

## Rana Plaza: Private Governance and Corporate Power in Global Supply Chains

*by Tandiwe Gross*

With a death toll of over 1,120 people and more than 2,500 people injured, the collapse of the Rana Plaza building in Bangladesh on 24 April 2013 is one of the worst industrial accidents in world history. The 11-storey building accommodated shops and a bank on the ground floor and five textile factories with more than 3,000 workers on the upper floors. A day prior to the accident, workers identified major cracks in the building, which prompted the issuing of an evacuation order by the police. Despite this, on 24 April 2013 the workers were forced by the management to enter the building. The textile factories in Rana Plaza were suppliers to a number of popular international brands, including Primark, Bon Marche, Joe Fresh, El Corte Ingles, KiK and Mango. The building had been authorised by local authorities to be 8-storeys high. However, three additional storeys were illegally constructed. The reasons for the collapse are similar to those for the 2005 collapse of the Spectrum factory in Bangladesh which left 64 garment workers dead. There has been a series of fatal accidents in the country's garment industry ever since. The last major factory fire, which resulted in 112 deaths in the Tazreen Fashion factory, occurred only a few months before the Rana Plaza building collapsed. In total, more than 700 workers have died in the industry since 2005, not including the victims of the Rana Plaza tragedy.<sup>i</sup> More than 8 years after the Spectrum factory collapse, the collapse of Rana Plaza shows that the structural causes of unsafe working conditions in Bangladesh's garment industry have not changed.

### **The local garment industry: deeply unequal power relations between capital and labour**

Due to its low labour costs, Bangladesh has become the second largest exporter of textiles after China. Constituting 17% of the country's gross national product and 78% of its exports, the garment industry has become the backbone of the country's economy. The sector employs around 3 million workers, most of whom are female. Their wages are the lowest in the world, with a minimum wage of US\$37 per month. Over the last few years, garment factories have been mushrooming around the country; often set up in residential buildings which do not contain the necessary safety requirements for industrial production. Despite major labour law reform in 2006 which brought a few improvements in health and safety regulations, state inspection is extremely weak. According to the Bangladesh Occupational Safety, Health and Environment Foundation, only 20 government inspectors were responsible for monitoring occupational health and safety in around 3 million small-scale establishments and more than 24,000 registered factories in 2008. Furthermore, substantial barriers to union formation remain even after the labour

law reform: a union requires a 30% membership in a factory in order to be registered and prior to registration union officers have to provide the employer with a list of their names. Workers in "Special Economic Zones" are legally barred from forming a union and from talking to unions outside the zone.<sup>ii</sup>

In this situation, trade union organising is extremely difficult as workers and union activists are subject to a high degree of both state and management repression, ranging from false criminal charges against union leaders to cases of torturing and murdering of union activists, such as last year's murder of the garment labour rights activist Aminul Islam. After a short flourishing of the trade union movement after 1971 under state-led industrialisation, the strength of organised labour gradually declined after 1973 with the introduction of free market policies. These pressures were exacerbated by internal divisions along political party lines, leading to a highly fragmented trade union movement. Overall union density (including the informal sector) was at less than 3% in 2002 and at 33% in the formal sector.<sup>iii</sup> With organised labour playing a limited role, garment workers started to organise in the early 1990s mainly in the form of spontaneous, self-organised protests.<sup>iv</sup> Today, garment workers are represented by four main union federations at the national level, while union density in the sector is as low as 5%.<sup>v</sup> Despite severe repression from the state and management, garment workers have become increasingly assertive in the struggle for their rights as illustrated by the regular outbursts of often militant labour unrest over the last years. However, while workers' resistance is growing, the unequal power relations between capital and labour are intensified by a strong collusion between textile capital and the state: more than 10% of the current parliament seats in Bangladesh are occupied by owners of garment factories who have repeatedly blocked initiatives for stricter regulations.<sup>vi</sup>

### **The power of transnational capital in the global garment supply chain**

The dominance of capital at the local level is compounded by the massive power of transnational corporations at the global level: characterised by a small number of powerful international buyers and a large number of fragmented suppliers in 'developing' countries, the global garment industry is a typical example of a "buyer-driven" supply chain.<sup>vii</sup>

Over the last few decades, international buyers sourcing from Bangladesh have developed various factory audit systems as part of voluntary corporate social responsibility (CSR). In this system of private corporate governance based on voluntary codes of conduct, corporations are able to define unilaterally which standards they set and how compliance is being controlled. Relying on audits by external auditing firms, these systems have been widely criticized by civil society organisations for excluding local trade unions and having minimal oversight over the factories. Indeed, two of the factories in the collapsed Rana Plaza building had been certified as being compliant with the standards of the Business Social Compliance Initiative (BSCI), a company-controlled CSR initiative with over 1,000 member companies in Europe. Similarly, the garment factory Ali Enterprises in Pakistan, which burned down on 11 September 2012 killing more than 262 workers had been certified by the international auditing organisation Social Accountability International (SAI) less than a month before the fire. In that sense, the tragedy of Rana Plaza has once again revealed the fundamental failure of the private code of conduct and auditing system. Instead of empowering labour on the ground it rather serves as a means to 'replace' trade union organising by suggesting that workers' interests are sufficiently protected by external auditors. Finally, due to the buyer-driven nature of the global garment supply chain, transnational corporations are able to exert massive price and delivery pressures on their suppliers. These pressures leave suppliers with very little space for implementing safe and decent working conditions and create incentives to suppress trade union organising in order to keep production running and labour costs low.

### **From private governance to binding accountability and priority of trade union rights**

In response to a large amount international pressure, more than 60 international brands and retailers have now signed the Bangladesh Fire and Building Safety Agreement, a multi-stakeholder agreement between the signatory brands and a coalition of local trade unions and labour organisations, global unions and international labour rights campaigns. It includes a two-year programme with independent inspections of buildings and publication of results, access of trade unions to the factories, disclosure of the names of suppliers, and creation of worker-led factory health and safety committees. Set up as a legally binding agreement which assigns a central role to local trade unions, it represents a major step towards a more accountable and worker-oriented approach to improving the situation in the sector. However, the agreement is largely limited to first tier suppliers, it only covers the garment industry of Bangladesh and it is confined to questions of health and safety while omitting the structural exploitation through excessive working hours, poverty wages and harassment of workers.

On a broader level, the dominant system of private, voluntary governance of working conditions in global supply chains needs to be questioned in a fundamental way. Looking back

on two decades of voluntary CSR, it can be expected that without binding accountability rules for transnational corporations which prioritise trade union rights and include the aspect of price and delivery pressures in the global supply chain, concerns of cheap in-time production will continue to dominate over concerns of decent working conditions.

The European Coalition for Corporate Justice (ECCJ) therefore suggests a framework of binding corporate accountability via mandatory annual social and environmental reporting, a liability of parent companies for human rights and environmental abuses of both subsidiaries and suppliers, and access of victims of corporate human rights violations to EU courts.<sup>viii</sup>

While on a systemic level, only a departure from an economic system which treats labour as a mere 'cost factor' will bring about real change, binding accountability of corporations and prioritising trade union rights on the ground are important intermediate steps towards improving the situation of workers in global supply chains. Here, both the Bangladesh Fire and Building Safety Agreement and the accountability framework outlined above may be seen as a chance to build momentum for a broader shift from private governance to corporate accountability and a priority of trade union rights in global supply chains.

- i International Labour Rights Forum (2012). New Report documents Fire Safety Cover-Ups by US retailers. Available at (<http://www.laborrights.org/creating-a-sweatfree-world/news/new-report-documents-fire-safety-cover-ups-by-us-retailers>) (01.05.2013).
- ii International Trade Union Confederation (2012). Internationally recognized core labour standards in Bangladesh. Report for the WTO General Council Review of the Trade Policies of Bangladesh, 24 – 26 September 2012. Available at <http://www.ituc-csi.org/IMG/pdf/bangladesh-final.pdf> (25.06.2013).
- iii Mondol, A.H. (2002). Globalisation, Industrial Relations and Labor Policies: The Need for Renewed Agenda. In: M. Muqtada et al. (Eds). Bangladesh: Economic and Social Challenges of Globalisation, Geneva and Dhaka: International Labor Organization and University Press, p. 121.
- iv Khanna, P. (2011). Making Labour Voices Heard During an Industrial Crisis: Workers' struggles in the Bangladesh garment industry. In: LABOUR, Capital and Society 44 (2), p. 116.
- v Miller, D. (2012). Last Nightshift in Savar: The Story of the Spectrum Sweater Factory Collapse. Alnwick: Mc Nidder & Grace, p. 62.
- vi The Wall Street Journal (2013). Collapsed Factory Was Built Without Permit. Available at ([http://online.wsj.com/article/SB10001424127887323789704578444280661545310.html?mod=WSJINDIA\\_hpp\\_LEFTTopStories#](http://online.wsj.com/article/SB10001424127887323789704578444280661545310.html?mod=WSJINDIA_hpp_LEFTTopStories#)) (07.05.2013).
- vii Gereffi, G.. (1994). The organization of buyer-driven global commodity chains. In G. Gereffi and M. Korzeniewicz (Eds.) Commodity chains and global capitalism. Westport, Conn: Greenwood Press. pp. 95–122.
- viii ECCJ. (2010). Principles and pathways: Legal opportunities to improve Europe's corporate accountability framework. Brussels. The ECCJ is a network of over 250 European non-governmental organizations, trade unions and consumer advocacy groups advocating for binding international rules to prevent human rights and environmental abuses of multinational corporations.

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