Part Three: Gaps in Government Action

National Initiative

One way to make sense of Bangladesh’s complicated garment factory landscape is to view it as a tale of two industries. In one, the industry supervised by the Accord and Alliance, larger, better-run factories focusing on exports to Western countries have become safer since Rana Plaza. The Accord and Alliance show that collective initiatives can make a difference on the factory floor. Western brands and retailers ought to consider collaborating elsewhere with unions, civil society organizations, and local businesses. Global apparel companies should not wait until another Rana Plaza forces them to take action.

In Bangladesh, however, the Accord and Alliance have addressed only one segment of the apparel sector. In the second of the country’s two garment industries, the government presides over a collection of subcontractors, domestic producers, and exporters to places such as Turkey and Russia. Far less progress has been made in this realm. When it comes to safety, the two industries have diverged further over the past five years. Bangladesh now has a deeply bifurcated garment sector.

In an ideal world, the Bangladeshi government would competently oversee the entire industry, without need of foreign intervention. The world, of course, is not ideal.

In Bangladesh, however, the Accord and Alliance have addressed only one segment of the apparel sector. In the second of the country’s two garment industries, the government presides over a collection of subcontractors, domestic producers, and exporters to places such as Turkey and Russia. Far less progress has been made in this realm. When it comes to safety, the two industries have diverged further over the past five years. Bangladesh now has a deeply bifurcated garment sector.

In an ideal world, the Bangladeshi government would competently oversee the entire industry, without need of foreign intervention. The world, of course, is not ideal.

ILO officials tell us of another anomaly: that an additional 900 factories “popped up” recently on the rolls of the National Initiative, some of them apparently newly opened facilities. So for the moment, the official government number appears to be 1,654 factories, soon to be supplemented by roughly 2,300 from the Accord and Alliance for a new grand total under government supervision of nearly 4,000.

The National Initiative has not made much headway. The most recent ILO update, posted in February 2018, shows that, of the group of 754 factories, only 109, or 14%, have been remediated more than 50%. Only 21, or about 3%, have been remediated fully. There has been no official (or unofficial) word on whether any of the additional 900 factories have even begun inspection or remediation.

513, as unsafe. The National Initiative oversees factories that don’t have business relationships with members of the Accord and Alliance. The 513 closures should leave a balance of 1,036 National Initiative factories, but the ILO says the government is now doing follow-up work with only 754. That leaves 282 factories in a statistical limbo we could not resolve.

The most reliable source of data on the National Initiative is not the requisite government website pages, which are outdated and contradictory, but instead the ILO. That body has noted that the National Initiative has inspected 1,549 factories and closed a third of them, or
Factories that are remediated may become safe for a moment in time. But they won’t stay safe under the government’s supervision if oversight is lax and factory conditions deteriorate. Ensuring safe operation and maintenance will be one of the government’s main tasks.

By most accounts, the National Initiative has been understaffed. But according to the ILO, the government is assembling a new team of fire inspectors, engineers, and case handlers that will total 235 people. That group presumably would cover some 4,000 factories after the Accord and Alliance handoff. For comparison, the Accord has 250 staff members for roughly 1,600 factories. “The government will do its job,” says Commerce Secretary Basu. “We are compliant, and we will be maintaining that.”

Many disagree. The degree to which the government is overmatched becomes clear from a look at one concrete example: industrial boilers. Every garment factory needs a boiler for pressurized steam, and there are more than 30,000 in use across all industries. But only 10 government boiler inspectors serve the entire country, according to A.K.M. Monjur Morshed, a boiler authority and associate professor of mechanical engineering at Bangladesh University of Engineering and Technology. “Ten is not enough,” Morshed says with some understatement. Compounding the situation, there are only 300 fully certified boiler operators, Morshed notes.

The results are predictable and sometimes fatal. Since 2012, there have been 35 boiler explosions in all industries in Bangladesh, resulting in 77 deaths and hundreds of injuries. In one of the more severe incidents, in July 2017, a boiler blast at the Accord-affiliated Multifabs factory in Gazipur killed 13 workers and injured more than 50.27 (The Accord to date has not inspected boilers directly, instead confining its attention to whether the devices are walled off from workers. The Alliance began inspecting boilers in 2017.)

Bangladesh imports most of its industrial boilers, Morshed says, and the original quality of the equipment is not a problem. Trouble ensues when boilers are operated or maintained improperly and then hastily inspected, or not inspected at all. There is a valuable lesson here that goes far beyond boilers. Factories that are remediated may become safe for a moment in time. But they won’t stay safe under the government’s supervision if oversight is lax and factory conditions deteriorate. Ensuring safe operation and maintenance will be one of the government’s main tasks, and one it may not be well suited to fulfill.

In exercising its regulatory authority over garment factories, the government lacks the leverage the Accord and Alliance have wielded: the ability to deny a supplier’s access to valuable Western buyers. The government’s tool in this regard is the threat to pull a factory’s export license or shut it down altogether. In fact, the National Initiative has warned the facilities it is already supervising that they must complete all remediation by April 2018 to avoid cancellation of export licenses—a threat widely viewed as empty. Says the Alliance’s Rigby: “I have more chance of buying a house on the moon” than seeing the National Initiative remediation finished that quickly. It seems unlikely, moreover, that the government would cancel hundreds of export licenses, denying the country hundreds of millions of dollars of foreign exchange revenue.

The Subcontracting System

In some people’s telling, the story of garment factories in Bangladesh ends with the Accord/Alliance cohort and facilities covered by the National Initiative. According to this view, the traditional practice of subcontracting—whereby mostly smaller factories receive orders from larger mother factories—abruptly ended in the post-Rana Plaza era, when Western buyers made it clear to their primary suppliers that they disapproved of the custom. “There is no subcontracting system,” says Commerce Secretary Basu.
“That is over and done with.” The BGMEA’s Rahman is only slightly less definitive. “You can forget about the small facilities,” he says. “They will be closed down in one to two years.”

In fact, subcontracting continues and shows no sign of disappearing. If properly managed, the practice accommodates the peaks and valleys of production demands and the industry’s low-cost, high-volume business model. In 2015, the NYU Stern Center found in a field study in Dhaka that out of 479 factories surveyed, 153, or 32%, were subcontractors; nine out of 10 of those subcontractors were producing at least partly for the export market. The following year, BRAC University’s Centre for Entrepreneurship Development found in a similar field study that out of 455 factories surveyed, 140, or 31%, did subcontracting. The Accord notes on its website: “Unauthorized subcontracting is one of the many recognized challenges for the Accord, and it is impossible for the Accord alone to end the practice of unauthorized subcontracting.”

Many small factories produce mostly for the domestic Bangladeshi market and occasionally pick up subcontracting work from exporters. “There are very unsafe manufacturing units all over the inner city of Dhaka. I’ve seen them myself,” says Oldenziel, the Accord’s deputy director for implementation. “They have very small exits, no fire protection, electrical wires hanging all over the place.” He emphasizes that the unsafe shops he describes are not covered by the Accord or Alliance.

During its field research in 2018 in Dhaka, the NYU Stern team was introduced to a subcontractor on a dirt road in the Badda section of the city, practically around the corner from the Accord’s offices. Providing the introduction was the owner of a larger mother factory that does business with a network of 15 subcontractors in Dhaka. These relationships underscore how reliant some larger factories are on subcontracting. A representative of the export-oriented mother factory says it is affiliated with both the Accord and the Alliance.

The owner of the Badda subcontractor explains that he is a former mathematics teacher who started his business after Rana Plaza in 2013. He employs about 200 workers who lately have cut and stitched shirts for a German brand called New Yorker; a California-themed British outfit named SoulCal & Co.; and the globally famous Pierre Cardin of France. The owner speaks to us on the condition that we not name him or his business.

Subcontractors are forced to accept paltry margins, he complains. A bright red polo shirt the subcontractor makes for SoulCal will sell in London for 17.95 British pounds, according to its label. But the owner says he sometimes makes a profit as slim as 15 Bangladeshi taka per piece, or the equivalent of 18 U.S. cents. In 2017, he lost money, although so far 2018 is looking up, and he has six months of work already booked. One advantage of subcontracting, he adds, is that he does not have to spend time and money forging relationships with foreign customers. He focuses exclusively on production. The representative from the mother factory, overseeing work at the subcontractor, listens to the conversation, nodding.

Inspectors with the National Initiative recently visited one subcontractor and left behind a long list of fire-safety requirements, the owner says. He admits he has lost the list and, in any event, cannot afford to carry out the government mandate. He does not expect to be put out of business as a result. To the contrary: In a few years, when the factory is more profitable, he hopes to expand and move to a larger building.