Rana Plaza: a disaster from which we must learn

1129 people lost their lives in the collapse of Rana Plaza and hundreds of others suffered life changing injuries. Not that they can or should be compared but for purposes of context 2977 people lost their lives in the 9/11 terrorist atrocity. At its most basic level it cannot be right in the 21st century that people risk their lives going to work to earn a subsistence wage of $37 per week. Producing clothing should never be considered to be on a list of dangerous occupations.

However, the issues behind the Rana Plaza disaster are complex and multi-faceted. As abhorrent as the loss of life is, there are no easy fixes to the problems that lie behind this.

The Ready Made Garment (RMG) industry

The Ready Made Garment (RMG) industry is important to Bangladesh for the following reasons:

• The Bangladesh economy has been growing at circa 6% for the last decade
• Bangladesh is now the second largest exporter of clothing in the world, due in no small part to the fact that Bangladesh has the cheapest labour rates
• The RMG sector accounts for 80% of the exports for Bangladesh
• The RMG is primarily responsible for the high female participation in the labour force

In short, the RMG has been a key factor in the social, economic and financial development of Bangladesh. Its influence could not be easily replaced and Bangladesh is all too aware that the foundation upon which the RMG industry is built is price competitiveness. Bangladesh cannot afford for their price competitiveness in RMG to be eroded, the success of the RMG industry is of national and strategic importance – there are others (Indonesia, Cambodia & Vietnam) waiting in the wings ready to take over.

Setting policy standards

The standards that govern the built environment are something that we in the West take for granted, these have evolved over time but are the essential safety net that we all rely upon in order to keep us safe. The by-product of not allowing buildings to be built on the sites of lakes filled in with sand, or an extra four floors to be added to a building or to ensure that there are safe ways of exiting a building in the event of a fire is that they will all increase the fixed cost attributable to a garment. It is the role of government to define, set and police standards; currently in Bangladesh there are insufficient building inspectors (just 18 for 100,000 factories) and the fines for transgressing are pitifully small. If too few inspectors and inadequate fines wasn’t enough, the spectre of corruption looms large. It would be too easy to make swingeing accusations about corruption in a developing country, but as previously mentioned the RMG industry in Bangladesh holds a position of power that can be used to exert considerable influence over the country.

The role of the West

The Bangladeshi government has a key role to play addressing these fundamental issues, but without support and encouragement of Western governments there is the likelihood that the potential downsides (principally the loss of price competitiveness relative to other countries) will outweigh the potential upsides and prevent any action from being taken in a reasonable time frame. Western governments need to use the threat of removing tariff subsidies to encourage action, the consequence of inaction must drastically outweigh any potential downsides of taking action. At an intra-governmental level, whether that is the UN’s International Labour Organisation or the WTO or any other body, more is needed to be done to set basic standards of worker safety and ensure that it is complied with e.g. attaining the basic standard must become a pre-condition to gaining access to preferential tariff terms – we cannot permit this issue to be simply exported or outsourced to the next developing market.

Retailers and brand owners need to accept that if their products are going to be produced in a safe environment then this is going to cost them more, irrespective of whether this is in Bangladesh, Indonesia or Vietnam or Cambodia. Enhanced building safety will increase the fixed costs of the factory where these garments are produced and as a result the garment cost. Providing more inspection and assurance will have a similar effect.

There is a balance to be struck, increasing the cost of all emerging economies reduces the cost advantage achieved through off shore production and narrows the gap with on shore or near shore production.
An avoidable incident?

One of the more distressing aspects of Rana Plaza is the sense that it was avoidable. Not simply based on the fact that adding more floors to a building not designed to support the increased weight is plain stupid, but the fact that cracks appeared in the building the day before the collapse. Many workers were fearful of going to work on the day of the collapse but were compelled to do so. Much has been written about the weak labour laws and the lack of collective representation and it is true that these would have been contributory factors, but little has been mentioned about the motives of the factory owners who forced their staff into an unsafe building, why would they do this? Were they just evil capitalists who didn’t care at all for their staff or did they fear the commercial consequences of being unable to complete their orders on time?

Retailers and brand owners need to reflect on the contractual positions that they have in place with their suppliers and the consequences that this may have in exacerbating the situation. Having sufficient inspectors identifying issues will be of little use if the factory owners do not have the flexibility within their commercial arrangements to rectify any problems identified without fear of ruinous consequences.

Adapting to the 21st century

The garment industry has been here before, maiming and killing wasn’t uncommon during the industrial revolution. The difference being now is that we are trying to marry 21st century sensibilities, ethics and media coverage with the 19th century production values. Retailers and brand owners need to be clear about what they stand for and the consequences of their choices – as does the consumer. But in this the consumer cannot stand idly by and apportion the responsibility on all of the other parties. We can’t buy jeans for £5 and feign ignorance about how it was possible to produce a product at that price point – this has been laid bare in front of us and no one can deny knowledge of this.

Better due diligence is required

It is clear that the retailers and brand owners need to increase the level and sophistication of the due diligence that they carry out. Bangladesh has a notoriously poor record on worker safety in the RMG industry, a quick search of the internet will tell you this so it is difficult to accept that retailers and brand owners were ignorant of this prior to Rana Plaza. Where the industry may have once utilised a buyer or merchandiser to conduct a rudimentary assessment of the production facility, this will no longer be acceptable – How many buyers or merchandisers are qualified to evaluate the structural integrity of a building? More qualified inspectors who have a degree of independence from the commercial decision making are required – how many buyers or merchandisers have evaluated a production facility, perhaps felt uneasy about what they saw but were conflicted as commercial realities also influenced their decision making?

Better corporate governance

Good corporate governance also has a role to play in all of this. Non-executive Directors and shareholders cannot stand idly by or conveniently absent themselves from the consequences of the decision making of the executive management teams of the retailers and brand owners. Supply chain integrity just became material (no pun) to the longevity of these businesses

Accord on Fire and Building Safety in Bangladesh – insert a comment on this

Final say – Duty of care

You only have to read the stories of the survivors to realise that Rana Plaza must prove to be a seminal moment in the clothing industry. For example, consider the worker who was trapped for 3 days and when rescuers reached her they handed her a saw with which she was supposed to cut off her own arm. She passed out when she reached the bone and was then dragged out of the wreckage losing her arm in the process. This obscenity cannot be permitted to happen again, and certainly not in the name of producing cheaper garments for customers or with the objective of producing higher margins for premium branded products. These workers are part of the retailers or brand owner’s extended organisation and they too are owed a duty of care in the same way that their directly employed staff are.

Written by Phil McCavish