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Stephen J. Frenkel and Elke Schüßler

From Rana Plaza to Covid-19: Potentialities for a New Labour  
Governance System in Garment Global Supply Chains

Linz, June 2020



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Stephen J. Frenkel and Elke Schüßler

## From Rana Plaza to Covid-19: Potentialities for a New Labour Governance System in Garment Global Supply Chains

### Abstract

The Rana Plaza building disaster in 2013 highlighted the failure of regulation to ensure the safety of garment workers producing for major Western retailers and brands. Public attention was also drawn to the low labour standards in relevant supply chains. Seven years on, in the midst of a coronavirus pandemic, we ask: what changes have occurred in labour regulation and with what consequences for workers? Where do governance gaps remain? In response to these questions we introduce the concept of a labour governance system (LGS) and use an ideal type analysis to frame our empirical evidence concerning the extant export garment industry LGS in Bangladesh. We find that labour governance has become more complex, and in some respects, more effective, particularly regarding building and worker safety. There have been modest gains in worker awareness of employer obligations but regarding wages, working hours and treatment of workers, the evidence points to inertia. In response, we suggest that the current pandemic – while intensifying remaining problems in the short term – may provide a unique opportunity to reconstruct the LGS and improve labour standards in the industry.

### Keywords

Global value chains, Rana Plaza, export garment production, corporate social responsibility, labour standards, labour governance, Covid-19

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## **1. Introduction**

The Rana Plaza building collapse in April 2013 that resulted in over a thousand deaths and many more seriously injured garment workers exposed the failure of building safety regulation in Bangladesh's garment export industry. This focusing event (Schuessler, Frenkel and Wright, 2019a) highlighted a wider problem of global labour standards regulation. In short, extant labour governance institutions were failing to protect workers against the effects of global competition and the power of lead firms based mainly in Western countries sourcing from exploitative suppliers based in the Global South.

In this paper we introduce the concept of a labour governance system (LGS) in terms of two ideal types that illuminate contrasts between sets of institutions that have significantly different effects on labour outcomes. These ideal types enable us to identify and evaluate the strengths and weaknesses of the Bangladesh garment industry LGS against the background of recent transnational regulation debates (Locke, 2013; Berliner et al. 2015; Bartley, 2018) and analysis of garment supply chain labour regulation since Rana Plaza (see Schuessler, Frenkel, Ashwin et al., 2019b). We argue that the present Covid-19 pandemic may represent a new, focusing event that encourages stakeholders to embark on a journey of comprehensive LGS reform aimed at institutionalizing sustainable labour outcomes that meet or exceed international labour standards.

Implementing far-reaching changes in the regulation system would be a significant achievement for workers in the Bangladesh garment supply chain. In 2018, the Bangladesh garment industry, the second largest exporter in the world, employed around 3.5 million workers and accounted for 11.2% of GDP and 84.2% of the country's export revenue (Bangladesh Garment Manufacturers and Exporters Association [BGMEA], 2019). An effective garment supply chain LGS in Bangladesh may provide a signpost for the reform of labour governance international supply chains more generally.

Our paper is organized in six sections. First, we introduce the concept of LGS as a prelude to outlining weak and strong LGS ideal types. These multi-dimensional configurations provide a deeper understanding of the structures that encourage very different labour outcomes. In addition, the ideal type LGSs provide benchmarks for analysing transnational supply chain labour regulation. Second, we summarize the methods and characteristics of our data. Third, using our LGS typology, we discuss continuity and change in the extant Bangladesh garment industry LGS, drawing attention to the impact of change on labour outcomes. Fourth, we consider the effects of the LGS on the management of labour standards in supplier factories, workers' views and regulatory gaps, including power relations in the supply chain more generally. Fifth, guided by our LGS typology, we suggest reforms that are likely to lead to a more effective, sustainable LGS in the Bangladesh garment industry. Sixth and finally, we conclude by arguing that the Coronavirus-19 pandemic might provide an opportunity to negotiate a new, stronger LGS for the industry.

## **2. THE CONCEPT OF A LABOUR GOVERNANCE SYSTEM**

Based on the rapid expansion of international supply chains over the past 20 years, economic globalization has stimulated efforts to prevent erosion of labour standards (e.g. Hendrickx,

Marx, Rayp and Wouters, 2016). 'Soft law' in the form of international initiatives by supra-national institutions like the UN and its constituent body, the ILO, together with other institutions such as the OECD, have become increasingly important in developing norms and guidelines to promote more effective transnational labour regulation (UN, 2011; OECD, 2018). These instruments, which are not legally enforceable, except if ratified by national governments, have been designed to support extant regulation which typically comprises national laws and government policies and various forms of private regulation including codes of conduct. Understanding relationships between different forms of labour regulation, including their limitations, is important if sustainable, internationally acceptable labour standards are to be achieved.

The concept of an LGS refers to a set of institutions (i.e. recurrent social relationships regulated by norms and rules) relating to the focal employment relationship in supply chains whose interrelationships or processes lead to procedural and substantive outcomes. Prior to the rapid expansion of global supply chains, labour governance systems were based on the relationships between governments, employers and unions within national boundaries (Dunlop, 1958/1993; Kochan, McKersie and Cappelli, 1984). This began to change with globalization of trade and investment (Hyman, 1999), so that by the turn of the century labour regulation increasingly focused on transnational supply chains comprising multiple employers – buyers based mainly in developed countries and suppliers based mainly in developing countries – worker representatives, NGOs and unions at national and international level (Frenkel, 2018). In addition, transnational regulatory bodies, particularly the ILO and the OECD, were encouraging national governments to co-ordinate norms and rules through a process of sharing responsibility for labour standards in global supply chains (Baumann-Pauly, Labowitz and Stein, 2018). In short, a new transnational labour governance system was emerging, layered on top of extant national systems and varying in detail across industries and countries. This process has brought many challenges, not least of which is the compatibility of different forms of regulation (private vs public) found in these new multilevel LGSs (Marginson, 2016).

Locke, Rissing and Pal's (2013) study of electronics suppliers shows that where government regulation is relatively strong, this complements private efforts at regulating labour standards in supplier factories, whereas weaker state regulation results in private regulation acting more as a substitute. Amengual's (2010) analysis of the interaction of public labour inspection and private codes of conduct in the Dominican Republic indicated complementarity without formal co-ordination. According to Bartley and Child's (2014) study of the anti-sweatshop movement in the US garment industry, stakeholder pressure on lead firms leads to stronger complementarity between public and private regulation, which in turn improves labour standards. This result is echoed in Amengual and Chirof's (2016) finding that pressure from local unions with support from external stakeholders (in this case ILO officials) meant that rules were interpreted in ways that circumscribed employer behaviour. In addition, Oka (2016) found that the presence of a union in Cambodian garment supply chain factories contributed to better wages, hours and leave arrangements. Bair (2017), conversely, shows that in the absence of union influence in global industry dynamics, local labour regulation is likely to be weakened. These studies suggest that particular antecedents (e.g. stakeholder pressure) and

configurations of public and private regulations (e.g. strong state regulation of particular standards and codes of conduct) provide varying resource and opportunity structures for actors such as unions to influence labour outcomes.

A multi-dimensional concept of LGS serves as a basis for developing an appropriate analytical framework for suggesting changes in these institutional configurations that encourage decent work (ILO, 2020a). Institutions regulating work in supply chains differ along several dimensions. Their scope varies from local (narrow) to global (wide). Although analysis of employment relationships across the network of supply chain firms is desirable (see Helfen, Schuessler and Sydow, 2018), here we focus on lead firms (buyers) and their first tier suppliers, assuming that first-tier managers can be empowered to influence employment relationships at the second-tier level and so on. Institutions will differ in number and type (e.g. governments, lead firms, buyer intermediaries, suppliers, trade unions, auditors and other stakeholders) across supply chains. This diversity contributes to different forms of regulation that may combine in various ways: public and private, applying to individual and/or collective production units at a variety of levels (local, national, regional, global). Institutional relations (and associated logics of action) may vary in four ways: a) strength e.g. private regulation may be strongly or weakly co-ordinated with public regulation (Amengual and Chirot, 2016; Bartley and Egels-Zandén, 2015); b) explicitness e.g. the relationship may be documented or remain informal; c) structure of co-ordination, which may be authoritarian (top-down) or democratic, or there may be no co-ordination at all. Finally, d) the character of co-ordination may be broadly complementary i.e. where institutions are mutually supportive, or in conflict concerning their broad objectives, or they may have a substituting effect (Jackson and Rathert, 2016).

Changes external to the LGS arising from various sources -- the product market, financial market, strategies of key actors or focusing events -- are likely to impact one or more dimensions of the LGS leading to varying labour outcomes in first-tier supplier factories. Procedural outcomes are especially important as they are the means by which substantive outcomes are achieved. They include participation rights through unions and collective bargaining and via factory-based, consultative committees, and treatment of workers by management. Substantive outcomes refer to wages, hours, health and safety, and other working conditions that are expected to meet international standards as indicated by ILO conventions and declarations.

The LGS concept only applies to the formal labour market. Sweatshops that typically serve the local market are characterized by informal employment and informal norms associated with extremely low labour outcomes (Dewey, 2018). These workplaces lie outside our focus which is on larger, export-oriented factories in Bangladesh.<sup>1</sup> Accordingly, Table 1 refers to an ideal type weak LGS in the formal economy associated with substandard labour outcomes, contrasted with the strong type that facilitates favourable, sustainable labour outcomes.

**Insert Table 1 Here**

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<sup>1</sup> Some authors argue that Bangladesh garment export factories frequently subcontract to smaller, unregulated factories (Labowitz and Baumann-Pauly, 2014). However, evidence is hard to find.

A weak LGS includes only a small proportion of production units in the supply chain and so regulates few suppliers. It is likely where lead firms source mainly via agents or other intermediaries who pay little or no attention to labour regulation. Under these conditions, lead firms absolve themselves of responsibility for upholding labour standards and turn a blind eye to labour abuses in suppliers' factories. Consequently, regulation is left to individual suppliers whose employment relations are formally subject to local legal regulation. However, weak enforcement may ensue because government agencies lack motivation or resources or because the state prioritises attraction of foreign investment over upholding labour rights.

Against a background of ineffective labour law enforcement and without buyer support for labour regulation, individual suppliers experience limited or no stakeholder pressure. The ensuing weak co-ordination remains informal and implicit. Regulation is monopolized by supplier management, and under competitive pressure from buyers, labour outcomes will reflect management's objectives: unilateral control with little or no procedural opportunities for worker voice, coupled with low wages and sub-standard employment conditions.

In contrast, a strong LGS includes all firms in the supply chain and spans many organizations and institutions of various types including lead firms, supplier factories, international and national unions and NGOs. The governance form is collective, involving negotiation between representative organizations. This includes governments in buyer countries, which provide trade or aid conditional on supplier countries meeting minimum labour standards and who commit to enforcing international norms in buyers' supply chains. Supplier country governments are expected to enforce domestic labour law and support international norms in local factories. Institutional relations are highly co-ordinated by considerable knowledge exchange and frequent discussion among the LGS's institutional members. Decisions and rules are codified, as explicitness promotes common norms and enforceability. Decisions are taken by discussion that favours stakeholder inclusiveness and limited power inequality, while negotiation aims to achieve consensus and hence on-going commitment to LGS processes and outcomes. This strong type of LGS yields the best possible labour outcomes given extant financial and product market contexts. Although it results in factory labour standards at or above internationally acceptable levels, it may not be sustainable in extraordinary conditions such as a pandemic or large-scale war.

In practice, hybrid forms of LGS with mixed levels of labour outcomes are likely to exist. Variations in form will mainly reflect differences in producer country institutional conditions, factory size and extent to which suppliers are regarded by major buyers as core or peripheral. Furthermore, LGS are in practice dynamic: responding to changes in ongoing union or consumer pressure by transnational organizations (e.g. Reinecke and Donaghey, 2015; Zajak, 2017), regulatory reforms in lead firm countries (Evans, 2019), union-inclusive collective private regulatory initiatives (Ashwin, Oka, Schuessler, Alexander and Lohmeyer, 2020) and sporadic labour protests (Anner, 2015; Ashraf and Prentice, 2019; Evans, 2018). Often such changes occur singularly, however, as the studies cited above indicate, there have been instances of positive spillover effects across regulatory initiatives, strengthening collective action at multiple levels in order to improve labour standards. Rana Plaza was a focusing event that triggered such system changes on multiple levels leading to only selective improvements

in labour standards. Following a summary of our research methods and data, we explain this development using our LGS typology.

### **3. Methods**

We draw on data collected and analysed in the course of an interdisciplinary research project aimed at understanding the impact of the 2013 Rana Plaza disaster on labour standards in the garment industry (see Schuessler et al., 2019b for an overview). The project applied a comparative case design, studying lead firms' policies in four countries (Australia, Germany, Sweden, UK) and supplier factories and workers in Bangladesh. Results from interviews with one to five managers from 79 lead firm are included in Schuessler et al. (2019b and Oka, Egels-Zandén and Alexander, 2020). A survey of 152 factory managers is analysed in Frenkel, Rahman and Rahman (2020) while Rahman and Rahman (2020) investigate a smaller sample from the same survey. Finally, results of a survey of 1,500 Bangladeshi garment workers employed at 240 factories and several focus groups are reported in Kabeer, Huq and Sulaiman (2019; 2020). Our research was complemented by 70 interviews with major stakeholders including unions, NGOs and investors at national and transnational levels.

### **4. The Changing Bangladesh Garment Industry Labour Governance System**

We use dimensions of our LGS typology, presented in Table 2, to summarise the complex post-Rana Plaza labour regulation framework in the Bangladeshi garment industry.

#### **Insert Table 2 Here**

#### *4.1 Institutional characteristics of the LGS in Bangladesh*

Although the garment industry transcends national borders, our focus is on the LGS that regulates labour in Bangladesh's exporting factories. This LGS focuses on the larger factories exporting to Western buyers and excludes factories supplying fabric and accessories including many smaller, informally organized production units. The LGS is thus limited in scope.

Participating institutions include several representative organizations operating at different levels: at the local level are the garment manufacturing employer organizations, local NGOs and trade unions. At the national level there is the Bangladesh government and its agencies, including the Ministry of Labour and Employment, the Department of Inspection for Factories and Establishments (DIFE), the judiciary and the police. At the international level, there are the lead firms and the organizations to which they are affiliated, international unions (IndustriALL and UniGlobal), NGOs (e.g. Clean Clothes Campaign), the ILO, and foreign governments, especially the EU and USA.

As indicated in Table 2, the LGS includes three types of regulation. First, Bangladesh has a public, legal framework for labour regulation. Although the Bangladesh government has ratified most of the ILO's core labour standards, including Convention No. 87 on freedom of association and Convention No. 98 on collective bargaining, enforcement of relevant law remains weak and is a major reason for attracting buyers to Bangladesh. The 2006 Labour Act regulates contracts of employment and other work-related aspects including worker consultation, trade unions, wage determination and dispute settlement. Following Rana Plaza,

the Act was amended to include new safety precautions, serious accident reporting by factory inspectors, establishment of health centres in large factories (5,000 or more employees), and improvement in workers' death benefits. The number of factory inspectors was increased but their number remains inadequate. A safety program known as the National Initiative (NI) was introduced including government inspection of over 1,500 export factories. In 2015, new regulations strengthened Worker Participation Committees (WPCs) required by the 2006 Act: workers' representatives in factories employing more than 50 workers were to be elected by secret employee ballot and committee meetings were to be held at least six times a year (Manzur, Brown, Knudsen and Remick, 2017). Additional amendments to the 2006 Act were intended to ease union registration and to facilitate collective bargaining (Rubya, 2015). However, the government did little to implement these changes and avoided prosecuting employers for anti-union practices, including violence against union leaders and dismissals of union members (Anner, 2018, p. 8; Chowdhury, 2017). Unions remain weak at around three percent density and collective bargaining non-existent. Worker discontent is occasionally explosively expressed in the form of large-scale strikes followed by violent repression (Alamgir and Banerjee, 2019; Anner, 2018). Bangladesh government reluctance to enforce labour regulation reflects dependence on garment employers for political and economic support (Croucher and Houssart, 2018).

This is despite attempts by Western governments to pressure the Bangladesh government through trade-related agreements. For example, in the immediate aftermath of Rana Plaza, NGOs and unions persuaded the US government to suspend several Bangladesh's advantages under a trade agreement that affected goods other than garments. Soon afterwards, the EU and ILO (later joined by the US and Canada) negotiated a 'Sustainability Compact' requiring improvements in labour standards. After considerable delay, these were subsequently included in legislative amendments, but as noted above, enforcement remained weak. Meanwhile, foreign governments have been funding factory-based schemes to improve selected labour outcomes.<sup>2</sup> Western governments have also indicated that lead firms should take labour standards and human rights in their supply chains more seriously, though initiatives like National Action Plans for implementing the UN Guiding Principles on Business and Human Rights (UNGPS) are voluntary and limited in scope to larger and publicly listed companies.<sup>3</sup> The EU Parliament launched the Garment Flagship Initiative in 2017 requesting the EU Commission to address labour rights violations via legislation. However, the Commission rejected this proposal, preferring to continue with a voluntary approach.

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<sup>2</sup> For example, the Danish Government recently targeted occupational safety and health (OSH). This includes recruitment of a special counsellor to the Danish Embassy in Bangladesh and sector-based cooperation projects. The Growth Counsellors' mission is to strengthen cooperation and facilitate the overall Danish effort to improve OSH while projects aim to improve OSH capacity building in DIFE, especially regarding inspector effectiveness and information dissemination.

<sup>3</sup> Exceptions are the French "Loi relative au devoir de vigilance" drafted in 2017 and the weaker UK and Australian Modern Slavery Acts. The German government fostered a multi-stakeholder initiative that develops stricter, binding guidelines for member firms for improving labour conditions in global textile supply networks. These regulations are sometimes implemented directly in public procurement procedures, thus placing greater requirements on suppliers – not least from Bangladesh – to comply with core labour standards.

Meanwhile, the ILO established a programme to improve working conditions and labour relations in the garment industry (ILO, 2020b).

In response to changing public regulation and pressure from stakeholders and the media after Rana Plaza, lead firms have revised their supply chain policies and practices (Schuessler et al., 2019a). Lead firms have reduced the number of suppliers and began working more closely with preferred suppliers. Extensive third-party auditing has been complemented by more intense factory monitoring. Factory managers in our survey reported an average of slightly more than four codes per factory and nine audit visits a year by lead firms or third-party auditors (Schuessler et al. 2019b: 16-17). Yet, as Anner (2018; 2019) emphasizes, increased auditing and compliance measures tend to be correlated with falling purchasing prices, thus exerting a dual squeeze on factory managers who then seek reductions in labour costs. In addition, lead firms have expanded their 'regulatory portfolio' towards capacity building and political advocacy – but auditing and a focus on compliance rather than commitment still dominate (Locke, Amengual and Mangla, 2009; Oka et al., 2020).

Rana Plaza highlighted the limitations of private individual regulation, particularly concerning building safety. Consequently, this was addressed through a new private, collective form of regulation represented by two institutions: the Bangladesh Accord on Fire and Building Safety (Accord) and the Alliance for Bangladesh Worker Safety (Alliance). The Accord is a fixed term agreement (5 years) that was extended for several months (Accord, 2018). Funded by +200 lead firm members, its coverage includes the approx. 1,650 factories that produce entirely or mainly for Accord member firms. Disputes are subject to legally binding arbitration (Accord, 2018). Unlike codes, factory owners are accountable through an inspection and remediation process whose results are publicly available. In addition, the Accord includes requirements that encourage factory-lead firm collaboration to improve safety (Scheper, 2017, pp. 1082-1083; Alliance, 2018). The Alliance, supported by 29 mainly US firms, was a five-year (2013-18) alternative to the Accord, which avoided bargaining with unions in preference to consultation (Donaghey and Reinecke, 2018). Because of its relatively small size and overlap with the Accord -- around one quarter of Alliance factories also supplied Accord lead firms -- the Alliance worked closely with Accord officials, playing a subsidiary role in improving building and worker safety.

#### *4.2 Institutional Relations*

The UNGPS request governments to "... consider a smart mix of measures – national and international, mandatory and voluntary – to foster business respect for human rights." (2011, p. 5) Such a combination is absent from the Bangladesh garment LGS. Although relationships between the regulatory forms outlined above and between the principal participating actors have been changing since Rana Plaza, their basic features, as summarized in Table 2, remain the same: weak co-ordination with few explicit rules, mainly top-down and lacking in complementarity.

With a continued strong focus on voluntary action by lead firms and suppliers, LGS strength remains low, but has been increasing in some areas, especially regarding building safety where initiatives like the Accord and the Alliance have contributed strongly to increasing transparency and awareness of legal and code of conduct requirements by factory managers

and workers. However, a significant public policy gap remains, reflected in absent or weak supply chain labour legislation in most Western countries and very limited enforcement in Bangladesh.

The LGS has become more explicit with the reforms made to the Bangladesh Labour Act outlined above, emerging international norms relating to lead firms and revised codes of conduct, compliance and transparency procedures promoted by the OECD and complemented by dialogue between multiple stakeholders. Consequently, factory managers and workers report stronger awareness of safety requirements and labour rights (Frenkel et al. 2020; Kabeer et al., 2020).

The structure of coordination has tended to be hierarchical, with lead firms, Western governments and other stakeholders requiring strict compliance with new building safety rules in the Bangladesh garment industry. There is no regular social dialogue forum bringing together governments, lead firms, suppliers, and worker representatives to establish principles of shared responsibility for resolving problems and developing new regulation strategies. However, the Accord, assisted by the ILO, established an on-going dialogue between lead firm and international union representatives, including consultation with NGOs. The Accord and Alliance facilitated communication between lead firms and between the international unions and local organizations. Supplier representatives were regularly informed but were excluded from Accord and Alliance decision-making. Explicit co-ordination occurred within the Accord as formal supplier evaluation and remediation efforts were mutually recognized. Although co-ordination by Accord and Alliance officials with the government's NI program was limited, frequent discussions concerning improvements in safety training were promoted by the ILO and facilitated by foreign governments (see earlier). Because local trade unions and supplier organisations remain weak relative to lead firms, and the government prefers to avoid participating directly in labour relations, co-ordination is usually organized by the lead firms in collaboration with the international unions. Indeed, some authors have criticized the Accord for excluding local actors, interfering with Bangladeshi state sovereignty and shifting power further in favour of lead firms (Zajak, 2017).

This lack of inclusive coordination has resulted in weak complementarity among the various initiatives. Lead firms are reported to shift resources among different initiatives based on those that best meet the current expectations of policy makers. Factory managers must undergo costly multiple and sometimes inconsistent code of conduct audits by lead firms that require stronger coordination and transparency. Public policy remains fragmented and labour legislation weakly enforced. Thus, critics argue that the LGS remains piecemeal, resulting in inconsistencies and weaknesses in labour standards. The strongest improvements have been in the area of building safety, where the Accord (together with the Alliance) co-ordinated factory safety initiatives, encouraged dialogue within and between organizations and contributed to a general climate of improved compliance with labour standards in garment factories supplying affiliated lead firms (Frenkel et al. 2020).

#### *4.3 Labour Outcomes*

Our analysis above suggests that the Bangladesh garment LGS has elements that more closely resemble the weak ideal type. It is strongest in the area of building standards and worker safety, so we would expect labour outcomes to be commensurate with international standards in this area. In other areas, revision of codes of conduct and related behaviour are likely to have had less impact. Drawing on data from the project's worker survey (see earlier), Table 3 summarizes specific substantive and procedural labour outcomes, the first four aspects are ordered according to worker values (Kabeer et al. 2019; 2020). (Columns 1 and 2), together with an evaluation (Column 3) and evidence concerning change since Rana Plaza (Columns 4 to 6).

**Insert Table 3 Here**

As anticipated, the prevailing pattern of labour outcomes is barely consistent with international standards. Positive aspects include building safety and the work environment, both of which strongly reflect the impact of the Accord and the Alliance. Jobs are not especially insecure, although, despite being employed on an on-going basis, only around 6 in 10 workers are satisfied with their job tenure. More problematic are several aspects including earnings, which are well above the (very low) legal minimum but below the estimated living wage, while working hours are very long. When under pressure, workers claim that their overtime hours (mean 3.3 hours) exceed the legal limit but we do not know how frequently this occurs. It is noteworthy that less than a third of workers report being satisfied with opportunities for overtime, suggesting that some workers may want more overtime than is normally available and some less (Kabeer et al., 2020). Regarding procedural issues, verbal abuse, mainly by supervisors, is frequently experienced so it is not surprising that only around 6 in 10 workers are satisfied with management behaviour. This is mainly experienced as rule-bound (49.3%) or characterized by unilateral domination (27.8%) rather than as caring (14.3%) or consultative (8.6%). However, almost two thirds of workers report having opportunities to complain. Of relevance here is that 71% of workers claimed knowledge of company codes of conduct compared to 40% who reported knowledge of the labour laws. Despite virtually no union presence in the factories and no collective bargaining, a large proportion of workers claimed that WPCs were functioning with elected worker representatives and nearly two thirds judged these to be effective.

When considering labour outcomes from the standpoint of changes over time, the picture is clearer and more positive, although this is from a pre-Rana Plaza, very low base. In five of the eight job aspects included in Table 3, more than a half of worker respondents reported an improvement in their factory since the Rana Plaza disaster. Only in regard to overtime opportunities did a sizeable proportion of workers (40%) report a deterioration. Apart from this, where improvement was reported by less than two thirds of respondents – job security, earnings, sexual harassment and management behaviour – a large minority reported 'no change.'

A regression analysis conducted by Kabeer et al. (2020) indicates that positive changes were mainly associated with the concerted effort of the Accord and Alliance. Workers in factories affiliated with these initiatives were found to be significantly more likely to report improvements in building safety and the work environment. Similar results were obtained for

opportunities for complaints and sexual harassment, indicating that the initiatives' emphasis on safety improvement was having a ripple effect by creating a wider climate of improved relationships with the factory workforce compared with relationships in non-affiliated factories. Non-significant results were found for earnings, opportunity for overtime hours and job security, all aspects especially sensitive to buyer demand and production requirements.

## 5. Discussion

Since Rana Plaza, the Bangladesh garment industry LGS has become more complex. While both public and private regulatory initiatives have previously existed, the number of regulations and actors involved has increased, and their scope has widened to include strengthening of building safety and workers' health and safety. Arguably, the most important recent development has been the formation of multi-stakeholder initiatives that are both collective, comprising multiple brands, and union-inclusive, involving global union federations and other stakeholders (Ashwin et al., 2020; Reinecke and Donaghey, 2018). These initiatives, with their collective structure of coordination and explicit rules, achieved improvements in the areas of building safety and employment stability, with some spillover into other areas including fairly effective WPCs. Yet, low wages, long working hours and verbal abuse remain major problems. Persistence of the unequal power structure is underlined by current order cancellations, postponements, and payment delays by lead firms responding to dramatic Covid-19 related sales reductions (Anner, 2020; CGWR, 2020). With the industry's dominant business model relying on a "double squeeze" of prices and lead times (Anner, 2018), major changes in production and regulation are required.

At the same time, the vast scale and tragedy of the pandemic, including mass furloughs and the likelihood of factory closures, may act as a prolonged, new focusing event that opens policy windows for reconsidering supply chain governance and social change more generally (Picketty, 2020). Three key issues need urgent attention to build a stronger LGS: a systematic realistic increase in purchasing prices, a commitment to factory upgrading, and strengthening of worker voice. Whether or not these issues become policy agenda priorities depends crucially on actors' mobilization of political awareness during a focusing event (Birkland, 1998). Sustaining such attention over longer periods of time can be promoted by an ongoing multi-level (international, regional, national and local) dialogue between representatives of the main parties, including the ILO as a facilitator. This collaborative framework would be designed to generate new ideas and build trust (Rodrik and Sabel, 2019) and would be based on the principle of shared responsibility for implementing labour governance in supply chains (Baumann-Pauly et al., 2018).

Several non-mutually exclusive policy options are worth considering to achieve these aims. First, in the buyer countries, national legislation should aim at establishing a floor below which labour costs in supply chains should not fall. This is especially important in view of the adverse employment effects of the coronavirus pandemic (TUAC, 2020). This legislation should include extra-territorial lead firm liability for supplier violation of international labour standards (Bartley, 2018). Exemplary rules for public procurement and transparent labelling would complement the legislation, encouraging changes in consumption and business models (Lohmeyer and Schuessler, 2018; Reinecke, Donaghey, Bocken and Lauriano, 2019). All

relevant international garment buyers in the buyer country would contract with Bangladeshi suppliers at prices consistent with meeting agreed minimum labour standards. Lead firms would integrate purchasing and CSR objectives and personnel so providing clear support for upholding labour standards (Kuruville, Liu, Li and Chen, 2020; Amengual, Distelhorst and Tobin, 2019). Incentives and coordination aimed at changing purchasing prices could be supported by extant collective, private regulatory initiatives such as ACT (Ashwin et al., 2020) or the German Partnership for Sustainable Textiles (Grimm, 2019) which currently are weakly supported by complementary public regulation. Legislation along the lines of the French Loi de Vigilance (Evans, 2018) is therefore needed to make it harder for firms to compete on low labour costs. These policies would be supported at the factory level by revised code of conduct and monitoring processes that seek harmonisation and include worker representation. International trade agreements could assist in reinforcing the objective of maintaining international labour standards by offering buyers tax reductions for exceeding supply chain governance standards and denying suppliers access to tariff concessions where labour standards are violated. Finally, this panoply of regulation might encourage lead firms to reward suppliers that consistently maintain high labour standards with longer-term, higher volume contracts and engagement in joint economic and social upgrading initiatives that might attract foreign government investment as indicated below (Barrientos, Gereffi and Rossi, 2011).

Second, in order to meet price and quality requirements, and uphold agreed labour standards, factories will need to upgrade their capability to maintain or reduce unit labour costs. This will require a program of factory upgrading in Bangladesh, perhaps funded by the International Finance Corporation (World Bank) and/or foreign governments. It might be based on an assessment and extension of the ILO's Better Work Program guided by the multilevel dialogue framework mentioned above. The program would emphasize improving factory business strategy, buyer relationships and productivity while continuing to seek improvements in labour relations designed to uphold international labour standards, both in their own factories and in sub-contractor businesses below the first tier. The program would include knowledge dissemination and training throughout the Bangladesh export garment industry.

Third, factory labour relations require substantial change. Under the auspices of multilevel dialogue, a stakeholder commission, chaired by the ILO, should be established to provide a collaborative framework for change. Collective bargaining would be the centrepiece, supported by workplace consultation in the form of effective WPCs and safety committees. Loosely organized militancy and oppression of trade union leaders, which are both likely to surface strongly in the current crisis situation, would be replaced by the mobilization of activist networks and co-operation with NGOs in pursuit of common objectives e.g. women's health (Zajak, Egals-Zandén and Piper, 2017, Lohmeyer, Helfen and Schuessler, 2018; Kabeer, 2019) to create a vibrant labour movement whose leaders are capable of engaging in collective bargaining. These changes would need to be supported by training programs for workers, union leaders and managers, facilitated by the ILO and perhaps supported by the World Bank.

## 6. Conclusion

While acknowledging some advances since the Rana Plaza focusing event in 2013, the Bangladesh garment industry LGS continues to have many gaps that have left workers acutely vulnerable to exploitative working conditions and loss of livelihood. Comprehensive reform is both urgent and necessary. The relevant stakeholders would benefit by establishing a collaborative framework under the auspices of the ILO to discuss among other topics, the framework and related proposals suggested in this paper. The ongoing, systemic problems in supply chain governance demonstrated by the Covid-19 pandemic should be interpreted as a call for action around forging a new type of globalization that prioritizes international collaboration for social protection, resilient, efficient suppliers and protection of the natural environment. Stakeholders in the garment industry now have a rare opportunity to negotiate a stronger LGS that provides clear incentives for firms to maintain international labour standards. To remain globally competitive, and to avoid lead firms pursuing an insourcing strategy that would erode employment in the Bangladesh garment industry, this needs to be accompanied by improvements in suppliers' business strategies and productivity. Finally, the shift of the Accord and Alliance into local actors' control in form of the new RMG Sustainability Council may encourage a shift away from auditing towards innovative problem-solving in the interest of suppliers and workers, thereby accelerating labour governance reform. In the short term, however, extreme changes in demand during the Covid-19 crisis might exacerbate labour standards' violations in garment supply chains. This would challenge all stakeholders to immediately address remaining governance gaps, particularly low purchasing prices, limited factory upgrading, and inadequate worker voice. Collective governance initiatives, both public and private, need to be urgently developed to systematically tackle these issues. As the Rana Plaza focusing event and evidence from our research project has shown, collective action can over time make a difference.

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**Table 1:** Weak and strong types of labour governance system

<b>LGS dimension</b>	<b>Weak</b>	<b>Strong</b>
<i>Institutional characteristics</i>		
Scope	Narrow	Wide
Number	Few	Several
Forms	Individual: firms only	Multiple: firms, unions and NGOs
Public, multiple organizations	Yes, law not enforced	Yes, at various levels; includes trade agreements
Private, single organization	Yes	No
Private, multiple organizations	No	Yes (collective bargaining)
<i>Institutional relations (co-ordination)</i>		
Strength	Very limited	High
Explicitness	Low, implicit	High, explicit
Structure of co-ordination	Authoritarian	Democratic
Character of co-ordination	Conflictual	Consensual
<i>Outcomes</i>		
Procedural e.g. worker voice	Weak	Strong
Substantive e.g. pay, working conditions	Below international standard	At or above international standard

**Table 2:** The Bangladesh garment export labour governance system in 2019

<b>LGS dimension</b>	<b>Bangladesh garments</b>
<i>Institutional characteristics</i>	
Scope	Limited to first tier export factories
Number	Several
Type	Multiple: firms, unions and NGOs
Public, multiple organizations	Yes, labour law and trade agreements
Private, individual organizations	Yes, codes and auditing
Private, collective	Yes, Accord and Alliance
<i>Institutional relations (co-ordination)</i>	
Strength	Low, increasing
Explicitness	Low, increasing
Structure of co-ordination	Mainly authoritarian (attempt at social dialogue by ILO)
Character of co-ordination	Weak complementarity
<i>Labour outcomes</i>	
Procedural e.g. worker voice	Weak but improving via WPCs; anti-unionism remains
Substantive e.g. pay, working conditions	Safety improved, other labour outcomes remain at sub-standard levels

**Table 3:** Outcomes according to job aspects and workers' perceived changes since the Rana Plaza disaster

Job aspects	Mean worker response	Evaluation	Perceived changes since Rana Plaza in %		
			Improved	No change	Worsened
<i>Substantive</i>					
Job security	97% permanent status; tenure 3.6 years; 58.9% satisfied	Not especially precarious	47.4	41.5	11.1
Building safety	94.3% satisfied	Considerable remediation	85.0	0.3	14.7
Work environment safety and health	93.5% satisfied; 90% reported presence of safety committee	As above	86.5	13.2	0.3
Earnings	8,993 Taka; 45.6% satisfied	Based on ISEAL (2017), between 66% and 54.6% of the living wage depending on worker residence	58.7	36.8	4.5
Hours of work/opportunity for overtime	of 60, sometimes more; 29.1% satisfied	Long working hours possibly within legal limit	18.7	41.2	40.1
<i>Procedural</i>					
Sexual harassment	1.2% often	Infrequent	13.0	86.3	0.7
Verbal abuse	81.4% often	Frequent			
Management behaviour	62.1% satisfied	Bureaucratic	56.3	38.3	5.4
Opportunity to complain/WPC functioning	64.7% satisfied; 80.3% reported electing reps to WPCs and 64.8% perceive WPCs as effective	WPCs substituting for unions (4.3% stated union present in factory); consultation in lieu of collective bargaining	68.4	30.1	1.5

Source: Kabeer et al. (2019).

*Note 1:* % satisfied refers to proportion of workers that reported being satisfied on a three-point scale (Satisfied, Neither satisfied nor dissatisfied, Very dissatisfied). Exchange rate 80.2 Taka = US\$1.00. Respondents were not asked about change in hours of work since Rana Plaza, nor change in verbal abuse. Rather, they were asked about change in opportunities for overtime and change regarding sexual harassment respectively. Similarly, they were asked about change in opportunity to complain but not change in WPC functioning.



## Garment Supply Chain Governance Project

Changes in the Governance of Garment Global Production Networks:

Lead Firm, Supplier and Institutional Responses to the Rana Plaza Disaster

The aim of this interdisciplinary research project, which is funded by the VolkswagenStiftung as part of the “Europe and Global Challenges”-Program in cooperation with the Wellcome Trust and Riksbankens Jubileumsfond, is to understand the challenges of improving labour standards in global production networks by triangulating the perspectives of lead firms, suppliers and workers in the context of ongoing institutional innovations in the Bangladesh garment industry.

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