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The Cost of Saving Lives in Bangladesh

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The hard decisions that need to be made to prevent another tragedy like the garment factory collapse that killed over 1,000 people.

The horrific death of more than 900 Bangladesh garment workers in the collapse of a building, following the death of 112 garment workers in a Bangladesh factory fire five months ago, has led, of course, to the inevitable calls for reform. The immediate question is how to ensure structural soundness of factories after the multi-storied Rana Plaza facility--making garments for as many as 30 international retailers--broke apart, burning, suffocating and crushing its workforce. But broader issues of worker health and safety for Bangladesh's 5,000 garment factories have also come to the fore.

But if real reform is to occur on the ground, hard, complex questions must be asked and answered. Most importantly, what is the cost of necessary changes to protect workers and who will pay? Many actors have a role: the Bangladesh government, the factory owners, the garment buyers (including many international brands), consumers across the globe looking for cheap prices and developed world governments which have allowed preferential treatment for Bangladesh imports (using "trade" in lieu of "aid") without serious review of worker standards.

Unless these fundamental relationships and responsibilities are clarified (perhaps by a multi-stakeholder task force), meaningful change is unlikely to occur given the complex interrelationships that allowed the tragedy to occur in the first place. At the core of the problem are global garment retailers who want the incur the lowest cost--and offer the lowest price--to compete in developed markets but who do not want to be complicit in publicized worker tragedies in developing markets. Similarly, governments in developing countries want to attract garment manufacturers (who sell at lowest cost to international retailers), want to pay lip-service to worker protection, but do not want to send those manufacturers to another low cost country because of costly health and safety regulation.

The backdrop for the catastrophic event at Rana Plaza is growth of the garment industry in Bangladesh. For much global trade, labor costs are only one part of the business equation. But in some spheres, like apparel, textiles and toys, cheap labor still is vital. And, as one of the poorest nations in the world (Bangladesh, a nation of 160 million, ranks 192nd in terms of per capita income), the minimum wage for the about 3.5 million garment workers (80-90 percent women) is about $38 dollars per month (one of lowest in the world). As wages in China have risen, international buyers have shifted attention to Bangladesh where thousands of garment factories now produce between $18-20 billion in goods annually, which constitute about 80 percent of the nation's export volume and 10 percent of GDP.

The threshold question is whether the government of Bangladesh has established adequate laws and regulations relating to worker health, safety and well-being which provide appropriate nominal protection when compared to norms in other nations. These rules include building codes, fire prevention, health and safety conditions inside factories, other labor standards relating to wages and child labor, the right to organize, environmental protection against factory discharges and funds for workers injured, disabled or killed on the job. A daunting list! The obvious related question is whether Bangladesh has the means to enforce such laws: the political will, adequate numbers of trained inspectors, adequate numbers of enforcement officials, a regulatory and legal system capable of imposing sanctions when warranted and a remedy regime which imposes proper individual or company fines or penalties both to punish and deter individuals and companies as well as the capacity to order meaningful remedial action.

Bangladesh is poor and corrupt (rank: 144 if 176 on Transparency International Corruption Perceptions Index). It has had a strategy of encouraging the low cost garment industry by not having a serious regulatory regime protecting labor. And news reports state that its politicians have been involved in owning or supporting garment makers with improper payments to ensure laws do not exist or are not enforced. Although reformers and the government itself have called for a changes in government, there has been no serious analysis since the fire and building collapse of the "regulatory deficit" (although the government has promised to work with the International Labor Organization and workers to review plant safety by year end). How much would it cost to pass laws and develop meaningful enforcement capacity; how would poverty ridden Bangladesh pay for it; and, given corruption and weak rule of law, is meaningful action

at scale in this sphere possible? Inadequate government is a huge obstacle to change, made even more difficult in a nation with highly contentious politics.

A second key question is whether the owners of the factories which make garments have the resources and the will to pay for the "compliance deficit." the cost required to bring factories and working conditions from their current state "up to code," assuming good laws and meaningful enforcement. Western consultants estimate that only about one percent of Bangladesh garment factories have good standards. Again, there is no detailed analysis of this question which has many dimensions. What would be cost, for example, of making the existing 4500 factories structurally sound (one labor organization has estimated $3 billion but without details). Importantly, what are the economics of the garment makers? Do they have any profit margins or net cash flow which could fund improvements. Can they raise prices to international buyers to get such funds without losing customers to competing countries? But, even if some manufacturers raise prices to fund reform, many others may try to keep their prices low to keep or increase business and to free-ride on the changed reputation of others, in the absence of effective government.

A third, related question is whether these garment factory owners are willing to allow workers to organize in unions or associations in order to have a voice in health and safety conditions (again assuming decent labor laws and decent enforcement). Following the building collapse stories emerged at how anti-union both the government and the owners have been. Yet worker "voice" is necessary to speak to government, owners, buyers, NGOs and the media. But, although right and necessary, such voice-- overcoming the "organizing deficit"-- has a cost too which must be understood if it is realistically going to grow, importantly with the support of the international retailers.

A fourth key issue relating to "who pays" and "who is accountable" questions is, of course, the role of those global retailers who buy the low-cost Bangladesh garments, the "buyer deficit." Approximately 60 percent of the clothing made there goes to United States or the European Union. Many international brands buy from Bangladesh suppliers, including Wal-Mart, Benneton, Calvin Klein, Tommy Hilfiger, Children's Place, Primark and Joe Fresh.

Having been criticized sharply for poor labor practices in suppliers, most well-known global companies (or their brands) have established labor standards for the companies from whom they buy product, either individually or through industry associations. They audit compliance with those standards themselves or through independent organizations. But, there are several problems. The standards may depend on local law which is inadequate or does not cover key technical issues (like building codes). When there are violations, the buyers may simply cut off the suppliers rather than helping them improve their practices, leaving workers no better off. Standards therefore my lead to buyers with visible brands to find select suppliers who are "up to code" but leaving many, many more who impose sub-standard conditions on workers. And sometimes, global buyers simply leave the country when they conclude that conditions are so bad, and compliance with standards so hard to ascertain, that they don't want to take the risk

of having their brand associated with product from that country. In the case of Bangladesh, both Walt Disney and Levi-Straus, two iconic U.S. brands, have pulled out of the country altogether.

The question then becomes whether international buyers are willing to go beyond imposition of standards and supplier cut offs and to pay, in some form, for the undetermined costs of the government "regulatory," supplier "compliance" and worker "organizing" deficits. But, this aspect of the "buyer deficit" has no easy answer. Many have called for international buyers not to leave Bangladesh but invest in it because, deeply flawed though it may be, the garment industry has been a source of growth for the country and a way station, however dangerous and exploitive, out of even worse rural poverty for many women. But such calls have often been short on details about funding and implementation.Given corruption in the government and untrustworthiness of manufacturers, creating funds through higher taxes on buyers or higher prices from garment makers are unlikely and ineffective sources of finance for real reform.

Buyers could, perhaps, work directly with a few trusted manufacturers to use their own funds to help bring a small percentage of factories up to decent standards. But, this would leave hundreds, if not thousands, of facilities in sub-standard and hazardous condition. A few companies have committed funds for building fire safety (Gap pledged $22 million) or for training plant managers (Wal-Mart offered $1.8 million) or for compensating victims. Other retailers have indicated a willingness to finance some safety efforts (amounts undetermined) if other buyers will join them in such concerted action. (See, for example, the proposal of the Clean Clothes Campaign, a worker's right NGO).

Perhaps an international non-profit organization could be created to receive and disburse such funds from international retailers, but target amounts, criteria for potential recipients and implementation planning are far from being defined. And, even in the immediate wake of catastrophe, many companies have not even made vague commitments to spend funds on actual improvements rather than just set and audit standards and reject suppliers who don't meet them, although buyers are meeting to discuss what can be done. Ensuring that such private retailers funds are used for their intended purpose by manufacturers is yet another issue. Thus, actually implementing major substantive change--not just articulating good plans--by a concerted, critical mass of outside buyers, rather than by the government, is a significant challenge in a weak state like Bangladesh.

Then there is the "customer deficit." If international retailers were willing (and able) to finance changes in Bangladesh factories in a meaningful, could they pass those costs on to bargain hunting customers in the U.S. and the EU through higher prices -- or would they just reduce their profits by the amounts dedicated to real change. Under competition laws, companies cannot, obviously, agree on such a price rise so there will be disparate responses from retailers in amounts spent on reform and pricing actions, leading again to lack of coordination and free-riding. But, if price is not the only consideration, consumers can, as with other products like coffee and fruit, demand that

retailers disclose supplier standards and auditing. Can a robust consumer movement arise among those shopping for discount clothing in response to the Bangladesh building collapse?

Finally, there is the question of what the EU and U.S. can do to leverage trade preferences for Bangladesh imports (given in the name of stimulating economic growth in one of the poorest nations) for better health and safety standards in the factories producing those imported products. To address this "trade law" deficit, and all the other "deficits" described above, Sander Levin and George Miller, Democrats on the House Ways and Means Committee, have asked the Obama Administration to review US trade preferences (which cover only part of apparel imports) and to join with the EU and Bangladesh in convening a task force of governmental, business and NGO representatives to develop a concrete plan of action.

Such a task force must address the fundamental issues raised here. What are the standards? What is the cost? Who is accountable? I am not advocating a comprehensive solution which could take years to devise and implement. Yet, priority, near-terms actions can flow more sensibly from the work of a special task force addressing the fundamental, longer term financial and responsibility issues affecting the various interconnected actors.

Many commentators have drawn an analogy between the collapse of the Rana Plaza in the Bangladesh Capital of Dhaka and the 1911 Triangle Shirtwaist factory fire in New York which claimed 146 lives. The 1911 event led to formation of a strong union (The Ladies Garment Workers) and much-needed reforms. But the Rana Plaza catastrophe represents a more complicated set of fractured global relationships, responsibilities and financial capabilities. Without greater clarity from an authoritative international body about these relationships, responsibilities and ability to pay, needed reform -- which goes beyond mere rhetoric urging change -- may be buried just as tragically as the more than 900 people under the Bangladesh rubble. And a double tragedy would be if reform efforts in Bangladesh drive garment makers and international retailers to other low cost countries which have not been in the spotlight--e.g. Pakistan, Myanmar, Vietnam, Cambodia--but where worker health and safety problems are much the same.

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