



Readymade Garments Sector: Problems of Good Governance and Way Forward

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Research Advisers

Advocate Sultana Kamal
Chairperson, Trustee Board

Iftekharuzzaman
Executive Director

Sumaiya Khair
Deputy Executive Director

Mohammad Rafiqul Hassan
Director, Research and Policy

Research planning and report writing

Dr. Sadid Ahmed Nur-e Maula, Senior Programme Manager, Research and Policy (former)
Sharif Ahmed Chowdhury, Deputy Programme Manager, Research and Policy
Nazmul Huda Mina, Assistant Programme Manager, Research and Policy

Editing and revision

Shahzada M Akram, Senior Programme Manager, Research and Policy
Md. Waheed Alam, Senior Programme Manager, Research and Policy

Research Assistants

Jahirul Islam
Shuchismita Ray
Ahsan Rajib

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Research Assistant Israt Jahan, Deputy Programme Manager Nina Shamsunnahar and Programme Manager Farhana Rahman assisted with data collection and analysis. Officials of the TIB Research and Policy division and other divisions enriched the report with their valuable comments and suggestions. We are sincerely grateful to all of them.

Contact

Transparency International Bangladesh
House 141, Road 12, Block E
Banani, Dhaka 1213
Phone: 880-2-8826036
Fax: 880-2-9884811
Website: www.ti-bangladesh.org

Dedicated to the memory of the
victims of accidents in the RMG
sector including the Rana Plaza
tragedy of April 24, 2013

Preface

Transparency International Bangladesh (TIB) is a knowledge-based social movement to raise voice and demand against corruption and to promote good governance. TIB's vision is a Bangladesh where the government, politics, business, civil society and the lives of common people will be free from corruption and public and private organizations working in public interest will be transparent and accountable.

To create nationwide demand against corruption and engage citizens in anti-corruption movement, TIB has been implementing various activities including research on issues that impede the effectiveness, transparency and accountability of selected public and private institutions, and on that basis TIB raises public awareness and works with stakeholders to catalyze policy and institutional reform.

The Savar tragedy caused by the collapse of the Rana Plaza on April 24, 2013 near capital Dhaka has been, and will be, analysed and interpreted in many different ways, not least for the challenges it has brought to the whole readymade garments sector of Bangladesh. Over and above anything else is the fact that it is one of the worst possible examples of ill effects of governance failure and corruption.

We have known corruption as a malaise that prevents development. It undermines democracy and deprives people of fundamental human rights. It erodes trust in leadership and democratic institutions. Corruption prevents access of the poor and disadvantaged to the whole range of basic services and entitlements like education, health, and nutrition and safety-net.

The Savar tragedy has told us that corruption kills innocent, honest, diligent and hardworking women and men striving to eke out a living in an extremely challenging context. Rana Plaza was allegedly constructed in an illegally occupied piece of land in collusion with the powerful from both sides of the political spectrum, supported by commission or omission by officials in various relevant institutions whose responsibility it was to ensure compliance to laws, regulations and codes.

The number of deaths crossed 1200 with many missing; nobody will know the exact number. The fact is that the overwhelming majority of those killed and maimed are women garment workers who not only emerged as the catalyst of social change, but also lifeline of the economy. They have done so in spite of the failure of successive governments, laws, institutions and garments owners in particular, to accord due recognition of their contribution. Compared to the patronage, privileges and even impunity granted over the years to factory owners represented by the BGMEA, precious little attention of the high and mighty has been drawn to the basic rights of workers — right to union, workplace safety and security of life.

There are within the sector certainly some compliant business houses that could be good practice examples. But driven by motivation for quick profit, a larger section of the employers have not only ignored the basic requirement of transparency in setting up terms of employment like basic minimum wages and benefits and work place safety, they have also used their money-power to enjoy impunity violating laws, regulations and codes thanks to a vicious and apparently unbreakable collusion of elements in politics, business, administration and law enforcement.

The international community including stakeholders in garments business like those in North America and EU joined the uproar occurring in the country in the wake of the tragedy. Many extended both short and long term support. The EU, for instance, raised strong concern over labour conditions and declared appropriate action to encourage improvements in working conditions in Bangladeshi factories.

Responsibility for the tragedy lies on weak law enforcement, corruption and a desperate game of making quick money. Everyone responsible must be brought to justice to prevent such tragedies in future and ensure higher safety standards. However, nothing in the wake of the tragedy can justify any action that could restrict access of Bangladeshi products to the EU, North American and other global markets. This will mean chopping off the head for headache, and lead to punishing the garment workers for no fault of them, over 85% of whom are women.

The international actors have two possible ways of making constructive and positive contribution to change. First, use their economic and political leverage to work with the relevant authorities to catalyze appropriate legal and regulatory reforms and contribute to building institutional capacity for enforcement to effectively challenge impunity. Second, incentivise buyers and their agents to package business deals in a manner that ensures higher safety standards and welfare of workers. Like quality and design of a product, indicators of strict adherence to safety and security standards and labour rights can also be a part of profitable, responsible and sustainable business deal.

The Savar tragedy shows that profit from cheap garments comes at a cost which the global garment market players, especially buyers and Governments of the developed world have to share if they want people to be convinced that they practice what they preach — rights of workers.

This research was undertaken to analyze the role of various stakeholders in the sector to analyze governance challenges and prevailing nature of irregularities and corruption and to provide recommendations for better governance, transparency, accountability and rule of law in the garments sector of Bangladesh.

Dr. Sadid Ahmed Nur-e Maula, Sharif Ahmed Chowdhury and Nazmul Huda Mina designed the research and prepared the report. Other members of TIB research and other teams also provided valuable comments and suggestions.

We sincerely thank the factory owners and officers, workers, workers' leaders, officers and staff of the concerned government offices, BGMEA and BKMEA officials, compliance auditors, buyers' representatives, researchers, lawyers and local and foreign organizations who at different stages provided valuable information to enrich this work.

I am grateful to the Board of Trustees of TIB, especially Chairperson, Advocate Sultana Kamal for guiding and inspiring us. We hope that the information, analysis and recommendations presented in this report will be useful in local and international efforts to resolve existing problems in the readymade garments sector, help make this sector transparent and accountable, and be helpful in further research and advocacy on the subject.

TIB would welcome any comments or suggestions on the report presented here.

Iftekharuzzaman
Executive Director

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Chapter one

Introduction

1.1 Background and rationale

The readymade garment sector is crucial in the economic development of Bangladesh. Since the '80s, the readymade garment industry has brought dynamism to the economy (Bhattacharya and Rahman, 1999). The elimination of quota systems by developed countries importing garments and rising labor costs in that decade impeded the growth of this industry in East Asian nations and created new opportunities for the sector in Bangladesh (Rashid, 2006). Since the nineties the sector has played the biggest role in the ever-growing export sector of Bangladesh (Bajlul and Naznin, 2006). In 1982-83, the readymade garment sector had a 1.1% stake in the total export. In 2012-13 this grew to 79.63%. It makes up 10% of the GDP (Mahmud, 2012), 14-15% when put together with complementary industries.¹ In 2012-13 the sector made an export income of 21.1 billion US dollars.² Bangladesh is the third largest exporter of readymade garments in the world.³

The readymade garment sector is the largest employer in the country⁴ and is considered the backbone of the economy. In 1980, there were 50 garment factories in the country and they employed a few thousand (Kabir and Mahmud, 2004). At present there are 5,400 factories in the country and almost four million workers,⁵ of whom 85% are women (Mahmud, 2012). For this reason, the sector is called the single largest employer of women in the country. This employment of rural low-income women has given them economic freedom and has increased their participation in household decision-making (Foujia, 2006). Different supportive policies and benefits from the government and positive changes in domestic policy have helped the fast development of this sector (Morshed, 2007). At this time the government adopted efforts to expand free market economy, following the advice of the IMF and the World Bank. Several economic reforms were adopted to this end, including opening up the economy to facilitate private commercial transactions, lowering the barriers to foreign investment, reducing import duties and providing incentives for entrepreneurs (Rashid, 2000), which encouraged export-oriented readymade garments production (Rabinwas and Giden, 2006). The New Industrial Policy (NIP) declared by the government in June 1982, played an effective role in important policy reforms in the industry sector. At that time the government opened up duty-free import of machineries, accelerating the growth in the number of factories (Kuddus, Munir and Selim, 2000). In 1986, industry development and market expansion by private initiative accelerated even further. The industrial policy adopted in 1991 maintained the objectives of the previous policy and the government provided various incentive packages⁶ to move towards a competitive market economy (Ahmed and Hossain, 2006). Moreover, export processing zones (EPZ) were created to encourage foreign direct investment (Bhattacharya and Rahman, 1999). In effect,

¹ Daily Prothom Alo, Dhaka, 10 June, 2013.

² www.epb.gov.bd

³ www.bgmea.com.bd, accessed on 8 July 2013.

⁴ Financial Express, July 8, 2012.

⁵ www.bgmea.com.bd

⁶ Among the incentive packages, bonded warehouses to simplify import and avoid bureaucratic red tape, duty free import, tax holidays, cash incentives (5% in the running fiscal), income tax abatement, low interest loans, import under back-to-back Letters of Credit (13% interest, whereas others pay 17-18%), export credit guaranty scheme, loans at 3% from the Export Development Fund, rescheduling default loans without down payment, capital machineries import with 1% duties (in other sectors the duty is 3%).

continuous supportive policies taken by all governments played the central role in the business expansion of the readymade garment sector.

But the economic success is only part of the story of the sector. Despite various financial incentives, regulations and benefits from the government, the rights and security of the workers, the main driving force of this sector, have not been ensured. Unhealthy work environment in factories and lack of social compliance⁷ are hindering this progress (Ahmed, 2011). A report on corporate social responsibility showed that only 50-100 readymade garment factories are able to maintain the highest standards (McKinsey and Company, 2012). Lack of workers' education, effective implementation of laws and irregularities and corruption in the institutions are identified as major barriers. Trade unions play an undeniable role in protecting workers' rights and collective bargaining. However, there is a prevailing impression at home and abroad, that workers' rights are often violated in the readymade garment factories in Bangladesh. Although there are provisions in the law for the formation of trade unions, different limitations, administrative complications and the negative attitude of the entrepreneurs impede them (Tamanna, 2010 and Absar, 2001). An ILO report said the oppressive attitude of the readymade garment factory⁸ managers towards the workers and the workers' lack of awareness hinder the development of trade unions, which violates the international labor standards and manual (ILO, 2003).

On the other hand, the readymade garment sector has faced corruption from the very beginning and through various means corruption has been institutionalized in this sector. Many say the expansion of bureaucratic corruption alongside the development of Bangladesh's export-oriented readymade garment sector and irregularities and corruption in associated agencies has hindered the possibilities of this sector to contribute to the economy (Kuddus, 2000). The McKinsey and Company survey (2012) showed corruption as one of the main risk factors in the development of the sector. A World Bank research in 2002 showed that eliminating corruption could mean a two percent increase in the country's GDP. A combination of government and private corruption creates a tendency of profiteering and creates barriers to ensuring workers' rights. Political and economic power is used to start or expand business easily. Infrastructure is built anywhere, violating the law, and factories are operated in dangerous and unhealthy environments, creating long term traps for big accidents. Spectrum, Tazreen and the more recent Rana Plaza and Aswad Composite are strong examples. The impacts on the macro economy can be even more terrible. Overall, there in the long run there may be a risk of collapse of the industry known as the backbone of the economy.

Despite the many complaints of lack of compliance, unsafe workplaces and workers' rights issues, there are many factories in Bangladesh that maintain quality work environments. There are good practices in these factories, which are child labor-free, that are exemplary. There is a factory in Bangladesh that is a member of UNDP's Green Industry Initiative and one of the top three factories by environmental standards set by the US Green Building Council (USGBC) is here.⁹ Some of the factories give wages and benefits (such as transportation allowance) above the minimum wage. Since 2008, some factories have had shops providing goods at low prices for workers, various subsidies for female workers to

⁷Compliance in the readymade garment industry means meeting certain standards in factory, work environment, workers' rights, workers' health and safety initiatives and environmental security.

⁸ Here, readymade garment factory means the export-oriented factories where finished goods (such as shirts, t-shirts, trousers etc.) are made.

⁹Daily Kaler Kantha, Dhaka, July 1, 2013; For details see- <http://www.usgbc.org/> and www.greenindustryplatform.org

ensure their physical wellbeing, daily allowances for pregnant workers to ensure their nutrition, health and occupational hazard checkups at own health centers and employment opportunities for people with disabilities through training. Some factories also have own residential and school facilities, lunch and tiffin supply, entertainment and own transports.

But the recent accidents, death and maiming of thousands of workers, worker unrest and instability has created a negative situation for the readymade garment sector in the global market such as cancellation of GSP facilities by the USA and the threat of the European Union to do the same, consumers' movement to boycott Bangladeshi products etc. In this situation, in order to remain competitive and make the sector sustainable, reducing corruption-related costs and establishing good governance is of utmost importance. There are many researches on the challenges of the readymade garment sector, social compliance and future course, but there is an absence of research on corruption in the sector. Transparency International Bangladesh (TIB) has undertaken this research to identify the problems of good governance in the sector and their solutions, as a part of its programs on establishing good governance in public and private institutions.

1.2 Research objectives

The main objective of this study is to identify the challenges of good governance in the readymade garment sector and recommend ways to resolve them. Specific objectives of the study are:

1. Analyzing the laws and regulatory framework relevant to the sector
2. Analyzing the institutional capabilities and limitations of the stakeholders in establishing good governance
3. Identifying the nature, scope and influence of the existing irregularities and corruption in the sector, and,
4. Recommending ways forward.

1.3 Scope of the research

The scope of the research includes:

- Collecting and analyzing data based on the various indicators of good governance (rule of law, transparency, accountability, participation, sensitivity) in the readymade garment sector.
- Analysis of laws and regulatory framework relevant to the sector
 - Analysis of the administrative structure of the sector – there are 17 government and non-government agencies, BGMEA, workers, workers' associations, buyers and other stakeholders are associated with the business management, supervision, and providing various services and protecting interests of readymade garment factories. Of these stakeholders, the Office of the Chief Inspector of Factory and Establishment, Fire Service and Civil Defense, RAJUK, local government institutions, factory owners, owners' association (BGMEA), trade unions and buyers fall within the scope of the present research. However, only the garment sector-related activities of these selected stakeholders have been discussed.
 - Various kinds of corruption and irregularities done through the misuse of power, the right of the workers to organize, and compliance related issues are also under the scope of the research.

1.4 Research methodology and data sources

The study adopts qualitative research methods. Persons, institutions and experts related to the Readymade Garment Sector (RMG) have been interviewed. Key informants included factory owners and officials, workers, workers' leaders, officials of various government offices, BGMEA and BKMEA officers and staff, compliance auditors, buyers' representatives, officials from various international organizations, researchers and lawyers. The laws and policies related to the sector, international treaties and charters, government reports, court verdicts, research reports, books, articles, news reports published in print and electronic media have been used as secondary sources of information.

1.5 Limitations of the study

- This is a qualitative study and the data collected are not from randomized surveys and therefore no generalizations have been made. But the collected information does give an impression of the existing irregularities and corruption in the sector. Not all state agencies relevant to the readymade garment sector could be incorporated into the study because of limited time and resources.
- BGMEA's role in the sector could not be elaborated because of a lack of cooperation from the organization.
- Investigation reports from various levels of the government after the Tazreen fire and Rana Plaza incidents have not been made public. Therefore the study has had to rely on newspaper reports for information.
- In corruption incidents both sides make profit. Therefore the exact amount of monetary exchange could not be known in every case, but estimations have been made.

1.6 Structure of the report

The report comprises of five chapters. The first chapter describes the background and rationale, objectives, scope, method and limitations of the research. The second chapter scrutinizes the Bangladesh Labor Act (Amendment), 2013 to identify the positive aspects of the present amendment and limitations of the present act. The third chapter identifies garment sector stakeholders and based on their importance, takes 5 of the 17 state agencies, factory owners and owners' association (BGMEA), trade unions and buyers in order to discuss their existing problems, the nature of their irregularities and corruption, factors and impacts. The fourth chapter discusses the reasons behind the absence of good governance in the readymade garment sector, its outcome and impact. The fifth chapter draws conclusions from the study and recommends ways forward based on the information from the research.

Legal framework of the Readymade Garment Sector

Worker recruitment and job conditions, wages, health and security, worker welfare services, the right of workers to form union, working environment, compliance management, compensation for accidents, conflict resolution and such other issues regarding the readymade garment sector are the concern of 'The Bangladesh Labor (Amendment) Act 2013.' In this context this chapter presents a review of the act mentioned.

2.1 Evolution of the Bangladesh Labour Act10

Labor laws were first introduced in the subcontinent in 1881. Gradually the British Government formulated separate laws for different issues regarding workers such as 'The Factories Act (1881)', 'Workmen Compensation Act (1923)', 'The Trade Union Act (1926)', 'Trade Dispute Act (1929)', 'Payment of Wages Act (1936)', 'Maternal Welfare Act (1939)', 'Employment of Children Act (1938)' etc. After partition of the subcontinent in 1947 these laws underwent various amendments. In 1971, after the independence GOB retained the previous laws¹⁰ and formulated some more in accordance with domestic conditions and the needs of the working class. The government enacted 'Bangladesh Labor Act 2006' through amendment and consolidation of 25 existing relevant laws. Later in 2009 the law was amended creating provision for the employees, employed under the Chittagong and Mongla Port Authority giving them rights to form their own trade union¹¹. In 2010 the law was amended again extending the age limit of retirement for workers from 57 to 60.¹² In recent times on 22nd July, 2013 under domestic and international pressure due to incidents like the 'Tazreen Fashion fire' and 'Rana Plaza collapse' the government has amended the law yet again.

2.2 'Bangladesh Labor (Amendment) Act 2013'- Some Observations

In the mentioned act there are provisions for recruitment of workers, ownership and labor relations, setting of minimum wage rates, compensation to workers for job related injuries, formation of trade unions, raising industrial disputes and dispute resolution, health condition of workers, security and welfare, working conditions and working environment, labor court and relevant matters. Regarding the continuity of amendments to the law and various accidents in recent times some positive changes were brought about in the present amendment-

- **Owners would not get any list of workers during registration of trade unions:** Previously employers were provided with copy of the application for registration of the trade unions. So workers were likely to be harassed by owners and union formation was interrupted. In the amended act, provision for providing the employer with a copy of application for registration has been repealed.
- **Group Insurance:** Group insurance has been made mandatory for factories where at least 100 workers are employed.
- **Permanent Health Centre:** Establishing a permanent health center has been made mandatory for factories where at least 5000 workers are employed.
- **Recruiting Welfare Officers:** Recruiting welfare officers has been made mandatory for factories where 500 or more workers are employed.
- **Prohibition of Alteration of Authorized Design:** There is a provision in the law prohibiting alteration of authorized factory building and machine installation design.

¹⁰ Presidential Order no. 74

¹¹ Section 185A, Bangladesh Labour (Amendment) Act, 2009 (Act no. 66 of the year 2009)

¹² Section 28(1), Bangladesh Labour (Amendment) Act, 2010 (Act no. 32 of the year 2010)

- **Enhancement of the Penalty to the Owner:** Penalty to the owner upon interrupting pregnancy welfare has been increased from TAKA 5,000 to TAKA 25,000.

In spite of such positive incorporations to the amended act many limitations have been observed. There still are many clauses in the law conflicting with the interest of workers

- **Violation of Unrestricted Trade Union Rights:** According to the International Labor Organization (ILO) conventions 87 (Freedom of Association and Protection of the Right to Organize) and 98 (Right to Organize and Collective Bargaining) ratified by Bangladesh, all workers have unrestricted trade union rights. But the current act doesn't support formation of trade unions in all cases, for example there is no provision for formation of trade unions in the EPZ areas. Furthermore, many garments factories have such a large number of workers employed that the provision [clause 179(2)] dictating 30% workers are to be made members of trade union is not realistic in the present context. There are many readymade garments factories in Bangladesh where 5000-20000 workers are employed. In such factories formation of trade union based on application of 30% of the workers may not be possible. According to the informants this provision has practically made the process of application to form trade union more difficult. Though another clause has repealed the provision for providing the employer with a copy of the application for registering union. In reality it has complicated trade union formation.
- **Reducing the Range of Workers by Changing Definitions:** In the Labor act of 2006 administrative and managerial personnel were not included in the definition of worker and such personnel were not allowed to join worker associations. But mid-level supervisors (in the readymade garment sector supervisors range from production managers to floor in-charges) were included in the definition and these personnel were leaders of workers associations at factory level. But the amended labor act has incorporated supervisors to the definition of administrative and managerial personnel [clause 2(65)]. These employees will no more be considered as workers and they will not be eligible for trade union membership. Labor representatives, trade union leaders and experts have all expressed concern that exempting employees like supervisor, quality controller or floor in-charge from the definition of worker may violate worker's interest. A worker is offered a mid-level job based on working experience at different levels. So they're skilled in handling various workmen issues and common workers are comfortable having such mid-level employees as leaders of trade unions. According to experts exempting these employees from the ranks of workers would bring risk to their organization and collective bargaining rights. Also in case of termination these supervising officers may face deprivation from legal remedies according to labor rights.
- **Workers Deprived of Factory Profits:** According to the Labor Act 2006, workers had 5% share in company's profit (80% to 'participation fund' and 20% to 'welfare fund'). But in 2013 special provision was made for the hundred percent export-oriented industry sector. Through official government rules provision (clause 232) was made for centrally developed sector-wise fund formed by buyers and owners working in coordination. Such a provision is seemingly beneficial for the RMG sector. Though if it takes too long to formulate rules or in case they are not formulated at all there is risk that worker's may be deprived of company's profits. It is worth mentioning that factories do not follow the provision in the Labor Act 2006 securing 5% share in the company's profits for the workers. It is necessary to make provisions for sector-wise funds as soon as possible otherwise workers will be deprived of their legitimate right.
- **Risk of abusing power during registration of trade unions:** Application for registration of a trade union would be granted when the Joint Director-General of the Ministry of Labor is satisfied (section 179). 'Satisfied' has not been defined specifically in the law

- **Dismissing workers without Compensation:** Deduction of wages for participating in strikes (section 126), unauthorized leave (section 125) and dismissing worker without compensation on ground of 'misconduct' (section 23) are all in violation of ILO convention 29 (forced labor) and 105 (Abolition of forced labor).
- **Creation of middlemen and the risk of workers' exploitation:** Often contractors supply workers according to the demand of a factory. In this case the worker contacts the contractor agency and the contractor contacts the factory. In this method, the worker may often find an employer more easily and the factory owners may also get workers whenever they need. However, these contractor agencies have no registration, so often they cannot be made accountable in the context of the needs of the worker or the owner. In the 2013 amendment of the law, registration was made mandatory for the agencies [section 3A(1)]. But section 3A(1), sub-section 3 of the amended law describes the worker recruited through the contractor as 'contractor's worker,' which created a risk that there may be discrimination and conflict between the 'factory's worker' and the 'contractor's worker,' and the latter might be deprived from regular facilities of the factory. Also, the contractor might emerge as a middleman class, creating further risk of exploitation for the workers.
- **Scope of termination increased:** Additions to the section 23(B) of the terms "theft," "embezzlement" and "dishonesty" and to 23(G), "unrest, vandalism, arson and damage," have increased the scope of termination without compensation. This has created the risk of workers being intentionally harassed or terminated by the owner through misuse of the law.

Others:

- Issues regarding increased punishment for owners in case of accidents and ensuring accountability of factory inspector have been neglected.
- The government has monopoly over nomination [section 214 (6, 7, 9)] of worker and owner representatives who appoint the members of the labor court. So there is scope for politicization and impartiality of the court may fall in risk.
- There is no time limit to form trade unions after the initiation of a factory. (Vietnam has a rule that dictates formation of a temporary union within 6 months and a permanent union by the end of 12 months).
- Duration of pregnancy leave is 24 weeks according to government circular and 16 weeks according to the labor act.¹³
- Resetting wages through wage boards every five years is not consistent with present situation and life standard.
- Providing sufficient air supply, sufficient light, and sufficient drinking water and sanitation facilities in the workplace is compulsory. Problem is the word 'sufficient' is not well defined in the law.
- Compensation for death due to accident is taka 100,000, for permanent disability taka 125000 and for child workers taka 10000 (section 151, 5th schedule). The amount of monetary compensation is insufficient.

Comparative review of Bangladesh Labor Act (Amendment), 2013 with internationally recognized¹⁴ Vietnam Labor Act shows that the Vietnamese act has provisions for formation of trade unions within specific time-limits, 'collective bargaining contract' between owners and workers, tri-monthly

¹³ S.R.O no. 05, record no. 07.175.008.08.00.001.2000-12(200), Date: 18th January, 2011, Ministry of Finance, Government of the People's Republic of Bangladesh

¹⁴ Various international organizations including ILO were involved in the formulation of the 'Vietnam Labour Code'. Thus this law is considered to be of international standard.

meetings between the owners and workers, participation of workers and owners in trade union budgeting and various social insurance facilities for workers. All of these facilities are absent in Bangladesh labor Act. (For details Appendix 1)

2.3 Conclusion

Bangladesh Labor Act has various positive points such as labor rights and the right to organize but due to absence of clarity of a number of issues and lack of proper policies there is scope for violation of labor rights in some areas. Specially there are ambiguities regarding issues such as on the job safety, financial facilities, job security and right to organize. Also the act is incompatible with various ILO conventions. The Bangladesh Labor Act (Amendment), 2013-seemingly beneficial for ensuring worker rights and their right to organize-has been made ever more complicated through incorporation of various sections, regulations and terms.

Chapter Three

Stakeholders in the readymade s sector: problems, irregularities and corruption

In the readymade s sector, like other industries, there are three major parties, owners, workers and consumers. In this sector, besides the consumers (end user) there is another party that is as directly influential as the owners and workers. This group is collectively called “buyers.” Different government agencies and departments play a role in controlling as well as regulating this sector. Factory owners are the entrepreneurs, who enjoy the profits or suffer the losses of the business. The ownership can be single, joint or a partnership. An owners’ association protects the interests of the owners, lobbies for policy benefits and works for the development of this sector. BGMEA (Bangladesh s Manufacturer and Exporters Association) is the association of manufacturers and exporters of export-oriented woven, knit and sweater products in this country. The BGMEA works for the interest of owners and the development of this sector. On the other hand, the trade union deals in the interests of the workers those are the lifeblood of this labor-intensive sector. The specialty of this sector is that clients are from abroad and local clients are absent. The term ‘buyer’ is reserved for foreign clients. Buyers are basically different business companies and clothing brands who sell the products to the consumers. There are 17 state agencies under 11 ministries that regulate, control and provide services in this sector. Therefore a total of 20 stakeholders are involved in the sector including owners, worker and buyers and the 17 agencies.

Table1: Government organizations related to readymade garments sector

No	Duties	Organization/department	Ministry
01	Factory certificate	Office of the Chief Inspector of Factory and Establishment	Labor and employment
02	Labor certificate and registration of trade union	Labor Directorate	Labor and employment
03	Approval of factory building code	Rajuk	Housing and public works
04	Trade license/ approval of factory building code	City corporation/ municipality/union parishad	Local government
05	Fire and security certificate	Fire service and civil defense	Home affairs
06	Boiler certificate	Office of the boiler supervisor	Industry
07	Environment certificate	Department of Environment	Forest and environment
08	Import and export registration certificate	Office of the chief controller of import and export	Commerce ministry
09	Registration certificate and consent of GSP, CO, SAPTA enlistment and certificate	Export Promotion Bureau	

No	Duties	Organization/department	Ministry
10	Investment certificate	Board of Investment	Prime Minister's Office
11	N.B.R. certificate; VAT registration	National Board of Revenue	Finance ministry
12	Bond certificate	Customs and excise	
13	Registration	Joint stock company	
14	Electricity supply	DESA/DESCO	Electricity, energy and mineral resource
15	Gas supply	Titas gas	Electricity, energy and mineral resource
16	Telephone line	BTCL	Post and telecommunication
17	Water supply	WASA	local government division

Even though Bangladesh is the second largest exporter of readymade garments in the world and the sector makes a great contribution to the economy, there are many different irregularities, lack of compliance, worker unrest, frequent fires and other accidents in this sector. There are reasons to believe that the different stakeholders in this sector are to be blamed for such irresponsibility, irregularities and corruption. According to an investigative report on accidents, anarchy and unrest in readymade s sector in 2005-06 by the standing committee on labor and employment ministry of the eighth parliament, 'the lack of coordination, irresponsibility and allegations of corruption in state agencies and illegal advantages taken in collusion among each other are the notable causes of not being able to ensure social compliance in garments factories.'¹⁵The investigative report of the standing committee on labor and employment ministry of the ninth parliament also mentioned the lack of adequate manpower and capacity of the government regulatory agencies in the readymade s sector.¹⁶

In this chapter, the activities, limitations and irregularities of some important stakeholders related to the readymade s sector have been discussed.

3.1 Factory owner

It is the prime responsibility of the owners and the organization of the owners to ensure safe work environment, social compliance and the rights and interests of the workers. But the overview of the growth of this sector shows that in the beginning the entrepreneurs of this sector were first generation businessmen, and in '80s and '90s they were retired military men and bureaucrats (Fouzia, 2006; Kuddus, 2001; Morshed, 2007). At that blooming stage, a tendency to get more profit from comparatively little investment and the lack of proper supervision and foresight by the government allowed the industry to spread in residential areas. Due to many incentives by the government the industry spread across the country very quickly and played an important role in export growth. The government emphasized on the economic growth but ignored the infrastructure, working environment, health hazards and security and workers' rights. Analysis of the causes of different accidents

¹⁵ Report of the standing committee on labor and employment ministry, 8th parliament, Bangladesh parliament secretariat, September 2006, p77.

¹⁶ 2nd Report of the standing committee of labor and employment ministry, 9th parliament, Bangladesh parliament secretariat, September 2012, p56.

including fire, building collapse and worker unrest that happened after 1990, reveals that owners were responsible for irregularities, mismanagement and corruption at various levels of operations in the factories.

3.1.1 Irregularities in implementing technical compliance¹⁷

- **Establishing factories in unapproved buildings:** According to the labor act 2006 and building code 2008, there are specific standards for factory infrastructure, but most of the factories are established in residential or commercial buildings not suitable for factories under the laws. In most cases the owner obtains a permit to do this from relevant authorities, in exchange for money. For example, Rana Plaza was a commercial building (shopping center) with three factories. In some cases factories are built without any approval from proper authorities. According to the report of a cabinet investigation committee formed after the Savar Rana Plaza collapse, most factory buildings do not have soil test reports and their designs are not approved by authorities.¹⁸ In these commercial buildings, there are no alternative or emergency stairs, so that the workers are forced to use the main stairs during fire or other accidents, increasing the damage. In the Rana Plaza incident, most casualties occurred in the main stairs because there were no emergency stairs or exits.
- **Irregularities in the placement of main and alternative stairs:** The main and alternative stairs or exit points are often positioned closely, which reduces the effectiveness of the alternative exits. For example, in Tazreen Fashion there were several alternative stairs, but none of them ended outside the building as per the law. All of them ended in the basement. Thus the workers went to the basement after the fire outbreak, where there were no exits, and died there. On the other hand, the alternative stairs are not properly built in terms of size, shape and materials context. In some factories, the steps of the stairs are apart from each other by 10 to 12 (standard height is 6.88 inches¹⁹) inches which becomes the cause of risk during the accident instead of rescue exit. The owners apparently maintain the law providing these types of stairs, but those do not ensure safe exit.
- **Violating the fire safety code:** In many cases owners do not ensure fire safety issues such as 25% open roof, not building roofs with corrugated tin sheets, fire extinguishers, water storage and a proper water supply system.
- **Irregularities in electricity connections:** Often power connections violate connected in more or less capacity of the power load avoiding the approved standard of electrical design. In some cases, the materials used in this regard are low graded and are not up to date. Moreover, overloaded equipment and machineries are used, and increase the vulnerability of fire.

3.1.2 Not implementing social compliance

The readymade s sector of Bangladesh is completely dependent upon the international market, where some internationally accepted standards must be met in the process of

¹⁷ Standard codes of infrastructure, electrical supply and fire security, and floor setup of machineries.

¹⁸ Report of the ministerial committee after Rana Plaza collapse, source: Daily Prothom Alo, 8 September 2013.

¹⁹ Building construction, development, conservation and removal code of Dhaka city, 2008; clause 58 D (2).

production and sale of goods. The global value chain²⁰ in international trade not only depends upon market demand and trade agreements, but also various social and humanitarian issues. International buyers confront allegations by different humanitarian organizations, NGOs and trade unions in developed countries that they are operating 'sweat shops'²¹ in developing countries as well as encouraging child labor. To relieve themselves of these allegations, international buyers set up standards of product quality, security, workers' rights, work environment and child labor, and they force regional suppliers to maintain those standards. These standards are known as compliance related codes of conduct (Hamfrey and Smitge, 2004). But in most cases the readymade s sector of Bangladesh does not follow these standards and the allegation is that the working environment regularly violates international standards and the codes of conduct (Huq, 2001). The non-compliance results in various problems such as fire, accidents, worker unrest etc. Following are some irregularities and corruption in implementing social compliance at the factory level –

- **Irregularities in recruitment and wages:** Low wages are some of the main reasons behind the rapid growth of the readymade garment sector of Bangladesh and the interest of buyers, which is at present 37.5 dollars (three thousand taka) a month. This is the lowest in comparison with competing countries in this sector. The minimum wage in other garment exporting countries such as India²², Cambodia²³, Vietnam²⁴ and China²⁵ are 118, 80, 113, and 228 dollars respectively.

Research findings show that though most factories provide the minimum wage but not the different benefits or overtime payments. Workers do not get appointment letters and salary receipts, which deprives them from getting their actual wages. Often a worker is made to sign on separate appointment letters that mention different salaries, only to show the buyers that the factory is following the rules. For example: in the appointment letter the minimum wage is shown to be 4,800 taka but the worker actually gets paid 3,900 taka (CARE, 2012). Again, though most of the factories follow the minimum scale according to the rules of the minimum wage board of 2010, irregularities are found in upgrading wages. A worker can be promoted from grade 7 (the lowest grade) to grade 6 within 2 years, but for other grades it takes much longer and their wages are often not congruent with their grades. Thus workers stay in a low salary scale for long periods, with which it is not possible for them to maintain their livelihoods, rather it creates uncertainties about the future and reduces productivity (ILO, 2005; Morshed, 2007). On the other hand, at factories where wages are based on individual output (such as sweater factories) there is usually no formal contract as to how much will be paid per unit, and workers get even less than the rate that is verbally agreed to. Moreover, workers of factories where recruitments are made through contractors are deprived of proper wages due to such middlemen.

²⁰ The process of adding values at different levels (research, development, design, partial production, assembling, marketing and branding etc.) up to the consumers in the international market, including the collection of raw materials to manufactured product, marketing, and the cycle of this procedure known as 'global chain value'.

²¹ Meaning the negative issues of a workplace, where the work is difficult or dangerous to do.

²² Minimum Wages Update in NCR, India, year, 2012-2013, www.onlineclothingstudy.com, Accessed on 9 November, 2013.

²³ www.khumarization.blogspot.com; accessed on 8/10/13.

²⁴ www.thephnompenhpost.com; accessed on 8/10/13.

²⁵ www.clb.org.hk; accessed on 8/10/13.

- **Irregularities in giving attendance bonus:** The attendance bonus is a payment over the wage, intended to encourage workers to work, ranging from 300 to 600 taka depending on the factory. Conventionally, the bonus is given despite up to three late days. In reality, however, most factories deduct the amount if the worker is late for a day, which creates a constant psychological pressure on workers. For example, the workers of Rana Plaza went to work on the day of the accident out of fear of losing the attendance bonus. This information was procured from a thorough interview of the workers.
- **Closing factories without paying wages and bonus:** There are incidents in which owners have been known to shut down factories without paying wages or festival bonuses. The owners shift the machineries to another place or carry on under a different ownership, and in both cases the workers are deprived of their wage and bonuses. For example: Allegations²⁶ were found that the owners attempted to shut down two garments factories of Tazreen Fashion of Tuba group in Hossain market and Fuji tower located at Moddho Badda in the capital before the Eid festival, but this matter was resolved by the arbitration of BGMEA.
- **Irregularities in working hours:** Bangladesh Labor (amendment) Act, 2013 and ILO conventions dictate that the working hours cannot be more than ten hours per day including two hours of overtime. But in reality, the overtime in most of the factories runs much longer (Huq. A, 2001). An investigative report of BBC after the collapse of Rana Plaza exposed that workers in a Dhaka based garments factory were working for up to 19 hours a day.²⁷ This is done in most cases by forcing and threatening the workers, and again due to low basic salary, workers agree to do overtime for the sake of extra income. The records of these overtime hours are not disclosed to buyers and the payment is not given out with the monthly salary. On the other hand, the overtime is recorded manually despite having electronic devices, thus depriving the workers from the true length of their overtime and the deserved payment. The overtime rate, which under the Labor Act must be twice the regular hourly wage, is not maintained in most factories and the minimum wage and work hours (5 hours) for juvenile workers (14-18) are also not maintained.
- **Irregularities in maternity benefits:** The government enforces maternity leave of 24 weeks at each and every level of government and non-government organizations, but the Bangladesh Labor (amendment) Act, 2013 provides for 16 weeks of maternity leave in garment factories. Even that is not provided to the pregnant workers in most factories. Studies by CARE (2012) show that 28% of female garments workers do not get maternity leaves with pay. Again in some factories they get the leave but not the other legal benefits. Female workers in some cases conceal their pregnancy because the owners have a tendency to sack pregnant workers (Mazumder and Begum, 2000). It was learnt from reports published in various news media that two workers had given birth under the rubbles of Rana Plaza. This shows that the two women had concealed their pregnancy. No gender code of conduct is followed in garment factories.

²⁶ For details: <http://dhakatimes24.com>, 12 October 2013.

²⁷ BBC News, 23 September, 2013 and www.bbc.co.uk accessed on 30th September, 2013.

- **Child labor:** Child labor (under 14 years) in garments factories is prohibited by law. Though the most of the garments factories of the country have been freed of child labor by government and non-government initiatives as well as the cooperation of owners, there are still some factories that recruit child workers. In this case children between 10 to 14 years of age are shown to be 14 to 18 years old through certificates issued by the factories' own physicians. They are known as juvenile workers. The minimum basic wage and work hours are not maintained for these workers. Owners are eager to recruit them because they accept very low pay. A study shows that the children work in unsafe and unhygienic work environments and fall victim to various terrible diseases and different accidents that hinder their normal growth (Rahman and Noor, 1999).
- **Irregularities in health and safety:** Most factories do not have the infrastructure and work environment essential to ensure health and safety. Insufficient space, lack of cotton dust management and the heat from neon lights are responsible for health problems of workers. Moreover, the lack of refreshment rooms, safe drinking water, sufficient toilet facilities and number of fans can be observed (Khan, 2006). In most cases, the main and alternative stairs are the same or are placed so close to each other that the effectiveness of the alternative stairs is lost. The Tazreen Fashion fire can be cited in this context. Again the alternative stairs sometimes have a flimsy structure that creates risk. The mandatory fire and safety drills are done irregularly and without proper arrangement, and in some cases are completely ignored.
- **No group insurance:** According to law, group insurance is obligatory if there are 100 workers or more in a factory, but many factories do not follow this. Even though BGMEA has instructed all factories to ensure group insurance, many factories ignore the order. Again, in most cases factories which have bought a group insurance show fewer workers than they actually have, as the insurance premium depends on the number of workers. BGMEA issued a deadline for all member factories to ensure group insurance after the collapse of Rana Plaza and it cancelled various benefits (such as utilization declaration) of the factories that failed to do so.

3.1.3 Violating workers' rights

- **Harassment in formation of trade union at factory level:** In the business culture of the garments industry, there is a negative perception of trade unions. Owners do not consider trade unions to be beneficial to production, rather they think of them as a threat. Issues such as the political nature of trade unions, their culture of corruption and destructive behavior contribute to this negative attitude of the owners. This attitude compels the owners to make efforts to prevent unionization, such as making the workers sign appointment and resignation letters at the same time. There are no dates mentioned on the resignation letters, and they are later used to terminate the workers if they join a trade union or demand any rights.
- **Controlling workers with the help of local political leaders:** Owners enlist the help of local political leaders and thugs to assault, terrorize and threaten workers concerned and active about labor rights movement. To ensure this help the owners give the local leaders and thugs the contracts for the scrap business, transportation and food supply for their factories and also give them bribes during different

festivals. According to the owner of a garments factory located at Gazipur, 'the bribe has to be given during celebrations of different national days and other occasions as well as to local candidates during elections. If there are any problems in the factory, they look after it.'

- **Bribing police/industrial police to suppress workers' movement:** The industrial police, a special force, was formed to maintain law and order and ensure security in the readymade garment sector. According to expert informants, industrial police or police, in most cases, considers workers' movements an offence, violating law and order, instead of a movement for their rights. There are allegations that the owners with help of money and local political power use the police to suppress workers' movement in factories.
- **Emphasizing the importance of participatory committees:** The Labor Act requires that a participatory committee consisting of workers and owners be formed. According to informants, owners are eager to form participatory committees instead of trade unions, taking advantage of this provision. But there are also irregularities in forming this committee. For example: the committee is formed according to the choice of owners not according to the provision. According to the law (section 205), the trade union will select the workers' representative in the participatory committee, which means trade union will be formed before the formation of the participatory committee. But the real scenario is that the participatory committee is formed by the owner before the trade union and this committee is established as a substitute for the union. Moreover, in most factories there are no trade unions, so the owners pick their favorites as members of the committee. Thus the general workers are not even aware of this committee.

3.1.4 Influencing the inspection process through monetary and political power

Owners use their influence through social network during inspections by government agencies. They use their political connections to influence the decision of the inspecting agencies to take any legal action against their factories. A workers' leader in Dhaka said, "A former chief inspector was almost terminated after bringing allegations of harassing workers of a factory owned by a relative of a former minister."

According to the Bangladesh National Building Code, a factory cannot be built using both class 1 (building) and class 2 (other materials) and the use of tin for roofing is prohibited. An officer of fire service and civil defense said, "After the breakout of fire at Gorib and Gorib Garments we found out the factory owner did not follow that rule. While Fire Service and Civil Defense was trying to take legal initiatives against the violation, the owner of that factory, through his influential connections, got a letter issued from the ministry prohibiting cancellation of the his factory license and permitting the roof that comprised of 75% tin and 25% open space."

3.2 Owners' association (BGMEA)

Bangladesh Readymade Garments Manufacturers and Exporters Association' (BGMEA) is the organization of the owners of woven, knit and sweater manufacturing and exporting

companies of Bangladesh.²⁸ This organization works to protect business interests of owners and the development of the garment sector. Like other business organizations (Leathergoods and Footwear Manufacturers and Exporters Association of Bangladesh, Bangladesh Pharmaceutical Society, BAIRA etc.) in Bangladesh, BGMEA is also well-established and registered. But the organization interferes in policymaking and implementation through political and economic power, taking advantage of the fact that it is the biggest contributor to socio-economic development of the country through employment and other initiatives.²⁹ The absence of rules and regulations in organizational activities,³⁰ internal grouping during elections of the board of directors, connection with national politics and bias³¹ towards member factories keep BGMEA from playing a role in the holistic development of the sector. BGMEA works for the betterment of the owners of this sector instead of the development of the garment sector as a whole as per its constitution. For example BGMEA recognizes many noncompliant member factories as compliant, which is beneficial for those owners but for all the stakeholders in the sector and in the long run for the whole sector this becomes a source of risk. These benefits are usually bagged by the owners having many factories and considerable political and social status. Time and again, the general members of the organization do not get deserved cooperation. An owner of garments factory and member of BGMEA opined that the BGMEA is the 'elite club' of the garments industry. The institutional problems, irregularities and corruption in BGMEA found from the study, which play negative role in establishing good governance in this sector, is described below:

3.2.1 Exercise of state authority despite being a non-government organization

BGMEA like other business associations is an organization of the owners, not a regulatory authority. But it enjoys authority and regulatory power. For example: UD clearance is issued by BGMEA in the garment sector, which in other industrial sectors is issued by state agencies (for example in pharmaceutical industry this clearance is issued by the Department of Narcotics). Moreover, garments export and other facilities remain out of reach without BGMEA approval. This business organization almost plays the role of a government agency.³² Nevertheless, BGMEA according to the law of this country is not a government authority, it is a business organization (club).³³

²⁸ The BGMEA, established in 1980 with 30 member factories, for details: www.bgmea.com.bd/home/pages/aboutus

²⁹ Notable activities of BGMEA include- securing interests and ensuring sustainable growth of this foreign exchange earning sector; establishing contacts with foreign buyers, business groups, organizations and merchant associations; introducing local garments manufacturers with foreign buyers by participating in various expos at home and abroad; securing interests and legal rights of owners and workers of the member factories; directing business missions and arranging seminars/symposiums for creating new markets and expanding trade in existing markets; running regular projects to ensure worker rights, social and environmental compliance and welfare; monitoring the member factories to keep them child labor free; providing member factories with consultancy services regarding quality development of performance through sector-wise division of labor (Labor Arbitration Cell (1 & 2); One stop Cell; RDTI and MIS Cell; Environment cell; Arbitration Cells; Compliance Cell); providing healthcare to the workers and their family members through 12 health centers; providing workers with charge-free arbitration services; ensuring group insurance for workers and employees; securing bio-matrix database of workers etc. (For details: BGMEA Members Directory 2012-13, pp-5-6 & 17-18). Though BGMEA does not properly implement their declared activities as a result security hazards are created in member factories due to compliance deficit and workers have to face accidents.

³⁰ Providing shelter to the owner of Tazreen Fashion by the then BGMEA board of directors, enlisting of the Rana Plaza factories into 'A' category in spite of compliance deficit, providing export facilities to non-members etc.

³¹ Due to absence of conspicuous regulations regarding various service related matters, employee recruitment, transfer and promotion, financial accountability, dispute resolution, worker welfare, rules of procedure of various cells and committees there is risk that BGMEA might abuse authority seeking individual interests in organizational activity.

³² "Garment trade wields power", The New York Times, 26 July, 2013.

³³ "You can't put the fox in charge of the chickens," said RizwanaHasan, an environmental lawyer. "BGMEA has no regulatory authority under the laws of the country. It's a clubhouse of the garment industry." Source – *ibid*.

3.2.2 Lack of internal accountability and transparency

BGMEA provides different services (recommendation and guidance related to implementation of fire security and compliance, workers' welfare, arbitration, garments quality control laboratory etc.) to member factories. But there are allegations that definite policies are not maintained here. BGMEA issues fire safety and compliance certificates, but in reality the factories are found to be not compliant. Reexamination by a task force formed after collapse of Rana Plaza did not find compliance in 34 factories which were certified as compliant by BGMEA. According to informants non-compliant factories obtain various facilities from the organization in absence of accountability of relevant officials of BGMEA. Moreover, there is lack of transparency in financial audit reports. Although there are 106 permanent committees or cells for different services and responsibilities within BGMEA, but there is an absence of definite institutional policies to ensure their responsibilities and accountability. This creates risk of corruption in the different services provided by BGMEA. Moreover, there are allegations of lack of transparency in expenditures in the programs funded by donors, such as training programs, employment projects, health centers etc. According to information gathered, the 12 health clinics for workers operated by BGMEA and committed to providing free treatment and medicine do not in fact provide free medicine. There are also allegations about irregularities and lack of transparency in the disbursement of compensations provided by buyers after an accident. For example: the allegation about the compensation of Rana Plaza and Tazreen Fashion.

3.2.3 Irregularities in arbitration

There are 11 arbitration cells in BGMEA to resolve disputes among the stakeholders of this sector.³⁴ In these cells, especially in arbitrations between owners and workers, there are allegations that BGMEA officials take money from the owners. There are also allegations of bias in that the workers' representatives in the arbitration cells are picked according to the choice of the owners or BGMEA. If disputes arise in factories that do not have trade unions, BGMEA's chosen trade union leaders are included in the arbitration cell, and these leaders preserve the interests of BGMEA, and also there are allegations of monetary dealings. According to an official of BGMEA "On the day of arbitration, the accounts department remains busier than the arbitration cell and white envelopes are seen in their hands." In some cases, there are the allegations that the rights of workers are suppressed by workers' leaders picked by BGMEA in exchange of monetary benefits. According to a workers' leader, "In 2006, BGMEA applied pressure on selected workers' leaders to move away from the demand of minimum wage in exchange of two to five lakh taka during a bargaining."

3.2.4 Political influence on policymaking

The rate of businessmen elected as MPs in the parliament of Bangladesh has gradually increased from the 1990s to present days.³⁵ In the current ninth parliament, there are 10% MPs directly involved with the garments industry.³⁶ But according to different sources, the number of MPs directly or indirectly involved or having interests (that is directly involved or having a family member or relative involved) in this industry is much higher. On the other hand, according to the section 188 of parliament's rules of procedure, MPs having personal

³⁴ Labor Arbitration Cell (2), Arbitration Knit (2), Arbitration Sweater (2), Arbitration Woven (3), Arbitration General (2).

³⁵ The ratios of businessmen as MP at fifth, seventh and eighth national assemblies are 38%, 42.5%, 58% and 575 respectively (source: TIB, parliament watch, 2003).

³⁶ www.bdnews24.com; 12 January, 2009

interests in some sector cannot be involved in the standing committee on that sector. But in the seventh, eighth and ninth parliaments, MPs who are owners of garments factories were members of the standing committees related to the garment sector, including the committees on jute and textile ministry, labor and employment ministry and commerce ministry.³⁷ Such committee memberships create the risk that they might act in personal or communal interest, and their influence is perceived in the implementation of different policymaking decisions.

- **Influencing the introduction and implementation of laws and policies:** Owners noticeably influence the amendment of garment sector related laws.³⁸ Tax at source reduced to 0.8 % from 1.2%³⁹ due to pressure from garments exporters, blocking the introduction of a 'Textile and Garments Industry Board Bill'⁴⁰ and delaying the formation of an apparel board,⁴¹ influence of lobbyists hired by the on the amendment of laws and policies, parliamentary standing committee reporting that there was a rationing system in place while there was none,⁴² are notable examples of such influence.
- **Influencing the implementation of positive reforms and recommendations of parliamentary standing committees:** BGMEA often blocks or delays the implementation of important recommendations and revision proposals of the parliamentary standing committee on labor and employment ministry. For example: the standing committee in 2005-06 identified different irregularities, worker safety and relevant problems in the garment sector and made some recommendations. Notable among them were: setting up a separate ministry for the sector, establishing ten garments villages at safe distance at Dhaka and Chittagong, forming a separate directorate, writing an integrated code of conduct, not locking the factory main gates during work hours etc.⁴³ None of these recommendations were implemented. In the same way the standing committee of the ninth parliament recommended that the Office of the |Chief Inspector of Factories and Establishment be turned into a directorate by adding 1,986 extra persons to the present manpower.⁴⁴ The decision was taken in 2010, but the government is yet (October, 2013) to implement it. Specialists say if the committee's decisions were implemented earlier, the accidents and irregularities in the sector could have been avoided and there would have been no criticism in the international arena about the number of inspectors (56).

³⁷ The number of members of standing committee at ninth parliament on textile and jute ministry, commerce ministry, labor and employment ministry directly related to garments business are 2, 1 and 1 respectively. At eighth parliament, one garments businessman was the member of relevant ministry, and at seventh parliament, the former president of BGMEA was the member of the standing committee on commerce ministry.

³⁸ [..."Bangladesh had a golden opportunity," said Roy Ramesh Chandra, a worker leader, who said that the political influence of factory owners diluted some of the amendments. "The employers have tremendous influence,"] source: "*Garment trade wields power*", The New York Times, 26 July, 2013.

³⁹ Source tax was 0.25% until financial year 2009-2010. The proposed rate for financial year 2010-2011 was 1.20% but later on, it was fixed at 0.80%.

⁴⁰ The Ministry of Textiles and Jute of the present government prepared a draft law in 2010 for the formation of 'Board of Textiles and Garments Industries' but when presented before the parliament in 2011 it wasn't approved. (For detailed reading- look into chapter 4.1E of the mentioned Research Paper) Source- The Daily Prothom Alo, 26 September, 2013

⁴¹ In the year 1989, the then government approved a draft proposal for the formation of autonomous 'Apparel Board' but the following governments have not taken any effective initiative regarding this issue.

⁴² Report of the standing committee on Ministry of Labor and Employment presented before the 9th Parliament, Bangladesh parliament secretariat, November 2012.

⁴³ Report of the standing committee on Ministry of Labor and Employment presented before the 8th Parliament, Bangladesh parliament secretariat, September 2006, pp. 75-83.

⁴⁴ Report of the standing committee on Ministry of Labor and Employment presented before the 9th Parliament, Bangladesh parliament secretariat, November 2012, p56

- **Use of political power to gain personal benefits and profits:** It was seen in the study that the politicians and members of parliament use their political power to get loans and reschedule old loans from different banks and financial institutions. For example one of the members of the parliamentary standing committee on commerce ministry in the 8th parliament rescheduled loans worth 301.7 million taka from a private bank. Another former MP took out 3.77 billion taka loan from state-owned Sonali Bank, the collateral for which had a lesser value, making it a 'suspected loan.'⁴⁵
- **Political influence against punitive measures against irregularities:** Many observers say BGMEA's leadership changes in coordination with the ruling party. Leaders connected to the ruling party are brought to the front of the group.⁴⁶ So no matter the changes in the political scenario, the BGMEA's political connections and influence remain the same. However, internal grouping affects the day-to-day administrative work of BGMEA. It is also accused of favoritism in dealing with irregularities of member factories. For example the Tazreen Fashion owner received different kinds of support from BGMEA because of his good relationship with current leadership. Again, because of political influence, leaders of BGMEA never face penalties for compliance issues. According to one international brand's compliance officer, "The factories of BGMEA's leaders are the most lacking in compliance."
- **Influence of financial and political power in building and protecting the BGMEA headquarters:** Even though the current prime minister remarked negatively⁴⁷ about the BGMEA building during the inauguration of the Hatirjheel project in 2013, the reality is that the foundation stone of the 15-storey building, located on the Begunbari Canal next to the Sonargaon Hotel, was laid by the then prime minister in 1998, and in October 2006 another` prime minister inaugurated the building. On April 3, 2011 the High Court bench of Justice HM Shamsuddin Chowdhury and Justice Sheikh Md. Zakir Hossain gave the order to demolish the building for five reasons: (1) The land the building was built on has no registration; (2) Rajuk approval was not taken; (3) Water Body Protection Act 2000 was violated; (4) City Development Act 1953 was violated and (5) Building Construction Code 1952 had been completely ignored.⁴⁸ The honorable High Court in its verdict said "...this high-rise building was built ignoring all provisions of the laws of the land, in collusion with some of the concerned authorities, sometimes through misinformation and undue influence, which is completely illegal and against public interest."⁴⁹ The court declared in unequivocal terms that the BGMEA authorities had not taken proper permissions from Rajuk in the design, planning and construction of the building, and the manner in which it had taken control of the land was fraudulent and therefore a criminal offence.⁵⁰ The verdict also said the ownership of the land must be returned to the district administration and the district administration would ensure the use of the land for the public.

⁴⁵For details see: www.dhakatribune.com, 19 June, 2013.

⁴⁶ BGMEA board of directors is elected for two years by members. There are two groups – 'forum' and 'shommilito parishad' – that compete in the elections.

⁴⁷The prime minister's remarks were: "The BGMEA building is a scar on the face of Dhaka city." Source: Daily Prothom Alo, 3 January 2013.

⁴⁸1 CLR (2013), (AD):1 CLR(2013) (HCD)etc

⁴⁹ ibid

⁵⁰The verdict said: "BGMEA, we must iterate, acted in the most decadent, disdainful and imperious manner by pretending that its members' stentorian economic muscle place them with supra legal status. They have, raised a building on the government land, effectively frustrating the long cherished Hatirjheel Project. The very presence of the building shows that conglomerate of financially affluent people can scorn and unravel our law with impunity in a nauseating manner. Such a view is simply repulsive to notion of justice....." Source:1 CLR (2013), (AD):1CLR(2013) (HCD)etc.

3.3 Office of the Chief Inspector of Factories and Establishment

Under the ILO convention number 81 (Labor Inspection Convention), the Office of the Chief Inspector of Factories and Establishment was separated from the Labor Directorate in 1970 as an autonomous body to have effective labor inspection in the industrial sector. The responsibility of this office is to properly execute and implement the rights, terms of works and laws on health and safety of workplace of workers in various professions. It works as the main supervising body of the government to authorize and control the factories. The office was established to serve the progress of industrialization of a province and it was established according to the norm of the era. But in the independent country, with the rapid development of 21st century industrialization, the lack of manpower, infrastructural, administrative and logistic support has become noticeable. Therefore, the important and only government office to inspect compliance issues cannot perform its responsibilities properly. Main functions of the office are:⁵¹

- Supervising and enforcing terms of appointment of workers, security, health and health code, workers' welfare, payment of wages, scheduling of work hours, vacation etc. according to the labor laws and policies of Bangladesh in various factories, shops, industrial and commercial organizations, tea gardens, railway, internal water and road transport etc.
- Approving designs for establishing, changing and expanding factories.
- Issuing and renewing factory registration certificates.
- Filing cases at the labor court against owners/authorities who violate the law.
- Investigating complaints of workers and resolving them through proper legal procedure.
- Helping international organizations prepare survey reports on labor inspection, wage, work environment, occupational health and security etc.
- Maintaining liaison with various government organizations, owners association and trade unions and formulate various programs to increase awareness about labor law for the proper implementation of the labor law.

Following are some discussions on the inspection of factories and organizations, problems regarding RMG sector, irregularities and corruption:

3.3.1 Lack of institutional capacity:

- **Infrastructural limitations:** The Office of the Chief Inspector of Factories and Establishment conducts its activities at 31 districts through its Dhaka headquarters, four divisional offices (Dhaka, Chittagong, Khulna and Rajshahi), four regional offices and 23 branch offices. Since independence, different local industrial organizations and BSCIC industrial cities have sprung up in almost every district, yet in 33 districts have the office has no presence. On the other hand 24 out of the 32 district offices are run from rented buildings. Branch offices and the headquarters do not have computers, internet, and database or ICT capacities. Official documents are maintained in the traditional manner. Due to the lack of proper management the office does not have the information on how many factories exist in the country.

⁵¹Annual Report, 2010-11, labor and employment ministry, Government of the People's Republic of Bangladesh, pp. 33-34.

- **Lack of space at the headquarters:** Labor Directorate, office of the chief inspector, three labor courts, labor appeal court and the minimum wage board are all situated in the Labor House in Dhaka, hence space is very limited and that causes problems with work.
- **Insufficient human resource:** Even after four long decades since the establishment, infrastructure and human resource of the office has not improved. After independence many factories including garments factories have been established, but the human resource, administration, structural and logistic support of the office has not kept up with the development of industrialization. The office began in 1970 with 204 staff. Currently, with slight improvements it has become 314, among them 183 inspectors and 131 support staff. These inspectors are divided into two groups, (1) factory inspectors and (2) shops and offices inspectors. Currently among 103 authorized factory inspectors only 56 and among 80 shop and offices inspectors only 39 are active. Recently seven inspectors were temporarily terminated for their irregularities and neglect of duty after Tazreen fire and Rana Plaza incidents.

Dhaka Division, including the capital, has only 22 inspectors against 36 posts. However, only in Dhaka area BGMEA and BKMEA have 5,400⁵² and 1,920⁵³ members respectively. In the capital 17,000⁵⁴ various kinds of factories approved by the office have to be visited, so an inspector has to visit more than 772 factories on an average. This is 'absolutely insufficient'⁵⁵ compared to the needs. Moreover most of the RMG factories are established in the surrounding areas of Dhaka - Savar, Ashulia, Manikganj, Dhamrai and Gazipur - but there are no branch offices in these areas. According to a factory inspector in Dhaka, "If I work my whole life sitting on the desk approving certificate renewals, it will be sufficient to pass my job life. The office cannot complain and the 'income' won't be bad either."

Compared to the total number of factories in the country the number of inspectors is very insignificant. Especially in some areas the posting of factory inspectors is very low. For example, Narayanganj has been known as an industrial city prior to independence, but only one labor inspector (general) and one shop and factory inspector is posted there. Again in many important industrial cities there are branch offices but no factory inspector is posted. For example, Sylhet, Barisal, Kushtia, Tangail, Noakhali, Sayedpur, Rajshahi branch offices have no factory inspectors. In these branch offices there are only shop and office inspectors.⁵⁶

Based on the type of inspection factory inspectors are divided into five groups - general, engineering, medical, labor⁵⁷ and there is a post at the head office called the inspector (permanent order). Head office and the divisional offices have four types (general, medical, engineering and labor inspector) of inspector posts, but regional

⁵² www.bgmea.com.bd viewed on 18th July, 2013.

⁵³ www.bkmea.com.bd viewed on 18th July, 2013.

⁵⁴ Daily Prothom Alo, 7 July, 2013

⁵⁵ 55. International labor organization (ILO) Guy Ryder termed the number of officials active in factory inspection office as 'absolutely insufficient' and urged Bangladesh government for ensuring security of workers at RMG and urgently appoint hundreds of factory inspector. Source: Daily Prothom Alo, 3May, 2013

⁵⁶ Labor and Employment ministry, annual report, 2010-11, page 34-36

⁵⁷ 'general inspector' inspects administrative and total issue of factories, 'medical inspector' on health and safety issue of factories, 'engineer inspector' on technical and security issues and 'labor inspector' on labor quality and working atmosphere, they monitor with certain standard.

offices have only labor inspector and branch offices have only shop inspectors. Classification of the posts shows that factory inspections are confined to divisional headquarters, although many there are many factories at various district and upazilla levels. Field level inspections are ignored.

- **Lack of skills of the inspectors:** Inspectors are specialized according to the type of work and subject of inspection. But research shows these inspectors have no specialized knowledge on their fields. In some cases they lack even the minimum educational qualification. Only two of the medical inspectors have MBBS degree while the rest have no degrees whatsoever on health. Similarly, many of the engineering inspectors have no engineering degree or diploma. Some inspectors (general, labor) have only passed SSC or HSC (secondary and higher secondary school). The lack of capacity in the workforce, absence of knowledge on modern industrial technology and global standards leave the inspectors unable to take proper initiatives to solve new problems working with industrial owners who are trained in modern education.
- **Lack of training:** Foundational training of factory inspectors, subject based and divisional trainings are irregular. Inspectors sometimes receive training on different conventions and standards through ILO initiatives.
- **Logistic support:** Inspectors do not feel motivated to do routine inspections as their work areas are spread over large areas and often far from office. Inspectors said that their works are hampered as they do not have any personal cars or motorcycles. Similarly, mismanagement in preserving documents is observed due to the shortage of computers, ICT facilities and an adequate number of cabinets.
- **Lack of inspection regulations:** Inspectors perform their duties according to the labor act. However, the standards of the inspection are not framed by a definite policy. The law speaks of cleanliness, ventilation and temperature control as requirements for occupational health and safety, but since there are no fixed standards and policies, factory owners take advantage and the inspectors also receive personal benefits from the situation.

Every year the commerce ministry issues a checklist for RMG factories, based on which inspectors submit reports. The ministry divides the factories into a, b and c categories based on those reports. But no information on whether the factories are following compliance is collected in these reports. On the other hand accountability is not ensured as factory inspection reports are not preserved for long terms, and there is no effective structure to monitor or evaluate the inspectors.

- **Limitation and irregularities in appointment, transfer and promotion:** The chief factory inspector is appointed through lien from administration cadre for a certain period. Such short term appointments do not allow them to acquaint themselves with the kind of work and the staff at the office, administrative reform initiatives taken by chief inspectors fail to last and no one takes responsibility of the failures committed of the office, which is a big obstacle to accountability.

On the other hand organogram at the office is limited, so an officer has to stay in the same position for a long period. When opportunities for promotion occur, use of political and economic power becomes crucial. Most of the factories are situated in Dhaka, so whenever positions are vacant in the headquarters and the Dhaka Divisional office, inspectors posted in other districts scramble to get transferred there. In some cases they use political and economic power to do so. One of the inspectors in Dhaka remarked, "If a hundred thousand taka is needed to transfer to Dhaka, it can be recovered within a few days. But there is no benefit in staying outside Dhaka for years."

3.3.2 Existing irregularities and corruption at the Office of the Chief Inspector of Factories and Establishment:

- **Approving factories in exchange for money:** According to Bangladesh Labor (amended) Act, 2013, factory authorities have to submit essential papers/documents⁵⁸ to the chief inspector/deputy chief inspector to get registration or renewals to establish or expand factories. Within two months of receiving the application the issue of providing certificate has to be resolved and certificates issued must be renewed within 31st December every year. According to many key informants, extra money is taken at the office over the registration and renewal fees. The bribe is higher when essential papers are missing or are inconsistent. A factory owner of Dhaka said, "30 to 40 thousand taka is needed to get factory certificate and five to 10 thousand for renewal." Factory owners think this illegal exchange of money is normal for the quick establishment of factories, avoiding unwanted obstacles and obtaining certificates easily even without proper documents. Initiative has been taken, however, to receive applications of registration and renewal of factories online after the Rana Plaza incident.
- **Providing certificates without field visit:** According to law, factory visits are must for providing factory registration and renewal but in many cases they are issued without field visit. So license/renewal is issued for establishing new factories and extending old factories without inspection, often at risky buildings. An illegal understanding between factory owner and inspector takes place. An owner of RMG factory at Dhaka remarked, "Nobody has visited my factory in the last 16 months. Yet I have renewed my certificate, although I had to spend some money."
- **Irregular visits:** The office cannot perform its duty properly due lack of human resource and the scope of its work. Especially with regard to field visit on factories, inspectors feel more comfortable to stay at office with the excuse of lack of manpower and logistic support. Owners are also interested to receive required certificates and services while hiding unsafe and unhealthy work atmosphere. An owner of an RMG factory in Dhaka said, "When inspectors come to field visit it is more expensive and more it takes more time to get a schedule, but we need the certificates quickly, so we go to their office. It is cheaper and the inspectors are saved the trouble of coming here."

⁵⁸ Along with factory registration application, trade license, production process list, ownership right/ certificate of land/ paper of claws/ MOU, certificate of company license, building plan (floor plan, machine lay out plan, location map), certificate of investment board and clearance of department of environment has to be submitted.

- **Conducting business without factory registration:** The office does not take legal actions against known unregistered factories. For example, the factory Ethertex in Rana Plaza did not take any certificates from them, although the office made several visits to the factories in Rana Plaza. They did not even take any necessary action after cracks were found in the building.⁵⁹ This is an indication of a lax attitude or undisclosed understanding of the inspectors with unregistered factories.
- **Irregularity in floor plan approval and lack of capacity:** New factory setup, extension and change of factory building require floor plan approval from the office. Most of the inspectors do not have expertise and knowledge on machines (shape, size, type, and electronic load capacity), capacity of the buildings, frequency ratio of the machines and latest technologies. Moreover, not having any technical training and not knowing the quality and potential risk of machines, inspectors provide floor plan licenses 'at a fixed rate of money' based on the number of machines and the floor size.⁶⁰ Workers live in danger due to these illegal licenses. For example if a factory uses machines with capacity much higher than the voltage of its power connection, they may cause electronic short circuits, leading to fire. Similarly, risk is increased with a generator is placed on the top floor of a factory. Rana Plaza had generators on three floors and in investigations after the collapse the vibration from the generators were said to be one of the main reasons for the accident, although these factories had been visited by factory inspectors. A factory inspector in Dhaka said, "To approve the technical plan of a factory an inspector fixes a rate on the total number of machines and their types, and everything is settled this way."
- **Register books not examined by inspectors:** According to law a factory has to keep 12 register books.⁶¹ During inspections, the inspectors often provide certificates without examining the register books, in exchange for money.

3.4 Rajdhani Unnayan Kartipakkha (Rajuk)

Rajuk is involved with permission and approval of plans of RMG factories. Dhaka Metropolitan Building Construction, Development, Protection, and Removal Act 2008, Section 3(1) states that whatever is stated in other laws, without the prior approval of responsible Rajuk officials no building can be constructed, reconstructed, expanded or changed. According to this, Rajuk is the sole authority to look after the structural qualities of all buildings within its area. In order to control and manage the expanding urbanization and capital development program, Rajuk introduced the Dhaka Metropolitan Development Plan - DMDP, 1995-2015. The 590 mile spread development project is divided in three steps 1. Structural plan (SP), 2. Urban Area Plan (UAP) and 3. Detail Area Plan (DAP). According to UAP Dhaka city corporation, Narayanganj, Jinjira, Uttara, Tongi, Dhamrai, Savar are under DMDP. Formulating development plans, conducting development work, control and monitoring in these areas is the responsibility of Rajuk (Sohag, 2013). Four licenses have to

⁵⁹ The Daily Samakal, 28th August, 2013

⁶⁰ According to informants, the rate of money is decided on type and number of machines.

⁶¹ Attendance register, wage book, overtime book, vacancy register, labor diagram register, accidents and dangerous accidents register, fire extinguishing practice register, maternal welfare register, aged workers register, cleanliness register, yearly/half yearly return form, Service book etc.

be taken from Rajuk for any building.⁶² In reality though, building owners take only building approval license and land certificates, the two other licenses for industrial and commercial use (special development/ project clearance and construction certificate) are not taken. In investigations of the Rana Plaza accident by BGMEA and home ministry, Savar Pourashava was accused of approving the building's construction and lax monitoring and Rajuk for negligence in checking the quality of building construction and soil tests.⁶³

3.4.1 Types of irregularity and corruption in the approval of plan for buildings and monitoring in the approved factories of Rajuk:

- **Lack of human resource:** From outside Dhaka city, Savar, Gazipur and Narayanganj were included in DAP but human resource was not increased accordingly. Currently 117 staffs are working against 157 positions and only 15 are working in inspection. This number is quite low for the inspection and visit of all the buildings in the 590⁶⁴ square mile area of Rajuk.
- **Irregularities in giving land clearance certificates:** The land use approval process of Rajuk is complex, time consuming and full of hassle, so it creates opportunities for corruption. Regular incidents of unnecessary harassment, delay, hiding away documents intentionally, raising illogical objections on files (Akhter, 2007) while taking services from Rajuk compel owners to finish the job through different 'packages'. According to a Rajuk official, "Most applicants manage the work with a 30-35 thousand taka package."
- **Irregularities in approving plans:** According to informants, construction plans do not get approved without bribing and lobbying at various stages. For example, in order to approve the plan of a factory 1 lakh 24 thousand to 3 lakh 54 thousand taka bribe has to be given. Investigation report of a cabinet committee after the Rana Plaza incident stated that most RMG factories have no soil test reports and plan is not approved by the authorities Ensuring these is the responsibility of Rajuk.⁶⁵

Table 2: Illegal money received through eight stages of approving construction plan by Rajuk

Stage	Amount of illegal money (taka)
Submitting application	3,000 to 5,000
Designer (authenticate the certificate of land use)	3,000 to 5,000
Inspector (field level)	5,000 to 15,000
Chief Inspector	5,000 to 15,000
Assistant approval officer	5,000 to 15,000
Approval officer	100,000 to 300,000
plan approval board (4 members)	
Issuer (handover of the approved plan)	3,000 to 4,000

Source: Key informants

⁶² Building construction Act 1952 (Act No. 11. 1953) Section 18 provided power to imply Dhaka metropolitan Building (building, restore development and removal) act, has four sections, a. Land use clearance (if required) b) Special project permit for large and specialized projects (if required) c) Building Permit (compulsory D) Occupancy certificate (compulsory).

⁶³ Daily Prothom Alo, May 27, 2013, 2June 28, 2013, July 30, 2013 and <http://www.bbc.co.uk/bengali/>, June 26, 2013

⁶⁴ <http://www.rajukdhaka.gov.bd> access on 24 October, 2013

⁶⁵ Report of ministry committee after Rana Plaza accident, Source: Daily Prothom Alo, 8 September, 2013

- **Irregularity in inspection during construction:** Whether the construction of building is following the regulations of construction has to be evaluated by visits with the working drawing. But inspection or specialist teams do not inspect construction standards through quick visits. Most of the time construction standards are inquired on while sitting at the office. Generally while issuing certificates for ‘special development/ project clearance’ and ‘residency and usage permit’ for industrial and commercial buildings Rajuk officials do not make field visits. Establishing RMG factories in residential and commercial buildings is illegal, but most of the factories in Dhaka are at such buildings. According to informants, weak inspection of Rajuk and a mélange of corruptions committed by Rajuk inspectors and owners had helped put these factories in these buildings, creating safety risks in the long run. Rana Plaza, Spectrum, Phoenix building collapses indicate weakness and irresponsibility of Rajuk. According to the president of Bangladesh Architectural Institute, “During the construction of a building whether it follows the rule is not seen, rather after the completion if it is found to have violated rules, orders are given to demolish it. But if illegal and substandard buildings could be stopped during construction by the authorities, many accidents could have been averted. For these accidents, building owners as well as the government authorities are responsible.”⁶⁶

3.5 Local Government Organizations (union parishad and pourashava):

Local government is involved in providing trade licenses to conduct business, approval of using land outside Rajuk territory, building factories, approving plans of reconstruction and extension, monitoring the standards of construction. The following irregularities and problems of local government organizations are noticed in the process of establishment of RMG factories.

- **Conflict between Rajuk and the local government organizations under Rajuk on approval of building plan:** A conflict between Rajuk and local government offices are seen at the Rajuk area as local government offices are given the power to authorize building plan. For example, Building construction Act, 1952, Building (construction, development, restoration and removal) Act, 2008 and DAP gives Rajuk the responsibility to build, approve and monitor buildings in the capital and its surroundings. Again, according to Local Government (pourashava) Act, 2009, section 50 (c), power of approving construction of buildings and plans is given to pourashava authorities. Local Government (union parishad) Act, 2009 did not provide power to the union parishad clearly but in section 103, subsection 1, it is stated that ‘to conduct any work’ at within the union, the UP chairman has to issue a written order.⁶⁷ The words ‘to conduct any work’ are not clearly elaborated, so the UP chairmen give approval to construction of buildings accordingly. But according to DAP all the areas under Rajuk fall under Rajuk’s jurisdiction. Before Rana Plaza accident this power of local government was not withdrawn and no notice was given to the local government offices situated at Rajuk area. Local government offices under Rajuk provide approval to building construction by taking this chance.⁶⁸ In

⁶⁶ Daily Prothom Alo, Dhaka, April 25, 2013

⁶⁷ Local government (union parishad) act, 2009, section 103 states, (1) whatever is stated in law, to conduct any work if permission of parishad is required, that has to be in written format. (2) Every license authorized by parishad has to be signed by chairman.

⁶⁸ A notice was given from local government division to Union parishad for not approving building after Rana Plaza accident. No. 46.017.018.00.00.010.2011 (part-1), 241, dated April 29, 2013.

reality it is seen that RMG factories are being made by taking approval from Local government offices under Rajuk (pourashava and union parishad). For Example Rana Plaza of Savar was made by the permission of Savar pourashava and Tazreen Fashion from Yapur Union. These two areas belong to Rajuk, but the owners did not take permission did not get approval from Rajuk as they took it from local government offices. Moreover at Local government level (union) there is no post for responsible officer (engineer), but they provide approval for constructing building. Therefore the risk of accident increases as the buildings are not made according to building code.

- **Irregularities in establishing factories:** According to information chairman/mayor abuse power for personal and communal interests to give clearance for establishing factories at areas which are under local government offices. In many cases process is delayed and factory owners are victimized with many excuses. In many other instances harassment are made during build up a factory. To avert these often factory owners have to make monetary settlement with local chairman, mayor or political leaders. A factory owner of Savar said they had paid taka 3 lakh to get a 'no objection' certificate.

3.6 Fire service and civil defense

Fire service and civil defense provides fire safety license and renewal, various training on fire safety and awareness program is also conducted. Since 90's fire accidents are frequent at RMG sector in Bangladesh, especially the role of fire service was discussed after the Tazreen fashion accident. That time (after Tazreen accident) a survey of the fire service showed 23.28% of RMG factories at Savar had very poor firefighting capacity, 37.93% had medical care and 38.79% were in good condition.⁶⁹

3.6.1 Existing irregularities and corruption at fire service and civil defense:

Some problems, irregularities and corruption which exist at fire service and civil defense of RMG factories:

- **Lack of coordination between Rajuk and fire service in defining multistoried buildings:** Bangladesh Fire service and civil defense authority gives warehouse and workshop certificates to factories according to Fire service rules and fire extinguish law, 2003. For multistoried buildings (over 7 stories) 'special clearance' and for low buildings (under 7 stories) 'general clearance' is need for fire safety from fire service. Fire prevention law, 2003 (section 7) defined buildings over 7 stories or 24 meters and building construction act 2008, defined buildings over 10 storied or 33 meters as multistoried building. For multistoried buildings special measures have to be taken, which are expensive. Taking the advantage of legal flaws, owners do not take clearance for 8 and 9 storied buildings. Rajuk does not create pressure regarding the fire safety of these buildings. Due to this lack of coordination the necessity fire safety is not taken at multistoried buildings and risk of accidents is created. A fire service official stated' we can rise maximum to 7 stories with our existing ladders but if the building is higher than that different safety measurements are required, but many

⁶⁹ Information published after 232 RMG factories were inspected by the fire service on December 2012 to survey 26 conditions of fire safety. Details: Daily Prothom Alo, December 3, 2012.

building owners ignore the fact. Moreover many factory owners take clearance before constructing the building but do not take 'fire license' later.⁷⁰

- **Lack of Manpower:** There are total number of 259⁷¹ fire stations throughout the country whereby 6500 staff⁷² have been working, 72 stations are located at Dhaka and 54 at Chittagong. In Dhaka for 4000 registered RMG and other factories, commercial, residential and government offices only 15 inspectors are involved. With so few inspectors factory inspections are not possible.
- **Corruption in providing fire license:** Fire license is mandatory for the compliance of RMG factories. Buyers emphasize on fire safety on compliance issue. RMG factories established without building code cannot fulfill the conditions of fire safety license. Inspectors provide fire license to these buildings with monetary settlement. The question is how the factories which are stated as vulnerable according to the report of fire service got the fire license. Moreover according to informants, fire license can be acquired by giving extra money for the buildings which have not followed building code. According to the statement of an administrative official of a Dhaka based factory, "Fire license can be obtained with extra 30-40 thousand taka and for defective buildings it costs 4 to 5 lakh."
- **Erroneous inspection:** In some cases inspectors give clearance for money even with irregularities like corrugated tin roofs, lack of substitute doors, displacement of exit doors, outdated fire extinguisher machines etc. An investigation report of a cabinet committee formed after the Rana Plaza accident stated that most of the factories do not have firefighting pump or water tank (45 liters).⁷³ In some cases inspection is relaxed if the firefighting equipments are purchased from the preferred trade agency of the fire service official. A factory manager at Jatrabari in Dhaka stated "If the cylinder is purchased from the preferred shop or the preferred brand of the fire safety inspector, no problem of inspection arises even if the cylinder is without gas."

Moreover inspectors provide clearance regarding various technical and structural issues of fire safety in exchange for personal interests.⁷⁴ Most of the RMG factories do not construct buildings by following these rules. Exit staircase is not attached directly with exit discharge and there is a lack of sufficient amount of staircases. At Rana Plaza there was only one staircase for 3500 workers and the exit discharge was inside the room, so all the workers eventually had to exit through a single point.

There are also complaints about corruption in the purchase of fire safety equipment and rescue vehicles,⁷⁵ irregularity of appointment to various posts and promotion

⁷⁰ During establishment of multistoried building, 'clearance' has to be taken and 'fire license' received with the recommendation of fire service.

⁷¹ www.fireservice.gov.bd

⁷² <http://en.wikipedia.org>, updated on 24 April 2013 at 16:59.

⁷³ Report of cabinet committee after Rana Plaza accident, source: The daily Prothom Alo, September 8, 2013

⁷⁴ In Building Construction Code 2008, there are three fire exit points mentioned- Exit access (passage up to exit), Exit (that ensures a safe exit from the spot of fire to discharge), Exit discharge (from exit to shelter) and there is the law that these three points must be built at safe distance and should comprise of specific attributes.

⁷⁵ In fiscal year 2009-10, the parliamentary standing committee on home ministry found corruption and irregularities in the procurement of fire extinguishing materials and allegations of corruptions were found in an Anti-Corruption Commission (ACC) investigation conducted upon recommendations of the committee. For details, see: report of the 3rd subcommittee

and transfer to various internal posts.⁷⁶ Some administrative measures have been taken against these irregularities and corruption after the Tazreen fire, fire service and civil defense sources said.

3.7 Workers' organizations (Trade unions)

Workers are the driving force of the labor intensive RMG industry. Trade unions play an important role to ensure owner-worker relationship and establish worker rights through collective bargaining. Right to organization is a universal human right for workers. Main responsibilities of trade unions are establishing worker rights, awareness for rights, collective bargaining and welfare of workers, improvement of owner-worker relationship for the development of industry etc. Strong organization and effective bargaining ensure equal rights, clarity of the relation between both the parties are ensured, mitigate expensive worker disputes and above all a positive impact on industry (ILO, 2005).⁷⁷ Bangladesh has promised to follow seven out of eight basic conventions of ILO to keep the internationally recognized standard to ensure work atmosphere and worker rights. Convention which was accepted by Bangladesh (87 and 98) stated the right to trade union and collective bargaining. Moreover right to trade union is regarded as a basic political right and trade unions play crucial role to ensure responsible and democratic politics. To ensure collective bargaining in every factory of Bangladesh, issues regarding trade union, federal structure and collective bargaining to improve owner-worker relationship have been stated in the Bangladesh Labor Act (chapter-13 and 14, acts 178-231). The act recognizes trade union as the agent of collective bargaining (act 202). Although act 203 stated at which sectors union can act as agent of collective bargaining.⁷⁸

According to Bangladesh Labor (Amendment) Act, 2013 (act 175-231) the Labor Directorate acts as the government agent to ensure workers' rights and collective bargaining at industrial factories and trade union plays the role of registration and monitoring. According to the information of the bureau currently in the RMG sector there are 157 registered trade unions and 34 federations consisting of 123 trade unions.⁷⁹ Total number of members involved with trade unions is 56323, which is 3.75% of the total workers. In reality only 40

of parliamentary standing committee on home ministry, 2010, ninth parliament; Daily Shomokal, 21 November, 2012 and 18 April, 2013.

⁷⁶ In 2011, police seized the illegal money and appointment letter of manpower recruitment and later National Security Intelligence (NSI) and Special Branch (SB) of police were ordered to investigate this issue (source: memorandum no. 886, date- 28/11/2011, home ministry). But according to one source in the directorate, the investigation report on this issue is yet to be submitted.

⁷⁷ The seven conventions consented to by Bangladesh are: Freedom of Association and Protection of the Right to Organize Convention, 1948 (No.87); Right to Organize and Collective Bargaining Convention, 1949 (No.98); Forced Labor Convention, 1930 (No.29); Abolition of Forced Labor Convention, 1957 (No. 105); Worst Forms of Child Labor Convention, 1999 (No 182); Equal Remuneration Convention, 1951(No.100); Discrimination (Employment and Occupation) Convention, 1958 (No 111) and the convention not consented to by Bangladesh was Minimum Age Convention, 1973 (No. 138).

⁷⁸ According to the Labor Act, clause 203, (1) Notwithstanding anything contained in this chapter, a federation of trade unions shall be deemed to be the collective bargaining agent in any establishment or group of establishments, if its federated unions by resolutions passed in their annual general meetings or in general meetings specially convened for the purpose, by the votes of not less than the majority of the total membership of the union concerned authorize it to act as the collective bargaining agent on their behalf.

Provided that no such authorization shall be permissible unless the constitutions of the federation and also of the federated unions provided for such authorization

(2) A Federation of trade unions shall act as the collective bargaining agent only in the establishments or group of establishments in which its federated unions are collective bargaining agent.

(3) Nothing in this section shall be applicable in case of federation of trade unions formed on national basis under section 200(5).

Information collected from Labor Directorate, Head office, 8 August 2013.

⁷⁹ Information collected from Labor Directorate, Head office, 8 August 2013.

factory-based trade unions and 9 federations are conducting their activities. Notably, 29 trade unions got approval since 2010 to 2013. Moreover some federations are running illegally without registration.

Data analysis shows that the number of effective trade union in the RMG sector is very low, but its existence is inevitable to create atmosphere of collective bargaining and ensuring worker rights. A labor inspector stated “Without trade unions we cannot play strong role on worker movement and settlement as agitated workers do not have proper platform.”

Following is an analysis of various problems, irregularities and corruption constricting establishment of effective worker organizations in the RMG sector

3.7.1 Various problems, irregularities and corruption existing in establishing effective labor organizations in the RMG sector

- **Delaying registration of trade union:** Trade union registration usually requires more than stipulated time, but according to law⁸⁰ all the administrative formalities including administrative visit must be completed within 60 days.⁸¹ According to informants, negative mentality of government, political, social and financial impact of owner and collaboration with registration officials create intentional administrative sluggishness and legal complexity causes delay for registration. A director working at Labor Directorate in Dhaka stated “Earlier the workers who were involved with trade unions were sacked by owners from factory and there was no way of getting registration, Government had an unannounced prohibition. We also used to discourage the people who would come for registration. In this regard Labor Directorate is more political than official.”
- **Negative mindset of government:** Although there is regulation for setting up trade union according to ILO Convention and Bangladesh Labor Act⁸², Bangladesh government unofficially discourages establishing trade unions in the RMG sector. Such notions are the result of experiences with trade unions and their negative impact in the government owned industrial sector. Again the negative mindset of RMG factory owners regarding establishment of trade unions has strengthened the mindset of politicians. Most of the RMG entrepreneur in Bangladesh fiercely oppose trade union, as they assume the ‘low wage’ which attracts all the foreign buyers will be distorted for this (khan, 2001). But after the Tazreen Fashion accident, in face of local and international criticism and the government has comprehended the importance of worker organization thus a more flexible mindset has been observed.
- **Legal complexities and administrative corruption in registration of Trade Union:** Before the amendment of 2013 Labor Act there was a regulation to send a copy of application for trade union to factory owner by labor director after it was received.

⁸⁰ 182. Registration : (1) The director of Labour, on being satisfied that a trade union has complied with all the requirements of this chapter, shall register the trade union in a prescribed register and issue a registration certificate in the prescribed form within a period of sixty days from the date of receipt of the application for registration.

⁸¹ Earlier there no provisions of spot visit. In the 2013 amendment, sub-clause 179 (2A) was introduced to have spot visits to verify matters.

⁸² For details: Bangladesh Labor (Amendment) Act, 2013 [chapter 13 and 14, clause 178-231] and ILO convention-Freedom of Association and Protection of the Right to Organize Convention, 1948 (No.87); Right to Organize and Collective Bargaining Convention, 1949 (No.98).

This rule aided in torture of workers before forming the trade union (ICFTU, 2006).⁸³ Owners could know who were involved even before the registration was completed. To contain them from forming trade union owners used harassments,⁸⁴ torture by police through false allegation against workers who intended to form union (Morshed, 2007), they were sacked from job with rough behavior. General workers were discouraged to form union for legal complexities and the fear of torture. According to current amendment the law of giving a copy to owner is withdrawn. But the requirement of 30% of total worker (section 178(2)) as member of union is not practical under the current situation. Because, currently 5 to 20 thousands workers are working in some factories, again group of organizations have more workers. It is difficult to make 30% of this huge number as members. Again, according to section 182 providing registration is allowed if Labor director is 'satisfied'. But lack of description for the word 'satisfied' creates opportunity for delay and corruption. According to information providers owners bribe 50 thousand to 1 lac taka to labor director or affiliated officials to delay or stop the process of registering trade unions. Again owners often use powerful government officials to stop the registration. A worker leader stated "Recently authority was not permitting a trade union to function although they had all the necessary papers and documents, because a government secretary imposed embargo on it, however the authority had given the acknowledgment of receipt letter of all the necessary documents." Notably, there are complaints that 2 to 5 thousand taka is taken in bribe from affiliated leaders of the trade unions.

- **Formation, registration and functioning of trade unions upon political consideration:** Political recommendation is important to register trade unions. Political party in regime or their ideology is taken into consideration. Government supporters' trade unions get the registration in relatively short time than the others. A worker leader said "The organizations which belong to Sramik League out of the 29 unions which got registration needed only 11-15 days to complete registration formalities." This sort of trade unions plays role in fulfilling political goals rather than to ensure the workers' welfare and rights. Due to weak organizational structure trade unions cannot effectively take part on collective bargaining in industrial factories, take aggressive stance only during political movements for short time (Huq, 2004). Meanwhile, unions have liaison with political parties or are run by political leaders and they work at factories as a body of political party (Tamanna, 2010). Most of the trade union leaders want to perpetuate their leadership by affiliation with political parties. In these cases almost all trade unions involve with federation and most of the federations conjugated with political parties. Especially when the party is in power federation does not show much interest in their member unions and union leaders also do not consider the interest of members (workers) (Mondol, 2002, Taher, 1999). On many instances workers are used for political reasons, owners complain that many workers are taken to various political meetings and processions. Such practice greatly hampers production. On the contrary trade

⁸³ International Confederation of Free Trade Union (ICFTU, 2006) raises the question at the general assembly of World Trade Organization, 'if there are organizations for the owners then why will there be no organizations for the workers.'

⁸⁴ The harassments towards trade union applicants by owners are job termination; false lawsuits; extended work target; psychological torture; not letting to talk with others or obligation of asking for permission to go to the wash room; physical torture by local goons; deprivation from the benefits e.g. no increment; not permitting the leave; taking signature on blank paper which are used to type resignation letters; terminate the job of the main leader on grounds of misbehaviour and immoral actions; discouraging the main leader from forming the trade union through bribe etc.

unions affiliated with the parties which are not in power, discretely create risk of workers' discontent (Hye, 1992).

- **Absence of regulations for functions of federation:** According to Bangladesh Labor Act there are regulations and directives to form and conduct trade unions but there are no regulations about formation of and conducting federations. Due to the absence of regulations federation intrude in the functions of unions and try to subjugate the leadership of union at factory level. According to experts, federation leaders take part in settlement, discussions or decision making activities regarding worker rights at national level as there is no regulation. But they neither know the problems at factory level nor represent factory level trade union. Therefore in reality there is no representation of agitated factory level workers, so most of the time decisions are not worker friendly.
- **Trade Union and federation leadership is not elected democratically:** In the RMG sector leaders from federation of national level to trade union of factory level are not elected democratically. Leadership of the federation affiliated with political parties is selected by the party chief. Therefore, often genuine workers cannot attain leadership. A very few factory based trade union leaders are incorporated in the federation leadership, so leadership is not created at factory level. Moreover 40-50 trade unions which are active in this sector are confined in the hands of specific 40-50 people. These people do not use unions to ensure worker rights, rather allegations are found that they use them for personal benefit, political prospect and as an income source.
- **Used to serve the purpose of owners in exchange of money:** Some trade union and federation leaders work for the purpose of owners in exchange of money. So, worker right and welfare is not ensured in factories or at the national level. Research shows that a portion of national level worker leaders work as the annex of BGMEA and serve the interest of owners. Some leaders of the federation which work on many important national issues are known as the agent of owners, they work for them instead of ensuring worker welfare. On the other hand leaders of factories become extortionists and involve with corruption in the areas where the factories are situated (LIBCOM, 2006). They are paid by the owners to ensure undisturbed production process and at the same time they extort money from the members of trade union.

Again, in various arbitrations initiated by BGMEA, trade union leaders work for owners' interests in exchange of money. A participatory analysis of BGMEA arbitration⁸⁵ has shown that an owner had to bribe associated worker leader, BGMEA officials and police administration. Moreover on setting minimum wage, compensation for accidents and worker right issues some worker leaders work for owners in exchange of money. Most of the informants alleged that the listing and dissemination of compensation for Tazreen Fashion and Rana Plaza accidents. A worker leader of Ashulia stated "BGMEA bribed some worker leaders they were given 2 to 5 lakh taka to give up bargaining for setting minimum wage in 2006."

⁸⁵ During the research an arbitration meeting to resolve owner-worker conflict at a factory in Tejgaon industrial area was observed by researchers and the views of the participants were heard.

- **Lack of female participation in trade unions:** Participation of women members is almost nonexistent in trade unions of RMG. According to the law if 20% of workers are female,⁸⁶ executive committee of the trade union must have at least 10% female representative. In reality, although 85% of the workers are female in RMG sector yet the regulation is not followed in most unions, rather few (15%) male members oppress large number of females. Functionally, affiliations of female workers are ignored in trade unions (Morshed, 2007). Owners are eager to appoint young females, as they are willing to work at a lower wage or at minimum wage and it is easier to make them work at below standard work atmosphere and they are discouraged to join the trade unions (Huq, 2001) or tend to avoid them (McCanel, Campbell and Stanly, 2000). Generally a woman hails from male dominated society of rural areas does not have much idea about trade unions. On the other hand male leadership does not give equal acceptance to females. Gender concepts function here, thus the necessity as well as the importance of women are ignored. Therefore, like the holistic picture of society, male dominant attitude is visible and in most cases women related issues (harassment of women in factories or on the streets, necessary toilet facility, maternity leave, female health) are tended to be ignored (Absar, 2001)
- **Capacity constraints in collective bargaining and lack of training of the workers related with trade unions:** Due to lack of skill and experience of collective bargaining, workers cannot earn their right from educated, skillful owners. Functions or the goals of trade unions are not properly explained in the Bangladesh Labor Act and workers do not have a clear concept either. No training is provided to the workers to increase their awareness regarding the issue. Workers are unable to achieve skills of collective bargaining due to lack of internal velocity, confinement of trade union leadership by few, overall ignorance of the workers, lack of education, many objective fear of owners and insufficient training. Due to individual steps taken by the sufferers themselves against the violation of worker rights or incidents of deprivation, complains of these scattered victims fail to appeal the public in general neither do they inspire a coordinated movement of collective bargaining (Kabir, 2004). On the other hand corruption and subservience of national politics by some federations in this sector is responsible for reducing capacity of and weakening the trade unions (Mahmud, 2009).
- **Actions driven by personal and political interests led by unregistered federations:** Many federations work with aid of various powerful and political people without registration. These federations in the name of workers do not conduct any work for worker welfare; rather try to gain personal and monetary interest as middlemen. They ignite worker movement and take advantage from owners and try to politicize movements.
- **Using aid as a source of income:** Leadership of federations often show the aid of INGO as a source of income. Regional and international organization or INGO provides money and materials to help them directly and indirectly in establishing worker rights and providing training to build awareness. But these aids are often not effective due to incapacity and corruption biased mentality of federation. Main target of the federation leaders is to take monetary advantage from lucrative

⁸⁶ Bangladesh Labor (Amendment) Act 2013, clause 179(e)

programs or projects (Libcom, 2006). According to informants, many federations misappropriate the money allotted for training instead of providing training to workers. On the other hand many federations run some NGO as their subordinate organizations. These organizations are taking a new form through immense activities beyond those of the traditional trade union (Kabir, 2004). According to experts these organizations are contradictory to the original values of workers' organizations.

3.8 Buyer

In the RMG sector 'buyer' means all the foreign buying organizations, not the final consumer. Buyers have the obligation to ensure the quality of products, working atmosphere of factories and place orders with factories where worker rights are ensured. Buyers are a very important part of the RMG sector. Acquiring product orders, staying in the business and factory development largely depend on buyers. A merchandiser in Dhaka said 'Buyer is a factor; buyer is all in all in this trade.'

Usually the Bangladeshi RMG factories are contacted by two kinds of buyers. The first kind markets their products through their own local showrooms and brands. 85 such companies are conducting their business in Bangladesh;⁸⁷ some have their local office in Bangladesh. This sort of buyers purchase products in three ways: a) through their local office in Bangladesh, b) through sourcing office or international buyer agency (Lingfu etc.) and c) through local buying house/buyer office (every once in a while).

The second type of buyers are those without any local brand or showrooms, they usually purchase products through local buying houses. In such cases buying houses act as the third party. These local buyers/offices are known as 'domestic buyers'. Analysis of information acquired from field level shows that the rate of anomaly is higher with domestic buyers. Buyers are more interested in getting quality products at a lower price than ensuring worker rights and the quality of working atmosphere.

There are some international standards to monitor activities of buyers, but no such regulations exist in Bangladeshi Law. Buyers who want to set up their own office and conduct business in Bangladesh are required to be enlisted by the BGMEA though it is not mandatory. Monitoring the actions of buyers is ignored as BGMEA is not a controlling authority and because members of the BGMEA have direct business relations with the buyers.

An audit officer of an international company assigned in Dhaka said that "Due to the competition among most buyers to purchase products at a lower price and the efforts made by domestic buyers to retain distributorship, buying houses do not hesitate to give manufacturing orders to factories with miserable compliance conditions. Such practices create scope for greater interest in getting quality products at a lower price than ensuring worker rights and safe working atmosphere."

Owners acquire the export demand note by showing 'compliant factory', but manufacture products in non-compliance factories.

⁸⁷ www.textilefashionstudy.com

3.8.1 Types of irregularities and corruption committed by buyers:

- **Manufacturing products through non-compliant factories:** Often owners acquire the export demand note by showing a 'compliant factory' but manufacture products in non-compliance factories. Buyers who have their own brand and local office in the country are interested to do business with the biggest companies to preserve goodwill but in many cases these big companies do not have compliance in all of their factories. It produces one kind of anomaly through an association of the buyer and the owner and is conducted through the following means:
- In some cases owners acquire export order by showing buyer representative a 'compliant factory' but manufacture products in 'non-compliant factories'⁸⁸ and buyer representatives are aware of such practices.
- Western buyers give huge amount of work orders in a short time, so works have to be outsourced to small unauthorized factories to deal with the pressure. Entrepreneurs have admitted to this fact but western buyers have been overlooking the fact for a long time.⁸⁹
- Instead of placing orders with compliant factories at the promised rate buyers give orders to non-compliant factories at reduced rate in exchange of commissions or illegitimate monetary facilities. Such commissions or facilities are paid by the owner to the buyer representative in cash.
- On the other hand buyers are more interested in auditing the quality of products. Many buyers only audit to check product quality and ignore compliance issues.
- **Creating fake compliance atmosphere:** Reports prepared by audit firms⁹⁰ about compliance is very important in the RMG sector. It has been observed in many cases that owners create fake atmosphere of compliance with the help of buyer representative to satisfy auditors. Date of audit is fixed by buyer representative and factory owners (according to international social compliance scrutiny there is no regulation of stating the date early) and on that day the factory is kept clean, no raw material is left at stairs and pathways, adequate fresh drinking water, temporary arrangement of light etc. Lack of compliance is being hidden from auditors by workers loyal to owners or by threatening workers with job termination. Moreover child workers are removed during inspection.

⁸⁸ Compliance in garments industries generally refers to maintenance of some international standards, e.g. quality factory structure, working environment, health and security initiatives for workers and ambience security, etc.

⁸⁹ Daily Janakantha, Dhaka, 16 September, 2013.

⁹⁰ To ensure global value chain in the international context some standards have been developed internationally. Different organizations work at the various levels of the Supply chain to inspect whether these certified standards are being maintained or not. Some international organizations (example- SRGS) work to inspect the social compliance at factory level. The buyers evaluate the reports of those inspection organizations. Again, state agencies of the importer country also ask for those reports. Thus, both the buyer and the proprietor of the factories give importance to the reports of these organizations.

- **Hiding the true picture in the factory audit report:** Buyer and production authority (factory owner) has to submit reports on various social compliance and health, security, atmosphere, quality of product to government authority to fulfill conditions of international law and the law of the country where the good is imported. In such cases often the buyer representative, compliance examiner and factory owner work together to hide the actual condition of the factory from the report to fulfill legal obligations.
- **Different codes of conduct in the same factory:** Buyers evaluate total situation of the factory before placing an export order and generally do not give export orders if labor law is not strictly followed there. Buyers impose different codes of conduct on factories to ensure compliance. But such codes are not the same for each buyer. So, owners cannot abide by different codes of conduct while working for different buyers simultaneously, rather chaos is created. Notably there is no unified code of conduct which can ensure the quality of a factory. On the other hand buyers have no system to examine structural aspects of factories and in most cases buyers are not interested to do so.
- **Adding extra price illegally with product price:** In some cases buyers or buyer representatives charge extra money illegally for products during export order and take them in cash from factory owners. On the other hand during the production period buyer representatives (compliance and quality control officers) take monetary advantage of owners by threatening them that they would cancel the order.
- **Delay in payment:** In some cases buyers delay payment with various excuses or do not pay properly.

3.9 Extra money collected in violation of official regulations during establishment of a new factory:

To establish a RMG factory, different certificates from 17 government organizations are required. According to information acquired through KII (Key Informant Interview) an entrepreneur has to pay an extra 7-20 lac taka for these certificates. In some cases the amount grows even larger depending on the level of flaws in the factory.

Among these government service organizations most money is paid to Rajuk. For approving building plan 124000-354000taka and to get land use clearance another 30000-35000 taka has to be paid.

Apart from Rajuk the other government agencies which receive such bribes are Factories and Establishment Office 5000-40000 taka, Labor Directorate 100000-200000 taka, City Corporation or Municipality or Union Parishad 1000-300000 taka, Fire Service and Civil Defense 5000-40000 taka, Office of the Boiler Inspector 50000-60000 taka, Department of

Environment 10000-20000 taka, Export Promotion Bureau 2000-10000taka, Board of Investment 10000-20000 taka, Controller of Import and Export 30000-50000 taka, NBR 5000-25000 taka, Customs and Excise 100000-250000 taka, Joint Stock Company 30000-40000taka, DESA or DESCO 50000-100000 taka, Titas Gas 50000-100000 taka and WASA 10000-50000taka.

Table 3: Extra money collected during establishment of a new factory

Organization	Type of service	Amount of money collected (taka)
1. Office of the Chief Inspector of Factory and Establishment	Issuing factory license	30,000 to 40,000
	Renewal	5,000 to 10,000
2. Labor Directorate	Labor license and registration of trade union	2,000 to 5,000
	To stop registration of a trade union	50,000 to 1,00,000
3. Rajuk	Land use clearance (package)	30,000 to 35,000
	Approval of building plan	1,24,000 to 3,54,000
4. City Corporation/ Municipality/Union Parishad	Trade license	1,000 to 25,000
	Approval of building plan/clearance of building factories/no complaint paper	50,000 to 3,00,000
5. Fire Service and Civil Defense	Fire extinguishing and safety license	30,000 to 40,000
	Renewal	5,000 to 10,000
6. Office of the Boiler Supervisor	Boiler license	50,000 to 60,000
7. Department of Environment	Environmental license	50,000 to 1,20,000
	Renewal	10,000 to 30,000
8. Board of Investment	Investment certificate	10,000 to 50,000
9. Export Promotion Bureau	Registration of enlistment	8,000 to 10,000
	Renewal of enlistment	2,000 to 2,000
10. Controller of Import and Export	Important registration certificate and export registration certificate	30,000 to 50,000
	Renewal	4,000 to 5,000
11. National Board of Revenue	Vat registration	5,000 to 25000
12. Customs and Excise	Bond license	1,00,000 to 2,50,000
13. Joint Stock Company	Registration	30,000 to 40,000
14. DESA/DESCO	Electricity supply	50,000 to 1,00,000
15. Titas Gas	Gas supply	50,000 to 1,00,000
16. BTCL	Telephone line	
17. WASA	Water supply	10,000 to 50,000

Source: Key Informant (RMG factory owners and managers)

3.10 Conclusion

In the RMG sector factory owners and officials have corrupt interactions during service delivery by the various parties mentioned above. Corruption is done by force or through compromise. A trend of getting involved in irregularities has been observed among these organizations due to incompetency and limitations of government stakeholders. This in turn indicates the weakness of existing internal structures of accountability, transparency and responsiveness. Also to cover up low-standard working environment in factories, infrastructural weakness of factory buildings and compliance issues and carry on with their business, factory owners get involved in corruption through liaison with government monitoring organizations. On the other hand workers' organizations cannot fulfill their role properly to ensure worker rights. Workers' organizations cannot carry out their duties due to absence of legitimate leadership in trade unions, or in some cases to satisfy the interest of the factory owners. Absence of trade unions at factory levels under the leadership of federation and political division are also responsible. Again due to the profit seeking tendency of buyers and owners, even buyers get involved in irregularities surrounding the trend of minimizing manufacturing cost while disregarding factory safety and worker's rights. Yet absence of indigenous laws or any other effective means has made it impossible to ensure transparency and accountability in buyer-owner interaction. So, a fusion of irregularities and corruption committed at various levels has occurred in this sector.

Chapter 4

Analysis of causes, effects and impact of the absence of good governance in the RMG sector

4.1 The causes of lack of good governance in the readymade garment sector

a. The absence of a complete oversight body in the sector and coordination among different government departments and agencies.

No particular authority in the country is charged with the responsibility for complete oversight of the readymade garment sector. Many state agencies act as licensing and inspection authorities concerned with the building and operation of factories. However due to the absence of a lead ministry/authority these agencies are found to lack coordination among themselves. Moreover, there have been allegations of negligence and corruption against these agencies. Consequently, on the one hand, dishonest owners dodge social compliance and factory safety in collaboration with the regulatory agencies in exchange for illegal benefits, and on the other hand honest owners face harassment⁹¹ and workers' safety is compromised. No ministry is willing to take responsibility for dealing with natural or man-made accidents, abating the workers' unrest or mitigating protests, especially the three ministries directly related to the readymade garment sector (labor and employment, commerce and textile and jute ministry) avoid all responsibilities. According to the government's rules of business, issues relating to the garment sector are supposed to be under the textile and jute ministry. However, although the textile and knit factories of the garment sector have been mentioned in the rules of business, the readymade garments industry is not.⁹² Therefore the textile and jute ministry tries to avoid taking responsibility for issues relating to the readymade garment sector. The Ministry of Commerce is only oversees the export-related issues in the sector. Everything else is beyond its scope. Similarly, the Ministry for Labor and Employment supervises matters relating to labor and employment of the workers in this industry as it does for other industries. The absence of a complete oversight body leads to involvements by ministries not concerned with the sector many a times (for instance, the recent involvement of the Water Transport Minister with labor strikes for wage increases). The concerned ministries themselves were never seen to take a stand. As a result issues relating to the sector can be resolved neither single-handedly or responsibly.

b. the constraints, irregularities and corruption in the concerned regulatory agencies

Bangladesh today is internationally recognized as a trade-dependent country mainly because of its crucial role in the readymade garment sector despite being aid-dependent in the post liberation period. However the capacity and efficiency of the government

⁹¹ For details see: Report of the standing committee on labor and employment ministry, eighth parliament, Bangladesh parliament secretariat, September 2006.

⁹² *Daily Prothom Alo*, 26 September, 2013.

regulatory agencies have not increased in comparison with the rapidly growing industry. On the other hand, garment factories that have cropped up everywhere driven by high and quick profits have noticeably weak infrastructure and safety. Most of the government agencies are conducting regulatory activities with the manpower and technology it had before the liberation. Therefore they perform poorly.

c. Limitations of the labor act, absence of adequate penalty measures and delays in judicial process

Despite the present labor laws being more advanced and modern, their various limitations and the absence of adequate penalty for owners often paves the way for corruption. Besides, the absence of specified duties for the trade unions and federations or penalty provisions for owners and the inadequate compensations for workplace accidents encourage irregularities and corruption even further. On the other hand, government agencies such as office of the inspection general of factories and establishment, fire service and civil defense cannot enforce immediate penalties. They can only file cases at the labor court. The government's inspection agencies such as Chief Inspector of Factory and Establishment, Fire Service and Civil Defense can only file cases with the labor court; they do not have the power to hand down penalties. But the labor court is caught up in pending cases. It is difficult and almost impossible for low income workers to run the case. This makes it easy for the owners to get away with the accusations.

d. The practical limitations of owners in compliance implementation

Although there is an obligation to abide by international standards to ensure worker safety, health and rights, compliance is never completely implemented in most of the readymade garment factories in Bangladesh. One of the causes for this is the practical limitations of the owners. The practical limitations include the unawareness and unwillingness of the owners to improve labor quality and welfare, lack of proper training and efficient management. As a result the owners fail to meet the compliance implementation standards in many ways.

e. The negative attitude of owners and legal complications in the formation of trade unions

While owners have a negative attitude towards trade unions in the readymade garment sector there are also institutional and legal complications regarding the matter. Trade unions are recognized both internationally and under Bangladeshi laws as an effective tool for ensuring workers' rights and interests through collective bargaining. However the trade union movements of government agencies after liberation have been criticized for many reasons. According to many the irregularities and corruption associated with trade unions played a key role in damaging the business of those agencies. Most owners of readymade garment factories have the same perception about trade unions. They believe that trade unions will create barriers in business operations, will damage the internal working environment of factories and cause unrest. It will risk destroying the low wages in Bangladesh that attract the buyers. The intimate relation between trade unions and many political parties is said to be another cause for the owners' negative perception about unions. The risk of workers being used in various political activities such as rallies, meetings, movements or causing damage to the factories for political reasons heavily influences the owners. As a result, the owners resort to many irregularities and corruption to curb the trade union culture using local and national political, economic, social and administrative influence.

f. Inadequate wage structure

The wages of workers in the readymade garment sector of Bangladesh is the lowest among all the competing countries in the international market. Again the wages are also the lowest compared to other sectors in the economy.⁹³ Owners say that the low wage rate is one of the chief reasons buyers are attracted to this country. The minimum wage for workers in the readymade garment sector is set by the wage board formed by the government as per law.⁹⁴In 1985 a minimum wage of 627 taka was set for the first time. After the Rana Plaza accident the fact that the minimum wage in the garment sector was not sufficient for the workers' standard of living was much discussed at home and abroad. Experts and workers say that low wage rate is the main reason behind the unrest and lack of labor rights in the readymade garment sector. Studies show that the current wage rate in the readymade garment sector is not only low but also insufficient for the livelihood of the workers. According to labor laws, during the setting of the minimum wage there are ten things that must be considered.⁹⁵However owners put more emphasis on the cost of production, productivity, inflation and business capacities at the wage board despite studies advocating a rise in the minimum wage proportional with the standard of living.⁹⁶

g. The tendency of owners and buyers to earn extra and quick profits

If we analyze the growth of the readymade garment sector in Bangladesh, we see that due to the quota system imposed on the East Asian countries and their improvements in labor quality, Bangladesh became an attractive place for buyers. The main reasons behind this attraction were the availability of easy labor at cheap rates and the ability to meet production demands with a great number of workers. The abundance of government's policy support is also promoting the free-market economy, causing the readymade garment sector to expand rapidly and emerge as an attractive business to investors. However, the capacities of the agencies regulating this sector have not increased simultaneously. This creates opportunities for owners, driven by extra and quick profits to engage in bureaucratic corruption on various matters. On the other hand, the buyers' motive to earn extra profits creates tendencies to neglect many irregularities. In most cases, they give more importance to attaining quality products at a low cost in comparison to the working conditions, rights and security of workers.

h. Business and political influence in policymaking and implementation

Different initiatives to introduce laws and policies for the development of the garment sector at many times have been foiled by business and political influence of the owners and garment business owner politicians. In 1989, the government approved a draft proposal to form an autonomous Apparel Board for the development of the sector. The next government (1991-1995) however, ignored the issue. In 1996, when Awami League came to power, a cabinet meeting in 1999 once again raised the proposal. The proposal pointed out that the Export Processing Bureau's apparel cell only handled the garments export related issues and the overall sector was not being supervised properly. But it was pushed back by the finance and the establishment ministry. In 2001, during the caretaker government,

⁹³ *Daily Prothom Alo*, 23 September, 2013.

⁹⁴ The five minimum wage boards formed in the sector had fixed the minimum wages at 1985 (627 taka), 1994 (90 taka), 2006 (1662 taka), 2010 (3,000 taka) and 2013 (5,300 taka proposed).

⁹⁵ Factors considered while fixing minimum wages: livelihood expenditures, standard of living, production cost, price of products, inflation, type of work, risk and standard, business capacity, national and local economic situation and other relevant issues (section 141).

⁹⁶ CPD analyzed the garment sector wage structure with the help of various economic indicators and models and proposed a minimum wage of 8200 taka. For details, see, www.cpd.org.bd/wp-content/uploads/2013/09/CPD-on-Minimum-Wage.pdf. Again the opinion of Shoeb (2013), analyzing the calorie requirements, food costs, production costs, productivity and poverty the minimum wage may be fixed at 5,547.50 taka.

another initiative was discarded, with the view that the decision should be taken by an elected government. In 2002 the commerce ministry undertook the effort but faced opposition from the textile and jute ministry. In 2005-06, in light of workers' movements in the sector, the parliamentary standing committee on the labor and employment ministry recommended forming a separate ministry for the supervision of the readymade garments industry. The next government in 2010 moved away from these proposals towards the idea of the apparel board and the jute and textile ministry prepared a draft of the law. The jute and textile minister remarked on the matter of the board: "The formation of this board will help ensure good work environment in factories, ensure the wage of the worker and buyers will not be able to buy garments cheaply. So the owners will not be able to cheat the workers either."⁹⁷ 7 But the proposal was rejected when it was presented to the cabinet in 2011. This shows that the various governments had a lack of consensus and continuity on the issue of the formation of an apparel board. Ministry officials think the failure to form a central authority was influenced by a lack of confidence in the ministries as well as the opposition of owners. Exports hold that bringing the garment sector under a single central authority will help sustainable development in the sector.

c. BGMEA's lack of effective role and accountability

Owners' association BGMEA's constitution says it will work for the overall development of the readymade garment sector. In effect, indulgence and institutionalized corruption are engendered in BGMEA's actions by the misuse of political power to gain favors and benefits and the use of federation leaders in exchange for money to suppress workers' interests, as there is no effective accountability and internal audits are in name only. On the other hand BGMEA's lack of support in taking legal action against owners involved in corruption and irregularities is palpable. Its weak organizational role results in factories ignoring its instructions as an owners' association.

4.2 The effects of lack of good governance in the readymade garment sector

By analyzing the data collected in the study show that the lack of good governance in the sector result in compliance issues, fire accidents, building collapse, violation of law and human rights, crisis of trust between owners and workers, absence of effective workers' associations and misuse of power through connections and the presence of corruption and irregularities.

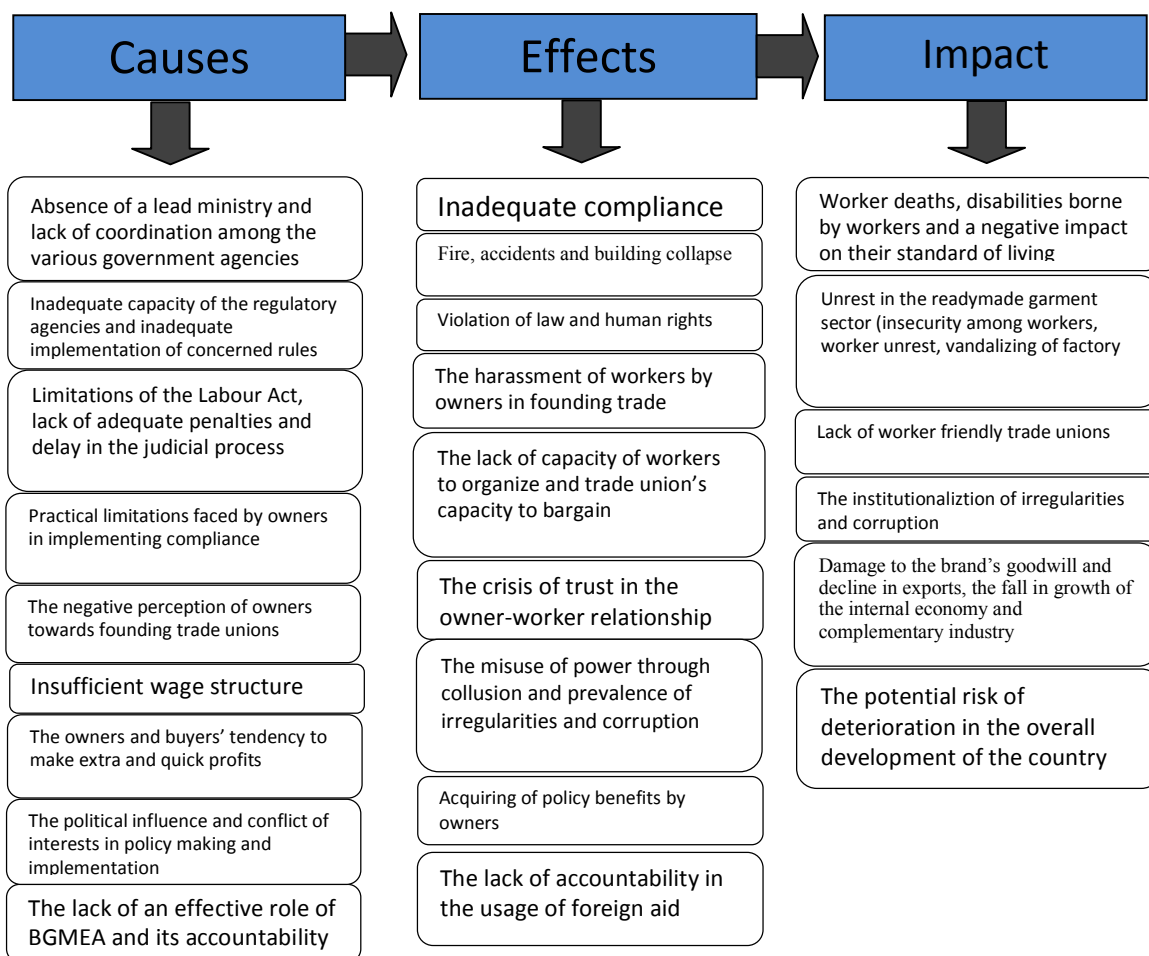
The absence of a central regulatory authority causes a lack of coordination among the various government departments and safe work environment, workers' wages and product prices cannot be determined. But efforts to create a central authority have failed so far due to economic and political pressures on policymaking and implementation. The inadequacy of inspection systems of various government agencies and their mutual coordination and accountability is preventing compliance in the readymade garment sector, causing humanitarian crises like fire accidents, building collapse and violations of law and human rights and fear and unrest among workers. Again, the internal structural weaknesses of the trade unions, whose main role is to ensure the rights and raise the awareness of the workers who are the lifeblood of this labor intensive sector, the political patronization and different kinds of corruption gradually weaken the organizations. As a result worker-friendly trade unions have never been formed. In the long term the unions fail to create effective

⁹⁷ *Daily Prothom Alo*, 26 September, 2013.

structures on workers' rights, which hamper the production process, destroys proper work environment and fails to establish workers' rights.

In this sector, workers die or become disabled in accidents and their livelihoods are affected. The sector faces unrest, which hurts the brand value and reduces export. For example the USA cancelled the Generalized System of Preferences (GSP) facility⁹⁸ in June 2013 after the Rana Plaza incident. The European Union also threatened to do the same. Unrest in the readymade garment sector reduces the pace of the domestic economy and complementary industries and the country's overall development falls under the risk of slowing down.

Figure 1: Causes, effects and impact of the lack of good governance in the RMG sector



4.3 Conclusion

The analysis of the good governance problems in the readymade garment sector shows that these problems have built up through long term irregularities and mismanagement. Because of the misuse of economic, political and administrative power, no structure for effective accountability or rule of law has ever been built up among the stakeholders or in the overall sector to prevent irregularities and mismanagement. Subsequently corruption has been

⁹⁸ GSP means duty free access of goods to the importing country from its beneficiary development countries. The USA gave duty free access to 5,000 products from 126 countries under the US 'Trade Law, 1974' since January 1, 1976. Of the Bangladeshi products getting GSP facilities from USA are: almost all manufacturing products, different chemical, construction stone, jewellery, carpets, agricultural and fisheries products. But Bangladeshi readymade garments, watch, handbags and luggage products do not get GSP.

institutionalized in the sector, and the ordinary workers are the victims, although they are not involved in the accumulated corruption of the sector.

Chapter Five

Conclusion and recommendations

5.1 Conclusion

The readymade garment sector is very important for the development of Bangladesh. The second position of Bangladesh in exporting readymade garments in the competitive globalized market indicates the country's position in the neo-liberal economy. Structural adjustment in crisis management is an important element of establishing good governance to survive in this materialistic environment (David Harby, 2005). The Rana Plaza tragedy is a manifestation of the accumulated governance failures in the public and the private sector. Establishing good governance is the first priority to resolve the crisis in the readymade garment sector, ensure safe work environment, workers' rights and continued growth of the sector. The study shows that there is an absence of elements of good governance in readymade garments factories as well as the sector as a whole.

One of the key elements of good governance is establishing accountability and transparency at all levels of responsibility. But the research shows that accountability and transparency of the stakeholders in the readymade garment sector are ineffective. For an inspector to provide exemptions in factory inspection in exchange for personal benefits and a lack of an accountability framework for the administrative actions of the owners, workers' unions and buyers. For example there is an absence of a self-regulatory system among the stakeholders. On the other hand the different state agencies also lack any effective system to ensure their accountability.

There is no precedent of legal punitive measures against stakeholders that have violated the law. Especially since there is no provision in the labor act to increase the punishment of owners for accidents or for factory inspectors to be accountable, the actors and facilitators involved in the irregularities and corruption surrounding workplace safety, workers' rights and compliance implementation and supervision are not being punished. While disciplinary measures for government stakeholders are not clear, there is also no example of an owner ever getting punished for an accident. Therefore there is a lack of rule of law and sensitivity in this sector.

The lack of good governance makes way for misuse of political and economic power in expanding and conducting business in the readymade garment sector and a synthesis of corruption in public and private organizations that creates a tendency for profiteering and prevents the realization of workers' rights; moreover it is conducive to a long-term trap for major accidents. The accidents and the unrest in this sector are not merely coincidental, they are the outcomes of corruption and irregularities of the stakeholders in carrying out their responsibilities, the absence of transparency, accountability and sensitivity and overall a failure of good governance in the industry. All parties have to come forward in a collective effort to alleviate these problems and irregularities for the sake of planned growth and sustainable development of the sector.

5.2 Recommendations

The following recommendations for the solution of problems in the readymade garment sector can be made from the analysis and observation of the data collected in the research.

a. in policymaking:

1. A separate ministry has to be created to design, implement, coordinate and supervise long-term plans in the readymade garment sector simultaneously with a department under the ministry to inspect factories and implement compliance. Until it can be done, there should be a temporary one-stop cell under the industries secretary.
2. The labor act has to be amended in accordance with the ILO Convention (29, 87, 98, and 105) and garment sector issues have to be emphasized while formulating a labor policy.
3. Necessary amendments have to be made to the labor act to be able to charge owners in criminal cases in case of accidents caused by compliance shortfalls.
4. The compensation for workplace accidents or death of workers has to be increased and enforcement has to be ensured.
5. Fire and building collapse cases at the labor court have to be resolved in the shortest time.
6. Fire stations equipped with advanced technology and manpower have to be established in areas concentrated with ready-made garment factories and specialized fire safety inspection cells have to be created for the sector.
7. Formation of trade unions within a specified time period has to be made binding for every factory and a specific set of rules has to be designed for trade unions and federations.
8. Readymade garment factory owners must not be allowed to become members of the parliamentary standing committees associated with the sector.
9. To ensure planned growth for the industry the government must set up an efficient regulatory committee to properly implement the shifting of the factories to its promised garment industry village, and establish several such villages.
10. As per article 232 (3) of the labor act, 1 to 1.5 cent per imported garment has to be given against the total profit of the business to create a central workers' welfare fund for the readymade garment sector; the buyer-owner ratio could be 75:25 based on discussion and the civil society's participation in the fund management board must be ensured.

b. of stakeholder institutions:

11. Efficiency, manpower, funding and skills of all supervising agencies has to be increased.
12. There has to be increased coordination between the Labor Directorate and the Office of the Chief Inspector of Factories and Establishment.
13. The power of union parishads to approve designs and building constructions has to be annulled in the areas under Rajuk and other city development authorities. At the zilla level, local government institutions have to get certificates on building construction from zilla Public Works departments.
14. The fire service and Rajuk have to be given administrative support in conducting mobile courts.
15. The trade union registration process has to become transparent. Information on how long it took to process a registration application, whether registration was issued or

not and if not then what were the reasons – all of these have to be published on the labor directorate website.

16. Trade unions and federations have to abandon political and BGMEA affiliation and work for the interests of the workers and elect their leadership in a lawful and democratic process.
17. An open database has to be built with the information of inspections on compliance, fire and building safety at every factory. The database must contain the faults found at the factories, recommended penalties and the name of the inspector.
18. The government, buyers and BGMEA must undertake coordinated efforts to offer training to workers, officers and all other staff in garment factories.
19. Every worker has to be given a fireproof ID with emergency contact and mobile number and the attendance registers have to be well preserved.
20. A Uniform Code of Conduct for factory working environment has to be introduced.
21. 'Gender code of conduct' has to be ensured in all factories.
22. Buyers have to be made accountable as per international obligations to endure proper work environment, safety and labor rights at the factories.
23. The aid given to the government's relief fund following factory accidents by various GO/NGOs and individuals and different programs undertaken at the national and international level have to be disclosed to the public and their implementation process has to be transparent.
24. A specific umbrella authority must be charged with the coordination and implementation of the various efforts and support programs for factory safety, work environment and workers' rights undertaken since the Rana Plaza tragedy.
25. The civil society's engagement and capacity have to be increased in various efforts to ensure work environment and workers' welfare in the sector.

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Appendix 1:

Comparative review of Vietnam Labor Act and Bangladesh Labor Act

As a RMG exporter country Vietnam's name comes right after Bangladesh. There are 2.5 million workers employed in the fast growing Vietnamese RMG sector. Vietnam exported RMG products worth 17 billion USD in the financial year 2012.⁹⁹ 'Vietnam labor Code'¹⁰⁰ (later renamed as Vietnam Labor Act) is internationally acclaimed for ensuring labor rights. International Labor Organization (ILO) was directly involved in the enactment of this law and often it is appraised as a model law. In this context a comparative review of 'Vietnam Labor Code' and 'Bangladesh Labor (Amendment) Act 2013' is presented below-

- Section 44 of the Vietnam Labor Act has made CBA (Collective Bargaining Agreement) between ownership and worker mandatory and it also dictates that any bilateral bargaining should abide by this agreement. But there are no provisions in the Bangladesh Labor Act regarding this issue.
- Vietnam Labor Code dictates that a temporary trade union is to be formed in 6 months of initiation of the activities of a factory and it has to be made permanent by the end of 12 months. This provision is to be enforced by the local or the industrial federation of labor (section 153). Furthermore it is mentioned in the code that the owners are responsible for creating viable environment for trade union formation. But there are no bindings in the Bangladesh Labor Act regarding formation of trade unions. On the other hand the Bangladesh Labor Act gives no specifications about the activities of the trade union though it dictates what trade unions cannot do. In Vietnam Labor Code [section 155 and 174(D)] all of it has been specified.
- According to Bangladesh Labor (Amendment) Act, 2013 there can be a maximum of 3 trade unions in a factory [section 179(5)] and a minimum participation of 30% of the workers is necessary to form a trade union [section 178 (2)]. In Vietnam workers of a factory may form a permanent and a temporary trade union with 5 members apart from the executive committee. Vietnam Labor Code recognizes 2 types of disputes-personal and collective (section 157). The law dictates that strikes and such programs are not to be used to resolve personal disputes (section 172). On the other hand dispute resolution and factory relations these issues have been mentioned in the Bangladesh Labor Act but not elaborately divided.
- The Vietnam Labor Code has provision for meetings titled 'Dialogue at Workplace' every three months to ensure discussions between owners and workers about factory environment and workers' demands (section 65). The Bangladesh Labor Act has provision for a participatory committee comprising of worker representatives and owners but the law doesn't dictate how often or how many times a year they have to sit for a meeting.
- Though issues such as participation of trade union members in terms of fees and what portion of it would be submitted to the higher federation are

⁹⁹ VTAS (2013), Vietnam Textile & Apparel Association, Hanoi, www.gotoadmin.amchamvietnam.com

¹⁰⁰ Labor Code (law no 10/2012/QH13), Socialist Republic of Vietnam.

mentioned in the Bangladesh Labor Act, it doesn't contain any idea about trade union budget. On the other hand, rules of participation of owners and workers in trade union budgeting have been incorporated in the Vietnam Labor Act through various circulars. Also in case a worker who is a member of trade union is due to retire before the existing trade union expires then his job duration has to be extended as per guidance of the Vietnam Labor Code. Bangladesh Labor Act has no such provisions.

- According to section 73 of the Vietnam Labor Code if a festival vacation and general holiday are on the same date then the day after is to be considered as festival vacation. It is not so in the Bangladesh Labor Act.
- Sections 18 and 92 of the 'Vietnam Social Insurance Law' clearly mention workers' right to 3 kinds of insurance-social, unemployment and health- to ensure their safety. Such is not the case in Bangladesh.
- Bangladesh Labor Act dictates that after 30 working days have passed wages should be paid to workers within 7 working days. Though it does not mention what penalties owners would face in case they violate this rule. The Vietnam Labor Act clearly dictates that the owner would be bound to pay interest for the delayed time at a rate decided by the national bank (section 58).
- In the Vietnam Labor Code there is provision for different salary structures for domestic factories, based on the different labor structures in 4 zonal areas. Factories financed with foreign investment have a separate salary structure. Bangladesh Labor Act provides for setting up a national sector-based pay structure.
- Unless it is for damaging the factory machinery, cutting of wages by the owners has been banned in the Vietnam Labor Code but the Bangladesh Labor Act allows owners to deduct from wages for many reasons.
- The provision for 'temporary worker' has been exempted from the Bangladeshi Labor Act. On the other hand the Vietnam Labor Code specifies wages and benefits for temporary workers and ensures minimum wage.