

PhD dissertation on

**Readymade Garment (RMG) in Bangladesh : A study on
Social Compliance with Special Focus on Ashulia Industrial
Area**

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in partial fulfillment for the Degree of*

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by

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Declaration

I hereby declare that this dissertation entitled “Readymade Garment (RMG) in Bangladesh: A Study on Social Compliance with Special Focus on Ashulia Industrial Area” has been written by myself and the results submitted in this dissertation are entirely the author’s own investigations unless otherwise referenced or acknowledged. I also declare that document has not been accepted for any degree or other purposes at any other institution.

Mohammad Hasan

January 2017

Approval of Supervisor

I recommended that this paper has been accepted as a thesis paper required for the fulfillment of PhD degree in the department of Public Administration, University of Dhaka, Bangladesh.

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Abstract

Social compliance has become one of the most distinctive features of Readymade Garments (RMG) industry in Bangladesh during the last decade. Along with socioeconomic conditions of Bangladesh, different initiatives of the governments in different terms and international policy support together have helped this industry to achieve an enviable growth. The first generation entrepreneurs have earned the buyers' satisfaction on price, quality and delivery but have repeatedly failed in "a set of standards" which marks social compliance of this business. The current research has focused on social compliance issues in RMG, focusing intensively on Ashulia industrial area to know the strategies of social compliance in RMG, and to address this issue with an in-depth analysis. The present study has applied mixed research methodology, i.e. using primary and secondary data for analysis, and other discretely devised methods for the research to find out the root causes of failure to meet those standards. The primary data was collected dividing the respondents in two different groups; one comprising the workers and the other comprising the decision makers of government, buyers and owners in this sector. Data were collected from Ashulia the main focus, while literatures from secondary sources were reviewed in details to give insights into relevant issues. The RMG sector of Bangladesh had an unplanned growth due to the diminishing jute industry which used to be the backbone of economy in the past. The push factor from that jute industry and the pull factor of the then emerging RMG sector could balance the unemployment of the workers. The major findings of the study according to the analytical framework drawn was, that among the three indicators of the social compliance business growth and customer satisfaction/ brand value was found but the most important factor worker's satisfaction was very poor. It was found that multiple authorities govern this sector, while the social compliance issues are heavily buyer-driven. Although this sector employs millions of workers; fails to ensure workers satisfaction. This sector repeatedly fails to ensure good working environment because of a number of factors that include weak government regulations, profit-oriented mindset of the owners, and lack of proper implementation of Labour law. Implementation of Labour rights and acceptable working conditions will not be possible until and unless the country adopts specific policies with

the host country's socioeconomic perspective. For effective governance a common checklist against unified codes of conduct under a single authority is a must. The study also proposes an alternative model to postulate the effective implementation of social compliance within a legal policy framework. Till now the government has played only passive role and had an attitude of let the sector grow for profit maximization, overlooking the importance of compliance. The sector itself tried to comply with the buyers and international community in compliance issues. But day by day the situation in context of the country is becoming difficult to comply with the international rules, regulations as we have a different culture and different socio economic condition. It is not possible for the RMG sector without the help of the government authority to deal with these complexities. The government needs to take special care of this industry for a sustainable growth.

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Abbreviations and Acronyms

5s	- Sorting, Straightening, Systematic cleaning, Standardizing, and Sustaining
ATC	- Agreement on Textiles and Clothing
BEPZA	- Bangladesh Export Processing Zone Authority
BGMEA	- Bangladesh Garment Manufacturers and Exporters Association
BKMEA	- Bangladesh Knitwear Manufacturers and Exporters Association
BSCI	- Business Social Compliance Initiative
BTMA	- Bangladesh Textiles Manufacturing Association
CAD	- Computer Aided Design
CAM	- Computer Aided Machine
CAP	- Corrective Action Plan
C&F	- Cost & Freight
CM	- Cutting & Making
CMT	- Cutting Making Trimming
CoC	- Code of Conduct
CSR	- Corporate Social Responsibility
C-TPAT	- Customs-Trade Partnership against Terrorism
DIFE	- Department of Inspection of Factories and Establishment
ERP	- Enterprise Resource Planning
EPB	- Export Promotion Bureau
EPZ	- Export Processing Zone
FCA	- Free Carrier
FCL	- Full Container Load
FOB	- Free on Board
FOC	- Free of Cost
GATT	- General Agreement on Tariffs and Trade
GSCP	- Global Social Compliance Program
GSP	- Generalized System of Preferences
GDP	- Gross Domestic Product

HRD	- Human Resource Department
ISO	- International Organization for Standardization
LCL	- Light Container Load
LDC	- Least Developed Countries
MFA	- Multi Fibre Agreement
MFN	- Most Favoured Nation
MRP	- Material Requirements Planning
OBM	- Original Brand Manufacturer
ODM	- Original Design Manufacturer
REACH	- Registration, Evaluation, Authorisation and restriction of Chemicals
RMG	- Readymade Garment
RoO	- Rules of Origin
SCM	- Supply Chain Management
SMV	- Standard Minute Value
SA8000	- Social Accountability 8000
WRAP	- Worldwide Responsible Accredited Production
WTO	- World Trade Organization

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Chapter I

Introduction

1.1 Background of the Study

Complying with its past heritage, Bangladesh has become a hub for the Readymade Garment (RMG) manufacturing industry and exports its products all over the world. During 17th and early 18th century, Bangladesh used to supply Muslin, a brand name of pre-colonial Bengal textile material, hand woven of uncommonly delicate handspun yarn, to Europe. In 21st century, the label “Made in Bangladesh” on readymade apparels holds the second position in the world and first in Southeast Asia. RMG industry is considered to be the backbone of the economy of Bangladesh. The contribution of this very sector is enviable in terms of export earning, employment generation and women empowerment. Bangladesh, after its independence, did not experience the dramatic rate of growth in any other sectors but in RMG. This single sector has created many other subsectors through direct or indirect business as backward linkage. Readymade garment sector is called the lifeline of the country’s economy and a catalyst for women empowerment. It is the highest contributor to the national export of Bangladesh.

In the fiscal year 2013-14 Bangladesh exported total \$30.00 billion. RMG sector alone contributed \$24.00 billion i.e. 81.13% out of total national export, (BGMEA, 2014-2015). The sector employs 4.6 million workforces directly in around 5615 factories; amongst the workforce 80% are women. The sector is not only generates employment but also a class of local entrepreneurs has developed over the period of time. Around 95% of the total employment in the sector is created by local entrepreneurs (BTI, 2015). RMG contributes around 16% to the Gross Domestic Products (GDP) which is the highest foreign currency earning sector. RMG sector is helping to increase female literacy, girl’s school enrolment, decreasing child marriage rate, poverty rate by engaging women in the industry. This sector has successfully eliminated child labour and contributed in lowering child and maternal mortality rate and empowered women to become decision makers in their families (BKMEA 2014). With all these earnings, the share of Bangladesh RMG in global apparel market is around 5% (BKMEA 2015). There is an immense opportunity to

increase the present market share. Bangladesh RMG industry, even after three decades, produces low priced products with lowest value segment- Cutting, Making and Trimming (CMT) in the global value chain of apparel businesses. Even though the minimum waged labours' productivity is also lower compared to any other competing countries.

Apex body, Bangladesh Garments Manufacturers and Exporters Association (BGMEA) has set the “vision 2021” and has declared its new target of \$ 50 billion export to be reached by 2021, on the 50th anniversary of Bangladesh along with “Made in Bangladesh with Pride” slogan in its “Dhaka Apparel Summit” (BGMEA, 2014). This vision includes, more employment, reducing poverty, empowering more women, education opportunity for more children, accelerating economic growth and finally achieving the middle-income status for the country. Though many have termed this target as “over ambitious” but according to the sector leaders the target will not be difficult to meet even partly, if good governance, compliance issues and effective supply chain management are addressed properly.

The export-oriented RMG industry has some distinctive features, which differentiate export oriented RMG sector from other businesses. Social compliances, supply chain and lead-time are among the most important features of this business. All these three features are interrelated and interdependent. Among these features, Social Compliance is to be addressed first and foremost. Whatever the wage level or lead-time (the period from order confirmation to shipment) is non-existence of compliance means non-existence of business. The concept of social compliance in Bangladesh RMG did not evolve within the regulatory framework of Bangladesh; rather buyers' initial passive role on compliance came as a compulsion when the sector violated labour practices grossly. Child labour, wage discrimination along with irregularity and underpayment, loss of many workers life in fire and building collapses drew the attention of national and international media and has been criticized by human rights organizations from home and abroad. A single sector, RMG, has brought fortune to a number of entrepreneurs, generated employment to millions of workers, especially to the landless poor and specifically for the females who had no other alternative. By the blessing of RMG sector,

numbers of rich families/groups have also increased remarkably. Though the sector has created employment; still it is blamed for creating poor and unsafe working condition and in maintaining a huge gap between employers and employees.

However, due to the dominance of push factor instead of pull factor, where a number of applicants were always more than the employment opportunity, which is why social compliance issues were never a spontaneous consideration from the employers' side in most of the cases, rather it was imposed from external forces like buyers, labour organizations, civil society etc.

Generally, the practice of social compliance did not develop within the industry rather the sector was compelled to comply with the practices of legal and ethical issues, for the sake of its business continuation. To many first generation entrepreneurs, social compliance was not considered as worker's rights rather it was being considered as an extra pressure on business cost. This sector achieved tremendous growth without development of its human resources, supply chain and capacity building. As a result, the benefits of that geometric growth are bagged by most of the employers where workers are in still vulnerable position in general. Buyer driven compliance can't satisfy employee's needs; likewise customer satisfaction cannot be achieved from dissatisfied employees.

A comprehensive legal guideline was not available for the RMG sector till the end of 2006. During this time it had employed 2.4 million workers in its 4490 factories (BGMEA, 2014-15). Immediately after the enactment of the law the country again experienced military rule that came to an end through the Ninth National Parliamentary Elections in 2008 with the new government formation in 2009. Almost for first two decades, till late 90's, all concentrations were centered to industrial growth, expansion of production capacity and earning of more foreign currency etc. The initiative of Social Compliance had begun with the elimination of Child labour from garment sector as United States prohibited the importation of products that have been produced abroad with child labour. The present initiative of the Accord and the Alliance on building safety is also the result of buyer's pressure. The buyer's driven compliance cannot institutionalize

the industry on social compliance ground where workers always remain in vulnerable situation. Here it will be worth mentioning that even with all those success of eliminating child labour from the industry; the children under poverty level are still in vulnerable situation. The rate of child marriage and child labour both are high. Based on a study conducted by the UNICEF, it was found that Bangladesh has the highest rate of child marriage of girls under the age of 15 years in the world (HRW, 2015, p-1).

1.2 Statement of the Research Problem

Social compliance is an inevitable non-product requirement throughout the business supply chain. As a labour-intensive industry, RMG manufacturing always concentrates on low wage production countries where having an employment is a big challenge. The objectives of social compliance include worker's satisfaction, business growth and brands goodwill. Initially main focus was to generate and expand income-earning opportunities through labour-intensive industry like RMG. No visible and effective monitoring system was imposed by the governments and the buyers. Initially there were no compulsive pressure from the buyers and no regulatory control from the government's side as well. The other stakeholders – manufacturers, workers leaders, political parties, civil societies or donors did not raise the questions of labour rights and work place safety. Passive role of the buyers and international agencies, availability of female workers with strong push factor helped the sector to grow in an unplanned manner. As a result, the sector grew undisturbed and unregulated without developing any compliance system.

Manufacturers always claim that buyers do not pay fair price of the products, instead always demand high in non-product issues like compliance, keeping uncompromised attitude on product quality issue. Workers complain if the owners do not make profit then how they are making a “Group of Companies” in different complexes from a small rented factory building. On the other hand, buyers argue that if they pay more Bangladesh will lose its competitiveness because other components like lead time is higher here and supply chain is in weaker position than in other competing countries. From the buyer's perspective, it is required to assure their customers that they source the products produced in a place where all the compliance issues are maintained. On the other hand, the

manufacturer only sees this process as a formal obligation to secure the business. Government is blamed for its poor and weak governance system to make the regulatory bodies accountable for ensuring legal rational rights of the workers.

Compliance in RMG sector is mainly driven by the buyers to show their customers about fair buying practices in absence of government's control authority and weak policy framework. Moreover weak supply chain and multi stakeholder's involvement, poor infrastructure, repeated audits with multiple Codes of Conduct (CoC) are the common characteristics of this sector. With these complex dimensions, workers are not having the expected benefits out of social compliance. The prime objective of compliance has focused on auditing and getting certificates rather than ensuring workers job security, workplace safety, fair wage and benefits.

For the good governance, first condition is to assess the needs of the sector to know the actual size – number of factories, total employment – male female ratio etc. Without these analyses good governance is not possible in this sector. The fact is none of the regulatory bodies has the actual data of this sector and this is the outcome of malfunction of multi authorities, government and private, of social compliance. Non-execution of government's policy does not help to ensure improved working condition and worker's rights. Similarly, buyer-controlled compliance system hardly upgrades worker's lives. Paper-based social audit can issue the certificates of ethical sourcing for buyers but does not ensure worker's retention and recreation. "Low labour cost in Bangladesh's garment industry was partly the result of surplus labour situation in the country, and partly originated from the violation of national and international labour standards by the garment factory owner's (Rashid 2006, p.19).

Adequate policy framework from the government along with its effective governance system is important to retain present market share and obviously to gain potentials from this sector. On the other hand, in the absence of an effective government regulatory mechanism, diversified and multi-dimensional approach of social compliance audit system has been developed. In the name of social compliance it is not expected to do any

such things those lead the owners to divert their investment to other sector, the buyers look for alternative destinations and workers lose their employment. Similarly compliance is not always about worker's rights and owners responsibilities, contrary the workers have to render some responsibilities as well to ensure business continuity and growth. In reality, this vital area of responsibility is absent or ignored most of the times.

According to Herzberg's theory, improving salary or work environment decreases dissatisfaction but this does not contribute to the realization of satisfaction or continuous improvement of satisfaction (Herzberg, 1959,p.1). Initially, workers were paid nominal wages, now social compliance initiative ensures minimum wage, but to meet the basic needs they need living wage. To meet living or fair wage employers argue for fair price of the products and workers efficiency where the buyers and government have important roles to play.

Apart from lack of proper policy support and poor regulatory mechanism, this sector has been facing many challenges, which are interrelated and interdependent in nature. But these interdependent issues are not addressed; rather social compliance in the industry is being considered as an "isolated" condition imposed by the buyers to which makers have to comply. The present practices of compliance are not to keep the workers in better condition; it is rather to pass the compliance audits to continue the business. The principles of social compliance are based on Bangladesh labour law, ILO convention, international best practices and buyer's codes of conduct etc. It becomes difficult for any particular sector to apply all those principles irrespective of countries and situation. Some practices need to be country specific instead of being global standard. Eradication of adolescent labour from the sector has created an adverse situation to them rather than protecting their rights (UNICEF and ILO, 2004, P-12).

A policy, a guideline, a law or codes of conduct are not sufficient, no matter how efficiently was it initiated or formulated, if it is not implemented properly and effectively. The problems with social compliance would have surpassed all other issues at the same time have turned to a serious and critical condition for the business. As a result on June

27, 2013 USA suspended the Generalized System of Preferences (GSP) facility for Bangladesh on compliance ground and later on cancelled the GSP facility.

Considering the importance of the problem, an in depth and immediate study is needed in this area which is still missing. If the sector fails to address this issue then it may loss the present business share. To find out the loopholes in the system a thorough study is necessary on social compliance governance.

1.3 Literature Review

Articles, journals, reports in print and electronic media and websites are available mostly on the hostile and unsafe working conditions, exploitation of the workers by the owners etc. But no comprehensive and intense study is present on social compliance.

There are a number of studies on adverse working condition of the RMG factories. In his study Rahman (2004,p.85) found that the work in the garment factories is under-regulated. The working conditions of most of the Third World countries, especially in Bangladesh, were compared to the earlier development of garment industries in the First World countries. The researcher has asked, “Can we say that garment workers of the Third World countries, living in the 21st century, are still facing the sufferings of the 19th century? Is it a return of the Sweatshop?” In a sense it can be said that the western community is responsible for the poor working condition in the garment industry. He also found the reason of this brutality as the advanced countries increasingly pressing the developing countries in the global economy to lower down the cost of production for profit maximization. In his work Robert (1983, p.31) Pointed out that this types of problems were found in Europe and North America in the nineteenth century.

The health status of workers before and after entering the garment work was an issue of the research study carried out by Majumder (2001). The researcher found that about 75 percent of the garment workers had good health before they joined the garment factory. The study pointed out that occupational hazards, adverse working conditions, and

absence of staff amenities, stringent terms and condition of garment employment, workplace stress and poor wages as the causes of health deteriorations.

Social compliance has been identified as a pre-condition of the business. The essence of social compliance is multidimensional. In light of growing competition among the exporting countries and consumer's preference for products which meet internationally recognized social standards, it is essential for Bangladesh's RMG suppliers to improve social compliance in their factories. It was known from the study conducted by (Baral, 2010, pp.120, 130) that with the same investment, the annual turnover is much higher for compliant factories than the non-compliant factories. He also mentioned that to fulfill the buyers' requirement, implementation of compliant factors is necessary. He wrote, not only the quality parameters are important for the acceptance of the product as per the intended end use, in order to export readymade garments, it is equally important that the sweatshop concept is taken care of. Das (2012,p.) observed that current level of compliance with hygiene and safety standards is not adequate and reported tragedies like incident of fire in the garments industry support the fact to a certain degree. Such accidents seriously tarnished the image of Bangladesh and could force the buyers to move the other countries where these types of tragedies are comparatively lower or are usually not published in the international print and electric media.

Begum, Ali, Hossain & Sahid (2010,pp.291-296) have studied on harassment of women garment workers in Bangladesh and found that the female workers are mostly in vulnerable position, they are harassed in many ways. They are deprived of the legitimate payment and because of the monotony of the job they lose interest from it and tend to leave job. No attention is paid to their comfort which is why the female workers suffer from communication problem which is another reason for their job dissatisfaction. Apart from these issues they also suffer from mental stress and other health issues like headache, eye trouble, ear ache, musculoskeletal pain etc. It is also noted from the study that, the women workers do not get sufficient technical training and are being exploited for this. A sound economic policy can stimulate the industrial growth, while weak governance can destroy it. The study pointed that the garment industry is characterized by

a predominance of female workers who are prepared to accept lower wages than their male counterparts due to their lower opportunity cost of time. The researcher remarked that “low labour cost in Bangladesh’s garment industry was partly the result of surplus labour situation in the country, and partly originated from the violation of national and international labour standards by the garment factory owners” (Rashid 2006, p.2).

Jobs in the RMG industry remain discriminatory in nature. It is evident that garment owners are getting considerable incentives and encouragement from the government but they are reluctant to share those incentives and growing profits among the workers. Labourers in the Bangladeshi RMG industry have been denied their legal rights; they do not have appointment letters, usually work long hours in poor working conditions and are forced to do overtime work with irregular monthly payments. Workers are barred from forming collective organizations and the termination occurs frequently without any logical reason (Morshed 2007,p.178).

Begum & Ahmad (1999,p. 15) mentioned that though the government has identified this sector as the thrust sector of the country and has always been formulating favorable rules and regulations, frequent alteration of government rules and regulations and tax policies are the major problems of this sector. With the changes of the government, the new government alters all the policies of the previous government. The researchers determined Controllable and Uncontrollable variables in this respect, both in domestic and international perspective for the RMG sector and emphasized on appropriate policy with effective implementation mechanism. On the contrary, Islam (2008,p.7) noted “despite their contribution to the success of the RMG sector, the basic rights of workers have been neglected. The minimum wage was not reviewed for another twelve years, in spite of legal provisions for review of wages by a Wage Board every two years”. Islam (2008) also pointed out that workers in RMG sector do not enjoy rest, leisure or recreation as guaranteed under article 15(c) of the constitution of the peoples’ republic of Bangladesh.

It was the private entrepreneurship alone that helped the RMG sector to emerge and flourish in Bangladesh. No sector can operate alone without support from public sector. RMG in all respects is a huge industry and requires the collective effort. Having stakeholder involvement from both public and private sector the RMG needs cooperation between these two sectors to solve problems in a better manner. Khan (2011,p.4) emphasized on public private partnership (PPP) for the better labour relationship.

Nonexistence of good governance helped this sector grow unregulated. Relaxation at the initial stage has harmed the sector in the long run. Islam (2013) mentioned that “if the conditions at the beginning were different, that is, strict control was in force; all legal requirements in the factories were made mandatory including observance of code of conduct; labour and factory compliances were compulsory; buyers were firm on their requirements including their demands for sourcing factories to be compliant, today we might have ended up with maybe a mere 25 per cent of the number of factories than that we actually have today. But with this scenario there could have been some better pictures available in the industry as well. Factories growing up under those conditions could have been far more efficient and resilient in running production; managements could have been better positioned in price negotiations; workers would have been far better off in terms of getting better compensation packages and other benefits, by far less or no industrial unrest, better image of the country in the eyes of the rest of the world, etc.”.

Abdin (2008,p.4) quoted in his work “once derided as a bottomless basket-case by Henry Kissinger, the country stumbled across an economic opportunity in the late 1970s. New rules came to govern the international trade in textiles and apparel, allowing the low-cost suppliers to gain a foothold in American and European markets. In the process, it has boosted the overall economic growth of the country and raised the viability of other export-oriented sectors”.

Bangladesh lacks skilled workers in the apparel sector at both machine operator and mid-management levels, including technical professionals. Stark, Gereffi & Psilos (2011, p.34) identified the deficiency of skills both in operation and management level. On the

contrary many entrepreneurs try to rationalize the existing low wages with low productivity of workers. Sikdar, Sarker and Sadeka (2014) found that women are doing work on an average 12 hours/day in the garment industry but they receive average salary less than Tk. 7000 per month. It is notable that they lead such a life in which their basic family expenses are hardly met. So the researchers recommended that the government should fix the minimum wage in order to provide better standard of living.

The corporate code of conduct has come into light after the EU and American brands and retailers were embarrassed by the fact that their products were made in inhuman condition in Central America and Asia from the reports and news from television. After that they has written codes of conduct and monitored these to ensure legal, ethical and humane working condition and with the advent of modern technology one can easily track down events happening in another part of the world through video, voice and data. So there is no provision for hiding things. So the corporate codes of conduct were trying to ensure proper implementation of Core ILO conventions and also were trying to verify that there is no forced or compulsory labour, no child labour. Freedom of association, acceptable working conditions with respect to wages, hours of work, and health and safety and no discrimination ensure better social compliance for RMG. “Third party Social Compliance Certificates” are offered to tackle these issues and to build confidence between manufacturers, retailers and the consumers” (Amin, 2010, p.1).

It is important to move forward with an effective industrial management, according to Hossain (2006), “Labour protests that spread from a sweater factory in Ghazipur on 11 May to Savar EPZ, Ashulia and Dhaka on 22 May, erupted in state violence and vandalism on 23 and 24 May. The action of police against workers resulted in death of three, leaving many others injured and even more arrested. This led to breakages, looting, closures and possible layoffs. Violence is never a satisfactory method of dispute resolution nor does it indicate healthy labour relations”. She wrote garment manufacturers claimed to be compliant with the buyer’s condition. But it was seen only to the extent of buyer’s satisfaction and no improvement on workers working condition.

In this sector, factors for employee's satisfaction is too weak, in contrary factors for employee's dissatisfaction are too strong. Here, hygiene factors are inadequately addressed and motivational factors are fully absent. Dissatisfied employees can't satisfy their customers. A huge disparity between the workers and owners is creating dissatisfaction and disorder in the industry. Repeated and severe accidents in the industry, workers unrest at different times also reveal that the workers of the sector are negatively motivated. A motivated employee is an asset for organization. Employees are more productive when they are motivated to perform. A motivated employee dedicates his/her best effort for the organization's benefit. A complex set of work related factors along with financial and non-financial benefits determine the level of satisfaction. A satisfied employee can be motivated easily (Rahman, 2011). But only enhancement of salary cannot make sure worker satisfaction.

An independent research organization in Sweden, raised questions on women rights in their study stating that "Before the garment industry boom, most women in Bangladesh used to work in the agricultural sector. After the 1980s, there was a huge boom in the private industrial sector, specifically female dominated garment sector. Today, female garment workers are the backbone of the RMG industry. It should be a women's revolution, but is it?" (Swedwatch, 2012,p.6)

Most of the literatures available are focused on workers unrest, health and hygiene; minimum wages i.e. part of the aspect of social compliance. But none of the above study was conducted on social compliance as a holistic approach especially on its policies, governance system to implement those policies. The role of government and all concerned decision making and implementation bodies in regards to social compliance is absent in the previous studies.

1.4 Research Questions

Bangladesh shares around five percent only in global apparel export market (BKMEA, 2015). There is a huge potential to achieve more percentage of share. Though the sector has experienced geometric growth over the last two decades yet many a time

the sector has also tarnished the image of the country due to non-compliance issues. To overcome the compliance challenges and to increase the potentials of the sector the areas of problem have been identified in the previous section.

A number of questions were posed to understand the major problems in relation to the current study as, Aminuzzaman (1991, p.81) argues

“Every research work starts with a set of research questions. The entire research process is accordingly guided by these questions. The research questions are derived from variety of sources, starting from the interest and inquisitiveness of the researcher, controversies or challenges generated from a profound social issue and overall policy orientation of a research substance”.

Based on the above research background and reality the central research question of this study is to observe how the existing legal frameworks of RMG promote the issue of social compliance in Bangladesh. In addition some specific research questions have been taken in order to explore the research problems successfully. The following questions are addressed to find out an effective solution of the problems related to social compliance:

- a) What are the institutional arrangement and legal frameworks of social compliance in RMG sector in Bangladesh?
- b) How does the existing practices of social compliance in RMG sector work?

1.5 Objectives of the Study

The broader objective of the study is mainly to examine the role of government on social compliance in RMG manufacturing industry of Bangladesh as part of the global supply chain. More specifically, the study has focused on the core issues of social compliance, its governance system, the problems with implementing social issues in the RMG factories and impact of noncompliance on business.

The specific objectives of the study are given below:

- a) To explain the legal and organizational frameworks to implement social compliance in the RMG factories
- b) To analyze the growth and development of RMG industry in Bangladesh along

with the evolution of social compliance and its institutional arrangement.

- c) To identify the problems and suggest possible measures related to social compliance.

1.6 Rationale and Justification of the Research

Many developed countries initiated their industrialization with apparels and textiles. That's why textiles and apparel industry are called "startup" industry for development. This low cost, low tech but highly labour intensive manufacturing process shifted its operation in different periods from developed to developing or least developed countries. The continuity of this sector in a particular country or region was not that long as it has been continuing in Bangladesh. Huge population, low wage leverages has been its consistent competency among the competitor countries. Moreover due to the lack of alternative sources of employment in addition to surplus manpower from the agricultural sector has ensured the entrepreneurs with an uninterrupted supply of labour. This demand-supply imbalance condition favors the entrepreneurs of the sector where workers are always victim. Contrary, due to their over dependency on a particular sector; the same entrepreneurs of the least developed country like Bangladesh are too weak compared to their buyers, who provide the business. As a result most of the time factory owners have to compromise in negotiations in price, product and non-products requirements like compliance. Sometimes, the entrepreneurs have to accept the business even at lower rate of costing due to the ill competition among them. Failing to get fair price from the buyers, the manufacturers have to compromise with compliance requirements depriving legal payment or in providing facilities to the workers. This has become a vicious cycle situation. The RMG is around a \$ 450 billion global industry (BGMEA, 2014) that provides employment to millions of workers mainly in some of the least-developed countries in the world like Bangladesh. The country has positioned as second largest exporter after China in the apparel business. But the difference between the two positions, in terms of foreign currency, is very high i.e. China exports around \$164.13 billion (2013) and contributes around 38% of global export while Bangladesh has only around 4% share with \$24.00 billion (BGMEA, 2014). Bangladesh has a potential to increase its export volume that will generate more employments especially for the

women. The government of Bangladesh has also set its target to transform the country from Least Developed Country (LDC) to middle income country by 2021. Trade bodies have fixed a \$50 billion export target by 2021 when Bangladesh would be celebrating her 50th anniversary of its independence. To achieve that goal, even partly, there is no alternative to address the issues of social compliance properly and sincerely. If Bangladesh can increase the market share for another 5% then double employment and double foreign currency will help it to become a middle income country. Improvement of compliance can ensure this business, otherwise there is every possibility to lose country's present market share to its competitors. To be linked and being existed in the international supply chain of apparel business, social compliance is the first and one of the unavoidable conditions (SEARS, 2015, P-10). There are a good number of factories who claim as socially compliant but workers' rights and safety are still a far cry. To make the industry compliant it is necessary to develop a congenial system based on social compliance. The study conducted will help out various stakeholders in different dimensions which are mentioned below.

1.6.1 To formulate an effective and realistic policy on social compliance

For implementation any policy it is important to consider social and economic conditions of the country. A policy or guideline that is suitable in developed countries may not be equally implementable in developing or least developed countries. It is unrealistic to implement the global standards on workers' rights irrespective of the country status. Rather country specific standards are more effective. On the other hand, a policy does not help if it is not implemented properly. Present study will help the policy makers to understand the importance of a country specific guideline on social compliance and weakness in its governance system.

1.6.2 To develop a comprehensive guideline on social compliance

Social compliance in the business activities especially in global supply chain, which has multidimensional aspects, is mandatory. But there is no comprehensive guideline in this field. Present study will help to develop a comprehensive guideline for the different stake holders

1.6.3 Will initiate further researches

There was no particular study available on social compliance related to the RMG sector. So the very intention of the researcher was to highlight this crucial area of the international business in detail. This single issue- social compliance depends on multiple standards and sets of codes of conduct. It was difficult to cover all the factors in detail. Present study covers a general overview of all those areas. It demands further and intensive explanation on each single area. This study will open up the opportunities for the future researchers to explore those uncovered areas.

1.6.4 To find the solutions of the problem

The objective of the study is to find out the problems of the sector on social compliance and to recommend a number of solutions. At the same time this research will help the government in formulating policies for an effective social compliance for the wellbeing of the workers and the owners.

It is worth mentioning that the researcher is involved with this very sector since 1995 and experienced with different activities including social compliance of this sector. Researcher has experienced many complex situations of different types over the period of time. Lack of proper guideline and absence of a core authority have led to confusion, complex, repetition of audits that made it difficult to implement in proper manner. Researcher has felt the necessity of a unified guideline on social compliance. His hands-on experience over the two decades and personal relationships with the stake holders, specifically with compliance handlers, has helped and motivated the researcher to undertake the initiative of doing a comprehensive study on social compliance. At the same time the researcher has turned to be the key informant as well in this study.

1.7 Scope and Limitations of the Study

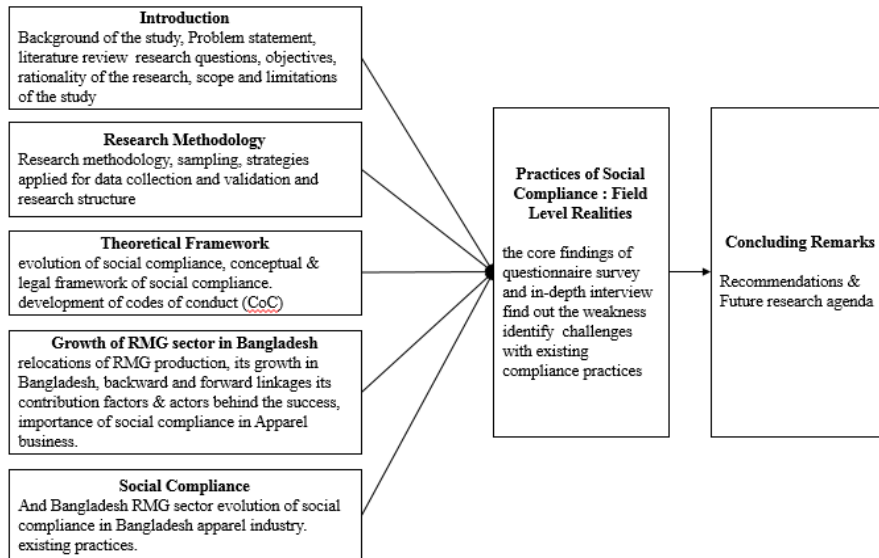
There are 5615 member factories in different areas of the country under 2 apex bodies, Bangladesh Garments Manufacturers and Exporters Association (BGMEA) and Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA). Apart from those listed factories there are around 800 non-member factories, which are known as

subcontract factories. Though it is difficult to identify the total employment in both member and non-member factories but it is estimated that around 4.6 million workers are directly employed in this sector. It is not possible to cover a vast sector in a single study. The current research work has focused on one of the important RMG manufacturing hubs - Ashulia Industrial Area. More than 300 factories, within three kilometres distance between Ashulia bridge and Baipal, accounts for 20 percent of the total garment exports of Bangladesh (Textile Today, 2012). There are factories in different sizes and types, compliant and non-compliant both. Most of the workers unrests the sector has so far experienced got initiated from Ashulia. These are the reasons why the focus of the study was centered on Ashulia industrial area.

On the other hand, Social compliance in RMG sector has multidimensional aspects related to labour and environment. All these issues cannot also be studied at a time. Considering the role of the factors in moulding and steering social compliance the present study has incorporated the core labour standards set by International Labour Organization (ILO) along with government's policy and governance system to implement those standards.

1.8 Organization of the Thesis

Since this is new of its kind of endeavor in Bangladesh the whole research work has to provide with a comprehensive detail. Various phenomena have been accumulated for the clear understanding of social compliance putting equal importance to every single issue. However on the basis of research objectives the thesis consists of seven different chapters in following manner.



Graph 1.0, Organization of the thesis

The first chapter contains of the background of the study, problem statement, review of related literatures, research questions, objectives, rationality and justification of the research, scope and limitations of the study and research structure.

The two describes research methodology, sources of data, sampling, data processing, strategies applied for data collection and validation that has been used in the study.

Chapter three provides theoretical framework of the research: the evolution of social compliance, its legal framework, development of codes of conduct (CoC)

Chapter four depicts growth of Readymade Garment (RMG) industry in Bangladesh. In this chapter the areas covered are the relocations of RMG production, factors behind the success, its growth, and business linkages – backward and forward and its contribution and importance of social compliance in apparel business.

Chapter five describes the findings on social compliance, its evolution and existing practices of in Bangladesh apparel industry based on secondary data and respondents' interview.

Chapter six deals with the core findings of questionnaires survey and in-depth interviews and finds out the weakness and challenges with existing compliance governance.

Finally, chapter seven draws the conclusion, recommendations and future research agenda.

Chapter II

Research Methodology: A Framework of Data Collection and Analysis

2.1 Introduction

This is an empirical research. Firsthand data and information was required for this study. As a result, qualitative research methods were chosen and applied throughout this research. Though different qualitative methods were used, data from secondary sources was also collected and supplemented with the qualitative data. In addition, in some cases, quantitative research methods were used in order to authenticate the empirical findings. The process of selecting research methods and data collection methods is discussed and presented below.

i. Qualitative Methods

Different qualitative methods were used throughout this study since this is an empirical research. Despite of its limitations qualitative method is an inevitable to understand the issue of ‘social compliance’ in RMG sector in Bangladesh. According to Woods et al. (2004, 225-227) qualitative research (QR) plays a key role in studying human life. According to Mason, the main strength of QR is that it cannot be neatly pigeonholed or reduced to a simple and perspective set of principles (Mason, 1996, 12). Similarly Rapley (2011, 273-290) argues that good QR is about living in the detail. Cresswell (1994) maintains that QR researchers are concerned with process, and that they are interested in learning how people make sense of their lives and experiences. On this view, the researcher is the primary instrument for data collection and analysis, which involves field work. Dawson (2002) and Punch (1986) claim that the QR also intends to identify subject’s comprehensive judgments by using various methods. This is because QR’s methods allow investigators to gain real, practical information about the social world. Therefore, researcher’s personal experience and subject matter of this research encouraged the researcher to use QR as the primary method in this study.

ii. The Idealistic Approach

This dissertation emphasized people's judgments, i.e. how people think about themselves and their surroundings. The researcher studied the life of the people in their social settings. As a social science researcher, the researcher's role is to understand what the subject's activities. Therefore, this study is also based on an idealistic approach. In addition, this is neither a laboratory-based research nor guided by a specific hypothesis. Idealistic approach of qualitative research, therefore, has been chosen for the research.

iii. Multiple Research Methods and Triangulation

Social scientific research methods are often interrelated and interdependent. Multiple methods are followed in order to avoid the limitations of using only one method in organizational analyses (Creswell 1994). Therefore, secondary data has been used and interpreted in order to explain the primary data of this study. Denzin (1978, p. 219) used the term "triangulation" to describe combining methods when studying similar phenomena. Triangulation intends to collecting data from various sources. 'Social Compliance' as a concept is contextual in nature and depends on many factors. Social, cultural, economic, and political factors play vital roles in defining and judging social compliance. Therefore, it is important to collect data from different sources using different methods in order to clearly understand the phenomenon of social compliance. Therefore, various methods were used in this study, for example: formal questionnaire, case study, participant observation, and in-depth interviews. In addition, Triangulation makes findings more accurate and convincing. It also increases the quality of the research. Creswell (2003, p. 209) argues that mixed-methods research is rigorous and guides readers about the researcher's intentions. According to Yin (1994), triangulation answers the problem of construct validity in research. Therefore, triangulation has been used in this research with the aim of increasing the quality and validity of this study.

iv. The Case Study Method

Undoubtedly, case study method is an ideal method during in-depth investigations. This study adopts a case study approach that is both exploratory and descriptive. This method was selected because it allows for the simultaneous

investigation of “how,” “what,” and “why” questions. As Yin highlights, “a case study is a preferred strategy when ‘how’ and ‘why’ questions are being posed, when the investigator has little control over events, and when the focus is on a contemporary phenomenon embedded some real life context” (1994, 1).

v. Participant Observation

Participant Observation (PO) is one of the QR methods that helps researchers to understand the perspectives held by their study’s populations¹. Becker and Geer (1957, p. 28) explain that

“PO is a technique through which the researcher participates in the daily life of the participants of study units, either openly in the role of researcher or secretly in some hidden role, observing things that happen, listening to what is said, and questioning people, over some length of time”.

According to Atkinson and Hammersley, (1998, p. 110) PO is a method where the researcher is observing the situation or subject by holding an established participant role in the scene studied. PO is a suitable method for descriptive research and for research aimed at developing theoretical understandings. Jorgenson (1998, p. 13) describes PO as an exclusive method and finds it suitable for the study of people’s daily lives. In addition, it is a suitable method for understanding the contextual realities of participants and their surroundings. In addition, by staying in the study units, PO has been used to develop a sense of how others see or understand this issue. The reliability and validity of the data thus were increased by using this method.

vi. Formal Questionnaires

Questionnaires are one of the key tools used to collect empirical data. A formal questionnaire has certain, pre-determined sets of questions that are presented with precisely the same wording and in the same order to all the participants (Kothari, 2004, 59). One advantage of this method is that it is inexpensive and is not time consuming. It is very difficult to conduct in-depth interviews with all of the participants in a short

¹ <http://www.techsociety.com/cal/soc190/fssba2009/ParticipantObservation.pdf>, accessed 15.12.2013

period of time. It is also very expensive and time-consuming to conduct formal interviews. Therefore, formal questionnaires were used in the study to collect quantitative data.

vii. In-Depth Interviews

In-depth interviews are universally known QR methods (Mason, 1996, p. 73). During an in-depth interview, people share their ideas with each other to attain insights into each others' experiences, concerns, interests, beliefs, values, knowledge, perspectives, thoughts, and actions (Schostak, 2005, 41-48). According to Boyce and Neale "one of the qualitative research tools is in-depth interviewing that aims at carrying out an intensive individual interviews with an significant number of participants to discover their perceptions on a specific issue, program, or context" (Boyce & Neale, 2006, 3) It is an open-ended method used to obtain detailed information about issues from the participants. It helps to uncover valuable insights and enables the researcher to find the real story from the people's perspectives.² In-depth interviews are useful when an investigator wants comprehensive information about a person's opinions and behaviors or wants to observe new issues broadly. During this empirical research, an open-ended informal questionnaire was used to understand the stakeholders perspectives on social compliance.

viii. Ethical Issues

In social scientific research, ethics is vital which ensure the validity and genuineness of the research. Almost all social research involves ethical issues. It is well-known that social science explores difficult subjects, including social, cultural, legal, economic, religious, and political phenomena (Freed-Taylor, 1994). This means that social scientific research must be concerned with ethical integrity to ensure that the research process and its findings are both trustworthy and valid (Biber, 2005). Therefore, according to Guillemin, "ethical strains are always part of the normal practice of conducting research in all disciplines" (Guillemin, 2004). This research is no exception. It intends to advance

²<http://www.wallacefoundation.org/knowledge-center/after-school/collecting-and-using-data/Documents/Workbook-E-Indepth-Interviews.pdf>, 10.10.2012

academic understanding in the field of RMG sectors in Bangladesh. General ethical issues were strictly followed during the empirical part of this research. These included: informing the participants, building trust, protecting the respondents, giving benefits to the respondents, ensuring voluntary participation, making sure the respondents were free from the risk of harm, and protecting their confidentiality (Callahan, 2011; Fowler, 1987; Ryen, 2004).

2.2 Sources of Data

The sources of data were versatile. For the proposed study both primary and secondary data were used. Secondary data was collected from reviewing the available literatures, i.e. various publications, reports relating to garment industry, especially on labour rights and social compliance issue. Primary data was collected through site visit (factories), questionnaire survey, open discussion and interview with the workers, managers, industry experts, business leaders, concerned government officials and labour leaders.

The major sources of data included workers and Compliance heads, top management and owners of the factories, Government officials concerned in implementing labour laws, Apex bodies - BGMEA, BKMEA, industry experts, buyers representative responsible for social compliance, labour law advisers and labour organization / NGOs' work on this particular area.

Apart from above sources international agencies like - International Labour Organization (ILO), German Development Cooperation (GIZ) are working on labour rights and work place standard, so they were also the sources of information. In addition, further data has been collected from compliance auditing agencies in relation to social compliance in RMG.

2.3 Sampling

The respondents were divided into two groups to get a clear view of the status of social compliance. A small but representative sample size of target group was

interviewed to address the research problem. A total 240 respondents from 10 different factories are randomly selected for questionnaire survey. All those respondents are divided into two sections/categories – A and B. category A include workers and supervisors to whom structured questionnaire was used to survey while category B include compliance managers and factory heads where a semi-structured questionnaire has been used. Different types of respondents under the two categories are shown in the following table.

Table 2.1 Sample size at factory level (Section A + B)

Respondent Type	Female	Male	Total
Worker	94	56	150
Supervisor	10	40	50
Compliance In-Charge	0	20	20
Factory Heads	0	20	20
Grand Total	104	136	240

Keeping in mind the research objectives, an in-depth interview was conducted among government officials, leaders of the apex bodies, factory owners, buyers’ representatives, labour law practitioners, NGO leaders and officials from international agencies who are the major stakeholders to know the evolution, legal and institutional framework of social compliance.

Table 2.2 Sample sizes of Respondents for Interview

Government Official	Apex Body / Owners	Buyers Representative	Labour Lawyer	NGO Leader	International agencies	3dr Party Audit company	Others
10	25	10	5	10	5	10	5
Total							80

For in depth interview total 80 persons from diverse sections were selected. Altogether the sample size of the study is 320 from both the categories : questionnaire survey and in depth interview to get an insight and real world scenario.

2.4 Data Processing

The collected data was processed and analyzed using Statistical Package for the Social Sciences (SPSS) tool and MS Excel. The data was presented in a graphic manner

using some charts, graphs, tabulation and percentage forms. A mixed approach of qualitative and quantitative information has been used to interpret the data. Quantitative approach has been used to generalize the existing state of compliance from the data received from the respondents. Qualitative approach has been used to explain the difficulties associated with business relationship between social compliance and worker satisfaction.

2.5 Strategies Applied for Data Collection and Validation

Readymade garments sector generally maintain a close system approach. The issue of social compliance in a particular company is very sensitive and it is related to business continuity. To get sufficient cooperation and necessary information from the factories was a big challenge. The objectives of the study were explained to the respondents with the assurance of confidentiality of information. The workers are now trained enough on how to face an interview as compliance audit teams are visiting them every day. It was another challenge to make the respondents understand that the researcher's purpose and auditors' purpose is not same.

Keeping these practical limitations in mind workers were interviewed in their residence instead of their factory premises for an open and free discussion to collect the authentic information. More emphasis was given on primary data. This is notable that researcher's long term career in the same sector has minimized the risk of data authentication and verification.

2.6 Conclusions

The researcher, being a key informant himself, has enriched the study with his personal observations throughout his more than two decades of career in this particular field. It has helped to understand this sector's growth at different stages, the factors that influenced the growth, its contributions. The unique part of this particular research is the research's firsthand experience that unwrapped many untold and unknown information of the sector. In order to answer the research questions and to achieve the research objectives, multiple research methods were used during this empirical study. The

summary of research methods in relation to research objectives are presented in the following table.

Table 2.3 : Research Methodology and Field Study

Research Questions	Research Objectives	Field Study Objectives	Research Methods	Major participants
What are the institutional arrangement and legal frameworks of social compliance in RMG sector in Bangladesh	To explain the legal and organizational frameworks to implement social compliance in the RMG factories.	To know the legal and policy guideline of social compliance	Secondary data – laws related to labour and industry, government policies on labour, ILO guideline etc in-depth interview	Labour law practitioners, compliance managers, federation leaders, concerned government officials, officials of ILO and other international agencies
How does the existing practices of social compliance in RMG sector work?	To analyze the growth and development of RMG industry in Bangladesh along with the evolution of social compliance and its institutional arrangement and to identify the problems and suggest possible measures related to social compliance	Find out the different phases of growth in RMG sector, who are the responsible for the implementation of social compliance, Analysis the present practices,	case study analysis, in-depth interview, Participant observation, questionnaire survey	Factory top management, apex bodies, buyers representatives, compliance manager, third party auditors, workers

Ashulia is an industrial cluster, where all types and sizes of factories- modern as well as very old patterned, compliant and non-compliant are available. So this very area was given special focus for data collection.

Chapter III

Theoretical Framework: Social Compliance

3.0 Introduction

The present concept of social compliance leaves behind a long history molded by different incidents and movements along the time line of social history with particular reference to production system. At the cottage industrial phase in Asian societies like Bangladesh during medieval period the industrial activities were confined at the family level involving almost all family members based on their age and capacities where a noteworthy and ideal system of social compliance were in practice (Tasneem and Biswas, 2014). Due to disruption in the evolutionary growth of industrialization from cottage industry to modern industries in these areas the age old social compliance system lost its continuity at the present industrial system. With advent of industrialization, especially in the west, it in course of time emerged as a very significant concern for ensuring worker's wellbeing and industrial human rights without harming the interests and expectations of stakeholders including the producers and users. The historical realities associated with feudalism, industrial revolution, French revolution, American Civil War, emergence of Socialist and labour movements, emergence of International Labour Organization, UN Universal Declaration of Human Rights etc shaped the foundation of present concept and practices of social compliance in the production sectors throughout the world. The present chapter with a view to conceptualizing and developing an analytical framework of social compliance in the Ready Made Garments (RMG) sector focuses on the general concept of social compliance, evolution of social compliance in the labour process in general and garment sector in particular and ultimately presents a conceptual and analytical framework of social compliance.

3.1 The concepts of Compliance and Social compliance

Compliance in its general sense is the action or fact of complying with a wish or command. It is either a state of being in accordance with established guidelines or

specifications, or the process of becoming so³. It describes the ability to act according to an order, set of rules or request and operates at two levels: Level 1 - compliance with the external rules that are imposed upon an organization as a whole Level 2 - compliance with internal systems of control that are imposed to achieve compliance with the externally imposed rules⁴.

Social compliance refers to a special form of compliance activity related to the industrial and business sectors. It is the result of conformance “to the rules of social accountability by the extended organization including not only the organization's own policies and practices but also those of its supply and distribution chains. It is a continuing process in which the involved parties keep on looking for better ways to protect the health, safety, and fundamental rights of their employees, and to protect and enhance the community and environment in which they operate⁵.

Social compliance delivers the shares benefits to all stakeholders along the value chain. The practice of ethical business ensures business continuity of suppliers, generate goodwill for the brands, and create awareness among the workers. Social compliance, an integral part of manufacturing business is mainly linked with the supply chain, especially with the international market, is not directly involved with product but; it creates value for the product. It has both regulatory and voluntary contexts.

The term social compliance also refers to ethical and legal compliance which upholds the freedom of association and the effective recognition of the right to collective bargaining, the elimination of all forms of forced and compulsory labour, the effective abolition of child labour, and the elimination of discrimination in respect of employment and occupation (ILO, 2002). Workers, work condition, ethical practices, environment are the areas of major concerns of compliance. The buyers of readymade garments are

³ <http://searchdatamanagement.techtargget.com/definition/compliance>
Retrieved on 21 07 2015

⁴ <https://www.int-comp.org/careers/a-career-in-compliance/what-is-compliance/>
Retrieved on 21 07 2015

⁵ <http://www.businessdictionary.com/definition/social-compliance.html>
Retrieved on 21 07 2015

mainly from developed countries. They need to be ensured that every manufacturing unit in their supply chain follows locally and internationally recognized standards, rules and laws on labour. Code of conduct is the guideline for the manufacturer about what to do and what not to do with workers, working condition and with production process.

3.2 Evolution of Social Compliance

The present concepts and practices social compliance have their roots basically in industrial revolution although many other incidents, movements and initiatives have enormous impact in shaping its existing totality. The industrial Revolution not only changed the social power structure, culture and human behavior it also had a profound impact on the human population. During the period the rate of population growth was almost double, which is contrary to the effect of invention of machine power in industrial production process that decreased the manpower demand. Increasing population with machine backed production made the workers worry about their job security. Employers, except a few, took every opportunity of the situation. To the first generation workers, having an employment was more important than being unemployed. Working condition and environment were not issues to be considered by the employers. But afterward the compliance issue becomes prominent. The present emphasis on social compliance is the product of different historical causes of action. Without taking these causes into consideration it is difficult to understand and conceptualize the issue of social compliance. In line with this, the following sections highlight the incidents, efforts, organizations and other allied factors that have enormous influence on the current phenomenal development of social compliance.

3.2.1 The End of Feudalism (1500 – 1861)

During the period of Feudalism, a system for structuring society around relationships derived from the holding of land in exchange for service or labour. The time span of medieval feudal economy was from 9th to 15th century that was based on agricultural works mainly. Karl Marx (1818 – 1883) who describes the system, Feudalism from political and economic standpoints, views it as the economic situation

coming before the rise of capitalism or which is most widely known as mercantilism.⁶ He defined feudalism as the power of the ruling class (the aristocracy) rested on their control of arable land, leading to a class of society based upon the exploitation of the peasants who used to farm these lands, typically under serfdom. The social compliance of that time was disappearance of the system, peasants got their land free from most of Western Europe in around 1500 and from central and Eastern Europe by 1850s, in Russia serfdom was finally abolished in 1861.

3.2.2 The Industrial Revolution (1760 – 1840)

The Industrial Revolution began in Great Britain and spread to Western Europe and the United States within a few decades. It was the transition to new manufacturing processes in the period from about 1760 to sometimes between 1820 and 1840. The First Industrial Revolution evolved into the Second Industrial Revolution in the transition years between 1840 and 1870 (Lewis Hackett, 1992)⁷

The Industrial Revolution and regulation to monitor new industries did not happen simultaneously. Employment generation for the increasing population was the main challenge of that time. People in large number came to the towns from the countryside for job as the rate of unemployment was getting high to higher in the first phases of the Industrial Revolution. With the huge scarcity of employment, for the first generation of workers—from the 1790s to the 1840s, workers who were around 80% of total number of the people had very limited or no power to bargain with their new employers on wages, working hours, or working conditions. Working conditions were very tough, unbearable and tragic - 10 to 14 working hours a day, six days a week, no safety hazards, no paid vacation or holidays, no financial compensation for any injury, and of course no time and opportunity for recreation. Rather the owners used to fine the workers who left or remained absent from their jobs to ensure uninterrupted workflow in the factories.

⁶ <https://en.wikipedia.org/wiki/Feudalism> Retrieved on 21 07 2015

⁷ Lewis Hackett, Europe Transformed, Industrialization: The First Phase, 1992
<http://history-world.org/Industrial%20Intro.htm>
Retrieved on 21 07 2015

3.2.3 The French Revolution (1789 – 1799)

The French revolution, with major changes in social and political system in France, is regarded as one of the most important events in human history. The revolution took place in different stages, which had started from 1789 and continued till 1799. The National Constituent Assembly abolished feudalism on the night of 4 August 1789. The Assembly published the Declaration of the Rights of Man and of the Citizen on 26th August 1789 that comprised a statement of principles instead of a constitution with legal effect⁸. Writing the first constitution (French Constitution of 1791) was the most important outcome of the revolution. The Declaration of the Rights of Man and of the Citizen of 1789 is a fundamental document of the French Revolution and in the history of human rights. The declaration inspired the United Nations Universal Declaration of Human Rights significantly.

3.2.4 Utopian Socialism (First Quarter of the 19th Century)

The term "Utopian socialism" was introduced by Karl Marx and Friedrich Engels in "The Communist Manifesto" in 1848 that was made clear in Engels' work, "Socialism: Utopian and Scientific" in 1892. It is Utopian socialism that is often described as the presentation of visions and outlines of futuristic ideal societies, having the positive ideals being the main reason for moving society in such a direction (Lafargue, 1970). The three principal utopian socialists were the Frenchmen Henri de Saint-Simon (1760–1825) and Charles Fourier (1772–1837) and the British factory owner Robert Owen (1771–1858) who turned themselves as social and industrial reformer and changed the traditional approach to the employees⁹. Child labour, working hours and many welfare programs towards the employees gave them recognition as the advocate of utopian socialism. Robert Owen raised the demand for a ten-hour day in 1810, and instituted it in his socialist enterprise at New Lanark. He had formulated the goal of eight-hour day by 1817 coining the slogan "Eight hours labour, Eight hours recreation, Eight hours rest"

⁸ <http://www.history.com/topics/french-revolution>. Retrieved on 21 07 2015

⁹ <https://www.marxists.org/subject/utopian/> Retrieved on 21 07 2015

3.2.5 American Civil War (1861 – 1865)

The much hated slavery system was practiced throughout American colonies in the 17th and 18th centuries. Though slaves were initially used in production of lucrative crops like tobacco but the invention of cotton gin in 1793 solidified the central importance of slavery. England textile industry was highly dependent on American cotton. As cheaper source of labour African slaves were used in the agriculture and industrial sector. In 1860, there were 4 million slaves in the US, some 60% of whom worked in cotton. American civil war, from 1861 to 1865, had its origin on the issues of slavery. After four years of combat that left over 600,000 soldiers dead and many infrastructure destroyed, slavery was finally abolished. So the compliance of that period was to ensure slavery free workplace (James Mcpherson, 2014).

3.2.6 International Labour Day, 1886

There is no history that tells of achievement of rights by the employees without demand or demonstration. The eight-hour day or 40-hour week movement had its origins in the Industrial Revolution in Britain, during the late 18th and early 19th centuries. Women and children in England were first granted the ten-hour day in 1847. After the February revolution of 1848, French workers won the 12-hour day. The International Workingmen's Association took up the demand for an eight-hour day- the legal limitation of the working day, at its convention in Geneva in August 1866. In 1884 at the Chicago convention the Federation of Organized Trades and Labour Unions resolved that “eight hours shall constitute a day's legal labour from and after May 1, 1886” (Lily Rothman, 2015). On May 3, 1886, workers movement turned into violence. The police arrived, opened fire, and killed four people, wounded many more. On May 4, at a subsequent rally, to protest this violence, a bomb exploded at the Haymarket Square. Hundreds of labour activists were rounded up and the prominent labour leaders arrested, tried, convicted, and executed. The International Workingmen's Association, meeting in Paris in

1889, endorsed the date for international demonstrations, thus starting the international tradition of May Day (Eric Chase, 1993).¹⁰

3.2.7 International Labour Organization (ILO), 1919

The concept of labour standards and social accountability in the business legitimated with the creation of the International Labour Organization (ILO). ILO was one of the outcomes of Versailles treaty that ended the World War I to reflect the belief that universal and lasting peace can be accomplished only if it is based on social justice. The international labour movement demanding a comprehensive action during the World War I and protection for the working class, got an important attention by the international leaders after the World War I, as this very class had an active participation and support during the war (IOE, 1920).

The initial motivation was humanitarian, replacing exploitation and adverse working condition. Second, without an improvement in their condition, the workers would create social unrest. The third motivation was economic, a universal application of the system to create level playing field across the industries and countries. Simultaneous reform through the ILO would avoid this problem. ILO, that turned a specialized agency of the United Nations in 1948, started its journey with the motto of “Promoting jobs, protecting people” (ILO, 2002).

3.2.8 United Nations’ Universal Declaration on Human Rights (UDHR), 1948

On December 10, 1948 the General Assembly of the United Nations (Bangladesh became the 136th member of United Nations on September 17, 1974) adopted and proclaimed the Universal Declaration of Human Rights. This is one of the most important sources of economic, social and cultural rights. The declaration includes 30 articles to end all forms of exploitation, to ensure right to live, liberty and security, non-discrimination, and that human beings are equal in dignity and rights (UHR, 2008).

¹⁰ The Brief Origins of May Day, By Eric Chase - 1993. Industrial Workers of the World, USA https://iww.org/history/library/misc/origins_of_mayday , Retrieved on 21 07 2015

3.2.9 Globalization and Revolution of Information Technology

Information technology has made available the access of information worldwide. Sharing information and spirit of openness are helping to know wherever, whenever and whatever happens at the bottoms of the supply chain (Lawrence J. Lau 2000, p. 9) Multinational Enterprises (MNEs) started sub-contracting the mass consumed product like RMG from developing countries to get the competitive advantage on production cost. This low wage priority did not get the attention of basic labour rights, welfare, working environment etc resulting in harsh criticism from the labour rights group, consumers in the host countries. When the wave of information technology (website, internet and social media) got momentum during 90s, this criticism turned to a big threat to business (Benjamin R. Lawlor 2007 p.15). The consumers started boycotting the products that was produced in a condition, which was hostile to the workers. Elimination of unethical business behavior and in response to pressure from consumers, manufacturing countries and human rights groups, and several international organizations developed ethical guidelines to address the conduct of MNEs. During 80's development of computer technology, economic globalization had emerged from a possibility to an undeniable fact and the main trend of the contemporary world (Wang, 2004 p.473). In employment creation for the millions in countries with poor wages and eradication of extreme poverty the contributions of trade liberalization and globalization are immense. Simultaneously there is also an opposite side of globalization i.e. a huge gap between the rich and the poor- unequal distribution of wealth.

3.2.10 Anti-Sweatshop and Clean Cloth Campaign (CCC)

The term Sweatshop originated in 1892, when American garment workers began to speak up about heinous working conditions. Sweatshop is a manufacturing facility with low wages, available child workers, poor working condition, long working hours, violation or absence of labour law. Anti-Sweatshop refers to campaigning movements to improve the conditions of workers in manufacturing places characterized by low wages, poor working conditions and often child labour. People of the first world countries are now aware of sweatshop in third world countries by virtue of the revolution of information technology during 90's. United Students Against Sweatshops (USAS) was

formed in 1997 to ensure greater justice and healthy working conditions for labourers especially in the third world who make their products (Mandle, 2000). Nike - The world's best-selling US based brand sources its athletic shoes from Asian countries under sweatshop conditions. Campaigners call for boycotting Nike globally was so successful that in other leading sportswear brands including Adidas, Puma, Reebok and Timberland were compelled to adopt an ethical work place standard (OCA, 2005).

Another alliance for The Clean Clothes Campaign (CCC), formed in 1989 in the Netherlands, focuses on the improvement of working conditions in the garment and sportswear industries. The Clean Clothes Campaign insists that companies to bear a responsibility and have the power to ensure that workers throughout their supply chains are treated fairly (CCC, 2013). The CCC has developed a "Code of Labour Practices for the Apparel Industry Including Sportswear" in 1998 based upon the conventions of the United Nations International Labour Organization followed by the basic labour conditions - wages, hours and working conditions.

3.2.11 Formulation of Social Code of Conduct

Social codes of conduct are rules and guidelines imposed by buyers upon themselves and along their supply chains, both in response to consumer's pressure and as part of comprehensive marketing strategies aimed at improving their image. It is believed that it was the consumers who compelled the companies and brands to formulate their respective codes of conduct.

The International Chamber of Commerce (ICC) "Code of Standards of Advertising Practice" created the first international code of conduct for multinationals in 1937 (ICC, 1997). In line with social accountability, multinational corporations developed their ethical guidelines in 1970s. During 1970s, The United Nations and OECD (Organization for Economic Co-operation and Development), a unique forum of 30 countries developed the Code of Conduct (CoC) for Multinational Enterprises. Formal adaptation and practices of those codes by the multinational companies were not visible since they were voluntary and not legally binding. In the early 1970s, multinational

enterprises (MNEs) were widely criticized for their behavior in developing countries as none of them considered human rights, labour rights, workplace safety (Jill Murray, 1996). The codes remained merely a statement of principles in its earlier stage. During the 1980s, private groups developed voluntary codes of conduct; especially those are in apparel business. The first apparel company, Levi Strauss & Co, adopted the code of conduct in 1991 (Rosen, Jaffe, Perez-Lopez, 1996, p 11)

3.3 Social Compliance in RMG Sector

There is a historical relationship between sewing machine operation and exploitation along with long working hours and child labour. At the very outset of technological advancement during the 18th century, any innovation in textiles and apparel sector used to face workers protest, as they feared they would lose job. Having proved their fear to be wrong, the machines actually have created millions of jobs. Textiles and apparel was the pioneer industry at the era of industrial revolution. This particular industry was the startup industry in many of developed countries. During 1850, the sewing machine really took off as a worldwide means of production. Karl Marx (1818 – 1883) viewed the sewing machines as, the ‘decisively revolutionary machine’ (Coffin, 1999, p.111) in connection of sewing machine’s role, from its beginnings, shaping global capitalism. These machines overthrew existing social mode of production and it transformed the role of women in industry. It created a revolution in consumption, established supply chain system among the manufacturers in developing and least developing countries to the retailers in developed countries. Historically, in the production transformation process, from Agrarian to Industrial, this industry contributed in highest employment generation. The fact is, at any age, this transformation of labour-intensive sector did not ensure job security, working environment – working hours, safety, fair payment etc. Rather recruitment of child labour, wage discrimination, exploitation etc. were common practices throughout the industry both in developed and developing countries. Maximization of profit by the sellers and manufacturers always tended to exploit the workers, the core element of the production.

Historical quotation “To live means to buy, to buy means to have power, to have power means to have duties” from Florence Kelley First General Secretary, National Consumers League (NCL), America’s oldest consumer organization, representing consumers and workers on marketplace and workplace issues since its founding in 1899 to protect and promote social and economic justice for consumers and workers in the United States and abroad during progressive era (1890 – 1920) can be considered the basic essence of social compliance (Kelley, 1916). Later on many different international organizations (like International Labour Organization (ILO) conventions on labour rights & standard, United Nations (UN) universal declaration on human rights, World Trade Organization (WTO) agenda on work place standard, Anti-sweatshop movement, Clean Cloth Campaign etc echoed the dignity of humanity. The painful truth is that till today the dignity of humanity especially in workplaces has not been materialized as expected. Religious obligation, legal bindings, and campaign nothing ensured establishment of human rights for the labour.

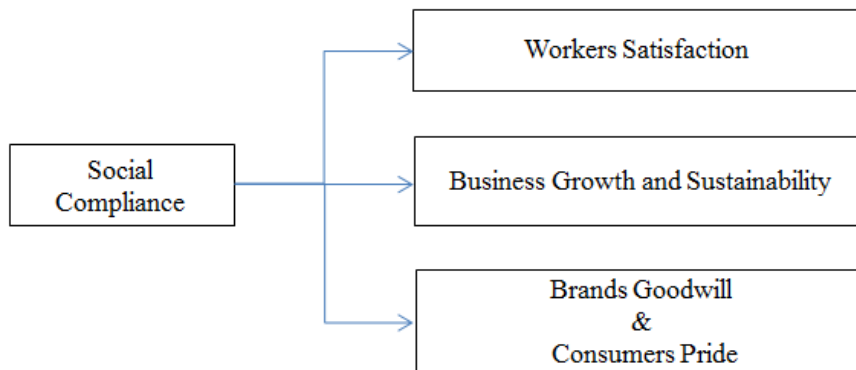
3.3.1 The Apparel Industry Partnership (AIP) Initiative

The concept of social compliance was developed and placed as a precondition in businesses by the American buyers first in the RMG manufacturing supply chain (Hemphill, 1999). Mr. Richard Milhous Nixon, the 37th President of the United States from 1969 to 1974, introduced quota system under Multi Fiber Agreement (MFA). With this system manufacturing of readymade garments flourished in the least developed countries. To uphold labour rights and to eradicate sweatshops, Mr. William Jefferson "Bill" Clinton, 42nd President of the United States from 1993 to 2001 initiated the Apparel Industry Partnership (AIP) in August 1996 to ensure that products are manufactured under humane working conditions and to communicate that information to consumers (DOL, 1997). The 44th President of USA since 2008 has prioritized on cutting greenhouse gas emissions, addressing climate change and global warming (Jungjohann A, Heinrich-Böll-Stiftung, 2008).

3.4 Social Compliance – Its Criteria, Types and Cycle

The factors discussed above in together have contributed to shape a general framework of social compliance including its characteristics, features, types and dynamic mechanism. There is no specific and universally accepted definition of social compliance. It can be described with some predetermined set of standards to be followed by the organizations or facilities within the supply chain. These standards are to follow continuously and fully. Violation of any single issue for a particular period of time makes the facility non-compliance. The standards relate to fundamental rights of the employees, protection of health and safety, upholding the society and environment it operates into.

Social compliance delivers the shared benefits to all stakeholders along the value chain. The practice of ethical business ensures business continuity to suppliers, generate goodwill for the brands, and create awareness among the workers. Social compliance encompasses three basic issues such as (i) workers satisfaction, (ii) business growth and sustainability and (iii) brand goodwill and consumers pride. These are shown in the following diagram.



Graph 3.0, Social Compliance and its Shared Benefits

The presence of social compliance ensures workers satisfaction as the basic principle of social compliance which is to protect workers' rights, safety and security. A satisfied worker only can deliver customer's satisfaction that ensure business growth and sustainability i.e. ability to maintain that growth at a certain level or in some cases even increase it. The buyers or the brand who buy the products and services, from those

companies where workers are dedicated and motivated speak out for the company he/she belongs to, getting ensured about their ethical sourcing that creates brand's values to their buyers. Ultimate customers who are the users of the products and services feel better when they know the workers involved in the production chain are being fairly treated. The customers are in some cases ready to pay extra charges to buy the products which were sourced ethically.

3.4.1 Three Essential Criteria in Social Compliance

Social compliance is similar type of initiative for the same kind of business within the supply chain and supported by law, international standards, and buyers Codes of Conduct (CoC) etc. Social compliance is not any voluntary initiative like Corporate Social Responsibility (CSR) rather it is a legal requirement with verifiable process and a motive of continual improvement.

- i) It's an obligation – Legal and contractual.

Social compliance in the business activities especially in the supply chain management of the global value chain is a legal obligation for the entrepreneurs with no option (Rashid, 2014, p- 4). Entrepreneurs involved in the international business have to follow industry and country specific requirements at manufacturing stage based on local laws, regulations and international standards (ILO, 2002). They are also to comply with the requirements of importing countries, as applied.

- ii) It has a verifiable process – Audit system

There are some mechanisms in place to verify if those requirements are being followed properly or being violated. Any violation on legal issues is an offense and breach of contract that is followed by legal action and or loss of business. An audit is a systematic, independent and documented process to obtain evidences and to assess its objectivity to verify conformity against the audited criteria (CPI, 2012 p- 5)

- iii) It has improvement scope – Corrective Action Plan (CAP)

Social compliance in the businesses is a continuous process and there are options to take corrective measures, if any violation is found, to rectify and improve where necessary within the given time period (CPI, 2012 p- 19)

3.4.2 Types of Compliance

There are different types of compliances. Compliance started with social issues directly related to workers' rights and safety. With the passing time; different types of compliance audits in different areas like Security, Quality, and Environment have evolved. For now environmental audit happens to be only a part of social audit. The important types of social compliance are as follows.

i. Legal and Ethical compliance

Social compliance refers to all legal and/or ethical issues of the workers. As such it is also termed as legal or ethical compliance in the workplace. It deals with workers' rights, working conditions, health and safety, social security etc. This is absolutely non-product requirement. The verification process of social compliance is called social audit.

ii. Technical Compliance

Apart from workers' rights there are some issues based on product and production process. To get the right product at the right time some guidelines have to be followed which varies depending on buyers' demand and requirements. Technical compliance basically is the matter of concern and is conducted by the buyers.

iii) Security Compliance

As a part of global supply chain compliance in apparel manufacturing process is an issue of continual improvement. Over the period of time following on the international situation new issues are being added to the list of compliance. The USA customs, after devastating terrorist attack by Al-Qaeda in the year 2001 on September 9 which is known as 9/11attack, in the twin tower in New York, imposed new requirement introducing Customs- Trade Partnership Against Terrorism (C-TPAT) as a security compliance initiative. This program began in November 2001 and following the program world customs organization created the framework of standards to secure and facilitate global trade in 2005. Companies exporting to USA must be eligible and agree to comply with the C-TPAT security criteria.

iv) Environmental Compliance

In response of climate change and global warming, environmental compliance in the business initiative is an inevitable condition. None of the business initiative is allowed to pollute environment i.e. air, water, and soil in any form and nature. So apparel industry has to follow and respect environmental laws of the country and global standard.

v) Fire and Building safety compliance

After tragic accidents in Tazreen fashions and Rana plaza two major initiatives – The Accord on Fire and Building Safety in Bangladesh (the Accord) and The Alliance for Bangladesh Worker Safety (Alliance) were initiated by the brands, trade unions since 2013 to ensure a safe working environment and to improve safety in Bangladeshi ready-made garment (RMG) factories. Factories have to comply with the standard of those two initiatives - Accord and Alliance.

3.4.3 Compliance Cycle

Social compliance is now a universally accepted phenomenon especially in the production system throughout the world. It follows an approved cycle process. To be declared as a compliant factory a complete cycle of social compliance needs to be followed. There is no scope of partial fulfillment of this cycle. The cycle includes setting a standard or policy framework that includes local labour and industry laws, verifications in regular intervals with announced or unannounced visit. In compliance there are some issues with zero tolerance basically on child or forced labour, harassment and as specified in the respective buyers' CoCs. There are scopes of improvement i.e. to be corrected with given timeframe depending on severity of the issue. Compliance cycle is functionally responsible for implementing social compliance in any industrial enterprise. An effective cycle generally include the following issues.

A. Principles of Social Compliance

Social compliance follows a set of standards, which are legally bindings for the entrepreneurs. Local labour laws, constitutional guarantees, international commitment like ratifying ILO conventions, United Nations declaration on human rights, buyers

Codes of Conduct (CoC), third parties standards etc are the guiding principles of social compliance.

B. Implementation

It is expected and a legal binding for the factories and other establishments to implement those guidelines as applied according to its business nature. There is no option to avoid or partial fulfillment of those standards. Even a single violation in any particular area makes the facility noncompliant.

C. Verification

To identify the gap, if any, between the guiding principles and practices there is a verification process, this is called - Audit. This verification audit is conducted both in government and enterprise level. Generally, the buyers of the merchandises take the lead in the audit that conducts in regular interval which can be announced or unannounced.

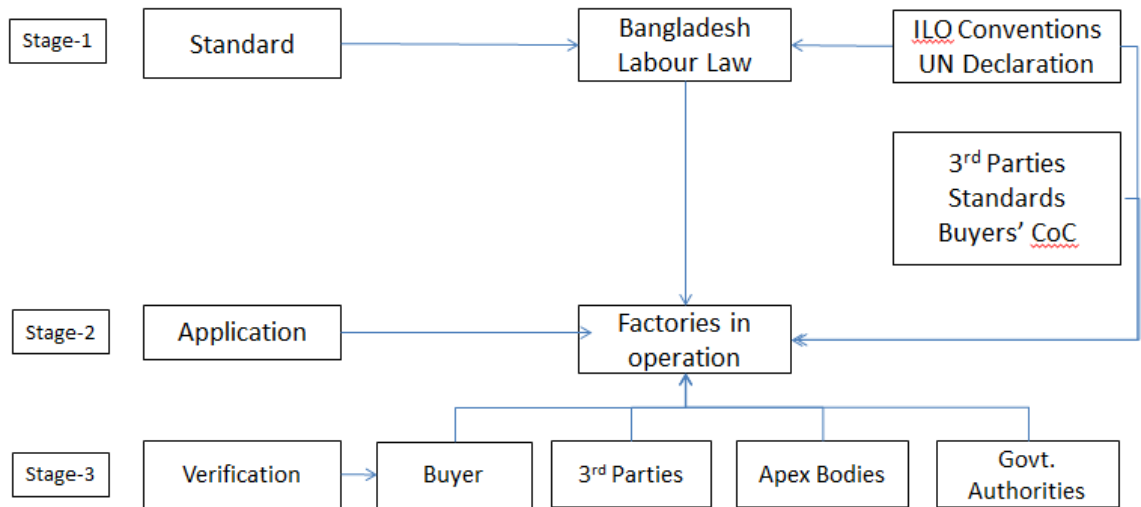
D. Corrective Action Plan (CAP)

If there are any non-compliance issues or mismatch found during audit a specific time is given for rectification. In case of any issues with the workers, the victims can take legal shelter through labour court or it can be solved through negotiation.

E. Continual Improvement

The issues of compliance are not static rather it is dynamic in nature. The principles or the standards are always updated and revised in response to the demand of time and situation.

In light of above cycle, the different stages of compliance like setting standard, its application and verification process are shown in the following diagram.



Graph 3.1 Standard Formulations, Implementation and Verification Process

Setting up a standard is the first stage of compliance. Fundamental conventions of International Labour Organization (ILO), United Nations (UN) declarations on human rights, third parties standards like Business Social Compliance Initiative (BSCI), Worldwide Responsible Accredited Production (WRAP), Social Accountability 800 (SA800), buyers’ Codes of Conduct (CoC), local labour and other relevant laws are the guiding principles for standard setting. The facilities engaged in the supply chain are to apply those standards for the wellbeing of the workers, to protect brand value and to ensure customers pride. There are multiple agencies like buyers representative, third party auditors; government authorities who are responsible to verify the application process.

3.5 Analytical Framework of Social Compliance

Social compliance in readymade garments industry is very much dependent of internal and external factors. To be non-compliant, factory alone may not be responsible as there are some issues beyond factory’s control. The more issues go beyond the factory control, the more possibility is has to be non-compliant. Compliance should not be considered as an isolated issue of the industry rather this is very much a holistic phenomenon. However based on the foregoing discussion an analytical framework of

social compliance can be drawn as below where legal frame works, policies, pressure, information, resources, environment, feedback etc have important role.

3.5.1 Legal Framework

Legal framework includes laws, public policies, duties and authorities of government agencies and regulatory bodies etc. The major difference between Corporate Social Responsibility (CSR) and Social compliance lies within its legal obligation. Social compliance is a legal obligation for the corporation; on the contrary, CSR is a voluntary initiative of the company. The legal framework of social compliance includes:

- a) Constitutional guarantee –the constitution of the People’s Republic of Bangladesh, the highest law of the state, is the best safeguard to ensure and protect human rights.
- b) International commitment –Ratifying ILO core conventions and adopting UN’s universal human rights declaration Bangladesh has affirmed its international commitment towards workers safety and rights.
- c) Statutory obligation - Bangladesh Labour Law (BLL) – 2006 is a statutory guideline for social compliance in work places.

Under the legal framework, the four core standards and fundamental principles of ILO to ensure the rights at works for the workers are as follows -

- a) Freedom of association and the effective recognition of the right to collective bargaining
- b) Elimination of all forms of forced or compulsory labour
- c) Effective abolition of child labour
- d) Elimination of discrimination in respect of employment and occupation

3.5.2 Buyers’ Codes of Conduct

All the apparel brands have developed their codes of conduct throughout their supply chain in line with universal declaration of human rights, ILO conventions, and companies’ policies on social responsibility. Factory has to sign the contract with respective buyers to comply with their codes.

3.5.3 Stakeholders' Pressure

Social compliance is a mandatory precondition to be fulfilled by the manufacturers. But the practice of social compliance did not develop within the industry, rather the sector was compelled to practice legal and ethical issues, for the sake of its business continuation, and that was due to buyers' pressure. Pressure as an input of social compliance can be viewed into two aspects – Support and Opposition. Equally applicable to all over the world throughout its supply chain can be considered as support pressure while following aspects of compliance are viewed as opposition

- Multiple codes of conducts with continual revision
- Political inclination of labour leaders, workers federations
- Reduction of product price
- Unplanned growth and lack of unity among the manufacturers

3.5.4 Environment – Internal and External

Organization works in a particular environment and organizational activities are highly influenced and affected by the environment. Social compliance in the workplace depends on both internal and external environment. Internal Environment includes management system, workers behavior, owners attitude, organizational culture, norms and value while the external environment comprises Infrastructure, political stability, socio-economic condition, competition, demand etc. These are discussed below:

A) Internal Environment

i) Management system: The management of an organization plays a vital role in maintaining discipline of a company. If a company possesses a strong management system that can both satisfy the employee and the customer meaning that half of the challenge of social compliance is met. Worker or employee satisfaction is of high importance in social compliance.

ii) Workers behavior: It is not only the responsibility of the management to maintain discipline or think for the company, the workers of the company are also an element of

social compliance. If the workers do not have a positive behavior towards the company the company cannot be compliant socially.

iii) Owner's attitude: This is probably the most important thing to imply social compliance in a company. The owners need to understand the importance of social compliance and willingly work to achieve it. Otherwise no matter how strong the management is or how capable the workers are social compliance will not be found there.

iv) Organizational culture: The culture of an organization has a great influence over its employees. A person blends with the culture of the organization and also contributes to enrich it by practicing the culture properly.

v) Norms and values: The ideology of a company in general and their norms and values are crucial factor for social compliance. A company without a value or norms cannot go further because it ultimately leads them to nowhere since they don't have any vision to achieve.

B) External Environment

i) Infrastructure: It is very important for a company to have the necessary infrastructure. Having sufficient facility for the employees and for the production purpose helps the company to grow in pace. This is the tangible factor effecting the requirements of social compliance.

ii) Political stability: Political power structure in other words political stability of a country plays a vital role in social compliance. There are many countries where the political situation is not stable at all, a company cannot achieve the target of social compliance with weak political governance or disturbed political situation. It is the duty of a nation to maintain political stability to ensure economic growth.

iii) Socio-economic condition: Socio economic condition of a country is a vital element to address social compliance in a proper manner. Each country has different socio

economic conditions and their economy depends on their resources and ability to explore those. The society of a country is closely related to its economy. For the effectiveness of social compliance it is a must to consider the socio economic condition of that country.

iv) Competition: There is no business without competition especially in the RMG sector. The companies pay more attention to compete with their rival companies and forget to fulfill the promises they have with their employees. This should be avoided and a transparent competition should exist in market. The government of a country has a role to play here.

v) Demand: Demand for product is another external issue that influences social compliance. In RMG sector there are seasonal demands sometimes for particular product, so the companies do not pay much attention to maintain a good environment of working and thus restricts social compliance. But this situation should be removed and the companies should pay equal attention to social compliance.

3.5.5 Feedback

Without knowing the feedback social compliance cycle is not completed. Buyers' and third party audit, inspection by government's regulatory agencies, interviewing the workers are the common tools of feedback. To know the existing status on compliance feedback from the workers, owners and buyers are important. A congenial environment and responsiveness to the feedback is necessary in maintaining social compliance. So it should be taken into account very seriously and by practicing it in a proper manner the implementation of social compliance will be successful.

3.6 Conclusion

Social Compliance is a set of standard on workers' rights and working condition along with environmental consideration. Law of the country, ILO conventions, UN declaration on human rights and international best practices are the principles of social compliance. It's a business driven program applied in the whole supply chain. The

business needs to be ensured that every manufacturing unit in the supply chain follows both locally and internationally recognized standards, rules and laws on labour.

The implementation and practices of social compliance are highly dependent on both internal and external factors. In other words social compliance is a matter, which is subject to certain given conditions. Any single violation can spoil the entire effort. Compliance factors can be divided into two parts. One depends on managements' willingness and affordability of resources and the other sometimes goes beyond factories' control. The more the issues go beyond factories control, the more difficult the task of compliance becomes. Social compliance depends on supporting and maintaining proper policy guidelines as well as its governance mechanism. All these issues constitute an analytical framework for studying the practices and status of social compliance in the RMG sector. The nature of the issues are molded by a number of phenomena like the growth, size, factors behind the growth, volume of business and profit as well as its contribution in socio economic development.

Chapter IV

Readymade Garment (RMG) Industry in Bangladesh

4.1 Introduction

From the history it is found that the exclusive Bengal product Muslin was very famous from the time of pre-colonial Bengal. The Mughals made it more popular amongst the European traders. First it was traded to Europe during the 17th and early 18th century; but soon after the Mughal rule collapsed, the political turmoil had completely destroyed its glory and pride and literally it was exploited during the British period. Muslin soon became a very mysterious and glorious past property that we possessed. After the glorious time of Muslin Jute became the next pride of Bengal. During the 20th century, about 80% of the world's jute used to be produced in Bangladesh. Considering its high cash value, jute (natural fiber with silky shine and golden color) was called the "golden fiber of Bangladesh". Jute had earned around 68% of country's foreign currency till early 80's. However, the dramatic decline of jute's trade in the 90s had a huge impact on Bangladesh's export earning which ultimately jeopardized the poor jute producers' career in this sector. Fortunately, the supply of unemployed jute producers from the villages fulfilled the demand in the rapid growth of RMG sector. In the 21st century Bangladesh, a low wage and large population base, (fourth largest population in Asia and 8th largest in the world) became the second largest global apparel supplier after China and largest in Southeast Asia. For Bangladesh, the readymade garment export industry has been recognized as the industry that lays the golden eggs. (Abdin, 2008, p.6). Even with those achievements Bangladesh RMG has defamed the country's image on the ground of workplace standards and safety issues, which is commonly known as Social Compliance. During the first two decades the average export growth of Bangladesh RMG was over 20%. For the first time, in the year 2014, this sector did not achieve its export target on account of non-compliance and political issues. Rather, it is known from different newspaper reports that more than 400 factories were closed and around 50,000 workers were rendered unemployed owing to non-compliance issues. With all these considerations, Bangladesh is the most suitable place for readymade garment industry and readymade garment is the most suitable industry for Bangladesh. In an over

populated country like Bangladesh, where employment is a major challenge, labour-intensive industry, RMG, is the opportunity for generating employment and is the prime source of foreign currency earnings. In many developed countries apparel and textiles was the startup industry that helped those countries achieving economic advancement. Bangladesh can have the same benefit out of this industry when the issues of compliance are properly and sincerely addressed.

The chapter identifies the national and international factors behind its growth, different generations of growth, the contribution of the sector in economy and society as a whole. The chapter discusses the different clusters of RMG industry, the initiatives taken after Rana plaza disaster and present status of the sector.

4.2 Factors Influencing the Growth of RMG Industries in Bangladesh

It is difficult to single out the factors behind the growth and development of RMG sector in Bangladesh. Rather it can be explained as the result of blended initiatives from individuals, organizational and policy levels. A number of factors, both Internal and External, have contributed to the development of RMG sector of Bangladesh. The following sections highlight some of the important factors.

4.2.1 Socio-Economic Condition

High unemployment rate, high illiteracy, surplus farm workers, (especially females, due to drastic fall of jute export and production) scarcity of alternative jobs etc. pushed job seekers to the towns. There was a huge migration at that time that has now completely changed the urban organization of the city. That time the newly developed RMG sector pulled those illiterate workforces; for whom getting jobs were like golden deer, not caring about job environment, with lowest possible wage. Involvements and contribution of renowned personalities at initial period, role of trade bodies, governments' policy support can be considered as internal factors while shifting manufacturing sector from developed countries to developing one, international trade policies are among the external factors. Both internal and external favorable conditions blended together for the growth of Bangladesh RMG sector. The internal factors are as below:

4.2.2 Cheap and Abundance Labour Forces

Apparel industry is considered the first step of industrialization, as industrialization began with textiles and apparel manufacturing in many developed countries. But nowhere this industry was static or permanent. As soon as any country became developed, the apparel and textile industry left that country. Readymade garments as a labour-intensive industry is highly focused on the relocation of production. The relocation take place from high wage regions to low cost production regions just like water flows down-stream always. Bangladesh continues in the lowest wages in the region as some companies are still addicted to poverty-level pay and sweatshop working standards (AFL-CIO, 2009, P- 162).

After the Second World War, the world was divided into two major blocks – Capitalistic and Socialistic. The USA led capitalistic world supported by international financial and development institutions like United Nations Industrial Development Organization (UNIDO), World Bank and International Monetary Fund (IMF) promoted its member countries to take ‘export-oriented industrialization’. Imposition of quota system through Multi Fiber Agreement (MFA) in 1974 was to restrict China’s export quantity but to promote developing and least developed countries of the same block. To relocate the garment factories in South Korea, U.S. gave an aid of 40 billion dollars. World Bank sanctioned ‘soft loan’ of \$ 2 billion and a team of ‘specialist / technicians’ were sent to Sri Lanka for the same reason. The Sri Lankan factories were raised with this support of the lowest wage of the workers in entire Asia at that time. Relocation of RMG factories in different countries was not only on low wage consideration rather it was a political motive of the capitalistic block. That’s why it was not found in the low wage countries with socialistic philosophy. According to socialist thinkers U.S. and its allies had directly or covertly facilitated the establishment of autocratic rules in countries like South Korea, Philippines, Taiwan; backing up dictators in some cases and supporting military rule in others. In 1982, the military government of Bangladesh adopted new export / import policy following the blueprint of ‘export-led industrialization’ dictated by the World Bank and IMF. Export Processing Zones (E.P.Z.) were set up in the suburbs of

Chittagong and Dhaka, giving free hand to the owners of the garment factories springing up there to exploit the workers at their will (Mondal 2009).

Table 4.1 - Relocation of production

From	To	Period
North America and Western Europe	Japan	In the 1950s and the early 1960s
Japan	The Asian Tigers – South Korea, Taiwan, Hong Kong and Singapore	In 1970s.
The Asian Tigers	Other developing countries Philippines, Malaysia, Thailand, Indonesia and China	Mid 1980s through the 1990s
+ others developing and least developing countries	Sri-Lanka, Bangladesh, Pakistan, India, Cambodia Vietnam and Myanmar	During the 90s

The first migration of garment production was from North America and Western Europe to Japan in the 1950s and the early 1960s. The second supply shift, in 1970s, of garment production was from Japan to Four Asian Tigers - South Korea, Taiwan, Hong Kong and Singapore, which were under US imperialism. The period from mid-1980s to 1990s saw a third migration of production, from the Asian Tigers to other developing countries - Philippines, Malaysia, Thailand, Indonesia and especially China. The 1990s have been dominated by final wave of exporters, which included – Bangladesh, Sri-Lanka, Pakistan, and Vietnam. (Rahman 2004, PP.76-77).

4.2.3 The Personalities behind the Growth

The fast growth of RMG sector in Bangladesh was not any miracle or a gift. It was the first generation Bangladeshi entrepreneurs who made it possible within political uncertainty, resource insufficiencies and structural deficiencies. The following personalities have played a significant role behind the success of RMG industry's success:

Mr. M. Noorul Quader Khan. The role of Mr. Noorul Quader Khan, who discarded his title “khan” in the protest of the role of the Pakistani rulers during the liberation war of Bangladesh (Islam, S.M.E. 2015), the Managing Director of Desh Garments Ltd (DGL), the very first 100% export oriented readymade garment factory of

the country, the first member of Bangladesh Garment Manufacturers and Exporters Association (BGMEA) was pivotal. At that time, it was obvious that local people had no experience in making garment in the industrial setup, as Bangladesh was not a garment exporting country. Mr. Quader sent a 130-member team, including 18 women, to South Korea in 1978 to receive training (Mahbub. M.2016). The trainees returned home after a six-month training period to form the nucleus of the RMG sector's technology and its core human resource base. Consequently, the modern factory of Desh was constructed with Daewoo's specifications and technical assistance with the capability of six lines, 600 workers, and a 5 million pieces per year capacity, worth an USD 1.3 million investments went into operation in 1979 with the first shipment made in the following January. Later on most of those trainees became very successful entrepreneurs themselves, who are now leading the sector. He contributed in introducing "back-to-back" Letters of Credit (BtB L/C) system – a unique facility for the apparel exporters in the world, the non-funded financing mechanism, and bonded warehouse system. The pioneer died of lung cancer in 1998, after battling the disease since 1987. For his contribution, Mr. Quader is considered to be the father of the garments industry in Bangladesh.

Mr. Lutfor Rahman Sarkar. Mr. Sarkar introduced visionary ideas to the banking policy. He came up with the innovative idea known as “BIKALPO” (Bishsho-biddalaya Karmasangsthan Prokolpo) that was initiated immediately after he had joined Sonali Bank as Managing Director. This very project created self-employment opportunities through collateral-free loans for university, medical and engineering students and upheld the dignity of labour (Mahbub. M.2016). Later on, Mr. Sarker worked in Islami Bank (BD) Limited, first generation private bank of the country, Prime Bank Ltd. and Mercantile Bank Ltd. During his tenure in private banks he supported new entrepreneurs in RMG sector within his capacity. He was appointed as the Governor of Bangladesh Bank. He encouraged young and first generation entrepreneurs who were interested in RMG business providing them with loans with no or minimum collateral mortgages during his services in private banks. Many successful entrepreneurs of today bow their heads to Mr. Sarkar who always was in favor of employment, and had dreamed of the industry where it stands now.

Mr. Kihak Sung. The South Korean businessman came to Bangladesh in 1979 and established Youngone Bangladesh, Chittagong. It was the first foreign direct investment (FDI) in the readymade garment (RMG) sector in Bangladesh (Mahbub, M. (2014). Young one Chairman, Mr. Kihak Sung is known and respected by the global apparel leaders as one of the leading visionary business personalities in the industry.

4.2.4 Role of the Organizations

As a part of global supply chain, the success of this sector depends on the timely completion of the works, free from bureaucratic barriers. To achieve the goal, 19 manufacturers and exporters got united and formed BGMEA on 20th February 1983 (AP, 2016). During 1990s, knit garments developed and joined the export basket (Yunus, M. 2010). To utilize the potentiality of knitwear sector and to keep the sector ahead some knit entrepreneurs worked on and in the year 1996, they established BKMEA (Bangladesh knitwear Manufacturers and Exporters Association).

The association of the owners BGMEA has been organizing international expositions on apparel and textile, BATEXPO, one of the largest expositions in the Asia-Pacific region to promote the trade and explore newer markets since 1989. To have the industry competent human resources in 1999 BGMEA established “BGMEA University of Fashion and Technology (BUFT) former (BIFT). These trade bodies, BGMEA and BKMEA, have been contributing in business development through exploring new markets for export and diversifying the products from low end to high end.

4.2.5 Industry Friendly National Policies

The first government, immediate after independence, of the Peoples’ Republic of Bangladesh, adopted Democracy, Socialism, Secularism and Nationalism as its main principles. The government nationalized the private industries in different sectors through the Bangladesh Industrial Enterprises (Nationalization) order 1972 (MOLJ&P, 2010). Under the first schedule, 78 mills of Bangladesh Jute Industries Corporation, in 2nd schedule 73 textiles mills under Bangladesh Textiles Industries Corporation and in 3rd

schedule 18 sugar mills under Bangladesh Sugar Mills Corporation were nationalized. In Bangladesh, the first industrial investment policy was announced in January 1973. It restricted the role of private sector with limited permissible investment to BDT 2.5 million (Banna, M. H. 2014). Foreign private investment was allowed only in collaboration with the public sector. Governments after '75 onwards took opposite measures to meet the increasing demand of employment, to achieve rapid growth through open market and export-led industrialization policies.

A number of factors under government support facilitated the RMG growth in Bangladesh of which bonded warehouse, back-to-back letter of credits, tax holiday, establishment of EPZs are the key ones.

i. Denationalization. In the year 1974 government moved to private sector participation and announced second Industrial policy restoring the rights of the investors both locals and foreigners. It enhanced the investment ceiling from BDT 2.5 million to BDT 30 million (and later to Tk. 100million) and made provisions for monetary incentives to welcome more investment. In 1982, under the New Industrial Policy (NIP), 33 jute mills and 27 textile mills were returned to their original owners, it was the most significant move to privatization (Haque A.K.M. M 2002). The process of import substitution industrialization (ISI) turned to export-oriented industrialization (EOI) focusing on the textile and clothing industry, particularly the readymade garment (RMG) sector (Ahad, A. 2014).

ii. Export Processing Zone (EPZ). Bangladesh opened up its economy in 1980s and invited foreign direct investment both in Export processing zones and non-zone areas. Apart from denationalization of the textile industry, the NIP created Export Processing Zone (EPZ) and encouraged foreign direct investment (FDI) to provide employment through labour-intensive industries within the country (Fakir, A.N.M. A. Miah, M. S. & Hossain, M. S. (2013). In order to create employment opportunity, multiple policies were adopted. Promulgation of BEPZA (Bangladesh Export Processing Zones Authority) Act 1980 was one of them (BEPZA, 1980). The Export Processing

Zones (EPZ) authority was developed in the country to attract Foreign Direct Investment (FDI) and facilitate the industrialization process. During 1990s, liberalization of law and restructuring of import duties attracted foreign investors in Bangladesh. Foreign Investment Promotion and Protection Act-1980 influenced and motivated foreign investors to Bangladesh.

iii. Special Bonded Warehouse (SBW) Facility: boost up export oriented industry; especially labour-intensive RMG sector was facilitated with duty exemption during materials import (Rahman, B.M. S. 2015). Under the Customs Act, 1969 (The Customs Act, 1969) and Value Added Tax Act, 1991(VAT (1991)). The importers for their export oriented industries get tax free benefit of import or local purchase for the raw materials to be used in manufacturing of exporting goods. From the machinery to materials can be imported under the facility. This very especial facility helped to minimize investment to set up an export oriented RMG factory.

iv. Back to Back L/C: The government of Bangladesh has arranged a special and unique facility for the export oriented RMG industry to import raw materials free of duty under bonded warehouse arrangement (PBL 2010). Letter of credit (L/C) is a financial instrument where opening bank is committed, on behalf of the buyer, to pay the invoiced amount in accordance with the terms and conditions stipulated in the L/C to the beneficiary. In RMG business, there are mainly two types of L/C; one is master L/C and other one is BTB (back to back) L/C. When a buyer of garment open the L/C through his bank in favor of supplier to his (supplier) bank is called master L/C. After getting that master L/C, the beneficiary (finished goods suppliers) opens L/Cs in favor of raw material supplier which is called BTB L/C. Here all the required L/Cs are opened keeping that master L/C lien with a bank where garment supplier has business account. This privilege has facilitated faster growth of the sector.

v. Cash Incentives. Bangladesh Government had initiated to offer export subsidy in the form of cash incentive on different export items to encourage the exporters of the country. According to the circular of Bangladesh Bank (BB) on 13 July 2015 more than

150 goods and products of 14 categories are enjoying cash incentive against their exports ranged between 2.0 percent and 20.0 percent (BB, 2015). To promote domestic textiles industry government initiated various measures including cash incentives on local fabrics to be used for export garments. Since 1995 to May 08, 2002 cash incentive rate was 25% on FOB, it was reduced to 15% from May 09, 2002 to June 2003, and from July 2003 to June 2004 the rate was 10% that again was revised to 5% from July 2004 to June 2015. From July 2015 this incentive is 4% only. Later on, to expand the export market government declared incentive for new markets expansion except USA, Canada and EU, under the second incentive (Bangladesh Bank FE Circular no 12 June 07, 2010/1) with effect from 1st July 2009. In response to trade bodies, BGMEA & BKMEA's demand to minimize the losses after the devastating accidents, fire in Tazreen fashions and Rana plaza building collapse, government declared special incentive for the interim period along with the reduction of tax at source to 0.30% from 0.80% to give a cushion in the losses caused by political unrest and RMG factory compliance issue. In the present FY 2015-2016, this rate is 0.60%.

At present, government provides cash incentives/export subsidies on 17 different categories in varied rates. On exporting garments items, agro products, frozen food, leather goods, jute items, fresh meat and on various items of our country, Bangladesh government offers minimum 5% to maximum 20% subsidy so that our investors and exporters can earn enough foreign currency through exporting the items and help Bangladesh to increase its national income.

4.2.6 Favourable International Policies

Through its different initiatives, Bangladesh adopted market-based policies under the direction and guidelines of World Bank and International Monetary Fund and in accordance with the needs and requirements of the World Trade Organization and globalization (Export Policy, 2012-15). Not only the minimum wage, political and policy alignment with western world favored Bangladesh but also various international policies like multi fiber agreement, preferential market access and tariff benefits.

For a developed country, where cost of living is naturally high, low cost manufacturing industry is no more viable specifically on the ground of wage. But this low cost RMG manufacturing sector was played as a startup industry for many developed countries. RMG manufacturing, the labour-intensive industry, had lost their price competitiveness due to wage factor, which is very high in the developed countries. The high-income countries have lower contribution in manufacturing similarly low income countries have higher contribution in manufacturing on account of cheap labour force. No country considered this RMG industry as a permanent industry. Likewise no owners considered RMG as a place of permanent investment. So they considered this sector as a primary source of income. Readymade garments buyers always look for low cost in its production process. Readymade garment manufacturing is comparatively low-tech industry but highly cost driven. It looks for the place where production is possible with minimum cost. Similarly it leaves the places where cost is no more competitive. Since it is a labour intensive industry the major cost incurs in production as wages. So where wages are low, readymade garments manufacturing industry will be located or relocated there.

i) Quota on Export Quantity

Multi-Fiber Agreement (MFA)¹¹ approved by the General Agreement on Tariffs and Trade (GATT)¹² under which developed garment importing countries imposed quota restriction in addition to tariff through bilateral negotiations with developing exporting countries. In 1985 Bangladesh came under MFA quota restriction from USA. Initially, this quota restriction hampered the export growth. Between 1985-86 and 1988-89 the number of firms increased from 744 to 754, which is a much slower growth compared to the same during 1979/80 to 1984/85 period when the number of firms increased from 47 to 632 (Rashid ,2006,P.8). The MFA governed the world trade in textiles and garments from 1974 through 2004, it expired on 1 January 2005, imposing quotas on the quantities

¹¹ The MFA was introduced in 1974 as a short-term measure intended to allow developed countries to adjust to imports from the developing world imposing quotas, It expired on 1 January 2005

¹² GATT was a multilateral agreement regulating international trade, its purpose was the substantial reduction of tariffs and other trade barriers and the elimination of preferences, on a reciprocal and mutually advantageous basis, GATT was signed by 23 nations in Geneva on October 30, 1947 and took effect on January 1, 1948

developing countries could export to developed countries. MFA set quota restrictions on the large buying countries like the USA and Canada, which shortened the export capacity of many countries like Hong Kong, South Korea, Singapore, Thailand, Taiwan, Malaysia, Indonesia, Sri-Lanka and India. On the other hand this MFA was found as a blessing for Bangladesh. The country was receiving quota facility in the markets of the USA and Canada. This restriction phased out finally on 31st December 2004 under the Uruguay Round Agreement on Textiles and Clothing (ATC)¹³

ii) Preferential Market Access

Generalized System of Preferences (GSP) is a preferential treatment of tariff facilities in the form of reduced or duty free tariff rates, which is granted by the industrially developed countries to the eligible products imported from developing or Least Developed Countries (LDC) (UNCTAD (2011)). Bangladesh, as an LDC, had been enjoying quota-free status from EU. Moreover, in the EU market in addition to quota exemption Bangladesh was facilitated by the EU's General System of Preference (GSP), which allowed certain Bangladeshi products a quota free and duty free access to EU market. The current scheme of GSP of EU is in effect since 1995. Along with European Union members another 26 countries are giving this facility to Bangladesh as LDC (EPB 2014).

4.3 The Ministries / Departments Involved in RMG Sector

Manufacturing 100% export oriented RMG, as a part of global supply chain; this sector is highly involved with both in internal and external affairs. The density and diversity of involvement depends according to the nature of business. This business is linked with different policies, laws, rules and regulations of importing and exporting countries. Many licensing authorities, different ministries and departments of the government, are responsible for issuing licenses, certificates, to supervise and control this

¹³ ATC introduced in 1994, aimed at bringing textiles and clothing within the domain of WTO rules by abolishing all quotas by the end of 2004.

single sector. Moreover, the buyers of the products have their own regulations and codes of conduct to follow unarguably by the manufacturers.

4.3.1 Relevant Laws, Rules and Standards for Garments Industry

The sector, as a part of international supply chain, is guided by different policies and laws of the land and international organizations. International rules of trade between nations set by WTO, Export and Import policies, customs act, labour law, national building code, regulations of fire services, environment issues etc are the mandatory obligations to be complied for the factory.

Table 4.2 Relevant Laws, Rules and Standards for Garments Industry

International	International Labour Organization (ILO) Conventions
	The United Nations' Universal Declaration of Human Rights
	World Trade Organization (WTO)
National – Policies	Export Policy Import Policy Child Labour Elimination Policies
Labour Issue	Constitution of the people’s republic of Bangladesh
	Bangladesh Labour Act - 2006, 2010, 2013. (Factory Act-1965 Payment of Wages Act-1936 Maternity Benefit Act, 1939 Shop & establishment Act-1965 Employment of Labour (Standing Order) Act, 1965)
	Bangladesh Labour Rules – 2015 (Factory Rules-1977 Factory Rules-1979)
	Minimum Wage Gazette on RMG Sector
Factory Building	Bangladesh National Building Code- 1993/2006 (Building Construction Act-1952 Town Improvement Act-1953 Building Construction Rules -1996 Dhaka Mahanagor Imarat Nirman Bidhimala-2008)
Fire Safety	East Pakistan Fire Service Rules-1961/1962 Fire Service Civil Defense Act-1991 National Fire Protection Associates-1986
Electrical Safety	Electricity Act-1910 Electricity Act-1937 Boiler Act -
Environment	Environmental Conservation Act-1995 Environmental Conservation Rules-1997 Medical Waste Management Rules-2008

	Noise pollution Rules- 2006 Petroleum Act-1934
Others	The Customs Act-1994 The Companies Act-1969
Standards – 3 rd Party	BSCI, WRAP, SA8000 etc

Apart from those buyers’ codes of conduct, ILO’s conventions and international best practices are also needed to be addressed.

The 100% export oriented RMG business needs a bond license though it is possible for anyone to export any product including RMG without bond and even import license if the 100% materials/products are sourced locally paying relevant taxes to the government. To be a full-fledged RMG exporter bond license is a must. It can be mentioned that a factory has to comply with sixteen different local authorities’ rules and regulations.

Table 4.3 Ministries/ Departments involved in RMG sector

SI #	Ministry	License/Certificate
1	Ministry of Local Government and Rural Development & Co-operative	Trade license
2	Ministry of Housing and Public Works, RAJUK	Building plan approval
3	Ministry of Textiles and Jute , BTMC	Certificate for cash incentives, machinery imports,
4	Prime Minister’s office , BOI	Investment size and approves the list of machinery
5	Ministry of Home Affairs	Fire License
6	Ministry of Labour and Employment	Factory registration, approval of lay out plan, Trade Union registration
7	Ministry of Industries	Boiler license
8	Ministry of Commerce, (CCI&E), EPB	Export/Import, Export/GSP Certificate
9	Ministry of Environment and Forest	Environment Certificate
10	Ministry of Shipping	Port permission
11	Ministry of Finance	VAT, TIN, Bond License
12	Ministry of Power, Energy and Mineral Resources	Electrical, Gas connection

To have a bond license, issued by Customs Bond Commissionerate (CBC), a business house needs 18 different certificates/licenses from different authorities. All those eighteen departments/ministries have supervising, monitoring, and controlling and cancelation power, as they are the licensing authorities.

The RMG sector is governed by many government authorities, and has to comply with the needs of each ministry which makes the legal procedures of this sector a very complex system. It seems like if there was provision for minimizing this legal procedure this sector could flourish more.

4.4 Growth of RMG Sector in Bangladesh

Bangladesh is now the second largest exporter, after China, in the global apparel export. It took almost three decades to achieve this status. The sector had been experiencing many pros and cons throughout its journey.

4.4.1 Market share of Bangladesh in Global RMG Export

At present, World apparel market is worth about \$450 billion. Export from Bangladesh in the global market is around \$25 billion. The country's share in global market is only 5% (BKMEA 2015). With this tiny share Bangladesh is now the second largest ready-made garments (RMG) manufacturer after China.

Table 4.4 Bangladesh RMG global market share in different period

Year	Knitwear		Woven Wear		RMG	
	Market share	Position in the Market	Market share	Position in the Market	Market share	Position in the Market
2011	1.41	2	9.95	5	5.6	3
2010	2.18	3	8.69	6	5.39	3
2009	2.79	3	7.91	7	5.25	5
2008	2.17	3	7.09	9	4.5	6
2007	3.07	4	6.37	10	4.62	6

Source: BKMEA, 2013

China alone exports \$ 160 billion, around 38% of global export. Bangladesh has been maintaining a very distant second position.

4.4.2 Product Diversification

From the very inception to recent past the export strategy of Bangladesh RMG sector was product penetration; limited to two major markets – EU and USA. Now the sector is skilled and mature enough to offer diversified products into the diversified markets. Bangladesh is no more bottom end product manufacturers.

Table 4.5 Market development scenario during the last ten years

Year	2002	2011
No of market for knitwear Export	86	145
No of market for Woven Export	94	126
No of market for RMG Export	97	159

Source: BKMEA, 2013

The sector has already proved its capacity and skills to produce blazer, suits, lingerie's, and the products with special items like tents, fire-hydrant jackets, sleeping bags and uniforms for armies etc.(Knit Communiqué 2013,p.25)

Table 4.6, RMG Product development scenario during the last ten years

Year	2002	2011
No of market for knitwear Product	87	97
No of market for woven Product	96	103
No of market for RMG Product	183	200

Source: BKMEA, 2013

Trade body, BKMEA, has identified seven more potential export destinations, Japan, Brazil, Mexico, Russia, China, Korea (South), South Africa, and named them as JBM-RCKS.

There is clear sign of improvement on market diversification from two major destinations, USA and EU, to non-traditional market, which is around 20% now. EPB statistics show that, RMG exports have been increasing in some 25 new destinations like Korea, Brazil, Mexico, Argentina, Chile, Russia, Middle East, Thailand, Singapore, China and other countries in the recent months. Among them, exports increased by 22 percent in Australia, 21 percent in China, 24 percent in South Africa, 16 percent in Japan

and India, 13 percent in Korea and Brazil in the current fiscal year (Bangla Apparel (2015)).

4.4.3 Different Phases of the Growth.

The present growth of the sector can be viewed into different phases as below:

Table 4.7, Different Phases of Growth of RMG sector in Bangladesh

Stages	Estimated Periods
Pre RMG scenario	Before 1979.
First wave	1979 - 1980
Emergence of RMG & Growth stage	1980 – 1990
Mushrooming	1990 - 2000
Maturity stage & Diversification	2001 – 2012
Paradigm shift	2013 to Present

Source: Researcher’s compilation based on secondary data from different sources

Phase 1: Pre-RMG Scenario

Economy of Bangladesh was highly an import-dependended economy, which still prevails to a great extent due to limited or no production capacity against its demand. During the decade immediately after independence, this dependency was acute. A few numbers of people with better communication skills and financial capacity got involved in indenting and trading from daily consumable products to luxury items. These indenting and trading activities can be identified as the first wave of entrepreneurs after independence. The money they accumulated from trading was, invested in banks and financial institutions, as a risk free capital accumulation venture. When they got the opportunity of low capital investment like RMG with quick return those trading entrepreneurs mostly turned their attention to manufacturing entrepreneurship during 90s. They concentrated their investment in cutting and sewing but they were and still are not interested, except a few, in textiles because it requires bigger investment along with higher risk. Initially, generation of employment was the prime motto as rate of unemployment always was very high. Contrary, where getting a job was the main target, job condition did not matter to the employees. The recruitment of child labour and the rate of accidents and death of innocent workers from factories fire or building collapses got international attention and eventually buyers were asked for ethical practices at their

sourcing places. Following table will help to understand the different phases of the growth of the sector:

There were some factories already in domestic market converted to export oriented factories during 1978. Reaz garments, Jewel garments, Paris Garments, Ashraf garments, Baishakhi Garments etc. were some of those converted garments factories in Dhaka. Those units were very small and produced garments for both domestic and export markets. Studies reveal that there were nine small factories but only three, Reaz garments ltd., Ashraf garments ltd., Paris garments ltd, have the evidence and they had irregular contribution to export. Among them, Reaz Garments, the pioneer, was established as a small tailoring outfit, named Reaz Store in 1960. It served only the domestic markets for about 15 years. In 1973, Reaz store changed their name to M/s Reaz Garments Ltd. and also expanded its operations into export market by selling 10,000 pieces of men's shirts worth French Franc 13 million to a Paris-based firm in 1978. It was the first direct garments export from Bangladesh (Maroof, A. 2013).

Phase 2: First Wave, 1979

Desh Garments Ltd, the first 100% export oriented garment industry was established on 27th December 1977 in Kalurghat, Chittagong. On 4th of July 1978, Desh signed a landmark joint venture, non-equity, and agreement on technical and marketing collaboration with Daewoo Corporation of South Korea. According to the World Bank Report, Desh Garments Ltd, at the time of its inception 'emerged as the single largest and most modern garment-manufacturing unit in the sub-continent (Yunus and Yamagata2012,p.4). Following the success of Desh Garments, readymade garments, factories- Azim- Mannan garments Ltd. and Youngone Bangladesh in a joint venture, and KDS garments, were set up in Chittagong. In Dhaka, Bond Garments, Paris Garments, Style craft Limited, Aristocrat Limited etc. were established. Bond garments was the first factory transferred to Mirpur from Jhikatola in a building purposely made and it was also the first factory at Mirpur. Till the end of 1982, a total of 47 garments factories were established in Bangladesh (Khan S. R. 2009).

Phase 3: Emergence of RMG & Growth stage 1980 – 1990

The dramatic revolution took place during the period of 1984-85 that considered as year mark. The number of factories reached to 587 from only 47 in 1982 and it increased to about 2900 in the year 1989 factories for 100% export.

Phase 4: Mushrooming 1990 – 2000

In 1994 the number jumped to 2182. By 2000, the employment reached to 1.8 million in 3480 factories. Knit factories joint to existing woven factories. The activities were concentrated into cutting and sewing of basic garment items.

Phase 5: Maturity stage & Diversification 2001 – 2010

Many existing factories expanded its capacity and diversified products range. New factories came were set up with more value added products and the number of total factories reached at 5150 with 3.6 million employments. RMG subsectors developed rapidly.

Phase 6: Paradigm Shift after Rana Plaza Disaster

Bangladesh RMG sector faced many hurdles in its way to grow. The sector has successfully overcome the hurdles of child labour issue during 90s and quota phase-out in 2004. Government and trade bodies, both, also handled industrial unrest on wage and safety issues in different times. On November 24, 2012 fire broke out in Tazreen Fashion factory in Dhaka. At least 117 people were confirmed dead in the fire, and over 200 were injured, making it the deadliest factory fire in the nation's history. Just after four months of Tazreen Fashions fire accident there was another deadliest structural failure, Rana Plaza collapse (where five garment units were housed) on 24 April 2013; with a death toll of 1137 workers and leaving 2,500 seriously injured.

According to the insurance department of the BGMEA, the total number of workers was 3122 in five factories. The detail is as follows:

Table 4.8 Factories Housed In Rana Plaza

Factories	Number of workers
Ethertex Ltd	377
New wave bottom Ltd	526
New Wave Style Ltd	1073
Phantom apparels Ltd	739
Fantom tech Ltd	407

After Rana Plaza accident, largest in the apparel manufacturing history, both the government and the owners have once again moved forward in response to buyers' initiatives and once again proved that Bangladesh RMG sector stands on a solid foundation. Accord on Fire and Building Safety (Accord) and Alliance for Bangladesh Workers Safety (Alliance) – two alliances of international buyers – have also undertaken building assessment (structural integrity, fire and electrical safety). The devastating accidents in Tazreen fashions and Rana plaza have turned as a paradigm shift in Bangladesh RMG industry. The entrepreneurs, even with hundred odds and hostile situations, have moved forward instead of fallen down. But this was not possible for all the factory owners as fulfillment of the new requirement from the buyers required huge amount of investment. Apart from those requirements, initiated by accord and Alliance, most of the industry leaders have taken “cost cutting and gaining high efficiency” measures for sustainable growth of the sector.

Table4.9, Turning points for the RMG sector, Bangladesh

Period	Events
During 1965-68	Mercury Shirts, Karachi sourced for European countries
Mid 70s	State trading agency, TCB made the first export
1977-78	M/S Reaz Garments Ltd, made first private sector export
1979	Desh Garments Ltd, First export oriented garment factory, turning point of RMG industry in BD
1982	EPZ Law under BEPZA authority
1983	Formation of BGMEA
1985	MFA Quota imposed by USA growth hampered temporarily
1990s	Development of knitwear sector
1996	Formation of BKMEA
1995	A tri-party agreement was signed among BGMEA, ILO and UNICEP to eliminate Child labour

1995	Growth hampered on child labour issue
2003	Withdrawal of Canadian quota restrictions
2004	Withdrawal of US quota restrictions
2005	Spectrum sweater factory building collapse, Quota free RMG export with ceiling with China
2006	Massive workers unrest, A Tripartite Memorandum of Understanding (MoU) was signed in June 2006 between Employers, Employees and Government
	Minimum wage declaration and Bangladesh Labour Law passed
2008 - 10	Workers unrest, minimum wage revised. 2010, Bangladesh Ranked fourth largest apparel exporter globally
2012	Fire in Tazreen Fashions on 24 November, 117 people died, over 200 were injured. Bangladesh secured 2 nd position after China in world's apparel export
2013	Rana plaza building collapse on 24 April, dead 1,130, seriously injured 2,500 workers from five factories.
	Accord, Alliance and Pact, initiatives on structural assessment

Source: Data collected from different secondary sources

Industry experienced severe accidents like Tazreen fashions fire and Rana plaza collapse, the number of factories came down to 4222 from 5876 Shutdown of small and subcontract factories.

i) Dormitory for Female Garment Workers at Ashulia

Department of Women and Children Affairs are constructing country's first dormitory for female garment workers at Ashulia so that the female garment workers can live in a healthy and good atmosphere. The female garment workers will get residential and dining facilities at lower cost, free furniture, healthcare services, recreation and sports facilities, and daycare services for their children. The government has selected a land at Bipail for the construction of garments colony with better housing facilities for thousands of garment workers.¹⁴

¹⁴ Govt set to build dormitories for female RMG workers at Ashulia, other places, The Financial Express, Dhaka June 26 2012, http://print.thefinancialexpress-bd.com/old/more.php?news_id=134466&date=2012-06-26

Retrieved on July 12, 2015

ii) RMG Park at Baushia, Gajaria, Munshigonj

After the devastating accidents like, fire at Tazreen Fashions Ltd and Rana Plaza building collapse, government has taken different initiatives to run the factories in a compliant environment. At the 16th meeting on 5th January 2011 of ‘Social Compliance Forum for Ready Made Garments (RMG), it was decided to set up a “Garment Palli” at Bausia in Munshiganj for relocating export-oriented garment factories. Under a joint venture initiative between BGMEA and the Chinese government, a Memorandum of Understanding (MoU) was signed between BGMEA and Orient International Holding Company on June 10, 2014. On December 13, 2014 a framework agreement was signed between the two sides following the MoU. The estimated cost of the park is US \$ 2.3 billion where around 300 – 500 factories will be set up in 492 acres of land to export \$ 4 billion RMG products while 250,000 employments will be generated¹⁵.

iii) The Center of Excellence, Ashulia

On 7th of December, 2014 the Prime Minister of Bangladesh has officially opened the Center of Excellence for the Bangladesh Apparel Industries (CEBAI) during a ceremony held at the Dhaka Apparel Summit organized by BGMEA. The Center of Excellence is an initiative supported by the International Labour Organization (ILO), the Swedish government, leading Swedish fashion retailer Hennes and Mauritz (H&M), and the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) based in Ashulia. The Center will help meet the need for a skilled labour force in the RMG sector by providing competency-based training in areas where demand from the industry is greatest. Training will be given to the supervisors and managers on Occupational Safety and Health (OSH), disability inclusion, workers’ rights and responsibilities.¹⁶

¹⁵ Establishing Garment Palli in Munshiganj, <http://rmgbd.net/establishing-garment-palli-in-munshiganj/>
Retrieved on July 12, 2015

¹⁶ Prime Minister Sheikh Hasina officially opens Center of Excellence for Bangladesh Apparel Industries, http://www.ilo.org/dhaka/Informationresources/Publicinformation/Pressreleases/WCMS_326217/lang--en/index.htm
Retrieved on July 12, 2015

iv) LEED Certification and Introducing Lean

Bangladesh has exemplary green factories with LEED¹⁷ certification like Vintage Denim Studio, the first LEED Platinum rated garment factory that produce denim products, Plummy Fashions, first knit Platinum certified garment factory in the world. So far, 14 garment factories from Bangladesh have received LEED¹⁸ certificates from the United States Green Building Council (Mirdha, U.R. , 2015)¹⁹

Fifty more factories are in the queue to receive LEED certification. The RMG sector in Bangladesh is moving towards green building initiatives to impress the eco minded buyers globally.

The production capacity and productivity of the workers has increased over time. Many factories have established Research and Development (R&D) section, recruited production engineers and introduced lean management - an approach that supports the concept of continuous improvement, a small and incremental changes in processes in order to improve efficiency and quality an approach that minimizes wastage of human resource and materials.

v) Vision 2021 and BGMEA's 50 at 50 Target.

Government has set its vision in view of its golden jubilee of independence in 2021. Among the eight aspirations the main goal of the vision is to upgrade Bangladesh to a middle-income country (MIC) from Least Developed Country (LDC). In line with the government, BGMEA has fixed its export target to \$ 50 billion on the country's 50th anniversary i.e. in 2021. BGMEA has prepared a roadmap to achieve this optimistic

¹⁷ The Leadership in Energy and Environment Design is a rating based level is achieved once a project meets all of the prerequisites and a minimum number of points. Depending on the number of points earned, a project may be labeled LEED Certified, LEED Silver, LEED Gold, or LEED Platinum as per the guidelines of the United States Green Building Council, USGBC

¹⁸Leadership in Energy and Environmental Design. LEED is a green building certification program that recognizes the best-in-class building strategies and practices.

¹⁹ Refayet Ullah Mirdha , Garment exporters going green to grab more orders , 2015, The Daily Star <http://www.thedailystar.net/business/garment-exporters-going-green-grab-more-orders-77426>
Retrieved on April 21, 2015

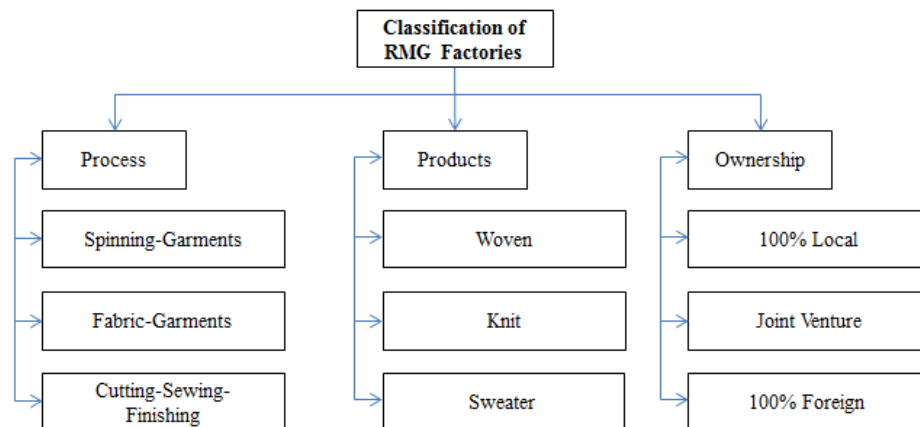
target. Capacity Building of Port, Customs, Power and Infrastructure are among the priorities to reach \$50 Billion in 2021²⁰.

This very sector has been experiencing with severe challenges in its more than four decades time, started with the elimination of child labour during 90s to devastating accidents in the history of RMG industry, Rana plaza building collapses, in 2013.

4.5 RMG Factories in Bangladesh: Types and Sizes

There are different types of organizational set-up in this particular sector. Depending on production process, ownership and products variety industrial set-up is different. Depending on manufacturing process the industrial set-up is as follows, (Stark, Frederick and Gereffi, 2011,p.33):

1. Integrated/Composite manufacturing, where factories import cotton and do the rest of the production process (spinning, weaving/knitting, cutting, and sewing) on their own;
2. Factories importing yarn and then complete the rest of the manufacturing activities; and
3. Factories importing fabric and sewing the garment. In Bangladesh, most of the factories are in stage three. But in the knit garment sector stage two process is available while a few of them are in stage one.



Graph 4.1 Classifications of RMG Factories

²⁰ Dhaka Apparel Summit from Dec 7-9,
http://www.bgmea.com.bd/home/activity/Dhaka_Apparel_Summit_from_Dec_7-9
 Retrieved on April 21, 2015

Products' types:

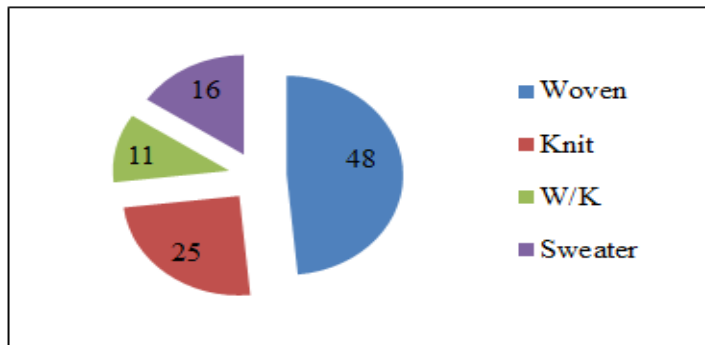
1. Woven:- nature of fabrics made in weaving form. Usually, Men's/boys shirts, trousers, ladies blouses, skirts, blazers, jackets, dresses, jeans, shorts are made from woven fabrics.

2. Knit:-fabrics are made through knitting machine. T-shirts, crew& polo are the common products in knit garments

3. Sweater:- warm clothes made in knitting machines with mainly manual labour and also automatic machines now.

Ownership types:- outside EPZ, local entrepreneurs own almost 100% factories whereas inside the zone most of the factories are foreign owned. Outside EPZ, no foreign nationals are allowed to run a garment factory alone, However there are few joint venture factories at outside EPZ. According to ownership there are three types of factories,

- 100% local ownership,
- Joint venture :- where both foreign and local partners jointly invest in the same project, and lastly
- 100% foreign owned.



Graph 4.2 Factories in Different Product Types

The factories can be divided into three broad categories –

- Woven,
- Knits
- Sweater.

From a very recent publication, it was known that in Bangladesh, in the RMG sector, there are 5615 factories in total. Out of total units, 2723 are woven, which is 48% alone, 1383 knit, 629 Knit & woven together, and 880 are sweater factories. (BGMEA, 2014)

Table 4.10, Sizes of the factories

Category	Worker Range	BGMEA	BKMEA
A	1 – 500	957	452
B	501 – 1,000	542	486
C	1,001 – 2,500	434	854
D	2,501 – 5,000	139	4
E	5,001 – 100,000	39	13
Total		2,111	1,809

Source: Collected from different secondary data

Although the total number of factories are higher in Bangladesh but the sizes of the factories are smaller compared to its competing countries. Out of total 3,920 factories in operation under the two apex bodies only 52 factories have 5000 + employees (BGMEA 2014-2015).

Table 4.11 the number of EPZs, RMG units and its ownership

SI No	EPZ	Total industry	RMG unit	Units owned by Bangladeshis
1	Adamjee	61	17	3
2	Chittagong	166	47	22
3	Comilla	32	4	1
4	Dhaka	103	28	0
5	Ishwardi	28	5	2
6	Karnaphuli	53	17	5
7	Mongla	32	0	0
8	Uttara	22	5	4

Source : Collected from different secondary data

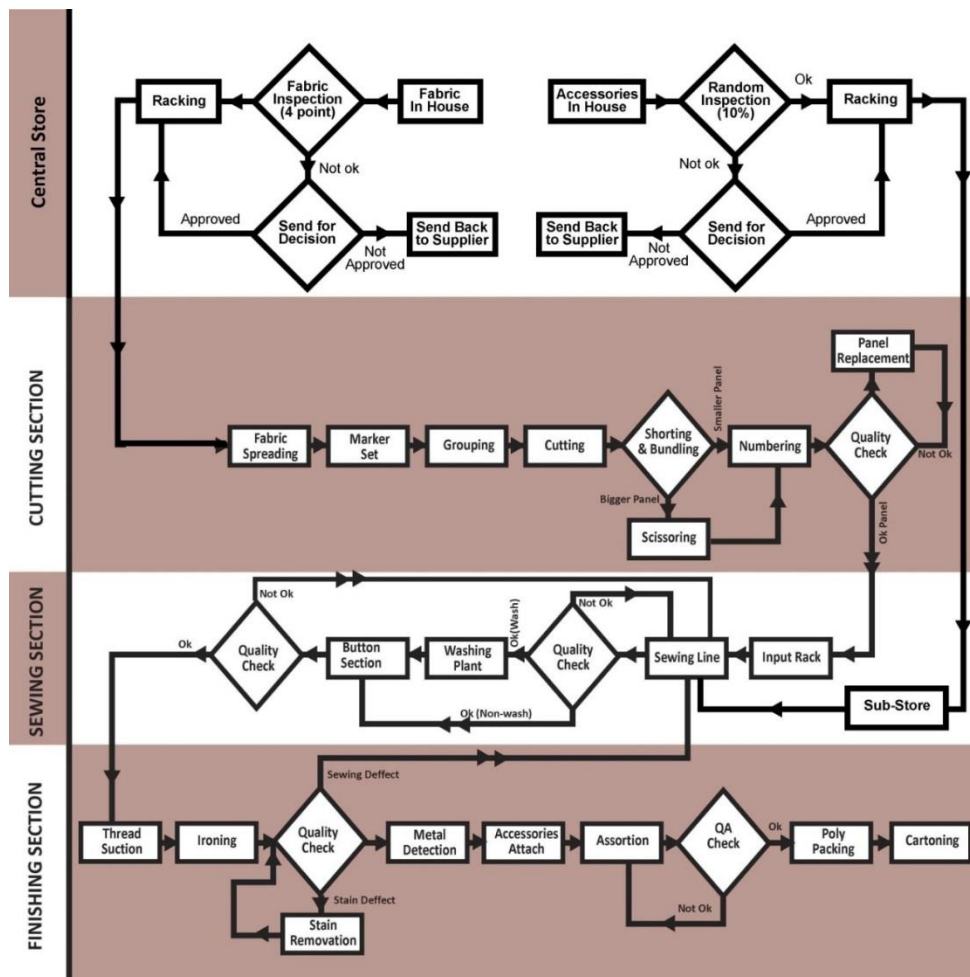
Moreover, out of total 415 factories there are 176 RMG factories in 8 Export Processing Zones (EPZ) throughout the country. Out of the total factories, around 95% of the entrepreneurs are Bangladeshi nationals and only 5% owners are foreign nationals (Hossain, Z. 2010). Till today FDI in the garment sector is confined to the EPZs only. Now local entrepreneurs have agreed with the government's movement to facilitate FDI in RMG sector outside the export processing zones on condition that, those factories will

produce fashion items for non-traditional and new markets like Russia, Brazil, China, South Africa, India, Australia and Mexico.

4.6 RMG Production Processes

The manufacturing of readymade garment is a chain process, where cutting, sewing and finishing are the key processes.

- The cutting section, due to the nature of the job, comparatively consists of a small group of people (mostly male workers)
- Whereas the sewing section, which is the largest section in RMG, is dominated by female workers, due to its light nature of work
- Finishing section male workers are in higher number in some cases and in a few cases the male female ratio is almost equal.



Graph 4.3 Production Process in RMG Factories

The work of garment industry is low tech, light and feminine friendly by nature. As a result industry, from the very inception of mass production, is characterized by predominance of female workers.

4.6.1 Subcontract Factories

Apart from those factories listed under BGMEA and BKMEA, there are a number of factories, which are not operating under these two organizations. These factories are known as sub-contract factories. According to the Department of Inspection for the Factories and Establishments (DIFE) official website the number of their listed factories is 3498 and the CBC (Customs Bond Commission rate) survey found some 2490 factories, having bond licenses in RMG sector. DIFE identified that some 800 factories are not members of any of the two bodies- BGMEA and BKMEA. The majority of these units belongs to small and medium categories and is engaged in sub-contracting for big factories.

4.6.2 Business Linkage – Backward and Forward

The RMG manufacturing business follows a global value chain. Different stages have different values where manufacturing is at lowest part. This value varies depending on the linkages, backward and forward, types.

i) Backward Linkage. Backward linkage can be defined as "the growth of an industry leads to the growth of the industries that supply inputs to it". As in the case of apparel industry, growth of the apparel industry may support the growth of the textile and accessories industries, value addition process like printing, embroidery, washing which lead to higher income for apparel manufacturers and create a greater local value chain and more employment for the host country. At the initial stage of the industry Bangladesh only did the cutting, sewing and packing activities. Everything from main raw materials like fabrics to basic accessories including sewing thread were imported, along with packaging items such as cartons, poly-bags, labels etc. Inclusion of knitwear products, supported with spinning, knitting, dyeing and finishing, in Bangladesh RMG, export basket retains more value than woven garments as most of the woven fabrics are

imported. In addition to knit garment other facilities like full package of accessories are available from local source. A strong backward linkage especially in accessories items is helping to accommodate shortening lead-time and enhancing Bangladesh's retention of the value. But in case of woven fabrics Bangladesh is mostly dependent on China and India for fabrics and other accessories.

Table 4.12, Tentative breakdown of local retention in Bangladesh woven sector

Back-to-Bank L/C for fabrics	60%	China, India, Thailand, Indonesia, Korea, Taiwan, Pakistan
Back-to-Bank L/C for Accessories	20%	Bangladesh, Hong Kong, China, Taiwan, Korea, Indonesia, India, Thailand, Pakistan
CM Charges	20%	Garments / Sewing Factory (Bangladesh)

In the succeeding years, apart from main industries, with the growth of this sector, different accessories industries like Carton, Polybag, Label, Button, Thread, Adhesive tape, Printing, Washing, Embroidery, etc. came up to add more to local share in the industry. The more sourcing from local manufacturers the more is the possibility of savings foreign currency; on the contrary, the more the dependency on import the less is the value retention in RMG manufacturing business.

ii) Forward Linkage. Forward linkage exists when the growth of an industry leads to the growth of other industries that uses manufacturer's outputs as its inputs. The final product of apparel manufacturers goes to the customers through importers, traders, commission agents etc. Bangladesh RMG is highly dependent on third parties, traders, on marketing and distribution. In the distribution chain, from manufacturers to customers, there are many parties involved. The more the party's involvement the more is the business in risk with lesser profitability. Promotions and direct marketing can minimize the risk and can create more value to the business.

4.7 Contribution of RMG Sector in Bangladesh

Before RMG sector has flourished, the manufacturing sector in Bangladesh was limited to small and cottage industries only. Over the time, with the inclusion of RMG, this sector has achieved un-parallel position in employment for the people with and

without any formal education. Immediately after the independence, in the year 1972-73, the number of total employment was 190,069 under the public sector. In the same period under the private sector the number of employment was only sixty three thousand five hundred ninety one in 1850 industries. After 40 years of independence the number of public sector industries has come down to 103 with ninety thousand total employments. On the contrary, the number of private sector industries has increased to 42,231 with the employment of forty-eight lac four thousand nine hundred and eighty. The 98% contribution of the industrial sector is from private companies. The readymade garment sector plays an important role in the economic development of Bangladesh. As the biggest foreign currency earner, this sector accounted for 81.14% of the total exports in the fiscal year 2012-2013. It made up 10% of the country's GDP that year, and if the supplementary industries are considered, that share was almost 14-15%. Two thirds of country's labour force (approximately 4 million) is engaged in this sector, of which almost 80% are women. Here, it is of worth mentioning that (with female presence in the sector different studies, government agencies, apex bodies and individual's studies, are showing different percentages and that vary from 95% to 70%) it is the biggest formal sector employer in the country and is considered the backbone of the economy. The per capita income in 1973 was \$ 110, in the year 2010 it was \$ 751, which was \$ 1044 in the year 2014. Internally the sector is providing the country with an identity of the 2nd largest apparel exporter, next to China only, in the world. Bangladesh is in top position in the achievement of Millennium Development Goal (MDG)- 2015 among the least developed countries and the contribution of RMG has been considered a prime mover in this achievement.

Table 4.12 Comparative analyses of Export value, number of Factories and Employment

Fiscal Year	Factory	Total Export (USD/ million)	Employment (Million)
2000-01	3480	4859.83	1.80
2001-02	3618	4583.75	1.80
2002-03	3760	4912.09	2.00
2003-04	3957	5686.09	2.00
2004-05	4107	6417.67	2.00

2005-06	4220	7900.80	2.20
2006-07	4490	9211.23	2.40
2007-08	4743	10699.80	2.80
2008-09	4925	12347.77	3.50
2009-10	5063	12496.72	3.60
2010-11	5150	17914.46	3.60
2011-12	5400	19089.69	4.00
2012-13	5876	21515.73	4.00
2013-14	4222	24491.88	4.00
2014-15	4296	25491.40	4.00

Source: Collected from different secondary data

In the fiscal year 2002-03 two million workers were employed in 3760 factories and export value was USD 4912.09 million. Adding 530 factories more i.e. 4296 factories employing 4 million workers, just double, earned more than five times value, USD 25491.40 in the fiscal year 2014-15. Above statistics prove that the productivity of the workers and value addition in the products made many folds growth possible in value.

Table 4.14. An estimated value addition in knit and woven garments in general

KNIT				Local Retention
Quantity				
50,000 pcs / 4166 Dz T-Shirts				
Fabric required 4166 x 2.5 kgs = 10415 kgs				
Yarn 10,415 + 9% (dying & Knitting process loss) = 11,352 kg				
Fiber 11352 kg + 28% (combed) = 14530 kg				
Value				\$ 108,697.00
				(87% of FOB)
FOB 50,000 pcs	x \$2.5	= \$ 125,000.00		\$ 67,697.00
Fabric 10415 kgs	x \$6.50	= \$ 67,697.00	54%	\$ 16,000.00
Yarn 11,352 kgs	x \$3.2	= \$ 36,326.00		\$ 25,000.00
Fiber 14,530 kgs	x \$1.76	= \$ 25,572		
Accessories & others		= \$ 32,000	26 %	
(50% local, 50% foreign)				
CM		= \$ 25,000	20 %	
WOVEN				Local Retention
50,000 pcs Mens Woven Shirts				
Value				= \$ 75,000.00
				(30% of FOB)
FOB \$ 5.00/pc		= \$ 250,000.00		
Fabrics 60% of FoB		= \$ 150,000.00		
Accessories 20% of FoB		= \$ 50,000.00		\$ 50,000.00
(50% local, 50% foreign)				+
CM 20% of FoB		= \$ 50,000.00		\$ 25,000.00

Knitwear and denim garment, especially trousers, contribute the highest in terms of local retention because of the backward linkage industry that has grown over time. In Knit garment 75% fabrics are sourced from local textiles mills. Balance 25% is from imported fabrics due to fabric variation i.e. polyester and viscose etc. This is very similar to denim fabric. In contrary, in woven tops item only 10% fabrics are available from local mills. In both cases only 25% accessories are imported.

Table 4.15, Export Share by Products

Year	Product	Export	Share in Total Export %
2013-14	RMG	24491.88	81.14
	Jute Goods	824.49	2.73
	Frozen Food	638.19	2.11
	Agro-products	615.08	2.04
	Leather	505.54	1.67
	Raw Jute	126.39	0.42
	Chemical Product	93.18	0.31
	Tea	3.71	0.01
	Others	2888.16	9.57
	Grand Total	30186.62	100

Source : BGMEA, 2014

The RMG sector has a profound positive impact on poverty and income of the poor, which has been reflecting in the growth of employment in the industry. Out of total employment, around 4.5 million workers, more than 80% is female. The girls and the women once had the choice of non- formal agricultural field or as maid in the rich man's houses are now having employment in the formal sector. Both employment and empowerment change the long heritage of power structure of the society.

Table 4.16: - Social Impact of Employment

RMG – Social Contribution	Employment	41 Lac
	Women Empowerment	91%
	Savings	17.6%
	Bank A/C	69%
	Child Labour	Prohibited
	Poverty Elevation	12.5%
	Population Control	Awareness

Source – BKMEA, 2014

4.7.1 Women Empowerment and Population Control.

There are around 41 lac people employed in the RMG sector. Of them eighty five percent is female with the age group between 18 – 25 years. Unmarried girls are becoming self- reliant; additionally they are helping their families. When women participate in income generating activities, they automatically make a position for them in

the family. Other members of the family value their decisions. They enjoy a better status and freedom than the unemployed ones and an equitable access to all family affairs. So the females are empowered, having an employment, and can participate in the decision making process in their families. Presently Bangladesh holds 7th position in the world in women empowerment. The RMG sector has given them a formal platform to be self-reliant and freedom of participation.

Table 4.17 Women participation in work among SAARC countries

Country	Number of Worker	% Women
Bangladesh	14,00,000	90
Sri-Lanka	312,00	81
India	53,00,000	38
Nepal	52,000	18
Pakistan	912,000	15

Source: BKMEA, 2014

Bangladesh has achieved tremendous success to control its population growth even in absence or inadequate support from the government. Employment opportunities especially for women created positive impact on family planning and population control in the country. Independent working women are becoming more conscious about the advantage of a small family, and have access to the knowledge of modern family planning methods.

4.7.2 Poverty Alleviation and Savings

In 2000, around 39% of total population was under poverty line which has been reduced to 26% in 2014. The contribution of RMG sector is pivotal to eradication of the rate of extreme poverty of Bangladesh. This target was achieved two years earlier than that of MDG – 2015.

Table 4.18 Poverty Elevation and Savings

Poverty Elevation		Savings	
Year	% Poverty	Year	% Bank account
2000	39	2000	26
2005	35	2005	32
2010	31	2010	47
2014	26	2014	69

Source: BKMEA, (2014)

According to a study conducted by BKMEA research Centre, 17.6% working women save from their earned money. About 69% female workers maintain their bank account. RMG sector has been encouraging to bring their workers under mobile banking to formal banking system. Thus they can practice saving from their earnings. So, a job that ensures regular and timely wage enables a large number of the garment workers to go for some savings. If a worker saves Tk 100.00 per month then it will be Tk 450 million against 4.5 million workers.

4.7.3 Development of Privately Owned Bank and Insurance Companies.

In order to turn the industrial sector into a major instrument of economic growth, the new industrial policy has made a long list of thrust sector industries. To support the private enterprises especially readymade garment industry banking sector achieved significant expansion during the '80s. Scheduled Banks, Non-scheduled Banks and Insurance companies were developed as thrust sector industries. The number of thrust sector industries in the new Policy was 30 (this number is now 33 in the industrial policy of 2005) to turn the industrial sector into a major instrument of economic growth. More than 56 private commercial banks and 77 insurance companies are operating in the country.

4.7.4 Growth of Associated Industries/Sectors.

Growth of RMG sector has opened up many other sectors with the direct link to RMG export like textiles - spinning, weaving/knitting, dyeing, washing, printing, embroidery, packaging etc. Simultaneously many service sectors have developed over time in support of RMG like banking, insurance, shipping, and freight forwarding hotel

and tourism, transport, Information Technology etc. Every sub-sector has its own trade association and is identified as a separate industry. Apart from above subsectors Banking, Financial Institution, Hotel & Tourism etc. are highly dependent on RMG.

4.8 Different Clusters of RMG Industry in Bangladesh

The readymade garment sector of Bangladesh did not emerge in a planned way. Considering its contribution, especially on employment generation, no regulation was in place to prohibit the growth of factories in the residential or commercial shared buildings. Rather the factories were set up at different areas, regardless of its usage as commercial or residential, at owners' wish and will. In the First phase, (before 2000) factories mostly were in operation in the residential or commercial buildings not purposely built for RMG factories. Considering their locations the RMG factories can be categorized into three phases. Chittagong and Dhaka city can be identified as first phase cluster, while Ashulia, Gazipur are in second phase cluster and Hemayetpur, Savar, Bhaluka can be considered as third phase cluster.

i. First Phase Cluster:

From the analyses of the history of RMG it has been found that the evolution of cluster based garments industry came into reality with the emergence of Desh Garments Ltd as the first export oriented garments in Kalurghat industrial area in Chittagong. After that Azim Mannan garments, KDS and Youngones were established in Chittagong. Youngones was first established in the Chittagong town later shifted to Chittagong EPZ .

On the other side, in Dhaka, there were some factories already in operation for local market (more like large tailor houses) started converting to export oriented garment factories. Reaz garments, Paris garments, Jewel garments and Ashraf garments are such examples of this kind. These factories were located at Urdu road, old town, AwladHossain market Farmgate, Mohakhali. Apart from those small and converted factories a number of new factories were established in Dhaka as export oriented garments. Aristocrat in New Elephant road Dhaka was the first export oriented garments and Mirpur became an important part of the first phase with Bond garments pioneering

the cluster; apart from Bond, Saleha garments, and Sonali garments were established at Mirpur, Dhaka. During the same time some more garments were established at Rampura, Malibagh, Mohakhali, Banani, Chairmanbari, Tejgaon making up the first phase cluster in Dhaka.

ii. Second Phase Cluster:

The second phase cluster was located in Ashulia, Savar and Gazipur area.

iii. Third Phase Cluster:

Hemayetpur in Savar and Bhaluka in Mymensingh made up the third phase cluster.

In the time when the first phase cluster was flourishing, there was no regulation on building safety and no restriction to set up industrial units in residential areas. Moreover buildings made for residential purposes were given permission to run factories in.

The scenario changed during the time of creation of second and third phase industrial clusters. Where first phase owners, in most of the cases, shifted and expanded their factories into purposely made building and thus creating second and third phase clusters. But in many cases they did not follow the building code as a result the sector has experienced disasters like Spectrum Sweater and Rana Plaza collapse.



Graph 4.4 RMG Clusters in Bangladesh Map

Source: Google Map

4.9 Ashulia Industrial Area

During the British Empire, from the mid-19th century, Dundee, and port city of Scotland was the main center of jute trading with the United States, Europe and other countries. Bangladesh was the main source of the raw jute. Many jute mills were set up in Narayangonj, main river port of the country, popularly known as the Dundee of the East, due to presence of huge number of jute mills. In the 21st century, Bangladesh earned the status of second largest supplier of the global apparel market. Now Ashulia, a suburban area at the north of Dhaka, Capital of Bangladesh, has become the RMG industrial hub, as that particular area alone contributes around 30% of total export. Ashulia is the name of a village, a union and a Thana (the area covered under a specific police station), under Savar Upazia, Dhaka district. Savar Upazila is divided into to 2 thanas, one is Savar Main and other is Ashulia, with five unions, smallest councils of local government - they are

1. Ashulia.
2. Yearpur,
3. Dhamsana,
4. Pathalia,
5. Shimulia

Once an attractive and popular tourist spot, because of Ashulia lake and vast fields, has been occupied by two largest theme parks of Bangladesh- Fantasy Kingdom and Nandan Park alongside hundreds of RMG and associated factories. Industrial smoke and waste-water are now polluting green views and sources of natural water. It is mainly because of the RMG factories that contributed in this kind of transformation of Ashulia and gave it a new look and identity. During the period of President H.M. Ershad in the year 1988 Dhaka Export Processing zone (DEPZ) got the approval, under Bangladesh Export Processing Zones Authority Act, 1980.

In the same year, country experienced a devastating flood. After flood, one road was constructed at the west side of Dhaka starting from Tongi to old town, to protect Dhaka city from flood water, which is known as ring (Beribadh) road. That time one had

to cross a long route via Savar and Nabinagar to reach the place of proposed DEPZ. To avoid that long and cumbersome communication a shortcut road was built to connect Dhaka Airport and Dhaka EPZ, which is known as Ashulia connecting road, especially considering convenience for the foreign investors. The then President opened the 23 km road construction work from Kamarpara to Ashulia, on the day before his resignation in 1990. In 1997, the road was completed. In 1998 again flood-water inundated many of the places of Dhaka city and most of the garment factories including workers residences, shanties went under water. Ashulia was one of the places where flood-water did not reach due to high land. As the place was adjacent to EPZ, pipeline for natural gas was available in Ashulia, which is most the important source of power for industry. All large RMG groups like Hamim, Starlink, Envoy, Nasa, Islam, etc purchased land and a section of local people helped the industrialist purchasing land considering development and employment possibilities in that area. The price of the land was cheap compared to that in Tongi, another closest industrial area opposite EPZ.

The labour-intensive industry was booming into two highly densely populated areas – Dhaka, especially in the areas now known as old town, and Chittagong. The government allowed this centralization during the period of decentralization of administration introducing the Upazila system in 1982. Initially RMG factories were set up in old town of Dhaka, Elephant Road, Awlad Hossain Shopping Mall, and Mohakhali. Bond garments shifted their first factory from Jhikatola to Mirpur in a building purposely made for this business and Mirpur subsequently became a popular place for the garment makers. During 1990s when knit products joined the export basket, Narayangonj once again got popularity as knit garment manufacturing. Initially the factories were housed in buildings for residential purposes in residential areas. Moreover, some multistoried buildings were used for multi-purposes - residential, commercial and industrial. Till the point further value addition processes were added with cutting and sewing, RMG factory in a residential area did not face any challenge. Within a decade the concept of “composite” came into reality in knit sector where knitting and dyeing processes were added before cutting and sewing and garment “Wash” became a common requirement from the buyers. By the time many of the entrepreneurs accumulated capital to buy land

to construct own building to expand the production capacity- vertically and horizontally. It was also needed to open facility for free the flow of waste-water. During the flood in 1998 most of the areas of Dhaka city were under water. Most of the big companies have their units at Ashulia. Now Ashulia alone contributes 30% of country's total RMG export from its 300plus factories.

The area was chosen for RMG factories by individual initiatives. The area was developed as an industrial hub without plan. Necessary utilities including, sufficient number of roads, drainage and waste management system in the area are highly absent. Along with garment factories many real estate companies developed their project in that area. Almost every piece of vacant land is owned either by a garment owner or real estate developer. Ashulia is now high-density area where around 3 million workers with different facilities/benefits are living. The workers movements on wage hike in 2006, 2010 and 2013 started from Ashulia.

All the major accidents like, Spectra, first RMG factory building collapse in 2005, and fire in Tazreen fashion in 2012 in between, and many other disasters including fire in Hameem group started from Ashulia.

4.10 Conclusion

Once termed as a “bottomless basket”, Bangladesh is now being mentioned as an emerging economy of the South Asia, next Asian tiger etc. Now our bureaucrats negotiate in WTO (World Trade Organization) forum where they talk about trade not for aid. Bangladesh is at the top position in the achievement of the Millennium Development Goal (MDG) -2015 declared by the United Nations (UN) for the Least Developed Countries (LDC). The contribution from industrial sector to Gross Domestic Products (GDP) is following an upward trend if compared against the agricultural sector. Now Bangladesh is recognized as an exporting country, next to China. Countries \$ 24.00 billion industry (81.13% of total \$ 30.00 billion export, FY 2013-14) employs 4.6 million workforces directly; of them 80% are women. The sector contributes 16% of the GDP. And this revolutionary change was possible mainly for the Readymade Garment (RMG)

industry. The country has improved its position from low-income category to lower-middle income category with the Gross National Income per capita (GNI) \$1,314. To bring Bangladesh from a foreign aid granted country to a country that dreams of being in the MIC, the RMG sector played a vital role. It has been defamed for several reasons though still the contribution of RMG sector in the growing economy of Bangladesh is inevitable.

However, there is still a great need for strong social compliance in RMG, which can ensure better working environment, and therefore better business. In the global share Bangladesh has been able to contribute to only 5% of its capacity till now whilst we have 95% potential left to be utilized in the global market. We are holding the 2nd position only with our 5% potential which can be upgraded easily. China has exported \$138 billion in 2013 while the same year our export has been only \$24 billion. To utilize this rest of the 95% potential we have in our textile industry the proper implementation of social compliance is definitely going to help us. If we can implement it we can create more employment helping the government to fulfill its target of going to a MIC country from LDC. This employment generation will also help the youth of the country from going derailed and being involved in extremist activities. Making the RMG sector socially compliant and a great source of employment it's also important to implement the social compliance along with considering the environmental impact for this will give us a sustainable growth.

Bangladesh is no exception for not practicing the social compliance since this is becoming a major issue for sustainable business and business growth along with brand value and country image. So it is equally important to study the present condition and evolution of social compliance in Bangladesh. The next chapter will give a scenario of the present practices of compliance we have in the RMG sector and how it came to its present status.

Chapter V

Social Compliance in Bangladesh RMG Sector and Its Existing Practices

5.1 Introduction

In its long journey, RMG sector in Bangladesh has been making its way through various challenges on compliance issues. The sector has been maintaining a steady growth rate. The industry has ensured the highest job opportunity especially for the least privileged women of the country. It has been maintaining number one position as a foreign currency earner for years which eventually is helping the country's social development, women empowerment, and poverty alleviation. Bangladesh has emerged with the image of an exporting nation and has overcome the situation from being a bottomless basket case²¹. With all these achievements the sector is still blamed, nationally and internationally, for failing to ensure workplace safety and workers' rights.

The intensity of violation of rules and its consequences that Bangladesh RMG sector has experienced did not happen in any other country of the world and have surpassed all the previous records. Although the sector has achieved great success in terms of business growth, the issues of social compliance were not properly addressed. The incidents in different times have given the sector an identity of sweatshop RMG sourcing country, though there are many factories with international standards.

The focus of this chapter is to identify the factors acting behind social compliance, its legal framework, institutional arrangements i.e. governance of social compliance in Bangladesh. The existing practices of social compliance in RMG industry, the related laws, its implementation and roles and responsibilities of the Ministry of Labour and Employment, the roles of the apex bodies and the buyers are discussed in detail in this chapter.

²¹Henry A. Kissinger, 56th Secretary of State USA, from September 22, 1973, to January 20, 1977 in the administrations of Presidents Richard Nixon, 1969 to 1974, and Gerald Ford, 1974 to 1977, made this comments in 1974 on his short visit to Dhaka

5.2 Major Factors Acting behind Social Compliance Initiative

There is no doubt about the sector's contribution in terms of foreign currency earnings and employment generation. The governments of different political regimes were very concerned about the export growth and employment generation. But the proper attention on employees mostly was absent from the very beginning. The governments and the buyers imposed no visible and effective monitoring system. The prime objective of the governments was to alleviate extreme poverty through employment generation.

The following can be identified as the major factors working behind the social compliance in Bangladesh.

5.2.1 Number of Severe Accidents

When the industry had already got a big shape in size, factory building collapses or fire were ongoing in regular intervals. Many workers, especially females, lost their lives due to unsecured and unhealthy working conditions. Apart from the fire incidents, workers became violent at times on the issues of minimum and regular wages. Descriptions of accidents are mentioned in the table.

Table 5.1 Accidents in RMG Sector in Different Times in Bangladesh

Date	Factory	Cause	Casualties
September 27, 1990	Saraka Garments Ltd, Mirpur	Fire	32 workers died including one management person in stampede, wounded not known
1996 (n.d.)	Lusaka Garments	Fire	2 died, wounded not known
1997 (n.d.)	Rahman & Rahman Apparels	Fire	22 died, wounded not known
	Tamanna Garments	Fire	27 died, wounded not known
	Nouvelle Garments, Florence Fabrics & Modern Garments	Fire	5 died, 50 wounded
2000 (n.d.)	Sagar Chowdury Knitwear, Norshingdi	Fire	53 died, 150 wounded
2001 (n.d.)	Maico Sweaters	Fire	24 died, wounded not known
2002 (n.d.)	Globe Knitting	Fire	12 died, wounded not known
2004 (n.d.)	Misco Supermarket	Fire	9 died, wounded not known

	building		
April 11, 2005	Spectrum Sweater, Ashulia	Building Collapses	64 workers died 74 were critically injured.
Jan, 2005 (n.d.)	Shan Knitting	Fire	23 died, wounded not known
February 23,2006	KTS Textile, Chittagong	Fire	61 workers lost their lives and more than 100 workers were wounded.
February 25, 2006	Phoenix Garments at Tejgaon, Dhaka	Building Collapses	22 were killed and 50 workers were injured.
2006 (n.d.)	Jamuna Spinning Mill	Fire	6 died, 6 wounded
February 25, 2006	Imam Group, Dhaka	Fire	57 workers seriously injured
March 06, 2006	Shayham Fashions, Dhaka	Fire	3 workers died and 50 were injured.
March 10, 2010	Garib & Garib Sweater	Fire	21 died and 50 were injured.
December 14, 2010,	Hakeem Group, Ashulia	Rumor, Fire	22 died, more than 400 injured.
2011 (n.d.)	Eurotex	Fire	2 died, 62 wounded
November 24, 2012	Tazreen Fashions,Ahsulia	Fire	124 workers and 200 + dangerously wounded
December 01,2012	Smart Fashions,	Fire	7 workers died, 35 wounded
April 24, 2013	Rana Plaza	Building Collapses	1,150 died, 2000 + wounded.
May 09, 2013	Tung Hai Sweater	Fire	8 died including owner, no worker died or wounded
Oct. 09, 2013	Aswad Composite	Fire	10 died, 15 wounded

Sources: RISE Society, 2015.

There were 22 severe accidents recorded since 1990 to 2013. The cause of the accidents was mainly fire. Absence of fire protection measures and lack of management system have killed 1710 lives with many wounded (RISE Society, 2015).

5.2.2 Abundance of Child Labour

Child labour with discriminatory packages was available. In the year 1993, RMG had already reached at a \$ 1.4 billion industry, which was more than the foreign aid of that time. There were around 750,000 workforces in 1500 factories. Around 10 percent of total workforce was under legal minimum age i.e. below 14. Of them 70%

of total under aged workers were girls. In the year 1993 an American television newsmagazine "NBC Dateline" broadcasted a story of a young Bangladeshi child who was working in a RMG factory making garments for Wal-Mart stores (ILO, 2004). That story put pressure on Wal-Mart to cancel its business with Bangladeshi manufacturers and conveyed a clear message to other buyers, who had similar businesses with Bangladesh.

5.2.3 Acute Violation of Workers Rights

The workers were not fairly treated in terms of financial and non-financial packages, as remittance attracts more than the foreign remittance earners. In most cases, even the basic aspects of human rights were not addressed.

The industry has experienced devastated and repeated fire accidents, gross violation of workers rights, massive labour unrest on wage and workplace safety etc. There was no restriction on workers age, no control in working hours. Sexual harassment, deduction of workers hard earned overtime (OT) payments were common practices. Moreover, marking the workers absent even for five minutes late arrival as a measure of punishment was practiced almost everywhere. It was widely believed that the female workers, the lifeline of the industry, could hardly maintain their dignity and honor in most of the work places.

5.2.4 Revolution of Information Technology

Globalization opened up the opportunities of RMG production relocation from developed to developing countries to cope with the uprising wages of the labour. Multinational Enterprises (MNEs) started sub-contracting the mass consumed product like RMG from developing and least developed countries to get the competitive advantage on production cost. This low wage priority did not get the attention of basic labour rights, welfare, working environment etc. resulting in harsh criticism from the labour rights group, civil society and consumers. Revolution of information technology during 1990's has made available the access of information worldwide. Now consumers

have the access to information wherever, whenever and whatever happens at the bottoms of the supply chain.

When the wave of information technology (website, internet and social media) got momentum during the 90's, this fact finding technology turned to a big threat to business. Knowing the fact that happened at the production process consumers started boycotting the products that was produced in a condition, which was hostile to the workers. Availability of child labour in RMG production process attracted the buyers' attention first due to consumers' threat of boycotting the products.

5.3 Social Compliance Initiatives in Bangladesh RMG Sector

Severe accidents, involvement of child labour and acute violation of workers' rights created an objective situation for social compliance initiatives in Bangladesh RMG sector. Access to information on account of information revolution there was nothing to hide about the working conditions and workers' rights. To eliminate unethical business behavior pressures from consumers, human rights groups, and several international organizations like International Labour Organization (ILO) are high.

5.3.1 Child Labour Elimination Program

In Bangladesh the initiative of Social Compliance begun with a tri-party Memorandum of Understanding (MoU) on elimination of child labour from the sector. Signing this MOU is considered as the first initiative on Social Compliance.

Democrat senator Tom Harkin first proposed a bill in the US congress in 1992 (commonly known as Harkin's bill) to prohibit the import of products that have been produced abroad with child labour. The Department of Labour's Bureau of International Labour Affairs (ILAB) established a special unit in 1993 for research and published a report on the use of child labour worldwide. BGMEA announced a self-declared deadline to make the industry free from child labour by 31 October 1994. In July 4, 1995, a tri-party Memorandum of Understanding (MoU) was signed among BGMEA, ILO AND UNICEP endorsed by Government of Bangladesh and US embassy was an observer to

dismiss and rehabilitate those under-aged workers with basic and technical education and stipend. UNICEF took the lead of education while ILO got engaged in monitoring and verification, which was fully functioning by late 1996 (Brooks, E. 2007). Almost 50% of the total business was from US market. Single country dependency compelled BGMEA, following the Harkin's bill, to initiate child removal program from the workplaces in conformity to Bangladesh factory act 1965, which has declared that any employment under 14 is illegal (ILO, 2004).

a) Monitoring for a Sustainable Program

From December 1996, twelve four-member (2 from ILO, 1 from BGMEA and 1 from government) monitoring teams were in operation. According to BGMEA around 2400 – 2500 factories were running during that period. Depending on the scale of violations factories were graded as A, B, C. The grade A represented the factories with no child labour. The second MoU was signed in July 2000 focusing on sustainability and to develop long-term response to the problem of child labour monitoring in the garment industry.

The monitoring and verification team inspected “A” graded factories in every 6 months interval, B graded factories in every 2 months and it was every month for C graded factories. Any factory had three consecutive clear inspections, it was moved to a higher grade. Over the period, steady increases in factories in grade A were found. In 1997, 42% factories turned into graded A, it was 89% in 2001 and by 2003 it was 92%. It was clearly acknowledged that the monitoring and verification system had been effective in removing and preventing child labour from the garment factories (ILO, 2006).

b) Impact of the Elimination Program

From initial survey, 32000 children below 14 were removed from the factories and were given skill development training²². UCEP²³, Singer Bangladesh²⁴ and H & M²⁵

²² Md. Motaher Hossain, Lead auditor, SA8000, WRAP, ISO 9001, Master Trainer (GIZ/ILO/GAT)

²³ Underprivileged Children's Educational Programs

²⁴ Singer Corporation is an American manufacturer of sewing machines, first established as I. M. Singer & Co. in 1851 by Isaac Merritt Singer, New York, USA

provided technical support and training while BRAC (Bangladesh Rural Advancement Committee), the largest development organization in the world and GSS (Gono Shahajjo Sangstha) provided them with informal education. Every child was getting BDT 300/month as stipend with free education materials. Social Investment Bank Ltd (SIBL) which is now known as Social Islami Bank Ltd had been disbursing the money among those children. This project continued till 1999.

There was another program named “Earn and Learn” for the boys who were between the age of 15 – 17 years. Around 15000 adolescent workers were engaged in both school and job. They used to study in schools up to 12:00 noon and then join their jobs in factories.

5.3.2 Initiatives by ILO, Dhaka

From October 1999, ILO Dhaka office started working on core components of social compliance like child labour, forced labour, discrimination, working hour, wages, freedom of association, management system with garment factories under the project “Improving labour standard for the RMG industries of Bangladesh”. To assess the labour and factory conditions ILO developed a checklist with 146 questions. Among 2963 factories only 550 factories voluntarily joined the ILO project. Later the number of the factories rose up to 1000. This project continued till February 2006. It was learnt that BGMEA did not extend necessary cooperation paying its portion of fund timely and fully and encouraging its member to participate in the program. To implement the project, in 1999 ILO recruited a 28- member team along with four as support staffs and provided extensive training program for one year.

i) Training for the Top Management

In the year 2001, ILO initiated a training program at BET center, Dhanmondi, Dhaka for the top management, starting with General Manager to Director, Managing Director

²⁵ Hennes & Mauritz AB (H&M) is a Swedish multinational retail-clothing company, known for its fast-fashion clothing. It is ranked the second largest global clothing retailer, just behind Spain-based [Inditex](#) and leads over United States based Gap Inc third largest global clothing retailer

and Chairman. After continuing only 4 batches ILO had to stop the initiative due to non-co-operation from the factory owners.

ii) Training for the Mid-Level Management

To build the management capacity ILO designed a training program for Officer's to General Manager in 2001, which continued till 2005. ILO officials trained the factory management on how to write Corrective Action Plan (CAP),

How to make appointment letter, Identity (ID) card and company policy etc. At that time no empowered department existed to look after employee related issues.

Apart from factory management training, ILO had exchanged opinions regularly with the brands in operation in Bangladesh. That initiative was started since 2002.

5.3.3 MOU among the Workers, Owners and Government

The signing of MOU on 12 June 2006 among the government, workers and factory owners was the first achievement of workers movement following the labour unrest on wage hike. The state minister for labour and employment, seven leaders of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) and 17 leaders of different labour organizations signed the memorandum. The points of understanding include;

Table 5.2 The signing of 10-point Memorandum of Understanding (MOU), 2006

Sl no	Issues
1.	Regret the damage of property and reach a consensus on immediate end to unrest.
2.	Withdraw the cases filed against the workers at Gazipur, Ashulia and Savar and release the arrested workers.
3.	No workers to be terminated.
4.	Reopen closed factories immediately.
5.	All workers to be given appointment letter and identity card.
6.	No obstruction in fair trade unionism and combined bargaining.
7.	One-day weekly holiday to be given and other holidays as mentioned in the existing labour law ensured.

8.	Overtime remuneration to the workers enjoying regular salary to be provided as per the labour law.
9.	Maternity leave to be given with pay as per the labour law.
10.	Minimum wage board to be formed to fix wages.

Source: The Daily Star, 2006

It was decided to declare and implement the minimum wage structure for the garment workers within three months of the formation of the wage board while the other terms of the MOU would be implemented within not more than one month's time.

5.3.4 Declaration of Minimum Wage

At regular intervals workers of RMG are being focused on spotlight of international media because of their unruly agitation to materialize very logical demand – wage adjustment and enhancement. In 1994, the industry already had reached at \$ 1.5 billion export and drew national and international attention due to workers unrest on different issues mainly on wage. After 11 years of establishment of BGMEA, the first minimum wage board was constituted in 1994 and a minimum wage of BDT 940 per month for garment workers was fixed.

To address the criticism from different sections of people at home and abroad, after 3 years of its first declaration the government re-fixed the minimum wage as BDT 1550.00 per month in 1997. The owners of the factories did not accept the government proposal, rather they demanded for the establishment of a minimum wage board.

In July 2001, the government declared a minimum wage structure for the private sector workers fixing BDT 1350 as the minimum monthly salary; again the employers rejected the proposal of the Government. A member of the association moved to the High Court and the High Court declared the government order illegal on technical grounds. (Kamal, Billah & Hossain, 2010,p.4).

It took another 12 years to declare the second minimum wage board, which was formed in 2006, after workers had to raise their voice and slow down the same agitation and demonstration to revise their wages.

Table 5.3. Minimum Wages in Different periods

Year	Minimum wage (BDT)	Grade	Remarks
1985	627.00	Unskilled	
1994	930.00	7	Basic x 30% HR + MA BDT 150
1997	1550.00	7	Not accepted by the owners
2001	1200.00	7	High court declared illegal
2006	1662.50	7	Basic x 30% HR + MA BDT 200
2010	3000.00	7	Basic x 40% HR + MA BDT 200
2013	5300.00	7	Basic x 40% HR + MA 250 TA 200 FA 600

(HR = House Rent, MA= Medical Allowance, FA = Food Allowance)

Source : Gazettes on Minimum Wage Government of Bangladesh

After establishment of the Minimum Wages Board it recommended or re-recommended minimum wages of the 42 industrial sectors. In Bangladesh different sectors have different wage levels according to the nature of job. On the contrary Bangladesh Export Processing Zone Authority (BEPZA) declares the same for the industries inside Export Processing Zones (EPZ).

Table 5.4 Different Phases of Social Compliance in Bangladesh RMG Sector

Phase	Over all Scenario	Period and Main focused Issues
Pre RMG scenario	Factory compliance was not in consideration	Before 1978
First wave	Self-Regulated social compliance by Desh Garments Ltd. which was established following all the legal requirements along with living wage etc. Some educated entrepreneurs took voluntary initiative with modern and scientific approach to human resources.	1979 Well planned and a unique example of self-regulated compliance
Emergence of RMG & Growth stage	Export Processing Zones (EPZ) was established, BGMEA was formed, imposed quota system. Child labour was employed without any restriction and female workers were facing hurdles. Sector experienced fatal fire accident in 1990 at Saraka Garments Ltd, Mirpur, 32 workers died including one of the owners and director.	1980 – 1990 Child labour elimination
Mushrooming	Sector experienced numbers of fire accidents and workers lost their lives. Restriction came on child labour recruitment. Minimum wage	1990 – 2000 Child labour

	was declared in 1994. Role of the buyers and government on compliance was not visible. ILO, Dhaka provided training on compliance issue. Child labour, Forced labour, Long working hours, Vulnerable situation of female workers No minimum wage, No regular wage	elimination and Minimum wage
Maturity stage & Diversification	Massive workers unrest on wage and safety issue, revisions of minimum wage, Bangladesh labour law -2006 was passed, The role of the buyers and apex bodies, BGMEA/BKMEA, on compliance was routine, concentrated mainly conducting audit and training, in contrary government had only passive role.	2001 – 2010 Minimum wage, Fire safety and working conditions
Paradigm shift	Emergence of Accord, Alliance, Pact. Compliance encompasses electric and building safety. Both buyers and government started turning themselves in active role on compliance issue. Entrepreneurs turned their factories into green certified LEED	2010 to 2015 Minimum wage, Fire safety, building integrity, Environment issues, trade unions, human trafficking

Social compliance is a dynamic concept. The term social compliance started its journey in Bangladesh RMG sector with elimination of child labour. After Tazreen fashions and Rana plaza disasters the focus turned on fire safety and building integrity. When people started migration illegally from the poor countries like Bangladesh to the developing countries - Malaysia, Indonesia, Thailand, the new area “human trafficking” was added in social compliance requirement.

5.4 Legal Framework of Social Compliance at Work Place

The legal framework includes laws, public policies, duties and authorities of government agencies and regulatory bodies etc. The major difference between Corporate Social Responsibility (CSR) and Social compliance lies within its legal obligation. Social compliance is a legal obligation for the business; on the contrary, CSR is a voluntary initiative of the company. Every industry has to maintain some legal procedures endorsed by the laws of the land. As an export oriented industry, RMG, has to go through some legal procedures which differentiate the sector from others. The legal framework of social

compliance includes: a) Constitutional guarantee b) International commitment c) Statutory obligation d) Buyers CoC e) Third party standards.

5.4.1 Constitutional Guarantees

The constitution of the People's Republic of Bangladesh, the highest law of the state, is the best safeguard to ensure and protect human rights. The Constitution of the People's Republic of Bangladesh was adopted by the parliament on 4th November, 1972 (the day is observed as the constitution day) and it was effective from December 16, 1972 on the first anniversary of the "victory day" of Bangladesh. The constitution is to protect and respect human rights. Bangladeshi citizens have 23 fundamental rights under the Constitution of Bangladesh, Part 3, and Articles 26 to 47A (GOB, 1972). Equality before law, no discrimination on grounds of religion etc. along with prohibition of forced labour, freedom of association are the others fundamental rights.

5.4.2 ILO Conventions Ratified by Bangladesh

Ratifying ILO core conventions and adopting UN's universal human rights declaration Bangladesh has affirmed its international commitment towards workers safety and rights. Bangladesh has been a member country of International Labour Organization since 22 June 1972 and has ratified 34 ILO Conventions including seven fundamentals in three different categories (Dina I. J. 2015) :-

- 7 fundamental conventions out of 8,
- 2 governance conventions out of 4,
- 25 technical conventions out of 177

The government plans to ratify ILO Convention 138 on minimum age that will bar children below the age 15 of years from employment in any economic sector.

Out of eight fundamental conventions of International Labour Organization (ILO) Bangladesh has ratified 6 till 2000. The ratified conventions were on -forced labour, freedom of association, right to organize and collective bargaining, equal remuneration, discrimination. In the year 2001 Bangladesh ratified one more fundamental convention

i.e. worst form of child labour. Bangladesh also ratified UN convention on the rights of children.

Table 5.5. Eight Fundamental Conventions of ILO

Sl #	Convention No and Year	Convention on	Ratification by Bangladesh
1	C029, 1930	Forced Labour	June 22, 1972
2	C105, 1957	Abolition of Forced Labour Convention	June 22, 1972
3	C087, 1948	Freedom of Association and Protection of the Right to Organize	June 22, 1972
4	C098, 1949	Right to Organize and Collective Bargaining Convention	June 22, 1972
5	C111, 1958	Discrimination (Employment and Occupation)	June 22, 1972
6	C100, 1951	Equal Remuneration	Jan 28, 1998
7	C182, 1999	Worst Forms of Child Labour	Mar 12, 2001

In eight (Convention 138, Minimum Age not yet ratified) fundamental conventions, there are four main areas, they are -

- I. Freedom of association and the effective recognition of the right to collective bargaining;
- II. The elimination of all forms of forced or compulsory labour;
- III. The effective abolition of child labour and
- IV. The elimination of discrimination in respect of employment and occupation.

Under the legal framework, the scope of the present study is on these four core standards and fundamental principles of ILO. Apart From ILO Conventions, in the year 1948, the United Nation declares a set of 30 common standards on Human Rights, applicable universally for all the people of its member states.

5.4.3 Third Parties Standards on Social Compliance

As a single largest importing country, USA initiated child labour elimination from manufacturing process through Harkins bill in 1992 and formulated guidelines for the buyers and importers through Apparel Industry Partnership's Agreement in 1996. As a result, apart from international commitments and national statutory framework there are

social compliance standards formulated by different non-governmental, international organizations commonly known as third parties.

These standards are also derived from ILO conventions, UN’s Universal Declaration on human rights, international best practices. In real field the social compliance standards are measured based on those third party standards. On behalf of the buyers, under the membership of their platforms, this third party conducts the social compliance audits and issues the certificates or approvals for production of their member buyers. There are different accepted audit standards by different brands. They are –

Table.5.6. Common third party standards

Standard	Year
SA8000 - Social Accountability International (SAI)	1997
Worldwide Responsible Accredited Production (WRAP)	2000
The Business Social Compliance Initiative (BSCI)	2003

Only WRAP and SA8000 certify the factories, whereas FLA certifies brands, not factories. Over the period these standards have upgraded its codes in response to global and country specific crisis. It can be mentioned that, building and electrical safety was not even on buyers’ checklist until Tazreen fashions fire and Rana Plaza collapse.

5.4.4 Buyers Codes of Conduct (CoC)

Beyond international organizations, national laws or third party standards, every buyer has their own codes of conduct based on organizational Corporate Social Responsibility (CSR) policies and commitments towards humanities, societies most importantly for their customers.

The buyers CoCs cover social, technical, security and environmental aspects; hence, for audits against buyers CoCs, suppliers usually face the audits in all the areas. Most buyers outsource third party auditors such as international inspection and testing agencies like Société Générale de Surveillance (SGS), International Talent Support (ITS), Bureau Veritas (BV) etc. Most of the big companies have branch offices in their sourcing

countries and with their own auditors directly audit their suppliers. The auditing modalities vary from buyer to buyer.

5.4.5 Demand for Legal Reforms and role of the Governments

A consolidated and unified version of labour laws was a crying need to protect the workers' rights and to ensure safe working condition of this huge sector. During 90's the employees and trade union federations placed a demand to the government to simplify labour laws to make a comprehensive but single labour act. The government responded to the same and formed "National Labour Law Commission in 1992 consisting of 38 members headed by Justice Abdul Kuddus Chowdhury. A questionnaire was framed by the Commission and sent to the different stake holders i.e. the employers, workers, collective bargaining agency (CBA) leaders, Non-Governmental Organizations (NGO) to get their views and recommendations for amending the then labour laws. Within two year time the commission submitted its report to the then Prime Minister Khaleda Zia (1991-1996) on 31st March 1994. But there was no action on that report and it was the same even during the period of Sk. Hasina (1996-2001) led government. Again Khaleda government came into the power (2001-2006) and Bangladesh parliament passed the labour bill in 25th September, 2006 just before her tenure ended. The main opposition party (Bangladesh Awami League) walked out the parliament and termed the law a "black law". The labour leaders remarked the law as "a law by the owner, for the owner". The SKOP (Sramik Karmachari Oikya Parishad) observed day long strike on October 15th in protest of the newly passed labour law. With all those oppositions the government passed "Bangladesh Srama Ain- 2006 (Bangladesh Labour Law (BLL)- 2006 on 26th September 2006, which came into effect on October 11, 2006 (BEF, 2009).

Just after three months of enactment of Bangladesh labour law -2006 an Emergency was proclaimed on 11 January 2007 by the military government. Again political and trade union activities and collective bargaining were banned, which continued for around two years. Fact is that, the frequent interferences hindered the development of a healthy and congenial atmosphere of industrial relations system in Bangladesh.

5.5 Statutory Framework: Bangladesh Labour Law -2006

Bangladesh Labour Law (BLL) – 2006 is a statutory guideline for social compliance in work places. Till 2006, before the enactment of Bangladesh Labour Act, 2006, no major development took place in the history of labour legislation. The new act replaced 25 previous legislations and consolidated the provisions of the replaced laws into a single Act. In the year 2006 the sector already had created employment for 2.2 million workers in its 4220 units.

Table 5.7 Core areas of social compliance based on Bangladesh Labour Law -2006

Core areas	Contents	Legal provisions
Employment	Appointment letter, Service book(5 & 6)	Issuance of appointment letter, identify card, and maintain service book are must
	Child and Adolescent (34)	No child is allowed to any form of work, An adolescent with certain terms and conditions
	Working Hours (100) Holidays (103) Leave (115- 118)	48 hours per week : 8 hours day, 6 days week, Overtime should not exceed 12 hours a week, Must not exceeded an average of 57 hours per week in a given 12 month period. At least 11 days paid festival holidays, 10 days Casual , 14 days Sick and Annual leave 1/18 days
	Maternity benefits (45- 50)	8 weeks + 8 weeks leave with payment
	Wage and payments (120-137)	Within 7 working days of next month as declared by wage board
	Separation from Employment (20 – 28)	Termination, Discharge, Dismissal, Retrenchment, - Resignation, Retirement on completion 25 years of service or 60 years old
	Welfare and Social Security	Welfare officer, safety committee, Group insurance, (89 – 99)
Social Security		Service benefits, provident fund, workers welfare fund

Health, Hygiene and Safety	Health and hygiene (51-60) Safety (61 – 78)	factory must be kept clean, adequate ventilation and temperature, safe structures, fire equipment, emergency exit, drinking water, separate and adequate toilets and washroom. Personal protective equipment (PPE)
Labour Relations	Trade Union (176)	Right to form and to join trade union of their own choice without previous authorization
	Collective bargaining (202)	Trade union shall be deemed to be collective bargaining agent while there is only one trade union. In case of more than one trade unions, collective bargaining agent will be elected by secret ballot
	Participatory Committee (205)	There should be 1 participatory committee. This committee will comprise equal number of members representing the owner and the workers
Enforcement	Power of entry, inspection (281)	The competent authority may enter , inspect and examine any undertaking at any reasonable time
	Penalty and procedure (283 – 316)	Whoever refuses or fails to comply with an order passed by the labour court shall be punishable
	Director of labour (317)	Government may appoint a director of labour , a chief inspector for the purpose of the Act
	Chief Inspector (318)	

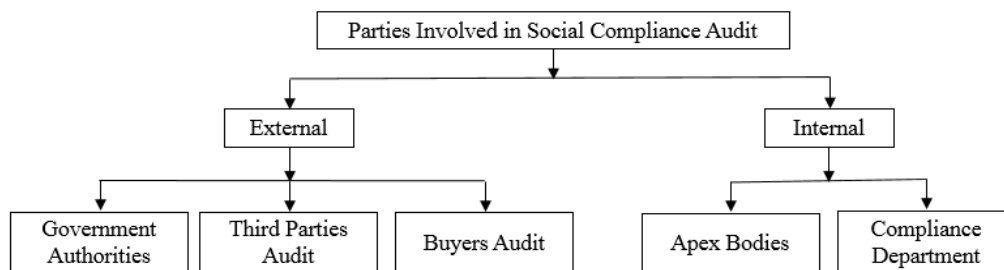
As a part of global supply chain, RMG manufacturing is subject to acceptance of CoCs set by the buyers on different aspects on social and technical towards labour standards and decent working condition in work places.

5.6 Institutional Arrangement and Existing Practices

The different implementing agencies under the Ministry of Labour and Employment (MOLE) are responsible to ensure workers welfare, health and safety. They are also responsible to uphold workers’ rights specified in the Bangladesh labour law – 2006. Apart from public there are the apex bodies of the industry like BGMEA and BKMEA who are the membership authority, have certain roles to play. Finally, the buyers of the products have their strong vigilance on this specific area, social compliance, throughout their supply chain.

No matter whatever the policies and laws are formulated to back up the sector, if those are not implemented, all efforts will go in vein. “Only policy making and formulation of favorable rules and regulations cannot ensure reducing uncertainties arising from these weaknesses. Government and all concerned decision making bodies must put their sincere and utmost efforts towards developing ways through which effective implementation of rules and regulation is possible” (Begum and Ahmed, 1999,p.17). Now, obviously questions arise on its governance system and how it works. Institutional arrangement implementing social compliance i.e. existing practices in the RMG factories can be viewed from two broad perspectives –

a) Public i.e. Government b) Private i.e. Buyers, Apex bodies, third party audits. Ensuring employment opportunity and protection of the employees are among the prime responsibilities of any government. Moreover, to protect their goodwill and to continue business growth, buyers take the initiative to ensure that, considering weak governance from the governments of the sourcing countries in the developing world. Social compliance at the manufacturers end, within their supply chain, is one of the prime conditions before commencing any business relationship.



Graph 5.1 Parties Involved in Social Compliance

5.6.1 The Department of Inspection for Factories and Establishments (DIFE)

Department of Inspection of Factories and Establishment (DIFE) under the Ministry of Labour and Employment (MOLE) is the legal authority to implement labour law. This department is responsible for issuance of factory license for ensuring workers’ rights and health and safety issues (DIFE, 2016).

The Department of Inspection for Factories and Establishments (DIFE) started its journey in 1970 as an independent body to comply with the ILO convention 81, for ensuring welfare, safety and health of the workers in various sectors of the country as the enforcing agency of Bangladesh labour law. There are four divisional offices including Dhaka, Chittagong, Khulna and Rajshahi along with its head quarter in Dhaka.

There are thousands of factories of different types and sizes, shops and establishments where millions of workers are employed. At present, only in garment sector, total numbers of factories are 6165. Among them 3580 factories are under the membership of BGMEA and it is 1885 against BKMEA while non-member factories are 700 in number.

Table 5.8. Manpower of the DIFE

Class	Total post	Existing	Vacant
1 st	75	36	39
2 nd	25	20	5
3 rd	152	85	67
4 th	62	43	19
	314	184	130

The department has: -

- 36 first class officers against 75 sanctioned posts
- 20 second class officers against 25 sanctioned posts
- 85 third class employees against 152 sanctioned posts
- 43 fourth class employees against 62 sanctioned posts

A very meager number of employees compared to the total number of factories, shops and commercial establishments.²⁶

With Very limited resources & insufficient technical knowhow DIFE is responsible for the largest sector licensing and certification, where the responsibility is beyond capacity for many times there mal function of the system is a must.

²⁶ Annual Report”, MoLE, 2012-13.

5.6.2 Department of Labour (DOL).

The main functions of the department are to register trade unions and federations of trade unions, conduct secret ballot for determination of collective bargaining agents, deal with labour disputes to ensure industrial peace in the interest of increased productivity (DOL, 2016).

Table 5.9 Manpower in labour department according to classification

Sl #	Class	Present Total	Vacancies
1	1 st Class (gazette) officers	121	43
2	2 nd Class (gazette) officers	57	23
3	3 rd Class employees	318	56
4	4 th Class employees	216	06
	Total	712	128

As on May 2015, there are 3,228 trade unions under thirty different sectors under Dhaka division.

- Out of which total workers trade union is 2,606
- Owners trade union is 580
- The number of federations is 42.

Among 2,606 workers trade unions the number of trade union in RMG sector is 373. Against those number of trade unions there exist six officers against 10 sanctioned posts and twenty-six employees against thirty-one posts.

5.6.3 Labour Court and Labour Appellate Tribunal

Labour appellate Tribunal along with seven other Labour Courts is a special judicial organ under the ministry (Bergman, D. 2016). The main function of the organ is to provide justice to the workers and employers of Bangladesh following the Bangladesh Labour law 2006 within the shortest time.

There are seven courts & they are placed as follows: -

1. Dhaka - 3
2. Chittagong - 2
3. Rajshahi - 1
4. Khulna - 1

5.6.4 Minimum Wage Board and Method of Fixing Minimum Wage

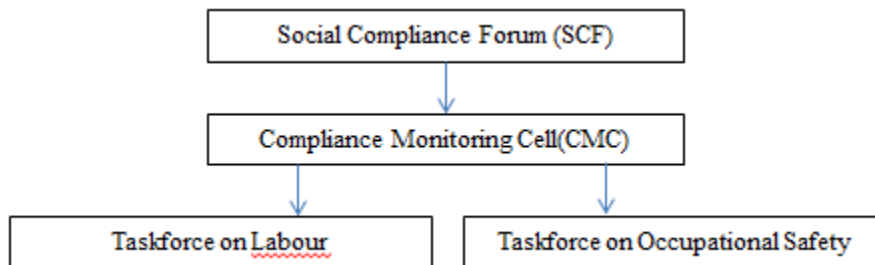
The Minimum Wages Board (Section 138, BLL-2006) is the only statutory wage-fixing authority in Bangladesh. The department works on the people of the country who are working in certain privately owned industrial undertakings and fix minimum rates of wages of the worker (CPD, 2013). After establishment of the Minimum Wages Board, it recommended or re-recommended minimum wages of the 42 industrial sectors.

5.6.5 Social Compliance Forum (SCF)

With the collapse of Spectrum Sweater factory, Ashulia in 2005 and fire in KTS garments in Chittagong, maintaining Social Compliance had become a burning issue in RMG sector and lots of pressure had been imposed on the factories as well as on the government regarding the workers' rights and safety and their overall welfare. Since then the safety of the workers has become a national and international issue

The government has prioritized the issue of safety and welfare of workers taking it at the top. As a result, on 11th June 2005, a meeting was held under chairmanship of the Commerce Minister and after massive discussion, a Social Compliance Forum (SCF) was constituted (Basher, A. 2012). It was known, from in-depth discussion with concerned officials concerned, that government allocated BDT 20 crore initially and the United Nations Development Program (UNDP) granted US\$ 1,20,000 to reinforce the monitoring body with one international and two national consultants appointed for the functioning of the Cell.

With the withdrawal of support from the part of the United Nations Development Program's (UNDP) after one year, the initiative lost its initial spirit.



Graph 5.2 Functional Areas of Social Compliance Forum

In order to monitor the social compliance activities a Compliance Monitoring Cell (CMC) had also been created. The Director General (Textile) of Export Promotion Bureau (EPB) works as the head of the cell. Social Compliance is monitored and implemented through two taskforces, i.e. Taskforce on Labour Welfare and Taskforce on Occupational Safety.

5.6.6 Trade Associations – BGMEA and BKMEA

The apex bodies, BGMEA and BKMEA, have their own programs to make their member factories compliant. The associations have a very vital role to promote the industry and the country as a whole. They provide policy support to the government, issue membership licenses and extend cooperation on legal and compliance issues to its member factories. The associations also negotiate with the government, international agencies and buyers on the issues concerned. They have a very active role for market diversification and country branding. Apart from its promotional and negotiation activities, the associations also regulate its members’ activities on those issues.

Table 5.10 BGMEA and BKMEA membership types and requirements

BGMEA	BKMEA
1. General – for Factories 2. Associate – for Buying office	Registration type 1. Ordinary : all services + voting power 2. Associate : all services without voting 3. Associate (Buying House): all related services, no voting power
	Membership category A. Composite – Sewing + Knitting + Dying + Others B. Sewing + Knitting/Dying C. Sewing/Knitting/Dying/Buying house etc.
Required 15 documents /certificates including two stairs and Child Labour free declaration in company letterhead.	Required 18 documents /certificates including two stairs, Child Labour free declaration (zero tolerance) and undertaking on implementation of minimum wage in company letterhead.

They reserve the authority for cancellation of its member's license. Both the associations have the regional offices in Chittagong along with branch offices in different clusters.

The apex bodies (BGMEA and BKMEA) have their independent cells on Social Compliance to provide trainings to the compliance managers of their member factories, monitor compliance standard. Both the associations work with development partners and agencies like, IFC, UNIDO, Asian Development Bank, DFID, GIZ, ILO etc. for the capacity building of the sector especially on human resources through skill development, productivity enhancement, labour rights and workplace safety and environment protection etc.

From the list of “documents required” to be a member of any association an owner is not required to know the business. BGMEA asks for 15 documents & certificates including two stairs in the factory buildings and Child Labour free declaration in company letterheads (BGMEA, 2011) while BKMEA needs 18 documents & certificates including two stairs, Child Labour free declaration (zero tolerance) and undertaking on implementation of minimum wage in company letterheads (BKMEA, 2016). Both the associations do not consider its own human resources rather it seems that they are happy with their registration fees. Both the associations, in their compliance cells, have insufficient number of members to monitor huge number of factories, in different locations.

Both the associations claim that they regularly monitor member factories to check compliance, run a social compliance improvement project to improve the compliance standard but the claim does not match with the number of employees they have in that cell.

BGMEA, under the Social Sector Development (SSD) cell, has 20 members team including the labour department. They have another six-member project, Social Compliance Factory Improvement Program (SCFIP) in collaboration with GIZ. & In BKMEA, a 19-member compliance team is monitoring the core compliance and labour issues.

5.6.7 Buyers and Third Parties

Most of the brands have developed their codes of conduct for their supply chain in line with universal declaration of human rights, ILO conventions, and companies' policies on social responsibility. The factories produce garments for any brand have to participate in the social compliance program based on their corporate code of conduct. The brand or their suppliers or any designated third party inspection company are allowed to conduct announced or unannounced audits to verify whether the manufactures are complying with their codes or not.

5.7 Social Compliance Audits by different agencies.

The concept of third party audit in Bangladesh RMG sector came into effect at the end of 2002. Local financial audit company Q& Q (Quasem & Quasem) first conducted 3rd party audit in Bangladesh on behalf of buyers. Initially international inspection and testing agencies like Société Générale de Surveillance (SGS), International Talent Support (ITS), Bureau Verities (BV) etc were engaged in testing and quality inspection of garments. Later on they took the lead of social compliance audit.

Audit is an independent review and inspection of records and activities to assess the adequacy of system controls, to ensure compliance with established policies and operational procedures, and to recommend necessary changes in controls, policies, or procedures. The audit may be conducted by the supplier or buyer or an independent company. Depending on the auditors, audit is being identified as first party, second party or third party.

- This audit specially second party and third party can be Announced fixing specific dates and time
- Semi-announced: - audit may be conducted with window period i.e. any day within a given period of one or two weeks
And
- Finally unannounced: - any day after payment of audit fee.

5.7.1 First Party Audit:

An internal audit conducted by the organization itself. The auditor can be an employee of the organization or by an independent company. The purpose of this type of audit is to identify the problem areas and opportunities for improvement or certification. Say, A Bangladeshi company “x” supply garment for different companies in America and EU. This supplier “X” can conduct audit by its own team or can engage an independent accredited company for some certifications like BSCI, WRAP etc. to uphold its status to the potential customers.

5.7.2 Second Party Audit:

An external audit typically involves the customer auditing the supplier. When a customer performs the audits on a supplier it is called second party audit. For example, An American Company buys garment from a Bangladeshi company “x”. The American company can conduct audit on that Bangladeshi company to know its social compliance status.

5.7.3 Third Party Audit:

An external audit that is conducted by an independent audit company on behalf of customer or Suppliers Company.

Example Tesco a UK based company buys garment from a Bangladeshi company “X”. Tesco needs to confirm supplier’s social compliance practices. Tesco as a buyer’s member of SEDEX, may request to conduct that audit. SGS, Bangladesh conduct that audit based on guidelines of SEDEX. This audit company has no direct affiliation with the supplier or buyer and is called third party audit. Even a supplier can arrange for third party audit to take advantage on compliance ground from their customers.

Table: 5.11 Types of Social Compliance Audit

Stage	Audit Type	Audit Period
Initial Audit	When a factory is registered for the first time against a particular buyer	In 60 days of registration
Follow up Audit	Based on the violations found in the previous audit like probationary, needs improvement or pending termination etc. rating a follow up audit is scheduled	Depending on violation it takes place within 3 – 10 months
An Annual Audit	When a factory receives an acceptance with issues, then next audit will be conducted within a year	In 12 months
An Annual +	When a factory receives an acceptance with no or very minor issue, then next audit will be conducted in one and half year	In 18 months
Pre-Approval Audit	Pre- Approval social compliance audits are conducted prior to the start of production in a factory the previous audit resulted in termination	In both parties agreed time or unannounced, it depends

A factory may have a social compliance audit conducted twice a year that depend on the findings of previous audit. There are several stages of audit of different types with varied time period.

Table 5.12 Social Compliance Audit Steps

Opening meeting	Factory management
On site visit	Factory tour to check practical situation
Documents review	Review of factory records and documents
Employees Interview	Private and confidential interview randomly selected employees
Closing meeting	Factory management to share preliminary audit findings

Social compliance audit cycle generally includes: -

- Opening meeting: - to explain the objective of the audit, audit requirement, process and steps, ethical practices and expectation to the top management.
- On site visit: - seeing the work environment practically to find out if there is any mismatch.
- Reviewing the documents and records auditors try to find out the gaps.
- Confidential interview provide real scenario of the organization’s practices.

- Finally, auditors share the preliminary findings and ask for CAP (Corrective Action Plan) through the closing meeting with top management.

Table 5.13. Audit Ratings and Follow-up Schedule (STANDARD Audits)

Rating	Sample Violations	Next Audit will be scheduled in	Production Impact
Acceptable	No violations	18 months	No impact
Acceptable with issues	Minor violations such as health & safety, record keeping or excessive working hours	12 months	No impact
Probationary	Multiple violations and one significant violation such as insufficient overtime payments for a small percentage of workers	10 months	No impact
Needs improvement or pending termination	Multiple and major violations such as under payment of minimum wage, delayed wages, incomplete time or attendance records, inconsistency / falsified records, or fire safety risk	6 months	Future orders may be at risk
Needs improvement or pending termination	Multiple and major violations including access denied, harassment, abuse, holding of passports, downgrading, or loss of life risk	3 months	Future orders at risk
Termination	Egregious violations such as bribery, child labour, forced labour, discrimination, or harassment, Factory receives three consecutive “Needs Improvement” ratings but not committed to correcting repeated violations, Denied access to factory on 2 consecutive audits, threaten, harass, or retain auditors	N/A	No new production permitted

Source : Global Compliance Workshop Bangladesh, Sears, 2015

Above ratings may vary from buyer to buyer & in third party standards. The ratings are usually designed for brand and business protection that hardly ensure workers’ rights. On the other hand, one of the largest apparel trading companies uses the following audit rating system.

Table 5.14 Audit Ratings and Follow-up

Sl No	Grade	Score	Duration/Months
1	A – Green	91 – 100	18
2	B- Yellow	81 – 90	12
3	C- Orange	41 – 80	9
4	D- Red	1 – 40	3
5	F – Gray	0	0 (Zero Tolerance)

Source: Li & Fung, Compliance Guidebook

In case of severe violation, the buyer can terminate the business facility immediately for up to three years.

Severe violations include: - child labour, forced labour, corporal punishment and conflict of interest.

Different buyers or standards follow different rating systems. These rating systems change over the time as the brands or third parties revise their CoC at different times. There is a fixed fee (direct or indirect) for each audit that has to be paid by the factory, which ranges between 1200-3000 USD.

5.7.4 Corrective Action Plan (CAP):

A corrective action plan needs to submit within stipulated time frame normally three working days from the date of audit findings. This plan helps the factory to find out the causes of the problem, to correct the problem and prevent repetition of that problem.

5.7.5 Multiple Checklists:

Like audit rating system, there is check lists for audit to conduct social compliance audit. Different buyers use different checklists. It is also not the same for third party audits.

- For example SGS as a third party audit company use 64 questions in a questionnaire.
- While BGMEA, as an apex body use 39 questions format.
- David Howard a UK based importer has a questionnaire with 88 questions.
- While Kmart uses 60 questions.

In collaboration with government agencies GIZ and ILO the association inspects the factories periodically against a unified checklist prepared by the Department of Inspection for Factories and Establishments (DIFE).

The 100-point checklist includes: -

- The issues of fire safety – 16 points
- Building safety – 20 “
- Electrical safety – 24 “ and
- General or labour – 40 “

A factory having less than 69 points is in grade C, in between 70 – 80 classified as grade B and the factories, which have score between 85 – 100 are in grade A.

Table 5. 15 Category Based Grade and Achieved Grade

SL #	Area	Grade A	Grade B	Grade C
1	Building safety	17 – 20	14 – 16	Less than 13
2	Fire safety	14 – 16	11 – 13	Less than 10
3	Electrical safety	20 – 24	17 – 19	Less than 16
4	General or labour	34 – 40	28 – 33	Less than 27

Total No	Achieved Grade
85 – 100	A
70 – 84	B
69 or Less	C

Source : Compliance Cell, BGMEA

Based on BGMEA’s social compliance inspection summary report the numbers of factories under different grades at different time are as follows;

Table 5.16 Grade Wise Member Factories (BGMEA) under Unified Format

Period	Grade	No of Factories	% of total inspection
Jun–Dec 2013	A	470	47.72
	B	240	24.37
	C	275	27.92
Total inspected factories 985			
Apr–Jun 2014	A	525	50.77
	B	274	26.50
	C	235	22.73
Total inspected factories 1034			
Jan–Jun 2015	A	1329	61.93
	B	910	42.40
	C	489	22.79

Total inspected factories 2728			
July 2015	A	28	50.00
	B	14	25.00
	C	14	25.00
Total inspected factories 56			

Source: Compliance Cell, BGMEA

From the aforementioned summary reports of BGMEA, it can be said that more than 25% of the members factories are in category C and the same percentage of factories are in B category. The factories under both categories need improvement.

Table 5.17, Factories of Different Grades

Grade	BGMEA	BKMEA	Non Member
A	52	11	12
B	45	09	08
C	43	24	38
Total	140	44	58

Source: Compliance Cell, BGMEA

According to a survey conducted by the Taskforce on labour welfare and occupational safety on RMG in May 2015, the findings are as above.

BGMEA Conciliation-Cum-Arbitration (CAC) cell mitigates the cases as alternative solution of the grievances. Total 8553 cases were resolved by the apex bodies from 26th April, 1998 to 28 July 2015.

Table 5.18, The Number of Cases Received and Resolved by BGMEA During Jan- May 2015

Month	No. of cases	Cases resolved	Cases pending	Total BDT fine
January	42	6	36	46,000
February	47	12	35	1,34,000
March	75	1	74	15,000
April	75	0	0	0
May	80	0	0	0

Source : Arbitration Cell, BGMEA.

It shows that both the number of cases received and resolved is very poor. Contrary to the belief, workers are much more comfortable having their federation leaders resolve the payment related disputes than going to the labour court or BGMEA, as the federation leaders actually deal & resolve around 90% of payment related disputes.

Till date social compliance initiatives in the RMG sector has been the outcome of buyers' pressure which is linked with business continuation. Neither government nor the factory owners took this legal issue wholeheartedly. Before 2006 there were no specific legal guidelines for the sector. Passing and enactment of this law, BLL-2006, was not a part of regular and spontaneous initiative of the government rather it was the result of workers movement supported by the trade union leaders and civil society and pressure from buyers communities. It is the mandate of the Ministry of Labour and Employment to ensure the proper implementation of the law to maintain compliance by keeping peaceful employee-employer relations. But the concerned department of the ministry lack huge shortage of manpower compared to industry size and locations. As far as social compliance is concerned, the role of the buyers is the prime, as government agencies and apex bodies are yet to be ready to govern the huge sector with their tiny number of manpower with very centralized nature. So it can be said that governance of social compliance is concentrated with third party audits.

5.8 Conclusion

There is no doubt about the sector's multidimensional contribution but proper attention on management system was not present from the very beginning in general with some exceptions. Even today, it is difficult to quantify the size of the workforce, male female ratio and the number of the factories. Trade bodies, and government agencies, do not have the actual data anywhere. Even different government agencies have different data. Poor governance of RMG sector on social compliance issue affects not only labour issues but also it affects the total supply chain of RMG manufacturing. This single sector is controlled by multiple agencies of the government. There is no core authority to govern this single largest and highest contributing sector. In absence of proper regulatory system of government, the compliance of the factories is monitored, controlled and audited by the buyers of different countries using varied checklist against multiple codes of conduct. As a result, even with a number of compliance certified factories, workers satisfaction and working conditions are not improving even by buyers driven compliance system. Rather repetitions of gross violation of law are questioning the sector's capability and

thus country's image is falling in crisis. Moreover, findings reveal that businessmen control and influence the policies as the same person has two different identities – businessman and politician. Thus impartial application of law is a big challenge. In the next chapter field level realities will be analyzed and presented in the context of the present study.

Chapter VI

Practices of Social Compliance: Field Level Realities

6.1 Introduction

The major objective of this chapter is to find the relation between the theory and the practical scenario based on the analytical framework. The presence of social compliance in any sector is reflected primarily through the level of workers' satisfaction and its business growth. To explore the state of workers satisfaction and business growth the chapter highlights the ground reality of social compliance, its governance mechanism and policy framework. The study finds high level of dissatisfaction with the present practices of social compliance among the workers but interestingly a geometric growth of sector with a distinct gap between export growth and labour management competency. In this chapter the roles of the government, trade bodies, trade unions, buyers along with the major challenges and drawbacks in implementation of compliance are also discussed in detail. The main objectives of the current study are to explain the legal framework and its governance system in government level (Policy) and organizational level (Execution). In line with the objectives the respondents were divided into two broad sections.

In Section A, major respondents are workers of the factories who are the main target group of the social compliance to know the ground reality – facts and figures.

Section B comprises of the factory compliance In-Charges and heads of the factories, responsible to implement compliance in their respective factories. Apart from structured questions an in-depth interview were conducted with the industry experts, labour law advisors, government officials, officials of international agencies, third party auditors, and trade union leaders and buyers' representatives, and others like journalist, intellectuals, researchers etc. This section helps to find out the drawbacks in policy and execution levels. Their opinions also help in learning about shortcomings in the existing audits/ inspection system. Analyzing the findings from both questionnaire survey and in depth discussions, an actual scenario of the existing practice of social compliance has been obtained.

6.2 Profile and Distribution of Respondents

A total of 240 respondents were surveyed (Sections: A + B) with a structured questionnaire and an in depth interview with 80 experts from different segments have been conducted. Respondents surveyed with a structured questionnaire were divided into four groups. One set of questionnaire was used for the workers who are commonly known as (sewing machine) operators, and supervisors who are called the first line management in the factories. A total of 150 workers and 50 supervisors are surveyed under the questionnaire - section A. A different set of questionnaire with more open ended questions has prepared for the compliance in-charges and factory heads where total 40 respondents are surveyed.

Table 6.1 Classification of Respondents for Questionnaire Survey (Sections: A + B)

Respondent Type	Female	Male	Total
Worker	94	56	150
Supervisor	10	40	50
Compliance In-Charge	0	20	20
Factory Heads	0	20	20
Grand Total	104	136	240

6.2.1 In-depth Interview (IDI)

To fulfill the objectives of the current study an in depth interview had been conducted with the people related to the compliance and governance issues.

Table 6.2. Classification of Respondents for Interview

Government Official	Apex body/ Owners	Buyers Representative	Labour Lawyer	NGO leader	International agencies	3dr Party Audit company	Others
10	25	10	5	10	5	10	5
Total							80

The table above shows the types of respondents in that category.

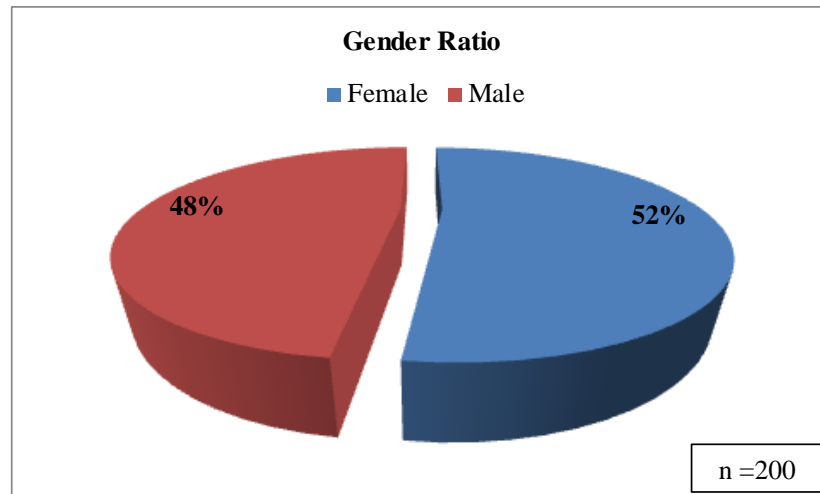
6.2.2 Classification of Respondents by Gender

Among the 200 respondents (workers and supervisors), 52% were females, as they constitute the highest number of total workforce, and rest 48% were males. The following Graph shows the respondents grouped by gender.

Table 6.3 Respondent by Gender

Gender	No of Respondents	% of total Respondents
Female	104	52
Male	96	48
Grand Total	200	100

Source: Field Data



Graph 6.1 Respondents by Gender

Regarding the male female ratio in RMG sector, it is generally told that out of total employment around 85% are females. According to the production processes of RMG factories, findings revealed that instead of total workforces, actually 85% of sewing machine operators are females.

Analyzing the production processes of garment factories, Male-female ratio is found very similar both in woven and knit garments. The presence of female workers is very high in sewing section as the work of sewing is a sitting job. The production process

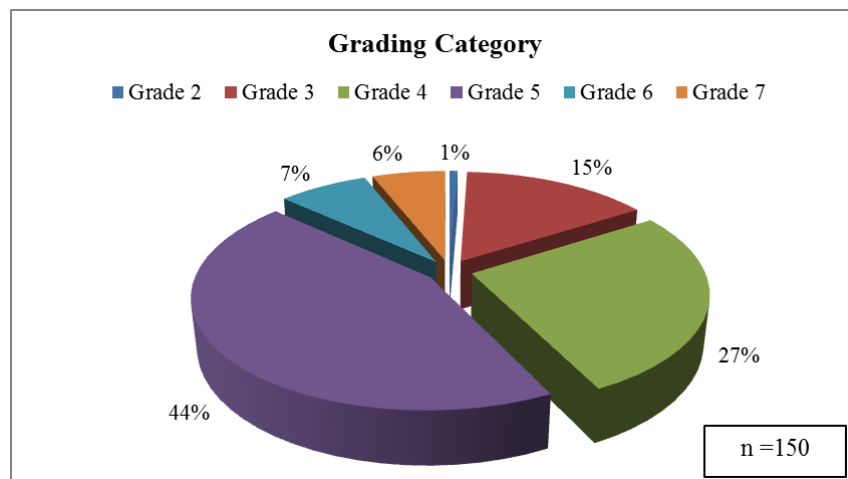
in sweater factory is different from knitwear and woven factories (Ref. Graph 3.4 *Production Process in RMG Factories p -103*).Owing to manual or semi mechanical nature of production process in sweater factory male workers are dominating in most of the processes while around 20% females work mostly in quality and finishing sections. Depending on work process it can be said that in knitwear and woven garment factories around 85% of sewing operators are female, which is the largest section of the factories. One survey in 1997 showed that “Female workers are younger (19-20 years of age), compared to male workers who are about 25 years old. About 60 percent of female workers are unmarried, divorced or widowed” (Swamy, 2004).

6.2.3 Respondents Grades

Table 6.4 Respondents by Grades

Grade	No of Respondents	% of total Respondents
Grade 2	1	1
Grade 3	23	15
Grade 4	40	27
Grade 5	66	44
Grade 6	11	7
Grade 7	9	6
Grand Total	150	100

Source: Field Data



Graph 6.2 Respondents by Grade

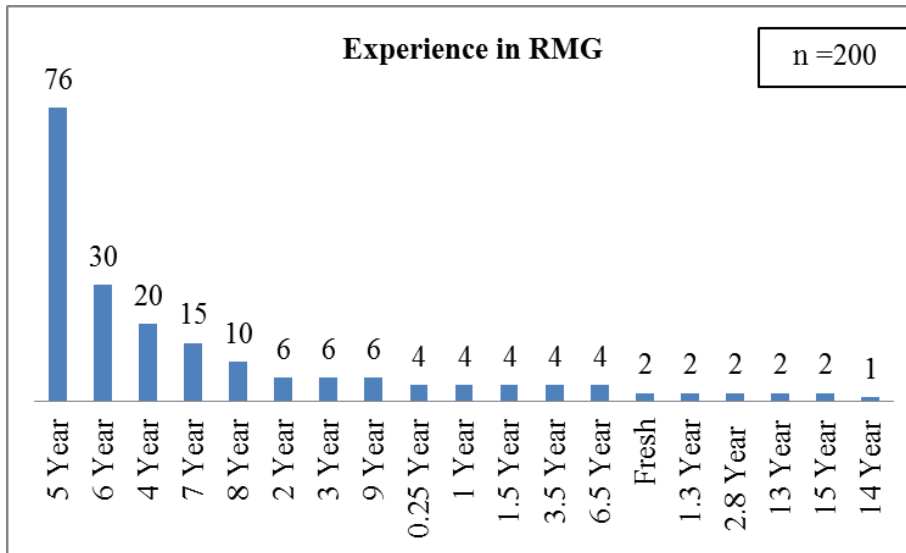
In RMG sector, workforces are divided into different grades. There are seven grades in workers category where grade 7 represents entry level job known as helper or assistant. Majority of the operators are found in grade 5 i.e. Junior Machine Operator.

6.2.4 Span of Service Life

Table 6.5 Respondents' Experience in RMG Sector

Years of experience in RMG factories	No of Respondents
Fresh	2
0.25 Year	4
1 Year	4
1.3 Year	2
1.5 Year	4
2 Year	6
2.8 Year	2
3 Year	6
3.5 Year	4
4 Year	20
5 Year	76
6 Year	30
6.5 Year	4
7 Year	15
8 Year	10
9 Year	6
13 Year	2
14 Year	1
15 Year	2
Total	200

Source: Field Data



Graph 6.3 Respondents' Experience in RMG Sector

From the field study it has been found that most of the respondents are experienced workers. Among total 200 respondents, 146 respondents are having 5 or more years of experience. But their presence after 10 years is alarmingly low. Adverse working conditions compel the workers, especially females, to leave their service. Contrary, factory Human Resources Department (HRD) creates the situation to leave the factory before 10-years services due to legal obligations to pay higher service benefits (b) to the workers who have been working more than 10 years. Thus experienced workers are changing factories frequently.

6.3 Analysis and Evaluation of the Findings

Existence of social compliance can be measured through workers satisfaction, business growth and brand loyalty. It is evident from the study that other than worker's satisfaction; both business growth and brand loyalty have been achieved in the sector since its beginning. The study focuses on present status of workers satisfaction as one of the major indicators of social compliance. Under the legal framework, the scope of the present study is based on four core standards of fundamental principles and rights at works:

- A. No forced or compulsory labour
- B. No discrimination irrespective of sex, religion, wages etc,

C. Elimination of child labour and

D. Freedom of association and collective bargaining.

The findings have been divided into two phases, A) Theoretical- derived from in-depth interview and B) Field data collected through questionnaire survey. It shows that policy drawbacks and the violations of existing policies both are present in different forms and intensity; those are as follows;

6.3.1 The Legal and Policy Framework

Out of eight fundamental conventions of International Labour Organization (ILO) Bangladesh ratified 6 till 2000. The ratified conventions were on -forced labour, freedom of association, right to organize and collective bargaining, equal remuneration, discrimination. in the year 2001 Bangladesh ratified one more fundamental convention i.e. worst form of child labour. Under the section what are the drawbacks within the law, forms of forced labour, and different types of discriminations, social impact of elimination of child labour and state of freedom of association and collective bargaining have been analyzed based on field data and in-depth discussion.

A. Elimination of All Forms of Forced or Compulsory Labour

Reluctance to allow leave from the factory management, Extra-Over Time (EOT), no weekly holiday, no leave etc are the various forms of force labour. Rather there are different lucrative incentives offered from the factories to make the workers available in all the working days in a month.

i) Compulsory work for uninterrupted production.

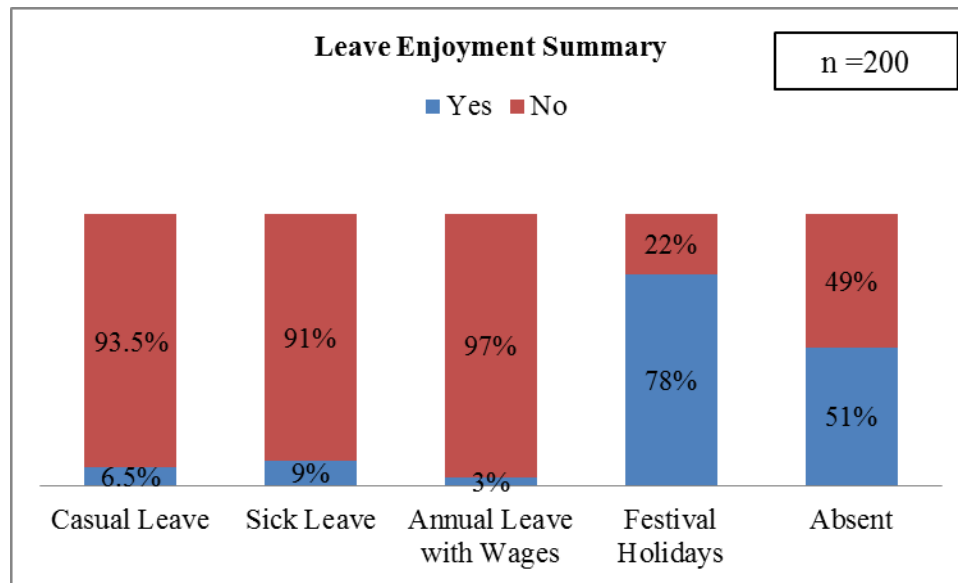
There are different provisions of leaves entitled for a worker. According to BLA - 2006 (Section – 115,116,118) a worker is entitled to enjoy total 35 days (casual 10, sick 14, festival 11) leave with full wages in a calendar year. In addition every adult worker, who has completed one year of continuous service in an establishment, shall be allowed during the subsequent period of twelve months leave with wages at the rate of one day for every fifteen days of work as annual leave. But very insignificant number of the workers, interviewed, had a chance to enjoy those leave or cash. Contrary, there is also provision

(Section 117) for leave encashment if any worker does not avail leave.²⁷The followings will give a better scenario for understanding:

Table 6.6 Leave Status of the Respondents

Leave	Casual Leave		Sick Leave		Annual Leave Encashment		Festival Holidays		Absent	
	Respo ndents	%	Respo ndents	%	Respon dents	%	Respo ndents	%	Respo ndents	%
Yes	13	6.5	18	9	6	3	156	78	102	51
No	187	93.5	182	91	194	97	44	22	98	49
Total	200	100	200	100	200	100	200	100	200	100

Source: Field Data



Graph 6.4 Leave Status of the Respondents, Source: Field Data

It reveals from the field study that factory management does not allow the workers to take leave though this is entitled by the law. Out of total 200 respondents only 13 workers had enjoyed casual leave, 18 workers allowed to sick leave only 6 workers had

²⁷ Bangladesh Labour Rules 2015 section 107 Annual leave with wage facility: reads 1) As per Section 117, in case of calculating the Annual or Earned leave, the presence of the worker in the workplace for the previous 12 (twelve) months has to be considered. 2) Any worker can have cash money against the unspent Earned leave. However, more than the half of the Earned leave cannot be cashed out at the end of the year. This type of cashing can be done only once in a year. 3) If any worker dies while having unused leaves with wage facility, the wages against his unused leaves have to be paid to his/her legal inheritor/s or to the person/s nominated by the worker.

the opportunity to the encashment against annual leave, 156 responded positive to festival leave. Due to reluctant attitude of the management to leave approval 102 workers which is 51% of total respondent remain absent from work.

ii) Working Hours and Festival Holidays

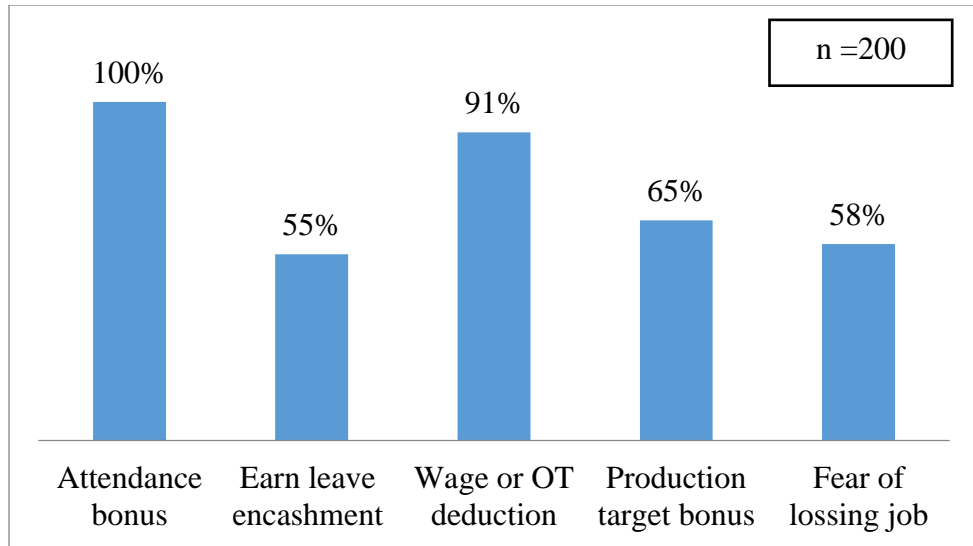
It has been seen in most of the cases that the working hour and festival holiday remains a vulnerable issue to comply with in this labour intensive RMG sector. From the present study following opinions are available on these two issues:

iii) Various incentives offered to keep the workers present

The factories offer different types of incentives and bonuses on attendance, production, target, shipment, quality to keep the workers present on time in all working days. Moreover, if any worker comes late even for five minutes for three days in a month, his/her wage is deducted automatically. Under the legal framework (section 117, BLA) workers are encouraged not to avail leave. Different types of incentives are available discourage leave and various forms of punishment including wage deduction for unauthorized absent or late are present.

Table 6.7 Factors Ensure Workers Presence Regularly

Factors	Respondents Opinion
Attendance Bonus	100%
Earn Leave encashment	55%
Wage or OT deduction	91%
Production Target Bonus	65%
Fear of losing job	58%



Graph 6.5 Factors Ensure Workers Presence Regularly

Source: Field Data

Contrarily, workers are not allowed, to leave the factory until they meet their production target, especially in noncompliant factories.

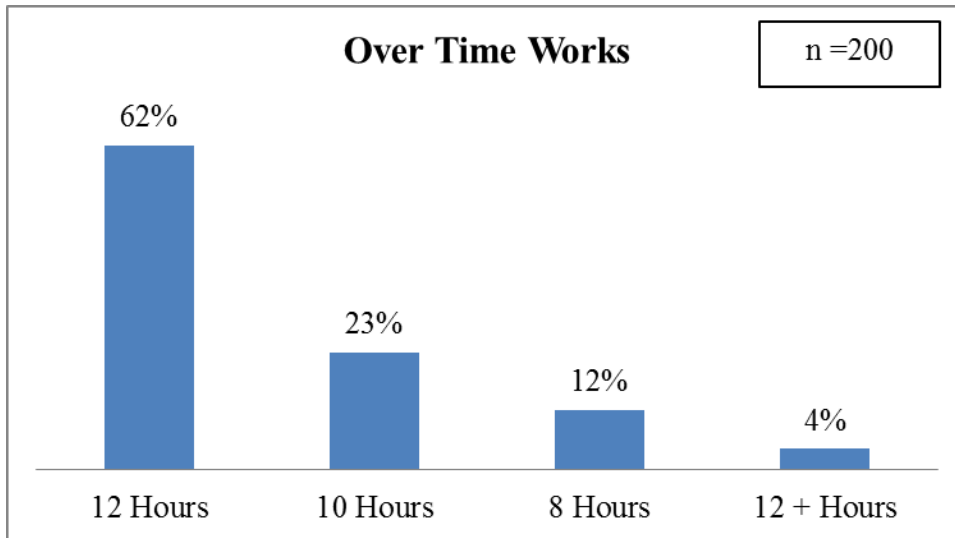
Among the compliant factories, all the workers are getting attendance bonus, 65% of them have production target bonus, 55% have earn leave encashment facility, on the contrary 91% claimed that wage or overtime payment deduction is practiced if anyone is absent or repeated absent even on medical ground has to lose the job.

iv) Excessive Overtime (OT) work

According to the law (section 102 of BLA) an adult worker is allowed to work not more than forty eight hours in a week. An adult worker may work for more than that limit but it shall not exceed sixty hours in any week and on the average fifty six hours per week in a year.

Table 6.8 Overtime Works

Over Time Works	Respondents
12 Hours	62%
10 Hours	23%
8 Hours	12%
12+ Hours	4%



Graph 6.6 Overtime Works
Source: Field Data

Around 62 % workers work for 12 hours, 23% work 10 hours a day. While only 12% respondents said they work 8 hours a day and 4% workers claimed for more than 12 hours a day. Interestingly workers prefer excessive working hours due to their low wage. They cannot afford their regular expenses with the wages only. All the respondents said that wages against regular eight hours work is not enough for them.

v) Extra allowances on Overtime (OT) work

Section 108 of BLA depicts that if a worker works more than the hours fixed under this law shall be entitled to allowance at the rate of twice his ordinary rate of basic wages and dearness allowance and ad-hoc or interim pay, if any. Though most of the compliant factories have this practice yet many workers do not know the correct method of OT payment calculation. Some of the workers do not keep the record of total OT hours. Sometimes, there is a mismatch between the factory record and workers' record.

Table 6.9 Double Rate Payment on Over Time Work

Double Rate Payment on Over Time Work		
Type	No of Respondents	% of Respondents
Yes	157	79%
No	43	22%

Contrary, 22% of respondents said that they do not receive OT payment at double rate rather supervisors deduct their OT working hours when they fail to meet the production target.

vi) Over Time (OT) work is inevitable

The factory heads were asked about the necessity of extra working hours while they are to pay double. Most of them claimed poor supply chain management and short lead-time to be the reasons.

Table 6.10 Lead Time – Past and Present

Year	2000	2015
Woven	120-150days(imported fabrics)	90- 120 (imported fabrics)
		60- 75 (local fabrics)
Knit	90 -120 days – local	30 – 45 days (for repeat order)
		60 -75 days (for fresh order)

Source: Field Data

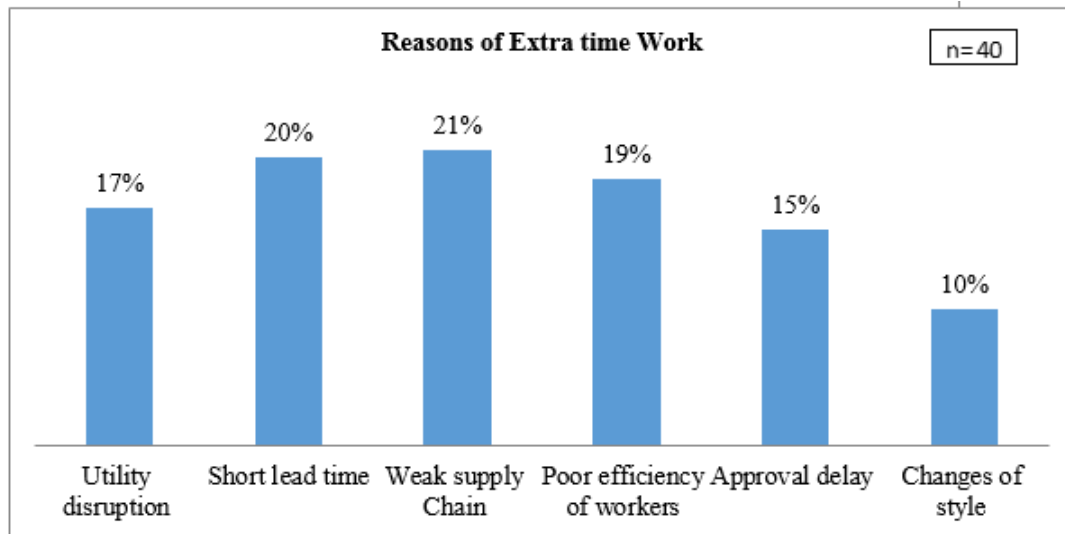
The production time allowed by the buyers has been shortened remarkably over the period. Weak and uncontrolled supply chain with short lead-time tends the factory to be non-compliant on working hours. Different buyers have different positions regarding working hours. Since RMG production needs to follow fixed shipment dates and there are many dependable variables to start production on time. If, in any reason the factory cannot start production as per the plan then it has to rely on extra timework to meet the prefixed delivery date.

vii) Weak Supply Chain Management

Manufacturing readymade garments is a management of a long chain of supplies. It moves from supplier to manufacturer to wholesaler to retailer to consumer. It’s an interdependent and interrelated process. Poor supply chain management plays a vital role for extra time work. In the whole supply chain system, Bangladesh does not manufacture basic raw materials of the garment.

Table 6.11 Reasons of Extra time Work

Employee Category	Utility disruption	Short lead time	Weak supply Chain	Poor efficiency of workers	Approval delay	Changes of style
Compliance Manager	22%	18%	24%	16%	14%	6%
Factory Head	11%	22%	17%	21%	16%	13%
Average	17%	20%	21%	19%	15%	10%



Graph 6.7 Reasons of extra time work

Without proper management in supply chain, it is not possible to comply with the lead-time given by the buyer. The number of suppliers varies depending on style specifications. There are almost 20 items required for a single shirt. A factory dealing with 15 buyers has to handle at least 100 suppliers. In Cutting Making and Trims (CMT) based order buyer or their local agent control the suppliers.

From the workers and management interview, it was known that violation of working hours is the most common issue as noncompliance. Contrary, the workers are not allowed to work in more than one establishment on any day, except for permission in writing from the chief Inspector on such terms and conditions as he may impose (BLA 2006, Section 110). Considering the light nature of work working hours may be extended for the sector to meet the shortened lead time. If a fixation of minimum wage varied according to work nature and risk of sectors why not working hours? There is also

provision in the law ²⁸ to extend working hours. Section 109 restrict the working hours for women between the hours of 10.00PM and 6.00 AM, without her consent. Practically due to uncontrolled supply chain management and weak infrastructure availability of raw materials on time is a big challenge. As a result factories have to work whole night, as and when necessary, to meet the shipment dead line.

B. Discrimination in Respect of Employment and Occupation

Constitution of the People’s Republic of Bangladesh has guaranteed the fundamental rights of her citizens. Different sections of Part III of the constitution mention the fundamental rights that prohibit any form of discriminations and BLA – 2006 ensures equal wages for equal work and one of the core conventions of ILO (C111) is about discrimination while convention C100 is on equal remuneration. Bangladesh has ratified both of the conventions among others. But different forms of discrimination in RMG sector are common.

i) Different Laws with varied facilities and benefits

Bangladesh Labour Act (BLA) does not cover all the sectors like – Non Government Organization (NGO), Small and Medium Enterprise (SME), Governments mills & industries. Moreover, the workers within the Export Processing Zones (EPZ) are treated under the Bangladesh Export Processing Zone Authority (BEPZA) law.

Table 6.12 Different rates of incentives in different factories

Transport facility			
Criteria	Factory Bus	Allowances	No
No of Respondents	43	145	12

Attendance bonus				
Criteria	200 to 300	301 to 400	401 to 600	No
No of Respondents	2	105	76	17

²⁸ Section 102 (2) Provided further that the government, if satisfied that in public interest or in the interest of economic development such exemption or relaxation is necessary, in certain industries, by order in writing under specific terms and conditions, may relax the provision of this section or exempt, for a maximum period of six months, from the provision of this section at a time.

Target bonus				
Criteria	700 to 1000	1001 to 1500	1501 to 2000	No
No of Respondents	84	34	8	74

Lunch (In addition to wage structure)			
Criteria	Yes	Allowances	No
No of Respondents	85	54	61

Earned Leave Encashment		
Criteria	Yes	No
No of Respondents	133	67

The purpose of law is to maintain discipline and ensure peace. But this labour law does not protect workers interest rather different facilities raise conflict among the workers' classes.

ii) Insufficient benefits in the law

Under the BLA, the benefits of gratuity, provident fund, and festival bonus are not mandatory. Though the service benefit, insurance, and profit sharing are mandatory but these are not being in practice.

1) A worker who has completed ten years of continuous service or more shall be paid at the rate of thirty days (section 27, 4b) wages for every completed year,

2) If the service length is five years more or but below ten years calculation should be at the rate of fourteen days (section 27, 4a).

3) There is no provision of service benefits for the workers who serve a company for less than five years.

In RMG sector span of service life in a particular factory is very short. In-depth interview with social compliance and labour law practitioners, it reveals that to avoid workers service benefits factory management create a situation where workers are compelled to resign. The table (5.25) Job Stability approves their claim.

Final settlement of workers payment (section – 30) is paid after 60 days of separation which is cumbersome and a worker can't afford those two months-time without getting his/her benefits.

Since the worker in RMG sector work excessive hours a provision of recreation leave could help them to be more productive. Calculation of month is different in different sections – 47, 117, 119 of BLL -2006, which goes against actual compensation benefits especially in earn leave calculation. Workers classifications are done according to their job nature. Owners are taking benefits for being the authority to define workers grades. There is no provision for contractual and part time workers. There is no standardization of Appointment letters.

iii) Fixation of minimum wage

The minimum wage gazette of the government of Bangladesh for garment sector on 05 May 2013 was the 4th declaration of this kind. This gazette can't be told as a complete guideline to determine sectors' wage administration. Minimum wage is declared without review, there is no basis for minimum wage fixation, which contradicts with the law. It is clearly revealed from the in-depth interview of labour law practitioners and federation leaders that the gazette itself created confusions and acted as a helping tool of deprivation.

Table 6.13 Minimum wages in different periods.

Year	Minimum wage(TK)
1985	627.00
1994	930.00
1997	1550.00
2001	1200.00
2006	1662.50
2010	3000.00
2011	4250.00 (Textiles)
2013	5300.00

Source: Minimum Wage Gazettes of different years, Government of Bangladesh

Workers are classified according to their job nature, and this is how the owners are taking advantage, by defining workers' grades. Moreover, it seems that the grading system was not the one that was well thought and planned. There are so many posts and positions required to run an RMG factory that are not mentioned in the gazette. It seems that all focus of the gazette falls on the entry-level workers and their wages. There is no guideline on how to measure workers competency for a particular grade and for how long

a worker will be retained in the same grade. These loopholes are helping the employers to manipulate in determining workers' grade.

iv) Wage discrimination

Minimum wage board has classified the non EPZ workforces into seven grades according to their skills with seven different wage levels. Contrary, EPZs workers are divided into five categories. BEPZA has fixed higher wages and benefits compare to non EPZ factories. Both the declarations are as follows:

Table 6.14 Minimum Wage within and outside EPZs

Outside EPZ			Inside EPZ	
	Grade	Gross	Grade	Gross
1	Pattern master, etc	13000	High Skilled	TK 11,200/ \$140
2	Mechanic etc	10900	Sr. Operator	TK 7,280/ \$ 91
3	Sr Operator, etc.	6805	Operator	TK 6860/ \$ 86
4	Operator, etc.	6420	Jr. Operator	TK 6440 / \$ 81
5	Junior Operator etc	6042	Helper	TK 5600/ \$70
6	General Operator etc	5678	Apprentice	TK 4480/ \$ 56
7	Assistant, Helper	5300		
	Trainee	2,500		

Source: Minimum Wage Gazette - 2013, Government of Bangladesh

A non EPZ factory helper at grade 7 gets BDT 5300 and a pattern master at grade 1 entitled BDT 13,000. Contrary within EPZ, a helper receives BDT 5600 i.e. BDT 300 more than non- EPZ factory. Grade 3, Senior Operator is considered as high skilled operator. Non-EPZ workers are getting TK 6805 where in EPZ these workers are getting TK 11,200.

Table 6.15 Discrimination in annual increment and others benefits in the Minimum Wage grade 7/ Helper

	Outside EPZ	Inside EPZ
Basic wage	Tk 3000	Tk 3600
Annual Increment	5%	10%
House Rent	Tk 1200	Tk 1415
Food Allowance	Tk 650	Not included in wage
Medical Allowances	Tk 250	Tk 560
Travel Allowance	Tk 200	Not included in wage

Source: Minimum Wage Gazette - 2013, Government of Bangladesh

Outside EPZ annual wage increment is 5% while in EPZ the rate of annual increment is 10% excluding food allowance. Outside EPZ food and travel allowances are included within the wage but inside EPZ those allowances are paid in addition to wage. There are other discriminations in different forms.

v) Manipulation:

There are many people working in different posts which are not included in the gazette. Minimum wage structure is applicable for whose positions mentioned in the gazette and entitled all types of benefits mentioned in the law including overtime (OT) payment at double rate of wage. To avoid extra overtime payment factory management promotes or changes the designations like executive, supervisor and others who are getting comparatively higher wage to keep them away from OT benefits.

vi) Position of Women in Higher Management

RMG has created employment opportunity for the female workers and they are the largest part of employment pie. With the significant majority, the females do not dominate the sector rather their fellow male coworkers are dominating this huge chunk of female employees. In supervisory level, out of total 50 respondents, only 10 respondents are female, among 20 compliance managers only 01 female. None of the factory in-charges is females. There is a density of female workers in the machine operator's (grades 7 – 4) area. Less than 5 % females are at supervisor level. Women are underrepresented in the higher managerial positions.

Table 6.16 Comparison between Male and Female in different positions

Position	No of Female Respondents	No of Male Respondents	Total Respondents	% of Female Respondents	% of Male Respondents
Workers (Grade 7 to 4)	94	56	150	62.67%	37.33%
Supervisors	10	40	50	20.00%	80.00%
Compliance In-charges	-	20	20	-	100.00%
Factory Heads	-	20	20	-	100.00%

Source: Filed Data, 2015

The table above refers that females are in large number, 94 out of 150, in between 7 – 4 grades. In female dominating sector female’s presence in higher positions like supervisors are only 10. Contrary out of 40 there is no compliance in-charges and factory managers are from female.

C. Effective Abolition of Child Labour

Bangladesh Readymade Garments (RMG) sector has achieved an enviable success and its rate of progress is far better than any of its competitor countries. Among the core issues of social compliance none of the compliant factories has NC (Non-Compliance) status on account of this particular area. This rate of success in RMG has accelerated worst form of child labour in many non-RMG sectors including non-compliant garment factories that violates basic fundamental human rights of a child.

i) Age inconsistencies to determine “Child” by the laws

According to the International Labour Organization (ILO), Child labour refers to work that is mentally, physically, socially or morally dangerous and harmful to children and interferes with their schooling by depriving them of the opportunity to attend school, obliging them to leave school prematurely or requiring them to attempt to combine school attendance with excessively long and heavy work.

Table 6.17: Age inconsistencies to determine “Child” by the laws

Law	Age
The contract Act,1872	18
The Mines Act, 1923	15
The Child Marriage Restraint Act, 1929	Men 21 women 18
The Children (Pledging of Labour) Act, 1933	15
The Employment of Children Act ,1938	15
The Tea Plantation Ordinance, 1962	12
The Factories Act, 1965	14
The Children Act, 1974	16
Bangladesh Labour Act (BLA) 2006	Child below 14 Adolescent 14 - below 18 Adult 18 +

Though BLA 2006 has clearly defined the child and adolescent by ages but in the complaint RMG factories do not recruit any workers below 18.

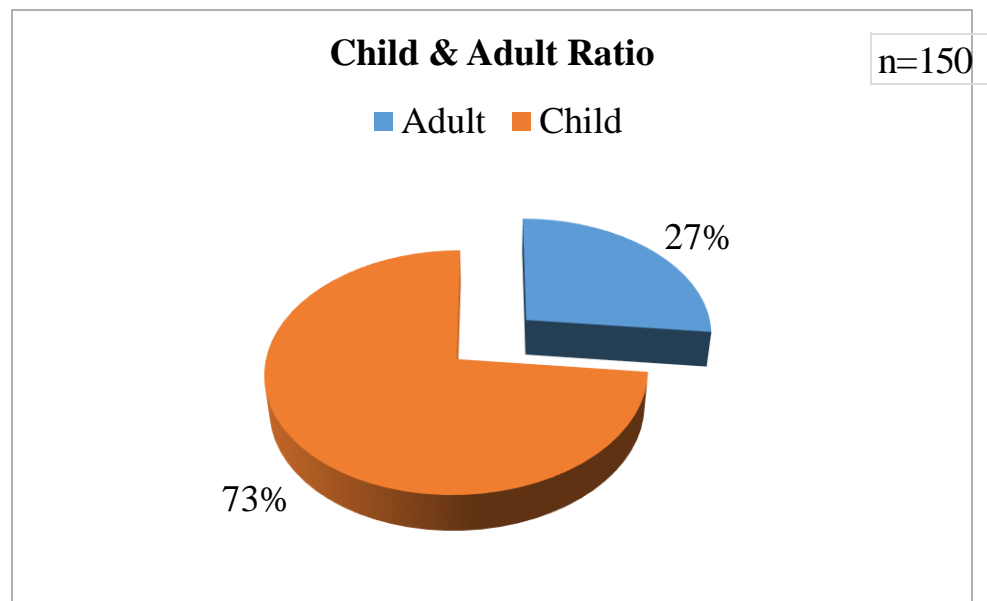
ii) Child versus Adult Ratio

Among the respondents, out of 150, there were 45% i.e. 67 children against 55% adult workers. Child labour still is a reality specially in the subcontract and other type of factories.

Table 6.18 Child & Adult Ratio

Employee Type	No of Respondents
Adult	40
Child	110
Grand Total	150

Source: Field Data, 2015



Graph 6.8. Child & Adult Ratio

iii) Child labour in Compliant and non-compliant Factories

When an industry like readymade garments does not allow a person who lives under poverty line and has no way to go to school, s/he has to choose an unrecognized industry

for employment where the working condition and form of work are worst with low wages or sometimes with no wages at all, only food is provided in this case.

Table 6.19 Child labour in Compliant and non-compliant factory

Age Range	Female		Female Total	Male		Male Total	Grand Total
	Compliant	Sub Contract		Compliant	Sub Contract		
12 to Below 18	4	23	27	3	10	13	40
18 +	52	25	77	21	12	33	110
Grand Total	56	48	104	24	22	46	150
							n=150

Small and subcontract factories are employing children where they are paying less amount of wages against more working hours.

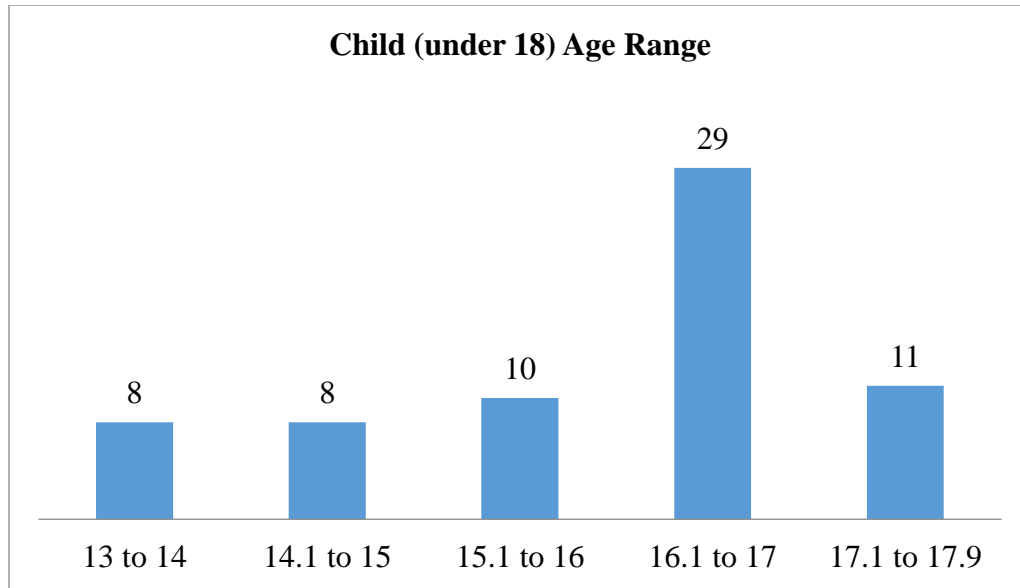
iv) Determination of child age at RMG factories

To eliminate child labour from Bangladesh RMG sector, factory management has gone one step ahead i.e. it has eliminated adolescent workers as well. In front of every garment factory there is a common notice with the lines “No child labour is allowed here or workers under 18 years old are not recruited here”.

Table 6.20 Average Age of the Children Workers

Age	No of Respondents	% of total Respondents
13-14	8	12.12
14.1-15	8	12.12
15.1-16	10	15.15
16.1-17	29	43.93
17.1-17.9	11	16.68
Total	66	100

Source: Field Data



Graph 6.9 Average Age of the Children Workers

Out of total 66 children, there were no workers available among the respondents under 12. All of them are adolescents, close to 18.

v) Child labour elimination from RMG sector has increased worst form of child labour

In a least developed country like Bangladesh where population, illiteracy and poverty are of the major hurdles to sustainable development, it is unlikely to implement the same policy especially on child labour, which is being applied in developed countries. It is not rational to see the global perspective of child labour through a single glass. Any generalization across the globe might affect the children of Bangladesh adversely. On the other hand, it will not be the same nature of child labour across the industries, i.e. child labour in readymade garment industry and in a mine or an automobile workshop are not the same. When the minimum wages in different countries vary according to the countries socio- economic context, one single standard on child labour would not be justified.

vi) Child labour versus Social compliance

In the existing law government is empowered to, in case of emergency and in response to public interest by notification in the official gazette, can hold those restricted provisions on employment of child and adolescent workers for a specific period²⁹. According to the law, even after completion of twelve years a child may be employed in light work that does not endanger his health or interfere with his education.³⁰ On March 2013, Child Labour Unit, Ministry of Labour and Employment, GoB declared the “List of Worst Forms of Works for Children” where 145 activities or components or nature of hazards under 38 occupations have been identified. The list excluded the RMG sector as the activities in the production floor, cutting and sewing, of RMG industry is considered as light work.

ILO Convention 138 defines "light work" as work that is not likely to harm the child's health or development, or prejudice his/her attendance at school. According to ILO, hazardous work (any work which is likely to jeopardize children's health, safety or morals) should not be done by anyone under the age of 18 but children between the ages of 13 and 15 years old can do light work, as long as it does not threaten their health and safety, or hinder their education or vocational orientation and training. Official acceptance of adolescent work will surely help to minimize this form of exploitative labour in the country.

²⁹Chapter III of BLA (2006) on Employment of Adolescent section 34 reads “(2) No adolescent shall be employed or permitted to work in any occupation or establishment unless- (a) a certificate of fitness in the prescribed form and granted to him by a registered medical practitioner is in the custody of the employer ; and (b) he carries , while at work, a token giving a reference to such certificate. (3) Nothing in this sub-section (2), shall apply to the employment of any adolescent in any occupation or establishment either as an apprentice or the purpose or receiving vocational training therein: (4) The Government may, where it is of opinion that an emergency has arisen and the public interest so requires, by notification in the official Gazette, declare that the provisions of this sub-section (2), shall not be in operation for such period as may be specified in the notification.

³⁰ Section 44 Exception in certain cases of employment of children: (1) Notwithstanding anything contained in this chapter, a child who has completed twelve years of age, may be employed in such light work as not to endanger his health and development or interfere with his education; Provided that the hours of work of such child, where he is school going, shall be so arranged that they do not interfere with his school attendance. (2) All provisions applicable to an adolescent workers under this chapter shall mutatis-mutandis apply to such child workers and disabled workers.

D. Freedom of Association and the Right to Collective Bargaining

Both the constitutions of the People's Republic of Bangladesh and Bangladesh Labour Law (BLL) - 2006 have incorporated the ILO conventions on freedom of association and collective bargaining. The Constitution of Bangladesh, Part 3, and Articles 26 to 47A has ensured fundamental rights of its citizen while freedom of association is written in article 38. Sections 175 – 208 in chapter XIII of BLL-2006 depict regarding trade unions and industrial relations in details, while ILO conventions 087 and 098 represent freedom of association and protection of the right to organize and right to collective bargaining respectively.

The study demonstrates that the existing practice of trade unions to protect the so called worker's right is another problem the RMG sector facing. According to law (BLA 2006, section 176, a,c) workers, without distinction whatsoever, shall have the right to form trade union of their own choice. They also have the right to form and join federation and such unions and federation shall have the right of affiliation with any international organization and confederation of worker's. With thirty percent of the total number of workers in a factory a trade union is entitled to registration (BLA 2006, section 179,2). As such there are options to have three (30% x 3) trade unions in the same factory. Neither the president, the General Secretary, Organizing Secretary or Treasure of any trade union shall be transferred without his consent (BLA 2006, section 187). The precious RMG sector can hardly afford the traditional model of trade unions in its factories. Previous experience of trade union in Bangladesh is evident that implementation of such a decision in our RMG industry would be suicidal. Business experts think Workers' Participation Committees (PC)³¹ can be the best substitute for traditional trade unions.

i) Number of unions compared to the size of the sector

At present there are 448 unions, more than 70 federations are working in a single sector. Out of them around 50 federations are registered with the Department of Labour.

³¹ section 205, 206, BLA -2006

Some of those federation leaders once were garment workers. Some of them have no experiences about the work environment and reality of the factories.

Those federations have varied number of members ranging from fifty thousand to a few lacs, as they claim. There is no common rule of fixation of fees to be a member of a workers federation. It has been seen that while one federation is charging TK 50 while other is charging TK 120 as membership fee. Similarly monthly fees varied from TK 05 – TK 50/00 . Some of the organizations are directly linked with the party in power or the party in oppositions.

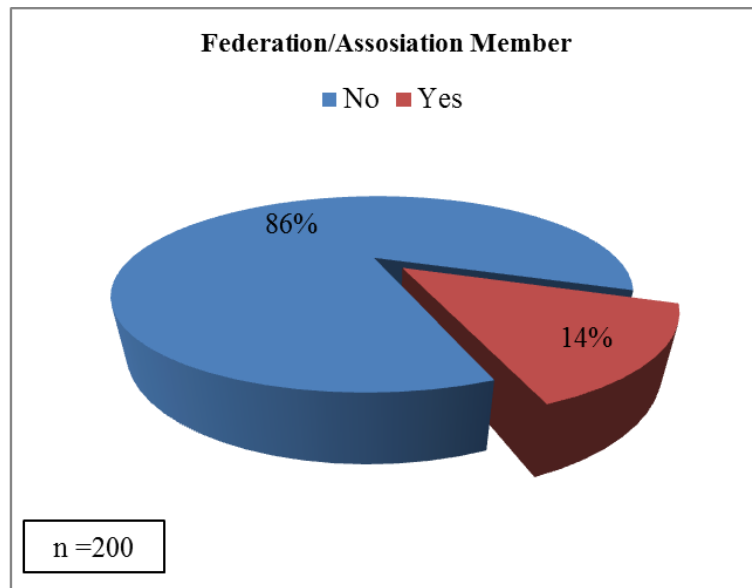
ii) Workers perception about trade union

The number of federation members is still very low. Female perception about trade union in female dominating sector is not very positive.

Table 6.21 Workers Membership with Federation

Federation Member			
Yes		No	Total Respondents
28		172	200
Male	Female		
21	7		

Source: Field Data, 2015



Graph 6.10 Federation Membership

Out of total 200 surveyed workers and supervisors 14% i.e. 28 persons are the members of different workers federations. Among those members 75% are male.

iii) Federation leaders' perception about the entrepreneurs

While talking with the federation leaders, it was known that workers are not ready yet for trade union due to lack of awareness and owners' negative attitude. All the federation leaders interviewed commented that workers are afraid of owners and factory management who may terminate them from the job. Government officials are not helping the federation leaders to form union at factory level.

iv) Owners' perception about trade union

The owners and compliance practitioners consider that the trade unions activities in the context of Bangladesh are not industry friendly. The sector suffers more by the traditional form of trade union. According to the apex bodies, the presence of trade union creates problem rather than solving. The leaders, in most of the cases, grab the financial benefits of their members, and use them for the sake of leaders' interest. Apex bodies welcome constructive trade unions but individually owners of the factories do not appreciate it fearing that the workers will be used by external vested quarter if trade unions are allowed in the factories. Inter group and intra group conflict due to union will hamper the growth of this industry. In USA, where the trade union concept was developed, at present density of unions is only 7% in industry. How the concept will work in the socio economic condition of Bangladesh, the leaders asked.

v) Labour law practitioners view on factory owners.

According to the labour law practitioners in this case, owners are very powerful with political affiliation contrary to employees. Employees are in vulnerable situation. Instead of rule of law the sector is dominated by the owners' rule. The government could not prepare and declare the rules yet against the law which is enacted in 2006.

vi) Participatory Committee, a preferred form of workers participation

The presence of a genuine bargaining agency can always help the industry to grow. A bargaining agent without any political affiliation and delinked from any foreign

or local NGOs can actually help any industry operate successfully and profitably by ensuring a win-win situation for both the employees and the employers. RMG sector can hardly afford the traditional model of trade unions in its factories. According to the owners workers' Participatory Committees (PC) can be the best substitute for traditional trade unions. These PCs in the RMG units can make a very good bridge between the management and the workers. Elected PCs are already in action in many of the factories in the country and they are encouraging examples for those who are yet to introduce WPC in their factories.

vii) Workers' view on effective Participatory Committee,

Workers Participatory Committee (PC) is a legal requirement under the sections of 205 – 208 of BLA-2006. Most of the compliant factories have participatory committee. Some of them even are elected by the workers direct votes but the workers do not see any impact on management decision making or minimizing grievance by the committee. They complained that the management representatives do not attend the meetings and recommendations from the participatory committee are hardly fulfilled.

6.4 Overburdened and highly centralized DIFE and other service providers

According to Bangladesh Labour Act (BLA) 2006, Department of Inspection for Factories and Establishment (DIFE) under the ministry of Labour and Employment is responsible for ensuring welfare, safety and health issues incorporated in the law. The DIFE approves machine layout plan, issues factory license, inspect fire and electrical safety. The areas of the DIFE's responsibility are very wide. There are thousands of factories and millions of shops and establishment where millions of workers are employed. At present, only in garment sector, total numbers of factories are 6165. Among them 3580 factories are under the membership of BGMEA and it is 1885 against BKMEA while non-member factories are 700 in number.

The department has: -

- 36 first class officers against 75 sanctioned posts
- 20 second class officers against 25 sanctioned posts
- 85 third class employees against 152 sanctioned posts

- 43 fourth class employees against 62 sanctioned posts

A very meager number of employees compared to the total number of factories, shops and commercial establishments.³²

With huge shortage of manpower the highly centralized department is overburdened of multidimensional works. Among the seven labour courts, three are based in Dhaka, two in Chittagong, one in Rajshahi and one in Khulna, as a result ensuring proper and timely justice is not possible. Decentralization and additional number of labour courts and DIFE are must. Factory inspector pool should include labour law practitioners for spot judgment at the factories and the provisions of health and hygiene can be transferred to government health institutions like NIPSOM to determine and protect industry specific diseases. Electrical safety issue can be transferred to Power Development Board (PDB) as they supply power to the factories and they have the competent engineers to monitor electrical faults. Overall fire related issues can be monitored by the mega department, Fire Service and Civil Defense.

It is near impossible for a single department, DIFE, that has been suffering with shortage of manpower to deliver its service properly. Contrary, huge responsibilities against limited human resources tend to corruption and keep the areas unsupervised. Rather this endorses the stakeholders' claim of passive role of government in social compliance.

i) Multidimensional task by a highly centralized department

There are three core areas in the labour law such as General, Health and hygiene and Technical – electrical and fire. General function includes employment condition of the workers, ensuring fire and electrical issues are called as technical and maintaining congenial environment for workers physical conditions are termed as health and hygiene functions. Those diversified responsibilities are given to a single department. From the key informants' observation and other experts' opinions it has been seen that the

³² Annual Report", MoLE, 2012-13.

allocation of responsibility to this different departments are multidimensional. This highly centralized department with shortage of manpower cannot cope up with the requirement. Following observations and opinions were noted from the in-depth interview with the government officials.

ii) The technical functions of DIFE

Power Development Board (PDB) provides electrical facilities for domestic and industrial uses. Electricity is being supplied to the RMG factory by the same authority. They permit load sanction based on load demand and calculation of capacity. The PDB has electrical engineers but they are not responsible for factory electrical safety. They know how to design electrical wiring, how to convert from high voltage to low voltage, and what type of cable, power guard are required for watt load. But they do not do this inspection where they are technically competent and proper authority. Many factories are consuming higher load capacity with low load capacity where PDB has the technical expertise to identify. All the major accidents, except Spectrum sweater factory and Rana plaza, occurred in the factories are related to electrical malfunctions. Factory inspector of DIFE oversees if any cable is found unorganized but they can't check if the cable is carrying overload or the factory is using substandard cable or if the transmission from main distribution line to sub distribution line is okay. This inspection should have done by PDB who are supplying authority, not the DIFE. *The section 62 "precaution in case of fire" of chapter VI under BLL – 2006 make factory inspectors responsible in fire protection activities which is more relevant with the mega department, Fire Service & Civil Defense (FSCD), that is the appropriate body and fire license issuing authority for factories.*

iii) The functions related to health and hygiene

In regards health and hygiene, DIFE has registered doctors as the factory inspectors. These inspectors inspect work related hazards like dust and fume, overcrowding, lighting, drinking water, toilets etc. They determine the diseases associated with work. The National Institute of Preventive and Social Medicine (NIPSOM), a national level public health institute, is promoting and restoring health. The

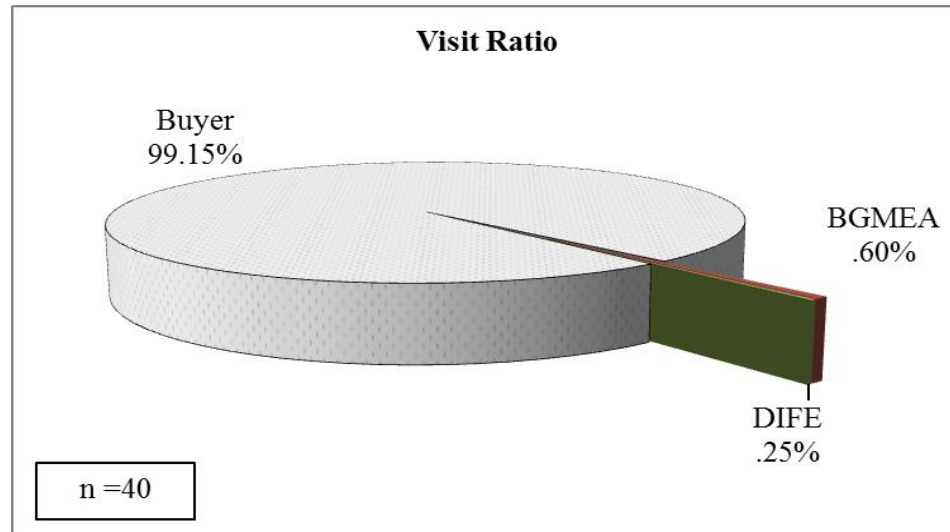
institute supports in the different health policy formulation of the government and community health programs through research, training and services. This institution can ensure workplace health and hygiene factor implementing the issues described in the labour law properly.

iv) Specific Role of the Department can make it Effective

The DIFE can be more relevant and effective inspecting the issues like conditions of service and employment, employment of adolescent, maternity benefit, welfare, working hour and leave, wage and payment etc. They approve factory layout and issue factory license and renew the same years after years without seeing and verifying the site. Both owners and government officials utilize the situation, as a result government loses its revenue but employer gains out of poor governance. There is no exemplary punitive measure against any inspector for his/her failure of supervision. On the other hand, none of the owners responsible for factory fire or building collapses got punishment. Nonexistence of any example in both the cases indicates absence of rule of law.

6.5 Drawbacks with Apex bodies – BGMEA and BKMEA

The offices of the apex bodies are centralized mainly two cities, Dhaka and Chittagong. These bodies issue membership certificate and provide necessary services like Utilization Declaration (UD) based on material consumptions, conduct arbitration among the disputed parties, provide training especially on compliance issue. Though most of the factories are situated at the suburbs of the city but apex bodies do not have any effective office at the door steps of the factories clusters. In Ashulia, BGMEA has a one man one room office to while BKMEA has none.



Graph 6.11 Visit Ratio by Different Agencies, Source: Field Data

Both the bodies are responsible to ensure compliance requirement before approving their membership. Out of total visit or audit 95% is of buyers initiatives while DIFE has almost no supervision to the factories. Only after any disaster in the sector, factories feel their presence.

i) Highly Centralized Associations

The trade associations, BGMEA and BKMEA, both are highly centralized. To get any service, factory people have to come to central Dhaka from a far distance. No one has any branch office with proper authority to negotiate workers grievances or unrests. BGMEA has a one-man office at Ashulia while BKMEA has none.

ii) Lack of information

Even after three decades none of the apex bodies has actual data of total workforces. It is difficult to confirm the ratio of male to female workers who have been working in the industry for decades. Some estimate this ratio around 85% and some claim more. After Tazreen and Rana Plaza accidents different media claimed different numbers of victims. None of the associations had the correct number of employees that were employed in those factories.

Table 6.22 Bio-Metric workers data base

BGMEA Bio Metric Database	
No of Respondents (n=40)	
Yes	No
2	38

Even family members of deceased workers claimed that they did not receive the dead body of their beloved ones. To overcome this sort of unexpected situation BGMEA came up with a decision to make Bio-Metric worker database on 5th May 2013. But till date the plan has not been materialized.

iii) Non-existence of Service book

To protect illegal migration of the workers, both the associations decided to provide service book, which is also a legal provision (Section 6, BLL 2006), against each workers but none of the members complies with this decision.

Table 6.23 Availability of service book

Application of Service Books	
No of Respondents (n=40)	
Yes	No
7	33

All big or small size factories do not provide training to their employees to make a worker skilled and qualified rather they prefer to hire at any cost a ready skilled worker from their neighboring factory.

iv) Un-healthy competition among the members

It was revealed from the discussion with the top management, sometimes factory accept the business even at cost price to beat the competitors. During his period, Mr Fazlul Hoque, Ex-President of BKMEA for six years, initiated to ceiling the minimum price against each style of different product categories that was appreciated by all but none of his members followed it. This ill competition among the owners ultimately helps the buyer to buy the same product at a very cheap price, sometimes beyond reasons. Here

the buyer does not think ethically and the owner also does not lose. The owners of the factory absorb the lower price by cutting workers benefits and due compensations.

6.6 Drawbacks at Factory Level

The RMG sector has flourished in a very scattered way and due to its profit-making tendency by the owners they have only allowed the sector to grow notwithstanding the problems that might come from unplanned expansion. There was no effective management system for maintaining a labour-intensive industry like the RMG. Employee dissatisfaction, less job security, low retention rate is common.

i) Non-Functional Human Resources Department (HRD)

Interviews with the compliance practitioners reveal that it is the owner's attitude that they will not delegate their authority that they have been exercising over the decades. The owners will make mid-management responsible for the failures. They will assign workload to a particular person or department but they will not delegate proper authority with the assigned responsibility. Without authority no one can exercise his/her responsibility. So the functional HRD depends on the delegation of authority. HR and compliance department is responsible for running the factory complying with legal requirements and in accordance with the organization policies. To make it happen, a competent, dedicated department along with authority matching with responsibility is a must. The workers are not happy with HR practices, which work according to owners' prescription. To the workers, the role of HR at the factory is like police, where workers are always treated with suspicion. Anyone is asked to visit HR means she/he is going to lose job or will be punished. To do so, HR people take the signature of the workers in a blank paper forcefully so that they can write and use that paper as required. Federations take this opportunity and send legal notice to factory management on behalf of terminated workers and thus workers get involved with the federations with a hope to get something than nothing.

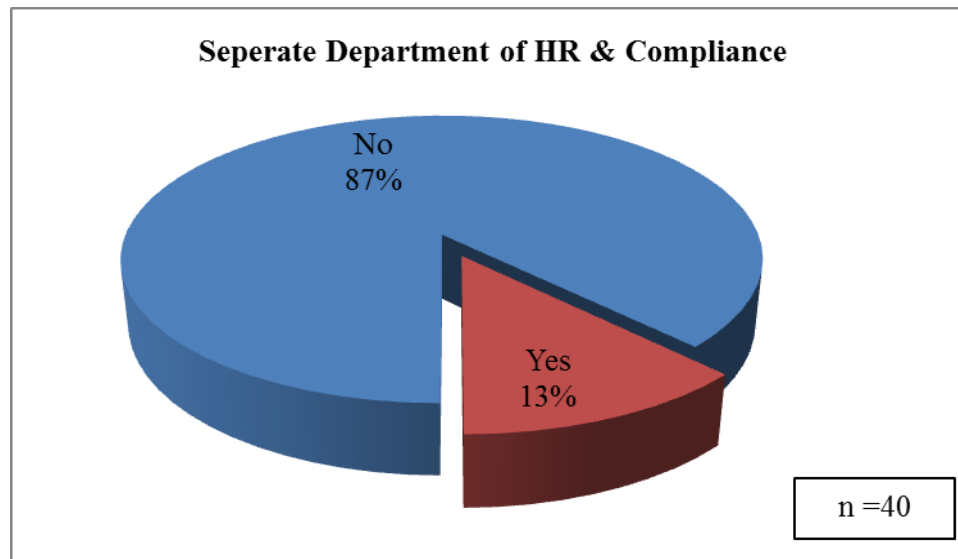
ii) Multi-dimensional task to a single department

In most of the factories, the compliance department is also responsible for HR and administrative activities. So they have a huge work load. In this situation the HR department becomes demotivated itself and cannot actually do much for the workforce that make up the industry.

Table 6.24 Dedicated Departments for Compliance

Separate department on Admin, HR, Compliance	Total	%
No	35	87
Yes	5	13
Grand Total	40	100

Source: Field Data



Graph 6.12 Dedicated Departments for Compliance

One single department is responsible for multiple works; similarly multiple departments are responsible for a single work. Though 13% factories have separate departments for HR and compliance but delegation of authority and responsibility is not clear.

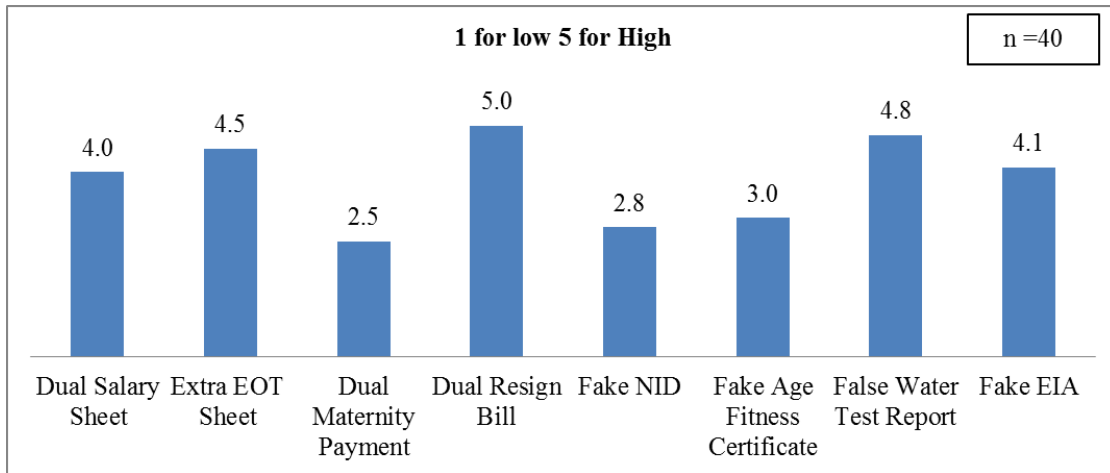
iii) Highly controlled access to the top management

In the context of workers grievance procedure, workers have hardly access to the factory head. They are to rely on welfare officer, HR persons or complaint box where the

workers express their grievances. Though there are complaint boxes in the factory but these boxes are under control of the persons and departments about whom the workers complain most. As a result, their grievances are not handled with due respect.

iv) Manipulation of data and Manage culture

Generally, in social and technical audits it requires a list of papers to be available. If any paper is missing or incorrect it is not impossible, depending on relationship between auditor and auditee, to make the paper ready or corrected by their own.



Graph 6.13 The Most Manipulated Documents in Compliance

Source: Field Data

According to the compliance managers interviewed, the most violated area is resignation and termination benefits then Extra overtime hours. To face the compliance audit compliance manager has to manipulate information and payable amount as necessary.

6.7 Disasters in Social Compliant Factories, Bangladesh

There is a strong linkage between factory disasters and compliance. Theoretically social compliance upholds all sorts of safety measures like workers’ health safety, job security, social dignity and ensure living standard. In reality, there are a huge number of social compliant factories that ensure business growth and increase brand image but do not guarantee workers safety and satisfaction. As a result most of the incidents took place

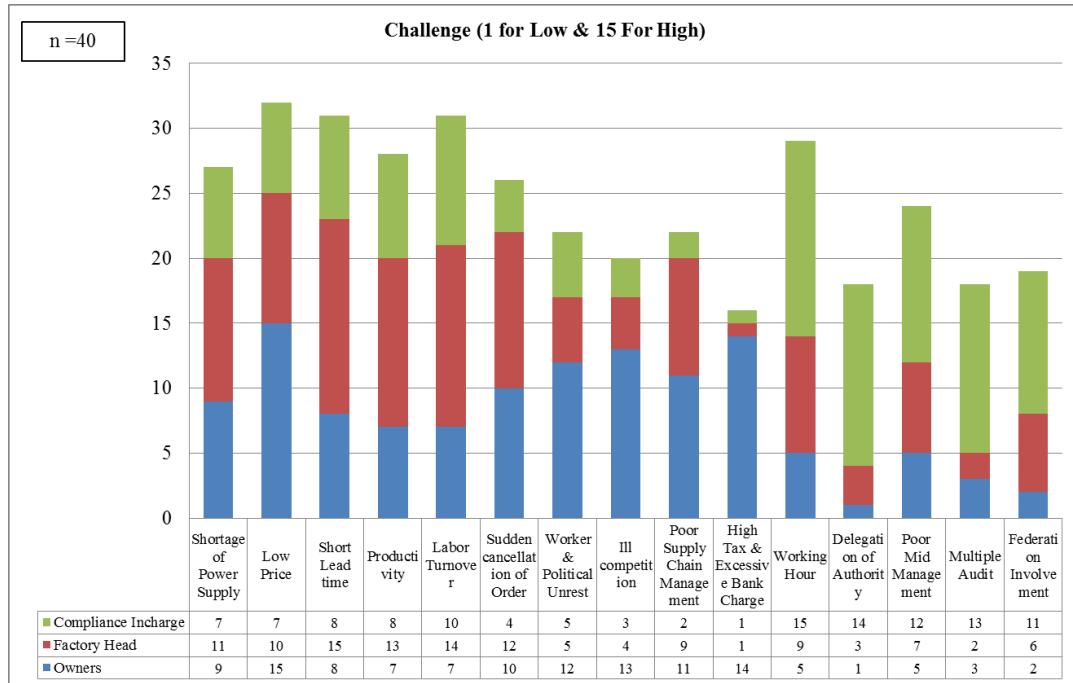
in the compliant factories especially at Ashulia or its adjacent areas. It is evident that existing model of social compliance does not guarantee for safe working environment and workers satisfaction.

i) Buyers driven compliance does not ensure workers safety

Buyers driven social compliance at factory level has a different perspective. They are not and need not to be focused on workers wellbeing; rather they need a certificate to assure their customers that the garments they buy are sourced from compliant factories. To protect their brand name and avoid any unexpected disaster most of the buyers have strong presence in compliance audit in accordance with their respective codes of conduct. The factories are certified to work for the particular buyer if the audit result carries the optimum points. Different audits have different grading systems. The opportunity for business is open when the concerned buyer approves the factory. The social compliance audit result ensures business continuation and growth but not necessarily workers satisfaction.

ii) Challenges of Social Compliance

The challenges of social compliance are different to different departments and persons. Findings show that low price is the most challenging factor for compliance that carries 32 points out of 45 (15 x 3) , 31 points went for short lead time and labour turnover while 29 points for working hours.



Graph 6.14 Challenges of Social Compliance

Source: Field Data

Compliance managers consider working hour while factory heads mark short lead-time as the main challenge. To the owners’ low price is the number one challenge to make the factory compliant. To the factory heads, apart from short lead-time, shortage of power supply, workers inefficiency that is lower than competing countries, workers turnover are the main reasons that extend working hours beyond legal limit. On the contrary, delegation of authority, multiple audits, working hours, conditions imposed to recruit adolescent workers; federations are the main hurdles to make the factory compliant.

6.8 Impact of Social Compliance on the workers satisfaction

Social compliance delivers shared benefits like helps in business growth for the factories, generate goodwill for the brands and presence of social compliance ensures workers satisfaction. Based on field study this section analyzes the level of workers satisfaction and what are the factors affecting this very basic principle of social compliance. This can be explained with the following points:

Table 6.25 Workers Job Satisfaction

Present work condition	No of Respondents	%
Dissatisfied	148	74
Good	27	14
No Comment	25	12
Grand Total	200	100

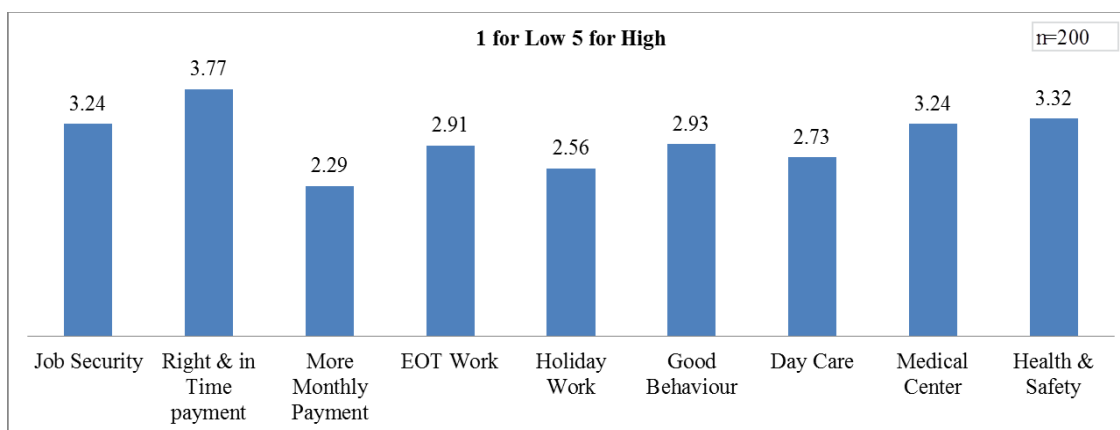
Source: Field Data

Out of total 200 workers surveyed, 148 expressed their dissatisfaction over their present working conditions and benefits where 25 answered no comment and 27 said good. Because of this huge number of workers having job dissatisfaction, the migration keeps going on.

i) The factors workers value the most

The most important factor to the workers is fully and timely payment. They prefer present time benefit instead of retirement benefits, as they know their services have no security and certainty.

Most of the respondents emphasized on right amount of payment in right time followed by better working condition, health and safety, job security, medical center, good behaviour. To them daycare is more important than wage deduction.



Graph 6.15 The Important Factors to Workers

Source: Field Data

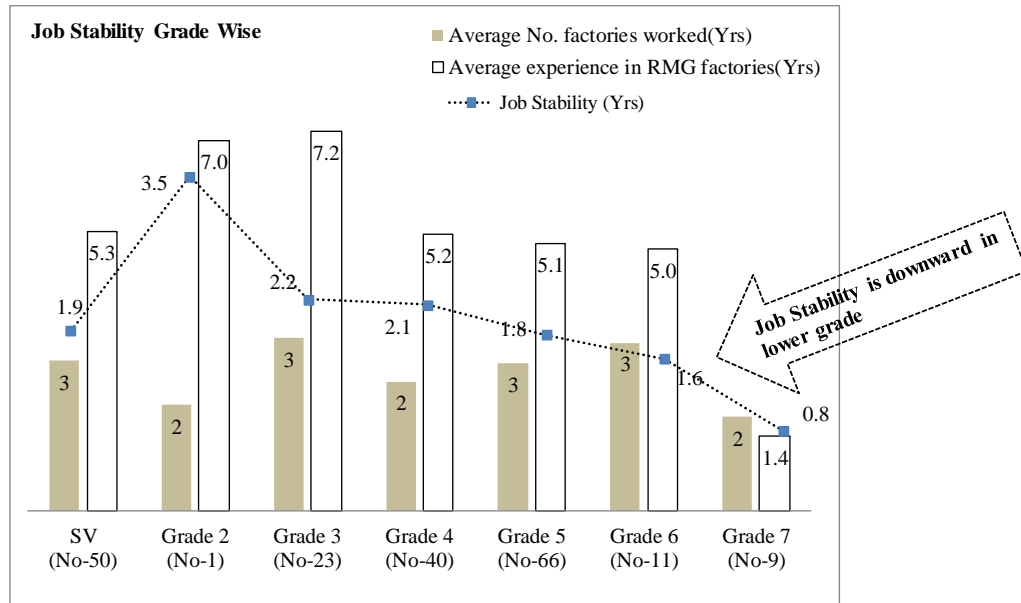
ii) Job Stability by Grades

The study reveals that the overall retention rate in a particular factory is low. They change the factory more, when they are in lower grade. In grade 7 the helper/assistant changes within eight months of their first joining in the job. This trend in grade 6 is 1.6, in grade 5 is 1.8, in grade 4 is 2.1, in grade 3 is 2.2 years average.

Table 6.26 Job Stability by Grades

A: Grade/ Position	B: No of Respondents (Total 200)	C: Average Experience (Years)	D: Number of Factories Changed	E: Job Stability (Years) (C/D)
Supervisor	50	5.3	3	1.9
2	1	7	2	3.5
3	23	7.2	3	2.2
4	40	5.2	2	2.1
5	66	5.1	3	1.8
6	11	5.0	3	1.6
7	9	1.4	2	0.8

Source: Field Data, 2015

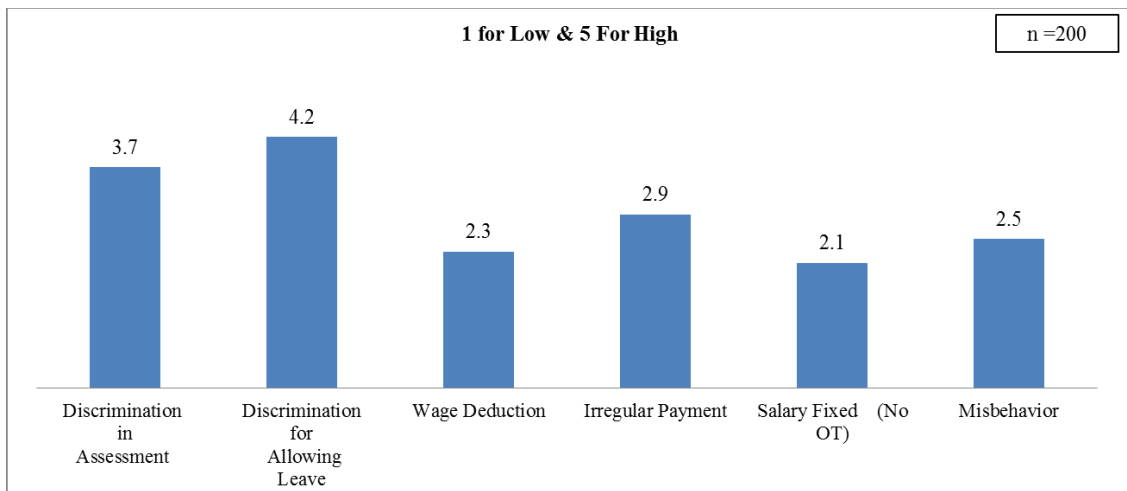


Graph 6.16 Job Stability by Grades

From employers' side, retention of any worker for more than five years create extra burden on finance in the form of compensation (Ref BLA section 27, 4a). Contrary, employees emphasize on present receivables, as present is more important to them, because they are not sure about their future.

iii) Reasons for workers dissatisfaction

There is a close relation between job satisfaction and migration. It makes the workers dissatisfied when their supervisors do not grant them leave when it is inevitable and do not asses them in a proper and transparent manner. Any kind and form of discrimination lead the workers to dissatisfaction.



Graph 6.17 Reasons for Job Dissatisfaction
Source: Field Data

Irregular and less and deducted payment, misbehavior of the supervisors are the common factors of dissatisfaction at workplace.

iv) Workers change the boss not the job

Generally people do not change their job rather they change their workplaces only. It is most important to note that when a person leaves, actually he/she does not leave the organization, rather he/she leaves his/her boss only. For example, from a readymade garment factory one employee migrates to another readymade garment factory, because his/her expertise cannot be sold to a non-RMG trade.

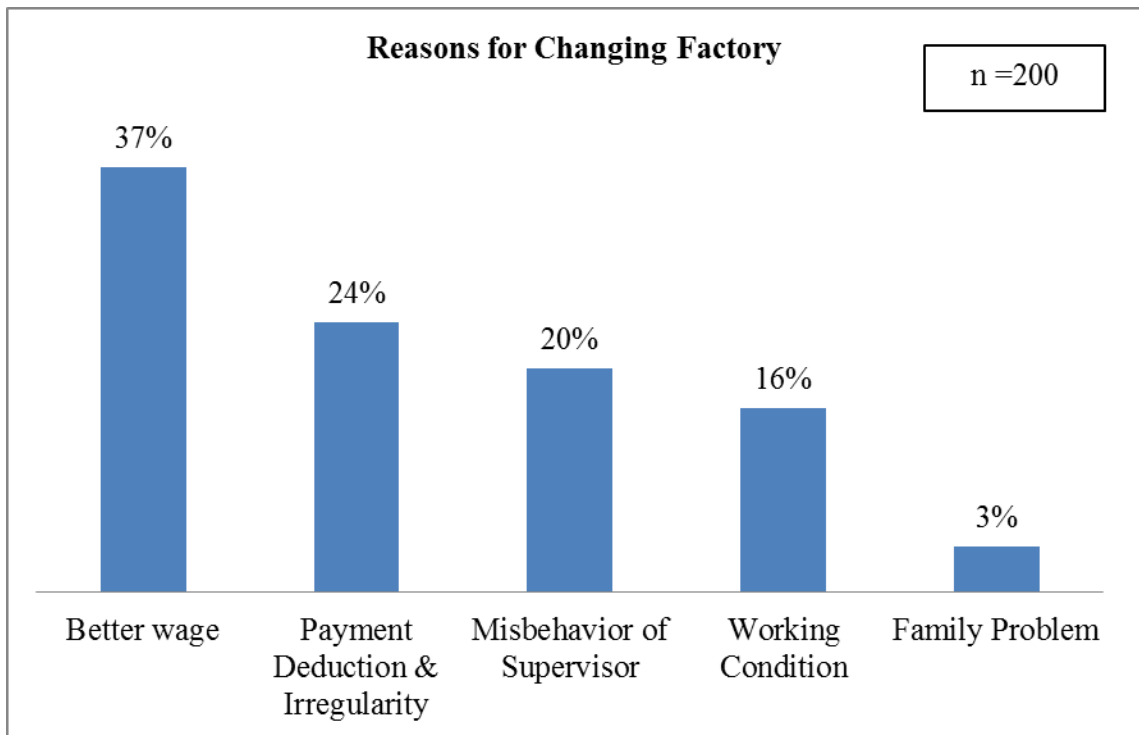
v) High Migration

The sector suffers from high workers migration which is the result of dissatisfaction. Any migration or low retention with job has multiple effects on the organization. There is a close relation between compliance and workers satisfaction. This reveals ineffectiveness of existing practice of social compliance.

Table 6.27 Workers Migration

Reasons behind frequent factory changes	No of Respondents	%
Better wage	74	37
Misbehavior of Supervisor	39	24
Working Condition	32	20
Family Problem	8	16
Payment Deduction & Irregularity	47	3
Grand Total	200	100

Source: Field Data, 2015



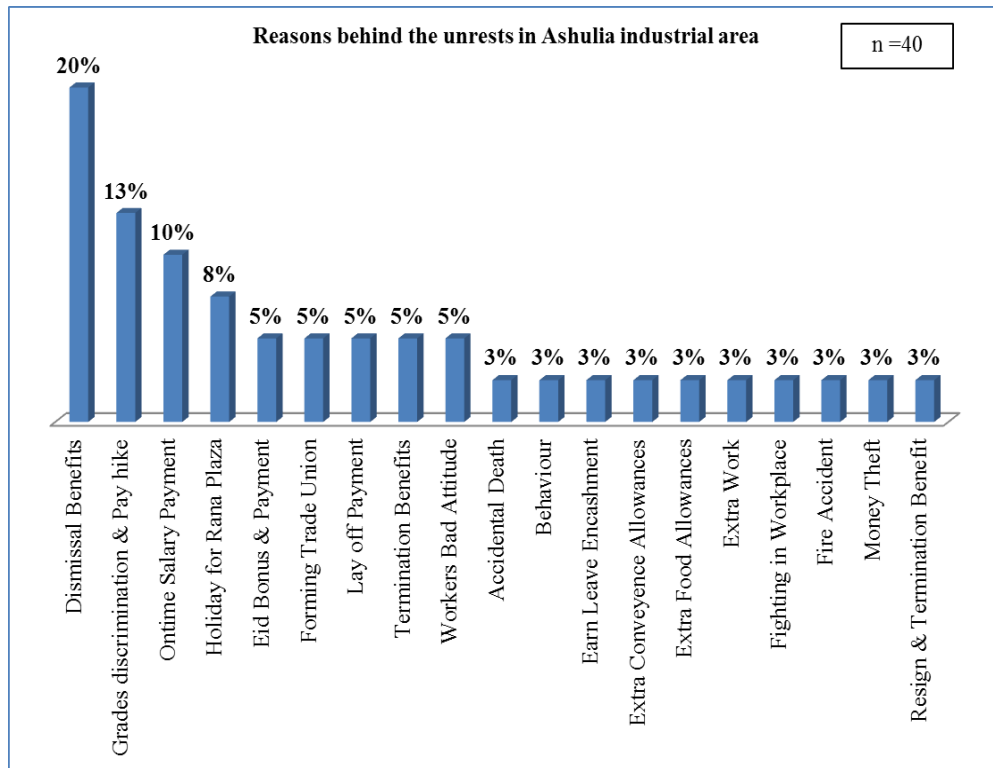
Graph 6.18 Workers Migration

Wage is the key factor of migration. Every worker values the present time receivables. They emphases on good behavior more than working condition – health and safety issues.

Historically none of the workers' demand was fulfilled without movement. The concept of eight hours work, elimination of child labour, determination of minimum wage, standard working condition etc were the result of workers movement and in some cases sacrifices of their lives. In manufacturing industry, especially labour intensive sector like RMG, when the workers demand are not full filled over the period workers dissatisfaction burst into unrest. When compliance is in place it is expected all forms of labour standard are in accordance with law. But in real life scenario it does not happen. Till now workers satisfaction is a far cry in the sector though the sector claims as a compliant.

6.8.1 Labour Migration in the Study Area

Among the major RMG clusters Ashulia is called as a second generation industrial zone. Ashulia has the highest migration rate, because factory density is higher and competition among the factories to hire skilled workers from neighbor's factories.



Graph 6.19 Reasons behind Unrests in Ashulia Industrial Area
Source: BGMEA Ashulia Branch Office, 2014

From the record of BGMEA branch office at Ashulia above reasons were identified for the unrests in the factories. Among the reasons, settlement of termination/dismissal benefits is at the top. Lack of policy and its weak implementation both are heavily present in the factories. Non-compliant factories do not have any policy of this kind. The owners cum factory heads look after from production to workers' management. Ashulia, being an area with maximum number of RMG factories, plays significant role in labour unrest. Most of the unrests jolted the sector initiated at Ashulia and its adjacent areas. The study finds a number of factors that are responsible for igniting unrest and workers protest in Ashulia. Some of the factors are as below:

- I. **Workers from multi sectors:** In this area there is a mixture of workers from multi sectors and sources of factories like EPZ, non-EPZ, RMG, non-RMG, compliant factories, non-complaint factories are available in a single but most dense industrial cluster, Ashulia. These multi sources of workers wage and incentive are also different from each other. The workers living in this area are not under a single wage structure even they belong to the same sector. The workers of garment factories in EPZ are getting higher wages and benefits than that of non-EPZ garment factories. Moreover the non-EPZ factories have the practices of different incentive packages while non-compliance factories have no uniformed structure of wage and others benefit. The workers are doing the same job with different benefits or incentives in the same area, though they are sharing the living place together. Depending on the size and financial capacity different factories offer different types of attractive incentives for the workers on attendance, production, target etc. This mismatched wage structure and varied incentive package ultimately make the workers dissatisfied and motivated.
- II. **A large number of workers** with diverse working sectors are living in a small area. So there is scarcity of proper living place, which is a problem for the female workers especially. Accommodation crisis has become a business for the locals. The local people gave their land to either the factory owner or they have built houses for renting. In these houses the owners are not practicing proper manner

with the tenant who, in most of the cases is a garment worker from different areas. During the study one of the owners has said that before he has started the house rent, his land was full of jackfruit trees, now he earns more in a year from the room rent than the jackfruit selling. So the accommodation has become a business for the local people who own a land or house. This is a big problem for the women worker, as they cannot just live in anywhere due to their safety, which is quite the opposite in case of a male worker. In Ashulia, apart from room rent other charges like electricity and water bills are higher than other two clusters.

- III. **Problems with the garment byproducts:** The garbage or jhut (small pieces of wastage fabrics) generating from the garments as byproduct has a great impact on labour unrest. The people who are involved with this trade are linked with political parties. To control over jhute trade intra and inter group conflict finally turn to unrest in the sector.
- IV. **Lack of infrastructure:** The second-generation cluster was not planned properly for the purpose of garment industry. Availability of gas, high land that was free from 1988 flood, adjacent to Dhaka EPZ with low land price but very close to Dhaka airport attracted the RMG entrepreneurs to set their factories in that village area. To support the private entrepreneurs sufficient infrastructure were not developed by the governments in different time. There is no planned waste management system, especially those affecting the environment is not present. Most of the garments do not have any effective Effluent Treatment Plant (ETP). The wastewater and other goes directly to the environment and the area have serious impact on environmental degradation.
- V. **Absence of effective governing bodies:** The area faces labour unrest frequently due to lack of proper governance from the authority. The organizations regulating the industry, the labour court, DIFE, EPB and BGMEA/BKMEA have no office in Ashulia. BGMEA has a single man branch office that does not serve any purpose of any quarter. So the workers who are in trouble and seeking for justice has to go to the federation or other NGOs present there. The federation leaders and NGOs take the advantage of this situation to the fullest.

6.9 After Rana Plaza

With many difficulties the devastating accident in the history of global apparel manufacturing industry “Rana Plaza” has brought many positive changes in this sector. Among them, according to the compliance practitioners, owners’ mindset is at the top. Many of the industry experts termed the Tazreen fashion and Rana plaza disasters as a “paradigm shift”. Some called those two disasters as “wake up call”.

Accord on Fire and Building Safety (Accord) and Alliance for Bangladesh Workers Safety (Alliance) – two alliances of international buyers – have also undertaken building assessment (structural integrity, fire and electrical safety). The number of factories came down to 4222 from 5876 Shutdown of small and subcontract factories. The RMG sector in Bangladesh is moving towards green building initiatives to impress the eco minded buyers globally. Government has set its vision in view of its golden jubilee of independence in 2021 to upgrade Bangladesh to a middle-income country (MIC) from Least Developed Country (LDC). In line with the government, BGMEA has fixed its export target to \$ 50 billion on the country’s 50th anniversary i.e. in 2021.

i) Workers are always in vulnerable situation

A huge amount of money was invested to comply with the guidelines of Accord & Alliance for fire safety and building integrity. Those initiatives may ensure structural safety of the building and can minimize the risk of fire accidents in the factories but has jeopardized the livelihood of the workers. Around 220 listed factories were shut down along with thousands of unlisted or subcontract factories with the loss of 150,000 – 500,000 employments due to strict safety initiatives that requires huge investment.

ii) Number of trade unions increased

the trade unions enrolments has increased dramatically after the Rana plaza collapse. In 2012, there were 122 unions in the sector that represented less than 3% of workers. In the year 2015, there are 437 unions, representing nearly 5% of workers of this sector. Both the number of trade union and anti-trade union activities has increased. Though foreign buyers and donor agencies encourage the trade unions it is not a feasible

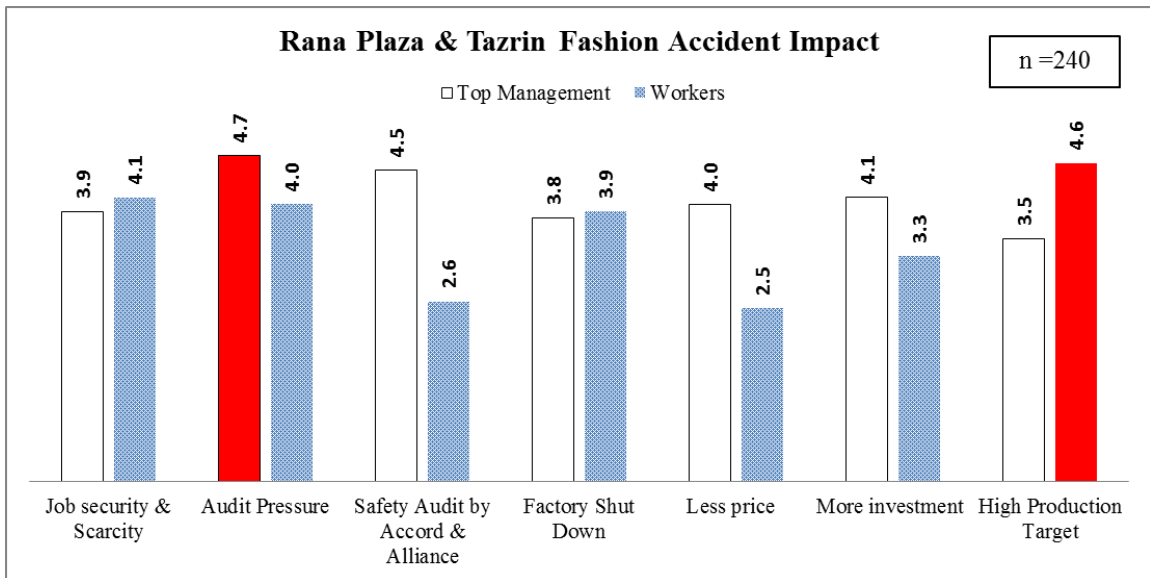
solution yet in the context of Bangladesh. The workers of RMG sector are mostly with primary or no education. They are not well aware of their rights and some vested group takes the chances of their situation by misleading them in most cases through the trade unions.

iii) Up-gradation of DIFE

On account of Rana Plaza disaster government has upgraded the Directorate to the Department of Inspection for Factories and Establishments (DIFE) and has increased its manpower, which was one of the conditions to get back GSP facility from USA.

iv) Impact on Entrepreneurs and Workers

After Rana plaza collapse, business pattern has been changed. With higher investment, but lower price offered from the buyers, factories have taken various initiatives like wastage minimization, inventory control, productivity enhancement, line balancing, higher production target etc. For this infrastructural development the companies had to spend a lot of money and they tried to balance it with the wage. Working environment, factory building, electrical and fire safety etc have been developed.



Graph 6.20 Impacts of Rana Plaza and Tazreen Fashions Accident on RMG Business Bangladesh
 Source: Field Data, 2015

Since many factories were shut down after this accident the workers were bound to work at a lower wage. As a result workers were in more vulnerable position with less Job security due to job scarcity. They were to produce same quantity in less working hours or more quantity with the same working hours.

v) Decreases Small Factories, Increases Large Size Factories

The factories with small production capacity have been shut down while the factories with bigger capacity have been increasing.

Table 6.28 Decreasing Small Factories, Increasing Large Size Factories

Grade	Worker Range	'14-15	15 -16
1	1 – 500	1105	767
2	501 – 1,000	545	474
3	1,001 – 2,500	471	462
4	2,501 – 5,000	148	154
5	5,001 – 100,000	39	45
Total		2308	1902

Source: BGMEA, 2016

Due to high investment, cost to meet Accord and Alliance requirements on safety issue, most of the small and subcontract factories were unable to run and finally closed.

6.10 The obstacle for effective compliance

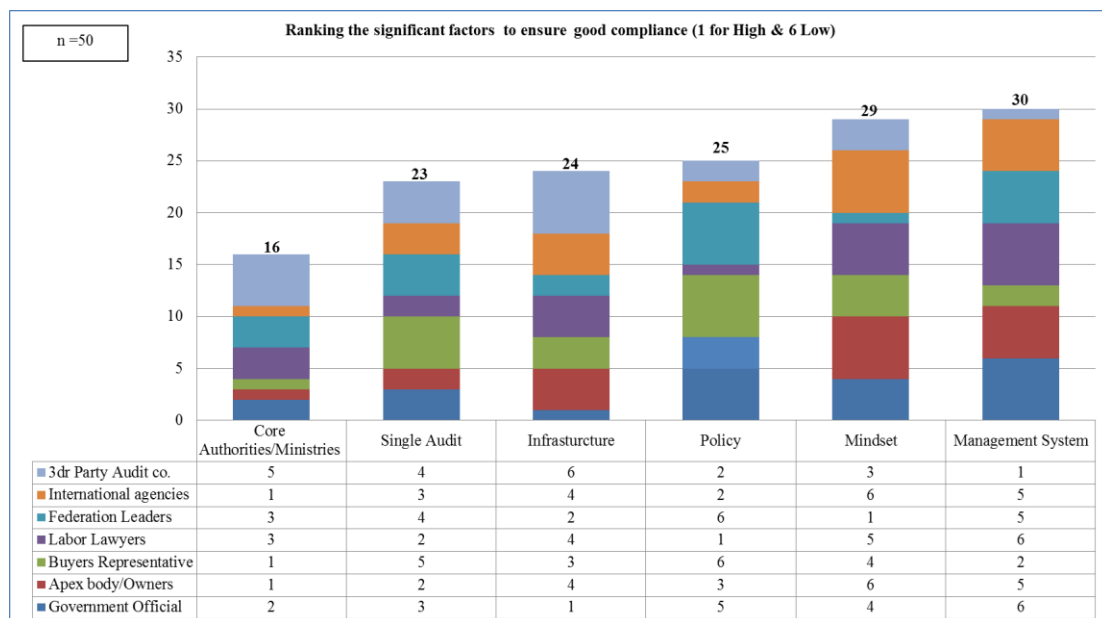
From the in depth interview, multiple reasons have been identified as the obstacle for the good governance for effective compliance. The apex bodies’ leaders find absence of sector specific ministry is the most responsible for good governance. The country’s largest sector in all respect suffers from a core authority. Along with multiple ministries and agencies, at present there are 12 ministries/agencies are involved in this single sector. They issue different licenses, and inspect the factories. Bureaucratic red- tape, corruption etc make delay and incur extra cost that hamper the growth of this potential sector. Apex bodies, BGMEA and BKMEA, demand for a separate ministry for the sector to monitor the issues with high importance. Buyers’ representative, International agencies and third party auditors support their demand. The labour practitioners urges for strong and clear policy framework with more penalty clauses for the violation. They also emphasize for

rule of law and its impartial application while federation leaders identified owner's mindset is the significant factor for the good governance. Government officials identified shortage of manpower; weak infrastructure, bureaucracy, and centralized authority are the bottlenecks for good governance.

Table 6.29 Experts Opinions on effective compliance

Rankings the significant factors (1 for Top & 6 Bottom)								
Details	Priority (High/Low)	Government Official	Apex body/ Owners	Buyers Representative	Labor Lawyers	Federation Leaders	International agencies	3dr Party Audit co.
Core Authorities/ Ministries	16	2	1	1	3	3	1	5
Single Audit	23	3	2	5	2	4	3	4
Infrastructures	24	1	4	3	4	2	4	6
Policy	25	5	3	6	1	6	2	2
Mindset	29	4	6	4	5	1	6	3
Management System	30	6	5	2	6	5	5	1

Source: Field Data



Graph 5.21 Expert Opinions on effective compliance

Finally to have good governance most important issue has been identified as the emergence of core authority followed by single audit, infrastructure, policy implementation and revision, mindset of the owners and rearrangement of management.

6.11 Problems Identified for not having an Effective Compliance Practice

Problems related to social compliance revealed from the analysis of findings may be divided into two categories – Legal and Operational. These two categories of problems are not mutually exclusive, rather these are inter related and inter dependent issues.

6.11.1 Problems in the Legal Framework

The field study revealed the ground reality of social compliance practice in Bangladesh RMG sector. Though the RMG sector is growing but the workers, who makes up the heart of the industry, are not fairly treated. The following problems have been identified from the field study and in-depth interview particularly.

i) Forced Labour

From the study it was known that forced or compulsory labour is the most violated issue in RMG sector in context of compliance. ILO conventions 029 and 105 prohibit any form of forced or compulsory labour in the work place. Overtime (OT) work at least for two hours is common in the sector. But most of the factories need more OT work to meet the delivery schedule.

ii) Discriminations

There are two laws for the RMG workers with varied provisions of benefits between Bangladesh labour law -2006 and Bangladesh Export Processing Zone Authority (BEPZA) law. Minimum wage board has classified the non EPZ workforces into seven grades according to their skills with seven different wage levels. Contrary, EPZs workers are divided into five categories. BEPZA has fixed higher wages and benefits compare to non EPZ factories. There are two different policies for maternity leave and benefits. Those who are in government service avail six months but for the RMG workers it is only

four months. This is discriminatory and violation of the fundamental rights of the people. Female workers, in the RMG sector, are mainly in the sewing machine operation level do not have any decision making authority.

iii) Child Labour

Bangladesh labour law has not prohibited child labour but has restricted it from certain hazardous works to ensure their safety and schooling by limiting their working hours. The study found that there is still presence of child labour with noncompliant RMG factories. This presence is more severe with other sectors. Having no choice these underprivileged children are getting themselves involved in the worst form of works with more risk for survival.

iv) Labour Retention

There is a close relation between job satisfaction and migration. Discrimination, excessive working hours, wage deduction, misbehavior tend to migrate workers from one factory to another. Generally people do not change their job rather they change their workplaces only. Workers' retention in a particular factory is very low due to weak or absence of management system.

v) Multiple policies and guidelines

The RMG, as a part of global value chain, sector follows multiple standards based on buyers COCs, international third parties standards, ILO convention, Bangladesh labour law etc. These multiple standards for a single sector hamper to maintain social compliance in the factory level.

6.11.2 Problems in the operational level

No matter whatever the policies and laws are formulated to back up the sector, if those are not implemented, all efforts will go in vein. "Only policy making and formulation of favorable rules and regulations cannot ensure reducing uncertainties arising from these weaknesses. Government and all concerned decision making bodies must put their sincere and utmost efforts towards developing ways through which

effective implementation of rules and regulation is possible” (Begum and Ahmed, 1999,p.17).

i) Lack of a core authority/ dedicated ministry

There are at least 12 different ministries/department’s control over the largest sector of the country in context of employment generation and foreign currency earnings. The sector lacks a core authority that prolongs the decisions process and makes the issue more complex. Contrary, there are several ministries with very insignificant contribution. The highest foreign currency earning and largest employment-generating sector lack core authority to control and promote the industry.

ii) Overburdened and highly centralized DIFE and other service providers

There are thousands of factories and millions of shops and establishment where millions of workers are employed. With huge shortage of manpower the highly centralized department is overburdened of multidimensional works.

iii) Offices of apex bodies – BGMEA and BKMEA

Though most of the factories are situated at the suburbs of the city but apex bodies do not have any effective office at the door steps of the factories clusters. In Ashulia, BGMEA has a one man one room office to while BKMEA has none. The offices of the apex bodies are centralized mainly two cities, Dhaka and Chittagong.

iv) Weak factory level management

Human Resources Department (HRD) usually responsible for the implementation of compliance issues at factory level. This department are facing problem of authority. They are responsible with huge work delegation but they do not have authority to execute their decision.

v) Passive role of Government and Apex Bodies

It has been identified from the field study that the roles of Government and the Apex bodies (BGMEA & BKMEA) in the RMG sector of Bangladesh are most likely

passive. They are following the corrective plans in ad-hoc basis instead of proactive. They are found active when an incident happens.

vi) Buyer driven compliance

It can be noted with high importance that the compliance practiced in Bangladesh is totally a buyer driven initiative. Here the main objective of the factories is to pass the audit, whereas the compliance is done for the betterment of the workers along with a smooth production process. The audit is done for the customer satisfaction only; it doesn't address the satisfaction of the workers to any extent. Achieving customer satisfaction overlooking the employee satisfaction is not the way to ensure a sustainable compliance.

vii) Social compliance audit process

The existing practices of social compliance have audit fatigue due to enormous pressure of audits from different buyers on the same issue. Buyers driven compliance concentrate more on audits rather than solving the problems. The factories manage the problems for the time being and pass audits with fake papers but working condition and workers status remain the same. As a result, in micro level, the impact of such short term solutions does not make any difference in the workers life.

viii) Low Price of the Product

There is a huge gap between buyers offering price and asking compliance standards. To accommodate with that price factory deprive the workers from their legal benefits. Without fair price from the buyers, fair practice of compliance in factories level is a dream. The study finds that there are a number of compliant factories but workers dissatisfaction, violation of legal rights, unsafe working conditions remains' unchanged.

Table 6.30 Differences among CM, FOB and Sell Price

Brand	CM/dz	FoB/pc	Price Tag/pc
A	\$19.00	\$7.55	\$40.36
B	\$18.50	\$5.50	£ 12.00
C	\$21.00	\$8.60	£ 30.00
D	\$15.50	\$6.12	£12.00
E	\$14.50	\$6.88	\$68.00

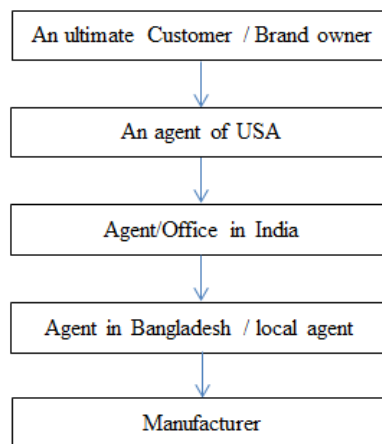
F	\$21.00	\$7.82	\$62.00
G	\$35.00	\$6.28	£20.00
H	\$16.50	\$ 5.49	\$59.50
I	\$17.50	\$6.80	Lira 44.30
J	\$18.00	\$6.80	SA r 180.00

Source: Field Data

According to the manufacturers, they work at lowest segment of total value chain. One of the factories, reputed for compliance and demand higher Cutting and Making (CM) charges compared to their competitors, is getting \$ 19/dz i.e. \$ 1.58/pc (BDT 123.00 @ 1 \$ = BDT 78) for a semi critical woven L/S shirt and for a basic shirt that factory is offered for \$ 14.50/dz i.e. \$ 1.20/pc (BDT 94.00 @ 1 \$ = BDT 78) while those shirts are sold to the customers @ \$ 40.36/pc and \$ 68.00/pc respectively.

ix) Engagement of Third Parties

One of the limitations of the sector is the dependency on the buying-houses, both local and foreign. Apart from the ultimate consumer and manufacturer, there are many other parties in between involved in RMG business. In many cases a work order comes to a manufacturer through four to five different hands/ phases. For example, a buyer in USA (ultimate customer/brand owner) confirms the business with an agent of that country. This agent has another agent in Hong Kong.



Graph 6.22 Engagement of Third Parties

Now many agents have their office in India. The agent in India has another agent in Bangladesh who is called “local agent”. That local agent communicates with the

manufacturer. A huge amount of business is being done by the involvement of third parties or middlemen. This happens at the time of business confirmation i.e. selling time and as well buying time i.e. at the time of procurement of raw materials.

Tazreen Fashions where devastating fire incident took 113 lives of garment workers in 24 Nov 2012 had been working with Wal-Mart Inc. through an agent in New York named Success Apparels NY. Success Apparels NY gave the order to Simco Dresses Ltd Bangladesh, Simco Dresses Ltd made a contract with Tuba Fashions, Tuba fashions got the job done with Tazreen Fashions. This is how often things are getting done in Bangladesh RMG sector.

6.12 Conclusion

Social compliance being a complex system needs special focus on its implementation and practice. The existing practices of social compliance are ineffective in most of the cases with several loopholes. Having analyzed all the aforementioned findings of the current research, it can be concluded that there is a high dissatisfaction among the workers in relation to the benefits they get from this industry. The employees' retention rate in RMG is also quite low which causes higher turnover cost. In addition, government supervision is almost absent, which causes unnecessary third-party intervention to make the situation worse. To combat malpractices with the existing system and to ensure a functional social compliance an inclusive and country specific framework is inevitable.

Chapter VII

Concluding Remarks

Social compliance is a complex cycle; it depends on several crucial things, which are linked together as a chain. A chain is as strong as all of its rings are. Similarly, a chain is as weak as one of its weak rings is; i.e. one single weak ring is more than enough to make the whole chain system dysfunctional. This example is justified in the case of RMG industry because this sector has several things attached to it and all are interdependent.

Success of this sector depends, with other, on the nature of its public policy and administration to a great extent. Moreover, formulation of a policy is immaterial; no matter how strong it is, if proper implementation mechanism is absent or weak. A policy is nothing but a utopian idea if someone does not have the implementation capability of that policy. Similarly formulation of a standard without considering the socio-economic context of the country is actually no standard at all.

There is no scope to evaluate the issues of social compliance of RMG sector in an isolated manner. It has a holistic dimension in society, economics, politics and culture. An organization is best known by its management, an organization performs as good as its members perform, and an organization's culture is determined mainly by the culture of its owners. But the sector is yet to be recognized as an institution from its organizational structure. An organization becomes an institution when it is socially accepted and the benefits of the organization are distributed among the mass. From an organization to turn as an institution, not only economic contribution is enough, it also needs to match with social values and culture as well. There is no doubt the growth of RMG brings in the economic benefit, but it does not ensure sustainability. Ignoring the social culture, achievement of holistic benefits is impossible. The study has revealed utmost dissatisfaction of the workers in RMG sector. There are huge numbers of factories that are compliant according to the existing system. But workers dissatisfaction, workers unrest, migration, manipulation, termination etc. are also very high and common. Child

labour free sector do not ensure elimination of child labour, restrictions on working hours could not stop extra over time work beyond the legal limit. Traditional type of trade union could not uphold workers safety and rights. Female majority did not confirm their managerial and supervisory positions.

From the very beginning, the labour intensive sector, RMG, has been taking the chances of surplus labour, ignoring their legal rights and acceptable working conditions. Rather the main emphasis is always on production enhancement and fulfillment of profit target by lowering the production cost. The present study has identified the different phases of growth of the sector in Bangladesh. The study has also described existing practices of social compliance. To address country specific problem it needs country specific framework for effective and positive impact of social compliance for Bangladesh RMG sector. Social compliance was always neglected by the first generation, inexperienced entrepreneurs to whom these legal bindings are a pressure from the buyers and considered as extra cost to their business. Disorganized, illiteracy, scarcity of alternative employment opportunities did not help those first generation submissive female employees to form as a pressure group. The bourgeois mentality that prevails between the first generation employer and employee in Bangladesh, is such that the employees usually consider an employment as a “gift of god” and “employers’ kindness”, relationship is built up neither on legal framework nor on norms and ethics. In order to make Bangladesh RMG sector socially compliant, based on the findings of the present studies, a number of issues have to be addressed both in policy formulation and executions levels.

7.1 Recommendations

The present practices of social compliance are not effective to meet its core objective - “Promoting jobs, protecting people” the motto of ILO. The buyers are in the driving forces in the existing system. They prefer short term solutions, as long as their business is concerned, of the problems. The following recommendations can be proposed considering the drawbacks in the existing system for a sustainable solution.

i) Formation of a Separate Ministry

The RMG sector in Bangladesh is running by various authorities and alarmingly having no specific regulation from a single authority in this prospective sector. Here the government has dual responsibilities – maintaining growth to generate more employment and ensuring working environment. The major role of government in implementing social compliance would be to form a separate ministry that will be dedicated for the RMG sector only. Since the readymade garment industry, as a part of international supply chain, is different from the other industries present, it needs special care from the legal authority to have a sustainable growth by fulfilling its goals.

ii) Formulation of a National Standard

The buyers who, focus on profit maximization, are the driving forces in the existing system, not necessarily they look for any permanent and long-term solutions for the problems. Considering the existing policies and setting priorities in socio-economic context of Bangladesh sector a “set of standard” derived from ILO conventions, UN declaration on HR, buyer’s CoC needs to be formulated.

iii) One Audit under a Common Checklist against a Unified Codes’ of Conduct

The motto of buyers driven social compliance, is for their business guarantee where employees’ satisfaction is not within the purview of present practices of compliance. The numbers of compliant factories are mentionable but the essence of social compliance is not achieved yet especially on workers’ satisfaction. In absence of a common guideline under a single regulatory authority with appropriate logistics and human resources, the largest sector is being dominated by multiple authorities with multiple guidelines. To get rid of this situation an alternative approach has to be developed where all parties involved through its value chain would be benefited.

iv) A Functional HR System

Though the sector has achieved an enviable growth in terms of business volume but the findings reveal that the rate of progress on workers’ rights is absent or very low. Problems lie with the existing legal framework and its practices. The entrepreneurs

hardly recognize the necessity of modern management system – training and development to upgrade their human resources. Rather they have chosen “minimum” culture for the workers to retain their profit share even in adverse situation. Moreover buyer driven compliance audit and passive role of government help the situation to continue.

A functional, with well-defined responsibility and delegated authority, management system has to be developed. With the inclusion of management system, local meritorious job applicants can replace foreign nationals in the name of experts who are dominating the sector at present. A large number of foreigners are working in Bangladesh RMG and its associated sectors like shipping lines, freight forwarding agents, garment inspection companies, buying offices etc.

Most of the foreigners are from India, Sri Lanka, China, Pakistan, South Korea and Philippines, foreign nationals who are narrowing job opportunities for the locals. These highly paid foreigners remit out a substantial amount of foreign currencies and government is losing tax from their incomes as their salaries and perks are under invoiced and un-declared. The sector facilitated foreign nationals by placing them in higher positions with many times higher salaries than that of the locals for the same positions. With proper initiatives like providing training government can retain more foreign currency and create employment opportunities for the talented locals. Owners of the companies should have a proper and functional HR system to sustain the business.

v) Child labour eradication in an effective manner

Child labour is a fundamental human rights issue. There are different dimensions of child labour i.e. Economic, Social, Physical, Educational. It is expected that at the premature stage, a very young boy/girl should attend school and grow up with potentialities as future human resources. Ironically they are facing real world problem which they are not prepared for especially in the third world countries. For an adolescent girl who is refused a place by RMG will find it difficult to lead a life with secured growth and better health. Present bottleneck situation for the employment of adolescent workers

can solve easily with necessary amendment in working hour and minimum wage provisions through a notification by the concerned ministry. The adolescent will be paid against their working hours.

- For example, BDT 5300 is allocated for 8 hours as per minimum wage gazette against grade 7, so an adolescent will get $TK\ 5,300/8 \times 6$ hours a day = TK 3975 for six hours work with overtime. If working hours in a day/week can be extended by a notification then why the same exception can't be applied here? Government needs to pay serious attention to this fact as soon as possible to eradicate child labour successfully and to help survive the adolescent with a healthy life.

vi) Ensuring Efficient Supply Chain

RMG industry in Bangladesh so far has been enjoying very clear price competitiveness. The rate of minimum wage in Bangladesh is still lowest among the competitors. The sector faces huge pressure on lead time. Cheap labour does not help if they are not efficient. In the evolving of fast fashion, both quantity and time is a big deal. A small quantity with many styles in a short time is not possible without a functional supply chain. Reducing the dependency on other countries for materials is vital to make the chain strong. Without proper management in supply chain, only minimum wage competitiveness can't ensure sustainable business. So for the sake of the industry, Bangladesh has no alternative except for making an effective supply chain management. In RMG business, there is a very strong correlation between business value chain and supply chain.

vii) Ensure Effective Participatory Committee (PC)

Among the functions of PC, ensuring guarantee in application of labour laws, encouraging vocational training, workers education and family welfare training are most important. These PCs in the RMG units can make a very good bridge between the management and the workers. Elected PCs are already in action in many of the factories in the country and they are encouraging examples for those who are yet to introduce PC in their factories. Participatory committee can work as a platform to bridge the employer

and employee and make sure that the employee's legal right is met by the employer through PC.

vi) Cluster Based – School Cum Entertainment Center

The machine-like workers have no opportunities and facilities for entertainment. , The apex body can introduce frequency modulation (FM) radio for the RMG sector as the source of entertainment and information. This radio can improve employee-employer relationship. The workers can participate in technical, legal or cultural programs. The factories play music even during working hours through Public Address (PA) system to keep the workers mind refreshed. This can be introduced as their medium of knowledge as well. The workers can learn about their rights, how to operate their machines more efficiently. They can share information about the industry in the form of “news” to avoid rumor during any unwanted situation.

vii) Skill Development through Technical Training Center

In Bangladesh workers' productivity and efficiency are much lower. Every factory has to hire additional workers apart from the regular to support their expected production due to inefficiency of the workers. Bangladesh does not have sufficient technical training centers for the workers. The government can take initiative to set up skill development centers for this particular sector. This will help a large portion of the unemployed population to get employment, industry will get efficient workforce.

viii) Branding of Country's Image

After Tazreen fashions and Rana plaza accidents the image of the country has been tarnished badly. With various negative reporting both in national and international level the image has deteriorated further. Bangladesh has many issues for positive brandings. Particularly in RMG sector, there are many positive milestones which people are hardly aware. The world's three top environment-friendly factories are in Bangladesh. One of the Bangladeshi garment factories, Vintage Denim Studio, received the LEED certificate in Platinum category in 2012. Envoy Textiles is the first denim-producing green factory in the world. Remi Holdings tops as a green garment factory while

Plummy Fashion ranks first as a green knitwear factory. Bangladesh has a total of 32 green factories. More than 100 green factories are under construction. This initiative has taken the garment and textile factories of Bangladesh to new heights³³. Both the government and apex bodies need to take initiatives to stop negative propaganda and should come forward to bring back their lost brand image.

7.2 Future Research agenda

The present study has put importance in strictly considering the environmental impact of the production processes. With the increase in value addition in the RMG sector there will be increase in impact of environment. So before it becomes too late the concerning authority must focus on strict monitoring in the field of environment.

To the best of the researcher's knowledge, there is no extensive work done before on this very important and significant issue. It took the attention of people after some serious accidents took place and the international community raised their voice against the effectiveness of current practices of social compliance related to the RMG sector. So the very intention of the researcher is to highlight this highly important area of the international business in detail – its evolution, importance, dependency, and reality. Since this single issue- social compliance, depends on multiple standards of codes of conduct it was difficult to cover all the factors in detail. Present study covers a general overview of all those areas.

It can be mentioned that due to the nature of the topic and the less availability of sufficient literature it was a huge task for the researcher to do this. This is the first attempt to introduce social compliance and its various standards to the academicians and other scholars.

³³<http://en.prothom-alo.com/bangladesh/news/123909/World-s-top-3-green-factories-in-Bangladesh>

This study was a small but start up endeavor to give a holistic view of social compliance. There was no scope for an in depth analysis of any particular issue. It demands further and intensive work on each single area like child labour, working hours, minimum wages, women empowerment, buyers codes of conduct etc. Hope this study will open up the opportunities for the future researchers to explore those uncovered areas.

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Annexure I
“Questionnaire”

On

Readymade Garment in Bangladesh : A Study on Social Compliance with Special focus on Ashulia Industrial Area

Declaration: As part of my PhD research at the University of Dhaka, I am conducting this survey. Any information/data obtained in connection with the study will be for the sole purpose of the academic research and will remain confidential.

Questionnaire for Section : A

1. Factory Name :
2. Personal information:

Gender	Age	Education	Marital status	No of Children And Their living place	Working grade (1-7)	Take home amount (in BDT)	Occupation of spouse	Importance in earning	Work span in present organization
Male Female			Single Married Divorced Separated Widowed				Same factory Different factory of same trade Other industry other	Prime earner Non prime earner	Date of Joining:

3. For how many years are you have been working in RMG Factories?
 - 1) Year's _____
4. How many factories have you worked for?
 - 1) No of Factories _____
5. How will you mark your present working condition?
 - 1) Excellent
 - 2) Good
 - 3) Satisfied
 - 4) Dissatisfied

- 5) Very Much Dissatisfied
6. Do you think 8 hours working is enough to run your family
 - 1) Yes
 - 2) No, if not answer question no 6.
7. What is your preference on working hours a day?
 - 1) 8
 - 2) 10
 - 3) 12
 - 4) more
8. Do you get double payment for overtime work?
 01. Yes
 02. No
9. Do you receive attendance bonus?
 01. Yes
 02. No
10. Are you member of any worker's association?
 - 1) Yes
 - 2) No
 - 3) if yes, please name the association
11. Do you think Trade Union will help ensuring your rights?
 - 1) Yes
 - 2) No
 - 3) Don't know
12. Do you think the management is positive towards trade union formation?
 - 1) Yes
 - 2) No
 - 3) Others
13. In the workers right issue which one is the most important to you?

SL	Issues	Priority				
		Low (1)	(2)	(3)	(4)	High(5)
1.	Discrimination in Assessment	1	2	3	4	5
2.	Discrimination for Allowing Leave	1	2	3	4	5
3.	More monthly payment	1	2	3	4	5
4.	Right Time Payment	1	2	3	4	5
5.	Salary Fixed (No OT)	1	2	3	4	5
6.	Discrimination in Target Bonus	1	2	3	4	5

14. Does your management allow leave with pay?

Leave	Casual Leave	Sick Leave	Annual Leave with Wages	Festival Holidays	Absent (If any)
Yes					
No					

15. Is there any policy of leave encashment?

01. Yes
02. No

16. Does your organization have a practice of PC committee? If yes, do you think PC committee is effective in your organization?

01. Yes
02. No.

17. Is there any decision taken over last 6 Months against the recommendation of PC committee?

01. Yes
02. No.

18. Have any investigation carried our against complaint box letter?

01. Yes
02. No.

19. Do you have you any access to top management directly?

01. Yes
02. No.

20. Do you change factory frequently? If yes, Why?

- 1) Better wage

- 2) Residence problem
- 3) Misbehavior from supervisor
- 4) Good working environment
- 5) Others

21. Benefits / facilities available in your factory

SL	Benefits / facilities	Yes	No
1	Attendance Bonus	1	2
2	Canteen	1	2
3	Daycare Centre	1	2
4	Pure Drinking Water	1	2
5	Full time register doctor	1	2
6	Group Insurance	1	2
7	Maternity	1	2
8	Provident Fund	1	2
9	Service Benefit/Gratuity	1	2
10	Target Bonus	1	2
11	Transport	1	2
12	WWF/WPF	1	2
13	Others	1	2

22. In the time of any crisis/conflict where will you go for justice?

- 1) Labour Court
- 2) BGMEA / BKMEA
- 3) Federation
- 4) Factory HR

23. Do you think the activities of HR / Compliance department are fair?

- 1) Yes
- 2) No

24. How do you mark the activities of HR / compliance department?

- 1) Very Satisfied
- 2) Satisfied
- 3) Dissatisfied
- 4) Very Dissatisfied
- 5) No comments

25. What are the impacts of Rana plaza and Tazreen fashion accidents?

Annexure II
“Questionnaire”

On

Readymade Garment in Bangladesh : A Study on Social Compliance with Special focus
on Ashulia Industrial Area

Declaration: As part of my PhD research at the University of Dhaka, I am conducting this survey. Any information/data obtained in connection with the study will be for the sole purpose of the academic research and will remain confidential.

Questionnaire for Section : B

1. Does the organization have a proper corporate practice with vision, mission, HR policy and organogram?
 - 1) Yes
 - 2) No, if know mention the one missing.....
2. Does the Organization have any CSR policy?
 - 1) Yes
 - 2) No
3. How many buyers are you currently working with?.....
4. It has been observed that the companies suffer from short lead time. How are you dealing with it?
5. How do you identify that you are being offered a lower price by the buyers. Can you please explain it?
6. What is the valid compliance certificates factory having?
 - 1) WRAP
 - 2) BSCI
 - 3) Others
7. On what ground compliance is important for the factory?
 - 1) Buyers pressure
 - 2) legal issue

- 3) factory's goodwill
- 4) others
8. What are the existing practices in compliance audit?
 - 1) Different buyers, different check list
 - 2) Multiple number of audits
 - 3) Both
9. What should be the basis of conducting social audit?
 - 1) Bangladesh Labour Law
 - 2) Buyers code of conduct
10. Do you think that the government Inspection system is necessary to strengthen social compliance in RMG?
 - 1) Yes
 - 2) No
11. Do you think single form of checklist under unified code of conduct instead of many parties involvement will ensure better performance?
 - 1) Yes
 - 2) No
 - 3) If yes, Please explain
12. Do you have separate department on Admin, HR, and Compliance?
 - 1) Yes
 - 2) No
13. Do you think present strength of HR department is sufficient?
 - 1) Excess
 - 2) Sufficient
 - 3) Not Sufficient
14. Have anyone from government/apex bodies' visited your factory in the last six months?
 - 1) Yes
 - 2) No
 - 3) if Yes, Please name the department
15. Have you faced any worker unrest in your factory?

- 1) Yes
- 2) No
- 3) If yes, Please explain

16. How do you ensure workers opinion/representation in decision making?

- 1) WPC
- 2) Trade Union
- 3) No system exist
- 4) Others

17. How do you address grievance procedure?

- 1) Complain Box
- 2) Next Superior
- 3) HRD
- 4) Others

18. Do you think there is any lack or overlap in policy support/ legal requirements?

- 1) Yes
- 2) No
- 3) if Yes, Please explain

19. Among the major components which one, you see more difficult to comply?

SL	Issues	Priority					
		Low (1)	(2)	(3)	(4)	(5)	High (6)
1.	Child Labour	1	2	3	4	5	6
2.	Forced Labour	1	2	3	4	5	6
3.	Working Hour	1	2	3	4	5	6
4.	Wages	1	2	3	4	5	6
5.	Freedom of association	1	2	3	4	5	6
6.	Discrimination	1	2	3	4	5	6
7.	Others	1	2	3	4	5	6

20. In your factory what is the migration rate?

- 1) %

21. Is there any practice/policy of exit interview?

- 1) Yes
- 2) No

22. Do you ask for service book provided by BGMEA / BKMEA at the time of recruitment?

- 1) Yes
- 2) No
- 3) Others

23. Benefits / facilities are available in your factory

SL	Benefits / facilities	Yes	No
1	Attendance Bonus	1	2
2	Canteen	1	2
3	Daycare Centre	1	2
4	Pure Drinking Water	1	2
5	Full time register doctor	1	2
6	Group Insurance	1	2
7	Maternity	1	2
8	Provident Fund	1	2
9	Service Benefit/Gratuity	1	2
10	Target Bonus	1	2
11	Transport	1	2
12	WWF/WPF	1	2
13	Others	1	2

24. Do you conduct PC committee meeting every month?

- 1) Yes
- 2) No
- 3) If yes, what are common/main grievances?

25. Do you have performance evaluation system?

- 1) Yes
- 2) No
- 3) If yes, how do you maintain the system?

26. How do you convince the auditor in case of government bureaucratic problems to get legal documents in time?

27. How do you handle final settlement of the worker?

- 1) Labour court
- 2) Apex body
- 3) Federation
- 4) Factory

28. On your opinion, what are the barriers for a factory to be compliant?
- 1) Policy support
 - 2) Weak Governance
 - 3) Inefficient mid management
 - 4) Multi inspection system on multiple COC
 - 5) Others
29. What are the impacts of Rana Plaza and Tazreen fashion accidents in RMG sector?
30. What are the main factors affecting RMG growth?
- 1) Compliance
 - 2) Low price
 - 3) High bank interest / Cost of business
 - 4) others