

Part Two: Accord and Alliance

Innovation Out of Crisis

The collapse of Rana Plaza sparked rage and disbelief. Media worldwide covered the disaster. Activists demonstrated outside European and American stores. Bangladeshi garment workers rioted. Despite a decade of lethal factory collapses and fires, Western brands and retailers insisted they were shocked by the catastrophe. Primark, a Dublin-based budget-fashion chain, which sourced clothing from Rana Plaza, never “considered structural integrity of buildings as a risk,” Paul Lister, head of the company’s ethical trade team, told Reuters. “You would look inside the building, but not onto the floor above or below.”¹⁶ This kind of obliviousness could not be sustained after Rana Plaza.

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Moving with uncharacteristic speed, the government strengthened safety requirements and ordered that all garment-exporting facilities be inspected using a new standardized checklist. In practice, though, overstretched government inspectors—drawn from the same bureaucratic ranks that didn’t flag the failings of Rana Plaza—lacked the resources, training, and determination to police the garment industry aggressively. According to the Centre for Entrepreneurship Development in Dhaka, “the loosely regulated nature of the ready-made garment industry allowed flagrant and devastating human rights violations.”¹⁷ Corruption played a role, too, as some manufacturers paid bribes to avoid enforcement actions. Transparency International’s Corruption Perceptions Index ranks Bangladesh 143rd on a list of 180, tied with Guatemala, Kenya, and Lebanon.¹⁸

Into the vacuum created by weak government stepped a coterie of international trade unions and other European and American non-governmental organizations. For several years, these groups had been trying to persuade Western fashion brands and retailers to take more responsibility for making Bangladesh’s garment factories safe. Rana Plaza created the opportunity to act on plans previously thwarted by corporate intransigence.

Just weeks after the disaster, some of Europe’s largest clothing companies—including Swedish-based H&M; Inditex, the Spanish parent of Zara and Massimo Dutti; and the British retail chain Tesco—agreed to inspect the factories operated by their Bangladeshi suppliers and work with manufacturers to make the facilities safer. To give the agreement teeth, the European companies committed to cutting off any suppliers that failed to comply. The innovative arrangement made the companies collectively accountable for factory conditions and established the potential for them to be held legally liable if they failed to uphold their obligations.¹⁹ Known as the Accord on Fire and Building Safety in Bangladesh, the pact represented what some scholars have called “a major challenge to the footloose ‘cut and run’ sourcing model typical of today’s global garment industry.”²⁰ Ultimately, 220 clothing companies signed the Accord, which includes on its steering committee representatives of two European-based international unions—UNI Global Union and IndustriALL Global Union—and two Bangladeshi labor federations.

About 64% of Bangladesh’s clothing exports go to Europe; about 18%, to the U.S. With a few exceptions, American brands and retailers refused to join the Accord, complaining that they did not want to be exposed to what they perceived as open-ended liability.

A Phony Fire Plan

Ninety minutes northwest of center city Dhaka, the NYU Stern Center team visited a small subcontractor factory in the Savar district, not far from where the Rana Plaza complex once stood. The factory's 150 employees are busily working on a 40,000-piece job—t-shirts, zippered sweatshirts, and athletic shorts—assigned to the subcontractor by a much larger “mother” factory which had more work than it could handle. Headed for Italy, the clothing being stitched together bears labels of Italian brands such as Athl Dpt and Sweet Years. The owner of the subcontracting factory describes all of this on the condition that neither he nor his business would be identified.

He explains that he opened the shop only 18 months earlier, an indication that while some subcontractors have closed amid greater scrutiny following Rana Plaza, others have continued to open. There are several similar factories on his street alone, the owner says. Mother factories need subcontractors to fill orders that change frequently, he adds. The owner explains that he rents the first three floors of a four-story former residential building, an arrangement that could raise structural safety concerns because the building was not designed to bear the weight of so many people and the machinery with which they work.

On the quiet third floor, men clamber over huge expanses of navy blue fabric layered a foot thick. They use cardboard models and chalk to mark shapes that they then slice away using a cutting machine. On the second floor, sewing machines operated mostly by barefoot women

clad in colorful saris emit a constant buzz. On this day, the fabric pieces move down three assembly lines of 25 people each, gradually taking shape as men's athletic shorts. (Some large factories have more than 100 lines operating simultaneously.)

The owner does not disguise his disdain for safety precautions. Over tea in his cramped office, he brings out an extensive set of blueprints describing a fire-prevention system for his facility. He procured the plan as a condition of registering with the Bangladesh Knitwear Manufacturers and Exporters Association, one of two trade groups representing the garment industry. But the owner admits he has not installed any of the equipment described by the blueprints. There is no fire door at the emergency exit. The staircases have no handrails. The factory lacks smoke or heat detectors, an automatic alarm, or a fire-pump-and-hose system. Jumbled electrical cables running to the breaker panel do not have proper separation and insulation, creating the danger of sparks. An industrial boiler, used to generate steam for ironing and other tasks, sits in a corner of the main sewing floor, rather than being walled off, as it should be.

A local consulting engineer hired by the NYU Stern Center to look over the subcontracting factory estimates the cost of only fire and electrical remediation—excluding any potential structural renovation—at \$130,000. The owner says he could not come close to affording his own fire plan. He does not seem troubled by the situation.



Subcontracting has continued despite a crackdown after Rana Plaza. Workers in subcontracting factories, such as the man cutting fabric on the left and the sewing machine operators on the right, are often not protected by the safety measures that are mandatory for Accord- and Alliance-affiliated facilities.

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Walmart, Gap, and others formed a second pact, the Alliance for Bangladesh Worker Safety, which lacked the same kind of liability provision and did not have union representation on its board of directors. The Accord's union participants harshly criticized the Alliance. "Walmart are bringing their discount practices to factory safety," Christy Hoffman, deputy general secretary of UNI Global, said at the time. "This is not a price war; this is about people's lives."²¹ But in truth, the Alliance, although smaller, with 29 member companies, would function much the same way as the Accord: conducting inspections, overseeing remediation, and ceasing to do business with noncomplying manufacturers. Neither initiative agreed to pay directly for repairs or renovation; that burden would fall to local manufacturers, who were promised they would receive help financing remediation, as needed.

In its early days, some leaders of the Accord overstated its reach. "Our mission is clear: to ensure the safety of all workers in the Bangladesh garment industry," Jyrki Raina, then the general secretary of IndustriALL Global, said in July 2013.²² But that wasn't correct. The Accord and the Alliance would directly benefit only employees of those Bangladeshi factories with which their member companies did business. The contractual relationship between Western clothing companies and suppliers provided the leverage the Accord and Alliance exercised—namely, the threat that suppliers could lose crucial export business from the largest fashion companies in the West. The manufacturing facilities covered by the Accord and Alliance—today the total approaches 2,300—constituted a big swath of Bangladeshi factories, but far from all of them.

Some factories weren't covered by the Accord or Alliance because they didn't produce for members of the two organizations. Theoretically, the

Bangladeshi government retained jurisdiction over these non-Accord/Alliance factories. But public regulators moved haltingly in 2013 and 2014 to fulfill their responsibility.

Yet another group of factories operated outside the scope of either the foreign-industry initiatives or Bangladeshi authorities. These were mostly subcontractors that lacked direct relationships with major Western buyers (see sidebar, p.12). Manufacturers that do have direct ties to foreign companies sometimes offload work to subcontractors for several reasons. One is that Western brands and retailers, adhering to the dictates of fast fashion, routinely change orders on tight deadlines. A manufacturer that can't handle extra volume or amended designs will send some of the extra work to one or more subcontractors. Another reason for subcontracting is that manufacturers push lower-margin work down to subcontractors that pay lower wages and take fewer safety precautions. In its July 2014 annual report, the Alliance acknowledged the supporting role subcontractors play in serving the export market: "Lack of transparency, price pressures, and/or limited production capacity within individual factories foster an environment where unauthorized subcontracting continues."²³ Lack of transparency and price pressures can also foster subcontracting that takes place in dangerous facilities.

We will return to subcontractors and factories overseen by the government after taking a closer look at the Accord and Alliance.

Inspect and Remediate

Working from factory lists provided by their member companies, the Accord and Alliance in late 2013 began dispatching inspection teams looking for hazards in three broad categories: fire, electrical, and structural. "Every single factory had at least several findings,"



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says Rob Wayss, the Accord's executive director. Overall, he adds, "the factories weren't safe." Inspectors quickly concluded that dozens of facilities presented an imminent threat of collapsing. They referred these facilities to the Bangladeshi government for evacuation orders.

To appreciate the variety of problems the inspectors found, consider these statistics from the Accord: Ninety-seven percent of the facilities lacked a safe means of escape in case of fire. Exits in many cases were blocked by locked gates or heavy storage boxes. Nine out of ten factories lacked adequate fire-detection and alarm systems, if they had any at all. Three-quarters had electrical cables draped dangerously from ceilings and walls, creating yet another fire hazard. About two-thirds had deficient circuit breakers and unsafe grounding systems for electrical equipment.²⁴

Inspectors also discovered structural concerns in a large majority of factories. More than 70% of Accord-affiliated factories had undocumented structural additions, among other inconsistencies between design documents and the actual buildings they purported to describe. (These were the sort of anomalies that would have marked Rana Plaza as an extreme example



From the factory owners' point of view, there is a painful irony in brands and retailers offering financing help at the same time as they apply relentless downward pressure on garment prices.



of structural danger, had anyone been looking at the five-factory complex.) In addition, nearly 70% of factories lacked a load management plan or were poorly implementing one. Load management plans prevent structural cracks and building collapses by avoiding the placement of excessive weight on certain parts of a building. In another important structural area, inspectors found 62% of factories vulnerable to “lateral instability,” meaning they were potentially at risk in the face of severe wind, such as that associated with the cyclones that are common in Bangladesh. All told, Accord inspectors identified 130,211 safety problems in 2,024 factories,²⁵ for an average of 64 violations per factory.

Combined with the unsafe physical conditions, many workers displayed ignorance of the hazards all around them. Few, if any, had received safety training. The Alliance conducted a study in 2013 that found that only 2% of workers could correctly identify common fire hazards. Fully one-third did not believe it was their obligation to report unsafe conditions to their managers. And at the same time, 25% said that most of the time they didn't feel safe working in the factory.²⁶

After a supplier's factory had been inspected, the Accord or Alliance would require the owner to agree to a “corrective action plan,” or CAP, which laid out the steps necessary to make the facility safe and allow its owner to continue to do business with the Western buyers. CAPs included a wide range of measures—some relatively easy, some onerous. Removing lockable gates that could impede escape during a potential fire did not cost much or consume a lot of time. Neither did cleaning up dust and lint accumulated on electrical wiring and equipment, creating a fire hazard. Much more challenging and expensive were the installation of fire doors and modern fire-detection and alarm systems—all of which had to be imported because they are not made in Bangladesh. Structural retrofitting needed in some factories to shore up inadequate pillars or walls also presented costly challenges.

Other obstacles cropped up. Manufacturers operating as tenants in rented space often had difficulty getting their landlords to pay for improvements. Compounding that problem, fellow tenants from outside the garment industry typically lacked motivation to push for safety improvements. In its July 2014 annual report, the Alliance stated that “40 percent of ready-made garment factories are based in shared/multi-tenant buildings, making it difficult to ensure overall building compliance or coordinate safety programs.”²⁷

Then there was the challenge of paying for repairs and renovation. “The cost of remediation is still prohibitive for some factories, especially smaller enterprises operating in rented buildings,” the Alliance said in the July 2014 report.²⁸ On average, the Accord says remediating a single factory costs roughly \$250,000, while the Alliance estimates the figure at \$250,000 to \$350,000. The Alliance's deputy director and chief safety officer, Paul Rigby, notes that significant structural repairs alone can cost \$300,000, and total remediation in some very large factories has exceeded \$1 million.

Both initiatives set up programs to help suppliers with financing. Alliance members said they would extend up to \$100 million in direct loans, loan guarantees, and other forms of assistance. Accord participants also offered to back loans, invest directly in safety equipment, and make other arrangements such as accelerating payment for future garment shipments. But relatively few suppliers have taken advantage of this financing. Walmart alone made available \$50 million in loan guarantees, says Sridevi Kalavakolanu, senior director for responsible sourcing. But “after initial interest, facilities ended up using other, local financing,” she says. Joris Oldenzel, the Accord's deputy director for implementation, confirms that many suppliers preferred to seek loans on their own or pay out of available cash rather than request help from their Western customers. The Accord has facilitated financial assistance from buyers at only about 100 factories.

In some instances, large buyers have stepped in to pay for remediation directly. C&A did that with two of its suppliers-manufacturers with whom the Belgian-based retailer has long-standing business relationships, says Aleix Gonzalez Busquets, the company's head of external stakeholder engagement. In other cases, he adds, C&A helped by extending improved commercial terms, such higher-volume orders. Gonzalez Busquets attributes the unusually high 92% remediation rate C&A suppliers have achieved to the company's extra assistance.

From the point of view of many factory owners, however, there is a painful irony in brands and retailers offering financing help at the same time as they apply relentless downward pressure on garment prices. As one illustration of that pressure, the price for cotton men's pants has declined 13% since the Rana Plaza collapse.²⁹ Suppliers' average profit margin declined between 2012 and 2016 from 6.6% to 6%, according to a study by the Centre for Policy Dialogue in Dhaka.³⁰

Rubana Huq, managing director of the Mohammadi Group, one of the largest garment manufacturers in Bangladesh, expressed the frustration over pricing in a column in 2016 for *The Daily Star*, an English-language newspaper in Dhaka. “The plea is just to give us 15-20 cents more per piece, so that we can make ends meet,” she wrote. “We don’t need prescriptions, guidelines, or counseling. We just need a few extra cents. Just pay us more, and we will be fine.”³¹

Asked about this sort of complaint, Walmart’s Kalavakolanu says that the giant chain expects its manufacturers to take responsibility for the expense of making their factories safe. “Our message to suppliers is: The cost of goods should include safety preparations,” she says.

Safety Gains

Despite sparse use of buyer-offered financing and supplier resentment over low-ball pricing, a lot of factory remediation has occurred. This activity can be measured several ways. One is by spending. The Alliance’s Rigby estimates that the roughly 670 active suppliers his organization is supervising have spent \$250 million to \$300 million on safety improvements. The Accord’s Wayss declines to offer a comparable estimate, saying that it has not done the calculation. But given that the Accord oversees more than twice as many factories as the Alliance, the figure could exceed \$600 million, for a joint Accord/Alliance total of roughly \$900 million.

Another measure of progress is the falloff in the number of catastrophic accidents. There has been no recurrence of a building collapse on the scale of Rana Plaza; nor has there been a fire comparable to Tazreen Fashions.

In 2013, there were 17 accidents, including Rana Plaza, that resulted in at least five deaths and/or 10 injured workers. Each year from 2014 through 2017, this number has hovered between two and five such accidents. The annual number of fatalities has remained well under 30.³²

Making serious accidents less likely, factory owners are fixing many individual safety problems. The Accord reports that 85% of such issues have been resolved in the 1,631 active factories it is overseeing; the Alliance cites 88%.³³ To be sure, the percentages are less impressive when one looks at the number of facilities that have remedied all of the shortcomings in their original corrective action plans. Only 127, or 8%, of Accord factories fit that description; 330, or nearly half, of Alliance factories have achieved “substantial completion” of remediation.

The data reveal that the most improvement has been made on electrical issues, followed by fire hazards, and

Factory Safety by the Numbers

Progress by the European-dominated Accord on Fire and Building Safety in Bangladesh and the American-dominated Alliance for Bangladesh Worker Safety

	Accord	Alliance
Initial inspections*	2,022	836
Active factories now under supervision	1,631	666
Safety issues remediated	85%	88%
Factories that have completed more than 90% of remediation	699	27
Factories that have completed all remediation from initial inspection	127	330
Factories suspended for failure to remediate	96	168

*Many factories initially inspected subsequently closed or were transferred to the supervision of the Bangladeshi government.
Sources: Accord, Alliance

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then structural problems. Accord records show that 96% of factories with unsafe dust on electrical equipment have removed it; 84% that had inadequate protection and support for electrical cables have remedied the problem; and 82% with deficient circuit breakers have done the same. Significant variation crops up within each category. Accord fire statistics show that 96% of factories with lockable gates have removed them, but only 41% that had inadequate fire detection and alarm systems have installed and verified suitable replacements.

On structural matters, a majority of the factories initially evacuated because of a danger of imminent collapse were later reopened after retrofitting or load reduction. Of the Accord factories lacking a load management plan, 66% now have one; 34% do not. Sixty-one percent of facilities with undocumented structural additions and inconsistencies with building plans have updated their blueprints; 39% have not. And of factories vulnerable to lateral instability from severe wind, 56% have corrected the vulnerability; 44% have not.

Both the Accord and Alliance have followed through on their threat to exclude factories that have failed to remediate. The Accord has terminated 96 suppliers; the Alliance, 168. Factories blocked from doing business with Western brands and retailers do not necessarily shut down. Some suppliers have cleaned up their acts and successfully applied for readmission to the foreign initiatives. If terminated factories find other customers—in Russia, for example, or in Asia, or domestically in Bangladesh—they may continue operating under the supervision of the government.

In some cases, termination has preceded a fresh start. The Accord cut off a supplier called Sidko in February 2016, saying that the factory in the Gulshan North district of Dhaka had failed to undertake a range of safety measures. Sadaf Saaz Siddiqi, a co-owner of the facility, located in a 1980s-vintage rented six-story building, says her family actually

had invested more than \$100,000 to make upgrades. But Siddiqi says that the Accord repeatedly and arbitrarily changed its demands. “The building was not going to fall down,” she adds. “Workers were not at risk.” Today, Siddiqi is building a new state-of-the-art three-story factory that already has nine sewing lines producing for export (out of an anticipated 24), even as construction continues. The new business, Eske Clothing, will eventually have its own 20-bed medical clinic, daycare for toddlers, an early-learning center for slightly older children, and a skills-development program for women employees. “We will have only the best and latest safety equipment,” Siddiqi says.

In addition to policing the hardware in factories, the Accord and Alliance are training workers, managers, and security guards on basic fire safety. The Alliance found that after coaching more than 1.5 million people, the proportion of employees who could correctly identify common fire hazards rose from 2% to 45%. The share of workers who said they felt an obligation to report unsafe conditions increased from 67% to 90%.³⁴

One group of eight garment workers gathered at our request by Nazma Akter, president of the Sommilito Garments Sramik Federation, a trade union organization, unanimously say they have seen safety improvements at the two factories where they are employed. Exits that were blocked are now open, says Urmi Akter (no relation to Nazma), who works in Gazipur. Fire doors and sprinkler systems have been installed. Support pillars have been strengthened and enlarged so that “even three people can’t get their arms around them,” she adds.

Generally, the Alliance’s Rigby says, his organization is nearing the end of its remediation work. “We are more or less there,” he adds, with its factories having purchased almost all of the major equipment they need. By “there,” he means getting factories “to the starting line” in what amounts to a never-ending marathon to stay ahead of safety perils.

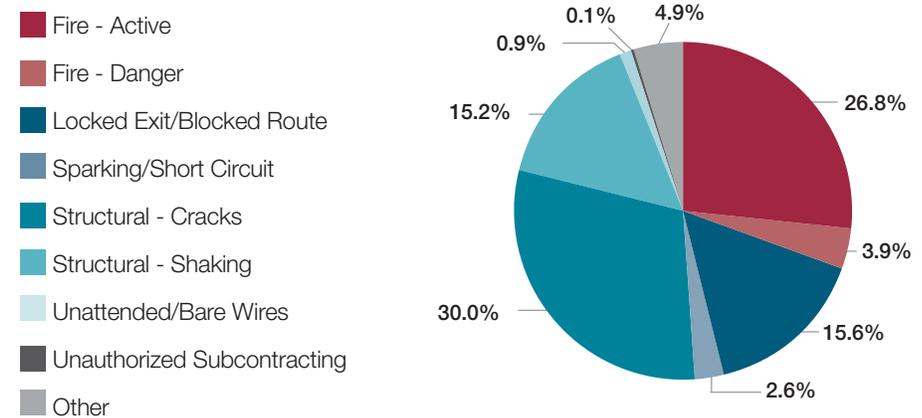
Originally scheduled to close at mid-year 2018, the Alliance now plans to continue operations through the end of the year while it works with representatives of the government, suppliers, and other stakeholders to establish an independent Bangladeshi-run “safety monitoring organization.” The SMO will keep track of remediated factories and aim to prevent backsliding. “It’s something new to them,” Rigby says, referring to Bangladeshi regulators and businesspeople. “It’s something they’re going to have to get used to.” Details of the SMO were being finalized as we finished this report

Accord factories, by contrast, still have a lot of work to do, says Wayss. The 15% of unaddressed safety problems include “a lot of big-ticket items,” such as structural retrofitting and installing sprinkler systems, he adds. The Accord has announced plans to remain in business for up to another three years, or through mid-2021. Wayss says a joint committee including representatives from the Accord, the Bangladeshi government, and the garment industry will reassess the situation every six months, with an eye toward whether the government has developed a factory-oversight bureaucracy that meets the Accord’s stringent standards. The criteria include creation of an effective government inspection service, enforcement of the law against non-compliant factories, and fair resolution of workers’ safety complaints. It is not clear how the Accord’s demands will mesh with the Alliance’s hoped-for SMO. And Wayss indicates skepticism of the government’s current ability to meet the Accord’s criteria. “A significant amount of work needs to be done,” he says. “I don’t think there is a culture of safety in this country.”

So far, 125 of the Accord’s 220 member brands and retailers—which buy from 1,275 Bangladeshi factories—have signed on for the organization’s up-to-three-year extension. The Accord’s union affiliates are pressuring laggards to join as well.

Calls for Help

An Alliance factory helpline gets 500-700 serious calls per month. This chart shows urgent safety calls placed by garment workers, by issue.



It is worth noting that even if the Accord persists for some period of time past the end of 2018, both foreign initiatives will conclude their business in the foreseeable future. In the eyes of senior leaders of the Bangladeshi government and business establishment, that will be not a moment too soon. With the horror and shame associated with Rana Plaza beginning to fade in Bangladesh, public- and private-sector leaders are asserting what they see as their prerogative to operate without Westerners setting the rules and exerting discipline.

One executive with a prominent company that operates multiple factories acknowledges that the Accord/Alliance process changed Bangladeshi attitudes toward safety. “It was needed, and now it has taken place,” says the executive, who asks that he and his company not be identified. Now, he continues, the Bangladeshi government ought to exert its authority: “Government has its role to play: to overlook and oversee.” This company has completed the vast majority of its Accord-mandated remediation but is at a standstill over one modern factory’s glass-enclosed building. The owners say the glass is heat- and fire-proof, but the Accord requires that factory walls be built of solid brick.

“We allowed the Accord and Alliance to operate for five years,” says Siddique Rahman, president of the influential Bangladesh Garment Manufacturers and Exporters Association (BGMEA). “Then it was agreed they would go back.” He adds: “They are unnecessarily disturbing us.” With a similar tone of irritation, Bangladesh’s Commerce Secretary, Shuvashish Basu, says: “They are finished with their mission, and they will go back to their countries.” Leaders of the Accord insist that the BGMEA and government have agreed to its extension beyond five years.

One question raised by the Bangladeshi assertions of sovereignty is whether the government has the capacity to handle oversight of the export factories it inherits from the Accord and Alliance. Another question concerns what will happen to two additional categories of suppliers: those the government acknowledges it has been responsible for all along and subcontractors, which the government wants to wish away. Parts Three and Four examine these questions and propose a strategy for bolstering future inspection and remediation of Bangladeshi garment factories.