Rana Plaza: Workplace Safety in Bangladesh (A)

On April 24, 2013, the Rana Plaza factory building collapsed in the Savar industrial district outside of Dhaka, the capital of Bangladesh. Over 1,100 people were killed in the worst industrial accident since 1984 when over 2,000 people were killed (and 150,000 injured) in the Union Carbide plant gas leak in Bhopal, India. Most of the victims worked for the five garment factories housed in Rana Plaza, whose primary clients were European, U.S., and Canadian firms. Export contracts to such firms had helped Bangladesh become the world’s second-largest clothing exporter. Rana Plaza was not the first tragedy to occur in Bangladesh’s garment industry, and without intervention, more might follow. After the Rana Plaza disaster, international brand owners, domestic and foreign governments, labor unions, and non-governmental organizations (NGOs) began to discuss responsibilities for improving conditions for Bangladeshi garment workers.

The Bangladesh Garment Industry

Following independence from Pakistan in 1971, the Bangladesh government began privatizing industries to spur economic growth. The garment industry became a major force in Bangladesh after the Multi-Fiber Arrangement (MFA) was enacted in 1974. The MFA regulated the sale of garments and textiles from developing countries to First World countries. The MFA, which was in effect until 2004, imposed quotas on garment exports from Korea, China, Hong Kong, and India. No quotas were imposed on Bangladesh’s garment exports, and its industry grew from $12,000 worth of exports in 1978 to over $21 billion in 2012. Even after the MFA expired, Bangladesh maintained export volume, thanks to its low labor costs. In 2012, Bangladesh was the second-largest garment exporter in the world, after China.

The garment industry was a major force in the Bangladesh economy. The industry employed 3.6 million people (and an additional 6 million, through indirect employment) or roughly 2% of the population. The garment industry accounted for 13% of GDP. It was the single-largest source of exports, 78% in 2011. (See Exhibit 1 for growth in garment industry employment over time.) Workers in garment factories were paid approximately 13% more than workers in other industries. The vast majority of garment workers were women. In 2011, around 12% of Bangladeshi women between 15 and 30 years of age were employed in the garment industry.
Global Customers

The vast majority of garments produced in Bangladesh were exported. In 2013, 2,000 of 5,000 garment factories had export contracts, with many of the remaining 3,000 factories working as subcontractors that provided additional capacity for the factories with international orders. Some multinational brands imposed strict limitations on the use of subcontractors in their contracts with primary suppliers (in certain cases, processes existed for MNCs to grant permission for use of subcontractors). It was also common for brands to employ agents to locate production capacity on their behalf. Nearly 90% of garments produced in Bangladesh were exported to the United States, Europe, and Canada (see Exhibit 2 for proportionate export volume). In 2012, the U.S. alone received $4.9 billion worth of garment exports from Bangladesh.

Many U.S. and European fashion brands sourced items from Bangladesh. Brands with operations in Bangladesh included well-known global fast-fashion labels such as H&M, Inditex (Zara), and Loblaw’s (Joe Fresh), as well as other low- to mid-priced labels like Walmart, Gap, and PVH (Calvin Klein, Tommy Hilfiger, Timberland). Many brands required garment production to align with the seasonal release of new clothing collections (in spring, summer, fall, and winter). These production schedules caused large spikes in demand for capacity, with little room for errors, around the seasonal release dates and lower demand at other times.

Low-cost production and large capacity were key incentives for multinational corporations (MNCs) to produce garments in Bangladesh. The minimum wage in 2012 was $37 per month and had only increased by $29 over the past 30 years. In comparison, China, the largest clothing exporter, had a minimum wage four times that of Bangladesh and saw its labor costs increase by 30% in 2011 alone. As shown in Exhibit 3, Bangladesh’s minimum and average wages were far lower than those of other developing countries that produced garments for export. Combined labor cost differentials were expected to help Bangladesh’s garment industry to reach $30 billion by 2015.

Factory Conditions

More than 1,000 garment workers were thought to have died and 3,000 to have been injured working in Bangladesh’s garment industry since 1990. (See Exhibit 4 for a list of industrial buildings that had collapsed in Bangladesh.) The quick growth of the garment industry had resulted in fast construction of factories, often at the expense of adhering to building codes. The government feared foreign investment and export contracts would flow to other low-cost garment-producing countries if MNCs perceived Bangladesh’s factory safety record and labor disputes as risks to their brands. In 2012, the U.S. ambassador to Bangladesh shared with the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) details of a call he received from the U.S. CEO of one of Bangladesh’s largest garment export customers. The CEO stated his concern that “the tarnishing of the Bangladesh brand may be putting our company’s reputation at risk.”

The BGMEA claimed to regularly monitor member factories for safety compliance. However, it was unclear the extent to which compliance was enforced. Following the Tazreen garment factory fire caused by unsafe storage of flammable materials in November 2012, which killed over 100 workers, BGMEA inspectors were sent to member factories to check labor and safety compliance. Four of the buildings inspected, which belonged to BGMEA president Atiqul Islam, were found to have multiple violations.
Numerous NGOs sought to improve labor and safety conditions for Bangladesh’s garment workers. Care Bangladesh partnered with MNCs to create programs to help female garment workers develop leadership skills. The Global Women’s Economic Empowerment Initiative, a partnership between Care Bangladesh and Walmart, helped nearly 24,000 female garment workers learn their legal rights and develop communication skills. Gap worked with Care Bangladesh to form the Personal Advancement and Career Enhancement Initiative for around 500 female garment workers employed in Gap’s supplier factories. Other NGOs, like the Awaj Foundation, empowered garment workers to understand and act upon their legal rights. The Awaj Foundation’s network included 255,719 garment workers and offered programs for workers on Bangladesh labor laws, fire safety, and health-care services, among others. The Worker Rights Consortium inspected Bangladesh garment factories for labor violations but, over three years, it had only checked the factories associated with three factory owners. In 2007, the Bangladesh Center for Worker Solidarity (an affiliate of the American Federation of Labor and Congress of Industrial Organizations) petitioned the U.S. government to suspend trade privileges for Bangladesh, in light of workers’ rights violations in the garment industry.

The Bangladesh government tried to suppress activities by labor unions and other groups that attempted to highlight poor safety conditions in the country’s garment factories. Bangladesh police and security forces were suspected in the 2012 murder of labor activist Aminul Islam, the president of the Bangladesh Garment and Industrial Workers Federation in Savar and organizer of the Bangladesh Center for Worker Solidarity, a labor rights group. He was detained and beaten by Bangladesh security forces, and his body showed signs of torture after being recovered in 2012.

**Rana Plaza**

On April 23, the day before it collapsed, workers observed cracks in the walls of the Rana Plaza building. The building housed five garment factories, as well as a bank and shopping mall. That morning, an engineer who had previously consulted for Sohel Rana, the building owner, deemed the building unsafe and recommended that the workers be evacuated. Later that day, a local government official met with Rana. After the meeting, the official declared the building was safe, pending another inspection. The workers of the Brac Bank branch heeded the advice of the engineer and vacated the building. Garment workers, however, were informed that they were expected to return to work in the building the next morning to fulfill overdue orders, or risk losing their jobs.

On April 24, 2013, the nine-story Rana Plaza building collapsed, killing 1,100 workers and injuring 2,500 more. Sohel Rana was in his office in Rana Plaza when the disaster occurred; he fled but was arrested later at the Indian border. The disaster was caused by numerous structural problems (see Exhibit 5 for a list of additional causes for the collapse):

- Four additional floors were constructed illegally upon the existing four stories, with a ninth floor under construction.
- The building lacked the supporting walls needed to hold heavy industrial machines and generators used by the factories.
- The lot where Rana Plaza stood was formerly a pond, which was filled only with sand.
- Inferior building materials were used to construct Rana Plaza.
Initial Reactions to the Tragedy

Garment Workers

After the collapse of Rana Plaza, rescue workers began excavating to locate the employees killed or trapped in the rubble.32 “I would never return to that death trap,” said a survivor, who had worked in the button division of one of the factories in Rana Plaza.33 In the two days following the tragedy, thousands of garment workers rioted in the industrial districts in and around Dhaka, causing the closure of many local garment factories.34 None of the workers in the Rana Plaza garment factories belonged to a union. Under Bangladesh’s labor laws, 30% of the workforce had to petition in order for a union to be formed.35 This was hard to achieve since, by law, the names on the petition were open to inspection by the factory owners. Workers had few opportunities to change the garment industry from within.

Alternative employment options were limited, even for workers who were not maimed by the building collapse. It was difficult to find other jobs that offered the salary needed to live in Dhaka. Many of those who chose to leave work in the garment industry after the collapse returned to their home villages in rural Bangladesh to work in agriculture. The Clean Clothes Campaign, a not-for-profit worker advocacy group based in Europe, estimated that $71 million would be needed to compensate the victims who died or were injured in Rana Plaza.36

Consumers

As news of the Rana Plaza collapse broke internationally, consumers who purchased products from MNC retailers with operations in Bangladesh expressed their concerns on the retailers’ websites and in social media. Many consumers condemned the retailers for taking advantage of Bangladeshi workers and subpar working conditions, and a few inquired about the retailers’ supply chain safety programs.37 In response, many retailers claimed ignorance of their own supply chains and blamed their suppliers for placing the retailers’ orders with unapproved and unsafe subcontractor factories.38

A survey by Retail Week, an industry publication, found that 44% of consumers were no more likely to ask retailers where their clothes were produced than before the Rana Plaza disaster (in contrast to the 35% who said they were “a lot” or “a little” more likely to ask).39 (See Exhibit 6 for the survey question and results.) Some observers were concerned that certain consumers’ preference for low prices would be greater than their desire for safe production.

Bangladesh Government

After the incident, the government moved to arrest the owner of the building, Sohel Rana, as well as the owners of the garment factories housed there.40 The charges brought against Rana and the factory owners by the Labor Court were intended to punish negligence, rather than to compensate victims for loss of life or earning potential.41 The mayor of Savar and the engineer who inspected the building the day prior were suspended.42

Rana Plaza revealed the extent to which the government organizations tasked with inspecting factories and enforcing the building codes were understaffed. Responsibility to inspect factories was split incoherently among different entities. Local government and the Ministry of Textiles both conducted random inspections, while some MNCs did their own audits, and other factories were inspected by the BGMEA. There was no comprehensive or coordinated approach to factory inspections, and no organization had the resources to take on all of the inspections alone. The local
Dhaka development organization, Rajuk, had only 40 inspectors for all of Dhaka’s factories, estimated at 1 million (of which the garment industry represented only a small percentage). 43

The government entities were not sufficiently staffed to inspect factories, let alone enforce building codes in non-compliant factories. Lack of resources was not the only barrier to enforcing building codes. More than 25 members of Bangladesh’s parliament had a direct stake in the garment industry. 44 Officials from the inspection department said that factory owners were often given advance warning of inspections, since maintaining good relations with the owners was a priority for the department. 45 The government sought to avoid widely publicizing the scope of the non-compliance problem, for risk of scaring away foreign investment. The prime minister, Sheikh Hasina, stated in an interview with CNN following the disaster, “Anywhere in the world, any accident can take place,” she said. “You cannot predict anything.” 46

**BGMEA**

The day after the tragedy, BGMEA president Islam announced the creation of three committees intended to help the victims and families with treatment and compensation. 47 He pledged that the organization would pay for medical treatment for the workers injured at Rana Plaza and would also compensate the families of the victims. 48 The proposed compensation per deceased worker was equivalent to roughly seven months of salary. After the disaster, the BGMEA quickly assembled a team of engineers to inspect factories; 19 were closed as a result of the inspections. 49

**Global Labor Activists**

Activists called for reform of Bangladesh’s strict thresholds for the formation of unions and for greater stringency of building inspections. None of the garment factories operating in Rana Plaza was unionized. 50 According to Brad Adams, the Asia director for Human Rights Watch, unions could have saved workers’ lives: “Had one or more of the Rana Plaza factories been unionized, workers could have refused to enter the building the day it collapsed.” 51

Activists uncovered further holes in the rigor of the inspections process. Scott Nova of the Worker Rights Consortium revealed that, while many MNC audits evaluated important labor issues such as working hours and use of child labor, prior to Rana Plaza, most audits did not include any inspections of factory structure and safety. 52

**U.S. Government**

Prior to the disaster, the U.S. government was set to review Bangladesh’s inclusion in the Generalized System of Preferences (GSP) in June 2013. Participation in GSP granted Bangladesh tariff exemption on certain imports to the U.S. Worker rights and labor standards were considered as criteria for a country’s inclusion in GSP, and the administration had been “concerned about the worker rights situation in Bangladesh for some time.” 53

**The Way Forward**

MNCs with operations in Bangladesh had several options on how to respond to the Rana Plaza tragedy.
Business as Usual

MNCs were not directly responsible for the disaster, and many MNCs that had already been conducting factory inspections (like Walmart) would continue to do so and retain private records of infractions with no obligations to alert workers of safety hazards. There was low risk of consumers of the MNCs’ products substituting for apparel not made in Bangladesh. Consumers, especially those with lower incomes, were unlikely to alter their purchase decisions based upon a garment’s origins (and even if they wished to, the size of the Bangladesh garment industry made it difficult to avoid Bangladesh-made apparel).

Relocate Production

The Disney Corporation decided to shift all of its production away from Bangladesh to other, lower-risk countries.\(^5^4\) Due to the significant gap in labor costs between Bangladesh and the next cheapest supplier, Cambodia, shifting operations would incur higher production costs, but could lessen the risk of negative press or irresponsible labor practices tainting the Disney brand. (See Exhibit 7 for example of production costs.) The larger the proportion of a retailer’s supply chain produced in Bangladesh, the more costly to move production to another country (Disney’s operations in Bangladesh were a relatively low percentage of its total garment production).

Collaborate to Invest in Safety Standards

MNCs could decide to remain in Bangladesh and partner with factories to improve safety conditions in the garment industry. The Worker Rights Consortium, a labor advocacy group based in Washington, D.C., estimated the cost to improve conditions in all 5,000 garment factories at $3 billion or $600,000 per factory, paid over five years.\(^5^5\) A sample of 300 factories in Dhaka revealed that about 90% of facilities were in need of serious repairs or demolition.\(^5^6\) In order to sustain improvements in factory conditions, retailers (and/or the Bangladesh government) would need to provide for ongoing inspections and enforcement. Not all factories had contracts with international retailers, although many subcontracted from factories that did, so determining which factories belonged to each MNC’s supply chain was itself a challenge.

Factory owners were hesitant to invest large sums to improve safety unless they could be assured that their MNC customers would not shift contracts from their factories to lower-cost, lower-safety options. A 2012 study by the World Bank of 10 of the largest Bangladeshi garment factories suggested some productivity benefits to factories that were in compliance with international labor standards. The return on investment (ROI) for compliant factories was 2.58, whereas non-compliant factories had an ROI of 1.94 (see Exhibit 8).\(^5^7\)
Exhibit 1  Bangladesh Garment Industry Employment

![Bar chart showing employment growth over time.]

Source: BGMEA Statistics.

Exhibit 2  Destinations of Bangladesh Garment Exports, 2012

<table>
<thead>
<tr>
<th>Destination</th>
<th>Percent of Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>47%</td>
</tr>
<tr>
<td>United States</td>
<td>35%</td>
</tr>
<tr>
<td>Canada</td>
<td>5%</td>
</tr>
<tr>
<td>Other</td>
<td>13%</td>
</tr>
</tbody>
</table>

Source: BGMEA, via EPB, compiled by RDTI Cell, BGMEA.

Exhibit 3  Garment Industry Monthly and Minimum Wages by Country

![Bar chart showing wages in different countries.]

Exhibit 4  Timeline of Bangladesh Building Collapses

<table>
<thead>
<tr>
<th>Year</th>
<th>Building That Collapsed</th>
<th>People Killed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>Shankhari Bazar in Old Dhaka</td>
<td>11</td>
</tr>
<tr>
<td>2005</td>
<td>Spectrum Sweater Factory</td>
<td>64</td>
</tr>
<tr>
<td>2006</td>
<td>Phoenix Garments</td>
<td>21</td>
</tr>
<tr>
<td>2010</td>
<td>Begun Bari</td>
<td>23</td>
</tr>
</tbody>
</table>


Exhibit 5  Causes of the Rana Plaza Collapse

- In 2006, a four-story building with supporting walls was built without permission.
- Floors from 5th to 8th were built between 2008 and 2012 without any supporting walls.
- 9th floor was under construction at time of collapse.
- The building was constructed upon a filled-in pond.
- Debris revealed poor construction materials, with thin metal rods used as main pillars.
- Six garment factories were housed on 3rd through 8th floors.
- The day before the collapse, cracks were noticed across the building and it was evacuated.
- More than 2,500 people were inside the building when all of its floors collapsed.
- The collapse caused a neighboring three-story building, also occupied, to cave in.


Exhibit 6  Retail Week Consumer Survey, May 2013

**Question:** To what extent has the Bangladesh factory building collapse made you more likely, if at all, to ask retailers about where the clothes you buy are produced?

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>13%</td>
<td>a lot more likely</td>
</tr>
<tr>
<td>22%</td>
<td>a little more likely</td>
</tr>
<tr>
<td>44%</td>
<td>it has made no difference</td>
</tr>
<tr>
<td>7%</td>
<td>I have not heard of the Bangladesh Factory building collapse</td>
</tr>
<tr>
<td>14%</td>
<td>don’t know</td>
</tr>
</tbody>
</table>


* The survey was conducted online with 2,025 respondents.
Exhibit 7  Cost of Garment Production in Bangladesh, 2013

Factory owner Tipu Munshi says safety in Bangladesh’s garment industry could be ensured if retailers stopped haggling and paid the 90¢ per pair it costs to sew jeans, like the Walmart-ordered pair below, in a safe facility. Buyers often bargain down to what Munshi calls a danger zone, where rivals make cuts that threaten safety. “Let us earn those few cents, and nobody has to die while making basic jeans.”

## Exhibit 8  ROI for Compliant and Non-Compliant Garment Factories in Bangladesh, 2012

<table>
<thead>
<tr>
<th>Factory name</th>
<th>(A) Initial investment</th>
<th>(B) Initial investment for compliance</th>
<th>(C) Annual running cost</th>
<th>(D) Annual running cost for compliance</th>
<th>(E) Annual Turnover</th>
<th>(F) Annual Profit</th>
<th>(G) Profit-to-initial investment ratio (= F/A+B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliant Factories</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shine fashion</td>
<td>305.31</td>
<td>43.75</td>
<td>173.52</td>
<td>3.36</td>
<td>1000</td>
<td>836.58</td>
<td>2.40</td>
</tr>
<tr>
<td>Mascot Knit Ltd.</td>
<td>284.76</td>
<td>9.52</td>
<td>162.34</td>
<td>1.08</td>
<td>1000</td>
<td>716.4</td>
<td>2.44</td>
</tr>
<tr>
<td>Zaara Composite</td>
<td>280.88</td>
<td>3.57</td>
<td>199.88</td>
<td>0.72</td>
<td>917</td>
<td>676.76</td>
<td>2.38</td>
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<tr>
<td>Knit Plus Ltd.</td>
<td>274.82</td>
<td>0.71</td>
<td>196.56</td>
<td>1.68</td>
<td>875</td>
<td>789.75</td>
<td>2.87</td>
</tr>
<tr>
<td>Knit Asia Ltd.</td>
<td>273.83</td>
<td>0.29</td>
<td>159.41</td>
<td>0.84</td>
<td>950</td>
<td>768.52</td>
<td>2.80</td>
</tr>
<tr>
<td>Average</td>
<td>283.92</td>
<td>11.57</td>
<td>178.34</td>
<td>1.54</td>
<td>948.4</td>
<td>757.60</td>
<td>2.58</td>
</tr>
<tr>
<td>Noncompliant Factories</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harun garments Ltd.</td>
<td>92.14</td>
<td>44.3</td>
<td>267</td>
<td>222.70</td>
<td>1.97</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alim Knit Wear Ltd.</td>
<td>113.10</td>
<td>64.43</td>
<td>250</td>
<td>185.57</td>
<td>1.23</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Green Knit Wear</td>
<td>151.40</td>
<td>64.28</td>
<td>350</td>
<td>285.72</td>
<td>2.33</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step Two Garments</td>
<td>122.86</td>
<td>63.09</td>
<td>300</td>
<td>236.91</td>
<td>1.66</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Texcon Textile Ltd.</td>
<td>142.75</td>
<td>64.68</td>
<td>375</td>
<td>310.32</td>
<td>2.49</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>124.45</td>
<td>60.16</td>
<td>308.40</td>
<td>248.00</td>
<td>1.94</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


*a All figures in US $ million. Compliant investment implies the absence of child labor, health and safety or environmental issues, and harassment of employees.*
Endnotes


7 Ibid., p. 13.

8 Ibid., p. 13.


10 Ibid.


12 Claeson, Deadly Secrets, p. 29.

13 Ibid., p. 13.

14 Ibid., p. 13.

15 Ibid., p. 19.


19 Ibid.


23 Ibid., p. 16.


26 “BGMEA probe accuses building, factory owners.”


42 Hossain, “Bangladesh Official: Disaster Not ‘Really Serious.’”


48 Ibid.

49 Yardley, “After Disaster, Bangladesh Lags in Policing Its Maze of Factories.”


51 Ibid.


