



Textile workers in Dhaka, Bangladesh © Asian Development Bank

Made in Misery

Ethics in the garment industry after Rana Plaza

1,138 Bangladeshi workers were found dead between piles of garments destined for the European and American markets after the six-storey Rana Plaza complex in the industrial outskirts of Dhaka collapsed on 24 April 2013. Asia's largest industrial catastrophe – after Bhopal – did not only disclose construction shortcomings but also the race to the bottom in the garment sector, which this time led to a deadly conclusion. How have the authorities, businesses, trade unions and NGOs responded? Does the consumer have any sustainable alternatives?

Safety first

A year and a half after the catastrophe, things have indeed changed in Bangladesh. 26 American businesses launched the *Alliance for Bangladesh Worker Safety*. More than 170 mainly European businesses joined the *Accord on Fire and Building Safety in Bangladesh*, which involves Bangladesh authorities, trade unions, NGOs and the International Labour Organisation (ILO). Thanks to the financial contributions of the garment businesses the number of factory inspections increased by 70%. A dozen knitting workshops and garment businesses have been shut down because of poor safety standards. Also, the freedom of association is better respected in the country and the legal minimum wage was raised from 28 euros to 50 euros per month.

Still, the Rana Plaza *wake-up call* was not heard by everyone as clearly. Tellingly, the fund for the catastrophe's victims does not get filled. A number of multinational garment companies that bought from the five sewing workshops in

the building waited to transfer their contribution. The quality of control is another lingering issue. In her documentary, *H&M: le côté obscure de la fringue?*, Marie Maurice shows the fears of seamstresses as cracks are visible in their factory building which had just received a positive inspection report.

“But the main problem”, says Amirul Haque Amin, President of the National Garment Workers Federation NGWF, “is that hardly anything has changed for garment workers since Rana Plaza. Because what is the meaning of a safe factory building if wages remain too low to survive?”

1598 calories

Worldwide, the garment industry employs 60 million workers, 80% of which are women. For many years the Clean Clothes Campaign (CCC), a coalition of trade unions and NGOs, has documented and denounced their working conditions. While the garment industry and the retail sector

make billions, most garment workers hardly earn a few euros per day, which traps them in a vicious circle of poverty. A 'normal' working day of 10 to 12 hours can become a marathon of 16 to 18 hours at peak production times. Health complaints are countless. Recently, Cambodia was faced with a series of incidents of workers fainting on the work floor. They only received 1,598 calories per day, whereas 3,000 are considered a minimum for factory work. Worldwide only a fraction of workers is a member of trade unions, often because trade unions are thwarted.

Made in China is doubtlessly one of the most famous labels on our clothes. But economic growth has led to higher wages, which means the number one exporting country faces competition from cheap labour in other countries. Bangladesh has tried to climb the ladder and become 'the world's sewing workshop'. 95% of Cambodia's exports are garments. Companies are exploring the potential of Pakistan, India and Indonesia as well. But it would be a mistake to consider low wages and poor working conditions solely an Asian issue. In its recent report, *Stitched up*, the CCC showed how companies use Eastern Europe as a backyard filled with cheap labour. The Batman region in south-eastern Turkey promotes itself with the 'cheaper than China' slogan.

Survival of the cheapest

As stitching and sewing mainly comprises repetitive manual labour, few industries are easier to relocate than the garment industry. This makes it attractive to companies to relocate production and look for cheaper and faster hands. Sometimes this move is from large factory halls to small home workshops or from one country to another. The garment industry often blames this *race to the bottom* on governments, which should impose higher minimum wages. But governments hesitate because they do not want to lose their competitive edge. And workers remain silent because they know they can be instantly replaced.

The complaint of a Bangladeshi factory owner in *The Economist* is symptomatic: "The number of inspections in the country rose by 70% year-on-year in the first quarter of 2014, much more than in Vietnam, Cambodia and Indonesia. Indeed, annual growth of garments exports dropped

6.7% compared to an average of 20%. Buyers already scramble for an alternative because Bangladesh has become *toxic*." In her documentary Marie Maurice shows how H&M, the second largest garment retailer worldwide, is exploring opportunities in Ethiopia where there is no minimum wage in the private sector.

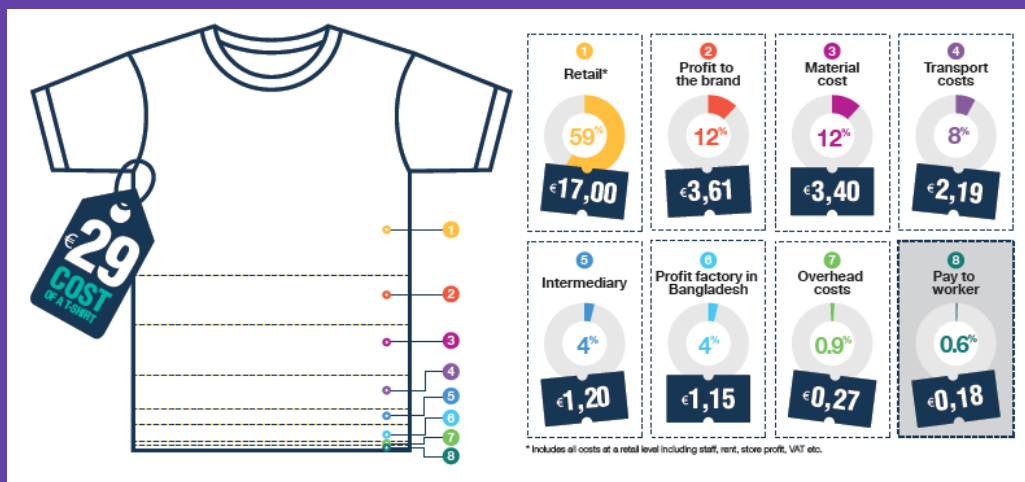


Training program in Bangladesh © IAO

Living wages

Yet, the garment industry has the potential to create sustainable employment and development opportunities for poor and emerging countries. To stop shifting the blame, the *Asia Floor Wage Alliance*, an alliance of trade unions and labour rights activists such as the CCC, further developed the *living wage* concept. According to Article 23 of the Universal Declaration of Human Rights a living wage is a human right. But how do you calculate a living wage? The basis for the calculation used by the Alliance is the following: an employee's wage must cover the employee's needs as well as the needs of two more 'consumption entities' (a consumption entity being one adult or two children) with 50% of wages being spent on food (3,000 calories per day per adult), 40% on clothing, rent, transport, education and health care and 10% on savings. The *Asia Floor Wage* is calculated in PPP\$ (Purchasing Power Parity), a fictitious monetary unit used by the World Bank to compare the cost of living of countries

Breakdown of costs of a T-shirt



Less than 1% of the retail price goes to the worker's pay. Doubling the wage would hardly be noticed by the consumer.

From: *Wij willen Schone Kleren*, p 21.

irrespective of national currencies.

Here are some of the results: for the five main production regions in China, the average living wage is 376 euros, whereas the legal minimum wage is 174 euros. For Bangladesh it is 259 euros compared to 50 euros. Indonesia, Cambodia and India are in the same category. Quite interestingly, in Eastern Europe – including a few EU countries! – and Turkey, there is a huge gap between the legal minimum wage and the minimum estimate for living wages.

Boots on the ground

In 2011, the United Nations Human Rights Council unanimously endorsed the Guiding Principles for Business and Human Rights, which lays down the responsibilities of businesses and governments in the matter. For the CCC this confirmed the legitimacy of its demands: Governments must adjust legal minimum wages upwards and businesses that want the 'social responsibility' label must guarantee living wages in their value chain. For the *We want Clean Clothes* report (in Dutch). *What do the garment chains and brands do with the living wages rights of those making their garments?* Flanders Clean Clothes Campaign and Wallonia's achACT (Actions Consommateurs Travailleurs) asked 50 international and 18 Belgian garment businesses for their commitments towards wages and purchasing practices. While some refused to respond and others committed minimally, the campaign claims progress is being made. By subscribing to the *Accord on Fire and Building Safety in Bangladesh*, many garment companies have, for the first time, explicitly recognised and committed to their responsibility in their value chain. But a building's fire safety is obviously easier to inspect than wages or working hours. This calls for an action plan. Or like The Economist put it, western brands and retailers will have to get used to the idea that they will need to put inspectors' *boots on the ground* for years to come.

Social audits

Inspections are not new. For many years companies have had social audits conducted at their suppliers', as part of the code of behaviour of the *Business Social Compliance Initiative* (BSCI) or to obtain the SA8000 label. In both cases the criteria – especially those pertaining to wages – remained vague. And they did not seem to be correctly or strictly imposed either: Rana Plaza was inspected several times and approved, as was the garment factory in Pakistan where a deadly fire raged in 2012 only three weeks after it was



Textile factory in Bangladesh © Asian Development Bank

SA8000 certified. There were no fire alarms or fire extinguishers and the emergency exits were blocked. Also, these kinds of audits often shift the responsibility to local suppliers without looking into the purchasing practices of the western companies, while their demand for cheap costs and expedient delivery are often the basis of low wages and overtime.

Fair Wear Foundation

Meanwhile, a few garment companies have taken the step of working with trade unions and NGOs. The Fair Wear Foundation (FWF) is by far the most interesting project in this respect. Current membership consists of more than 80 companies from 7 European countries representing more than 20,000 retail points. In addition to the ILO labour conventions, the FWF code of behaviour includes a tool to assess wages. The 'wage ladders' list reference values such as legal minimum wages, industry standards, local trade union demands and the *Asia Floor Wage*. The goal is for associated companies to use this information for audits to assess the effective wages paid and to subsequently demand that suppliers raise wages on the 'ladder' towards a living wage. But there is no genuine action plan or time schedule yet for the systematic introduction of a living wage, which for the CCC would eventually be a way to overcome the deadlock: "Living wages must be made concrete so labour costs can be incorporated in the price breakdown. Also, companies are to pay suppliers enough to cover living wages. If enough companies do so, the authorities in production countries get a clear signal that raising minimum wages to living wages does not push companies out."

Fair Clothes

The fair trade movement has been focusing on cotton and clothing for many years. For instance, a few producer groups in the South that are members of the World Fair Trade Organisation (WFTO) put clothes on the market. In Belgium, this limited offer is mainly found in the Oxfam-Wereldwinkels world shops.

In addition, there is a limited offer of Fairtrade (formerly Max Havelaar) labelled products, which are for sale in mainstream outlets. In that case the label points at the fact that the cotton is sourced from certified producers groups. Currently, Fairtrade International (FI) works with approximately 66,000 cotton farmers, mainly in West Africa and India. But the problem is that these farmers can only sell a small share

Mayerline

According to the Clean Clothes Campaign, Belgium's best pupil is Mayerline, a company with 44 outlets, a turnover of 44.5 million euros and long-term contracts with suppliers in China, Lithuania and Turkey. The report specifies "its efforts to guarantee the freedom of association and to warrant a credible complaints system. With respect to wages, Mayerline first tackled some basic issues: correct registration of working hours, limitation of the amount of overtime, correct wages for overtime and respect of legal holidays. We hope that Mayerline as a FWF member will set further steps to bridge the gap with the living wage."

Source: Wij willen Schone Kleren, p 96.

of their crop at fair trade conditions. The garment sector is not keen on putting fair trade labelled clothing lines on the shelves, because it is too complex and expensive to distinguish between certified supply and production chains from the other chains.

According to FI the sector is willing to include a larger percentage of fair trade cotton in their supply chain though. That is why FI has decided – in addition to its traditional way of working, i.e. a Fairtrade label on the final product – to launch a *Fairtrade Sourcing Program (FSP)* for cotton. Under this programme, textile companies can purchase fair trade cotton in bulk and mix it with other cotton and fibres. Farmers keep their fair trade price and

premium, while the companies in the programme that purchase certain volumes, are allowed to use the Fairtrade Cotton Program label in their B2B communication and in their *Corporate Social Responsibility (CSR)* reports. Through this project FI finally hopes to take a leap forward and generate resources for programmes in support of cotton farmers, for instance on ecological farming techniques.

After 1,138 Bangladeshi workers were killed, major garment companies recognised and committed to their responsibility for the first time. Hopefully this will not only lead to safer factories but also to a better future for 40 million cotton farmers and 60 million garment industry workers.



R.E.: Carl Michiels, BTC Hoogstraat 147, 1000 Brussels

Stock of cotton in Mali © Fairtrade Belgium / Frederic Raevens



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