

# Foreword



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The fifth anniversary of Rana Plaza calls for a renewed commitment to making all clothing factories safe.



Founded in 2013, the NYU Stern Center for Business and Human Rights is the first human rights center established at a business school. The Center does research and advocacy aimed at promoting practical industry-wide solutions to human rights challenges. We describe our approach as pro-business, high standards. This report expands on our past efforts<sup>1</sup> to explain what has made many garment factories in Bangladesh dangerous and what can be done about it.

In the five years since the collapse of the Rana Plaza factory complex, safety overall has improved in Bangladesh, the world's second-largest clothing manufacturer, after China. Most notably, in an unprecedented example of industry collaboration, nearly 250 global brands and retailers have joined either the Accord on Fire and Building Safety in Bangladesh and its union partners or the Alliance for Bangladesh Worker Safety. Through these collective initiatives, the companies have inspected some 2,800 factories and encouraged a series of remedial steps to address unsafe circumstances in those factories. Despite this progress, however, much remains to be done to ensure safe workplaces for garment industry employees.

The Center for Business and Human Rights has identified two broad gaps in factory safety where significant resources still need to be applied. First, there are unsafe conditions in factories that are not covered by the Accord or Alliance but instead are overseen by the government of Bangladesh under its National Initiative. Second, unsafe circumstances exist in many of the subcontracting factories that are not covered by the Accord, Alliance, or National Initiative.

In preparing this report, we have developed a cost estimate for addressing these areas of concern, which we explain in Part Four. While our estimate—\$1.2 billion—is preliminary and inexact, it provides a broad sense of the scope of the need. We intend our tentative calculation as a catalyst for conversation and a starting point for a process for addressing gaps in coverage.

Ultimately key stakeholders in Bangladesh—including the government, factory owners, trade unions, and civil society groups—must play central roles in this process. But they alone do not have the needed resources. International public and private actors, and especially those who benefit from the Bangladeshi garment industry's low-cost, high-volume model, also have an obligation to do more. We propose a strategy of “shared responsibility,”<sup>2</sup> which involves global brands and retailers, governments from Western Europe and North America, international financial institutions like the World Bank and the International Finance Corporation, civil society organizations, labor representatives, and philanthropic groups.

By bringing together local and international institutions with a stake in supporting Bangladesh's garment sector, shared responsibility offers a potential path toward addressing some of the country's central human rights challenges. If it succeeds, it can serve as a model for addressing complex supply chain challenges in other countries. The fifth anniversary of Rana Plaza calls for a renewed commitment to making all clothing factories safe.

This report draws on the Center's work over the past five years, culminating in a research trip to Dhaka in early 2018 by Deputy Director Paul Barrett, Research Director Dr. Dorothee Baumann-Pauly, and Associate Director April Gu. While in Bangladesh they met with government officials, factory owners and workers, representatives of the Accord and Alliance, union representatives, and local executives with global brands and retailers.

# Executive Summary

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**The collapse of the Rana Plaza factory complex in Bangladesh in April 2013 killed 1,134 people and refocused attention on working conditions in the global garment industry. This report marking the fifth anniversary examines the forces that contributed to the disaster, the response since 2013, and what needs to happen in the future. One of the questions we raise is whether Bangladesh offers lessons for protecting human rights in international supply chains. We conclude that to a degree it does, but more work needs to be done to make the country’s export factories safe.**

In the wake of Rana Plaza, major clothing brands and retailers formed two unusual initiatives in Bangladesh. Hennes & Mauritz (H&M), Primark, and other European companies joined with trade union partners to create the Accord on Fire and Building Safety in Bangladesh. Walmart, Gap, and other North American companies set up the Alliance for Bangladesh Worker Safety. While there are important differences between these two initiatives, both did factory inspections and oversaw remediation. Accord and Alliance members agreed to cease all business with Bangladeshi manufacturers that declined to comply.

As we explain in Part Two, the foreign initiatives have improved conditions in many factories. They are not, however, panaceas. Today they cover only about 2,300 active factories serving their member companies. The Bangladeshi government separately retains oversight for another 1,650 or so. But this still leaves out a very large number of additional factories—and their workers.

Many of the left-out factories primarily do subcontracting work for export, or a combination of production for the local and global markets, and thus do not have direct relationships with the large Western buyers. Subcontractors play a crucial role, helping larger “mother” factories manage their export workload.

While there is no consensus on the precise number of subcontractors, we and others have estimated that the figure is in the thousands—perhaps as many as 3,000. Whatever the exact number, existing inspection and remediation regimes will not prove sufficient.

This conclusion seems self-evident, as the industry programs initially were designed to last for only five years. The Alliance is essentially phasing out by the end of 2018. The Accord has announced it will continue provisionally for up to three additional years, through 2021. Once the foreign-run programs pull out, the Bangladeshi government will inherit responsibility for all factories and workers.

In response, we propose in Part Four that an array of international actors joins with Bangladeshi stakeholders to form a “shared responsibility” task force whose members would contribute needed funds to ensure the repair of all garment factories in the country. Depending on how many subcontracting factories turn out to be in business, we estimate that it would cost \$1.2 billion to remediate remaining dangerous conditions. While our calculations are necessarily rough, we offer this figure in hopes that it will provide a catalyst for discussion and ultimately action.

## Our Findings

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- 1** A large number of factories covered by the Accord and Alliance have installed fire doors, added fire extinguishers and sprinkler systems, improved electrical wiring, instituted fire-safety training programs, and made structural upgrades that protect workers' lives. We commend them for taking these important steps.

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- 2** But, as the staff of the Accord candidly acknowledged in a recent update, "major life-threatening safety concerns remain outstanding in too many factories and need to be fixed urgently."<sup>3</sup> These include outstanding structural problems that require retrofitting.

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- 3** The laudable progress on safety has widened the bifurcation of the industry. An elite segment of suppliers can afford to make improvements and continues to enjoy relationships with international brands and retailers. Much of the rest of the industry either cannot or will not make expenditures to enhance safety and, as a result, workers in this segment remain at risk.

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- 4** Even some of the factories that have seen improvements are in danger of backsliding when foreign initiatives conclude and all oversight responsibility reverts to the Bangladeshi government, which continues to move very slowly on the safety front.

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- 5** Adhering to their limited jurisdiction, the Accord and Alliance did not address problems in thousands of facilities that do subcontracting work for larger export-oriented factories supplying Western brands and retailers.

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- 6** Based on extrapolations from existing per-factory remediation expenses, we estimate that it would cost \$1.2 billion to remediate remaining dangerous conditions in the industry.

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- 7** Finally, given the large expense of making the garment trade truly safe, we recommend the formation of a new locally led multi-stakeholder task force to fund and oversee the effort. This initiative would operate under the principle of shared responsibility. For this effort to be financially viable, contributions would need to come from Western companies and their Bangladeshi suppliers, the governments of Bangladesh and Western countries that import Bangladeshi-made apparel, international development and financial institutions, and private philanthropies.

*See Part Five: Recommendations, p. 26.*