Part Four: Shared Responsibility and the Way Forward

Putting a Price on Safety

As we have seen, more needs to be done to make the garment industry in Bangladesh safe. Although they have brought about important improvements, the Alliance and Accord were never designed to cover all Bangladeshi factories and never did. Their eventual withdrawal underscores the remaining safety gap, as outside attention paid to factory safety could diminish with the departure of the foreign initiatives.

The Bangladeshi government faces a daunting challenge in overseeing the factories now under its supervision, let alone the 2,300 or so it will inherit from the Alliance and Accord. And then there are the subcontractors, whose numbers are debated but include thousands of additional factories.

To address the challenges that remain, we propose the formation of a locally led international task force that operates under the principle of shared responsibility. We will explain the task force in two steps, first estimating how much money it would have to raise and then explaining what shared responsibility would look like in practice.

Step one requires approximating how much it would cost to make two categories of factories safe: subcontractors and those overseen by the National Initiative. We have sought to determine what the bill would look like, roughly speaking, to protect workers in each category from the most serious risks. We are assuming that the Accord and Alliance will finish the jobs they set out to do, and therefore we have not assigned a dollar value to completing work on the factories affiliated with those organizations.

We have engaged in a ballpark calculation, not application of precise formulas. There are multiple variables in play, some of them elusive: Exactly how many factories in Bangladesh produce clothing for export? What is the average cost of remediating subcontracting factories operating outside the jurisdiction of both the National Initiative and Accord/Alliance? As outsiders, we do not have the access or capacity to provide complete answers to these questions.

But the calculation is still worth doing. It offers the potential of estimating the order of magnitude of the challenge that remains in Bangladesh. Moreover, it provides an aspirational goal around which a renewed campaign to make Bangladeshi factories safe needs to be organized. Think of the estimate as a catalyst for further discussion and, ultimately, a spur to action by a multi-stakeholder task force that would oversee the raising and spending of the money.

Implicit in this exercise is a major change in how factory remediation would be financed in the near future. Before and since the Rana Plaza disaster, suppliers themselves have been expected to pay for remediation. That has been true under the Accord and Alliance and the National Initiative. But many of the factories that so far have not been remediated fully—or at all—cannot afford expensive safety improvements on their own. They lack direct relationships with Western brands and retailers. Their margins often are even slimmer than those of Accord/Alliance suppliers. And because of their shaky financial profiles, they do not have access to local bank loans. Without outside aid in the form of grants or low-interest loans, these factories simply will not get safer. This reality motivates our determination to raise a substantial fund to be distributed by a task force to those most in need. We approach this effort from the perspective of workers whose safety will be compromised until improvements are made.
The first component of our estimate is a per-factory approximation of the cost of remediation. In June 2016, the ILO and the International Finance Corporation (IFC), an arm of the World Bank, published a $189,000 average cost estimate based on a study of 100 sample factories drawn from the Accord, Alliance, and National Initiative.41 As noted earlier, the Accord offers $250,000 as a rough gauge of average per-factory costs. The Alliance suggests a range of $250,000 to $350,000. The higher values compared to the ILO/IFC may reflect that the Accord and Alliance have overseen larger export factories and have pressed more aggressively than the National Initiative for thorough safety overhauls. Recognizing that all of these amounts are inexact, we have decided to use the Accord figure of $250,000 as the basis for approximating remediation costs going forward. The Accord number roughly splits the difference between the ILO/IFC figure and the high end of the Alliance range.

The next step is to determine the number of factories to be multiplied by $250,000. In the case of the National Initiative, the best guess of how many factories the government is currently supervising is 1,650. Some of those factories have undergone a degree of remediation, but determining precisely how much is impossible at present. Therefore, we are going to use the full 1,650 as our multiplier, acknowledging, again, that we are not capable of generating precise cost numbers. The dollar value for the National Initiative remediation is $413 million.

To estimate the number of subcontractors, we have to do some basic subtraction: the total number of factories minus those overseen by the Accord/Alliance and the National Initiative. As mentioned in Part One, approximations of the total number of factories run from more than 4,000 to 8,000. Based on a comparison of various factory databases, the NYU Stern Center in 2015 estimated the number at 7,100. We acknowledged when we published that figure that the databases were imperfect. And since then, an unknown number of factories have both opened and closed. Still, we believe that approximately 7,000 remains the best overall estimate of the total number of factories. The number to be subtracted from the total is 4,000, or the sum of Accord/Alliance and National Initiative factories. The result, 3,000, is multiplied by $250,000 for a subcontractor remediation value of $750 million.

Adding the costs of repairing these subcontractor and National Initiative factories produces a grand estimate approaching $1.2 billion. Two important qualifications: First, some older factories housed in former residential buildings probably are not worth fixing. Ideally, their owners will have an opportunity to start over in purpose-built facilities, but such situations will have to be evaluated on a case-by-case basis. The number of factory closings and openings could affect our $1.2 billion estimate. Second, we see $1.2 billion as a preliminary basis for approximating what is necessary to undertake a comprehensive effort to address factory safety concerns today. Once current gaps in safety have been addressed, the future assurance of factory safety and oversight of the garment industry need to rest with the government of Bangladesh.

A Locally Led International Task Force

Offering a cost estimate in this fashion raises the crucial questions of where the money would come from and who would control its use. Inevitably and appropriately, Bangladeshis would lead the process—including government agencies, manufacturers, and members of civil society, such as trade unions. But neither the government of Bangladesh nor the local manufacturing sector has the resources to meet this need. That is why we propose the shared responsibility model, which would involve relevant international actors willing to work with the government, either because they benefit from the Bangladesh garment industry or their mission dictates helping workers in countries such as Bangladesh.42

Shared responsibility seeks to address the underlying causes of the most serious human rights risks by requiring the collective action, influence, and resources of all major stakeholders in global supply chains. The ultimate goal is to protect workers in producing countries and spread the benefits of globalization more evenly.

In proposing a shared responsibility task force, we have drawn on experiences from other contexts where a similar approach has been used. One example from the United States is the Detroit Blight Removal Task Force. In 2013, a local business leader, Dan Gilbert, the founder and chairman of Quicken Loans, initiated a process that brought together private industry and community leaders to develop an ambitious joint plan to address urban blight. To tackle the seemingly intractable problem of abandoned homes, they raised more than $800 million from federal, state, and local governments; the private sector; and the philanthropic community.

In a very different setting, international organizations like the United Nations Refugee Agency have responded for years to mass humanitarian and refugee crises by developing comprehensive plans of action and then convening donor conferences that allow governments, private voluntary organizations, and charitable groups to work together to craft an effective collective response. In yet another context, UNICEF is now working in West Africa with governments, global agricultural companies, local farmers, and international development agencies to begin to address the chronic problems of child and forced labor in cocoa production.

In each of these instances, the progress that has been or is being achieved has depended on collective action and joint financial support. These are the core attributes of the doctrine of shared responsibility. We believe this approach will be needed to maintain meaningful progress on factory safety in Bangladesh. It seems only fair that the Western companies that profit handsomely from
the World Bank has identified especially subcontractors, who cannot affect the many factory owners, meaning initiative but one that does factory remediation—another well- $40 million in financing to local banks reaches only about 140 factories. Although well intentioned, Better Work is limited to the pursuit of safety in cut-and-sew factories. The parties to the Bangladeshi-led task force would undertake a more rigorous assessment of the costs of remediation for which we have provided the first estimates. This assessment would be based in part on a thorough census of all garment factories in Bangladesh, one that reveals not only an accurate overall count, but also a delineation of which factories produce for the Western export market. The resulting remediation fund could be administered by an entity in Bangladesh, an international entity, or some hybrid arrangement. It will be up to the participants to decide these important questions. The task force members would also allocate responsibility for raising money. One possible approach would be to assign each category of participant a percentage share. As an illustration, the task force might ascribe 30% responsibility to the Bangladeshi government, 10% to Bangladeshi industry, 20% to Western governments, 20% to brands and retailers, 10% to the World Bank, and 10% to international philanthropy. Within some of these categories, certain shares could be determined proportionally. The United States, for example, might be assigned an 18% share of the amount allotted to Western governments as a reflection of U.S. consumption of about 18% of Bangladesh’s total clothing exports.

As noted, we view this as a stopgap process aimed at addressing the most urgent factory safety concerns today. Longer term, Bangladeshi business leaders and their government will need to take full responsibility for assuring factory safety. Some factory owners we spoke to expressed interest in joining a task force designed to upgrade the entire garment industry. “How could I say no?” says Rubana Huq of Mohammadi Group. Another accident even approaching the scale of Rana Plaza could kill the country’s reputation as a sourcing destination, she adds, and must be avoided at all costs.

We support a strong and vibrant garment sector in Bangladesh. We also encourage global brands and retailers making long-term commitments to source their products in Bangladesh. Seeking to maintain and build on Bangladesh’s important place in clothing manufacturing, our proposal for a shared responsibility task force supports the ongoing roles of the government of Bangladesh, local factory owners, industry associations, and unions in building a sustainable model for garment production and factory safety. We stand ready to help in that effort.