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# Ethical Reform in Bangladesh's Ready Made Garment Industry: Building on the Alliance and the Accord

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# Ethical Reform in Bangladesh's Ready Made Garment Industry: Building on the Alliance and the Accord

## **Cover Page Footnote**

I would like to thank Paul Hodum and Jonathan Lukes for their technical assistance with the regression analysis including their contribution to collecting archived data used for the analysis, as well as in analyzing the data and contributing to the paper via a report on those findings.

## Current Issues

In late 2012 and early 2013, two separate garment factory disasters, both due to hazardous and cramped working conditions, left over 1,200 garment factory workers dead in Bangladesh. These were not the first industrial accidents of their type in Bangladesh, and there have been multiple accidents since, but they were the worst in recent history and thus attracted international scrutiny of the unsafe, and often life-threatening, working conditions faced by Bangladesh's 4.2 million (mostly women) garment workers. The incidents resulted in boycotts from major Western brands and increased pressure on Bangladeshi garment factory owners from factory workers, worker organizations, human rights and watchdog organizations, civil society, and local and global governments to work to meet international factory safety and ethical labor standards.

Three years later many garment factories have made extensive progress towards improving building safety, due in large part to the Accord on Fire and Building Safety in Bangladesh and the Alliance for Bangladesh Worker Safety. The Accord is a legally-binding agreement between over 200 apparel brands and Bangladeshi garment worker unions, while the Alliance operates somewhat differently and was formed by multiple apparel and retail companies, including Gap and Walmart, but does not provide a role for workers or unions. A key function of both is to inspect factories and hold them accountable for making necessary upgrades towards providing safe and structurally sound work environments. The Accord obligates companies to pay for upgrades for the factories they contract with, while the Alliance assists factories financially by providing low-cost loans backed by a corporate guarantee. These

monitoring bodies also hold their retail members accountable for not buying from any factory that has failed to meet membership standards pertaining to providing a safe and secure work environment.

The two key characteristics that have made the garment production industry in Bangladesh so successful are, ironically, the same two characteristics that have made their industry so unstable—low wages paid to workers and lax regulations (Avins & Bain, 2015). Low wages have indeed driven the success of Bangladesh’s ready-made-garment (RMG) industry and, up until 2013, so were lax regulations surrounding factory worker safety in the country. With the lowest minimum wage within the industry, retailers flock to Bangladesh to increase their profit margins. But awareness of unethical factory working conditions continues to rise among consumers, who are becoming more vocal and are demanding more in terms of the conditions under which their clothing is produced. Retailers, with additional pressure from multiple watchdog groups and anti-sweatshop campaigns, have certainly taken notice as well. Many clothing retailers have taken or are beginning to take great strides in requiring ethical labor practices of the factories from which they purchase. As more consumers change their buying habits, and more worker unions find their voices and fight for policies that not only provide them with safe structures to work in, but protect them from unfair and unethical treatment as well, the market for ethically produced clothes will expand exponentially. As this market expansion occurs, more retailers will be working to identify factories that have guaranteed fair labor practices in place, including providing living wages to their employees.

## Discussion

**Strategic Analysis.** The RMG industry in Bangladesh has many strengths. One of the key strengths includes the availability of a large and skilled or easily trainable labor force.

Table 1

The industry also has a longstanding relationship with foreign buyers, banks and shipping companies and a capacity to handle large-volume orders (Alam, 2015). In addition, Bangladesh is the second-largest garment exporter worldwide after China, with the minimum wage in Bangladesh being the lowest in the world, which is reflected in the low product price. Werner International reports that Bangladesh had, along with Pakistan, the lowest 2014 average hourly wage rates in the textile industry at US\$ 0.62 per hour. China, the top garment producer and exporter in the world, pays an average of \$2.65 per hour (see Table 1) (Werner International, 2015). Lastly,

	US\$/HOUR	RATIO US=100
SWITZERLAND	51,36	290
AUSTRALIA	38,67	218
AUSTRIA	35,42	200
BELGIUM	34,77	196
FRANCE	31,61	179
GERMANY	30,03	170
IRELAND	25,33	143
JAPAN	25,10	142
UK	24,01	136
ITALY	22,67	128
SPAIN	19,37	109
USA	17,71	100
ISRAEL	12,86	73
TAIWAN	10,61	60
S. KOREA	10,22	58
PORTUGAL	9,64	54
SLOVENIA	9,39	53
ESTONIA	8,09	46
CZECH REP.	7,89	45
LATVIA	7,25	41
POLAND	5,70	32
TURKEY	5,48	31
ARGENTINA	3,82	22
COLOMBIA	3,27	18
BRAZIL	3,22	18
TUNISIA	3,18	18
MOROCCO	3,12	18
MEXICO	3,06	17
S. AFRICA	2,94	17
PERU	2,78	16
CHINA	2,65	15
BULGARIA	2,33	13
THAILAND	2,26	13
MALAYSIA	2,12	12
INDIA	1,12	6
INDONESIA	0,95	5
VIETNAM	0,74	4
PAKISTAN	0,62	4
BANGLADESH	0,62	3

Werner International  
2014

Bangladesh tightened labor laws in 2013 after the United States threatened to suspend trade privileges for the country due to labor rights violations and safety concerns within the RMG industry (Greenhouse, 2013). The Alliance and Accord were both signed on the heels of this, and are key strengths of Bangladesh's RMG industry.

It is important to separate the industry's unique resources from its basic strengths in order to identify which resources truly make Bangladesh's RMG industry stand apart from its competitors, and allow it the best opportunities to build upon for sustained competitive advantage. While Bangladesh's basic strengths are certainly crucial for the overall effectiveness and success of its RMG industry, those strengths may also already exist in the RMG industries of competing countries, or they could be easily duplicated within the global industry. Table 2 shows a list of the Bangladeshi RMG industry's key strengths and depicts how those strengths pass what are known as the VRIO (valuable, rare, inimitable, organized to capture success) hurdles. If the strength passes all four hurdles, then it is considered a "sustainable competitive advantage". If it passes three of the four hurdles it is considered a "temporary competitive advantage" and if it passes two or less of the hurdles then it is considered a "competitive wash". For example, one of Bangladesh's strengths is its ability to handle large-volume orders by effectively managing production capacity. This is certainly an integral component of Bangladesh's ability to compete and be successful within the industry. However, all of Bangladesh's close competitors are also very good at managing their production capacities and filling high-volume orders. Thus the strength is a competitive wash and is not unique because it does not pass the VRIO hurdles of being rare and inimitable.

**The Successes**

Table 2

<b>Bangladesh's RMG Industry</b>					
<b>Strengths</b>	<b>Valuable</b>	<b>Rare</b>	<b>Inimitable</b>	<b>Organization</b>	<b>Conclusion</b>
Access to large labor force of skilled or easily trained workers	Yes	No	Yes	Yes	Temporary Competitive Advantage
Success working with foreign customers, banks, distributors and export agents	Yes	No	No	Yes	Competitive Wash
Second largest garment producer in world	Yes	Yes	No	Yes	Temporary Competitive Advantage
Lowest minimum wage in the world	Yes	No	Yes	Yes	Temporary Competitive Advantage
Country has labor laws in place	Yes	No	No	Yes	Competitive Wash
Legally-binding processes in place to inspect and improve garment factories (via the Accord and the Alliance)	Yes	Yes	Yes	Yes	Sustainable Competitive Advantage

According to Table 2, only one of the strengths passes

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all four VRIO hurdles and is therefore most likely to create sustained competitive advantage and distinctiveness in the marketplace. This key strength is the legally-binding process in place (via the Accord and the Alliance) to inspect and improve structural and fire safety in garment factories. This resource is extremely valuable because it is a form of insurance for retailers who are weary of additional factory fires and/or collapses that could result in the loss of millions of dollars paid out to the families of victims of such disasters (as it happened following the Rana Factory collapse in 2013). In addition to profit loss, such disasters wreak havoc on the reputations of all companies that are purchasers of garments produced under such unsafe conditions. The Accord and the Alliance were birthed out of the factory disasters of 2012 and 2013. In order for Bangladesh to not be ostracized from the RMG industry, it had to respond swiftly and appropriately with measures to ensure that its market links and trade privileges were

not irreversibly damaged. In addition, the retailers linked to the disaster were eager to show the public that they were doing everything possible to make up for their gross oversight in doing business with hazardous factories. These monitoring bodies are rare within the world of RMG production, frankly because no other country's RMG industry has found itself in a desperate enough situation for the stakeholders to join forces to create similar monitoring systems in order to rectify such a disaster, and ensure to the extent possible that it does not happen again. It would be difficult for other countries to mimic the development of the monitoring programs due to the high price of funding factory upgrades, making it unlikely that other countries would pursue such an undertaking without proper motivation (sadly, in the form of a large scale disaster). In the meantime, Bangladesh is set apart from all other competitors in its ability to claim that at least half of its factories are members of the Accord and/or Alliance and are monitored regularly to ensure that they meet international building and fire safety standards.

Although the factory disasters of 2012 and 2013 shone a harsh spotlight on the RMG industry in Bangladesh, it gives the country a rare opportunity to harness that global attention that it still receives and redirect it towards the unique monitoring programs in place that ensure that Bangladeshi RMG factory laborers work in some of the most structurally sound and safe factories in the Global South. Bangladesh, via the distinctive monitoring programs in place by way of the Accord and Alliance, can further add value to the frameworks of the Accord and Alliance by addressing the growing need in the RMG market for factories that also uphold ethical social standards within their factories. By successfully marketing these resources, Bangladesh can transform its reputation of being a country ridden with unsafe garment factories where workers are treated poorly, to the only country in the Global South where building safety

*and* fair treatment of workers is guaranteed through a monitoring system that is jointly organized by the government, factory workers, factory owners and retailers alike. Thus, how Bangladesh is defined in the marketplace will become its high standard for safety and ethical treatment, which will completely separate it from its closest competitors.

### **Recommendations**

The first step that needs to be taken is to create a code of ethics regarding the treatment of garment workers within RMG factories in Bangladesh. These guidelines should be modeled after the International Labour Organization's (ILO) recommendations so that they meet the highest international standards. The guidelines can be integrated into both the Accord and the Alliance frameworks at a minimal cost. Based on the changing trends in favor of ethically produced clothing, and pressure from global governments, foreign consumers, retailers and worker organizations to ensure that international labor standards are met, there would be little resistance from members of the Accord and the Alliance to integrate the guidelines into the existing framework in place for monitoring structure and fire safety. The code of ethics would be based on the following principals derived from ILO recommendations and current Bangladeshi law:

- prohibit forced labor
- enforce the country's current minimum legal age of 14 for employment
- prohibit discrimination "on the basis of race, colour, sex, religion, political opinion, national extraction or social origin"
- support workers with family obligations and promote social programs including childcare, basic healthcare, education and family services
- ensure that no worker is paid less than the minimum wage and that wages are not withheld

- no more than 48 hours of work per week with a mandatory 24 hour rest period after one week of work
- enforce the country's current maternity benefits including sixteen weeks of paid time off, guaranteed employment in equal position available upon return from leave, prohibit employer from terminating the employment of a woman during pregnancy or maternity leave, and allows for breaks throughout the day or reduced work hours so that a mother can breastfeed her child.

It should be noted that Bangladesh actually amended its labor act to be more in line with international labor laws, and increased its minimum wage by 77%, in 2013 (International Labour Organization, 2013). Therefore, the issue in Bangladesh regarding ethical treatment of garment workers in RMG factories is not particularly one of inadequate laws, but of enforcement of those laws.

Building on the current frameworks of the existing monitoring bodies gives Bangladesh a unique advantage in addressing these social issues at, oftentimes, a minimal cost. Member retailers would be asked to assist, as they do currently for building inspections, with the financial burdens associated with hiring independent inspectors that are trained and knowledgeable in conducting social audits and in recommending programs or steps to address shortcomings. A team of permanent case handlers will then oversee any needed remediation process. Factories will finally be held accountable by the laws of Bangladesh and retailers and consumers worldwide will be assured that they are purchasing garments made under ethical and safe conditions, as guaranteed by internationally-recognized monitoring bodies.

Many of the guidelines listed simply require compliance. While others will require more planning, implementation and funding. However, there are interesting ways that factory owners

can collaborate with their employees and include them in the decision making process, while also working with clients and the government for assistance with defraying the costs of implementing these programs, which in the end will meet or exceed international standards. Following are specific recommendations for implementing those programs that will require more planning and resources on the part of the stakeholders.

### **Paying Beyond Minimum Wage**

As the number one and number two garment producing countries in the world, both China and Bangladesh have well-established infrastructures in place for catering to the \$1.2 trillion global fashion industry. In 2014, China sold \$162 billion more garments than Bangladesh, had a labor force more than double the size of Bangladesh's and a minimum wage in one of the top-producing RMG cities in China that was 232% higher than Bangladesh's RMG factory minimum wage.

One of the goals of this paper was to discover how much Bangladesh could raise their minimum wage, and overall price tag, without it having negative effects on their RMG industry's sales and profits. Currently, minimum wage for RMG industry workers in Bangladesh is 5,300 taka (\$68 USD) per month. However, the Asia Floor Wage, which is calculated using Purchasing Power Parity \$ and allocates 50% of income toward food, 40% of income toward clothing, housing, children's education and health costs and 10% toward discretionary funds, states that the living wage for someone residing in Bangladesh to live safely and with dignity to be 25,687 taka (\$322 USD) per month (Clean Clothes Campaign, 2015). The author was curious to find out what effects an initial 5% wage increase would have on sales. Although a 5% increase would only slowly make its way toward the "living wage" reported by Asia Floor Wage, it would do much to prove to retailers and consumers that the RMG industry in Bangladesh was serious

about ethical practices in regards to the treatment and livelihoods of their workers. The author used a linear regression model in order to better understand and quantify the price sensitivity of Bangladesh's RMG export products. Multiple attempts at a regression model were taken until the results of the model made sense. The finalized model (Exhibit 2) looks at the Bangladeshi exports (in units) to the United States as the dependent variable; with independent variables made up of the US price per unit of Bangladeshi RMG products (in USD), the US price per unit of the Chinese equivalent RMG products (in USD), US disposable income per capita (in USD), and US gross domestic product (GDP) (in millions of USD). These independent variables were selected to observe the interactions between the prices of Bangladeshi RMG products to their rival, as well as how changes in disposable income and national GDP interacts with the amount of units imported. Historical data for these variables were studied from the years 1989 to 2014 (see Table 3).

It is important to note in the model that the trend of Bangladeshi prices were at a steady increase, compared to the fluctuations in the alternative price of Chinese RMG's, and the last three years of prices in the model show that China held a price equal to or lower than Bangladesh for the first occurrence in the model. Since the model is set to determine future year expectations, this new trend may alter the expected imports of Bangladeshi RMG units if businesses flock to the cheaper alternative Chinese products

Table 3
---------

Bangladesh (units)	Bangladesh \$/unit	China \$/unit	US Per Cap disp inc	US GDP (\$ millions)
174,885,662.12	\$1.85	\$2.96	\$25,340.00	5,657,693.00
202,565,164.16	\$2.12	\$3.26	\$25,557.00	5,979,589.00

208,791,613.80	\$2.11	\$3.34	\$25,395.00	6,174,043.00
340,510,760.05	\$2.07	\$3.59	\$26,134.00	6,539,299.00
355,447,570.23	\$2.09	\$3.69	\$26,218.00	6,878,718.00
430,309,902.36	\$2.08	\$3.84	\$26,610.00	7,308,755.00
519,233,624.93	\$2.06	\$4.08	\$27,180.00	7,664,060.00
529,422,311.05	\$2.12	\$4.37	\$27,719.00	8,100,201.00
671,762,867.91	\$2.16	\$4.74	\$28,397.00	8,608,515.00
743,515,539.79	\$2.19	\$4.74	\$29,923.00	9,089,168.00
773,077,066.53	\$2.17	\$4.80	\$30,352.00	9,660,624.00
966,611,942.43	\$2.19	\$4.84	\$31,524.00	10,284,779.00
965,941,955.87	\$2.18	\$4.72	\$32,007.00	10,621,824.00
927,717,082.59	\$2.03	\$3.57	\$32,755.00	10,977,514.00
913,029,078.00	\$2.02	\$3.17	\$33,344.00	11,510,670.00
941,684,939.00	\$2.10	\$3.00	\$34,223.00	12,274,928.00
1,124,829,783.00	\$2.11	\$2.57	\$34,428.00	13,093,726.00
1,306,918,705.00	\$2.23	\$2.85	\$35,461.00	13,855,888.00
1,351,828,298.00	\$2.30	\$2.83	\$35,870.00	14,477,635.00
1,436,236,868.00	\$2.40	\$2.94	\$36,082.00	14,718,582.00
1,383,832,929.00	\$2.46	\$2.73	\$35,620.00	14,418,739.00
1,606,062,881.00	\$2.45	\$2.69	\$35,684.00	14,964,372.00
1,539,526,666.00	\$2.93	\$3.02	\$36,299.00	15,517,926.00
1,521,916,171.00	\$2.94	\$2.94	\$37,163.00	16,163,158.00
1,692,446,586.00	\$2.92	\$2.87	\$36,369.00	16,768,053.00
1,609,705,350.00	\$3.00	\$2.76	\$37,007.00	17,419,000.00

IBISWorld, Statista, World Bank 2016

### Regression Summary Report

To start the analysis of the Summary Report (Table 4), an evaluation of the Adjusted R Square was performed. As stated in the Regression Model section, the model was rearranged multiple times with multiple variable categories until the highest Adjusted R Square was reached. The model that had the best fit yielded a result of 0.98, meaning that the model equation

would produce a result extremely close to how the equation would perform using the historical data points. The authors believe that the r-square was so high because the predictive line was closely tied to the US GDP. While there might be changes in other variables which create small adjustments, the greatest predictive impact to Bangladeshi imports would be the US GDP.

The next category to review was the Significance of F. With a result less than 0.000, the model estimates that there is well below a tenth of a percent that the data could be producing dependent variable results by chance. These initial results give good confidence that the model should produce results for determining a trend and estimate outcomes of changes. In order to create a formula for the estimates, the coefficients were then reviewed so that the author could determine whether the signs of the coefficients made sense and could help lead to better results. The model's negative coefficients are the Bangladeshi price per unit and the US disposable income per capita. These make sense, as the author can use intuition to judge that if the self-price were to increase, then fewer units would be purchased; and there is discussion that these ready-made-garments might show characteristics of negative elasticity. Hence, as disposable income would increase, US citizens would substitute these items out completely for higher quality garments. The price per unit of the Chinese RMG products as well as the US GDP produced positive coefficients. As the US experiences continued growth, it holds a greater purchasing power and would opt to buy cheaper products from countries like Bangladesh than produce them itself; and if China were to increase their price per unit, companies would choose to purchase similar products at a cheaper price from countries like Bangladesh. By adding in the intercept, the regression model would be as follows:

$$Y = -486,685,035.87 - 87,667,290.25(x_1) - 11,672.39(x_2) + 157.18(x_3) + 69,350,780.92(x_4)$$

Where

- $x_1$  = Bangladesh unit price
- $x_2$  = US per capita disposable income
- $x_3$  = US GDP in Millions USD
- $x_4$  = China unit price

Now that the regression model is set, reviewing the P-value of each coefficient will help determine the probability of a variable having no effect on the outcome. Both GDP and the China price held P-values below 0.01, so the model is extremely confident that the import of Bangladeshi garments was determined by these variables. The price of Bangladeshi units was only a P-value of 0.47, so there is less than a 50% probability where changes in this variable could produce a no-effect on the imports. US disposable income resulted in a 0.69 P-value, meaning there is a 69% probability that the variable could produce a no-effect. Since the focus of the topic is on the price of Bangladesh RMG products along with China's, this model was determined to be helpful for constructing a conclusion.

Table 4

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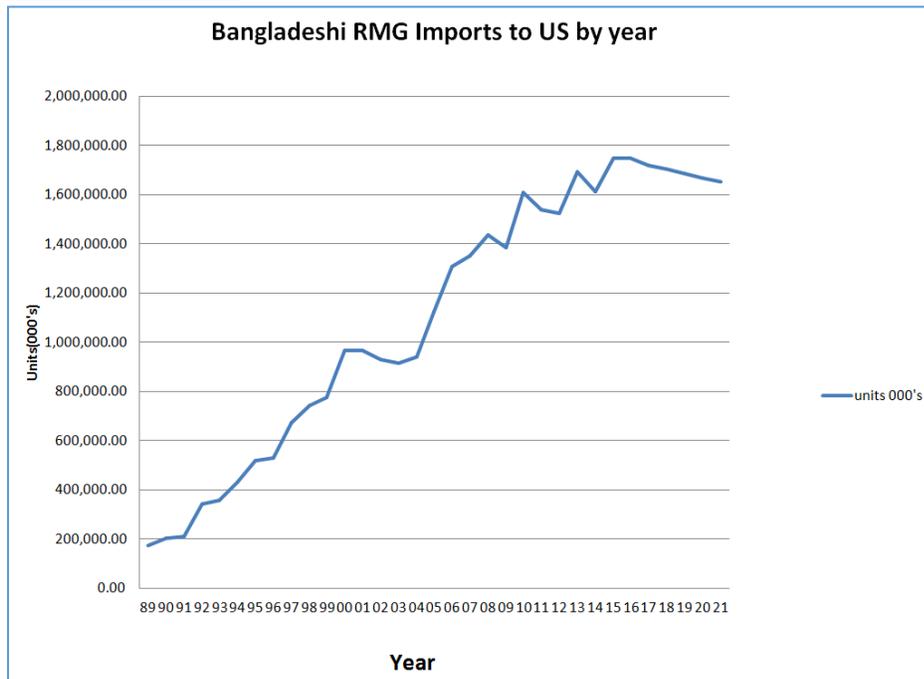
SUMMARY OUTPUT									
<i>Regression Statistics</i>									
Multiple R		0.99							
R Square		0.98							
Adjusted R Square		0.98							
Standard Error	67,971,132.97								
Observations	26.00								
ANOVA									
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>				
Regression	4	5,950,468,222,055,650,000.00	1,487,617,055,513,910,000.00	321.99	0.00000000000000001621				
Residual	21	97,021,573,271,415,900.00	4,620,074,917,686,470.00						
Total	25	6,047,489,795,327,070,000.00							
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>	
Intercept	(486,685,035.87)	669,011,036.06		(0.73)	0.47	(1,877,969,643.62)	904,599,571.87	(1,877,969,643.62)	904,599,571.87
Bangladesh	(87,667,290.25)	120,472,990.38		(0.73)	0.47	(338,204,588.05)	162,870,007.55	(338,204,588.05)	162,870,007.55
China	69,350,780.92	22,639,966.68		3.06	0.01	22,268,392.94	116,433,168.90	22,268,392.94	116,433,168.90
US Per Cap disp inc	(11,672.39)	28,476.74		(0.41)	0.69	(70,893.01)	47,548.22	(70,893.01)	47,548.22
US GDP	157.18	40.20		3.91	0.00	73.58	240.79	73.58	240.79

**Forecast Observations**

After reviewing the results formed by the sensitivity analysis, the author decided to manipulate labor costs for Bangladesh from 2017 to 2021. The author increased the labor costs incrementally over the years by a compounded annual growth of 5%. The author believed this would be a feasible increase in labor expenses that the RMG industry in Bangladesh could support. This 5% blanket increase would cover wage increases, as well as funds for improving infrastructure safety requirements. At the same time we continued the decreasing trend for Chinese labor costs. We kept US disposable income at a continuous rate since we believed it would not impact the imports into the United States.

The author plotted the results (Table 5) and saw that there was a decrease in imports for 2017, and as the labor costs continued to grow to meet the fair wage standards for their employees, imports continued to experience negative growth. The regression analysis shows that financially increasing labor costs overall, specifically wages without increased production efficiencies, will not result in greater overall profit for the firm.

Table 5



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However, additional research has shown that increasing wages results in increasing productivity (Cascio, 2006). A 2003 University of Berkeley study also demonstrates that an increase in wages resulted in improvements in performance, increased morale and fewer disciplinary issues (Reigh, Hall, Jacobs, 2003). With these findings the author argues that productivity will increase and will act as a counter balance to the falling sales.

### **Enforce the Country's Current Minimum Legal Age of 14 for Employment**

Enforcing the minimum working age will encourage more children to attend school and will keep factory owners from exploiting children by paying them less than adults doing the same jobs. The real struggle here will be in educating parents about the benefits of sending children to school as opposed to having them work at a young age for money. According to Bangladesh's constitution, education is compulsory for children ages 6-10 and free for ages 6-18.

Widespread promotion of education should be handled by the Bangladeshi government, including programs that are currently in place for stipends and grants for unmarried girls in rural areas (UNICEF, n.d.). In conjunction with social audits, information sessions should be facilitated in factories to educate parents on the importance of sending children to school versus keeping children home to work. Parents can learn about benefits including the fact that, on average, adults earn 10% more for each year of education they completed. They can learn that education is a key to breaking out of poverty, having increased health and increased democracy within their country (The Center for Global Development, 2002). Enforcing the law regarding current minimum legal age for work, in conjunction with the social audits to maintain compliance, and information sessions on education held in the factories along with widespread promotion of education opportunities by the Bangladeshi government, will all assist in ending child labor in Bangladesh.

### **Support Workers with Family Obligations by Promoting Social Programs Including Childcare, Basic Healthcare and Education**

In conjunction with teaching factory workers about the benefits of, and supporting them in, sending their children to Bangladesh's free public schools, factory workers will also benefit greatly from access to childcare for children under age six, and basic healthcare services that are already funded by the government. Factory owners can liaise with the government's Ministry of Health and Family Welfare to either have a visiting clinic come to the factory on certain days of the month or to be sure that employees are given necessary time off (up to 14 paid sick days according to the most recent labor laws) to take advantage of routine physicals or health care for illness (Bangladesh-German Development Corporation, 2006). Healthy workers are positively correlated with increased production. In addition, in an effort to provide the predominantly

female workforce more choices in childcare, large factories should offer onsite childcare for children under six. Childcare workers should be professionally trained and the childcare center should be inspected regularly as part of the social and economic auditing process. Not only would this option likely raise the standard of care for the children of working mothers, but it would also create a healthier and more stable foundation for the early development of the children and provide for easier integration into formal education (Fair Labor Association, 2012). It would also allow mothers easy access to breastfeeding children and support the mother-child bond by allowing mothers to maintain physical contact with their children throughout the day by visiting them on their breaks. Factory owners might consider having a group of current factory employees cross-trained as childcare providers. Employees would make the same wage whether working in the factory or in the childcare center and would work on a rotating schedule between the two. A sense of community would play a role here because the women in the factory would be taking care of each other's children. The Ministry of Health and Family Welfare could be approached for free training and the members of the Alliance and Accord could be approached to assist with costs in setting up a childcare area.

## **Conclusion**

There is a growing demand from vendors and consumers that the products they purchase be made by workers who are paid fairly in safe and healthy working conditions. Part of what the author discovered was that although there are obvious financial costs associated with instituting ethical practices, like paying workers above minimum wage and closer to what is considered a "living wage", the RMG stakeholders in Bangladesh, including factory owners, workers, unions, retailers and the local government, should realize that by building on the existing frameworks of the Alliance and Accord, Bangladesh's RMG industry is capable of setting a new standard in

RMG production. Bangladesh currently has a market advantage in ready-made garment (RMG) production with the Accord and Alliance in place to monitor building and fire safety within their factories, which retailers see as an advantage as it decreases their concerns about costly liabilities due to factory fires and collapses (for example, British retailer, Primark, paid \$12m as compensation to victim's families after the Rana Plaza collapse); however, sweatshop factory conditions are still widespread within Bangladesh's RMG industry (Hartley-Brewer 2015).

The regression model may not demonstrate a positive financial change, but there are additional qualitative issues that support the author's argument for increasing wages. Many studies have shown that an increase in incentives, whether through pay or improved working conditions, has a generous positive effect on production, and subsequently profitability. Although costs will be associated with adding a social inspection component to the existing frameworks, any financial burden can be shared by the many stakeholders involved, and success will be clearly determined by increases in demand, production and profits.

No country in the Global South is able to guarantee retailers and consumers that approximately half of its factories are members of monitoring bodies that regularly carry out inspections to ensure the structural integrity and safety of its buildings along with high ethical labor standards, including documented progress towards a living wage for its factory workers. These standards will provide for work environments that support and encourage the physical, emotional and mental well-being of its employees and their families, while meeting the changing demands for ethically produced clothing. By harnessing and building upon its current resources, Bangladesh has the opportunity to set a new standard in ethical RMG production.

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