A partial exception is in the area of associational rights, where, in the aftermath of Rana Plaza, pressure from the European Union, the United States, and international organizations resulted in minor pro-union labor reforms. These reforms, combined with the tenacity of workers and their organizing efforts, resulted in an increase in the number of recognized unions. However, in recent years, union growth has once again stagnated, indicating the need for continued international pressure and for an expansion of the capacity of garment sector unions.

This report finds one area where gains for workers have been dramatic: building safety. This is largely the result of an unprecedented binding agreement, the Accord on Fire and Building Safety in Bangladesh. The Accord, which imposes constraints and obligations on global firms that are absent from traditional voluntary CSR schemes, has overseen a massive program of safety renovations and upgrades. No doubt, the Accord has faced challenges. One area of concern has been substantial delays in the full remediation of all Accord factories, which is compounded by the fact that new factories join the Accord on a regular basis as buyers expand their pool of supplier factories in the country. Yet, the program has delivered an improved margin of safety for more than 2.5 million garment workers and upgrades that have eliminated more than 97,000 identified hazards across more than 1,600 covered factories.

In May 2018, the Accord will end its mandate and be replaced by the '2018 Accord,' which will expand safety committees and safety training to all factories in member networks (no limit on factory tiers), broaden the Accord's scope to related industries, and increase support for freedom of association rights as they relate to occupational safety and health.

Summary of Our Findings

- The hyper-competitive structure of apparel global supply chains has contributed to a buyer-driven sourcing squeeze that has pushed down prices, shortened lead times, and contributed to low wages, health and safety concerns, and violations of freedom of association rights.
- In the case of Bangladesh, since Rana Plaza, the price paid by lead firms to supplier factories has declined by 13%. The cause of this decline cannot be linked to the price of cotton or exchange rate fluctuations. Rather, it is related to a retailer and brand pricing squeeze on supplier factories, whose profit margins decreased by 13.3% from 2011 to 2016.
- Lead firms have also significantly pushed their supplier factories to make products more quickly as part of a trend toward speed to market and fast fashion. On average, lead times declined by 8.14% between 2011 and 2015. This has increased a pattern of forced overtime and work intensity.
- This price squeeze has contributed to declining real wages and an increase in workers' rights violations since Rana Plaza. Real wages have dropped by 6.47% since the wage increase of December 2013, and – based on data provided by the Labour Rights Indicators – violations of workers' rights to form unions, bargain, and strike increased by 11.96% between 2012 and 2015.
- Within this challenging context for worker organizing, limited progress has been made in the formation of new unions, most notably in the year following Rana Plaza, when international pressure was most pronounced and in the context of some pro-union labor reforms following. Combined with the determined efforts of garment workers between the middle of 2013 and the end of 2014, some 228 new unions were registered in Bangladesh. However, by late 2014 and 2015, the government rejection rate of union registration escalated.
- Despite the 'sourcing squeeze,' sweeping change has been achieved in the area of building safety, where the Accord on Fire and Building Safety in Bangladesh set the tone for rigorous building inspection and remediation. Because the Accord grants worker representatives real power in its governance structure, holds firms responsible for the impact of their sourcing practices, obligates them to cease business with unsafe suppliers, and is legally-binding – it has compelled changes in buyer behavior and created powerful incentives for factory owners to carry out safety renovations.
- Since 2013, the Accord has identified 131,953 high-risk fire, structural, and electrical safety violations in its current group of 1,621 factories and corrected and verified 97,235 of these findings – an average of 60 violations corrected per factory. Some 795 factories have an initial findings remediation rate of 90% or higher. Some 961 factories have an initial findings remediation rate of 85% or higher.
- The Accord has terminated 96 factories for their failure to implement required safety renovations, meaning that these factories can no longer sell goods to any Accord signatory brand. The Accord also identified 50 factories where the structural integrity of buildings fell below the acceptable level of safety and found that these buildings required temporary evacuation due to their severe and imminent risk of structural failure. In this regard, the Accord has been fulfilling its most crucial mandate, to prevent another Rana Plaza.
- At the start of the Accord, some 969 factories had inadequate circuit breakers, a crucial potential cause of fires. By March 2018, 82.8 % of these cases were fully remediated. And while 97% of Accord factories in 2013 lacked safe means of egress due to lockable or collapsible gates, by March 2018, 96.5% of factories had addressed this issue.

- This report finds that the Accord also has begun to more broadly re-structure the geography of production in Bangladesh. Notably, multi-purpose buildings in urban locations have been a particular challenge for building safety because these buildings were not made specifically for industrial production; Rana Plaza was a multi-purpose building. The number of Accord factories in multi-purpose buildings dropped from 2014 to 2018 by 49%, from 155 factories to 79 factories. In the process, data indicate that production moved from the over-crowded inner city of Dhaka to the larger industrial zone of Gazipur.
- The Accord has provided in-depth health and safety training to personnel in 846 factories and has investigated and resolved 183 worker complaints. While the Accord mandate does not cover freedom of association as a general right, the Accord does have authority to address the issue when managers retaliate against unions for raising building safety issues and when managers use violence to thwart worker organizing. The Accord has investigated and successfully remedied a number of important freedom of association cases, including securing the reinstatement of illegally fired workers.
- Significant problems and delays remain. Most factories that have not completed safety renovations are behind schedule relative to the original Accord-imposed deadlines – 1,247 factories in total. Some 823 factories still lack fire detection and alarm systems that are up to code and 286 factories have not correctly implemented their structural load-management plan.
- In 2017, the signatories of the Accord made the decision to continue many of the Accord's main elements, while expanding its scope and coverage through May 2021. As of March 9, 2018, some 121 brands and retailers committed to the '2018 Accord.' This represents approximately 55% of the current Accord members. These brands and retailers are among the largest Accord members; they have 1,275 supplier factories in Bangladesh, which account for 79% of the current number of factories covered by the Accord.
- Overall, the Accord model has been a success because it was negotiated between buyers and trade unions, because it holds suppliers as well as buyers responsible for the cost of safe buildings, because it is legally binding, and because it is transparent. It also has the crucial resources it needs – USD 11 million per year from 2013 to 2018 – to pay its approximately 94 specialized engineers and other support staff. The challenge for building safety in Bangladesh going forward is to develop full state capacity to carry out this task, while also maintaining buyer shared cost responsibility. In the process, the full and protected participation of workers and their unions remains crucial to this effort.

Binding Power:

The Sourcing Squeeze, Workers' Rights, and Building Safety in Bangladesh Since Rana Plaza

The Sourcing Squeeze and Apparel Global Supply Chains

Beginning in the 1990s, changes in the retail industry contributed to the dramatic consolidation of mass merchandizers and thus the consolidation of buyer leverage at the top of apparel supply chains (Abernathy et al. 1999; Bonacich and Appelbaum 2000), a trend that has continued to this day. Mass merchandizers were able to displace smaller retail outlets by reducing margins and focusing on making their earnings by selling very large volumes of products. In the late 1990s and early 2000s, the supply chain power imbalance escalated further with changing trade rules that dramatically liberalized trade in apparel, while also expanding trade with major supplier countries (Gereffi and Frederick 2010). Trade liberalization was the result of the 1995-2004 World Trade Organization (WTO) phase out of the quota-based system of MFA. During this period, China entered the WTO, bringing thousands of new, highly efficient suppliers and millions of new workers into apparel supply chains. In the aftermath, there was yet another major restructuring of the global apparel industry and production flowed to China. In the process, those countries seeking to remain in the sector were forced to push down production costs.

Power imbalances between buyers and suppliers have always been a significant characteristic of garment supply chains (Gereffi 1994). What this report finds is that the consolidation of buyers and the dispersion of suppliers resulting from changing trade rules has contributed to an increased power imbalance between buyers and suppliers. This imbalance has resulted to two sourcing trends in apparel global supply chains. First, there is a 'price squeeze' in which buyers constantly seek to lower the price paid to the suppliers who make their garments. Second, we find a 'lead time squeeze' in which buyers demand supplier factories produce goods in increasingly shorter periods of time (Anner 2018).

The impact of these changes on workers has been profound. As noted by Disterlhorst and Locke, most apparel production is now made in countries at the bottom quartile in freedom of association rights (Disterlhorst and Locke forthcoming). Research by Anner, Bair, and Blasi illustrates how this trend of a decline in respect for workers' rights in the 20 top apparel exporting countries corresponds to a decline in the real dollar price paid of apparel imported into the United States (Anner, Bair, and Blasi 2013). Women and girls, in particular, are adversely affected by these trends in global supply chains (Barrientos, Dolan, and Tallontire 2003).

The sourcing squeeze also affects wages; one study found that in all major apparel exporting countries, prevailing wages fail to cover even 50% of a living wage (WRC 2013). Indeed, research by the ILO concluded that in major apparel exporting countries, including Cambodia, Pakistan, Thailand, Indonesia, India, and the Philippines, between 25% and 53% of factories failed to even pay the legal minimum wage (ILO 2016). Here again, the cause for the continuous need to cut costs, in this case by violating wage laws, can be tied to a sourcing squeeze. A separate survey by the ILO found that 52% of supplier factories reported having accepted orders whose price did not allow them to cover their production costs (ILO 2017).

The price squeeze in garment global supply chains has also impacted building safety. Long before Rana Plaza, Michael Piore emphasized the pressure supplier factories face to keep fixed costs low – notably, building overhead – in an industry with significant fluctuations in order volume and thus income. He notes, "To minimize that [building] cost, the employer will seek out cheap – that is, substandard – factory housing. [...]" The attempt to reduce rent paid per worker is the chief cause of congestion in sweatshops, affecting the way in

which material inventories, supplies, equipment, and work-in-progress block aisles and exits. It is also the source of unhealthy and dangerous conditions (poor wiring and ventilation, unsanitary or nonexistent bathrooms, fire hazards).” (Piore 1997: 137)

Today, in the research on workers’ rights, wages, and building safety, Bangladesh often emerges as the most challenging case. Hence, if we can understand the causes for the problems in Bangladesh, as well as explore what has and what has not worked in the Bangladesh case, we can develop not only a clearer picture of Bangladesh, but also a better sense of which approaches might work in other countries facing similar challenges.

Bangladesh RMG Sector

Since the 1980s, the Ready-Made Garment (RMG) sector has been a cornerstone of the Bangladesh economy. In 2015, the country exported USD 26.6 million in garments. That same year, the sector accounted for 76.33% of Bangladesh’s exports in goods and services and 13.64% of its Gross Domestic Product (GDP).¹ More than 4,000 suppliers and four million direct workers make their living off the sector (Anner and Bair 2016). And many millions more are indirect beneficiaries of the sector. Thus, the sustainability of the RMG sector has a profound impact on the overall economic conditions in the country and the well-being of millions of people.

To understand Bangladesh’s growth in the global garment export sector, it is helpful to look at its top exports to the United States and to the European Union in comparative perspective. Bangladesh’s top export to the United States is men’s and boy’s cotton trousers. If we look at the top apparel exporting countries to the United States, and we take price paid per square me-

ter in real dollars (that is, controlling for inflation), we see two trends. First, in general, the price point comes down. Second, Bangladesh comes down to the lowest level. A similar dynamic can be observed with respect to t-shirts. T-shirts account for the largest percentage of garment exports from Bangladesh to Europe (EU-28). In 2016, Bangladesh exported more than 250 million kilograms of t-shirts, far exceeding the combined amount of t-shirt exports from the second, third, and fourth top exporters (China, India, and Turkey). It did this by providing the lowest price point. And, overall, we see a real dollar price decline. During this period, the average nominal euro-per-kilogram price of imported t-shirts into EU-28 countries dropped from EUR 11.21 to EUR 10.63.

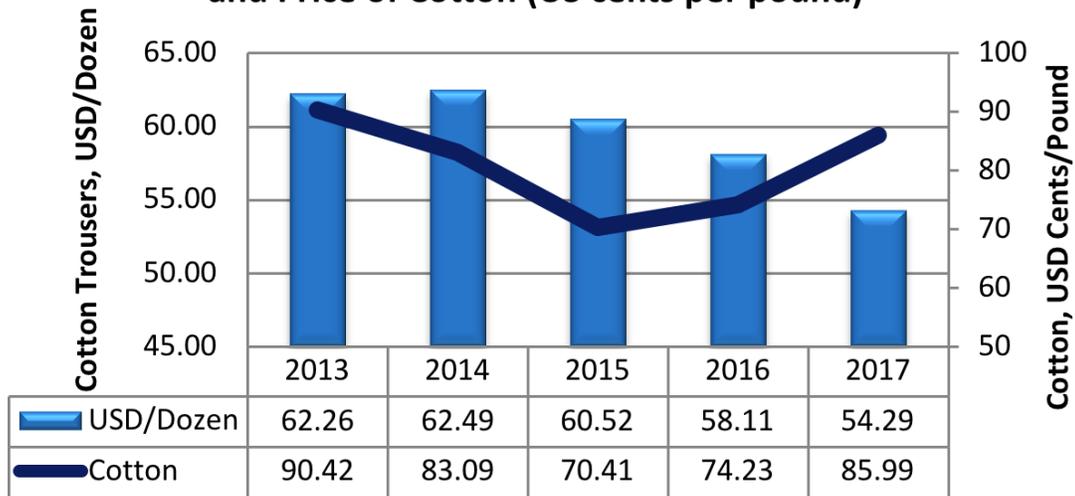
If we look at the nominal prices paid since Rana Plaza for trousers exported to the United States, we find a 13% decline. We have argued that this is the result of a price squeeze by lead firms. Alternative arguments would be that the decline in price is the result of exchange rate fluctuations or the price of cotton. No doubt, under certain conditions, these factors may contribute to price fluctuations. But this is not the case here. Regarding exchange rates, between 2013 and 2017, the rate of devaluation was only 3.8%. And the local (Taka) component is only a small fraction of total costs, making the impact of exchange rate fluctuation less than 1% of the variation in price.

Cotton prices, while declining between 2013 and 2015, rose by 22.13% between 2015 and 2017. During this same two-year period in which cotton prices increased, prices paid for imported trousers declined by 11.48%. Hence, the decline in the price of imported trousers is clearly not the result of declining cotton prices. [See Figure 1.]

¹ In 2015, the year the WTO reported USD 26.60 million in clothing exports from Bangladesh, the World Bank reported USD 34.85 million in total exports of goods and services from Bangladesh and USD 195.07 million in GDP.

Figure 1

M/B Cotton Trousers Imports, BD to US, USD/ Dozen; and Price of Cotton (US cents per pound)



Sources: OTEXA, Statista.

Supplier Survey in Bangladesh

To get a better sense of the buyer-supplier relationship, we conducted a survey of supplier factories in Bangladesh between March 2016 and March 2017.² This survey was an extremely time-consuming task. Factory access was facilitated by a cover letter and, at times, phone calls from the Bangladesh Garment Manufacturers and Exporters Association (BGMEA). Surveyors often had to follow up with several phone calls to set up visits, and sometimes, even then, it was necessary to visit the factory several times before the proper person was present and available to talk. At the very most, four surveys could be completed in a day by each survey team of two members. In the end, after 12 months of efforts, we completed 223 surveys.

Factory lists to begin the survey process were drawn from a random sample of factories taken from the government website focusing on Gazipur and Mirpur.³ Later, as we exhausted the number of factories we could enter in those sub-districts, we expanded into a few other areas. By the end of the process, we collected 74

surveys in Gazipur, 61 surveys in Mirpur, 30 surveys in Savar, 36 surveys in Ashulia, and 10 surveys in Sripur.⁴ Each survey was based on factory visits that lasted anywhere from one to three hours (which includes time spent waiting for the most appropriate manager or the owner to interview).

The main goal of this survey was to examine sourcing dynamics. This includes pricing, lead times, and payment schemes. The question we sought to answer was whether there was evidence of a sourcing squeeze (declining prices and shorter lead times), or whether buyers were improving the terms of their contracts with their Bangladeshi suppliers.

What the survey results indicate is that the average FOB price was USD 4.64 in 2016, which is a 7.79% decline from a FOB price point of USD 5.03 in 2011. If we look at exports to the United States, the price point declined by 10.67%. For European buyers, the price point came down by 9.04%. Indeed, in all major product categories we find a decline in nominal prices paid per unit.

²This survey was made possible, in part, with support from the Embassy of the Kingdom of the Netherlands in Bangladesh, for which we are extremely grateful.

³See: <http://database.dife.gov.bd/>.

⁴A handful of suppliers completed an online version of the survey, and some of these suppliers did not identify their sub-districts.

Profits, Lead Times, Payments, and Order Specifications

If production costs are going up while prices are going down, one way supplier factories can stay in business is to reduce profit margins (Staritz 2011). The Supplier Survey provides support for this dynamic. According to the survey results, profit margins decreased by 13.3% from 2011 to 2016, with a mean 2016 profit margin of 7.69%.⁵ The push for shorter lead times – the time given to factories to make and ship a product – has received increased attention with the growth of fast fashion made famous by Zara’s model of short fashion seasons (Taplin 2014). Many buyers are seeking to develop this model because, if they can get consumers shopping for new styles with greater frequency, then they can sell more products each year. However, even retailers that do not engage in a full ‘fast fashion’ model are looking for greater speed to market. This allows them to more effectively manage inventory, which then results in a reduced need for discount products and thus greater revenue.

While there may be many inefficiencies along the entire supply chain, including getting products from in-country ports to retailers’ shelves, often the supplier factories are the ones who face the greatest pressure to contribute to a retailer’s desire for speed to market. When lead times are adjusted on short notice, this can put considerable pressure on a supplier’s business operation and may result in forced overtime or unauthorized sub-contracting. What the Sourcing Survey findings indicate is a reduction, since 2011, in lead times of 8.14%, from 93.4 days to 85.83 days.

Sourcing Squeeze, Wages, and Workers’ Rights

Bangladesh has long held the unenviable position – from a worker’s position – of paying the lowest wages among major apparel exporting countries. Prior to the Rana Plaza disaster, the monthly minimum wage stood at Taka 3,000 per month (USD 39). Following Rana Plaza, the minimum wages increased to Taka 5,300, which was USD 68 per month at the 2013 exchange rate. According to ILO data for January 2015, Bangla-

desh’s minimum wages stood as the lowest among the 10 top garment-exporting countries. Even if we assume a slightly higher prevailing wages – some suppliers report average monthly wages of USD 100 per month – this prevailing wage is still below the minimum wage of all major competitors.

By February 2018, with the devaluation of the currency, the minimum wage stood at USD 63.60 per month, a 6.47% decline since 2013. Given that the normal work week in Bangladesh is 48 hours, and with 4.3 weeks in an average month, this means that the hourly minimum wage in February 2018 stood at USD 31 cents per hour. In the case of Bangladesh, prevailing wages only cover an estimated 14% of living expenses, which is the lowest level among major apparel exporting countries (WRC 2013). In sum, the pricing squeeze has resulted in persistently low wages that do not cover living needs.

This observation leads directly to the question of unionization rates and the ability of labor to bargain for higher wages. There has been much discussion and debate regarding the issue of workers’ rights in Bangladesh. Bangladesh has been repeatedly notified by the International Labour Organization that laws regarding freedom of association need to come into compliance with international standards, notably by allowing for unionization in export processing zones and facilitating the unionization process in the RMG sector by removing bureaucratic obstacles, government discretionary authority, and an unreasonably high 30% membership threshold requirement.⁶

These issues with the labour law are compounded by violations in practice. In December 2016, some 1,600 garment workers were dismissed and 34 trade unionists were arrested and detained following demonstrations in the Dhaka region of Ashulia. In the aftermath, pressure by national and international labour rights advocates escalated, demanding the government release the detained workers and demanding that buyers put pressure on the government and on suppliers to respect workers’ rights. As a result, several major brands

⁵ It is important to note that profit rates vary significantly among firms. Some very large firms might have profit margins of around 15%, while very small firms might have profit margins under 5%. Of course, profit margins are one of the more delicate questions one can ask of a private business owner, so that must also be taken into consideration when reviewing these findings.

⁶ See: http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_543646.pdf.

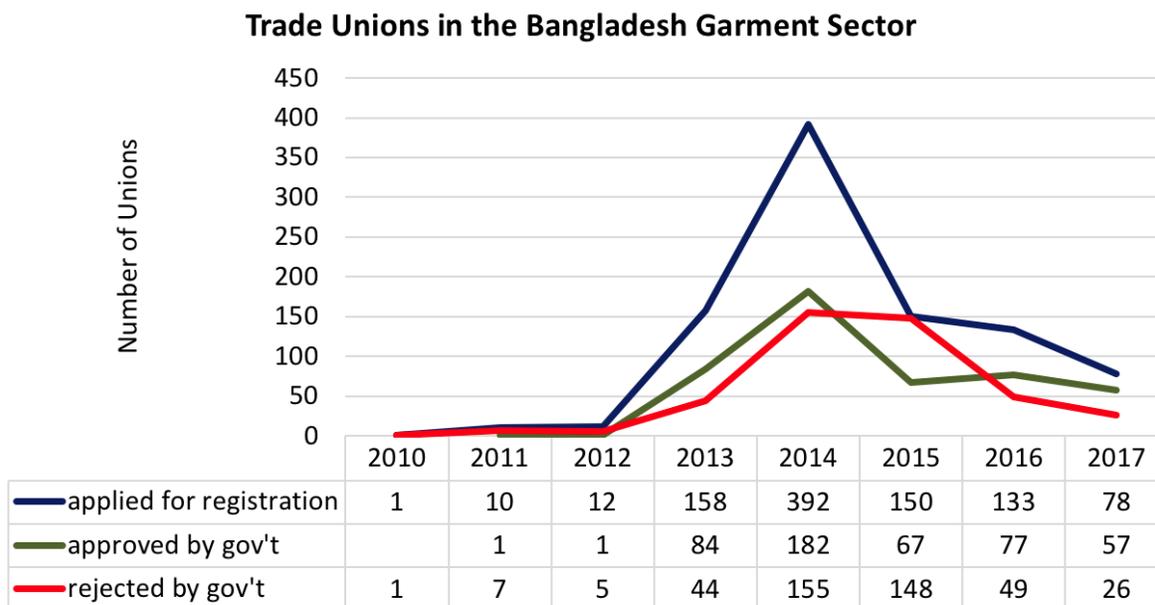
announced that they would limit their participation in the February 2017 Dhaka Apparel Summit to observer status, stating that they were protesting the treatment of workers and trade unionists. Then, on June 14, 2017, the European Parliament passed a resolution stating that Bangladesh needed to address the persecution of trade union leaders and poor working conditions, including long working hours, low wages, uncertainty, and hazardous conditions.⁷

Following Rana Plaza, strong international pressure contributed to labor law reforms that modestly facilitated union registration, while leaving in place a 30% threshold for unionization formation and the continued exemption of Export Processing Zones from the labor law. In this context, and as a result of the organizing efforts of Bangladeshi workers, unionists and their allies, unionization increased after Rana Plaza. As of January 2018, there were 440 RMG factories with unionization, up from less than 100 prior to Rana

Plaza. However, the growth in union formation has not be maintained due to the increased tendency of the Bangladesh government to deny union registration and continued anti-union practices by employers. [See Figure 2].

To understand worker rights dynamics, it is also useful to examine the influence of pricing and other sourcing practices. Using a newly released dataset hosted by the Center for Global Workers' Rights, the Labour Rights Indicators (LRI),⁸ we are able to observe three trends over time. In general, since 2000, there has been an overall increase in the violation of workers' rights. These violations continued to increase following Rana Plaza. To explore the relationship between workers' rights and pricing, we can superimpose the real dollar price per square meter for men's and boy's cotton trousers exported to the United States on the graph of workers' rights in practice based on LRI data. During the first periods when prices declined, 2000-2005, vio-

Figure 2



Source: Solidarity Center, Bangladesh.

⁷ See: <http://www.europarl.europa.eu/news/en/press-room/20170609IPR77025/bangladesh-should-do-more-for-its-textile-workers-mps-warn>.

⁸ The Labour Rights Indicators are based on coding the findings of selected nine sources, including six ILO sources. It builds on five basic elements: the premises of definitional validity, reproducibility and transparency, the 108 violation-types used to code violations in law and practice, the textual sources selected for coding, the general and source-specific coding rules, and the rules to convert the coded information into normalized indicators. The country profiles provide detailed and verifiable information over time that can be easily traced back to the original textual source. For more information and a detailed explanation of the methodology see: <http://labour-rights-indicators.la.psu.edu/>.

lations of rights increased. Then, from 2005 to 2009, export prices to the United States leveled off and violations decreased. Prices increased from 2009 to 2012. From 2012 to 2015, prices declined yet again, and violations rose. [See Figure 3.]

In sum, workers’ rights compliance remains a significant issue in Bangladesh. The responsibility to address these violations rests with suppliers and the government. And, as the data suggests, it also rests with buyers who must adjust their sourcing practices to facilitate compliance with labor standards and workers’ rights.

Accord on Fire and Building Safety

While progress has not been made in the area of wages, and only limited progress has been made in the area of workers’ rights, more significant progress can be seen in the area of building safety. This is principally the result of the Accord on Fire and Building Safety in Bangladesh, the largest of several building safety initiatives, which covers more than 2.5 million workers. One important reason why there has been success is because building safety is covered by a binding Accord involving international brands and retailers. Notably, Article 22 of the Accord states, “[P]articipating brands and re-

tailers will negotiate commercial terms with their suppliers which ensure that it is financially feasible for the factories to maintain safe workplaces and comply with upgrade and remediation requirements instituted by the Safety Inspector.”⁹ Other crucial factors of the Accord include governance, transparency, worker participation through the formation of Safety Committees, and a complaint mechanism.

Governance

Unlike CSR programs – which are not only voluntary and most often do not include labor unions in their governance – the Accord’s governance structure entails a Steering Committee (SC) comprised of three representatives chosen by the trades union signatories, three representatives chosen by the company signatories, and an International Labour Organization (ILO) representative serving as a neutral chair. The SC oversees the operations of the Accord, including selecting and reviewing the performance of the Safety Inspector and Training Coordinator. The SC seeks decision by consensus. In the absence of consensus, decisions are made by majority vote. The Accord has an Advisory Board made up of representatives from supplier factories, sourcing agents, the Ministry of Labor, Industri-

Figure 3



Sources: Labour Rights Indicators (LRI), OTEXA.

⁹ For full Accord document, see: http://bangladeshaccord.org/wp-content/uploads/the_accord.pdf, accessed January 28, 2018.

ALL RMG trade union federations, Accord signatory brands, and Bangladesh non-governmental and civil society organizations. In the case of building evacuations, the Accord submits its recommendation with its inspection results to a Government of Bangladesh Review Panel. An initial evacuation recommendation can be overturned with a unanimous decision by the Government of Bangladesh, the Bangladesh University for Engineering Technology, one engineer from the Accord and one engineer from the Alliance.

Building Safety/Factory Inspection

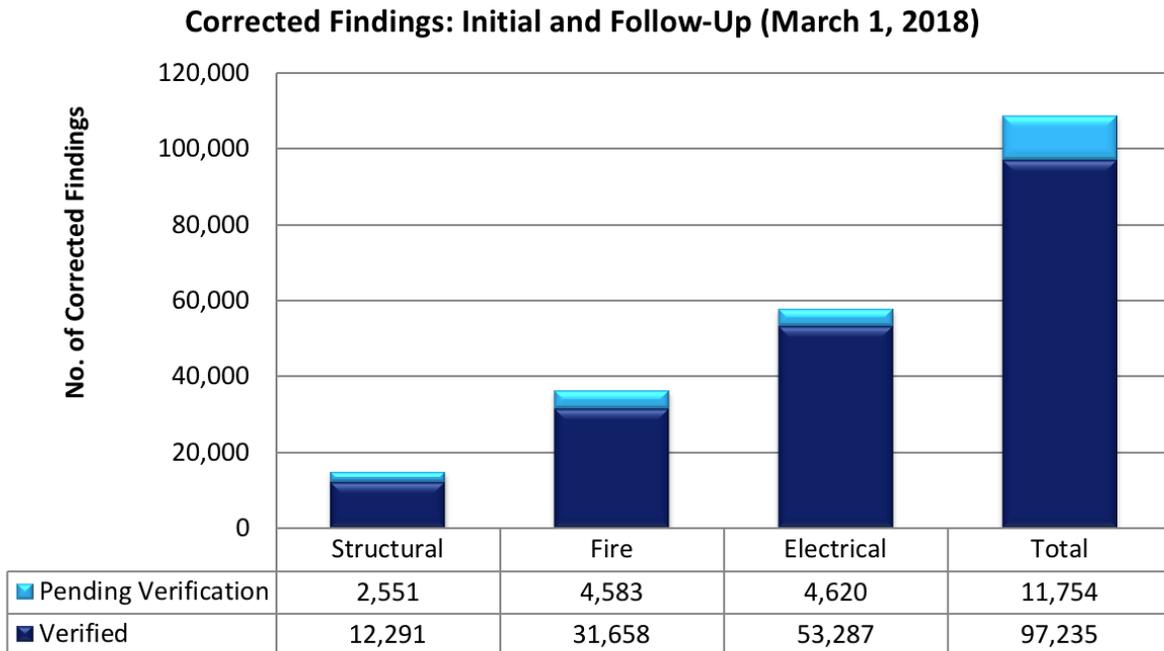
The Accord’s most crucial mandate is to ensure that more than 1,600 factories of its signatory brands are safe for the 2.5+ million employees in these factories. To this end, the Accord has a budget of approximately USD 11 million per year and has hired and trained 94 fire, electrical, and structural safety engineers, 35 remediation and complaints case handlers, and 30 trainers and 15 training assistants. The most dramatic illustration of its work to ensure worker safety has been the temporary evacuation of 50 factories in which the structural integrity of these buildings fell below the ac-

ceptable level of safety. The Accord also terminated 96 factories for failure to implement required safety renovations, meaning that these factories can no longer sell goods to any Accord signatory brand.

As of March 1, 2018, Accord inspectors had detected 131,953 building safety issues: 44,621 fire issues, 66,449 electrical issues, and 20,883 structural issues. Of these, 86,684 were from initial inspections and 45,269 were detected during follow-up inspections. Some 36,241 fire safety issues (81%), 57,906 electrical issues (87%), and 14,841 structural issues (71%) were either fully corrected and verified or corrected with verification pending. [See Figure 3 and, for additional data, see the Appendix.]

Some areas of progress are particularly notable. For example, 97% of lockable and collapsible gates have been removed and 82% of factories have adequate electrical cables and wiring. Issues related to electrical circuit breakers, cabling and wiring, distribution panels, and earthing systems have remediation rates of approximately 90%. Of course, there is much more that needs

Figure 4



Source: Accord.

to be done, particularly in the area of structural safety, where, of the 20,883 issues detected, 12,323 have been verified fully remediated and another 2,532 have been corrected but are pending verification by Accord engineers. This indicates that 29% of the findings are still in progress.

Transparency

Transparency is a crucial component of what makes the Accord work (James, et al. 2018). Since the beginning of the CSR movement in the apparel sector, there has been a long tension between activists and corporations: would corporations release the name and locations of their factories? Would they post their auditing reports? Is there a third-party complaint system and are those complaints made public? The assumption is that, if the public has the ability to see this information, then corporations will behave more ethically. Transparency, as one group of scholars noted, could ratchet up labor standards (Fung, O'Rourke, and Sabel 2001). **The problem is that most firms still are not fully transparent with their information.** Some firms do not release their list of factories and the ones that do share this information often limit themselves to tier 1 suppliers. And while firms may indicate in factory dataset and annual reports factory compliance levels, **few factories share their detailed factory audits with the general public.** Even multi-stakeholder initiatives that post factory audits often choose not to provide factory names (Anner 2017a). Hence, the importance of the Accord's transparency cannot be overstated.

The Accord provides publicly available information in six major areas:

1. List of factories covered by the initiative. This list goes beyond providing factory names and addresses. It also indicates whether the factory is situated in a multi-

purpose building or a multi-factory building, its number of floors, whether it is a tier 1, tier 2, or tier 3 factory, and its number of workers. This information allows one to study changes overtime, such as the reduction in the use of multi-purpose buildings.¹⁰ The Accord also provides a full list of terminated factories and the reason for their termination.¹¹

2. Ongoing progress of remediation, including detailed quarterly reports. It is possible to get an up-to-date snapshot of remediation by visiting the progress section of the Accord's website, with a list of findings by issue area.¹² More details on progress are provided through Quarterly Reports, which are also accessible on the website.¹³

3. Corrective Action Plans. Corrective Action Plans (CAPS) show findings and remediation progress for individual Accord-covered factories. The database also indicates in which factories remediation is completed, on track, or behind schedule. And it shows whether or not factories have a financial plan to cover the costs of remediation.¹⁴

4. Worker complaints. The Accord receives complaints from workers and their representatives on issues related to occupational safety and health (see below). Each complaint – including non-OHS complaints – are recorded and detailed on the website. The status of complaints is also indicated.¹⁵

5. Steering Committee Meeting minutes summary. The Accord Steering Committee meets four times per year. While all elements of the discussion are not included, a fairly detailed summary of these minutes are posted online, including who participated in each meeting, what topics were discussed, and what follow-up steps will be taken to address pending issues.¹⁶

¹⁰ See: <http://bangladeshaccord.org/wp-content/uploads/Accord-Public-Disclosure-Report-1-Feb-2018.pdf>.

¹¹ See: <http://bangladeshaccord.org/terminated-suppliers/>.

¹² See: <http://bangladeshaccord.org/progress/>.

¹³ See: <http://bangladeshaccord.org/news/>.

¹⁴ See: <http://accord.fairfactories.org/ffcweb/Web/ManageSuppliers/InspectionReportsEnglish.aspx>.

¹⁵ See: <http://bangladeshaccord.org/safety-complaints-2017/>.

¹⁶ For June 2017 meeting, see: <http://bangladeshaccord.org/wp-content/uploads/170627-SC-Minutes-Amsterdam.pdf>.

6. **Advisory Board Meeting Reports.**¹⁷ The Accord Advisory Board consists of representatives from supplier factories, sourcing agents, the Ministry of Labor, IndustriALL RMG trade union federations, Accord signatory brands, and Bangladesh NGOs/CSOs. By the end of 2017, it had met 13 times. The meetings are often used to provide information and receive input from members.¹⁸

Safety Committees

Worker participation has long been considered a crucial component of achieving a safe workplace. This is because workers are often the first ones to detect violations and because they have a considerable interest in having those violations addressed quickly. The most effective worker voice is provided by democratic trade unions that operate independent of management and government control (Anner 2018). Article 17 of the Accord notes the obligation to establish worker-manager Health and Safety Committees in Accord factories. The Accord indicates that the Committees should be democratically elected, while also being in compliance with the Bangladesh law. After the Accord was signed, the government of Bangladesh mandated Safety Committees in all Bangladesh factories, not just Accord factories. However, instead of requiring the democratic election of Safety Committee members, as the Accord had anticipated, the new law indicated that the Participation Committees – elected worker-management committees that existed prior to the new law – would name the members of the Safety Committees.

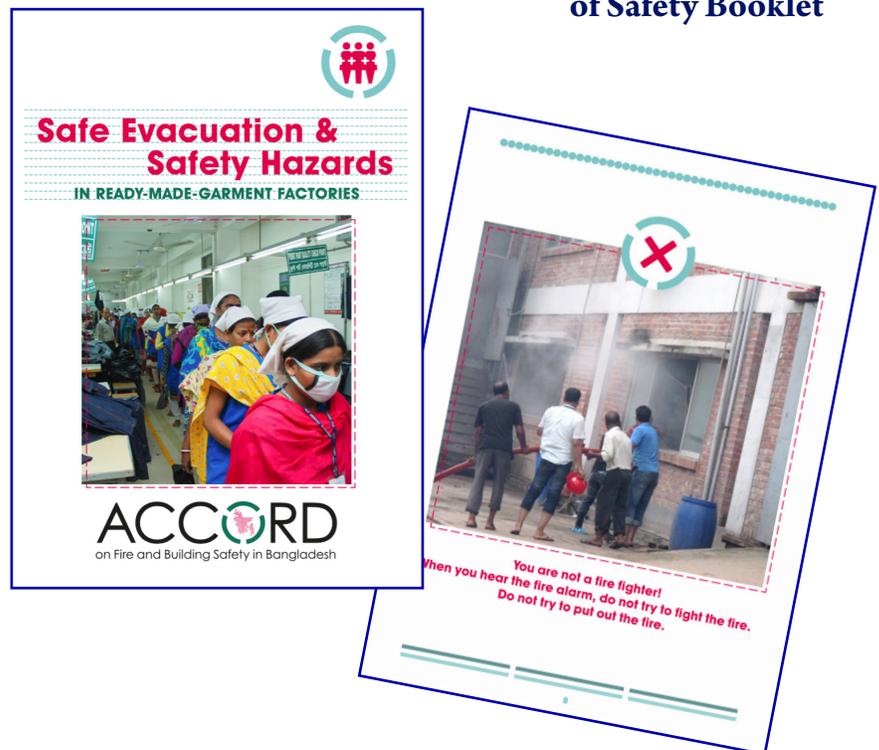
The Accord started its health and safety training process with the 65 unionized factories among Accord suppliers because, in these cases, the worker voice mechanism was more clearly established. By January 2018,

the Accord had hired 40 trainers and 15 Safety Training Program Assistants. By February 2018, the Accord was conducting training in 876 factories and, by March, Accord trainers expected to be in 1,070 factories. Safety Committee training includes seven in-depth units that require 21 hours of training. In addition, the Accord holds “all employee meetings” to provide a general overview of factory safety to workers. As of March 2018, the Accord had distributed more than 2.1 million safety booklets to workers.

Complaint Mechanism

Worker voice is a crucial part of factory safety. Accord engineers cannot be in all factories at all times. Thus, the ability of workers to speak up and voice their concerns pro-actively is an important part of any factory safety program. Article 18 of the Accord stipulates that the “Safety Inspector shall establish a worker complaint process and mechanism that ensures that workers from factories sup-

Pages From English Version of Safety Booklet



¹⁷ See: <http://bangladeshaccord.org/news/>.

¹⁸ See: <http://bangladeshaccord.org/news/>.

plying signatory companies can raise in a timely fashion concerns about health and safety risks, safely and confidentially, with the Safety Inspector.” Complaints can be individual or collective, and complainants can choose to remain anonymous if they prefer. All complainants are protected from discrimination or reprisal.

As of March 1, 2018, some 571 complaints were presented to the Accord, of which 414 were determined to fall under the health and safety mandate, where 157 were outside the mandate. It is notable how broad the mandate is for this process. For example, on August 19, 2017, workers at Fariha Knit Tex presented a complaint regarding working hours. The Accord reviewed the case because excessive hours of work could reasonably impact the safety and health of those workers who were working such long hours. Other notable cases included violence against workers, which the Accord addressed. Currently, 197 complaints have been resolved and 88 complaints are under investigation.

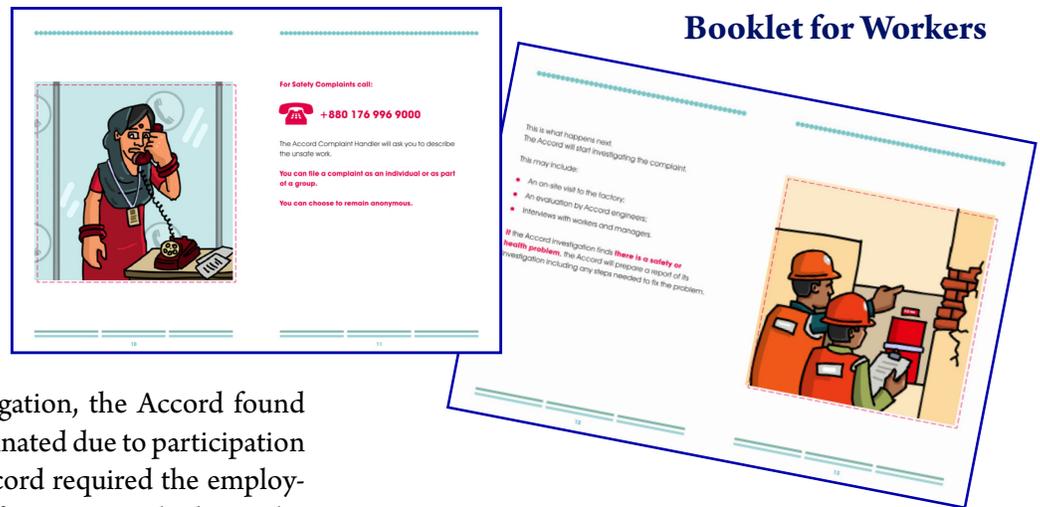
In another notable case, on July 23, 2017, a representative of a safety committee at the Unique Designers factory complained the he/she was fired as a result of participation in the Safety Committee. Following an investigation, the Accord found that he/she was indeed terminated due to participation in their Committee. The Accord required the employee’s reinstatement and the factory complied. Similar cases took place with union representatives who participated in Safety Committees at Dress & Dismatic in March 2015 and Nexus Sweater in October 2016. In both cases, the unionists were subsequently reinstated following an Accord investigation. Currently, 197 complaints have been resolved and 88 complaints are under investigation. The ability of a program to protect employee committee members is a crucial element of their potential success (Anner 2017b; Weil 2014). Of the 15 labor federations that participate in the Accord process, most of them have used the Accord Complaints Mechanism at least once (Bride 2017).

Binding Arbitration

One of the core pillars of the Accord – an element that makes it stand out from other monitoring programs – is its binding nature. Article 5 of the Accord allows for either party (labor or companies) to make use of binding arbitration following protocols of the Convention on the Recognition and Enforcement of Foreign Arbitral Awards and the UNCITRAL Model Law on International Commercial Arbitration. The goal of this clause in the Accord was not that it would be used with significant frequency, but that that it would create an incentive for parties to meet their obligations in order to avoid such a process. Nonetheless, the labor signatories to the Accord did decide it was necessary to use Article 5 in the case of two companies.

In 2016, IndustriALL and UNI Global Union filed cases against two Accord signature companies with the Per-

From Accord Booklet for Workers



manent Court of Arbitration at The Hague. The unions stated that two global brands had failed to require their supplier factories in Bangladesh to remediate facilities within the mandatory deadlines and that they failed to negotiate commercial terms to make it financially feasible for their suppliers to cover the costs of remediation. On September 4, 2017, the Permanent Court of Arbitration unanimously decided, “the pre-conditions to arbitration under Article 5 of the Accord had been met. Accordingly, the claims were held to be admissible and within the Tribunal’s jurisdiction.”¹⁹ In response to the ruling, Jenny Holdcroft, Assistant General Secre-

¹⁹ See: <https://pcacases.com/web/sendAttach/2238>, page 2.

tary of IndustriALL Global, observed, “For any brand that isn’t in compliance, this decision sends a message that they cannot shirk their responsibilities to worker safety.” (IndustriALL 2017).

In December 2017, the unions reached a settlement with the first brand that resulted in considerable support for remediation provided to its 200 supplier factories in Bangladesh. Then, on January 22, 2018, the unions reached a USD 2.3 million settlement with the second multinational brand that had been accused of delays in remediating building safety hazards at its 150 supplier factories. The impact of these cases went far beyond the two brands involved in the case. The message became clear to all brands and retailers that they needed to ensure remediation or face real consequences. Christy Hoffman, the Deputy General Secretary of UNI Global referred to the agreement as “groundbreaking,” noting it “proves the validity of the arbitration process. It’s a turning point for business and human rights.” (Cited in Rushe 2018). IndustriALL’s General Secretary, Valter Sanches, added, “This settlement shows that the Bangladesh Accord works. It is proof that legally binding mechanisms can hold multinational companies to account.” (Cited in Rushe 2018.)

2018 Accord

In 2017, Accord participants negotiated a revised Accord, known as the “2018 Accord.” The 2018 Accord goes into effect in May 2018 and will extend the Accord’s protections until May 2021.²⁰ There are several reasons for the extension, most importantly is the need to ensure that the Bangladesh government and state institutions have the full capacity to ensure building safety for all RMG factories in Bangladesh. The text of the 2018 Accord states that it “shall be oriented toward the aim of handing the work over to a credible national regulatory body at the end of this Agreement.”²¹ Certainly, there is also a need to address pending findings. As noted above, 1,247 factories are behind schedule. But new findings emerge every day, in part because production moves; some factories close and new ones

open on regular basis. A state system of regulation is needed to ensure that all of these factories are safe and remain safe.

The 2018 Accord is not simply an extension of the 2013-2018 Accord; it goes beyond it in several ways. First, the formation of safety committees and safety training is mandated in all covered factories, regardless of whether they are tier 1, tier 2, or tier 3 factories. The preamble of the 2018 Accord notes that the “signatories will continue to promote respect for the right of workers to freedom of association in accordance with relevant ILO Conventions.” And Art. 12b indicates that training will cover freedom of association rights and the role of industrial relations, “in ensuring the functionality and empowerment of effective Health and Safety Committees and protecting workers’ health and safety.”

The 2018 Accord potentially expands the scope of the work to other segments of garment supply chains and related industries, notably knitting, spinning and weaving, washing, dyeing and printing facilities, embroidery and accessories, home textiles, leather, and footwear. As of March 9, 2018, some 121 brands and retailers committed to the 2018 Accord. This represents approximately 55% of the current Accord members. These brands and retailers are among the largest Accord members; they have 1,275 supplier factories in Bangladesh, which account for 79% of the current number of factories covered by the Accord.

Conclusions

The problems that often characterize the global garment industry – low wages, long hours, union avoidance, and unsafe buildings – are as old as the industry itself, going back to the 1800s in Lowell, Massachusetts in the United States and Manchester, England (Stein 1977). They are based on a model of outsourcing that has allowed upstream buyers to squeeze downstream suppliers and their workers (Piore 1997). In the 20th century, trade union organizing, government regula-

²⁰ The 2018 Accord will be reviewed in December 2019 by the Accord Steering Committee. If it is determined that the Bangladesh government, in coordination with the ILO, are capable of ensuring building safety and can take over the work of the Accord, then the 2018 Accord may be terminated. If this is not the determination of the Steering Committee, the Accord will be continued for another 12 months.

²¹ For full 2018 Accord text, see: <http://bangladeshaccord.org/wp-content/uploads/2018-Accord-full-text.pdf>.

tion, and innovative solutions addressed many of these issues in certain cases, but were later undermined by economic globalization (Anner, Bair, and Blasi 2013). We have argued in this report that changing trade rules and buyer consolidation has intensified a sourcing squeeze that has put downward pressure on wages and working conditions, encouraged anti-union practices, and contributed to building safety issues, the most dramatic of which was seen in the Rana Plaza building collapse of 2013. Indeed, data from our sourcing survey of 223 suppliers in Bangladesh indicate that prices have not been adjusted upward to cover the 2013 increase in the minimum wage, lead times have gotten shorter, and the violation of workers' rights has increased.

What this report also finds is that significant progress has been made in the area of building safety. Data on the Bangladesh Accord indicate that the Accord has corrected 99,310 high-risk fire, structural, and electrical safety violations hazards in 1,619 factories. The Accord also has terminated 96 factories for failure to implement required safety renovations. And the Accord required 50 factories to be temporarily evacuated due to their severe and imminent risk of structural failure. As of March 2018, 96.5% of Accord factories no longer lack safe means of egress due to lockable or collapsible gates. Further, the Accord has provided in-depth health and safety training to personnel in 846 factories and has investigated and resolved 183 worker complaints.

Significant delays remain. Most factories that have not completed safety renovations are behind schedule relative to the original Accord-imposed deadlines, some 823 factories still lack fire detection and alarm systems that are up to code, and 286 factories have not correctly implemented their structural load-management plan. In 2017, the signatories of the Accord decided to continue many of the Accord's main elements, while expanding its scope and coverage through May 2021. As of March 9, 2018, some 121 brands and retailers committed to the '2018 Accord.' These brands and retailers' 1,275 supplier factories in Bangladesh account for 79% of the current number of factories covered by the Accord.

Overall, the Accord model has been a success because it was negotiated between buyers and trade unions, because it holds suppliers as well as buyers responsible for the cost of safe buildings, because it is legally binding, and because it is transparent. It also has the crucial resources it needs – USD 11 million per year from 2013 to 2018 – to pay its approximately 94 highly-trained and specialized engineers and many other support staff. The challenge for Bangladesh going forward is developing state capacity to ensure full building safety while also maintaining buyer shared cost responsibility. In the process, Bangladesh must ensure full respect for workers' rights because informed, protected, and organized workers are a crucial component of safety, health, and good working conditions. ■

Appendix

Accord by the Numbers, March 1, 2018

Number of factories covered	1,619
Number of workers covered	2.54 million*
Annual budget	USD 11 million
Engineering staff	94
Complaint handlers	35
Safety trainers	30
Safety training assistants	15
Number of monthly follow-up inspections, approximate	330
Overall remediation rate, initial inspection	85%
Number of factories with over 90% completion rate	795
Number of factories with all initial findings remediated	138
Number of factories facing escalation for delays	612
Number of factories in Stage 3 (highest) notice for delays	111
Number of factories terminated for non-compliance	96
Number of factories evacuated for unacceptable structural integrity	50
Number of factories receiving Safety Committee training	846
Number of workers reached by training	1.9 million
Number of complaints received since inception of Accord	520
Number of complaints received March 2017-February 2018	394
Number of worker complaints resolved	183
Number of original issues corrected	66,195
Number of new issues corrected	31,040
Total number of issues corrected	97,235

Source: Accord

*The Accord Factory List tally 2,133,170 workers. However, 262 factories have not recorded the number of workers. We arrived at the number of 2.54 million by extrapolating from the list of factories with workers.

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