GOVERNING CORPORATE SOCIAL RESPONSIBILITY IN THE APPAREL INDUSTRY AFTER RANA PLAZA

Edited by
Anil Hira & Maureen Benson-Rea

Governing Corporate Social Responsibility in the Apparel Industry after Rana Plaza

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Editors

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Dedicated by Andy Hira to all our brothers and sisters who, in silent desperation, make the clothes we wear. Know your silence is temporary.

Dedicated by Maureen Benson-Rea to all who fight for improved conditions for all workers: workers' rights are human rights.

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Introduction

Anil Hira and Maureen Benson-Rea

Introduction

Over several decades, stories about workers in developing countries who suffer from disastrous working conditions while making consumer goods have become part of the economic landscape. The means of resolving such issues seem tantalisingly simple. A study in 2011, for example, suggested that a mere increase of 2–6% in the final retail price could finance a 100% increase in production worker wages in the garment industry (Heintz 2011, 269). As recently as 2012, a series of reports by the *New York Times* about FoxConn, the premier electronics components manufacturer in the world, including for Apple, revealed a rash of worker suicides committed in protest against conditions in Chinese factories. Apple promised to set things straight, but serious doubts remain. The clothing factory collapse in Rana Plaza (RP) in Bangladesh on April 24, 2013 received worldwide attention. The latest disaster epitomised a continuing lack of basic worker

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safety standards, and the inability of (largely) Western clothing companies to meet their pledges, stated many times before, that the situation had been rectified. Meanwhile, a series of strikes by Cambodian textile workers pushed for minimal wage increases in 2014, but the government warned that work would be lost to other countries (Murphy 2014). Cambodia set the 2016 minimum wage for garment workers at $140 per month, a $12 increase from the previous rate of $128, but still below union demands for $160. Many of the workers in the apparel industry are women with few career options, giving rise to the potential for ongoing exploitation.

In this volume, we evaluate the post-RP agreements by multinational companies to improve labour standards in Bangladesh. The agreements offer different sets of governance arrangements through cooperative consortia and auditing of supply chains on a deeper level than has ever been tried before. Once again, companies promise “never again”. The February 2, 2016 factory fire of the Matrix Sweater Factory in Gazipur involving clothing being made for H&M and JC Penney belies such bold statements and forces us to re-examine the issue for how the new arrangements can be improved or what new governance arrangements need to be considered. In fact, shortcomings in the factory had been flagged by one of the new consortia, the Alliance (as discussed later in this chapter), but remediation was never undertaken (Stangler 2016).

This volume sets out to examine the new arrangements in regard to both their promise of reforming labour standards and their implications for corporate strategy. In setting and pursuing their strategies, firms take positions in markets and value chains and must understand the institutions and contexts which shape their strategic options, especially in emerging markets such as Bangladesh (Rottig 2016). One of the most pressing sets of issues in the international environment for business is managing the quality and ethical standards of supply chain partners. Compliance involves costs; even if difficult to calculate, different governance arrangements for compliance will imply different cost levels and structures imposed on different actors. This is especially challenging when firms based in advanced economy locations must evaluate suppliers and partners in developing countries, which may be characterised by institutional voids, where market arrangements are weak or absent altogether (Amaeshi et al. 2008), but with which firms from developed economies must nonetheless engage. Institutional voids in the area of labour standards are particularly challenging since it is unclear whether multinational corporations (MNCs) are (or should be) able to bridge institutional voids with 'informal social institutions and social contracts' (Rottig 2016, 5). The issue of responsibility is an unclear one, but clearly the multinationals bear some. In April 2015, a $2 billion class action lawsuit was filed on behalf of the RP victims, alleging that the defendants were well aware of the conditions and failed to carry out proper inspections and audits. It is important to point out that the RP accords create new approaches for a variety of issues, ranging from worker safety to unionisation. We take a broad approach towards examining if the strategic innovations in governance represented by RP, particularly the construction of consortia of Western companies, constitute a more promising way to achieve improvements across those related issues. Given the weak institutional structure for maintaining social compliance in developing countries, the need to develop workable models of governance of the apparel sector cannot be overemphasised. Our overall question, then, is whether the post-RP arrangements will help to provide an effective new model for the governance of labour standards.

The Growing Importance of the Garment Industry in Bangladesh

A comprehensive analysis of the clothing export markets by the World Bank (2012, 2–3) after the expiration of the Multi-Fibre Agreement in 2005 finds that wage differentials only explain 30% of the location of production for apparel exports; the rest depends in good part on geography, country policies to promote the sector, and the ability of producers to upgrade to higher value-added components of production.

The economic structure of Bangladesh has changed significantly over time as can be seen by the charts below, with garments increasing steadily and other products reducing their share (Fig. 1).

While there were only 134 garment factories in Bangladesh in 1983, by 2008, there were 4825. Garment exports now provide employment for more than 3 million people (Oh and Sardar 2013, 36); some estimates suggest 5400 factories and almost 4 million workers (TIB 2013, 1).

In 1980, the top export destinations were, respectively, the USA, Japan, Italy, the UK, and Singapore. In 2000, the top export destinations were the USA, Germany, UK, France, and the Netherlands. However, the value of exports to the USA remains twice as large as to Germany. Bangladesh's trade deficits come primarily from a large number of imports from India and China (Oh and Sardar 2013, 38 and 42).

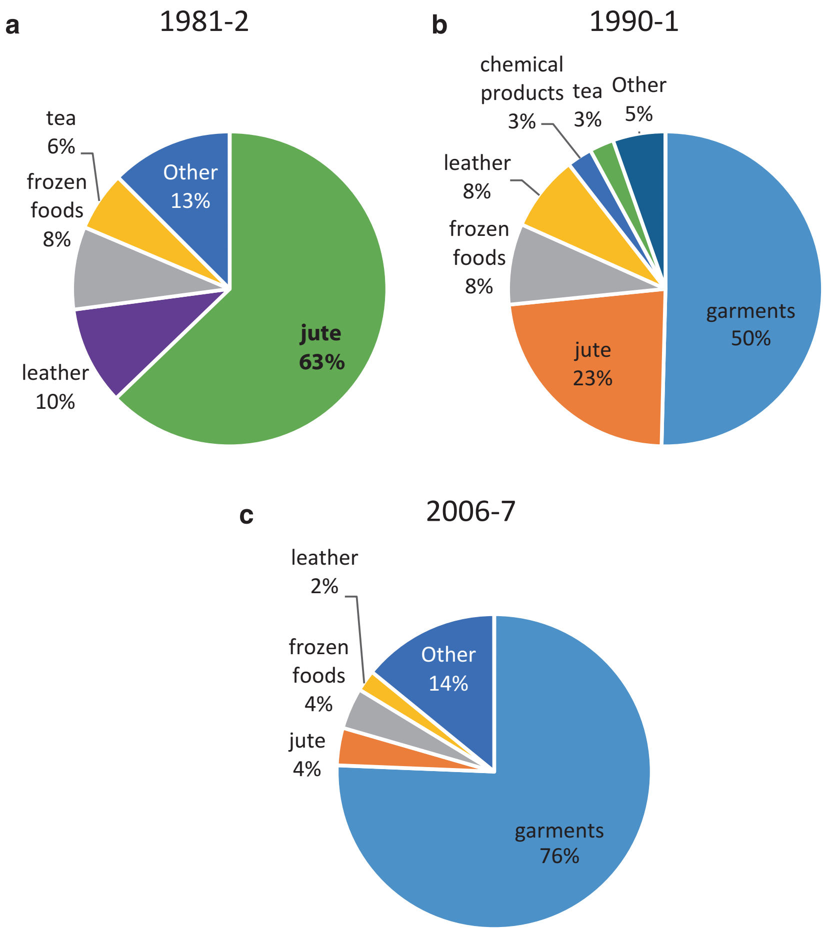

Fig. 1 (a–c) Export composition of Bangladesh, 1981–2007
Source: Hira (2015), from Oh and Sardar (2013)

The government continually struggles to maintain a balanced budget for several reasons. One is the subsidy on school and fertiliser prices. Another is the loss-making state-owned enterprise Bangladesh Petroleum Corporation. The government employs one third of all workers in the formal sector, but most people are still employed in the informal sector (Economist Intelligence Unit Country Profile, 2008).

The ready-made garment (RMG) industry is the largest category of exports. However, it requires a large proportion of imported inputs. In 2008, 90% of garment workers were female (Economist Intelligence Unit Country Profile, 2008), though according to some interviewees (see references), the percentage is dropping. The graph below demonstrates the growing importance of clothing exports for the country (Fig. 2).

Using data from the largest markets, we can also track the impressive growth of the Bangladesh apparel industry. The first set of graphs shows imports of clothing (HS 61) from the top ten country sources to the USA. The data over the past two-plus decades demonstrate an overall shift in the division of labour, as now-developed economies Korea and Taiwan drop out, and textile production moves to Central America and Bangladesh. In the case of Bangladesh, several authors including the World Bank (2012, 215, 219, 228) point to the vital importance of government support behind the growth of the sector. While the initial post-independence (1971–80) period followed an import substituting industrialisation strategy, by the early 1980s duty-free importation of machinery for garment production was in place. South Korean companies were among the first to set up shop (Saxena 2014, 70). A local source summarises the support

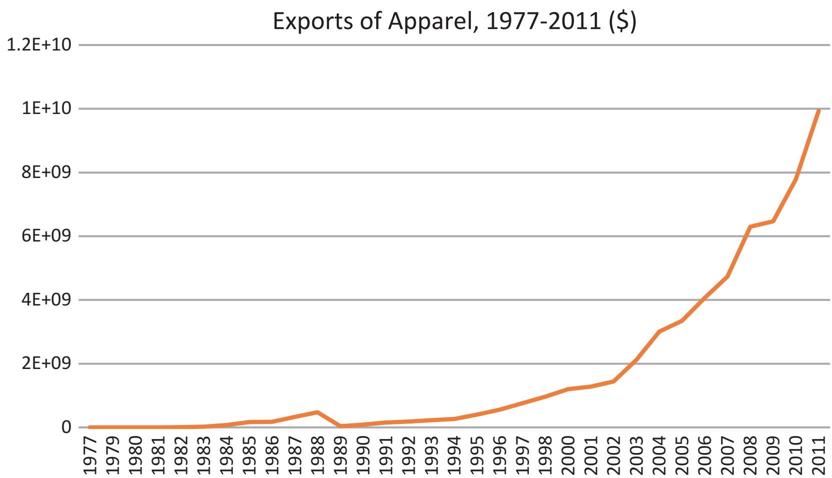

Fig. 2 Growth of clothing exports from Bangladesh
Source: Hira (2015), from UNComtrade, apparel and clothing (SI classification) from 1977 to 1988; Apparel or clothing, knitted or crocheted (HS), for 1978–2011

thus: (a) a cash compensation scheme (started with equivalent to 25% of f.o.b. (free on board) value; subsequently reduced now to 5%); (b) import of raw materials through bonded warehouse (at zero duty); and; (c) facility of import of raw materials and fabrics under back-to-back letters of credit (L/C) (against master L/C issued by the buyers) that allowed entrepreneurs to start businesses with low working capital and hence low investment. As a result, apparel exports went from 0.4% of total exports in 1981 to 79.3% in 2009. On top of this, the government granted cash incentives for exports of apparel from locally produced yarn and fabric, improving backwards linkages. The government also provided subsidised credit and direct support for investment in land development, power, and infrastructure (Fig. 3).

We can reinforce these trends with an examination of Germany, the largest European market. While the RP arrangements only extend to the North American and European markets, we can see that they are the most significant ones for Bangladesh, and given the fact that many Asian markets are intermediaries for the same markets, changing production standards for these two alone could have very profound effects on the entire industry in Bangladesh (Fig. 4).

The Threads of Corporate Social Responsibility (CSR)

RP is just the latest milestone in a very long struggle to improve basic labour rights around the globe. Given Bangladesh's position in apparel markets, it has become a focal point for efforts to make global reforms to labour conditions. Labour rights have been enshrined in international law since the basic notions of human rights were laid out. Labour rights, including the right to organise, are embraced in the UN Declaration of Human Rights, Articles 23 and 24. The International Labour Organisation (ILO) was set up in 1919 as part of the League of Nations, and later the United Nations (UN), to promote workers' rights. However, the ILO, while successful in getting countries around the world to adopt labour codes, has never had any real enforcement power. This has led to recent experiments such as the Better Work Program in Cambodia and several other countries, including most recently Bangladesh, where it seeks to work with international companies and governments to help improve labour rights monitoring and compliance.

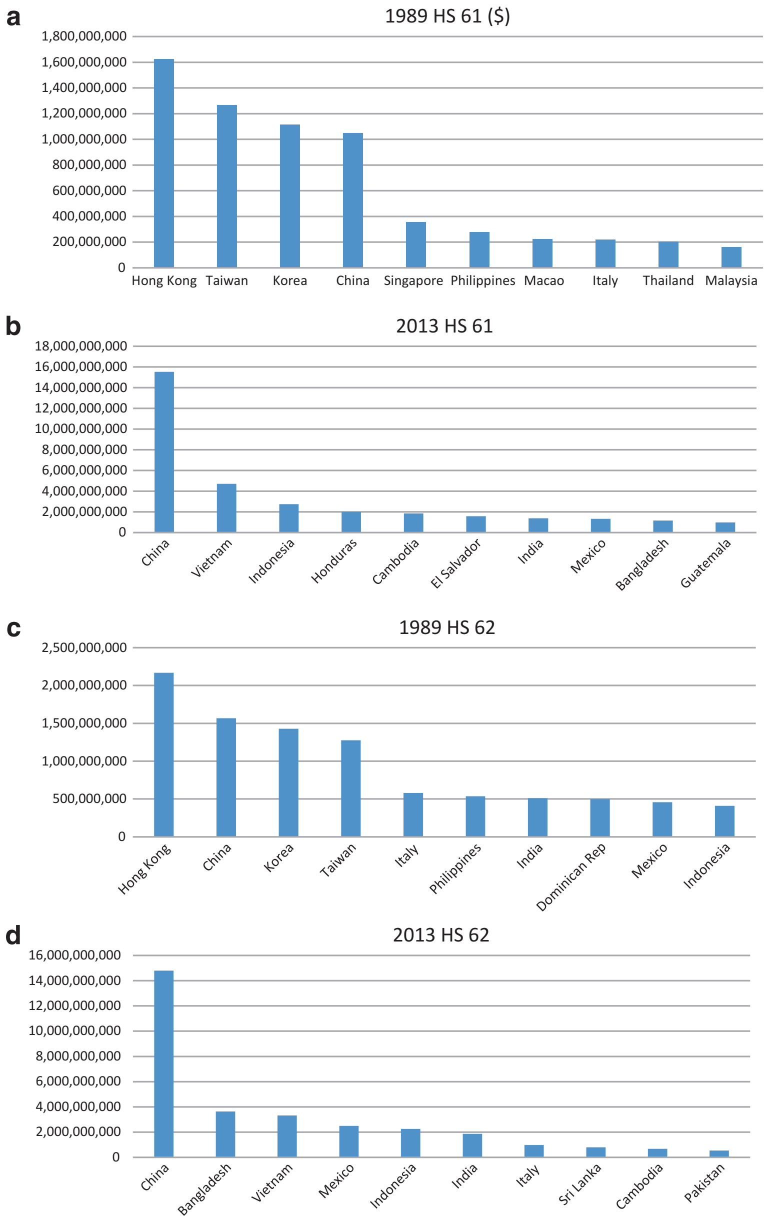

Fig. 3 (a–d) Top sources of US textile and apparel imports, 1989 and 2013
Source: Hira (2015), from USITC, database accessed October 2014. HS 61 is apparel and clothing, knitted, or crocheted, while 62 is apparel and clothing, not from knitted or crocheted sources

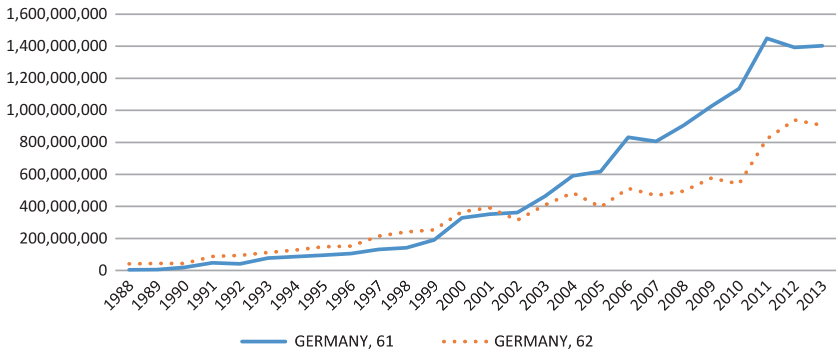

Fig. 4 German imports from Bangladesh, 1988–2013, euros
Source: Hira (2015) from Eurostat, accessed October 14, 2015

Much of the literature in this area is populated by critical tomes publicising the deplorable working conditions of workers, mostly female, in factories in the developing world. There are a wide number of volumes in this vein, such as Ethel Brooks' 2007 *Unraveling the Garment Industry: Transnational Organizing and Women's Work*. Naomi Klein's well-publicised work, such as *No Logo*, shows the anti-corporate angle reaches a wide swath of the public. Such works demonstrate that efforts to resolve these issues have largely failed.

Another related area is the fair trade movement, such as in the work of Laura T. Raynolds of Colorado State University (Raynolds et al. 2007, Raynolds 2012). In an earlier article Hira and Ferrie (2006) pointed to the ongoing challenges and constraints of the fair trade movement, including the lack of agreement upon standards, the inability to reflect market conditions, and the limited retail market outlets for fair trade products. While fair trade has growing significance in European markets, it is still an insignificant player outside that region. Moreover, fair trade still operates alongside the mainstream market, thus working in parallel, not as a substitute. This brings us back to the main force underlying efforts at labour rights improvement, namely the notion of corporate social responsibility (CSR) by Western companies.

In the International Business (IB) and Management literatures, CSR has largely been explained and theorised using institutional theory (Campbell et al. 2012; Marano and Kostova 2015; Tihanyi et al. 2012), stakeholder theory (Donaldson and Preston 1995), or both (Doh and Guay 2006).

These approaches are prompted by changing views that move away from business organisations as primarily economic actors, and governments and related agencies as the only political actors (Scherer and Palazzo 2011). These reflect the general acceptance of the notion of CSR, that private companies have wider social obligations than just to their shareholders, superseding the idea encapsulated by Milton Friedman that the sole responsibility of companies is "to make profits" and pushing instead for the idea of the "triple bottom line", including financial, social and environmental returns. Newer views of the global role and activities of the firm argue that business organisations increasingly assume social and political responsibilities that go beyond legal requirements and fill regulatory vacuums in global governance (Scherer and Palazzo 2011). A growing research focus in IB on the "intersection of politics and business" (Tihanyi et al. 2012, 40) and IB research, increasingly seeks to better understand how CSR (and the MNC and its stakeholders) involves discourse-ideological struggles, is embedded in international relations, and is mediatised in contemporary globalising society (Joutsenvirta and Vaara 2015).

There is a decade-long evolution of attempts by MNCs to improve labour conditions in their overseas supply chains. Over time, CSR has taken the place of or supplemented the idea that the public sector alone is responsible for the regulation of the private sector; self-regulation is now a normal part of corporate operations. This idea originates to a large degree from the international operations of MNCs in response to media and public scrutiny of them. Scandals evoking such concerns date back at least to the 1970s, when questions about Nestlé's handling of its marketing of infant formula arose. The 1980s brought widespread pressure for sanctions against South Africa (including MNC-led trade and investment), led initially by religious and non-profit groups in Western countries which successfully pressured their governments for action. Yet, as David Vogel pointed out (2005), consumers have never consistently demanded or sought out ethically produced goods to the point of changing standards.[1] In turn, the importance of activists reflects the relatively low power of states and even more so workers in developing countries, as discussed in the global value chains (GVCs) and other literatures (Fransen 2012; Gereffi and Korzeniewicz 1994).

Some authors contend that CSR has made a substantial difference in terms of labour standards (Egels-Zandén 2014). As noted above, while it has become accepted as part of MNCs' mandates, the limits of those obligations are still fuzzy and contested. There is clear evidence that consumers care about social responsibility, but whether and the extent to which that might affect their purchasing choices, and in turn corporate returns, is ambiguous. One study finds that consumers are more likely to boycott irresponsible companies than reward responsible ones (Mohr et al. 2001). There are an important number of other quantitative studies which cast doubt on such a relationship, reflecting the reality that CSR is a secondary consideration for most companies (Aupperle et al. 1985). However, other large n studies relating CSR to returns show that there is likely some positive relationship, but mediated by a number of other factors, including nationality of the firm (notably differences between European and North American approaches) (Luo and Bhattacharya 2006). The difference between Europe and North America may be because consumers in North America are generally less well informed compared with their European counterparts, leading to the demonstration of ethical sourcing practices to corporate consumers being less of a priority. This may also be linked to the stricter labelling and consumer information requirements in the European Union (EU) and following the precautionary principle while the USA is more laissez-faire, allowing activities unless proven illegal or injurious to health. Furthermore, in UN articles focusing on CSR, it appears that in some companies CSR may not seem as profitable or valuable as it was a few years ago. Companies have even started reducing their CSR activities because they do not see value coming from these practices (Accenture 2013). It is likely that the difference in levels of responsibility reflect different corporate cultures as well as different levels of awareness and activism between European and North American companies. The fact remains, however, that: the globalisation of supply chains, media scandals, external pressures such as socially responsible indices, funds, agreements such as the Global Compact, consumer trends towards anti-consumption, activist shareholders and consumer groups, mimetic processes as other businesses change, and the training of business students in CSR, have all converged to force companies to respond with a CSR strategy.

Company executives themselves have mixed views. Chief executive officers (CEOs) responding to a large study on sustainability (Accenture 2013) saw a role for business in "securing the enabling environment that will underpin sustainable development efforts" (19) including labour standards and respect for human rights. Accenture (2013) reported what it saw as a gap between how CEOs saw their own efforts in the context of global progress. In its study of over 1000 top executives across 27 industries in some 103 countries, it found that 76% of CEOs were satisfied with the speed and effectiveness of their company's sustainability strategy. However, although over 66% felt they were doing enough to address sustainability, they "may not yet see the urgency or the incentive—or the potential—for their own businesses to do more". (19). Thus the report points to a disconnect between the approach to sustainability of leading companies and the rest:

> the majority of companies globally—an approach centered on philanthropy, compliance, environmental mitigation and the license to operate—and the approach being adopted by leading companies, focused on greater impact on a broader set of environmental, social and economic issues, and viewed through the lens of innovation, growth and new sources of value. (19)

Thus data from companies themselves "continue to demonstrate a "performance gap" between ambition and execution on sustainability. (Accenture 2013, 25)

CSR efforts have been heavily scrutinised by the media and activists, mostly targeting global producers in the clothing industry. The media ramped up reporting of unsafe working conditions in the 1980s and 1990s, when Nike and Kathie Lee Gifford's clothing line received critical headlines, prompting an ongoing wave of CSR efforts to protect brands and reputations. Such scrutiny led to two decades of efforts by companies to monitor their factories and improve safety conditions, including extensive auditing systems and codes of conduct. While there may have been general improvement, unfortunately it has not prevented headline-grabbing disasters such as RP.

Is This Time Different? Emergence of Accord and Alliance System of Safety Inspections

On April 24, 2013, five garment factories in the RP building in Bangladesh, collapsed, killing an estimated 1100 workers and injuring 2500 others. This incident reminded everyone of the horrendous working conditions under which many of our clothes are made. Some recent events include:

- On April 11, 2005, the Spectrum garment factory collapsed, killing 64 and injuring 80.
- On February 25, 2010, 21 workers died in the Garib & Garib factory fire in Gazipur, sourcing for H&M, which was the second time the same factory had caught fire in six months.

- On December 3, 2010, a boiler exploded at the Eurotex factory in Dhaka, killing two and injuring 62.
- On December 14, 2010, the That's It Sportswear factory supplying Abercrombie & Fitch, Target, Gap, and JC Penney had an electrical fire that killed 29.
- On November 24, 2012, the Tazreen Fashion Factory, supplying Wal-Mart and Disney, had a fire that killed 112 and injured 200.
- On January 26, 2013, the Smart Export Garment factory, producing for Zara, had a fire, killing seven people. Following the devastating April 24, 2013 RP incident, there have been several more.
- On May 9, 2013, there was a fire in the Tung Hai Sweater factory, supplying European brands, killing nine.
- On October 8, 2013, ten were killed in a fire at the Aswad garment factory, supplying Hudson's Bay Company and Loblaw's of Canada (CBC 2013).

This litany of disasters is forcing companies to acknowledge serious issues in worker safety. At the time of the RP disaster, most companies relied on third-party audits. However, according to one author, "many of those audits proved incomplete and inaccurate. It has since been revealed that cracks in factory foundations, bars on the windows, blocked fire exits and other unsafe conditions were left out of third-party reports" (Drennan 2015, 21). Sources in Bangladesh note that the pre-RP situation was chaotic, with parallel public and private inspections, the latter varying from corporate buyers' first-party audits, to third-party audits, including a dynamic variety of issues from fire safety to social audits. This reflected not only negligence on the part of MNCs, but also a general relationship of collusion between the Bangladesh government and factory owners, including widespread corruption (Rahman Khan 2015, 158 and 168). The inefficacy of such measures was reflected in ongoing labour disputes, including several protest incidents in 2010, where some 100 workers were injured. Labour laws were not being enforced (Hossan et al. 2012, 207–9).

As noted above, Bangladesh is the second largest garment producer in the world, after China, and garments account for some 70% of all exports. There are at least 5000 garment factories in Bangladesh. Following RP, again, both the government and companies have claimed new actions would lead to more permanent solutions. The actions are a dramatic break from the past and are based on the creation of two major consortia which have pledged to change working conditions. The first is the Bangladesh Accord on Fire and Building Safety, including 150 apparel companies, two global labour unions (IndustriALL and UNI), several local unions, and several non-governmental organisation (NGO) signatories (Worker's Rights Consortium (WRC), International Labour Rights Federation (ILRF), Clean Clothes Campaign (CCC), and Maquila Solidarity Network (MSN)). It legally binds companies to spend money to improve factory conditions. Companies include several of the largest European brands, such as H&M, which purchases over $2 billion/year of clothing from Bangladesh. The Accord mandates inspections of 65% of directly contracted factories, bans those which do not comply with audits or address violations immediately, and requires the international firms which sign the Accord to spend up to $500,000 per year on safety investments. Most importantly, it gives legal liability for damages in a disaster to the international firms. However, there are no mandatory requirements for suppliers to invest in safety, nor does the inspection system extend to subcontractors. All interviewees suggest that the Accord could be an historic milestone in that it sets liability and requires union involvement.

The second consortium is the Alliance for Bangladesh Worker Safety, including 26 mostly US retailers, such as Walmart, Target, Sears, The Gap, Nordstrom's, Macy's, JC Penney, L.L. Bean, Canadian Tire, the Children's Place, and Walmart. Some interviewees say the Alliance was formed in response to the Accord, initiated when the Gap pulled out for fear of the liability and financial remediation costs. The Alliance forces 100% of the roughly 500 factories involved to be inspected within the first year and increases the per factory financial contribution to renovations and training to a maximum of $1 million per manufacturer, considerably more than the European-based Accord. However, it removes legal liability from the international companies (Bearnot 2013, 96–7), and unions are not direct parties. Moreover, it relies on local companies to take out loans from the International Finance Corporation (IFC) of the World Bank to cover the costs of remediation.

The Bangladeshi government also responded. In June 2013, the parliament passed amendments to the labour law with significant changes, such as prohibiting factories from blocking exits, mandating fire drills every six months (from 12), removing the requirement that government share the member list of unions with employers, and lowering the required number of votes for strikes to two-thirds from three-quarters. Maternity leave for garment workers is also extended from two to four months. Nonetheless, there remain significant obstacles to workers' unionisation. More than 30% of a company's employees must agree in order to certify a union. This is problematic as many companies have far-flung factories. Unions are also banned from hiring external advisors to help with administrative, organisational, or negotiating challenges. This opens the door for companies to simply fire would-be union leaders (Bearnot 2013, 97).

A number of locally based activities in Western countries, such as the CCC, have put further pressure on retailers. In regard to compensation for RP victims, companies also pledged $40 million in compensation for workers, but only $15 million has been paid. Companies have been widely accused of reneging on their compensation pledges. The ILO, part of the UN, is managing the fund. The Canadian-based company Loblaws, which controls the Joe Fresh line, has pledged $3.3 million according to the RP Trust Fund site. It is part of the Accord. There appear to be a number of NGOs involved in the effort, including the International Labor Rights Forum (ILRF) in the USA, the MSN, and the CCC. United Students against Sweatshops successfully pushed several university brand suppliers to sign the Accord.

There has not been enough time yet to make a full assessment of activities in the aftermath of RP. The new Bangladesh Labour Act of 2013 capped off a year of activity by the government to assure foreign investors of renewed effort. It reflected the changes, mostly focusing on building safety, in the "National Tripartite Plan of Action on Fire Safety and Structural Integrity in the Ready-Made Garment Sector in Bangladesh", which was released by the Ministry of Labour and Employment on July 25, 2013. The Plan was signed by the major private sector organisations, including BGMEA (Bangladesh Garment Manufactures & Exporters Association) and BKMEA (Bangladesh Knitwear Manufacturers and Exporters Association), but no unions were signatories. BGMEA and BKMEA have also initiated their own compliance programmes (Nasrullah and Rahim 2014, 127–42). These have created a third set of inspections by the government and carried out by BUET (Bangladesh University of Engineering and Technology) alongside those of the Accord and the Alliance.

In April 2013, the governments of Bangladesh and the USA, with the EU, launched a Compact for improving labour rights and factory safety, with the ILO charged with its implementation. Canada joined the Compact in 2016. The ILO launched a $24 million project in October 2013 to support the national plan of action. The programme provides technical support, spreads awareness, and aids victims of industrial disasters. According to the ILO (2014), "building inspection standards have been harmonised, procedures established for the closure of unsafe factories and almost 60% of garment factories nationwide inspected for structural and fire safety". Outside experts can now come in to bargain with management on behalf of unions, and a central fund is to be created to improve workers' living standards. On top of this, factories with over 50 workers must establish safety and health committees with members of the workforce. The labour regulation system is being "rebuilt from the ground up with both new and existing inspectors from the factories and fire safety departments receiving comprehensive training", reflecting that "the Government of Bangladesh has shown a real commitment to change". This includes a newly rebuilt Department of Inspections for Factories and Establishments (DIFE), which includes 392 new inspectors, a new accountability unit, and an increase in budget from $900,000 in 2013–14 to $3 million in 2014–15. The ILO cites the increase in the number of trade unions in garments from 131 at the beginning of 2013 to 367 by September 2014. The US Department of Labour and the Norwegian government have funded local capacity efforts for workers, including an advocacy campaign, training events, and a new electronic registration database maintained by the Department of Labour and Employment in Bangladesh. The same department is to initiate a dispute settlement and mediation system. Nonetheless, most interviewees stated that they had no confidence that the Bangladeshi government would be able to take over from the Accord/Alliance after five years, and that some continuing outside presence or involvement is likely, but they are unsure of its nature.

Three Possible Governance Models for Supply Chains

The overarching question about how to move towards a long-term solution to the problems outlined above involves three logical dimensions along two axes. The first dimension is whether the leading actor should be the private or public sector, or some hybrid model of the two. Under public sector, we include international non-profit organisations from the ILO to NGOs. The second dimension involves the different functions that each actor takes on in respect of labour standards: rule-making (setting and enforcing standards), rule intermediation (e.g., interpretation and monitoring), and rule-taking (accepting and implementing)

(Faur and Starobin 2014). We ascribe leadership to those who occupy the role of rule-maker and enforcer. This second axis is important because different actors within the same sector may take on different roles. The current arrangement as described above in Bangladesh is that a consortium of companies has the role of rule-maker and rule-intermediary while individual companies belonging to the group are rule-takers. One can see many other combinations, such as international organisations being rule-makers and enforcers; NGOs being intermediary monitors; and states being rule-takers. While there is no question, then, that all three actors are going to be involved, the issue to be examined is about leadership and respective roles. These ideas are developed in points 1–3 below.

1. **Expansion and adjustments to the corporate-led model**. Nike is one of the most prominent leaders in such efforts, creating a whole division whose responsibility is to audit and flag a wide range of issues in its factories around the world. There are many reasons to doubt the efficacy of this model, despite its ongoing evolution to third-party NGO monitors and consortia. A key foundation of CSR, namely whether ethical behaviour is good for the bottom line (as opposed to merely avoiding scandal), continues to be hotly debated.

   The private option part of the literature arises from the evolving role of the relationship between MNCs and developing economies (Ghauri and Yamin 2009). Economists Elliot and Freeman see labour rights as an externality that could be addressed through the WTO, effectively forcing Western consumers to pay for better conditions (Elliot and Freeman 2003). However, the idea of expanding the WTO's mandate to include labour has never been seriously broached. Recent contributions are bringing together IB and new developments in economic geography which build on traditional economic approaches to understand how supplier firms upgrade in GVCs to capture more value (primarily in developing countries such as Pakistan and Bangladesh in the apparel GVC) to include the concepts of social and environmental upgrading. GVC analysis is a concept developed by Gary Gereffi and collaborators to describe the power inherent in different supply chain relationships (Gereffi and Korzeniewicz 1994). Such analyses increasingly seek to include the governance structures of GVCs (around the role of lead or buyer firms) as well as the institutional and knowledge processes and the capabilities of supplier firms to capture value through social and environmental initiatives. This highlights the importance of examining the locus of activity by developing country supplier firms as well as multinationals in CSR. The focus on MNCs and their relationships with emerging or rising economies is encapsulated in the need to understand the conditions under which social value and benefits are likely to be cocreated within and across the private, public, or civil sectors (Sinkovics et al. 2014). Perhaps one of the more important aspects brought out by GVCs is that the nature of the industry matters. In apparel, multinationals' brands make them vulnerable to hazardous supply chain conditions, at least on an occasional basis. We could add that local conditions, such as the location of manufacture, assembly, and production, also evidently play a role in the possibilities for labour enforcement, something often overlooked by the international focus of the literature (which ignores local politics).

The seminal book by Richard Locke, *The Promise and Limits of Private Power* (2013), is based upon exclusive access to hundreds of audits from CSR leader Nike over a number of years. Locke shows convincingly that even the most rigorous efforts by Nike have failed to resolve labour issues in their overseas factories. This led him to suggest Option 3 below, namely a hybrid of public–private governance arrangements, as the solution.

2. **The reinforcement of public regulation of factories**. The key question of Option 1 is whether a privately led effort can be successful without the active participation of local partners in decision-making. The most obvious of these would be the government itself. This could occur, as it does in the West, through domestic regulation of working conditions or through or with the help of international and other NGOs. As David Vogel (2005, 172) noted, "the definition of corporate social responsibility needs to be redefined to include the responsibilities of business to strengthen civil society and the capacity of governments to require that all firms act more responsibly". Vogel states quite plainly, furthermore, "If Home Depot wants to improve forestry practices, why not support legislation requiring all forests in the United States and Canada to be managed more responsibly?" The failure of domestic regulation, in fact, has prompted the formation and activities of bodies such as the ILO, which has successfully pushed for the adoption of labour standards in legal systems around the world. Its sibling organisation, the

> UN, has similarly been able to convince corporations around the world that they should sign a Global Compact embracing CSR. However, such codes have never really been enforced. This has led in more recent years to the ILO becoming more active in training and certifying safe working conditions in certain countries, such as Sri Lanka and Cambodia, where it highlights its Better Work campaign. Yet ongoing issues about factory pay and conditions in Cambodia raise doubts about whether the ILO has either the resources or the enforcement capability to carry out such a challenging task. Moreover, the relationship between the ILO and companies remains a voluntary one, limited so far to a handful of experiments. In addition to the ILO, the Organisation for Economic Co-operation and Development (OECD) has for many years promulgated its "Guidelines for Multinational Enterprises", which are recommendations by governments to MNEs operating in or from adhering countries on "responsible business conduct". The OECD's fourteenth Annual Report on the OECD Guidelines (2014) reports on responsible business conduct by sector and describes the activities undertaken to promote the observance of the Guidelines, but could be argued to suffer from the same enforcement shortcomings as the ILO. The conclusion of many, if not most, writers in this field is that the failure of public regulation necessitates private regulation.

In terms of the public option, much of the literature in this vein focuses on non-profit organisations' efforts to supplement those of corporations, through monitoring or more directly through hire by companies for auditing. In part this is justified by failures of the government and in part by the "boomerang effect", whereby pressure on destination markets by activists in Western countries can be used as leverage to improve conditions in developing countries (Keck and Sikkink 1998). Indeed, NGOs as well as local labour activist allies have played an important role in pressuring companies in the garment industry. As Bartley (2007) and others (Seidman 2003) argue, it is in good part pressure from activists that forced companies to adopt codes of conduct in the first place. State leadership has been dismissed for lack of capacity and political will, though this should be subject to challenge (Berliner et al. 2015). Similarly, the ILO and Global Compact have limited capabilities as they lack monitoring and enforcement teeth (Berliner and Prakash 2015). These authors note that actual practice is marked by a high level of heterogeneity—in corporate practices, government responses, and levels of effectiveness (Fransen 2012). Timothy Bartley (2015) and others (Fransen and Burgoon 2014; Seidman 2008) are critical of the effectiveness of transnational methods of factory certification, given their reliance on corporate contracts and access. Bartley also points out the inherent contradictions of private regulation when companies are guided by competition for low prices and fast delivery, and the ability to change locations fairly easily, particularly in apparel. Dara O'Rourke has written a series of articles (2005, 2006) on the limitations of NGOs which have tried to provide an arm's length vehicle for multinationals to verify safe working conditions. Another possibility would be transnational union solidarity. While it may be an increasing force in the long run, studies show that it is very difficult to get 'Northern' unions, which have their own local interests and may see 'Southern' counterparts as rivals, to play an active role (e.g., Anner 2003).

3. **Developing a hybrid, cooperative model of public–private governance**. Richard Locke's 2013 study of CSR leader Nike's failing audit system reveals the shortcomings of the private option. He reinforces the fact that CSR efforts by corporations as they currently exist are inadequate, and that the private sector must engage the public sector, primarily local government, to resolve the issue. However, he does not suggest anything concrete in terms of what can take their place, beyond the notion of a public–private partnership. If the ILO–company relationship is challenging, the relationship between companies and national governments is even more complex. On the one hand, they have common interests in maximising industry output in areas of low wages. On the other, they are at odds in terms of negotiating the relative benefits of such production to themselves. Companies want basic safety standards to avoid further scandals. However, developing country governments face ongoing revenue shortfalls, corruption issues, a lack of capacity, and domestic sectoral interests. Neither party has an incentive to promote bargaining rights for works. Western multinationals face more pressure and scrutiny than do their counterparts domestically or from emerging markets.

   Public–private coordination takes a wide variety of forms. The limitations of international organisations (IOs) with regard to enforcement are recognised, but they are re-conceptualised as "orchestrators" or "coordinators" of collective action by private companies. IOs can use their expertise, normative influences, and ability to triangulate between states and private entities to make contributions to cooperative outcomes (Abbot and Snidal 2010). The power of information is embodied in the idea of "ratcheting labour standards", whereby monitoring creates transparency about standards, including an index measurement by which to compare levels, and ways to improve standards are diffused. The expectation is that the information creates a competitive environment to reach better standards, one in which consumers are empowered with knowledge about working conditions. Such a system presupposes a consensus and that a funding mechanism can be created among the current panoply of standards and monitoring agencies (Fung et al. 2001). IOs could play a crucial role in reducing the pressure on states to cheat on labour standards by lowering them to attract more business and in avoiding state capture by domestic business interests which want to disregard the costs of labour standards.

Amengual (2010) pushes the envelope further in terms of theorising what a public–private interaction might look like, suggesting that there is an "interactive ecology" in which public (both state and international) and private actors can share complementary roles. Like Locke, Amengual (2010) sees the possibility that other actors can compensate for the weaknesses of the developing state, a theme he pursues in several case studies of Argentine labour relations. Following Faur and Starobin (2014), we see potential in taking a three-way approach (involving the participation of rule-makers, rule-takers, and regulatory intermediaries) to develop transnational governance solutions which address what appear to be "regulatory deficits and voids" no longer undertaken by states and the rise in power and "regulatory capacities" of MNCs (29).

Concluding Remarks

CSR in the context of MNCs is theorised and increasingly investigated at multiple levels, in research which encapsulates the manager, the firm, the environmental context, and the transnational context (Aguilera et al. 2007). Aguilera et al. (2007) propose the examination of CSR at the micro (individual), meso (organisational), macro (country), and supra (transnational) level drawing on theories from other disciplines, such as ethics and international business. They present a framework which incorporates multiple actors (such as employees, consumers, managers, institutions, governments, NGOs, and supranational governmental entities) which push organisations to act in socially responsible or irresponsible ways.

At the institutional level, a particular feature of MNCs' activities in developing countries is how they respond to so-called institutional voids (see, for example, Mair et al. (2012) in which an analysis of rural Bangladesh investigates the work of a prominent intermediary organisation and uncovers institutional voids). Because of their portfolio and multientity organisational form, business groups and MNCs in general are thought to be especially suited to respond to the opportunities and threats which these voids present (Manikandan and Ramachandran 2015). The institutions which govern the "rules of the game" (North 1990) take the form of enablers or limitations to the set of options available to the firm (Oliver 1991), at the levels of regulation, behaviour, or cognition. The firm's strategic options in engaging with institutions include adopting approaches which range from agency to control, influence, negotiation, and interdependence (Oliver 1991). Firm strategic responses to the post-RP codes may take a variety of forms of "active agency" with "different degrees of resistance, activeness and self-interested awareness" (Oliver 1991, 171) or acquiescence, compromise, avoidance, defiance, and manipulation (Oliver 1991, 152). Moreover, CSR challenges MNCs to take responsibility for the global reach of their supply chains and the possible irresponsible practices by their suppliers in these chains (Amaeshi et al. 2008). Amaeshi et al. (2008) argue that this burden on firms may be a "taken-for-granted-assumption" that MNCs should be accountable for their suppliers' practices by using their power and moral (and sometimes legal) influence, and investigate how this is done through the application of codes of conducts, corporate culture, anti-pressure group campaigns, personnel training, and value reorientation as possible sources of wielding positive moral influence along supply chains.

Multilevel effects are seen in the coevolution of firms and institutional arrangements, since firms and their partners and stakeholders respond to institutions (or the lack thereof) and shape emerging ones (Lewin and Volberda 1999). Research on the specifics of new and emerging institutional arrangements in the Bangladesh apparel industry can serve as an invaluable in-depth case study of the potential for new global approaches in other industries. It can also serve to deepen understanding of the institutional context for firm strategy, a central research concern in IB and management, through: "the integration of institutional theory with other theoretical frameworks and the study of the effects of institutional variations on organisational strategies" (Tihanyi et al. 2012, 39).

Thus far, the RP arrangements are focused on Option 1. Despite the wide range of interests reflected in the literature, no-one has really brought forth the fundamental debate about governance models that we propose here. We seek to move beyond the critical literature to one that is pragmatic in nature. Engaging in the debate could reveal, for example, gaps in both the public and private approaches to labour regulation, including the fact that codes tend to overlook "process" variables such as collective bargaining rights, in favour of "outcome" ones, such as compliance with a checklist of safety criteria (Egels-Zandén and Merk 2014). The overall contribution of this volume is therefore to provide a solutions orientation for a debate that has only been conducted in fits and starts.

The interdisciplinary analysis presented in this volume should attempt to assess the wider context of stakeholder engagement in such initiatives, since:

> Although the outcomes and solutions are still largely unclear, it is certain that the 'rules of the game' are changing substantially and the economic systems that will emerge will be less of a market free of governmental and supra-governmental institutional control. We expect more research at the intersection of politics and business. (Tihanyi et al. 2012, 39–40)

The chapters which follow present a variety of arguments about solutions. Building on analysis of in-depth interviews informed by theoretical approaches drawn from economics, rights-based perspectives, value chains, and CSR, Chap. 2 by Andy Hira gives an analysis of the shortcomings of "corporate-led" approaches to support the further development of Option 2. He argues for public solutions, since the pressures for change and true enforcement of change in the apparel sector must come from political initiatives in developing countries through improving workers' bargaining power and representation in government. Chapter 3 by Mustafizur Rahman and Khondaker Golam Moazzem analyses the system of compliance assurance in Bangladesh prior to the RP tragedy and assesses the new institutional and enforcement mechanisms post-RP. Setting out a detailed explanation of the processes and actors involved, they argue for an adaptation to Option 1 in which, for a new cooperative governance architecture to be sustainable and replicable, fiscal-financial support must be provided to enterprises in the apparel sector in Bangladesh. In Chap. 4, Mohammad Tarikul Islam, Amira Khattak, and Christina Stringer build an argument from the GVC perspective that there is an impasse in the apparel sector in Bangladesh which stems from a "governance deficit". Because of the limitations inherent with one form of governance, an extended form of Option 3 is required to tackle the problems in the industry in a mix of the three types of governance. They conclude that such a solution must include social governance institutions as well as public and private governance. Chapter 5 by Michael Lee, Miriam Seifert, and Helene Cherrier brings the analysis to the level of the consumer in shedding more light on what Option 3 could look like. Presenting their analysis in the context of new movements among increasingly aware consumers, who may choose to make more informed purchasing decisions, and, at times, reject products based on companies' practices and reputations, they argue for more transparency in apparel supply chains. The chapter includes a case study of the company Patagonia, to illustrate how these new approaches and values can work in practice.

Overall, while the contributors disagree on the extent of foreign corporate versus public leadership, all reject the idea of Option 1, the existing arrangements of corporate leadership. The exact contours of a more efficacious hybrid model of governance differ across the authors, but what is clear is that current solutions offer a wholly inadequate approach for avoiding future RP-type disasters. The complexity of the situation requires far more long-term, cooperative, and locally tailored participatory approaches than so far contemplated by the Accord/Alliance, and a movement towards harmonised global standards. Moreover, the last chapter points out that the solution lies ultimately in unleashing the power of consumers through transparency to demand minimal safety and income standards for the products they purchase. Such arrangements may seem remote at present, but they are entirely within reach.

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Note

1. Vogel asserts quite plainly (p. 82) that CSR is irrelevant to corporate financial performance.

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Threads of Despair: An Argument for the Public Option in Garment Governance

Anil Hira

Introduction

As noted in the Introduction, a bold new experiment is taking place in Bangladesh's garment industry. Two consortia of Western companies have taken the lead to ensure that an incident like Rana Plaza never happens again. While the outcome remains to be seen, there are reasons for scepticism beyond the Matrix factory fire in February 2016. This chapter examines the post-Rana Plaza accords from a governance perspective, pointing out that the inability or unwillingness to acknowledge the centrality of politics and particularly workers' organisations in labour standards handicaps possibilities for success. The empirical analysis is based on literature, documentary, news, and website sources, and ten interviews with companies, business associations, think tanks, non-governmental organisations (NGOs), and safety inspectors working in Bangladesh.[1] After discussing the shortcomings of previous approaches, ranging from mainstream economics to applying international standards, I make the case that the solution must come from leadership by the Bangladesh government and unions. The government is admittedly in a precarious position. It is worried about

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companies leaving for labour violations at the same time that they might leave if expenses, including salaries, rise.[2] Nonetheless, if recognised, the collective actions of workers to mobilise with support from outside groups can create a new dynamic in labour relations in the industry.

Shortcomings of the Accord–Alliance Approach

At first glance, the new consortia have made a clear difference if simply measured by the number of labour inspections. As noted in the introduction, the newly beefed up Department of Inspections for Factories and Establishments (DIFE) of the government has done its part. The DIFE inspection database is now online and one can read the inspections. The categories are fire, structural (such as weak roofs), and electrical. So far, there is no visible report showing "corrective actions completed", but it is still very early in the process. It appears that the Bangladesh University of Engineering and Technology (BUET) is conducting some inspections while the Accord and the Alliance are conducting their own. There is conflicting information about the results as of October 11, 2014 when the websites of each actor were checked. According to the government website http://database.dife.gov.bd/reports/safety-assessment-reports, six out of 504 factories inspected have been shut down; all three inspection agencies shut down at least one. However, on a separate page titled "One year after Rana Plaza", they claim that 3498 inspections have taken place. The Accord database appears to be harmonised with the government's; however, it is impossible to use their website to aggregate any overall picture of activities. According to the Alliance website (http://www.bangladeshworkersafety.org/factory-information/government-review-panel-summary-reports), 580 factories were inspected, with five closed, 12 partially closed, and two operating with a reduced load; the factory reports give a mixed committee of the Alliance, Accord, BUET, and BGMEA (Bangladesh Garment Manufacturers and Exporters' Association) conducting and agreeing the assessment. When factories are closed, workers are to be given compensation in the form of 50% of their salary for a month. One interviewee stated that while very few factories have been closed, all of the factories inspected by the outside parties have revealed rampant safety issues throughout the sector, particularly issues with electrical systems creating fire hazards and lack of basic fire exits.

A 2014 International Labour Organisation (ILO) report notes several issues. The first has been widely publicised by NGOs, namely the lack of compensation from companies who had committed to compensate Rana victims. The second is a lack of follow-through "remediation" for factories which have been found to fall short of standards. The third is the shortcomings of the new Labour Act in regard to bringing freedom of association and collective bargaining rights up to international standards. One interviewee estimated that 80% of Bangladeshi factories are keeping double books, making compliance outside building structural issues challenging.

All reports indicate a major deficiency in the capacity of the government to regulate the sector (Saini 2013), leading most to conclude that other sources of regulation are required. The plethora of activities, including the two different major corporate efforts, indicate a lack of agreement about what needs to be done and how to do it. The Accord and Alliance last only five years, indicating their temporary nature. Walmart, The Gap and other major US retailers expressed concerns about legal liability in the Accord. It is notable that unions are not part of their agreement. The Workers' Rights Consortium, working with the Accord, published a report on conditions at over 1000 factories in October 2013, finding abuses in a Gap factory. The Institute for Global Labour and Human Rights revealed around the same time that both The Gap and Old Navy also abused workers in terms of number of hours and not paying for work (Ellis October 2013).

Beyond this are still bigger long-term issues. The first is that the complementary national inspections have no enforcement capacity. The Centre for Policy Dialogue (CPD 2014, 46) states: "Unlike the Accord and the Alliance, no buyer relations are particularly dependent on BUET's inspection outcomes except for the structural team's declaration of any fatal structural hazards. Factories cannot be shut down based on fire safety violations; the suggested logic being that even the slightest incident such as electrical spark ordained that cigarette can lead to a devastating fire a garment factory. As a result, the effectiveness of particularly the fire inspections can only be realized once there are adequate enforcing agencies that regularly follow up on factory safety." They go on to note the challenges of the topography of the garment industry in Bangladesh. Some factories are garments only, but many are multiuse buildings with multiple owners and activities. Moreover, some factories have multiple suppliers and owners. This is on top of the fact that many factories supply to multiple buyers. One interviewee in Dhaka sounds a cautiously optimistic note: "Before Rana Plaza, there was compliance of sources, but designed only for a certain amount of output and labour. Everyone, including the companies, knew the hypocrisy. Everyone was looking the other way. That model is now under scrutiny. There is pressure from the Alliance and the Accord to align output with sourcing from particular factories. So the norm is changing."

The first annual report of the Alliance (July 2014a) reports on its accomplishments, including inspections, financing for both remediation and compensation to factory workers whose factories had been closed down, several large surveys, and training of 1.2 million workers on safety. They also set up a helpline through which workers can provide a confidential channel for complaints. The financing remediation appears mostly in the form of loan guarantees or loans through the International Finance Corporation (IFC, part of the World Bank). Their before and after surveys of worker safety knowledge showed significant improvements. The report notes an amendment to the original agreement to allow workers the right to refuse unsafe work and the appointment of three local labour leaders to their Board of Advisors. They also list an important set of challenges remaining, including (23):

- lack of capacity in government inspection agencies;
- 40% of garment factories in mixed-use buildings;[3]
- major unauthorised subcontracting based on pricing pressures;
- lack of leverage of individual companies because factories respond to many;
- factory remediation is still cost prohibitive;
- lack of literacy and culture of safety among workers;
- workers "have limited power to force change or require safety improvements without support";
- worker organisations remain weak, and workers who have tried to assert their rights have been harassed.

The Alliance's Roundtable Report (February 2014b) reinforces these findings with some other problematic issues. Based on their survey of 3200 workers (6), they found that 54% of workers do not feel responsible for health and safety, and 73% think that some fatal fire accidents cannot be prevented; only 17% would talk to their worker representatives about safety concerns. Only 2% correctly identify common fire hazards.

Moreover, only 237 of the 5000 factories have unionised, according to Amirul Haque Amin, the president of the country's National Garment Workers' Federation. News reports highlight ongoing safety issues (Butler 2014). Meanwhile, both the local owners, represented in BGMEA and BKMEA (Bangladesh Knitwear Manufactures and Exporters Association), and the Bangladeshi government have expressed concern that raising wages would push the work to other countries. Some analysts echo this concern, suggesting that the loss of wage jobs would particularly hurt females attempting to enter into employment for the first time (Kabeer 2004).

In addition, a common concern echoed by several interviewees centres on the lack of remediation financing, despite promises, thus far.

Accord–Alliance Disharmony

On top of these underlying problems is a lack of harmony between the two major consortia in Bangladesh, with the Accord demonstrating doubts about the Alliance methodology.

- A June 2014 news story reported that there was “erratic decision-making” as to whether factories were structurally sound. BUET engineers dissented from some decisions taken to close down factories. In addition, the Accord inspectors felt that the Alliance inspectors were too lenient and refused to accept their evaluations. On top of all this, disagreements over legal liability, noted above, in regard to who would pay workers’ salaries, by how much, and for how long, also extend across workers, owners, the Accord, and the Alliance.[4]
- In a November 2014 assessment, World Bank economists noted growing issues regarding the lack of coordination between the Alliance and the Accord, whereby the Accord refused to accept inspections from the Alliance. That left some 300 factories subject to inspections by both groups. Meanwhile, Walmart blacklisted 250 factories for safety issues, which were still in service by other reputable North American and European brands, for safety issues. On top of all this, BGMEA had yet to develop a worker database that it had committed to.[5]

An example of the potential long-term implications of having two competing systems came through clear in a report in December 2014 that the Alliance had enlisted the IFC to provide loans to factories needing an upgrade. This contrasts diametrically with the Accord, which provides financing directly.[6]

Continuing Reports of Labour Standards Issues

During November 19–20, 2014 I conducted a search for the keyword “garment” from online Bangladesh newspaper sources to highlight events that raise concern. Here are some examples:

- In May 2014, one worker died and 300 others felt sick after drinking water at a Supreme Knitwear factory in the export processing zone (EPZ).[7]

- In July 2014, 30 people were injured as apparel workers clashed with police as they protested about the payment of dues and festival allowances at multiple factories. Workers of two garment factories in the EPZ also staged a sit-in.[8]
- In August 2014, hundreds of workers staged a demonstration in front of BGMEA to protest against the Jamuna Fashion Wears Ltd company closing the factory without notice and without payment of termination benefits as legally required.[9]
- In September 2014, workers formed a human chain in front of the National Press Club in Dhaka to demand payment of Festival allowances that were due from the company Mamun Garments Ltd.[10] There were also ongoing disputes between workers and the head of the Tuba Group, Delwar Hossein, who was responsible for the Tazreen Fashions factory which caught fire in 2012. Hossein was able to get out of jail through promising to pay workers remaining dues, but then he dragged his feet, claiming that he needed settlement of insurance claims first.[11] This led workers to protest at the lack of payment in front of the National Press Club on September 11. Police stopped the protestors as they headed towards the labour ministry.[12] In the same month, workers held a two-hour sit-in in front of the Need Asia Group over the alleged illegal firing of 100 workers.[13] In the same month, a factory of Cordial Design Ltd in Dhaka caught fire. There were no casualties.[14]
- In October 2014, workers of Dorin Fashions Ltd protested in front of the Bangladesh Garments and Exporters Association Building because of the relocation of the factory without paying their dues, back salary and benefits. In addition, officials identified some 385 garment factories where wage festival allowances remained unsettled. [15]
- In November 2014, 4000 garment workers from five different factories demonstrated as work shifted away from their factories to others.[16]

Key Assessments

- In February 2014, Human Rights Watch issued a press release stating that the Bangladesh government "should stop garment factory owners from intimidating and threatening workers for organizing trade unions, and prosecute those responsible for attacks on labour leaders". The organisation interviewed 47 workers in 21 factories around Dhaka. Workers claimed that there were not only intimidation and mistreatment, but also threats to kill those involved in setting up unions. Labour union activists claimed that "yellow unions" were being set up by factory owners themselves to control the situation.

- On April 24, 2014 a progress report by the Bangladesh commerce ministry on the 16 point action plan that the US government gave to Bangladesh in order for trade benefits to be reinstated revealed that only six out of 16 conditions were met.[17] In the same month, the Centre for Policy Dialogue, a civil society think tank, released a report saying that both the government and BGMEA had fallen behind on their pledges in terms of both financial support and legal measures for victims of the Rana Plaza tragedy.
- In April 2014, the Bangladesh Occupational, Health and Environment Foundation released a report stating that in the garment sector three workers died and 17 were injured between January and March 2014.[18]
- In June 2014, a row erupted between the Bangladesh government's Inspector General of Factories and the Accord over minimal concrete safety standards. The Inspector General refused to close down six factories that have been deemed unsafe. One BUET professor said that it might lead to the closure of 40–50% of all garment factories in the country.[19]
- In a November 2014 meeting, Commerce Minister Tofail Ahmed said that "global retailers' groups—Accord and Alliance—were responsible for the negative growth in the country's export earnings in the last couple of months of the current financial year". He said that even though industrial accidents occurred around the world, the Accord and the Alliance only had operations in Bangladesh. He said that the Western groups had found structural faults in less than 2% of the 1800 garment factories they inspected, while the percentage of global vulnerable factories was 2%. He also said it was "very much interesting that there were trade unions in only 9% of the factories in the US whereas they mounted pressure in Bangladesh to introduce trade unions in 100% factories".[20]

In order to find longer-term solutions, we now review existing theoretical approaches to labour rights.

Economics Perspectives

The core idea of supply and demand forces sums up well the baseline issues from an economics perspective. The bottom line is that there are major labour surpluses in the developing world: unskilled labour with no jobs waiting for them. Thus, the anti-sweatshop movement is fighting against basic

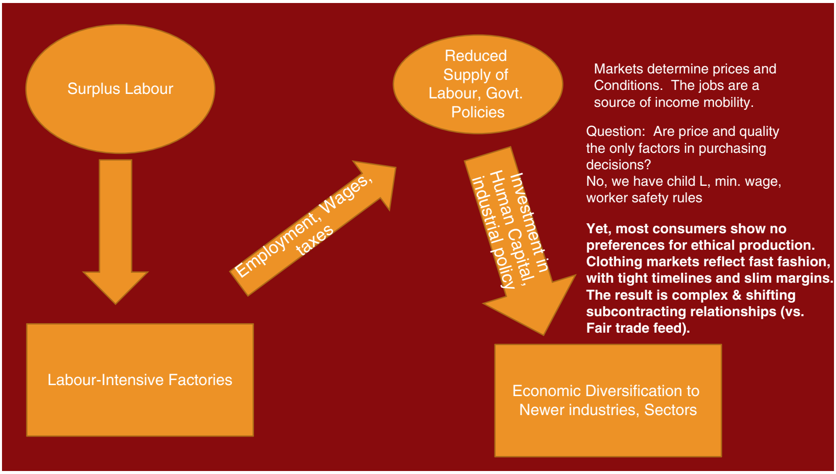

Fig. 1 Economics perspective

forces of nature. Perhaps there should be more understanding of the need for population control, most effectively gained through women's rights to work and education and access to contraception. Economics explains why work is apparently so geographically tenuous; companies have a natural incentive to move to the cheapest wage conditions which globalisation (reduction in transaction costs) has enabled. The economics perspective, as illustrated in the graph below (Fig. 1), expects that surplus labour will slowly be siphoned off, leading eventually to rising wages and export diversification through government policies, such as investment in human capital.

Labour markets in practice do not operate as suggested by this perspective. Particular industries need different skill sets, and employees may be slow or unwilling to relocate. As industries move from large, concentrated, routine, and integrated enterprises such as shipbuilding and autos in the North, unions have become less prevalent. In turn, the political acceptability and effectiveness of union associations has declined (Fairbrother et al. 2013, 6–7). Moreover, there are limited prospects of North–South linkages among unions given that they are competing with each other for jobs. Families may choose to allocate household, family, or self-employment tasks in ways that do not show up in formal employment indicators. The same is obviously true for those who lack full citizenship rights (Smith 1994, 311 and 341). From a Keynesian point of view, multiplier effects could work in both positive and negative directions. Increasing wages lead to increasing consumption, in turn increasing wages, and vice versa.

A pure economic analysis reveals a strong diagnosis, but not much of a solution. Workers' rights and social safety nets are not necessarily linked to increases in income. In East Asia, and China in particular, for example, wages have increased with few signs of rights improvements and limited safety nets. At the same time, empirical studies suggest that productivity increases are *not* correlated with compensation, nor do labour standards negatively affect compensation or attract foreign direct investment (Raynauld and Vidal 1998, 63; Flanagan 2003, 47; Flanagan 2006, 136). Rather, as incomes increase, so do demands for worker safety. Increasing incomes also correspond with declining child labour rates (Flanagan 2006, 42–3). The issue of labour rights is measured in these studies on the basis of ratification of ILO conventions rather than actual enforcement (Mah 1997, 784). More importantly, they parallel another drawback of standard economics—which misses the quality of the work done by employees. This quality will depend in part on education, but also upon more intangible factors related to the management, motivation, and morale of the workers (Elliot 1991, 5). Shifting industry needs outpace the ability of educational institutions to train workers appropriately.

Most authors argue that trade does not lead to a deterioration of working conditions as critics often claim (Flanagan 2006, 187). Multinationals, because of outside scrutiny, are more likely to have better working conditions than the rest of the economy and therefore resist further ramping up standards. Economic logic tells us, moreover, that raising the conditions in just one sector and in those limited to multinationals will have a minimal effect on workers throughout the economy. The upshot is that if conditions improve in one factory run by multinationals, there will still be huge incentives for cheating based on the lack of those conditions in the rest of the economy, hence the proliferation of subcontracting in the industry.

Trade agreements have generally excluded labour provisions, effectively separating economic transactions from social and environmental ones. Labour provisions tend to be side agreements with no enforcement provisions, such as NAFTA (the North American Free Trade Agreement). This reflects the lack of domestic pressure in countries of the West for such linkage, in turn reflecting the decline of union power (Lorenz 2001, 223). In turn, organisations such as the World Trade Organization (WTO) have resisted including social and environmental clauses, using the excuse that they are the responsibility of the ILO. This is problematic since the WTO is a much stronger institution, offering the leverage of dispute resolution mechanisms and its tradition of reciprocity as a form of enforcement that the ILO simply does not possess. It is interesting to note that employment and decent working conditions were left out of the millennium development goals (Rodgers et al. 2009, 216 and 227). In fact, there is no evidence that agreements such as NAFTA have led to improvements in working conditions in Mexico (Huberman 2012, 170).

Rights Perspectives—Role of the ILO

The right of workers to organise has long been promoted as a fundamental human right. It is embodied in the development of the ILO, a branch of the United Nations (UN) designed to promote labour standards around the world. Worker rights are generally linked to collective bargaining and unionisation. Unions were at the centre of many of the hard-won gains in the West in regard to improvements in working conditions and labour protection laws. The key to such gains was the development of state protections for unions, such as the right to collective bargaining and the right to strike. A number of authors argue that the Western experience of improvement in labour conditions is closely tied to the historical strength of collective bargaining, which naturally improves leverage for workers in a particular sector. Collective bargaining also likely has the effect of compressing wages at the high end while raising them at the lower end (Moene and Wallerstein 2003, 101).

The ILO was created as part of the League of Nations in 1919, based on impetus from the US-based American Federation of Labour and other national unions. Immediately attempts to reach agreements in the South were challenged as being impractical and creating competitive disadvantage. While this issue has become less important over time, the lack of enforcement remains the Achilles' heel of the ILO (Engerman 2003, 62). The ILO governs through "tripartism", whereby both workers and employers have representation along with states, a unique arrangement among international organisations. However, it also inhibits the ability of the ILO to take pro-active stances at times, such as the inability to suggest alternatives to neo-liberalism (or shifting to market-based economic governance) since the early 1980s. This arrangement lends itself to critiques that informal sectors of workers and other civil society organisations are not represented (Rodgers et al. 2009, 17 and 197). The graph below summarises the expected dynamics of the rights perspective (Fig. 2).

The rights perspective has strong normative arguments, but has made a limited difference to the lives of workers around the world. International efforts have fallen short of establishing the norms that Western workers enjoy. The International Trade Union Conference annually reports hundreds of cases of violence against union activists around the world (Garwood 2011, 29).

The ILO has no ability to enforce compliance, thus creating collective action issues. When it tried in 2000 to get members to sanction Myanmar

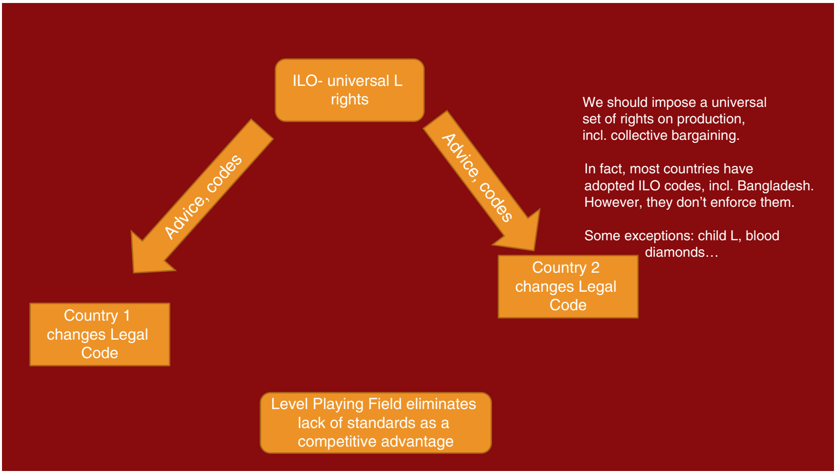

Fig. 2 ILO/labour rights perspective

for gross violations, the effort failed. The ILO not only lacks enforcement provisions, including issue linkage to trade, but also suffers from chronic underfunding. For decades the USA refused to pay its share, which amounted to some 25% of its budget (Seidman 2009, 587). The ILO's more recent theme of "decent work" for all, including jobs, worker rights, social protection, and social dialogue between workers' organisations and employers' organisations is another laudable effort that lacks teeth.

Whether coming from a push from Northern consuming states or Southern producing states, there appears to be quite limited ability to enforce the rules. Even if the rules were enforceable, such a task would be problematic. For example, how would one determine the appropriate minimum wage? Moreover, collective bargaining rules have always been seen as a subject for domestic decision-making.

Value Chain Perspectives

This brings us to the question of corporate social responsibility as discussed in the introduction. Multinationals have responsibility given their relative power to change conditions. Gereffi and Korzeniewicz (1994, 97) point out that power can be understood by examining the supply chain of production. They distinguish between producer-driven and buyer-driven chains. The former exist in high capital and high technology sectors, wherein the lead firms, such as Apple, retain the most power. Buyer-driven chains are found in labour-intensive sectors, where marketing and product design by leading retailers are the most important levers of power; this typifies clothing markets. In buyer-driven chains, we expect to see less vertical integration.

The global value chain (GVC) literature tends to be heuristic, rather than generating a clear set of policy or consistent empirical propositions (Hira 2013). Sverisson (2004) points out further that the difference between buyer- and producer-driven chains is sometimes elusive. He notes that the commodity chains literature "exogenises" changes in markets, particularly price and innovation, that drive changes to and in the chains. Further, the links between and among chains and the fragmentation of chains related to specialised production functions, such as subcontracting for an MNC, are not well mapped out. Subsequent empirical studies reveal unsurprisingly that the nature of chains is considerably more complicated than the expected duality (Gibbon et al. 2008, 323–4).

The question of dynamism in the chain and its linkages, including how the chain is upgraded, how units change their position, and how power is distributed can only be understood in descriptive fashion (Morrison et al. 2008). The latest iteration of GVC literature seeks to improve analysis of governance by bringing in the notions of transactional economics, such as principal–agency, organisational costs, information asymmetries, and asset specificity to understand supply chain governance. They also cite the importance of path dependency in terms of the way institutions shape governance (Sturgeon 2009). The following graph summarises the expectations of GVC (Fig. 3).

A recent study of GVCs in the apparel industry finds considerable variation in terms of both the internal power of individual actors within chains and of actual actors responding to them. Lane and Probert (2009, 26–7) state that "the power that suppliers may wield depends on both their size and their level of competence, and these, too, are shaped by the institutional environment of their domestic economies, as well as by that in the buyers' country. Buyers who encourage inter-firm learning are much more likely to empower their suppliers and, sometimes, nurture future competitors.… The power struggle occurs also between firms *within* developing countries but in different industries. Conflicts of interest between 'manufacturers' and textile producers deserve consideration." They go on to note that labour in supplier countries also has potential power. They conclude: "it therefore would not be accurate to view all relationships between buyers in developed and suppliers in developing countries merely as hierarchical power relationships. As our analysis of empirical data on buyer-supplier relations shows, these differ by nationality of the buyer. Relational contracting may sometimes be found in long-established inter-firm relations, and often there exists a complex mix

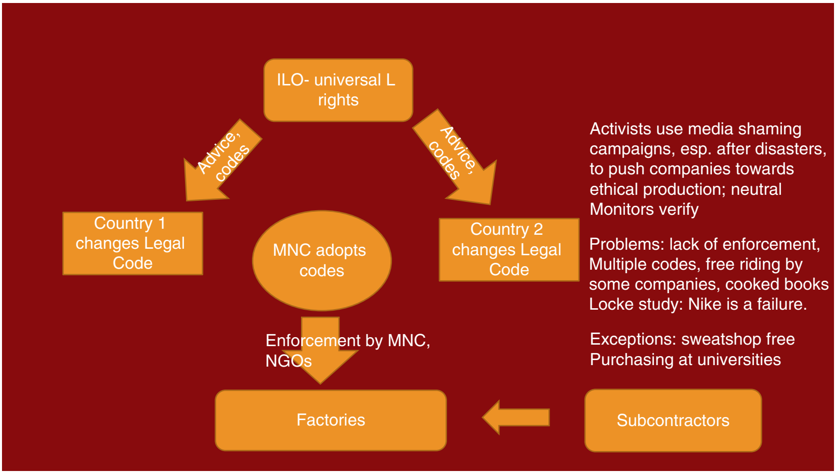

Fig. 3 Global value chains/corporate codes perspective

of motivations, objectives, and attitudes.... Most often, however, learning occurs through demonstration effects which were not necessarily intended by the buyer and are rarely the result of targeted partner promotion." They go on to emphasise that all firms are embedded into specific social and institutional contexts. In their examples, they point out that there are important differences between the German apparel supply chain and those in the USA and the UK. In the former case, "power differences are much less pronounced... And contracting relations less adversarial" (104).

Why is enforcement of basic labour standards so challenging? In the case of clothing, at each step of that chain, there are differential levels of bargaining power. Workers' power is the most limited, since they are easily replaced. Governments are beholden to multinationals, particularly large subcontractors, generally foreign, such as Li & Fung, and large retailers. Governments feel that if they enforce labour rights, the work will move elsewhere. The fear is plausible. In the 1990s, in response to complaints, Wal-Mart pulled its production out of Bangladesh, launching its "Made in the USA" label instead (Brooks 2007, 9). Nike also stopped making soccer balls in Pakistan in 2006 in response to revelations that child labour was being used (Nadvi 2008, 323). Subcontractors complained that multinationals place increasing and quite unreasonable demands upon them in terms of cutting time and keeping prices low, thus de-incentivising improvements in labour conditions (Lane and Probert 2009, 286).

Like FoxConn's oligopolistic place in electronics, analysts point to key subcontractors in the apparel industry such as Tainan Enterprises, worth $17.65 million and manufacturing in China, Cambodia, Indonesia, and Taiwan, and Li & Fung, with operations in over 40 countries (Garwood 2011, 19). A study of Reebok's introduction of codes in a South China factory found that while the most egregious labour abuses, including child labour, unsafe working conditions, paying below legal minimum wages, work beyond the maximum legal hours, and corporal punishments were eliminated, the lack of union rights led to continuing ramping up of work production quotas, which in turn led to excessive and poorly compensated overtime. The costs of adjustments to Reebok's codes were thus passed on to the workers. China's labour codes provided no effective help to them (Yu 2008, 525).

The manufacturer American Apparel vertically integrated its operations by eliminating subcontractors, and claimed not to have labour violations, but it went bankrupt in 2014. A few interviewees claim that other companies are moving towards greater control and integration of their supply chains in order to address sustainability concerns (both environmental and labour) in the production processes. Thus, one interviewee states that "compliance (with ethical standards) is not a factory problem, but a supply chain issue". European retailer H&M reportedly committed to limiting purchasing to a small number of model factories for five years from 2014 to reduce labour issues (Banerjee Saxena 2014, 201).

However, the dynamics of the industry appear to be moving it in the opposite direction. Like other retail industries, thanks to the information technology (IT) revolution and globalisation, the apparel industry has decentralised over time. While in the West there used to be a few large retailers, such as Sears, there are now a plethora of retailing outlets for clothing. The industry is highly variegated, stretching from basic commodity-type products such as T-shirts to high fashion. In many cases, the industry has moved to a just in time system whereby retailers order what they think their customers want from a variety of wholesalers, or create custom orders that manufacturers must then scramble to create. Such operations require a sophisticated logistics and information system. Designers in the West can electronically send orders to subcontractors around the world. Bar codes feed into inventory systems that allow retailers to track and anticipate customer preferences. Distribution centres respond to changes in orders. Manufacturers must create flexible, modular manufacturing systems to make rapid adjustments to changing orders and to multiple clients (Abernathy et al. 1999, 9–13, 56–64, and 244–6). For supply chains to change, fast fashion would have to diminish from being the key industry driver.

Corporate Social Responsibility Perspective

Introduction

Corporate social responsibility (CSR) is the idea that corporations may engage in socially beneficial activities that only indirectly may affect profitability. Some scholars suggest that CSR emanates from a notion of the need for social legitimacy by companies, reflecting their embeddedness within (and consequent vulnerability to) a social and regulatory environment. This links with stakeholder theory, the idea that there are key interest groups including the government who can affect the company's activities. These interest groups may make normative claims upon the company's operations. Therefore, the company engages in self-regulatory activities (Sammeck 2012, 12, 14, and 15). From the point of view of transaction costs economics, companies engage in CSR for the purpose of regulating markets. Self-regulation takes the place of public regulation and enables the industry to create collective goods that are shared by all firms. The collective goods revolve around the belief that reputation affects profitability (Sammeck 2012, 19–20), despite the lack of hard evidence for this linkage either in terms of sales or investment decisions (Vogel 2010, 77). Reputation creates trust by customers, then develops brand loyalty. Reputation could partly extend to an entire industry, such as fossil fuels, thus creating a collective action issue.

Corporate Codes—Ratcheting Labour Standards (RLS) Theory

As a result of the failure of the previous approaches, the default instrument adopted by corporations, frequently in response to anti-sweatshop activists aided by the publicity around abysmal conditions, has been corporate codes. Evidently, we are talking here about large companies—for small companies the costs of creating monitoring systems are prohibitive. The "discovery" of a sweatshop outside Los Angeles (El Monte) in 1995 with slave-like working conditions led President Clinton to develop the Apparel Industry Partnership to improve labour standards (Ross 2004, 161). In 1998, a number of major apparel firms in the USA, NGOs, and unions (who later withdrew to protest against issues of implementation) developed a code of conduct through the Fair Labour Association (FLA) to monitor in certifying companies to meet labour standards through the Apparel Industry Partnership. Similar campaigns took place in the Netherlands with the Clean Clothes Campaign, the UK with the

Ethical Trading Initiative, and in Australia with the Fair Wear campaign (Encyclopedia 2011). Most companies have adopted social compliance departments to deal with such issues. While analysts note that such codes have made a significant difference, there are no systematic data on the topic. There is no central registry or tracking of codes. Attempts to harmonise codes have been ineffective (Madhav 2012, 282).

In a famous book, Fung et al. (2001) argue that firms are motivated towards differentiation on social environmental standards, and that such efforts lead to emulation in other firms, which they call ratcheting labour standards (RLS). Such movement is reinforced by publicity from NGOs and social trackers for investment funds. RLS is expected to work on the basis of four principles: transparency, competition, continuous improvement, and sanctions. The first relates to developing information systems to identify and monitor labour standards. The second derives from the first, namely from the idea that information flows create increased competition around social attributes, thus leading to the third attribute. The fourth refers to some type of regime that concretises practices through sanctions. The authors do not mention the ILO or the governments of the South, who would be the most obvious actors to conduct this effort. It is also problematic in that it bypasses the crucial question of collective bargaining rights (Murray 2002, 34).

While RLS seems attractive in principle, evidently the four required conditions are not in place. In practice, enforcement of codes is problematic. The bottom line is that codes raise the costs for both suppliers and companies without improving their margins, with the exceptions of a handful of niche producers such as American Apparel who make it part of their brand (Vogel 2010, 81). As one interviewee put it, “There is no way compliance can happen just by doing audits. You can be the best audit company in the world. But you can’t audit companies into compliance. Auditing is the starting point. You have to act upon it. And that’s where things tend to fall apart.”

Some studies suggest that enforcement has improved conditions. A study of factory audits of 800 Nike suppliers across 51 countries from 1998 to 2005 found that “Despite substantial efforts and investments by Nike and its staff to improve working conditions among its suppliers, monitoring alone appears to produce only limited results.” They go on to suggest that changes in subcontracting practices, particularly in creating more scheduling and responsibility for quality by workers of suppliers, lead to improvements. Similarly, when Nike works with subcontractors to improve management generally and production processes for time and/or quality specifically, standards improve (Locke et al. 2007, 3 and 22–3). Another study, this time of two Adidas factories, found that practices differed substantially in terms of practices from one factory to another. They found that when the company worked on collaborative, rather than compliance, orientation, better standards, performance, and employment relations resulted (Frenkel and Scott 2002, 34 and 44).

Richard Locke (2013a, 67) completed a fascinating study of one of the corporate leaders in the anti-sweatshop movement, Nike. Over the course of several years, he and his team gained access to Nike's internal audits of more than 900 suppliers across 50 countries, and conducted field research at a number of factories. These include a number from Nike's rigorous M-Audit programme launched in 2002. Despite general improvement, the results have been at best "limited, and perhaps, mixed". On examining the same factories over time, in almost 80% of Nike suppliers, workplace conditions either remain the same or worsened over time. Noncompliance among Nike suppliers persists through many years of auditing. In examining a global clothing manufacturer with rigorous audit procedures owing to media scrutiny, his team found that only 24% were in full compliance with the company's code of conduct and 53% were explicitly "not approved". Gains tend to be concentrated in areas that are fairly transparent to auditors, such as health and safety, though even those are difficult given the continually shifting contracts and work orders of different factories. In other areas such as freedom of association and excess overtime, it is much harder to find consistent gains. In general, factory managers have learned how to game the system, by cooking the books to meet audit requirements. There are few, if any, consequences for failed audits. In practice, "orders are often in the pipeline well before audits have been scheduled and … global companies continue to place orders in many factories that have serious compliance issues…. Conversely, 'good' factories are seldom rewarded by sourcing strategy that is designed to seek out the cheapest sources of production…." Locke suggests that the types of ongoing monitoring required are beyond the capacity or resources of most firms (Locke 2013a, 31–2, 38, 41, 52, and 65).

Locke suggests that businesses need to move from a competitive to a collaborative model, which elsewhere he calls "commitment" (2014). He finds that where Nike has long-term, collaborative relationships between its local representatives and factories, compliance tends to be better (Locke 2013a, 67). Similarly, for a large global apparel maker, improvements in a Honduran factory were based on the global company giving the factory the means to comply and maintaining sourcing from factory as it went through a transition of its practices (Locke 2013a, 89). Yet his own study concludes that having large global firms with greater value chain power does not lead to consistent improvement in audit results (Locke 2013a, 61). Moreover, we have seen that long-term relationships do not typify the textile, clothing, and shoe markets. He does not suggest what will give rise to commitment or how it can be shaped.

The Development of Corporate Consortia and NGO Audits to Enforce Codes—Forest Stewardship Council (FSC) as a Model?

Thus far, we have seen the only alternative appears to be to allow multinational companies to police themselves, and to continue to apply pressure on them in their home markets. However, we also see that companies suffer from a collective action problem. If one company cheats on the rules by underpaying workers or attempting to reduce costs and less stringent enforcement on subcontractors, it will tempt other companies to do the same. It is particularly problematic for companies from different host countries to coordinate their actions, given the varying pressures of activists in their home countries. The resulting efforts of European countries suggest much higher pressure there than in North America.

The default system is one of voluntary corporate compliance. In cases such as the Forest Stewardship Council (FSC), these efforts are premised around the idea that a private regulatory regime can take the place of state regulations. FSC was created in 1993 and supported by the major environmental NGOs Greenpeace, World Wildlife Fund, and Friends of the Earth International. FSC is one of at least 23 sustainable forestry regimes (Pattberg 2005, 368), but it has received the most attention. FSC has both core principles and mandatory performance criteria revolving around environmental, labour, and local and indigenous rights in order to merit its certification label. Voting takes place in three chambers: the economic (companies, including auditors), social (civil society groups and individuals representing communities and labour rights' groups), and environmental, with each chamber carrying a third of the vote. Furthermore, votes are divided into 50% for the North and 50% for the South. Accredited assessors audit for compliance, at least once every five years (Overdevest 2004, 178–80). Some authors suggest that such measures are sufficient to allow the WTO to continue to avoid social issues (Bernstein and Hannah 2008, 575–608). While similar in purpose to fair trade labelling efforts, the FSC has been far more successful in capturing significant percentages of the wood products market, perhaps because it is guided by corporate as opposed to NGO councils. The FSC revolves around voluntary corporate compliance in exchange for FSC certification for the sustainable origin of lumber, which is marked with its seal. Most companies do not see benefits of joining in terms of a price premium that can be passed to consumers. Another issue is funding: FSC has relied upon heavy investment by foundations, such as Ford, Rockefeller, and MacArthur, who provided 77% of its funds from 1996 to 2003 (Pattberg 2005, 366, 368).

FSC certification is disproportionately located in Northern producers and large Northern retailers, because of the costs of certification. It thereby relies upon a supplier–retailer interaction, rather than strengthening consumer demand like fair trade (Taylor 2005, 143). The problem is in good part its voluntary nature. Few building codes, for example, require more than 10% FSC certified wood to be used in construction (Schepers 2010, 286). Many analyses of FSC operations in terms of labour rights emphasise improvements in health and safety and wages, but the larger questions about land rights, access to democratic decision-making, and consistent enforcement are frayed, especially in regard to small-scale producers (Boström 2012, 6). It is important to point out that forest products are different in nature from apparel, requiring far less guidance or tailoring from buyers. Forest degradation is also arguably more visibly apparent than what happens behind closed factory doors. Perhaps the most important difference, as Bartley (2010, 25) points out, is the nature of the activist groups—with environmental NGOs looking for universal collective benefits, such as biodiversity. Labour movements, meanwhile, tend to have more national origins and politics. Thus, much depends in any case of code compliance on the national political economy setting.

Perhaps more importantly, most of the limited FSC literature ignores the key role of states in respect of certification schemes. Bartley (2014, 103) finds, for example, that the Chinese government effectively usurped FSC efforts by introducing its own domestic standards. Bell and Hindmoor (2012, 151–4) make this point even more plainly. FSC worked hand in hand with national standards committees in the UK, Sweden, Mexico, and parts of Central America. The UK and German governments also made purchasing decisions favouring FSC wood. In the USA, the Lacey Act was passed in 2008, banning the importation of illegally harvested wood and thus reinforcing the FSC as a go-to way to prove legality.

There are now a number of private regimes related to the apparel industry (Zeller 2012, 172, 175, and 178). The purported advantage is that every company that belongs to the regime can claim the accreditation and it reduces the possibilities for free riding. However, as Zeller points out, these regimes vary considerably on the basis of the labour standards themselves, the monitoring and reporting required, the transparency of information, the evaluation of results, and the possibilities for enforcement. Many of these regimes are very cautious about releasing public information. Under the Alien Tort Claim Act, US companies can be sued for labour rights abuses. The Global Compact was created by the UN Secretary-General in 2000 and includes 4300 companies, of which 118 are from the apparel and luxury goods industries. The Worldwide Responsible Accredited Production (WRAP) was formed based on the recommendation of a multistakeholder task force formed by the American Apparel Manufacturers Association (now the AAFA), organised in response to numerous allegations of sweatshop conditions that surfaced in the 1990s. The panel suggested the formation of an independent third-party organisation free of government or corporate influence that could identify and reduce the prevalence of sweatshop conditions in factories around the world. The first Board of Directors was named in 1999 and WRAP was officially incorporated in 2000. WRAP works with international manufacturers and has certified about 1870 factories worldwide. The UK-based Ethical Trading Initiative (ETI) was founded in 1998 and includes a coalition of NGOs, trade unions, and 50 multinationals. The Fair Labour Association was also founded in 1998 under US President Bill Clinton's initiative and includes 20 brand-name companies and approximately 200 postsecondary institutions in the USA. The Business Social Compliance Initiative (BSCI) was founded in 2003 by the Foreign Trade Association (FTA), and as of November 2014 it notes more than 1400 company members. Most appear to be European. In 1997, the Council on Economic Priorities and Accreditation Agency (CEPAA) created the Social Accountability standard (SA 8000) that has three signatory level members, three floor-level members, 15 supporting members, and 254 certified facilities in the apparel industry. CEPAA no longer seems to be active; its place has been taken by a new NGO, Social Accountability International (SAI). SAI manages the standards, which is designed to attempt to harmonise voluntary corporate codes. The scene, in short, is a dizzying number of codes, reflected in frequent complaints by supplier factories about the onerous nature of meeting multiple audits and standards.

The panoply of private regimes creates serious free-riding problems in terms of which regimes a company joins, with obvious incentives to water down the regime itself, and serious confusion in the minds of consumers who are unable to differentiate different standards of different regimes. It is probably asking too much for the ordinary consumer to research each regime for each company's claims. Indeed, Zeller points out (2012, 205) that private regimes have never improved their standards over time. Thus they are more about deflecting criticism rather than solving the issue of labour standards. In the same way, governments can claim that private regimes solve the problem, thus avoiding further responsibility.

NGO/Third Party Inspection is Not Enough

In response to the credibility gap, corporate codes are increasingly developed in partnership with third parties through "multistakeholder initiatives", either consulting firms or NGOs, to check out factory conditions for the contracting companies; however, it is hard to tell what the capacity of such parties are for the purpose. There are multiple reports of haphazard monitoring. There is also a potential principal–agent problem in the sense that the companies are contracting out work to agents that want more contracts. Monitoring visits are often announced beforehand.

There are concerns about the potential for cooptation of monitors (whether NGOs or consultants) by companies. Moreover, there is concern that monitors will reduce the scope and possibility for the development of local trade unions and regulatory capacity within supplier countries (Lane and Probert 2009, 283). We should not forget that NGOs also have their own interests and are not simply benign objective observers.

So far, efforts by pockets of activists and corporate codes have not been enough to raise the general working conditions of the electronics and apparel industries to acceptable levels. Garwood (2011, 193) concludes in a study of anti-sweatshop movements that state regulation in the supplier country and legislation in the buyer country are necessary complements to NGO activism. An investigation of Chinese toy manufacturers revealed an astonishing level of deception in regard to compliance with a European retailer's demands, despite rigorous factory inspections (Egels-Zandén 2007). A case study of Reebok factories in China found that corporate codes led to the elimination of the most egregious violations, such as child labour, unsafe working conditions, and corporeal punishments, but "Chinese workers … were forced by authoritarian management to work harder, faster but earn less payment". Furthermore, though a union was developed and "trumpeted" by Reebok as a sign of commitment to workers, it was dominated by the factory owners, and "brought feeble hope for workplace democratization and failed to enhance workers bargaining power" (Yu 2008, 525–6). In a related vein, Tewari and Pillai (2005, 248) studied an Indian leather firm's compliance with German environmental standards, finding that "in contrast to a private sector model of governance, the state was crucially involved, both in imposing the environmental standard and in collaborating with industry to help diffuse broad-based compliance".

Wells (2007, 56) notes that corporations have come increasingly to rely upon consulting agencies such as PriceWaterhouseCoopers (PWC) for labour monitoring. There have been widespread reports about major flaws in their monitoring methods, including clear biases in favour of factory owners, such as a lack of confidential input from workers. He points out (959–61) that NGOs, including those set up by companies themselves, suffer from organisational weaknesses and depend for their resources upon companies. They suffer from numerous issues, including an unwillingness to interview union representatives. Companies have strong influence on their directing boards. He concludes by citing Nike's own findings that even after FLA violation reports, behaviour at the factory level did not significantly change. The system lacks enforcement.

The central issue is the monitoring system. Given the byzantine nature of supply chains in the apparel industry, such an effort would require considerable resources and an ongoing organisation with expertise and measurement indicators. This would require, therefore, the ability to raise revenues. Yet it is not clear where those revenues would come from, or, if from the companies themselves, whether they would be willing to pay into such a system. ETI (website, "Auditing working conditions," accessed November 11, 2014) notes the weaknesses of the current auditing system. It estimates the third-party audit system is worth around \$50 billion, with most companies devoting at least 80% of their ethical budgets to audits alone. They state the problem quite bluntly:

> there is overwhelming evidence that the predominant approaches to auditing that companies have adopted, which typically involve commissioning third-party auditors to carry out inspections, followed by 'corrective action plans', failing to deliver any real change to workers' lives. Instead, the value of auditing has been undermined by low-quality inspections, poor value for money, unnecessary duplication of audits, inconsistent corrective action plans and, perhaps more worryingly, a rapid growth in 'audit fraud'. In fact, audit fraud is now so common that a whole new industry has developed to facilitate it. For example, factory managers in China can now buy software packages that allow them to keep multiple sets of records, or get trained on how to falsify their records. The reality is that suppliers are developing an ever more sophisticated and wide range of practices, all with a single theme of hiding the truth in presenting an alternative reality to suppliers.… Most audits represent a snapshot of the given point in time—in other words, they

> don't show the situation before or after an audit. Not only that, standard audit methodologies rarely allow for digging deep to discover the root causes of workers' rights violations, or for assessing the risk of future violations.

They go on to mention the fact that some US companies have a zero-tolerance policy for fraud. In the end, they conclude that audits diagnose but they don't cure. WRAP, on its website ("Frequently Asked Questions" accessed November 11, 2014), also acknowledges the limitations of audit processes, when it states, "more broadly though, supply chains for garments and footwear are long and complex, making it very difficult to detect any one of them is being made fully in WRAP-certified facilities. For instance, while the final assembly of the shirt may have taken place in a WRAP-certified facility, the cloth, buttons, or other components may have been made in the facility that is not WRAP certified." One interviewee (not related to WRAP) said that companies are starting to realise that their "tails" (chains) are too long and complex.

Evidently, this approach exacerbates rather than resolves the collective action problem. While it gives companies an excuse for violations, by placing the responsibility upon the agent that they have hired to monitor the situation, one would expect quite naturally that there are going to be highly varied capabilities and performance of the monitors themselves. Though the development of technology such as cell phones increases the ability to monitor, in the absence of third-party verification it is difficult to follow through in a systematic way upon such data. This means that the workers will be unlikely to have a consistent set of guidelines or rules, and therefore makes it much more difficult for them to appeal for violations.

Enforcement is even more problematic. Thus far, activists have relied primarily on shaming campaigns. While effective to a degree, this is no substitute for an ongoing monitoring and enforcement system. As noted above, the ILO has never had any significant enforcement capability. Thus far, it appears that no states are willing to take up or present the threat of sanctions upon companies who violate labour standards, or upon states who claim to be unable to enforce their own rules. Nor are companies coordinated to the extent to which they would be willing to threaten leaving the country en masse for violations. On top of all this, there is no system to verify that the monitors are doing the job properly. Moreover, NGOs/consultants now find themselves in a conflicted position. They want to monitor companies' ethical activities, but they are also accepting payments from them for their monitoring efforts. They are apt to cut corners and, potentially, accept bribes. Thus the leakage in the current system lends itself to cheating on a consistent basis.

A major study of the impact of ETI efforts at code compliance by the Institute of Development Studies (2006, 7–11, 36) offers both a positive and negative assessment for the apparel industry. First, it is difficult to track down all levels of the value chain, since there is such a high level of subcontracting. Second, as noted earlier, throughout the supply chain there is false response compliance, making a stratified sample for in-depth study problematic; in other words, the sheer number of suppliers prevents a comprehensive examination. Third, since there are multiple forces at work in terms of labour conditions, it is difficult to trace a clear impact in a cause–effect relationship from the codes. On the positive side, they find improvements from the codes in health and safety; reduction of child labour; reduction of working hours; and adherence to local minimum wage laws. Yet they also find that there were major limitations in terms of the macro context of labour relations, including ability to choose employment; freedom of association; discrimination; use of irregular employment conditions; and uneven production of harsh treatment, such as sexual abuse by management. Their conclusion reinforces the importance of the political and regulatory context; social and cultural context; and trade union organisation as necessary components of a positive working environment. These same problematic macro aspects are cited by a number of other sources, such as BSCI ("Our Impact" section of their website, accessed November 11, 2014).

Brown (2013) describes inconsistent and often shoddy features of the third-party system, where some consulting firms focus on making profits while training others on inspections; local monitoring subcontractors are undertrained, understaffed, and ignore violations; and gross violations seem to bear no obvious consequences. At the core is not only a haphazard auditing system, but a basic conflict of interest where subcontractors depend on companies for their funding. Because the monitoring system, which relies primarily on commercial and outside NGO subcontractors, it is not only haphazard and superficial, but also more costly than necessary. A better approach would be to build local capacity for monitoring and to streamline the possibility for workers to independently make complaints about violations (Rodríguez-Garavito 2005, 218).

Conclusion—The Inadequacy of Private and NGO Solutions

Dirnbach (2014, 286–8) summarises why current efforts to instil corporate social responsibility have failed to address "root causes" for sweatshops in the apparel industry and serves ultimately as a PR (public relations) exercise. First, he notes the separation of brands from workers through the contracting system, exacerbated by ruthless price competition and desperation of workers. The task of monitoring thousands of continually shifting subcontractors is well nigh impossible; it is not surprising that (sub)contractors are learning to game the system through false documents. Second, there is an inherent conflict of interest when companies control the code and monitoring systems. Third, workers are not part of the system, either in design or enforcement. This is resisted in part because they would require increasing costs and prices. What is missing above all is a multistakeholder reporting system that makes a transparent database of ongoing factory conditions, whereas at present monitoring, even by NGOs, and reporting are haphazard (291).

An in-depth report by Labowitz and Baumann-Pauly (2014, 6–7) of NYU's Stern School of Business reaches the following conclusions about the current arrangements in Bangladesh:

- Indirect sourcing through subcontracting means that there is no transparency in the supply chain. While there are advantages given the scarcity of capital and the need for low cost and flexible manufacture, it acts as an obstacle to upgrading worker conditions.
- The two major plans offered "fail to address the greatest risks of this system" as they do not cover factories who are subcontractors.
- The government lacks the capacity to address the pressing regulatory or infrastructure issues of the sector (and the economy generally).

Perhaps more interesting is Locke's conclusion at the end of his chapter on Nike's failures (2013a, 68):

> Regardless of the specific mechanism, it is clear from both Nike's audit data and our own field research, that the effectiveness of private regulatory programs is very much tied to the strength of public authoritative rule-making institutions. This suggests that even as manufacturing stretches across national borders, folding the work of many workers employed in Marietta factories into a single product, the fate of these workers remains tied to the domestic institutional endowments of their home countries.

In a rejoinder to the global value chains literature's claim that upgrading is a good strategy for developing countries, Locke states that by contrast, the reality is that industrial upgrading does not necessarily lead to either better wages or working conditions. Instead, "the enforcement of some labor standards (particularly enabling rights) may have little to do with the profitability or technical sophistication of suppliers but instead hinges on other social and political factors" (Locke 2013a, 102–3). Despite this conclusion, Locke concludes that public regulatory upgrading will never work on its own; that it needs to be matched to private regulatory regimes to ultimately change conditions (2013a, 173). One can argue that this is self-contradictory given his conclusions about the failures of both public regulation and private regimes, but if the marriage leads to a completely new form of institution, how and why the form will emerge, what it will look like, and how it will move things forward are still in the speculative realm. It appears that his conclusion is that it is impossible to improve public regulation on the domestic level, one that we should not take for granted. Again, his own study finds that "the effectiveness of private regulatory programs is very much tied to the strength of public authoritative rule-making institutions" (Locke 2013a, 68).

Governance Solutions

We have seen that efforts by outside parties, however strenuous, have a limited long-term capacity to solve the problems of poor working conditions in the developing world. This leads us to examine once more whether domestic forces can be marshalled towards change. In a broad examination of what Short (2013, 24) calls "blue moon self-regulation", that is regulation that succeeds in achieving public as opposed to private self-serving goals, she finds three basic conditions under which it is most likely to take place: "when government regulators have sufficient resources to monitor and sanction; second, when government regulators refrain from using these resources to force companies to adopt self-regulatory measures; and third, when there is reasonable consensus among regulators and regulated entities about the norms or standards governing behavior but convergence on the methods of achieving compliance with those norms".

It is instructive to note that in the West, where labour standards are on a different level, we reached the path through domestic regulation. The literature on the history of labour rights in the West is very instructive in signalling that it was an evolutionary and a long process, but not one done in national isolation. Labour standards started to develop in Europe in the mid-nineteenth century and initially included prohibitions on child labour and limitations on working hours. Authors documenting this change trace it primarily to middle-class reformers with some Conservative allies in Parliament, who saw such gains not only from a humanitarian point of view, but also that a healthy workforce was in the national interest and a sign of progress. It is notable that agricultural labour was excluded for an extended period from such legislation, which was vigorously enforced (Engerman 2003, 11–22 and 59). Attempts to reach international agreements to level the playing field arose as early as 1881, but bilateral agreements among European nations were not signed until 1904, when a flurry of activity took place (Engerman 2003, 62). Inspections of factories were vigorous across the board, including in Canada. However, ultimately the practices stopped only when widespread acceptance of the norms took hold (Huberman 2012, 18).

Tied to these was the development of strong unions, such as the International Ladies' Garment Workers' Union, ushering in the progressive era of reform in the first few decades of the twentieth century. The movement towards labour rights was catalysed by incidents such as the Triangle Shirtwaist Factory fire in New York in 1911 (McEvoy 1995), which finally convinced champions such as Al Smith to take up the cause in the state legislature. The fire was eerily reminiscent of conditions in Bangladesh in recent years—with sweatshop conditions, including fire exits blocked. Previous attempts at strikes and awareness-raising did not gain traction until the fire, which saw workers jumping out of windows to their death. Nonetheless, recognition of trade unions in the textile and clothing industry took many decades to develop (Singh and Zammit 2011, 245).

In the case of Bangladesh, several interviewees involved in the industry are optimistic that a change in values is taking place, mainly because the economic stakes are so high for the country. However, they acknowledge that thus far corruption has overwhelmed the ability of the government to enforce its own standards. McKinsey and Company listed corruption as one of the main risk factors for the sector in 2011. Loopholes in labour law as noted above reinforce the possibilities for corruption as detailed by Transparency International Bangladesh (TIB) (2013, 6–7). Among the problems they note are: no trade unions are allowed in EPZs; mid-level supervisors cannot join unions; owners can deduct wages for participating strikes; and contractors, who are often used, are not eligible to join unions. However what is more concerning is the fact that their own laws are often not enforced, even to the point where the BGMEA headquarters has been cited as being in violation of building codes.

Owners of the Bangladesh Textile Industry Block Real Change

The state in the developing world has proven incapable of labour standards enforcement (Macdonald and Marshall 2010, 376). As Berik and Van Der Meulen Rodgers state (2010, 81), an international funding mechanism that improves the regulatory capacity of the government could be a win-win situation. As Ahmed et al. (2014, 267–8) point out, however, the government has little reason for improving conditions for workers given that they are a politically weak group. In the Bangladeshi Parliament, of 345 members, 29 are owners from the garment manufacturing industry, while only four have a union background. Both of the two main associations of owners, BGMEA and BKMEA, are part of formal committees in the Ministry of Commerce and Labour, with direct influence on labour policy. Both have increased their communication with labour groups, under foreign pressure (Banerjee Saxena 2014, 93, 106). One interviewee states, “Quite frankly, the ministers are stooges of the owners. Since there is so much parliamentary representation of the factory owners, ministers won’t say anything against the industry…. Since people in Bangladesh panic when they hear the term union, so it may be necessary to try to develop health and safety workers committees.” Another puts it similarly, “There is no factory owners and government; they are virtually the same entity, with the same interests.” Several interviewees note the rampant corruption in the factory inspection system. The end result is that the government sees limited reason to invest in regulatory capacity.

The elite who own most of the textile factories have roots in agriculture, primarily jute. All are family-based and most are well educated. The new entrepreneurs are highly dependent on government patronage in the form of contracts, loans, and credit. They are politically active through business associations (Kochanek 2000, 153–5). As noted above, there have been consistently strong industrial support policies for the sector. TIB (2013, 1) highlights the 1982 New Industrial Policy that opened up duty-free import of machinery, as well as the creation of EPZs in 1991, as examples of “continuous support policies” by successive governments.

While foreign direct investment played a central role in establishing the clothing industry according to the World Bank (2012, 137), the industry is now dominated by locally owned firms. In 2006, there were only 83 wholly or partially foreign-owned firms out of an estimated total of 4303. Meanwhile, there has been significant upgrading in value added. While in the 1990s most firms were involved with CMT (cut, make, and trim), the majority are now in charge of input sourcing. There are also increasing backward linkages in Bangladesh. While 75% of fabrics for woven clothing are still imported, the percentages for knitwear are only 20%. Most accessories, including thread, zippers, printing, embroidery, washing and dying are also locally sourced today, in sharp contrast to the previous decade and to competitors such as Cambodia and Vietnam. However, there are still severe limitations to industry growth, particularly the development of local cotton and man-made fibres, poor infrastructure, and constraints on finance. On top of this, low productivity reflects a lack of skilled workers, supervisors, and managers. There are a lack of technical and design skills such as powder masters, product developers, designers, textile engineers, production managers, and marketing professionals. Companies are reluctant to provide in-firm training owing to high worker turnover, which averages 10–20% annually (World Bank 2012, 144–6 and 148–9). Paradoxically, improving working conditions would reduce turnover.

TIB released an interesting report in April 2014 in which remarkable progress in a number of technical areas of apparel governance is noted; however, politics is one area that has not changed. They state (2013, iii): "But driven by motivation for quick profit, a larger section of the employers have not only ignored the basic requirement of transparency in setting up terms of employment like basic minimum wages and benefits and work place safety, they have also use their money-power to enjoy impunity violating laws, regulations and codes thanks to a vicious and apparently unbreakable collusion of elements in politics, business, administration and law enforcement." They note (2013, 18–20) the conflict of interest between legislative committees regarding the sector and members of Parliament from it, leading to a traceable favouritism for owners across different governments. Moreover, BGMEA itself is run for the benefit of a few dominant factory owners who enjoy impunity from labour laws. Their desire to move factories to residential areas reflects the lack of enforcement of building codes there (2014 TIB report 15, 18, and 22). Political influence on policymaking continues, including impunity for violations and the fact that trade unions are still "in BGMEA's pocket".

Workers are Hamstrung

Unions in Bangladesh are weak for a variety of reasons. In a survey of workers in 2014, Banerjee Saxena (136–45) found that garment workers rarely had direct discussions with factory owners, reinforcing the idea that most of the dialogue around labour standards is between owners and multinationals. According to Banerjee Saxena (2014, 108), most textile workers "do not belong to unions because they are often seen as hierarchical, male dominate, and as patronizing to female workers. Unions also only represent those factories that operate in the formal sector, whereas much of the garment industry still lies in the informal sector. And finally, trade unions often have other priorities, for the organizations are closely linked to political parties; this connection does not allow for strong and focused representation of workers' interests to the state. Rather, many unions have been coopted and have become an extension of the state apparatus." The National Garment Workers' Federation is the main body, comprising 27,415 members, 34 unions, and 1078 factory committees as of 2014 (Banerjee Saxena 2014, 110); small numbers given the estimated 4 million garment workers.

One of the central issues as described above has been the refusal of the Bangladeshi government to accept ILO standards in practice. The 2006 Labour Law puts forward participatory committees, for example, in place of unions. Nor does it outlaw workplace discrimination (Rahim 2013, 5–6). Let us not forget, as related earlier, that movements towards labour standards in the West were linked to unionisation overcoming corrupt regimes such as Tammany Hall that are not too far removed from Bangladeshi politics. In regard to Bangladesh, a number of reports spell out basic human rights responsibilities on the part of the companies, factory owners, governments, and buyers (CCC/SOMO 2013). Though the new legislation is superficially more open to unionisation, Bearnot (2013, 97) points out that there are still major impediments. First, worker turnover from factory to factory is high. Second, subcontracting relationships are non-transparent. Third, the new rules still require unionisation approval to take place at company rather than factory level, which is problematic given the high dispersion of many factories. Unions are also barred from hiring external advisors or administrators who are not workers at the factory; thus, Bearnot contends, unionisation leaders are simply targeted for redundancy by owners.

In fact the Commerce Minister, Tofail Ahmed, discounted the possibility of allowing trade union activities in the EPZs, claiming that this would lead to the loss of "millions" of jobs as foreign investors fled.[21] According to interviewees, some investors, particularly the Korean firms, are strongly against allowing collective bargaining in the EPZs. A study by the DIFE from a survey done in April–June 2014 concludes that there is no right to form a trade union in 94% of apparel factories in the country. The assistant Executive Director of the Bangladesh Institute of Labour Studies states that workers involved in trying to form trade unions face harassment, and that is why almost none have been formed.[22] The European Union urged the Bangladesh government again in October 2014 to ensure effective enforcement of its labour laws.[23] In the same month, the World Bank and the International Monetary Fund asked the Bangladesh government to ensure international workplace standards were met and that unionisation proceeded.[24] From 2013, the US Government rescinded Generalized System of Preferences (GSP)status for Bangladesh, leading it to place a 16% duty on exports until it is satisfied that appropriate improvements to labour conditions have taken place.[25] The US Trade Representative stated in July 2014 that the measures would *not* be lifted, noting "We are seeing some improvements that move us closer to our shared goal of protecting workers from another workplace tragedy such as the April 2013 Rana Plaza building collapse, including a significant increase in the registration of unions. However, we remain concerned about the large number of factories that have yet to be inspected, the lack of progress on needed labor law reforms, and continuing reports of harassment of and violence against labor activists who are attempting to exercise their rights."[26] This sentiment was renewed in January 2015, citing the lack of rights in EPZs and the need for legal reforms.

One interviewee notes with alarm that foreign pressure in the wake of Rana Plaza is solely focused on worker health and safety, and that only the garment industry is receiving such scrutiny, leaving other issues and industries in continuing trying conditions. In June 2014, a series of stories were reported around the accusation of the head of BGMEA and the Commerce Minister that workers from the National Garment Workers Federation and Industrial had jeopardised the future of the garment industry by sending letters to the US Congress claiming worker harassment.[27] The AFL-CIO (American Federation of Labor and Congress of Industrial Organizations) submitted a report to the US Trade Representative in October 2014 alleging major violations of the pledges by the government of Bangladesh in the Bangladesh Labour Act of 2013. The report mentions rejection of unions for "arbitrary reasons, sometimes outside the bounds of what is required". It also states that the government has reneged on its promise to create a database to track the status and final outcome of union registrations, and that the database on inspections does not track compliance adequately. It reports on several incidents of harassment and beatings of union leaders. While the government promised a hotline to report labour standards violations, it does not exist. In sum, the main regulatory body, the Joint Directorate of Labour, "has demonstrated a lack of either capacity or will to enforce the law and protect workers", including a lack of participation of workers in the regulatory process itself. Moreover, as one interviewee puts it, "you can't ignore the fact that many of the leaders of the Bangladeshi union federations are already affiliated with one of the two dominant political parties and their affiliation has done little to advance workers' interests".

An address by the ILO Director-General Guy Ryder to a High Level Meeting in April 2014 (ILO 2014) on conditions in Bangladesh underscores the long-term issues. He states, "the labor law was amended last year with progress in the area of Occupational Safety and Health…. Regrettably, there have been only modest improvements in freedom of association. The gap between national law and practice and Conventions such as Convention 87 (Freedom of Association) and 98 (Collective Bargaining) remains wide despite the ratification of these two Conventions by Bangladesh…. But it is crucial that at the same time employers and other key actors in Bangladesh, including the industrial police, realize that a strong constructive voice of the workers is a key element for preventing disasters. It is also not helpful if international interests in practice discourage or outright opposed the Bangladeshi workers' organizing rights. Cooperation for better, safer working conditions has to start now to avoid another Rana Plaza and Tazreen." One interviewee notes that "Rana Plaza opened up space for workers to begin asserting their rights, which is the real key to improving the situation." The interviewee goes on to note that the health and safety committees required by the Accord must have worker participation, which might eventually lead to better worker organisation for collective bargaining.

Labour unrest in Bangladesh has elicited responses from the government in the past. Minimum wages barely moved from 1985 to 2006, and in fact real wages showed a net decline over the period (Yunus and Yamagata 2014, 93). In 2006, the government raised the minimum wage from 930 Tk as set in 1994 to 1662 Tk ($24) for skilled workers and 880 Tk ($11.5) monthly for unskilled. In response to further pressure from global buyers, in July 2010 the Bangladesh Ministry of Labour and Employment further increased the minimum wage to 3000 Tk ($43) per month, an increase of 80%. However, trade unions and campaigners expressed disappointment at the limited scale of the increase (World Bank 2012, 151). According to an interviewee, it was subsequently raised by 76% again to 5300 Tk/month. One interviewee notes that workers who organise are still meeting with physical intimidation.

Another interviewee sums up the problem in a political light,

> Labour rights are still in a gray area. I am not sure who will really pursue this. There is an inherent resistance to accepting collective-bargaining rights. Enforcement is also spotty, and labor wrestling continues. But there are some improvements; for example the number of trade unions has increased. The Alliance and the Accord push the idea for unions, but they don't really fight for unions. BGMEA is very powerful, and with the government it resists change. The government seems to wear two hats. It understands the need, but it has a hard time resisting the political pressure.

Foreign actors are needed to support Bangladeshi workers, not take their place in bargaining. In 1995, pressure from activists centred on the Harkin Bill, which banned trade with countries who used child labour, led to the major diminishment of child workers in Bangladeshi apparel factories. In response to the subsequent protests by the children, the US Embassy, the ILO, UNICEF (the United Nations International Children's Fund), and BGMEA signed a Memorandum of Understanding that set up schools that child workers could attend for part of the day while working for the rest of the time. The efforts were considered successful in wiping out child labour, but inspectors from the ILO could not check for any other provisions, such as safety (Brooks 2007, 17–22).[28] The core problem is ultimately political, as Ahmed et al. explain (2014, 268):

> Government officials and labor leaders openly acknowledge that the ratio of labor inspectors to workers is hopelessly imbalanced. Moreover, inspectors rarely have the tools they need like cars for travel between factory locations or sufficient salaries to resist bribes. The lack of resources allocated labor ministries is due to the marginalization of labor from the current political settlement. Although there are technical skills in which labor inspectors may need to be trained, such as how to evaluate efficiencies in different types of production in order to work with suppliers on capturing greater gains, this aspect of labor regulation is far less important than the basic issue of funding.

Another interviewee reinforces this point, stating that the pressure from the US government for worker rights in return for the return of GSP status for Bangladeshi exports is putting pressure on the government for change. Continuing pressure from companies and consumers after the five-year period of the Accord–Alliance ends is "the key" to consolidating gains, according to the source.

In the long run, unless workers are given the right to effective collective bargaining, it seems unlikely that the incentives for cheating will dissipate. Workers are, in fact, the best sources of ongoing information at the factory level and are their own best advocates. Concerns about union activities could be similarly regulated by establishing union codes of conduct (Egels-Zandén and Merk 2014). As Barrientos and Smith (2007, 727) state in a study of the limited impact of corporate codes, "buyers and retailers prioritise commercial imperatives and take a technocratic approach to code compliance which does little to challenge embedded social relations or business practices that undermine labour standards in global production systems. In contrast, civil society organizations emphasise workers rights, and are increasingly focused on underlying commercial relations as a barrier to the realization of those rights." Multinationals can in fact open up a space for workers' rights even in the absence of strong local capacity or enforcement, particularly if they include worker participation and offer input alongside NGO monitoring (O'Rourke 2006, 910).

As Mahmud describes (2009), the resistance to workers' rights clearly runs deeper than simply changing laws, however. In general the garment industry reflects the patron–client culture of the society. Besides the fact that the workforce is largely female, with few alternatives and culturally trained towards passive acceptance, the informal nature of the industry means that workers often perceive factory work as temporary. Owners also see flexibility of the workforce as a fact, and expect rapid turnover and movement of workers at the same time that they receive unrealistically high volume and rapid turnaround orders from buyers, thereby becoming more rigid and inflexible in the workplace itself. The factories themselves are often flexible workspaces, often in commercial or residential buildings. Mahmud (2009) states,

> The sustainability of mobilizations is undermined by 'divide and rule' strategy of employers, which is very effective. Employers strongly suppress any agitation or movement for fear that this may spread and disrupt production. They do this by a variety of methods: sacking the more vocal workers, buying out leaders, placing their own agents among the workers to identify the 'trouble makers', hiring goons and '*mastans*' to beat up workers, and so on.

This, along with the lack of regulations, explains why worker protest tends to be spontaneous. As Mahmud concludes, "The extremely resilient social structures operating in the Bangladesh society and economy (missing culture of accountability and clientelist attitudes) have reproduced themselves in the factory, preventing the emergence of horizontal solidarities that could be used for mobilization." Sources cite the 2011 Freedom of Association protocol of Indonesia in which local unions worked with international brands such as Adidas, Nike, New Balance, and Puma to support worker unionisation rights. The agreement was promoted by the International Trade Union Confederation, the International Textile, Garment, and Leather Workers' Federation, the Building and Wood Workers International, and the Clean Clothes Campaign. Several subnational entities, including some provincial and municipal governments, such as Los Angeles, have begun to disclose the factory sources for the clothing they procure, an important first step.

Lessons from Other Cases

The ILO announced in October 2013 that it would initiate a Better Work programme for Bangladesh, to last for three years. Better Work is a joint venture that it conducts with the IFC to try to improve labour conditions in several countries, such as Jordan, Lesotho, and Nicaragua. The Better Work programme tries to improve technical capacity while incentivising factories to participate through linkages with buyers who demand safe conditions. Better Work also organises national meetings of the key stakeholders to develop plans of action for improving worker safety. Where enforcement occurs comprehensively, it appears to provide good results. During a 2006 ILO project called Better Factories Cambodia (BFC), significant improvements occurred (Garwood 2011, 27). Over half of all manufacturing in Cambodia is in the garments sector (Hill and Menon 2013, 47). Efforts in Cambodia derive from the US policy of 1998 to link textile quota imports to labour rights compliance, in response to US labour groups' lobbying on behalf of Cambodian workers who had registered complaints about working conditions. They enlisted the ILO to monitor compliance; it had never before examined private sector operations, having focused on working directly with governments. The programme was set up around voluntary entry by firms, which at first led to a free rider problem. This led the Cambodian government to limit export quotas to those who participated (Polaski 2006, 920–1 and 923). As a result, sales of apparel in both quota and non-quota markets soared. Polaski concludes that the good labour label attracted more buyers. Conditions for workers, including payment of wages, also improved substantially. All of this was based upon the creation of transparency through the monitoring system, including reporting results on the factory level as called for by RLS (Polaski 2006, 923 and 925). The Cambodian government, with the assistance of the ILO and the World Bank, is attempting to use social responsibility as a source of competitive advantage through the successor programme Better Factories Cambodia (BFC), which sets up monitoring and training systems for labour compliance (Lane and Probert 2009, 151). ILO monitoring reports reflected major improvements over time in payment of wages and reduction of health and safety violations reductions (Polaski 2006, 925).

Yet this effort has also been criticised. A joint report of Stanford Law School and the Workers' Rights Consortium (WRC) (2013) concluded that the ILO monitoring system in Cambodia was fatally flawed because it revealed audit results to factory owners and the brands, and for lack of remediation enforcement steps. Moreover, as we see in other cases, the onus was put on factory owners to ensure compliance, but brands did not offer any remediation funds or reduction in pricing and timing pressures to allow for improvement in working conditions and wages. On top of all this, there was no mechanism for workers to complain directly about violations. As a result, working conditions did not improve overall, and in fact job security and wages might have declined. The core of the problem relates to the lack of transparency and collective bargaining rights, reflecting ILO's status as an outsider dependent upon the goodwill of the Cambodian government and industry; the report concludes (55) that BFC "is an organization charged with policing violations that approaches its work as if one of its primary tasks were to maintain the good will of those same violators". Following the report, ILO agreed to name the factories found in violation. Still, as one interviewee puts it, while there is an independent labour movement in Cambodia, it's not clear whether the dominant ruling party would ever accept it in place of the officially sanctioned unions.

Furthermore, Locke (2013b) points out that the BFC was initially tied to trade access to the USA, but this leverage was lost in 2005 when the multifibre agreement ended. The result was that continuing improvements have come "from the state, not external sources. Cambodia refused to grant export licenses to apparel companies that did not participate in the BFC program. At the same time, reputation conscious buyers could look to improve working conditions in order to determine which factories to source from." He concludes both were needed, but it seems more logical to conclude, given the pressure on the Bangladeshi government, that the real difference was government policy. On top of this, it is important to point out the conclusion by Hughes (2007, 845–6) that the ILO preempted the ability of the local trade unions to set their own agenda and to form transnational alliances with other unions. DiCaprio (2013, 111–13) further observes: "yet, though the Government of Cambodia has supported the factory monitoring programme, neither the managers, factory owners nor the government appeared to accept that labor rights are in fact, a right". There continues to be a culture of impunity for violence and intimidation against union officials, and there is limited evidence of improvement in bureaucratic capacity within the labour sector in Cambodia. Despite all this, the number of units has expanded and they have become more active. The ILO ignored the long-term goal of empowerment of workers through unions, including the jailing of a number of them on political grounds. Recent news stories indicate that worker unrest in Cambodia continues, with widely reported mass strikes led by garment workers in January, April, and September 2014 around minimum wages, and a violent crackdown by the state as widely reported.

Sri Lanka also seems to have made great progress in terms of labour standards. Sri Lanka has been emphasising labour standards as well as environmentally friendly production practices, which it hopes will lead to a competitive advantage in eco-branding for clothing made there (Lane and Probert 2009, 151). Perry and Towers (2011, 350–1) state that strict enforcement of labour codes by the government are the core, but there are other causes behind this strong performance. First, as English is the native language, and literacy is high, there are low communication barriers among the various parties in the production process. Second, the relationships between the buyers and the producers tend to be long term. Third, there is a high level of vertical integration in the supplier companies and relatively limited work done at home. Third, factory managers are better trained and view their workers in partnership terms; this is backed up by a cultural foundation based on Buddhism that is balanced towards ethical treatment of workers.

An equally interesting case is Lesotho. Seidman (2009) explores the decision to move to a national "sweat free" principle. The movement of apparel there was in part propelled by trade concessions by the US government, and in part from pro-active efforts by the Lesotho government itself. In regard to the motivations, he states (585)

> to a large extent the shift to a more state-centric strategy reflects the lessons of experience: after a decade of experimentation with private schemes, the limitations of the approach are widely recognized. Even enthusiasts of voluntarist regulation acknowledged that private schemes often involve tiny, under-funded NGOs, who depend on the companies they monitor not only for funding, but also for access to suppliers. Even more problematically, NGOs or brands find violations have few sanctions except to cut the suppliers' contract—a sanction that blocks monitors from future factory visits and raises the likelihood that workers will lose their jobs. Finally, voluntary schemes allow companies to choose their own monitors: companies who are concerned about working conditions—that is, the very companies most likely to cut corners on with standards—inches monitors won't make a fuss. Very few consumers, no matter how much they care, can distinguish one monitoring group from another, meaning that only the most well-meaning companies are likely to invite rigorous monitors to monitor suppliers.

The move to compulsory national standards was seen as a source of competitive advantage as in the other cases. Though the situation has markedly improved, there remain issues with worker reluctance to report problems (Seidman 2009, 593 and 595).

The lessons from these apparent success cases are clear—governments and local stakeholders are integral to success in creating a new regulatory environment; foreign pressure and resources are necessary but insufficient. As Polaski (2006, 922) points out about the case of Cambodia, a number of private consulting firms such as KPMG and PWC or non-profit groups such as ETI could have conducted the monitoring, as they do for the corporate codes in place; "however, none of these groups had established credibility at an international level and among the diverse groups affected by the textile agreement, which included employers, investors, buyers, labor unions, and governments". The ILO's step into the enforcement arena, together with buy-in from the Cambodian government and factory owners, was therefore the key. Polaski (2009, 14) reports that the funding requirements for the monitoring programme were "surprisingly modest" as the ILO was able to employ local hires for the inspection, while it supervised. Funding for the first three years totalled \$1.4 million, and came from the USA (\$1 million) and \$200,000 each from the Cambodian Government and the Garment Manufacturers of Cambodia. Funding subsequently poured in from other international development agencies. The vulnerabilities of relying on continued outside funding for ILO monitoring and to changes in markets for garments are clear. One can question the extent to which the perceptions of these governments that ethical production can differentiate their products enough to overcome price differences is realistic. Evidently domestic regulatory capacity remains limited in these cases, and labour unrest continues, as noted in the introduction. This suggests a lack of breakthrough on collective bargaining rights.

The Boomerang Effect Revised—Western Pressure by Governments and Consumers for Change

Effectively, governments, corporations, international organisations, and activist groups have to work together to create a global public policy network (Detomasi 2007) in order to level the playing field for all countries. The spearhead is to pressure domestic actors for change. Ideally, trade access could be provisional upon a country enforcing its basic labour laws. Studies show a high degree of responsiveness of manufacturing processes to trade preferences beyond the aforementioned examples related to BFC (Curran and Nadvi 2015). A study of BGMEA reveals that they are responsive, at least in their reporting, to external pressures on labour rights (Islam and Deegan 2008). That leaves consumers, who so far have not been able to show any strong preference for ethically produced goods.

There is no question, therefore, that raising consumer consciousness, even if it only ends up touching a portion of the population, is a key challenge. However, such efforts require a long-term approach. Even if consumers are conscious, the importance of moving towards global standards to avoid the work moving elsewhere is crucial. In theory, NGOs can change the balance of power using the "boomerang effect", as theorised by Keck and Sikkink (1998, 13). They suggest that where direct political pressure, such as by a workers' union on the Honduran government and multinationals, fails, the workers can find a third-party advocate (NGO) abroad to put pressure on the companies and their own governments for change. In theory, therefore, the more power that the NGO can wield in its home market, the more leverage it should have to pressure for change (Garwood 2011, 133). This cannot happen effectively until consumers are engaged. It seems more likely to start in European markets, where consumer and green pressures are more central to politics.

Anner (2013) relates the story around one recent important victory for workers' rights, namely the 2009 decision by Russell sportswear to reopen a plant in Honduras with union protections and wage increases. The workers had been fired for what the company claimed were economic reasons, but were viewed upon investigation by the WRC as union-busting. There were some unusual characteristics of the case that deserve mention. Russell had concentrated production in Honduras. The company was vertically integrated, meaning it owned all operations. Union leaders were strong and determined, eschewing any depictions of victimhood. However, what is important is that pressure by activists made a clear difference, despite a favourable finding by the Fair Labour Association (FLA), of which Russell was part, agreeing to union rights. United Students Against Sweatshops (USAS) conducted high-profile protest campaigns against Russell, including advertising at the NBA (National Basketball Association) playoffs and placing protest flyers in retail outlets, including university stores, about sweatshop practices. As a result, 110 universities and colleges as well as the Sports Authority ended their contracts with Russell. In 2009, the FLA relented to the pressure and put Russell under a 90-day review. The mounting pressure finally forced the company to relent. Anner concludes that a combination of political, normative, and economic power were all responsible for the success.

NGOs have also moved to increase worker organisation within developing countries, such as the WRC. WRC was a response to shortcomings in the industry-developed Fair Labour Association, including a dominant position of the major manufacturers in its governance; the manufacturer's ability to choose and pay the auditor of their choosing; limits on data reporting; the absence of living wage provisions; and the ability to operate in oppressive labour environments, as long as factory managers were in compliance (Barenberg 2008, 39). University students, through organisations such as USAS, have been particularly active in trying to change the procurement codes of their institutions to reasonable working conditions and wages (McIntyre 2008, 36–7 and 149–51). USAS pushed for suppliers to their campuses to adopt the WRC standards, including: living wages; voluntary overtime at one and a half times normal rates; pay equity; a ban on child labour; and collective bargaining rights (Garwood 2011, 163). Similar efforts led by the Canadian Fair Trade Association Network have led a number of college campuses to sell only fair trade goods.

By and large, such efforts have limited effects in that they are largely confined to university sales and to apparel, not touching, for example, the electronics industry where similar issues abound. WRC auditors seek more extensive preparation and wider participation of stakeholders, including workers and government officials. Other aforementioned limitations to factory audits still apply, including the inability to require the provision of documents or witnesses by factory managers. Most auditors lack formal training in labour provisions, safety, or sanitation (Barenberg 2008, 40–1). In a study of athletic sportswear factories in China, Frenkel (2001, 558) concludes "the absence of *de facto* supporting institutions and norms at the national and local levels in China militated against workers' awareness and support for workers' rights, as enshrined in labour legislation and the codes of practice". He goes on to point out that worker trade union strength in recently developing countries such as Korea came only when factories consolidated and concentrated in stable working forces. A 2006 MSN report also points to an important obstacle in applying fair trade to clothing. It is easier to certify farmers as the original producers of agricultural commodities than the employees of a complex and changing subcontracting system, and it is likewise unclear how the minimum revenue provisions central to fair trade would be subdivided between the factory owners and the multitude of employees. In the case of university apparel, the system as noted is one of monitoring and auditing, dropping the revenue provision. Still, it is problematic for clothing industry observers to see how a labelling system would work in product lines that are ever shifting and in which there appear to be limited possibilities for alternative outlets (versus coffee) to the large mainstream retailers.

On top of this, we note the dizzying array of foreign actors and compliance standards, of a temporary and shifting nature. As several interviewees noted, factories and the local government feel constant time and price pressures, meaning that they are receiving mixed messages from brands—they want safety without sacrificing price and time advantages. As noted above, this suggests some restructuring of the supply chain for more reasonable standards and coordination is required to improve the situation; coordination would have long-term competitive benefits of reliability and avoidance of risk. This brings us to the bigger question, which is, after the five-year wave of the Accord, Alliance, and ILO, what will take its place? At the moment, government capacity-building seems to be a second priority, given its track record. More importantly, even if, as all interviewees contended, the sector is too important for government to let safety issues slip again, the government has not shown any ability to raise the funds needed for sustained enforcement. This suggests that some ongoing foreign presence and/or funding is likely, something that will create ongoing uncertainty in regard to establishing new norms and practices.

Therefore, foreign governments, companies, and NGOs could best improve the situation in the immediate term by improving the bargaining strength of domestic workers. Companies in particular appear not to see this in their interests, but in the long term it appears necessary to ensure that domestic authorities themselves see it in their interests to look after workers. Given the estimated \$50 billion (ETI website) that companies spend per year on third-party audits, it would be considerably more cost effective for them to use cheaper and more effective domestic regulators, and, over time, pass increasing responsibility on to them, where it belongs. Foreign pressure can work. One interviewee related that child labour was drastically reduced in Bangladesh after the Harkin Bill. One interviewee claims that the development of industrial and global alliances of unions is a sign that foreign unions can create a boomerang effect for improving working conditions around the developing world; however, there is no evidence of this yet. All interviewees noted the crucial role of media pressure, which was vital to the post-Rana Plaza arrangements, but tends to have rather fleeting effects.

It is hard to see consumers playing a significant role in the foreseeable future, though it must be part of the long-term solution as reflected in the work of Lee, Seifert, and Cherrier in Chapter 5 of this volume. As one interviewee put it, “they state in surveys that they are very concerned about ethics, but they don’t act upon this concern”. Another noted that consumer boycotts send a message but tend to have a highly limited economic impact. In regard to fair trade movements, the suggestion would be towards creating a label for certifying products are ethically produced. One survey in the USA found that 86% of those polled would be willing to pay an extra dollar on a \$20 garment if they knew it was made under safe working conditions. Another found that 76% would be willing to pay 25% more

(O'Rourke 2005, 117). Yet willingness is not the same as opportunity or action upon intentions. Indeed, there are also constraints beyond setting market standards for fair trade, such as the lack of uniform standards and inadequate resources for monitoring (Hira and Ferrie 2006). The fair trade market is still quite limited. Dickson (2014) points out that while numerous polls show the vast majority of consumers indicating preference for ethically produced goods, they do not demonstrate consistent behaviour along these lines in ways that would influence companies, at least so far. Others argue that the central problem is a lack of signalling information about the ways in which the clothing is made (Robinson et al. 2014). Companies have the ultimate power to make or break the contracts, but they are concerned about being undercut on prices, both at the wholesale and retail levels. As Mutersbaugh argues (2005) in regard to fair trade and organic production, producers within the countries legitimately fear competitive disadvantage as compliance requires higher costs and a more limited market. Another interviewee suggests that the pressure for long-term change can also come from socially responsible investors. Unlike the successful anti-fur campaigns of PETA (People for the Ethical Treatment of Animals), in this case verification of compliance with ethical production is extremely difficult.

As laudable as consumer awareness efforts are, therefore, our analysis suggests that ultimately the pressure for change and true enforcement must come from changes in politics in developing countries through

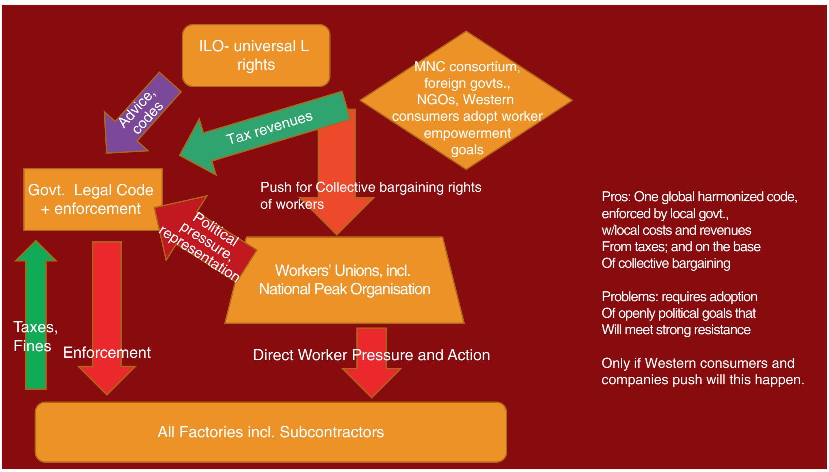

Fig. 4 Hira governance model

improving workers' bargaining power and representation in government. As one interviewee put it, "As outsiders, we can only do so much." My suggestions are summarised in the final graph (Fig. 4).

Acknowledgements Andy Hira conducted ten interviews based on a mix of common questions with the opportunity for open-ended follow-up conducted by phone and Skype from November 2014 to January 2015 with think tanks, NGOs, companies, inspection agencies, and business associations working on the ground in Bangladesh on these issues. In order to ensure honest and thorough answers, anonymity was ensured. Every interviewee was also given the opportunity to comment on the rough draft. I would also like to thank the collaborators to this volume for their comments that helped to improve the piece considerably.

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Notes

1. By prior agreement all interviewees were granted anonymity. See Acknowledgements section for details.
2. The concern is not without merit. A 2015 *Wall Street Journal* story noted that several clothing giants, including large Asian suppliers, Calvin Klein, Tommy Hilfiger, Wal-Mart, J.C. Penney, VF, and Levi Strauss all had growing operations in Africa, attracted by lower wages. See Christina Passariello and Suzanne Kapner, "Search for Cheaper Labor Leads to Africa," *WSJ*, July 13, 2015.
3. Rana Plaza had a shopping mall and five factories.
4. "Inspection Intensifies Bangladesh Garment Industry's Woes," *Prothom Alo*, June 27, 2014.
5. Zahid Hussain and Nadeem Rizwan, "Economic Analysis: Yet to Cross the Finish Line," *Financial Express*, November 3, 2014.
6. Syed Zain Al-Mahmood, "Alliance Sets Plan to Finance Bangladesh Factory Upgrades: Effort Led by Wal-Mart, Gap, VF is One of Two Formed After 2013 Collapse that Killed More than 1,100 People," *The Wall Street Journal*, December 5, 2014 (accessed December 8, 2014).
7. "1 RMG Worker Dies, 300 Fall Sick after Drinking Factory Water," *Prothom Alo*, May 3, 2014.
8. "30 Injured as Garment Workers Clash with Police," *New Age*, July 13, 2014.
9. "City Garment Factory Closed without Notice," *New Age*, August 20, 2014.

10. United News of Bangladesh, "Pay Wages, Festival Bonuses by September 25, Demand Garment Workers," *New Age*, September 21, 2014.
11. "Delwar Using the Employee to Deceive Tuba Workers," *New Age*, September 28, 2014.
12. "Police Stop Tuba Workers," *New Age*, September 8, 2014.
13. "Sacked JB Fabrics Workers Hold Sit-in," *New Age*, September 5, 2014.
14. "Apparel Unit Catches Fire at Mirpur," *New Age*, September 1, 2014.
15. "Workers Besiege BGMEA Building," *New Age*, October 22, 2014; and "385 Factories may Default on Workers' Wage, Bonus: Industrial Police," *New Age*, October 1, 2014.
16. "4000 Workers of 5 RMG Factories Remain Unpaid for Months," *New Age*, November 12, 2014. It is notable that a cement factory in Mongla collapsed in March 2015.
17. Moinul Haque, "One Year after Rana Plaza Tragedy—IV: Apparel Sector Plans Yet to Make Any Significant Progress," *New Age*, April 24, 2014.
18. "Workplace Accidents on the Rise in Bangladesh," *Prothom Alo*, April 29, 2014.
19. "Bangladesh Holds Shutdown of 'Unsafe' Garment Factories," *Prothom Alo*, June 4, 2014.
20. "Accord, Alliance Responsible for Negative Export Growth: Tofail," *New Age*, November 16, 2014.
21. "Government not to Allow for Trade Unions in EPZs: Tofail," *New Age*, October 24, 2014.
22. Moinul Haque, "No Trade Union in 94 pc Apparel Factories," *New Age*, July 20, 2014.
23. "Ensure Effective Enforcement of Amended Labor Law: EU Commissioner Urges Bangladesh Government," *New Age*, October 21, 2014.
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The Legacy of Rana Plaza: Improving Labour and Social Standards in Bangladesh's Apparel Industry

Mustafizur Rahman and Khondaker Golam Moazzem

Introduction

This chapter reviews and analyses the various governance-related issues in the post-Rana Plaza initiatives from the perspective of a major supplying country, Bangladesh. It undertakes a review of the pre-Rana Plaza governance architecture, identifies its weaknesses and challenges, and analyses the various aspects of the emerging post-Rana Plaza architecture of the apparel value chain governance in a comparative setting. The chapter considers the gaps and deficits concerning the pre-Rana Plaza tragedy governance system. In view of the post-Rana Plaza developments and initiatives, we then go on to examine whether a sustainable governance model is emerging in the apparel value chain in Bangladesh. A major challenge is that a large part of the related activities are being implemented within an 'environment of pressure'. Thus, the core issue is putting in place a sustainable governance architecture. This chapter argues that domestic rules and institutions should be put at the centre of Bangladesh's apparel sector governance, with adequate space for international private initiatives led by major buyers and other concerned organizations to contribute to improve

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labour and social standards practised in the sector. The chapter examines the new modalities and institutional architecture that are being put in place to raise compliance standards in the apparel sector from the perspectives of both replicability and sustainability. In undertaking this exercise, the study is viewed through a supplying-country lens.

Economic Perspectives on Changes in Labour and Social Standards in the Bangladesh Apparel Industry

The development of value chains whether producer-driven or buyer-driven, is not location neutral. The economic, social and political settings of a country significantly influence and shape the structure of an industry and particularly labour and social standards in that industry. The journey undertaken by the export-oriented garment industry in Bangladesh, beginning in the late 1970s under the regime of the multi-fibre arrangement (MFA) and, subsequently, the World Trade Organization Agreement on Textiles and Clothing (WTO-ATC), was influenced to a large extent by the evolving local context.

Over the years, Bangladesh has been able to maintain its competitive edge in the development of labour-intensive industries thanks to having a large and growing low-cost labour force. Labour shifted from agriculture to industry as the apparel industry opened up employment opportunities to the young labour force. About a fifth of the labour force is employed in the industrial sector, a large number in apparel. Over the years, the apparel industry has emerged as the most important manufacturing activity in Bangladesh. Its contributions to gross domestic product, GDP (about 8 per cent), export earnings (more than 80 per cent), employment (40 per cent of total industrial employment), women's empowerment and overall socio-economic development of the country have been well documented. The apparel sector employs about 4 million workers in about 4000 enterprises. According to the Survey of Manufacturing Enterprises (SMEs) 2012, the apparel sector contributes about 47 per cent of total production, and about 80 per cent of total female employment in the manufacturing sector of Bangladesh is accounted for by this sector. Enterprises in Bangladesh's apparel sector are predominantly domestically owned, as distinct from those in Vietnam and Cambodia where the sector is mostly foreign direct investment-driven.

The apparel industry of Bangladesh has thrived on domestic support and a conducive global environment. The quota-driven market access opportunity under the MFA, preferential market access under the 'Everything but Arms' (EUEBA) European Union (EU) initiative for the so-called LDCs (least developed countries), and the Generalised System of Preferences (GSP) facility in Canada and other major markets of developed and advanced developing countries have significantly contributed to the high export growth demonstrated by the sector over the past years (Moazzem 2014). Supportive government policies and incentives, a vibrant entrepreneurial class and the availability of low-wage labour helped in this process (Rahman et al. 2007, 2008). Productivity and output prices of apparel remain low. This combination of 'lows' results in a situation where low costs of production dictate both the production strategies of entrepreneurs and sourcing strategies of buyers.

The labour force in the apparel sector remains disadvantaged. Low levels of education and a lack of professional training mean that workers are able to perform only low-skilled jobs in the value chain. The easy availability of an unskilled labour force, particularly female workers, means that wages, other benefits and the scope for upward mobility tend not to be in favour of workers. Workers' rights issues remain neglected and workplace safety concerns are not a priority. Women join early and leave early, often working only until they get married. More recently, the apparel industry has experienced a changing composition of its labour force—from an overwhelmingly female-dominated (over 90 per cent in the initial period) workforce to the growing presence of men, as male-dominated knitwear and sweater factories have become increasingly prominent (woven now accounts for about 65 per cent of apparel workforce). Growing male participation has important implications for enforcement of labour rights and demands for better social compliance in the sector.

The fluctuating fortunes of Bangladesh politics also impact on compliance. For example, trade union-related activities were banned for a period during the time of autocratic rule in 1980s. Workers' rights also continued to be neglected even when democratic governance was reinstated in the early 1990s. Workers' minimum wages in the majority of the formal sectors were not adequately adjusted during the period 1985–2006. The nexus between political parties in power and the entrepreneurial class influenced the governmental decision-making process. Many apparel business owners are members of the National Parliament. The power of this lobby was reflected most glaringly in the case of wage adjustment. According to a

World Bank study (Lopex-Acevedo and Robertson 2012) between 1994 and 2006, Bangladesh's real GDP rose by 74 per cent; over the corresponding period real wages in the apparel sector rose by a mere 4 per cent.

A key weakness in the development of Bangladesh's export-oriented apparel sector is that rapid growth of the sector was not accompanied by the needed development in infrastructure and support services. Industries were set up in an unplanned manner in residential areas, in high-rise and shared buildings, without access to quality services and with scant attention to safety measures and labour rights. Enterprises were established in urban centres where land was at a premium. Consequently, entrepreneurs followed alternate arrangements to meet the demands of infrastructure—going for the 'vertical expansion' model, by upward extension of existing buildings without proper attention to safety and security issues. Space is also used in a manner that does not follow appropriate layout ratios that could ensure safety of workers. Fire and electricity safety remain inadequate. Bangladesh's export basket has also become more diversified—with more shares of non-cotton apparel along with the traditional cotton-based clothing. As a result, the use of non-cotton fabrics such as polyester, man-made fibres and synthetic fibres has been on the rise. Because of the flammable and toxic nature of these, storing the raw materials on the production floor added further risks to the safety concerns already present.

Labour and Social Standards during the Pre-Rana Plaza Period

Rights-based Perspectives

Domestic Rules and Regulations and their Enforcement

Domestic rules and regulations governing the running of the apparel industry during the pre-Rana Plaza period demands particular attention if one is to adequately appreciate the reasons for the weaknesses in maintaining compliance standards which led to the Rana Plaza tragedy. Before 2006, domestic rules and regulations concerning labour and social standards were guided by a number of discrete rules and regulations; however, in the majority of cases, they were not updated on a regular basis. The Bangladesh Labour Act of 2006 was the first comprehensive law on labour and social standards that included issues related to labour rights, safety measures concerning buildings and machineries, and also precautionary measures in view of possible fires. Indeed, there was a strong demand on the part of workers to have a new law that safeguarded their interests. A number of related laws were in operation which include: (a) The Fire Prevention and Fire Fighting Law, 2003; (b) The Fatal Accidents Act, 1855; and (c) The Bangladesh National Building Code of 2006. Despite limitations of vagueness, lack of focus and narrow coverage, most of these laws were largely geared to ensure labour and social standards. Twelve authorities were responsible for ensuring labour and social compliance in the apparel industry. A number of licences and permissions, issued by different organizations, are needed to set up a factory or renew the registration of an existing one. In some instances, permission from one institution is linked to permissions given by some of the other institutions. However, the majority of related entities suffer from inadequate technical expertise and properly trained professional cadres. Even when laws are enacted, as was the case with the 2006 Labour Act, enforcement is weak.

Giving licences and issuing certificates that testify to good compliance without the needed scrutiny, institutional weaknesses, the prevalence of rent-seeking and corrupt practices, and the all too common connivance between inspectors and factory owners, meant that factory inspections were not carried out properly and regularly, and licences and safety certificates were issued without proper audit. The authorities concerned give permission to non-compliant factory buildings/spaces without maintaining due legal procedures. When incidents such as fire or building collapse happen, and once the immediate attention and finger-pointing is over, no sustained follow-up activities are undertaken. Indifference to compliance thrived against the backdrop of weak institutions, weak enforcement capacity, the close business–politics nexus and a weakened labour movement. Major buyers shrugged off their responsibility—at best blacklisting the concerned factory and at worst continuing with business as usual. Better compliance means higher costs, and higher costs mean a loss of competitiveness on the part of producers and higher prices for buyers.

The institutions concerned did not have adequate human resources and logistics to monitor the enforcement of compliance at factory and floor levels or to make the required field visits. In other words, the implementation and enforcement of national rules and regulations lagged behind the growing needs of the accelerating growth of the sector. Weak institutional capacity of the relevant monitoring authorities, such as the Factory Inspection Authority and the Fire Service and Civil Defence Authority, remained a key concern in ensuring good compliance. The Factory Inspection Authority, an office under the Ministry of Labour and Employment (MoLE), operated with very limited human resources and with a low budget. Lack of human resources, low budgets and inadequate infrastructure put severe constraints on the capacity of these institutions to work in an effective and efficient manner. For example, it required about three years for a factory inspector to go for a second visit to a factory even if s/he visited ten factories in one month (and spent the rest of the period completing the paperwork). Consequently, a non-complaint factory could function without a visit by a factory inspector year after year.

A lack of priority for compliance enforcement was also reflected in the insignificant budgetary allocation for the MoLE and for activities related to workplace safety and security. MoLE is not one of the 'core' ministries and operated with very low annual budgetary allocation. In 2013, its total allocation was Tk 201 crore (US$ 25.1 million) which was only 0.10 per cent of the total budget allocation. During 2007–13, no project was approved with allocations earmarked specifically for the apparel sector. The national budget for FY2013 included five projects related to workers' social needs which were 'unapproved' and 'unallocated'.

Strong political connections between ready-made garments (RMG) entrepreneurs and the government often influenced the process of monitoring and enforcement undertaken by the implementing agencies. During the 1980s to early 2000s, resistance on the part of entrepreneurs hindered the process of revision of minimum wages—revisions took place only three times in this period (1983, 1995 and 2006). Moreover, the adjustment in minimum wages was very low against the demand of workers who were often not able to meet their own and their families' basic minimum needs. A quick calculation indicates that the minimum wage (even when two people were working) was not adequate to keep a family of four above the national official poverty line. The right to form trade unions at factory level was highly discouraged; workers who were willing to do so did not get legal backing and support because of weaknesses and inappropriate formulation in relevant provisions and regulations that were stipulated in the Bangladesh Labour Act 2006. As a result, only 100 trade unions were registered in apparel enterprises in the three decades before the Rana Plaza tragedy.

Although there was a mandatory provision to set up workers' welfare funds (WWF), to which entrepreneurs were required to allocate a part of their profit for the welfare of garments workers, the contribution of factory owners to this fund was negligible. The complaint was that owners often followed double book keeping, whereby the 'official' account showed a 'red' balance—meaning a loss and thus no obligation to pay into the WWF. Lack of proper monitoring of financial reports by concerned authorities was a major weakness in this regard. There was no mechanism to oversee the work of the auditors.

International Conventions and Guidelines

Since the International Labour Organization (ILO) has no direct implementation authority to enforce core and technical conventions, it depends on local stakeholders to ensure that these are appropriately followed. The ILO tries to promote a process of social dialogue with a view to improving industrial relations through discussions with key stakeholders. Some social dialogue initiatives were undertaken in the pre-Rana Plaza phase in the apparel sector to complement and support institutional regulatory processes with a view to improving compliance. A number of social dialogues and fora were put in place, sometimes at the initiative of government, on other occasions at the initiative of civil society and non-state actors. This endeavour spanned four recognizable levels, starting with the factory, then moving to industrial, national and then international level. For example, the National Social Compliance Forum, constituted in 2005, was a multi-stakeholder platform to review social compliance-related issues particularly at the level of garment enterprises. Similarly, a task force on labour welfare for the garment sector was formed in 2005 with the participation of major stakeholders' representatives. A 15-member task force on occupational safety for the garment sector had been in operation for some time.

However, the social dialogue process has only had limited success because of the lack of decision-making structures, absence of follow-up and a lack of trust between owners and workers, worker intimidation by owners and a lack of credibility of the government agencies with regard to their acting as honest brokers. These lessons were considered when new structures towards better compliance were being designed in the aftermath of the Rana Plaza tragedy. However, the fact remains that they are not functional on a regular and ongoing basis. They tend to be activated only when there is some disturbance in the industry, or when incidents take place at factory level. They also lack adequate human resources and funds.

There are several standards, including the 2011 Organisation for Economic Co-operation and Development (OECD) Guidelines for MNEs (multinational enterprises) and the ILO Tripartite Declaration, which focus on direct contractors in the supplying countries. However, these lack appropriate modalities for establishing responsibility on the part of buyers towards ensuring compliance at subcontractor level (Mares 2010). The guidelines leave out a core part of the Corporate Social Responsibility agenda, namely the buyer's responsibility towards the entire supply chain. The OECD Guidelines for MNEs were amended to newly define the scope and extent of buyers' responsibilities. They did not define multinational enterprises on the grounds that these operated in various sectors of the economy and were usually made up of entities based in more than one country (OECD 2011). Thus, while subcontractors are mentioned under the new Guidelines, the definition of MNEs remains unclear.

The ILO Tripartite Declaration made an attempt to address buyers' responsibilities more specifically, but this is not as comprehensive as it should be—primarily because it defines MNEs very broadly as in the OECD Guidelines. The absence of further clarification in this regard has led to standards being poorly implemented by the MNEs (Mares 2010).

The UN Global Compact (UNGC) made an attempt to outline and clarify corporate responsibilities by advancing the concept of the 'sphere of influence', which includes individuals on whom the company has a direct impact through economic, political or geographic means (Mares 2010). Additionally, the UNGC put forward 'complicity', a term that states a company is complicit in human rights abuses if it knowingly conceals, authorizes and tolerates such incidences by an entity in its sphere of influence, which includes suppliers (Mares 2010). There are some weaknesses in the way the Compact apportions responsibilities, however; it is vague in terms of delineating buyers' responsibilities. Mares (2010) observes that the 'sphere of influence' ended 'mapping' impacts more than actually 'limiting' responsibilities. Thus, in spite of various initiatives at national and international levels, enforceability, both institutional and legal, remains a concern.

Value Chain Perspectives/Private Initiatives

Profit Distribution in the Value Chain in the Context of Labour and Social Standards

Maintaining compliance at enterprise level requires different types of investment. Part of this is related to fixed costs, mainly for setting up physical compliance facilities. Another part of the investment is variable in nature, related to social and partly to physical compliance. These fixed and variable costs are to be underwritten by the margin received by the supplying enterprises from their vendors. According to Moazzem and Bashak

(2015) only 1.8–2.6 per cent of total Free On Board (FOB) cost (margin) was related to selling, general and administrative costs (SGA) and manufacturing overhead costs, of which only a small share was spent for maintaining compliance. However, suppliers often complain that the price they received was not adequate to finance compliance-related expenditures. Anner et al. (2015) show that one of Bangladesh's main export products to the USA (i.e., men and boys' cotton trousers) lost 40.9 per cent of its real value between 2000 and 2014; this benefited consumers but in the process suppliers had to cut their production costs. The problem was acute for owners who operated under subcontracting arrangements whereby local large entrepreneurs place orders to these firms after retaining a part of the cutting and making (CM) charges as commission. Thus, the case for allocating funds for compliance is even more problematic when subcontractors are brought into the picture. There are two segmented markets operating in the value chain—one at the suppliers' end and another at the buyers' end. Both markets operate for maximizing profit, though their market determinants are not necessarily the same. Concerns related to labour and social standards at the suppliers' end are only distantly related to the market at the buyers' end. While workers are considered the main factors of production in the entire value chain, worker-related compliance costs tend not to be adequately integrated into the value chain. A part of worker-related costs is found in the structure of cost, but compliance-related costs are opaque and non-transparent in the cost structure both at the suppliers' and the buyers' end. In the absence of proper apportioning of compliance-related expenses, monitoring itself also suffers (Fig. 1).

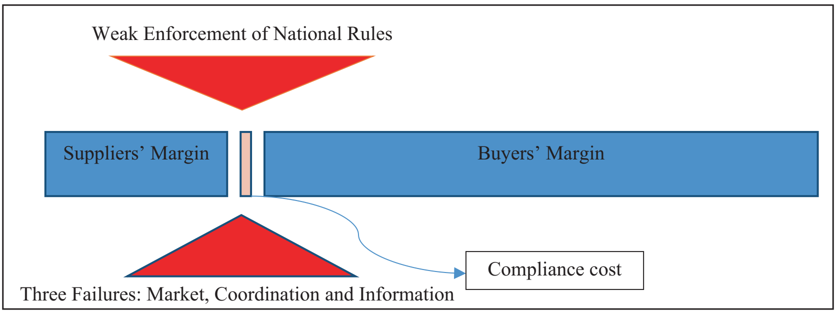

Fig. 1 Fragmented value chain with limited focus on compliance costs through different means

Source: Based on Moazzem and Bashak (2015)

Domestic Private Initiatives

Two key trade bodies, the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), in theory have an important role to play in reviewing the labour and social standards to be maintained by their respective members. The guidelines followed by these organizations were prepared based on domestic rules and regulations and buyers' codes of conduct. These included checking the compliance standards of firms which sought registration with the Associations for undertaking operation, monitoring of compliance assurance by member factories and providing support for improvement of compliance standards. Workers' grievance-related issues were to be handled by a separate arbitration cell set up by BGMEA in 1998. A 20-member body comprising representatives of owners' and workers' associations was to manage this. The committee handled workers' concerns relating to delays in payment, workplace harassment, irregularities in providing entitlement benefits and so on. Since 1996, BKMEA has also maintained a social compliance cell, which has provided training to member factory owners, mid-level management and workers; the cell has also carried out a factory monitoring programme.

Guidelines followed by BGMEA and BKMEA for monitoring and inspection tend to put emphasis on availability of certain 'facilities' at the factory premises, and not on 'effective use' of those facilities. Often the guidelines were found to be inadequate to address the required provisions of national rules and regulations. There were factories which showed compliance capabilities only on paper and did not actually have the minimum facilities in place. This they did to gain licences/permissions to operate the factories and Association membership. Association leaders, keen to get the support of members during elections, chose to ignore their members' shortcomings. In general, there was an implicit understanding that you have to 'manage' government officials and do what needs to be done to keep buyers 'satisfied'.

International Private Initiatives

In the pre-Rana Plaza phase, multinational companies and major retailers adopted their own codes of conduct by incorporating a number of ILO principles which defined enterprises' ethical standards. In 1992, Levi Strauss adopted a new corporate code of conduct (CoC). Following this, a number of enterprises producing apparel and footwear and major retail groups adopted their own individual CoCs. In May 1995 the Clothing

Manufacturers' Association of the United States of America (employers) and the Amalgamated Clothing Textiles Workers' Union (workers) signed, for the first time, a national branch collective agreement. This included, amongst other aspects, a code of conduct applicable to their enterprises and also their subcontractors. The code established minimum standards regarding wages, hours of work, forced labour, child labour, freedom of association and non-discrimination, as well as occupational safety and health standards. In the USA, the so-called 'No Sweat' campaign introduced in 1996 by the Clinton administration in its fight against sweatshops led to the establishment of a list of enterprises in the textiles, clothing and footwear (TCF) sectors, which pledged to respect labour legislation and human rights, and production processes and marketing activities in their own enterprises and those of their subcontractors.

Business for Social Responsibility (BSR), established in 1992, is an association that groups together some 800 enterprises, including Reebok, Levi Strauss and The Gap. This programme was developed to make enterprises more aware of the poor working conditions existing in many developing countries. In Europe increasing attention was given at the headquarters of major European enterprises in the TCF sectors to specific application of codes of good practice and codes of conduct. SA8000, launched in 1998 by Social Accountability International (SAI), was established as a certification scheme to develop and maintain socially acceptable practices in the workplace. It was used by MNEs extensively as a symbol of their adherence to ethical workplace practices. Retailers/brands generally pursue the practice of monitoring compliance standards through a third-party monitoring system. However, the compliance assessment criteria followed by such third parties has come to be questioned by some sector commentators (Werner et al. 2004). Compliance monitoring by third parties, although they tend to maintain some modicum of neutrality in the inspection process, is often seen as an attempt by buyers to avoid responsibility (Ripsam et al. 2012).

A number of rights-based organizations initiated several initiatives that targeted improvement of workers' welfare, including in the apparel value chain. These initiatives include the Workers' Rights Consortium, the International Labour Rights Forum, the Clean Clothes Campaign, Asia Floor Wages and Business Call to Action. Under a number of such initiatives technical assistance was provided to workers to ensure better workplaces and towards better livelihoods for workers.

The role of the social auditor (such as BSCI Social Audit) is envisaged to assess whether an enterprise is abiding by the codes of conduct, by maintaining objectivity and independence in the exercise of its duties. Two categories of social audits are carried out by independent and internal auditors (Karabell 2015). The Fair Wear Foundation (FWF) 2012 Audit manual indicates that an audit typically takes between one and two days. This was seen as a major criticism as audits tend to be too short, superficial and sloppy to actually identify certain types of code violations, such as discrimination. The system has also been criticized on the grounds that the auditors often tend to compromise the quality and validity of the report to satisfy their clients. This undermines the fundamental purpose of a social audit: to objectively report the company's adherence to codes of conduct (Björkman and Wong 2013). Moreover, factory visits were pre-announced. This enabled managers to manipulate and create false impression about the real working conditions at enterprise level (Clean Clothes Campaign 2005).

Lessons Learned

Despite having structured rules and regulations, the presence of monitoring and enforcement authorities, the practice of social dialogues and enforcement of buyers' codes of conducts and other initiatives, workers' safety, security and well-being left much to be desired during the pre-Rana Plaza period. Indeed, worker-related issues tended to be considered primarily as the concern of suppliers and supplying countries; it was mainly the responsibility of local agents to deal with the attendant concerns of buyers. External agents such as international buyers/multinationals tend to consider labour issues as an additional responsibility, not a core one. As a result, various initiatives undertaken by external agents in good faith were inadequate (Fig. 2).

From the above discussion it emerges that major weaknesses concerning compliance assurance during the pre-Rana plaza period included: (a) weaknesses in labour-related laws, rules and regulations; (b) weak institutional capacity of monitoring and implementation authorities to enforce related regulations; (c) absence of good governance practices in ensuring compliance; (d) poor resource allocation to the regulatory authorities and institutions concerned, thereby not allowing adequate enhancement of their capacity to enforce legal requirements or their empowerment with technical and human resources; (e) the political nexus between RMG entrepreneurs and concerned government agencies which undermined the creation of a level playing field, whereby decisions regarding adverse impacts on workers' wages, trade union rights and labour rights issues

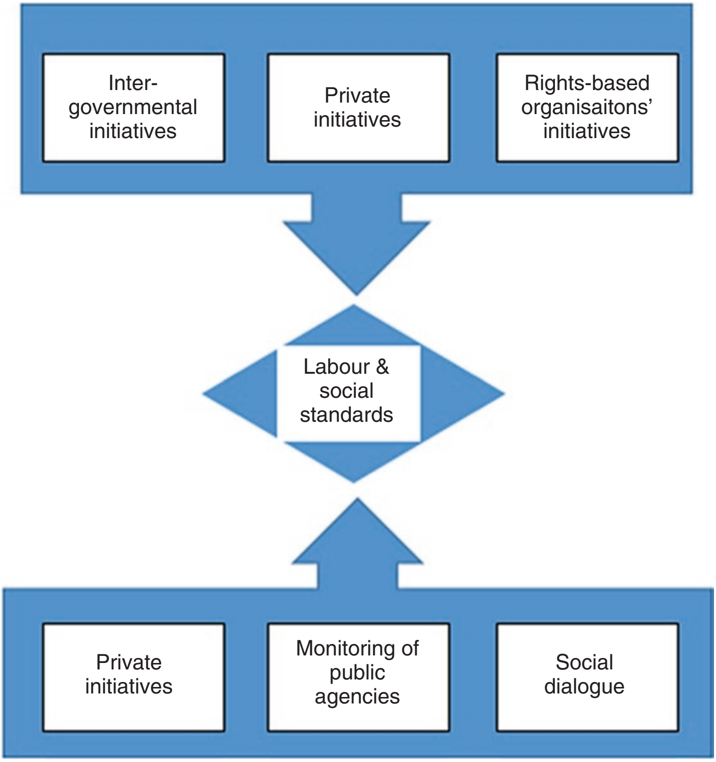

Fig. 2 Participation of different market players in monitoring labour and social standards during pre-Rana Plaza period
Source: Prepared by authors

could be justifiably taken; (f) lack of a transparent system whereby buyers could ensure that part of the profit margin was invested in compliance assurance; (g) absence of integrated value chain management with limited sharing of responsibilities for labour and social standards; (h) failure of domestic trade bodies such as BGMEA and BKMEA to ensure workplace safety by undertaking regular reviews of labour and social standards at enterprise levels; (i) lack of willingness to take decisions against members of the Associations who violated relevant codes; (j) faulty auditing process maintained by the buyers to inspect factory-level compliance; and (k) failure on the part of entrepreneurs to allocate the required share of profits to the WWF (Workers' Welfare Funds).

Labour and Social Standards during the Post-Rana Plaza Period

Against the above backdrop and context, the Rana Plaza tragedy came as a sad story of deaths almost foretold. As was pointed out earlier, before this event a number of other incidents happened which should have sent warning signals and might have served as a wake-up call. However, it was the Rana Plaza tragedy that compelled the relevant stakeholders to try to seriously address workplace safety concerns and workers' rights issues in the export-oriented apparel sector in Bangladesh. In the process, a new architecture of governance in compliance assurance is emerging in the country. How this compares with the pre-Rana Plaza scenario, its elements, its key actors, and whether the emerging structure is replicable and sustainable are all critically important issues from the perspective of the future development of the apparel value chain.

Rights-based Initiatives

During the post-Rana Plaza period, three major initiatives have been undertaken in Bangladesh through national and international governmental and inter-governmental collaborations. These include the Sustainability Compact, the USTR (US Trade Representative) Plan of Action (USTR PoA) and the National Tri-partite Plan of Action (NPoA). The Sustainability Compact is a multi-stakeholder agreement which was initially signed by the EU, the Bangladesh Government and the ILO; these parties were later joined by the USA and Canada. The USTR's Plan of Action is a set of 16 concrete measures which the US government asked Bangladesh to undertake for the reinstitution of the GSP facility, which was withdrawn in the aftermath of the Rana Plaza tragedy. The National Tri-partite Plan of Action (NPoA) is a comprehensive plan prepared by taking cognizance of the various concerns that emerged against the backdrop of the Rana Plaza incident. Measures recommended as part of this initiative related to the development of rules and regulations for workers' rights, the design of a framework for contractual arrangements, strengthening activities towards workplace safety and security, and strengthening the capacity of the public monitoring agencies.

The National Tri-partite Committee (NTC) is in overall charge of implementation of the agreements by concerned stakeholders. While the USTR PoA was supposed to be implemented within a year, the EU's

Sustainability Compact did not mention any specific timeline. A number of activities related to these agreements were initiated immediately after the Rana Plaza incident; some of these made considerable progress in the following three years.

A large part of the activities envisaged by these agreements are to be implemented at the supplying country end, that is, in Bangladesh. Major activities included the design of appropriate rules and regulations, infrastructure development and the improvement of workplace safety and security. As per the commitments pertaining to the Sustainable Compact, the Government of Bangladesh has amended the Bangladesh Labour Act (BLA) 2013, and has also adopted relevant rules. The Department of Chief Inspector of Factories and Establishment has been upgraded to the Directorate of Industrial Establishment and Factories (DIFE). The number of officials in the monitoring and inspection offices has been increased to include 277 factory inspectors under DIFE and 238 fire inspectors under the Fire Service and Civil Defence (FSCD). In addition, a total of 132 inspectors under RAJUK (Development Authority for Dhaka, the Bangladeshi capital) and 40 building inspectors under the Chittagong Development Authority (CDA) are to be recruited. The Ministry of Labour and Employment has initiated work to increase its total strength from 712 to 1100. The recruited inspectors have been receiving training and progress has been made on the adoption of the National Occupational Health and Safety Policy, 2013. Fourteen Occupational Health and Safety committees have been launched to date. The ILO and other development partners have undertaken programmes to give technical and financial support to the regulatory authorities.

According to the agreements, a range of sanctions, fines and other types of measures have been put in place to deal with non-compliance in regard to labour, fire and building standards. A publicly accessible database has been created by DIFE, available on its website, giving information about the labour, fire and building inspections status relating to 1006 factories (out of the total 3743 RMG factories). A mechanism to register complaints (a hotline) has also been established. Notable progress has been made in a number of areas mentioned in the NPoA. These include establishment of a task force for building and fire safety affiliated with the Cabinet Committee for the RMG sector, development and introduction of a unified fire safety checklist to be used by all relevant government agencies, the establishment of a workers' safety hotline through the FSCD, establishment of a one-stop shop for fire safety licensing and certification, factory level fire safety needs assessment, delivery of a fire safety 'crash course' for mid-level factory management and supervisors, strengthening the capacity of FSCD, development and dissemination of self-assessment and remediation tools relating to fire safety and redeployment of the RMG workers who were rendered unemployed and of rehabilitated disabled workers. A number of activities have been partially completed, including the review of relevant laws, rules and regulations with regard to fire and building chemical safety; review and adjustment of factory licensing and certification procedures; development and implementation of a fire safety improvement programme; assessment of structural integrity of all active apparel factories; development of a transparent subcontracting system; the development and delivery of specific training and fire safety; the development of mass worker education tools; the development and delivery of specific training in fire safety for factory inspectors; and the development of a tripartite protocol for compensation of the affected families.

Some of these activities have made rather slow progress during the three years since the tragedy. Registration of new trade unions at factory level has not been satisfactory—as of 31 March 2016 a total of 483 trade unions had been registered (ILO 2016). In fact, the registration process slowed down in 2015 compared with previous years. In line with commitments, information about union registration activities and the registration of non-government labour organizations was to be reported to stakeholders on a regular basis; a database on unfair labour practice was also to be set up and made accessible to the public.

Amendment of the labour laws has improved legal obligations to ensure workers' safety and security as well as workers' rights at the workplace. Amendments undertaken have widened the scope of registering new trade unions, but the Department of Labour (DoL), which is dealing with registration of trade unions, is not always pro-active (and in some instances only reactive) with respect to the issue of registration of new trade unions. The high-level tripartite mission from ILO which visited Bangladesh in April 2016 commented that the procedure for trade union registration is quite bureaucratic; this tends to discourage the process. The mission noted in particular that the cumbersome steps that need to be taken for processing trade union registration applications by MoLE discourages workers and was rather intimidating. They also pointed out the 30 per cent minimum membership requirement, and concluded that it is the combined effect of these issues which has led to the fall in trade union registration in recent times. The mission was also concerned about reports of anti-union discrimination and harassment of trade unionists, and urged the government to ensure that the law governing the Export Processing Zones (EPZs) allows for full freedom of association, including formation of trade unions and association with trade unions outside the EPZs. Likewise, the conclusions from the second review meeting on the Bangladesh Sustainability Compact, held in January 2016, suggested that the trade union registration process should be more expeditious, while ensuring transparency.

The minimum wages of garment workers were revised in December 2013 after the Rana Plaza tragedy. This was the third revision in eight years (2006–13); it may be recalled that the three earlier revisions took place over a period of two decades (1984–2005). Rana Plaza induced significant upward revision of minimum wages (the minimum wage of grade seven workers was raised by 79 per cent compared to the one fixed at the time of the last revision in 2010). The political leadership, under considerable pressure after the tragedy, played a positive role in this. However, as Moazzem and Raz (2013) demonstrate, the revised wage is still significantly below the living wage of workers. The demand for a living wage and setting of a national minimum wage is gaining strength among workers and trade union activists.

The upgrading of the factory inspection office to DIFE is a step forward. However, it needs to be further strengthened through improvements in the technical skill of staff and research and development capabilities. A major yardstick for the improvement of DIFE capacity will be whether the department, along with the DoL, is able to undertake needed initiatives to monitor and inspect fire, electrical and building safety at enterprise level, which are currently being implemented under private initiatives as part of Accord and Alliance work programmes.

Entrepreneurs' contributions to the workers' welfare fund have increased—the fund has a deposit of Tk 160 crore (US$20.5 million) at present and has been used to support various initiatives in support of workers. Interestingly enough, the already strong ties between RMG entrepreneurs and the government have further strengthened since the Rana Plaza incident. This could be partly explained by the need for closer collaboration between the government and the associations in order to undertake and enforce safety and compliance measures along with various other stakeholders, as stipulated under the various agreements, as per the agreed timeline. Entrepreneurs have also taken full advantage of this by extracting additional fiscal and monetary benefits from the public exchequer.[1] It is to be conceded that the attitude and behaviour of government and apparel owners' associations in regard to necesssary reform initiatives have evolved since the Rana Plaza tragedy—from one of denial and uncompromising to one of acceptance and compromise.

Private Initiatives

The two important private initiatives initiated in 2013 following the Rana Plaza incident, the Accord and the Alliance, had multiple objectives, which included improving workplace safety and security in Bangladesh's garment factories through monitoring and inspection of fire, electrical and structural safety-related matters and ensuring the necessary remediation measures in the inspected factories. International brands, retailers and buyers are involved with both the initiatives; international trade unions and rights-based organizations are also involved with one of them (Accord). Later on, national initiatives under NPoA took the responsibility of inspecting and ensuring standards of factories which remained outside the purview of the aforesaid two private initiatives. As part of these three initiatives, 3967 factories are to undergo preliminary safety inspections (Table 1). However, approximately 1000 factories will still remain outside the remit of inspection. These enterprises are not registered with either of the apparel associations (BGMEA or BKMEA), and are primarily subcontractors. It is likely that these factories will have to go out of business in the evolving post-Rana Plaza business environment.

To date, a total of 3632 factories have been inspected from among the listed factories of the associations (BGMEA and BKMEA). While 56 per cent of the factories were inspected under private initiatives of the Accord and the Alliance, the remaining 44 per cent have been inspected under local initiative. A common standard has been followed for inspection

Table 1 Private monitoring initiatives

Various initiatives	*No. of factories inspected*	*% of total*
Accord	1390	38
Alliance	857	24
NI	1549	44
Jointly inspected by Accord-Alliance	–164	–5
Total	3632	100

Source: Web-based information from various sources (http://bangladeshaccord.org/progress/; http://www.bangladeshworkersafety.org/progress-impact/alliance-statistics; http://database.dife.gov.bd/)

of these factories. Factories were issued corrective action plans (CAPs) according to the common inspection standards. Brands and buyers subscribing to the aforesaid initiatives accepted the inspection reports and the remediation measures that were suggested. Factories outside the purview of the three monitoring initiatives will need to be identified by the DIFE.

After three years of work, the progress of remediation work has crossed the half-way mark. The target is to compete the action plan by 2018. Difficulties in getting measures off the ground during the initial phase were the main reason for slow progress at the beginning. The challenge now is to complete the remaining tasks associated with remediation within the stipulated time.

Progress of the Accord Initiative

The Accord has identified a total of 74,559 problems of different types in factories that were inspected under the initiative. Accord-inspected factories have made noticeable progress in terms of remediation: about 58 per cent of work has been carried out till date. However, at the time of writing, only seven factories have fully completed their remediation process. An analysis of the Accord and Alliance reports reveals that the total number of factories inspected with follow-up inspections was 1589 and 1329 respectively (February, 2016). However, the percentage of completed CAPs is very low and accounts for only 0.12 per cent of the total. The pace of remediation, however, is not the same for all types of problems (Table 2). The performance record is better in the case of remediation regarding electricity safety followed by fire and building safety. The pace of remediation appears to depend on a number of factors including costs to be incurred in undertaking the needed remediation measures (the costs are high for changes on account of building structure and fire safety),

Table 2 Progress of remediation in Accord-inspected factories

Total findings	*No. of issues (as of April 10, 2016)*
Initial inspections	74,559
In progress	31,245
Pending verification	11,345
Completed	31,969
% initial CAP findings completed*	58.10

Note: *Pending verification + completed

Source: Accord Website (http://bangladeshaccord.org/progress/)

availability of the needed remediation materials in the local market and availability of skilled professionals to undertake the tasks involved.

Progress of the Alliance Initiatives

In its inspection of listed factories, the Alliance has identified a total of 48,500 problems of which 49 per cent have been remedied till now (about 23,000). A total of 24 factories have been fully remediated (only about 4.1 per cent of total number of enterprises). Compared to 2015, significant progress has been made over the first six months of 2016. The proportion of factories with a lower percentage of progress in terms of remediation has gone down, while the proportion of factories with a higher percentage of progress has increased. About 6 per cent factories have undertaken about 80 per cent of respective remediation activities by April 2016 (Table 3). Another 25 per cent of factories have made significant progress, with 60–80 per cent of their total required remediation-related work having been completed.

Progress of the National Initiatives

As of March 2016, under the National Initiatives (NIs), which includes the majority of factories, 300 CAPs have been received by DIFE (individual structural, electrical and fire CAPs and not on by individual factory). By the end of the reporting period, five CAPs have been approved by the task force set up for the purpose. However, implementation of these CAPs is yet to be seen.[2] In spite of efforts to set common standards, differences remain concerning measures pursued by the Accord, the Alliance and the NIs in terms of process of inspection, assessment of level of non-compliance and the required corrective measures. Given that almost all

Table 3 Progress of remediation in Alliance-inspected factories

Progress (% of total)	*July 2015*	*April 2016*
0–20	154 (27.65%)	34 (5.86%)
20–40	251 (45.06%)	143 (24.66%)
40–60	133 (23.88%)	219 (37.76%)
60–80	19 (3.41%)	148 (25.52%)
80–100	0 (0%)	36 (6.21%)

Source: Annual Reports and Quarterly Updates of Alliance (http://www.bangladeshworkersafety.org/en/progress-impact/alliance-publications/309-the-alliance-annual-report-2015; http://www.bangladeshworkersafety.org/347-q1-2016-progress-report) well-established enterprises are working with buyers that are associated with either the Accord or the Alliance, those that are not and are covered under the NIs may face problems in the near future. These tend to be relatively small enterprises and working under a subcontracting arrangement. Unless appropriate measures are taken to monitor the implementation of CAP in those factories, two streams of enterprises will likely emerge after 2018—factories which are compliant and those that are non-compliant.[3]

The slow progress of remediation is caused by the lack of availability of low-cost remediation finance. Entrepreneurs are of the opinion that on average Tk 2–5 crore (US$250,000–640,000) is needed to complete the required remediation tasks. Some firms need higher funds because of their size and the scale of remediation work. It is true that a number of international organizations have initiated programmes for financing remediation-related activities. However, the progress of such initiatives has been rather slow because of a number of difficulties faced in accessing finance, including relatively high interest rates and procedural difficulties (Moazzem and Khandker 2016).

A recent development, sending a cautionary note, is that both the Accord and the Alliance have stopped working with over 100 factories that have not been able to make satisfactory progress in spite of repeated reviews and various revised timelines. Until now the Accord has suspended 23 factories. Among these, a large number have failed to implement workplace safety measures during the stipulated time period. Similarly, 77 factories have been suspended by the Alliance. The Alliance website cites a host of reasons for this, including lack of communication, inadequate progress, non-compliance, unethical behaviour, failure to shift the production unit and so on. There are also concerns about the 'drop-outs', these being factories which are yet to make any visible progress despite being warned several times. Ensuring the availability of low cost funds for factories to undertake remediation work is therefore urgently needed.

As part of implementing the amended Labour Act of 2013, occupational safety and health (OSH) committees have started to be set up at factory level. To date, a total of 45 OSH committees have been created in the Accord- and Alliance-inspected factories. The Accord has been actively engaged in offering wide-ranging training programmes to newly established OSH committees. These committees have representations from both owners and workers. However, workers have concerns about the status of safety committees—whether the committees act as 'substitute' or 'complementary' in order to trade unions at the factory level is a moot question. The major focus of the training is to build the capacity of the safety committees to deal with safety issues and workers' rights. A total of 7157 mid-level managers and supervisors have received training on OSH. However, the majority of these projects are only at pilot level. Alliance is also implementing helpline programmes with a view to enhance worker empowerment—at present 643 factories have set up helplines (in Bengali they are called *Amader Kotha*, which translates as 'Our Voice') with access to about 866,000 workers; these helplines are receiving an increasing number of calls.

Despite the significant investment made for improving labour and social standards, particularly for workplace safety and security, there is no reflection of the involved additional costs in the price offers being made to suppliers by the buyers. In fact, Moazzem and Bashak (2015) point out that the CM charges offered to suppliers by brands and retailers have declined in the recent past. Consequently, firms are looking for alternative ways to reduce costs through such measures as a reduction in the number of workers on production lines, the introduction of multi-functional machines and deployment of better quality machinery for improving productivity and efficiency, reduction of wastage and improvement of machine utilization capacity. Better Work Bangladesh (BWB), an initiative of the ILO, aims to raise workers' productivity through imparting skills training. The programme has made good progress in recent years; the number of factories participating in this programme has increased quite significantly between 2014 and 2015. What all these will mean for the post-Rana Plaza employment situation remains to be seen.

Overall, there is a genuine desire to address the gaps in labour and social standards that prevailed during the pre-Rana Plaza period. The activities under right-based and private initiatives are geared towards improving the overall compliance situation in the RMG sector. In the pre-Rana Plaza period, worker-related issues were not the focus of the brands. Now workers' rights are also an area of concerns in private initiatives. However, enforcement of trade union rights is an issue of governance in the domestic labour market. Hence, it will be political willingness which will dictate whether workers' rights to organize and bargain collectively are actually enforced on the ground. Whilst workplace safety and security remain a primary concern of buyers and retailers, it is not clear to what extent they are a binding demand on suppliers.

One cannot deny that, in the post-Rana Plaza period, perceptions of the maintenance of labour and social standards have started to change. There is an effort now to look at labour and social standards in the supplying country in a more integrated and holistic manner, as part of shared responsibility. However, progress in the various measures, both rights-based and private initiatives, has been uneven, as pointed out earlier. Progress in implementation has been more substantive in regard to the amendment of laws and regulations, improvement of capacity of public monitoring agencies, public access to inspection-related information of garment factories, organization of training and so on. Progress is moderate in the case of inspection and monitoring of garment factories undertaken by the Accord, the Alliance and the NIs. Progress is rather sluggish in the case of remediation works of NI-inspected factories, enforcement of labour rights, setting up trade unions at the enterprise level, public access to trade union-related information and so on. The reasons driving this disparate level of success vary. The sustainability of the outcomes after 2018, when the current time-bound programmes end, also remains an issue of concern in Bangladesh. Some measures relating to safety and security, including structural safety, workplace safety (fire/electrical/physical) will definitely leave a footprint even after 2018. Even if the Accord and the Alliance are not there, the governance structure that informs procurement at present will likely continue post-2018. Much will depend on the capacity and willingness of public agencies to oversee the norms that have now been agreed (Fig. 3).

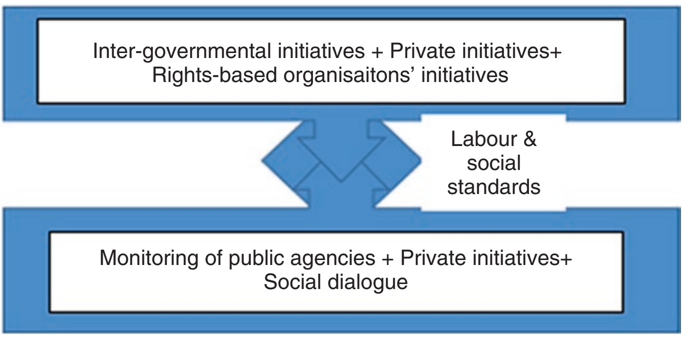

Fig. 3 Participation of different market players in monitoring labour and social standards during the post-Rana Plaza period
Source: Prepared by authors

In Search of an Effective Approach

The comparative experience of the pre-Rana Plaza state of compliance and the post-Rana Plaza initiatives in Bangladesh's export-oriented apparel sector indicates that measures to improve labour and social standards should be an ongoing endeavour and need to be sustained over time. It is true that it was major buyers and retailers which forced new thinking when the Rana Plaza tragedy happened. Many of the measures were forced by them and enforced by them. The tragedy, and the consequent wakeup call, forced them to seriously think about their enforcement of existing standards. The success of this hinges critically on their own participation and inclusion in the remediation process.

In a welcome move, buyers, retailers, entrepreneurs and the government of Bangladesh joined hands in a collective effort to bring a change in business as usual, for the better. Progress has been achieved because all stakeholders in principle agreed to be partners in this common endeavour. This is a major departure from the pre-Rana Plaza period. The overwhelming role of buyers/retailers in the immediate remediation is well understood. However, the role of domestic institutions will likely become more important when the time-bound initiatives of the Sustainability Compact, the USTR Action Plans and the Accord and the Alliance come to an end.

Institutionalization of the Inspection and Monitoring Process

Upgrading the labour inspectorate to the status of DIFE was a positive move in promoting decent work and labour environments in the export-oriented apparel sector of Bangladesh. The road map of the DIFE should focus more on an purpose-based, knowledge-led organizational structure with adequate capacity in skilled human resources and information technology (IT) enabled services. A major part of the activities of DIFE is concentrated on OSH-related activities which need to be further strengthened. In line with this, the DoL needs to be upgraded into the Directorate of Labour to strengthen its capacity to enforce labour laws. This needs to be prioritized in MoLE's medium-term work plan, which will help enforcement of labour and trade union rights at enterprise level.

It cannot be denied that factories inspected by the Accord and the Alliance have made impressive progress in terms of remediation-related initiatives. However, these factories account for only 48 per cent of total factories in Bangladesh. Factories inspected as part of the NPoA are significant in number; however, as was pointed out, remediation work in these factories has been rather slow and progress only marginal. Thus, the majority of factories are yet to make significant progress in terms of remediation-related works. About 909 factories remain outside the scope of the three ongoing initiatives (the Accord, Alliance and NIs); factories inspected primarily under national initiatives (1549) are yet to submit their CAPs. About 100 factories have been suspended by the Accord and Alliance mainly because of low progress in remediation. It is possible that about half the factories will continue functioning without having undertaken major remedial measures. It will be the responsibility of the government to see to it that progression is achieved on a continuing basis. A plan of action to address remediation issues concerning these factories will need to be designed. In addition, it will be important to address issues related to relocation, closed-down factories and compensation of workers at closed-down factories with due importance and urgency. These responsibilities will primarily fall on the government.

Each of the three initiatives has tended to follow its own particular and respective procedures to inspect, monitor and review the corrective measures. Some attempts have been made to harmonize these, and this is necessary. It is good that all information relating to factories has been made public through postings on the relevant websites, which has contributed to bringing transparency to the process of remediating factories. Expertise gained by various organizations should be transferred to local counterparts so that a local professional base is developed over time to monitor related compliance scenarios. This could be done in two ways: (a) cooperation arrangements and agreements for sharing knowledge, data, technology and other expertise with local competent authorities in a phased manner; and (b) promoting a private sector-led inspection mechanism with support from international experts, which will operate under direct supervision of the concerned government offices.

Ensuring Workers' Rights

Enforcement of worker's rights at enterprise level, including the right to association, establishment of trade unions and the right of trade unions to work as Collective Bargaining Agents (CBAs) are matters of urgency and continue to remain cause for concern in the post-Rana Plaza period. There are attempts to deal with these, but they are still at their initial stage and yet to become intuitive in terms of organizational learning. As was noted, the committee of experts on the applications of the ILO conventions concludes that the requirement of consent of 30 per cent of the total workers in the factory for the purpose of forming trade unions is a rather high threshold. Operationalization of labour laws in the EPZs remains a highly debated and contested issue in Bangladesh.

Promoting Occupational Health and Safety Initiatives

A key task of safety committees and workers' participation committees is to promote workplace awareness by sensitizing workers to issues related to workplace safety and workers' rights. This will hopefully strengthen workers' voices at enterprise level. It will also contribute towards the setting up of effective and responsible trade unions in the long run. BWB may be entrusted to provide technical services for building and fire safety assessments, promote regular fire and building inspections, help with OSH-related awareness building, capacity and systems. BWB could also facilitate the process of establishment of trade unions at factory level and at the same time help maintain the healthy worker–owner relationship which is an issue of great concern for all involved stakeholders in Bangladesh's apparel sector.

Establishment of RMG Coordination Cell (RCC)

In view of the need to monitor the progress of initiatives undertaken and the follow-up activities, and to address challenges in the context of the post-2018 scenario, an RMG Coordination Cell (RCC) may be established. It needs to be recognized that this cell could, if necessary, liaise with financial institutions for remediation-related financing. The cell could help develop technical and institutional structures to ensure the long-term sustainability of current efforts. This could also help the process of institutionalization of the ongoing processes. To ensure that the work is sustained, the RCC could select private firms to conduct monitoring of the remediation work and their continuation and follow-ups, under the oversight of the regulators. A key responsibility of the RCC would also be to oversee the enforcement of labour laws and trade union rights at enterprise level. A significant amount of investment would be needed for the RCC to function efficiently. The Accord and the Alliance could transfer their knowledge and technical know-how to this body, External quality assurance bodies could also be associated with the work of the RCC to ensure high quality of delivery.

The RCC could also work with global initiatives such as the Asian Floor Wage and Fair Price Labelling to ensure that there is a level playing field in which apparel producers of all countries could be incentivized to follow a set of commonly accepted compliance standards. Financing of remedial measures remains a major concern in Bangladesh—but issues of better compliance are not just relevant to this country. An argument which has supported these initiatives was that the remedial measures, whilst costing considerable resources, were helpful in terms of improving workplace environment, also adding to productivity and helping with competitiveness. However, the results of such initiatives are visible only gradually, over the medium term, while the costs incurred are immediate.

It has to be appreciated, however, that many of the remedial measures such as structural, electric and fire safety measures, will likely have permanent effects on the way in which the Bangladesh apparel sector operates in future. In view of the strengthening of the involvement of oversight institutions of the state, it is hoped that enforcement of rules and regulations will also be better in the future. For their part, both Bangladeshi apparel entrepreneurs and overseas buyers will be more sensitive to safety issues, so that such tragedies are not repeated. One could say that a combination of all these factors will gradually help the emergence of a model of governance in Bangladesh's export-oriented RMG sector which embeds a culture of better compliance. However, its success will critically hinge on adoption and replication of the model by other countries. If this does not take place, cost reductions and pressure of price competitiveness could undermine the medium- to long-term sustainability of the well-meaning and much-needed ongoing efforts being undertaken by Bangladesh.

Notes

1. One case in point is the successful lobbying by the apparel entrepreneurs not to raise advance income tax on export earnings, as was proposed in FY2016–17 budget. This provided tax relief to the tune of about US$250 million per year.
2. It is important to note that the number of partially closed factories and buildings increased almost threefold in 2015 compared to that in 2014, while the number of closed factories increased almost twofold during the same period.
3. These non-complaint enterprises will not be able to export (or work as subcontractors of lead exporting firms to the EU and North American markets. Some will perhaps be able to continue business with non-traditional markets (outside these two markets).

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A Governance Deficit in the Apparel Industry in Bangladesh: Solutions to the Impasse?

Mohammad Tarikul Islam, Amira Khattak, and Christina Stringer

Introduction

Bangladesh's apparel industry is a key supplier to European and North American markets. From a negligible base of 384 firms in the mid-1980s, within four decades apparel has become the flagship industry of Bangladesh (Bangladesh Garments Manufacturing and Exporters Association (BGMEA) 2016b). The government of Bangladesh facilitated the growth of the industry as part of its export-led growth strategy, albeit without the parallel development of economic and social institutions necessary for the equitable functioning of the industry. Quite quickly the industry became incorporated into global supply chains as buyers located in Europe and North America subcontracted production to suppliers in Bangladesh. The rapid growth of

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the industry, coupled with limited institutional frameworks (e.g., inadequate fire inspections, lack of enforcement of building codes and worker welfare organisations), has resulted in a number of disasters in which workers have been killed or injured. The most widely known event was the collapse of the Rana Plaza factory complex in 2013.

Underpinning the growth of the apparel industry of Bangladesh has been the emergence of production networks—referred to as global value chains (GVCs)—connecting buyers with suppliers in developing countries. Extensive subcontracting networks have formed, involving up to four layers of affiliated suppliers. Suppliers work with different buyers and markets, which adds complexity to the supply chain. Price-driven competition for orders, coupled with flexibility by buyers in regard to sourcing countries, means suppliers in Bangladesh are in competition with other apparel exporting countries (Frederick 2016; Jun 2014; Lee 2016). Buyers seek the lowest cost sites of production, resulting in suppliers cutting costs in order to bid prices down (Gereffi 2005a; Taplin 2014). This "race-to-the-bottom" scenario has "left many workers outside the control of effective governance institutions to protect their interests" (Mayer and Pickles 2014, 18). In turn, this has led to a "governance deficit" (Gereffi and Mayer 2006; Mayer and Pickles 2014), a situation characterised by the inadequacy of institutions to facilitate market growth and stability, regulate markets and market actors, and compensate for undesirable effects of market transactions (Gereffi 2005b; Gereffi and Mayer 2004). When a governance deficit occurs, various actors—public, private and social—seek to "fill the gap with new governance mechanisms" (Barrientos et al. 2011, 306).

Public governance actors include nation-state actors as well as intergovernmental organisations such as the International Labour Organization (ILO). However, governments in many apparel exporting countries, such as Bangladesh, do not want to lose their comparative advantage in low cost production, and therefore are at an impasse in terms of balancing growth and ensuring decent working standards. Private governance encompasses the co-ordination of inter-firm economic transactions along the GVCs by large lead firms, also referred to as buyer firms. Private governance can also include social dimensions such as labour conditions through the introduction of voluntary buyer-driven codes of conduct (Gereffi and Lee 2016; Lee 2016). The third form of governance is that of social governance, wherein social actors, such as labour unions and non-governmental organisations (NGOs), advocate for better working conditions. While the enforceable nature of social governance initiatives is questionable, social governance actors can be effective when targeting a company's reputational risk or through multi-stakeholder involvement.

Our chapter is concerned with how governance institutions are seeking to address the governance deficit in the apparel industry of Bangladesh. Following Lee (2016), we propose that the engagement of multiple—public, private and social—governance institutions is needed. We argue that public governance alone is not enough; likewise, private and social governance initiatives by themselves are not effective. Each of the stakeholders has different governance functions (i.e., facilitative, regulative and distributive) and when combined these functions can address weaknesses in the industry. We acknowledge that this is not a straightforward process and that conflicts can exist between the public, private and social actors. The chapter is set out as follows: the next section reviews the GVC governance literature and establishes a conceptual framework. This is followed by an overview of the Bangladesh apparel industry. We then go on to discuss the response of the three governance institutions (public, private and social) in the post-Rana Plaza regime. We conclude by advocating the need for a public–private–social model wherein public governance is distinguished at two levels—the local and international—in order to address the governance deficit in the industry.

Global Value Chains, Governance and Institutions

Apparel GVCs emerged in the 1950s and 1960s out of initiatives from buyers—mass merchant retailers, brand marketers and brand manufacturers—to subcontract production to developing countries (Appelbaum 2008; Frederick and Staritz 2012). The increased fragmentation and geographic dispersion of the value chain has led to flexible contracts, high turnover of suppliers and high expectations from buyers, without accompanying increases in prices paid to the suppliers. Thus, suppliers seeking to secure orders from a much smaller set of powerful buyers are under pressure to manufacture apparel more quickly and cheaply than their competitors (Anner et al. 2013; Gereffi 2005a). This has also resulted in stringent production schedules, less than optimal conditions for workers (Appelbaum et al. 2005; Lee 2016) and the bypassing of regulations (Taplin 2014). Bangladesh is no exception.

Buyers are conceptualised as driving the value chain in terms of value addition and distribution. Importantly, they externalise low value-added activities in order to achieve organisational flexibility (Gibbon 2008). Much of the GVC research to date has focused on governance (Bair 2008; Gibbon et al. 2008; Sturgeon 2008), referring to the authority and power relationships that determine how material, financial and human resources are allocated and co-ordinated within the chain by buyer firms. The governance relationship is important for several reasons. Access to some markets for suppliers is only possible through buyer firms' networks. Further, governance is critical for suppliers' learning and acquisition of knowledge that leads to their participating in higher order tasks in GVCs. Although buyers are continuously seeking cost reductions and increased speed, they can also, at the same time, transmit best practices and advice to participating firms (Humphrey and Schmitz 2002), thus stimulating learning and upgrading along the chain (Gibbon and Ponte 2005). According to Bair (2008), upgrading is the "process by which actors (principally firms) seek to reposition themselves along the chain in order to increase the benefits (e.g., security, profits, technology or knowledge transfer) that they receive from participating in it" (2008, 5).

Institutions play a key role in GVCs. They are defined as formal and informal arrangements of a national and international nature which shape globalising processes (Palpacuer et al. 2005). Until recently, governance and institutions were considered two distinct dimensions of GVCs. However, Sturgeon (2008) posits that governance, institutions and power in GVCs, individually and particularly in combination, provide a robust explanation of why inter-firm relationships evolve. Combining the governance and institutional dimensions in GVCs, Mayer and Pickles (2014, 17) define governance as:

> institutions that constrain or enable market actor behaviour—both in the public sphere, in the form of governmental policies, rules and regulations, and in the private sphere, in the form of social norms, codes of conduct adopted by businesses, consumer demand for social responsibility or other non-governmental institutions and social movements.

The rapid globalisation of economic activities has disembedded markets from social systems and state control, leading to a governance deficit characterised by limited capacities and weak institutions in controlling market actors (Gereffi and Mayer 2006, 41). This has further led to predatory sourcing practices by some buyers and rampant violation of social standards by suppliers. In response, various state and social actors are striving to re-embed market actors through new or renewed governance institutions (Mayer and Pickles 2014). Questions around the success of both public and private initiatives to effectively re-embed the market have opened up a space for social actors to play an increasingly active role in shaping the institutional environment within apparel GVCs.

Governance Institutions

Gereffi and Mayer (2006) posit that governance institutions differ along three key dimensions: (1) the type of institution—private versus public; (2) their function; and (3) their scale. First, public governance refers to the rules and regulations set down and enforced by national and regional state actors as well as by international organisations (Barrientos et al. 2011; Mayer and Pickles 2014). Private governance refers to the "social mores that determine acceptable market behaviour, professional standards and codes of conduct, collective bargaining agreements that define the obligations of firms towards workers, and other non-governmental institutions" (Gereffi and Mayer 2004, 12). Second, the functional dimension of governance refers to the facilitation, regulation or redistribution of markets (Mayer and Pickles 2014). Facilitative governance enables the formation of markets, the creation of employment opportunities and the establishment of an attractive investment location. Regulatory governance, in contrast, seeks to constrain the profit-seeking behaviour of firms that may result in the exploitation of workers and other such practices. Redistributive governance addresses inequalities; either through imposing taxes, enhancing social services or requiring firms to improve wages and other benefits. Third, the scale of governance refers to governance actors at the national, regional or international levels. According to Mayer and Pickles, public governance "is more developed at the level of the national state" whereas in contrast private governance "may transcend national boundaries" (Mayer and Pickles 2014, 19). The importance of the governance institutions may vary across industries. We now specifically discuss public, private and social governance in the apparel industry.

After more than 30 years of deregulation, and in the face of nomadic sourcing practices, the role of public governance at the national, regional and international levels has become increasingly important (Gereffi 2014). Key international governance actors include the ILO (the governing body for labour standards), the International Finance Corporation (IFC) (the private sector lending arm of the World Bank), the International

Monetary Fund (IMF), and the World Trade Organization (WTO). The inclusion of labour provisions in the Doha round of WTO negotiations was opposed by some developing countries as they were viewed as protectionism in disguise. In contrast, labour provisions may be possible at the regional level. For example, the European Union (EU) plays a key role in regulatory and redistributive roles through its Generalised System of Preferences (GSP) and Generalised System of Preferences Plus (GSP+) granted to those beneficiary countries applying ILO core labour standards and other basic rights. Some institutions, for example the Inter-American Development Bank (IADB) and the Asian Development Bank (ADB), are seen to be more attuned to the social dimensions of globalisation than other institutions, such as the World Bank (Mayer and Pickles 2014). The interconnectedness between governance actors is illustrated through the IFC requirement that adherence to ILO core labour standards is a key prerequisite in projects it funds. International and/or regional actors can persuade national governments to review their policies (particularly regulatory) and enforcement to comply with the requirements of international and regional frameworks. In turn, such initiatives have the potential to shape the dynamics of GVCs.

Private governance initiatives arising in response to weak public governance range from labour standards to codes of conduct promulgated by corporations and industry associations (Aoki 2001; Mayer and Gereffi 2010). Compliance to codes of private governance has, for some suppliers, become a *sine qua non* for entry into GVCs (Nadvi 2008). In the face of consumer boycotts and negative media reports, voluntary codes of conduct and corporate social responsibility (CSR) practices have become the dominant private governance tool and can have significant regulatory impacts through adherence to legal minimum wage requirements (Nadvi 2008). While a spotlight has been shone on some mass merchandisers for their haphazardly predatory outsourcing practices (Appelbaum 2004; Appelbaum et al. 2005; Gereffi and Christian 2009), other firms have actively sought to monitor and govern their supply chains (Appelbaum et al. 2005; Keohane 2002; Tickell and Peck 2003). Brands such as Nike and The Gap, once poster firms for reckless sourcing and labour abuses, are now viewed as industry leaders in transparency, monitoring and CSR practices, albeit largely thanks to intense social pressure. However, private governance mechanisms can lack adequate monitoring processes, particularly in countries without strong regulations or where the enforcement of laws is otherwise limited (Bair and Palpacuer 2015). Further, only a select number of buyer firms have adopted private governance initiatives (Mayer and Pickles 2014). The costs and efforts to enforce private governance can result in this being an inadequate measure to tackle problems in the industry. From the suppliers' perspective, a lack of uniformity in private governance initiatives creates complexity for them to abide by, since they tend to work for multiple buyers and markets. For instance, quality standards for Europe and North America are not the same, and coupled with different buyers' voluntary codes of conduct can create code overload (Mayer and Pickles 2014) leading to monitoring fatigue (Locke 2013). Thus, suppliers may seek to bypass stringent audits to avoid incurring additional costs or only symbolically and superficially implement buyers' codes without any real commitment (Boiral 2007).

The social governance response is driven by, for example, labour unions, NGOs and other non-profit organisations (Lee 2016). Increasingly, social governance actors play an important role in the areas of facilitation and redistribution. They negotiate with actors within GVCs for fair wages and compensation, provide training and advocacy to workers to enhance their skills and provide a voice about their rights on the job. Pressure from social governance actors can lead to transparency along the supply chain by lead firms (e.g., Nike's code of conduct emerged as a result of sweatshop campaigns which highlighted poor working conditions in Nike's supplier firms) as well as restraining typically footloose and delocalised predatory outsourcing practices (Barrientos et al. 2011). However, the enforcement authority of social governance actors is limited to lobbying chain actors (including buyers and governments).

The Bangladesh Apparel Industry

The growth of the Bangladesh apparel industry was facilitated by both domestic and international trade policies. At the domestic level a number of incentives were put in place to enhance export competitiveness. The shift to an export processing model in the 1980s was followed by the establishment of two key industry associations—BGMEA and the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) in the early 1980s and 1996 respectively. These two associations have provided a platform for the suppliers to negotiate with government, international organisations and buyers. In 1985, Canada and the United States (US) imposed quota restrictions on Bangladesh's apparel exporting, resulting in the closure of 500 firms. BGMEA, in collaboration with Bangladesh's government, allocated export quotas among the most capable suppliers, thus successfully withstanding the shock of the loss of open access and thereby increasing export growth (Quddus and Rashid 2000). In 2004, the Bangladesh government established export processing zones (EPZs) with the aim of attracting foreign investment (Yunus and Yamagata 2014). The initiatives facilitated the rapid growth of the industry (Kurpad 2014; Yunus and Yamagata 2014), with productivity increasing significantly (see Table 1) (BGMEA 2016b).

At the international level, the imposition of quota restrictions by developed countries on exports from newly industrialising East Asian countries in the early 1980s encouraged firms from those countries to search for quota-free locations in which to establish apparel assembly plants (Rana and Sørensen 2013). Bangladesh, as a member of the least developed countries (LDCs) category, was a quota-free location. Thus, firms from the East Asian countries sought partners in Bangladesh to establish apparel assembling plants. For example, a joint venture agreement between Daewoo, a South Korean conglomerate, and Desh Garments, a local partner in Bangladesh, enabled the former to overcome quota barriers by exporting products which were not fully Korean manufactured. Under the joint venture agreement, 130 staff from Desh were trained for six months at Daewoo's state-of-the-art production facility in South Korea. These staff subsequently established the nucleus of the apparel industry's technology and human resource management base in Bangladesh (Van Klaveren 2016). In short, quota-free exporting and technology transfer from East Asian firms, along with available cheap labour with high learning potential, boosted the manufacturing of apparel in Bangladesh (Yunus and Yamagata 2014). Further, the quota facilities from 1974 to 2004 under the Multifibre Agreement (MFA) and the Agreement on Textiles and Clothing (ATC) for the EU and US markets supported the upgrading of suppliers by raising cost competitiveness through tariff-free market access, thus also serving to attract foreign investment (Curran and Nadvi 2015; Sattar 2006).

The facilitative role of public governance institutions resulted in an increase in export growth from US$31.6 million in 1984 to US$25.49 billion by 2015 (see Table 1) (BGMEA 2016b). Supportive domestic initiatives, coupled with international regulations and liberalisation of trade regulations, facilitated substantial economic upgrading in terms of production capacity, export volume and global market share (of 6.4%) (D'Souza 2016). However, the regulatory frameworks have had minimal

Table 1 Growth of the Bangladesh apparel industry from 1983 to 2014

Year	*Number of factories*	*Number of workers (million)*	*Export (million US$)*	*Percentage of apparel export to total export*	*Year*	*Number of factories*	*Number of workers (million)*	*Export (million US$)*	*Percentage of apparel export to total export*
1983–84	–	–	31.6	3.89	1999–2000	3200	1.6	4349.4	75.6
1984–85	384	0.12	116.2	12.4	2000–01	3480	1.8	4859.8	75.1
1985–86	594	0.20	131.5	16.1	2001–02	3618	1.8	4583.8	76.6
1986–87	629	0.28	298.7	27.7	2002–03	3760	2.0	4912.1	75.0
1987–88	685	0.31	433.9	35.2	2003–04	3957	2.0	5686.1	74.8
1988–89	725	0.32	471.1	36.5	2004–05	4107	2.0	6417.7	74.2
1989–90	759	0.34	624.2	32.5	2005–06	4220	2.2	7900.8	75.1
1990–91	834	0.4	866.8	50.5	2006–07	4490	2.4	9211.2	75.6
1991–92	1163	0.58	1182.6	59.3	2007–08	4743	2.8	10,699.8	75.8
1992–93	1537	0.8	1445.0	60.6	2008–09	4925	3.5	12,347.8	79.3
1993–94	1839	0.83	1555.8	61.4	2009–10	5063	3.6	12,496.7	77.1
1994–95	2182	1.2	2228.4	64.2	2010–11	5150	3.6	17,914.5	78.2
1995–96	2353	1.29	2547.1	65.6	2011–12	5400	4.0	19,089.7	78.6
1996–97	2503	1.3	3001.3	67.9	2012–13	5876	4.0	21,515.7	79.6
1997–98	2726	1.5	3781.9	73.3	2013–14	4222	4.0	24,491.9	81.1
1998–99	2963	1.5	4019.9	75.7	-	-	-	-	-

Note: –, data was not available.
Source: BGMEA (2016b).

Table 2 Top apparel exporting countries

Exporting countries	*Population (million) 2015*	*Number of firms*	*Monthly minimum wage (US$) 2016*	*Apparel exports (billion US$) 2013*
China	1371.22	100,000 (2012)	155	177
Bangladesh	161	4,300 (2016)	68	24
India	1311	9,168 (2011)	137	17
Vietnam	91.70	4,950 (2012)	107	17
Indonesia	257.56	1,830 (2011)	104	8
Cambodia	15.58	315 (2012)	140	5
Pakistan	188.92	3,500 (2014)	116	5
Sri Lanka	20.96	1,553 (2011)	74	5

Source: BGMEA (2016a), Frederick (2016), Lu (2016), Van Klaveren (2016), WTO (2014), World Bank (2016).

impact in terms of protecting workers' basic rights, including freedom of voice and association, living wages, security and dignity.

Accompanying the growth of the industry was an increase in employment opportunities, particularly for illiterate and largely compliant female workers. Notably, Bangladesh's wage rate is the lowest among the top apparel exporting countries (see Table 2). The rapid growth of the industry has been fraught with problems, particularly with regard to labour and factory building standards. Many factory workers are employed under precarious employment conditions, including long hours for low wages and in unsafe conditions. Despite the introduction of the Trade Union and Industrial Relations Bill in 2004, trade union activities were not permitted in the EPZs. Furthermore, the bill was not in full compliance with the ILO's conventions on collective bargaining,[1] or on freedom of association,[2] as it gave authority to each EPZ administration to deregister unions. Until the late 2000s, the absence of trade unions was advertised to attract foreign investors (Berik and van der Meulen Rodgers 2010; Van Klaveren 2016). Opposition to trade unions was such that on 4 April 2012 Aminul Islam, President of the Bangladesh Garment and Industrial Workers Federation (BGIWF), was arrested by police, tortured and killed for his role in protests against low wages in the factories (Manik and Bajaj 2012). Local trade union leaders are typically male in an industry dominated by females (80% of the workforce), are not employees in the industry and lack knowledge of industrial relations and collective bargaining mechanisms (Tighe 2016).

Post-Rana Plaza: Public, Private and Social Governance Initiatives

In 2013, the now infamous Rana Plaza disaster occurred in which 1134 workers were killed and around another 2500 were critically injured (Rana Plaza Arrangement 2015). Rana Plaza, an eight-storey commercial building in the vicinity of the capital city Dhaka, housed several factories which manufactured apparel for a number of prominent brands, including Walmart, JC Penney, Primark, Joe Fresh and Benetton (Luckerson 2013). The Rana Plaza tragedy has been referred to as the deadliest industrial disaster in the history of apparel sourcing (*The Economist* 2013) and as a wake-up call for the apparel industry and its stakeholders (Rossi et al. 2014). Table 3 provides a chronology of recent disasters in the apparel industry and summarises responses by public, private and social actors at the time. As shown in the table, the Rana Plaza factory collapse, along with two other factory collapses, occurred when additional stories were built in clear violation of construction permits. Planning permission for Rana Plaza was expedited by the mayor as factories "were quickly constructed to take advantage of the export boom in garment assembly" (Taplin 2014, 77). Workers in other factories died as a result of fires; the majority due to faulty or substandard wiring and short-circuiting. A number of these factories had inadequate fire safety provisions. Some of the factories, including Aswad, Tung Hai and Matrix, had been audited by brands (e.g., the Swedish brand H&M) and were certified as complying with their respective buyers' codes of conduct prior to the fires. Yet despite these audits, disasters still occurred. We now go on to highlight how and in what capacities public, private and social governance actors sought to tackle the governance deficit generally and particularly after the Rana Plaza disaster.

Public Governance Initiatives

At the international level, the ILO initiated a multi-faceted action plan to strengthen Bangladesh's labour laws in order to remove the gap between the national labour law and the ILO conventions. It interacted with a variety of actors, including the Bangladesh and foreign governments, and local and international NGOs in order to strengthen the industry. The ILO sought to ensure that mandatory safety inspections occurred in all factories, and provided intensive training to enhance the capacity of

Table 3 A snapshot of recent disasters in Bangladeshi factories

Year	*Factory*	*Nature of the incident*	*Cause of the incident*	*Number of victims*		*Buyer firms*	*Governance institutions—Post response*		
				Dead	*Injured*		*Public*	*Private*	*Social*
11 April 2005	Spectrum Sweater Factory, Savar, Dhaka	Building collapsed and a boiler exploded	Violation of construction permit regarding the number of floors	64	80	Carrefour, Zara, Karstadt Quelle, Cotton Group, Neckermann, Scapino, Steillmann	Government led investigation identified that the factory was built on a swamp and constructed with poor-quality materials (BBC 2005).	BGMEA investigated causes of the collapse. US$1250 was paid to the families of victims by the factory owner (CCC 2011).	Spectrum Relief Scheme was formed by International Textile, Garment and Leather Workers Federation and Zara to compensate victims and their families (Clean Clothes Campaign (CCC) 2011).
23 February 2006	KTS, Kalurghat, Chittagong	Fire	Electric short circuit	61	150	Ambiance USA, O'Rite Intl, Uni Hosiery, ATT Enterprise, VIDA Enterprises and Leslee Scott	Investigative team (the Commerce Ministry and police) identified causes of the accident (Skeers 2006).	Compensation provided to each family by BGMEA.	Following litigation filed by human rights organisations, three people were found guilty; each fined US$19 (Hossain and Bergman 2010).

24 February 2006	Phoenix Garments, Tejgaon, Dhaka	Building collapsed	Unauthorised extension of the building	19	50	Several European buyers	Investigative team found that an unauthorised extension caused the collapse (CCC 2006).	No initiatives undertaken by BGMEA and BKMEA.	No initiatives reported.
27 February 2006	Moon Fashion, Chittagong	Fire	Electric transformer exploded	0	57	Undisclosed	Investigative team reported that narrow exit ways led to an increase in the number of injuries.	In February 2006, BGMEA began safety inspections. By April, 1295 factories were inspected.	The CCC called on buyers to provide compensation for workers who died (US$6250) or were injured (US$625).
25 February 2010	Garib & Garib, Gazipur, Dhaka	Fire	Undisclosed	21	50	H&M, Terranova	Audited both by the fire brigade and the buyer in October 2009 and certified as "no serious fire safety problem" (CCC 2010).	Compensation of US$2500 given to the families of those who died (CCC 2010).	The CCC called on buyer firms to provide compensation and on the government to launch a criminal investigation.

(*continued*)

Table 3 (continued)

Year	*Factory*	*Nature of the incident*	*Cause of the incident*	*Number of victims*		*Buyer firms*	*Governance institutions—Post response*		
				Dead	*Injured*		*Public*	*Private*	*Social*
14 December 2010	That's It Sportswear, Ashulia, Dhaka	Fire	Undisclosed	29	100	Abercrombie & Fitch, Target, The Gap, and JC Penney	Electrical short-circuiting and substandard wiring caused the fire. The Bangladesh government covered burial costs (CCC 2011).	BGMEA only paid 20% of its share of compensation and factory owners only 40%.	Recognising the absence of proper compensation systems, trade unions and NGOs developed a formula for compensation per deceased worker: brands to provide 45%; factory owners 28%; BGMEA 18% and government 9%. This formula has been implemented in a number of fires and other building safety incidents (Foxvog et al. 2013).

24 November 2012	Tazreen Fashions, Ashulia, Dhaka	Fire	Electrical short circuit	112	150	Walmart, Disney, C & A, Edinburgh Woollen Mill and Karl Rieker	In December 2013, 13 people charged for arson and homicide including the owners of the factory (BHRRC 2012).	BGMEA provided US$1250 compensation to the families of workers who died (Burke and Hammadi 2012).	The Tazreen Claims Administration Trust—an agreement between IndustriALL Global Union, CCC, C&A and C&A Foundation—called on brands with annual revenue of over US$1 million to pay a minimum US$100,000 to the Trust (CCC 2015).

(*continued*)

Table 3 (continued)

Year	*Factory*	*Nature of the incident*	*Cause of the incident*	*Number of victims*		*Buyer firms*	*Governance institutions—Post response*		
				Dead	*Injured*		*Public*	*Private*	*Social*
2013	Aswad Knit Composite, Gazipur, Dhaka	Fire	Undisclosed	9	50	H&M	Unidentified	H&M as a buyer and a steering committee member of the Accord promised to compensate the victims.	Scott Nova, Worker Rights Consortium, stated "The safety accord (i.e., the accord-alliance) in it of itself does not change anything , which is why this fire underscores the urgency of getting factory inspections and renovations under way" (Al-Mahmood 2013).

10 April 2013	Rana Plaza housing five garment factories.	Building collapse	The building was in violation of the construction permit.	1135	2500	Benetton, Joe Fresh Bonmarché, The Children's Place, El Corte Inglés, Mango, Monsoon Accessorize, Matalan, Primark and Walmart.	38 people including the building owner (Rana) charged with murder; three people charged with helping Rana flee custody (Paul 2016). Monthly minimum wage increased US$68. Amendment of the Labour Law (2006).	Formation of the Accord and the Alliance. In addition, BGMEA and BKMEA initiated formation of workers database, compulsory group insurance for workers, help line and health care services for workers.	The ILO and international NGOs for worker rights raised US$30million from buyer firms. Government closed 35 factories for non-compliance. In 2015, the number of trade unions increased to 437 (Westervelt 2015).
9 May 2013	Tung Hai Sweater	Fire	Electrical wires	9	–	Several European brands and retailers	Not reported.	The factory had been recently audited by Primark and certified as an "active factory" in terms of social standards (Al-Mahmood and Burke 2013).	Kalpona Akter, Bangladesh Centre for Worker Solidarity: "We must build a culture of safety in Bangladesh and international retailers must be part of this" (Al-Mahmood and Burke 2013).

(*continued*)

Table 3 (continued)

Year	*Factory*	*Nature of the incident*	*Cause of the incident*	*Number of victims*		*Buyer firms*	*Governance institutions—Post response*		
				Dead	*Injured*		*Public*	*Private*	*Social*
2 February 2016	Matrix Sweater Factory, Gazipur, Dhaka	Fire	Suspected to be electrical short circuit	–	4	H&M, JC Penney, Walmart, Inditex, Oliver, Esprit and Marks & Spencer	A previous inspection by the Bangladeshi DIFE, reported inadequate fire safety equipment.		An audit by the Alliance in 2014 identified safety hazards. The CCC (2016) stated that safety renovations were "progressing adequately".

Note: –, data was not accessible.

inspectorates. The governments of the Netherlands, Britain and Canada contributed US$24 million to implement these action plans over a three year period (ILO 2014). The Rana Plaza Coordination Committee, designed and chaired by the ILO, was established to receive donations from companies and organisations, as well as individuals, for the victims of the Rana Plaza disaster and their families and dependents. The target goal of US$30 million was reached in 2015 (ILO 2015a).

At the national level, the centrepiece of employment legislation is the Bangladesh Labour Act (2006). The Bangladesh Labour (Amendment) Act 2013 is a closer step to the Bangladesh government fulfilling its responsibility under ILO Conventions 87 and 98 (ILO 2013). The amendment of the Labour Act resulted in an increase in the number of unions from 122 in 2012 to 437 in 2015 (Westervelt 2015). However, while trade unions are permitted, they are not necessarily widely accepted, particularly as only 10% of factories have approved unions (Van Klaveren 2016). The Act restricts the extent of unions: for example, unions are banned from being located within 200 yards of the production site, a new union requires the support of 30% of the workers and participation in union activities during work hours is prohibited (Khan and Wichterich 2015). Human Rights Watch (HRW), a New York based workers' rights organisation, reported that, despite unions being approved under the recent amendment of the Labour (Amendment) Act 2013, factory managers continue patterns of intimidation, violent attacks and involuntary dismissals in an attempt to stop unionisation (HRW 2015). Thus, there is an indication that the government's ongoing ability to enforce labour legislation is questionable.

Private Governance Initiatives

The ongoing disasters have raised concerns as to whether or not private initiatives are sufficient to tackle the governance deficit, particularly as they lack enforcement authority. Brands which sourced apparel from factories housed in the Rana Plaza complex (see Table 3) all had voluntary codes of conduct in place, pledging that they, and their suppliers, would provide safe and healthy working conditions. As noted earlier, adherence to codes of conduct is not necessarily a straightforward process.

At the industry level, the BGMEA implemented a number of programmes in order to try and revive the shattered confidence of buyers. Apparel workers were often employed without formal contracts, and thus identifying the exact number of victims after an accident proved difficult. Subsequently, BGMEA instructed member firms to develop an online database of workers with the aim of developing a central database. Appreciating the complexity of such an initiative, the Canadian government provided support to continue trade with Bangladesh (BGMEA 2014a). Contributing US$2 billion to the Prime Minister's relief fund for the families of those who died in the Rana Plaza building collapse, BGMEA also took responsibility for the education and living costs of children who lost their parents in the accident. In collaboration with the Central Bank of Bangladesh and the Japan International Cooperation Agency (JAICA), BGMEA created a US$1.04 billion fund to provide low interest credit to local apparel manufacturers in order to improve safety standards (BGMEA 2014b).

Social Governance Initiatives

Even prior to the Rana Plaza collapse, social governance actors had been working to improve conditions. In 2010, NGOs for worker rights (e.g., Clean Clothes Campaign, CCC), trade unions, civil society organisations and other international organisations pressured the Bangladesh government to increase the minimum wage for apparel workers (Lan and Pickles 2011). In response to such domestic and international pressure, the Bangladesh government increased the minimum monthly wage from US$38 to US$68 effective from December 2013. Nevertheless, Van Klaveren (2016) found that 31 to 40% of factories had not yet implemented the minimum wage. Further, a study conducted in 2013 estimated that the living wage in Bangladesh is actually US$102 a month (Moazzem et al. 2013).

As noted earlier, social governance actors lack enforcement authority and hence are primarily engaged in creating a social movement to force stakeholders to take responsibility for labour standards. In the aftermath of the recent disasters, labour rights organisations, civil society and unions worked closely with public actors such as the ILO to bring about change in the industry. We now go on to discuss the initiatives implemented.

Private–Public–Social Responses

In response to the Tazreen Factory fire in 2012, the ILO initiated a dialogue between buyers and international trade unions, for example the IndustriALL Global Union, that resulted in a National Tripartite Plan of

Action on Fire Safety and Structural Integrity (NTPA) between the ILO, the Bangladesh government and the two industry bodies—BGMEA and BKMEA (ILO 2014). A milestone achievement of the NTPA was the government's upgrading of the Directorate of Labour Inspections to a Department of Inspection for Factories and Establishments (DIFE) under the Ministry of Labour and Employment. As a result, the number of factory inspectors increased from 92 in 2013 to 270 by 2015 (ILO 2015b).

Following the Rana Plaza disaster, the ILO was engaged in the establishment of another initiative—the Bangladesh Fire and Building Safety Accord (hereafter the Accord)—to address safety issues in apparel factories. The Accord, an agreement between brand owners and unions signed on May 2013, has brought more than 200 brands and retailers from 20 countries, 2300 suppliers and a number of unions together to improve safety in the apparel industry (CCC 2015). During the same year, the Alliance for Bangladesh Worker Safety (hereafter the Alliance), an agreement between global buyers, the Bangladesh government, NGOs and unions, was established. Both are five year agreements.

The Accord and Alliance work primarily on capacity-building initiatives for suppliers and their workers, in collaboration with brand owners and social governance actors. Both undertake inspections in respect of building and fire safety standards. Inspection reports are shared with factory owners, respective signatory buyer companies and worker representatives, with corrective actions initiated under a remediation programme. When there is a temporary, partial or complete closure of factories during the remediation programme, buyers and suppliers are required to provide a regular income to the workers for up to six months. This may go some way to incentivising suppliers to undertake the needed upgrading of working conditions.

Table 4 provides a summary of initiatives undertaken by public, private and social governance along three functional dimensions, namely regulatory, facilitative and redistributive, to address the governance deficit.

Discussion

An understanding of the functional role of governance institutions (facilitative, regulative and distributive) is important when tackling the governance deficit. While the facilitative role of the Bangladesh government through trade facilitation mechanisms (domestically and internationally) has supported the rapid growth of the industry, the government's role

Table 4 Governance institutions in the apparel industry in Bangladesh

Type of governance institutions	*Mechanisms*	*Facilitative*	*Regulative*	*Redistributive*
Public	Bangladesh government regulations	A range of incentives supported the rapid growth of the industry as an attractive investment location, i.e., the establishment of EPZs.	Loosely defined and executed labour laws coupled with a lack of enforcement created scope to bypass labour and building regulations.	Inadequate provision of punishments (e.g., US$1250 compensation if a worker dies in an accident) may not be enough to promote higher standards.
	Core labour standards	Restrictions on trade unions (Labour Act 2006) at odds with ILO Conventions.	Ratification of the ILO Convention on Core Labour Standards, 1972 and other conventions however did not fully comply with conventions.	Labour (Amendment) Act 2013 in compliance with ILO conventions pertaining to freedom of association and collective bargaining.
	International regulations and trade agreements	Quota provisions and preferential treatment for North American and European markets created market opportunities.	Measures to prove social protection were not included in trade agreements.	Measures to prove social protection were not included in trade agreements.

Private	Industry associations (e.g., BGMEA, BKMEA)	Facilitated and supported growth in the industry but failed to stop the violation of labour standards that resulted from profit-seeking behaviour of both suppliers and buyers.	Lacks regulative authority.	Following the Rana Plaza collapse BGMEA took on responsibility for the education and living expenses of children who lost their parents. BKMEA involved in the NTPA resulting in more labour inspectors.
	Voluntary codes of conduct	Only a limited number of buyers adopted codes of conduct. Loosely enforced codes supported the rapid growth of the industry.	Owing to lack of regulative authority, not adequately enforceable as subcontracting firms remained out of the loop of compliance of the codes.	Lead firms often reluctant to reach legally binding agreements pertaining to protection of workers' rights and entitlements.
Social	Local trade unions	Unions were restricted by the Labour Act 2006.	Had no authority and were ineffective.	None.
	Global trade unions	IndustriALL is engaged in initiatives with global buyers.	IndustriALL is engaged in initiatives with global buyers but as such does not have regulatory powers or authority.	Formation of the Accord and establishment of ACT. Both initiatives seek to improve working standards.

Source: Developed by the authors based on Mayer and Pickles (2014), Gereffi and Lee (2016).

in the redistribution of gains to workers has been inadequate. In parallel, private governance institutions such as BGMEA and BKMEA have played a strong facilitative role through negotiation with the government of Bangladesh, as well as with global and regional organisations (e.g., IFC, ILO, EU) for GSP and the provision of low interest credit facilities for factories. On the other hand, the industry has been largely self-governing with limited investment by the state and industry bodies in labour institutions (Tighe 2016). Precarious working conditions, including low wages, discrimination and exploitation, as well as inadequate safety standards, are deeply rooted in the industry.

Following the Rana Plaza disaster, a number of initiatives were put into place by the government, in consultation with international public actors such as the ILO, in order to address widespread violations in the industry. While the Labour (Amendment) Act 2013 resulted in a number of changes, the government's role in pressuring buyers to compensate Rana Plaza victims and survivors, and even its own contribution, has been negligible (HRW 2014). Social governance actors have gained a stronger voice in recent years. International trade unions and brand owners are actively engaged in social–private partnerships to compensate for weak governance at the national level, and to address the predatory sourcing practices of some buyers. IndustriALL is especially critical of voluntary non-binding agreements, such as codes of conduct, which have significantly failed to improve conditions in apparel factories. Along with a second international union, UniGlobal, they were signatories to the Accord. While the Accord and the Alliance are significant achievements and should be able to tackle the impasse in the governance deficit, they may in actuality fail to provide long-term solutions. Realistically, the industry cannot make significant achievements within Bangladesh's weak institutional framework. Moreover, while the Accord and the Alliance are viewed as legally binding agreements, some brands have denied paying compensation (HRW 2014). Further, both organisations have failed to ensure remediation programmes within the time limit. H&M, one of the largest buyers, is "dramatically behind schedule" in meeting their obligations under the provisions of the Accord (CCC 2015). This raises concern about the enforceability of the agreement. Similarly, the Matrix Factory, which was first audited by the Alliance in May 2014 with recommendations to undertake repairs within six months, suffered a serious fire less than two years later.

More recently still, IndustriALL has driven a private–social initiative in collaboration with major brands and retailers. The process, known as

ACT (Action, Collaboration and Transformation), is seeking to bring about major change in the apparel industry through the introduction of national industry-wide collective bargaining. One outcome of the Accord initiative is that unions and buyers more fully recognise that in order to improve working conditions in apparel factories, collaboration must occur between buyers, suppliers, workers and their unions (IndustriALL 2015). Unions recognise that the power of buyers is critical in addressing systemic weaknesses in the industry. While individual buyers can work with their suppliers to improve conditions, this model is not fool-proof, as these suppliers remain in competition with other suppliers that are pursuing a cost-minimisation approach. Under the ACT process, a memorandum of understanding was signed with 17 brands and retailers to address living wages in the Cambodian apparel industry (Cambodia being the first country in which this process was implemented). Through the introduction of industry-wide collective bargaining by international retailers, in theory the power of suppliers in reducing wages has been mitigated.

Under the United Nations Guiding Principles on Business and Human Rights, businesses are responsible for ensuring due diligence of their supply chains regardless of whether or not state actors are fulfilling their responsibility. Notwithstanding international public governance, domestic institutions are crucial. Thus a multi-stakeholder initiative in which brands take a key role in conjunction with unions is important in order to compensate for weak institutions at the national level and to push for regulatory reform. In the Bangladesh apparel industry example, there were strong institutions at the international level, including the ILO, and yet weak institutions at the domestic level. Moving forward, the inclusion of suppliers themselves is also important as brands "are not able to govern all relations of production across their production networks" (Tighe 2016, 16). The nature of the relationship between a buyer and its supplier, and the way in which they negotiate working conditions, can go a long way to improving conditions, or alternatively can push "down on workers' rights to freedom of association and collective bargaining" (Tighe 2016, 16). Thus the governance of GVCs shapes the possibility of social upgrading trajectories for firms and workers. Social upgrading often requires collaboration between private, public and social actors within GVCs (Gereffi et al. 2016). However, it is not always the case that suppliers are dependent on buyers for upgrading initiatives. Capable suppliers can surpass the minimum requirements for social standards imposed by their buyers, as well as those of international organisations. However, in doing so they remain in competition with cost-minimisation-driven suppliers (Khattak and Stringer 2016).

Over the last ten years apparel selling prices have declined by 10% in the USA and 25% in the EU; and during this same period Bangladesh's apparel industry has grown significantly (BGMEA 2016a). One of the reasons behind the decline in selling price is that the purchasing price is fixed by buyers and does not necessarily reflect actual production costs. Recent initiatives increased buyers' sourcing costs and decreased flexibility in terms of price and switching suppliers. For example, the Labour (Amendment) Act 2013 increased the minimum wage and required the provision of group insurance. These outcomes and others associated with the Alliance and the Accord will raise sourcing costs for global buyers (Ellram et al. 2013) and could in fact be a double-edged sword for local suppliers. Notwithstanding, initiatives undertaken by brands and unions signal the importance of sourcing from factories which comply with the core labour standards of the ILO (Kotikula et al. 2015). The concern remains, however, that if suppliers fail to meet social standards, will global buyers continue to source from Bangladesh when they could face reputational risks?

The underlying question remains how to ensure better working conditions in an industry characterised by a governance deficit. In the aftermath of the Rana Plaza disaster, Anner et al. (2013) suggested a "joint liability" model where both suppliers and buyers are held accountable for their workers in subcontracting firms. Can a joint liability model by itself be effective in a country characterised by weak institutional settings and weak government power vis-à-vis global buyers? We submit that a multi-stakeholder collaborative model is required (see Fig. 1); a model characterised by "hybrid and complementary institutions of governance" (Mayer and Pickles 2014, 37).

Further, a "multi-dimensional and multi-scalar" (Lee 2016, 21) governance model would facilitate long-term improvements in the industry, wherein governance actors (private, public and social, i.e., *multi-dimensional*) work together at different levels (e.g., domestic, regional and international, i.e., *multi-scalar*) to enforce regulations and regulate labour standards (regulative authority of public governance institutions). This would involve the liberalisation of trade policies and the provision of training and advocacy to workers as well as lobbying by unions with employer associations, buyers and governments on the conditions of work (the facilitative role of all governance institutes) in order to ensure the fair distribution of gains among all stakeholders (the redistributive role of all governance institutions). Collaborative initiatives that have the potential to complement weaker actors (developing country gov-

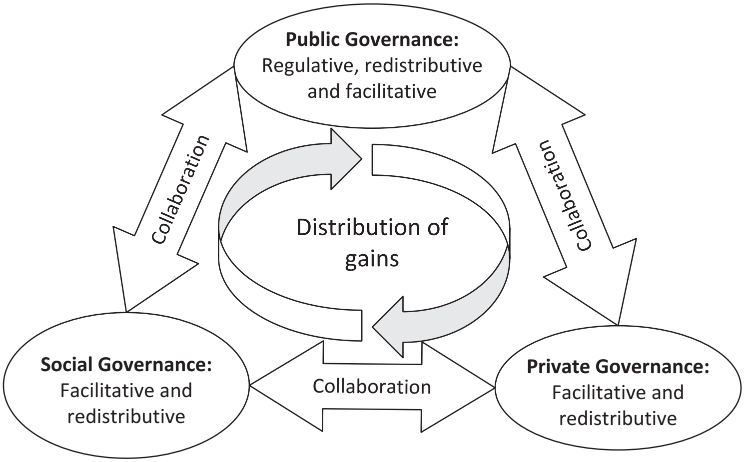

Fig. 1 Interrelated governance model

ernments, suppliers and workers) and restrain powerful actors (buyers) from engaging in exploitative behaviour have resulted in enhancing the effectiveness of all governance actors. Efforts by buyers and unions to lobby public governance institutions can strengthen local governance capacities particularly in developing countries such as Bangladesh.

In GVC studies, institutions and governance have largely been perceived as two different dimensions. The impression was given that institutions are an independent variable, as the GVC analysis places more emphasis on governance as interactions among firms as economic actors and, therefore, less on their embeddedness in wider institutional networks. More recently, as noted earlier, a broader definition of institutions as governance institutions was suggested by Mayer and Pickles (2014). Relationships and interactions among firms can have significant influence on upgrading prospects as evidenced in recent studies related to environmental upgrading (see Achabou et al. 2017; Khattak et al. 2015; Poulsen et al. 2016). However, by extending the concept of governance and institutions further, to include a "multi-dimensional and multi-scalar" (Lee 2016, 21) approach, can offer a better explanation of interactions among various institutions (public, private and social) and resultant upgrading trajectories in GVCs.

Conclusion

This chapter explored the notion that a particular governance initiative is, by itself, insufficient in bringing about change in the Bangladesh apparel industry, and that all three governance dimensions are important. Multiple (and inter-related) governance mechanisms, in terms of roles performed (facilitative, regulative and re-distributive), are necessary to tackle the ongoing governance impasse within the apparel industry in Bangladesh. Despite ongoing concerns about working conditions in the factories, the voices of the weaker actors (i.e., workers) were not adequately incorporated in either private or public governance initiatives. Therefore, the inclusion of social governance institutions such as unions can, on one hand, give workers a voice and, on the other, strengthen the former private–public governance model. Recent initiatives by the Accord and IndustriALL, for example, have shown that buyers and unions can effectively work together alongside public institutions at the international level to define and implement better working conditions. Such initiatives may result in the strengthening of all forms of governance, as "the effectiveness of one measure often hinges on that of the others, or one form reinforces other forms" (Lee 2016, 20). We acknowledge that the potential of each of these governance systems is, in isolation, limited to tackle the governance deficit in Bangladesh's apparel industry. In closing, we echo Lee (2016) that the key is an understanding of "under which conditions a more collaborative governance is likely to emerge, and which mix of public, private and social governance works well in different settings" (Lee 2016, 22).

Notes

1. Right to Organise and Collective Bargaining Convention, 1949 (No. 98).
2. Freedom of Association and Protection of the Right to Organise Convention, 1946 (No. 87).

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Anti-consumption and Governance in the Global Fashion Industry: Transparency is Key

Michael S.W. Lee, Miriam Seifert, and Helene Cherrier

Introduction

This chapter emerges from the melding of two opposing realities in the global apparel industry: (1) the damaging social and environmental impact of fast fashion and (2) the idea that consumers can play a role in enacting organizational change via anti-consumption. With a strong focus on increasing sales turnover and rapid clothing cycles, the fashion industry is the second largest polluting industry in the world after oil (Sweeny 2015), and often operates to the detriment of its workers, as seen in the Rana Plaza incident in 2013 (D'Ambrogio 2014). The previous chapters in this book postulate the need for both public (political) and private (corporate) led changes in governance. This chapter further emphasizes the potent role that the consumer, or indeed the anti-consumer, can play in the general dynamics of the global apparel industry and specifically to prevent similar tragedies to the Rana Plaza collapse. In the debate over

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corporate social responsibility (CSR), several arguments have been raised that downplay the ability of consumers to play a more active role in pushing companies to adopt more rigorous environmental and ethical labour standards.

One argument is that consumer pressure alone is insufficient to change firm practices in the apparel industry and that the issue is a political one, namely that developing countries are often reluctant to stifle their own competiveness by making business "more difficult" for multinational corporations (MNCs). The fear is that any legislative improvements in governance may drive businesses elsewhere. However, two counter-arguments to this perspective revolve around the power of the consumer. First, even though some countries are desperate for MNCs to "set up shop" in their country, MNCs themselves are often highly concerned about their reputation (Fontaine 2013). This is particularly so in highly competitive industries where positive consumer perceptions may lead to increased market share, price premiums, and, ultimately, shareholder value (Bryan 2016; Karolewski and Suszycki 2011). Second, emerging countries need to be aware of their own ability to counter negative country of origin effects, where poor governance, in terms of both environmental and labour policies, may be associated with poor quality control and workmanship. Thus, an improvement in labour and environmental legislation may also assist such countries in elevating their status in the eyes of the global consumer and manufacturer.

An argument against the private (corporate) incentive to change is that there is no conclusive evidence to suggest that ethical labour practices and CSR make a financial difference for the corporation, that the employees are better off, or that the consumer actually cares about such initiatives (Balabanis et al. 1998; Corporate Watch 2016; Tsoutsoura 2004; Vogel 2008). There are very long processes at play with many sub-contractors and suppliers brought in to engage in a last-minute demand-orientated system. The lack of financial advantage identified in CSR or government initiatives may not reflect general consumer indifference towards third world workers. Rather, the gap between positive business practices and increased sales or profits may simply be a case of the global consumer feeling disempowered when faced with a complex and convoluted supply chain, cynical towards CSR efficacy, and suspicious of potential governmental corruption.

We believe what is currently preventing positive change within the global apparel industry is a vicious downward spiral of doubt, fear, and cynicism, propelled by a lack of transparency. MNCs doubt that consumers are willing to pay for, subsidize, or respond to positive changes in governance. Governments are fearful that MNCs will discontinue business within their countries if more stringent standards are legislated. And consumers are doubtful and cynical of the true intentions of MNCs' CSR initiatives, in addition to potential corruption within the supply chain and regulatory system (Dobscha 1998). In all cases, the three parties lack transparent understanding regarding the intentions and processes of the other parties. Most fundamentally, the consumers with whom the ultimate decision rests (to buy or not to buy?) appear apathetic, perhaps because they cannot be sure that their purchase decisions will have an impact, and because they cannot see the link between actions and consequences. Their vote for an ethical shirt is punctuated by multiple points of potential interference; from the retailer and importer, to the exporter and wholesaler, to the manufacturer and supplier, to the way the raw materials are grown and sourced, and every step in between. It is no wonder that the consumer experiences a sense of ambivalence between wanting to do the right thing and the feeling of hopelessness. Furthermore, the number of consumers demanding companies to act ethically and avoiding products that are made under unethical conditions remains a minority (Pieters 2015). Some consumers either do not know about labour, ethical, or environmental issues, or forget about these issues when they see something they like at the point of purchase. We suggest that more transparency is needed. Our hope is that consumer empowerment and activism, corporate accountability, and government intervention will all combine with social media, online retailing, search engines, and social enterprise to realize several "platforms of engagement". As a result, consumers, corporations, and countries may all be granted better access to, and understanding of, the governance structures in the global apparel industry. Ideally, they will also be able to see the direct consequences of the processes or purchases they have engaged in and the future benchmarks waiting to be achieved.

A decade ago such ambitious tracking systems to promote transparency and consumer confidence would have appeared impossible, but work is already underway, much of it drawing on the food industry and the growing importance of transparency and traceability. For instance, in 2008, clothing brand Icebreaker implemented a "Baa code" enabling the end-consumer to trace clothing through the supply chain all the way back to the sheep farm from which the raw material was sourced (McLaren 2008). Such programmes, while onerous to account for from the corporation's perspective, serve a dual purpose beyond brand positioning. Not only do they provide the much-needed transparency that enables consumers to feel more empowered and informed in their decision-making, but the more secure the system, the more it may act as a brand protection strategy to deter counterfeiting and other forms of illegal distribution. Finally, even if CSR, compliance costs, or any other politically motivated change in governance has an unclear outcome, it is still no reason to abandon hope. Advertising, marketing, and many business practices are notoriously difficult to measure; however, that does not prevent corporations investing millions of dollars to try to bridge the gap between consumer awareness, intention, and behaviour, therefore why should CSR initiatives be any different? The bulk of this chapter will delve into such cases of "best practice", hopefully revealing that although there is still much work to be done, such work is not futile.

Overall, we believe that the consumer has a central role in enacting change, but we do not downplay the influence of public or private initiatives. Instead, we argue that the solution must involve transparency within the triad of corporations, countries, *and* consumers. Thus, this chapter highlights the role consumers/anti-consumers have had in enacting some positive governance changes to date. We explore the link between consumer demand for CSR and ethical working conditions, consumers' anti-consumption behaviour or attitudes after the Rana Plaza incident, and the actual implementation of CSR and ethical working conditions by firms. The following sections provide some industry background, an overview of anti-consumption, and how consumers may influence firms to raise their standards of labour protection and change the long-term governance of the apparel industry. The case of outdoor clothing retailer Patagonia is exposed, demonstrating a company with a different approach to environmental issues and ethical working conditions. We conclude the chapter by offering some tentative solutions addressing the real barriers to change.

Background

The global apparel industry is valued at US$3 trillion, accounting for 2% of the world's gross domestic product (GDP) (Fashion United 2016). However, the Rana Plaza incident in 2013 has had a tremendous impact on the way many consumers perceive the so-called fast fashion industry. Intensive media coverage turned a somewhat unknown building into the flagship of fast fashion manufacturing. Consequently, consumers are more aware of inhumane labour conditions and unethical firm practices (Rheannon 2013; The Guardian 2013; Transparency International 2014). The increasing awareness of the societal and environmental impacts of the fast fashion industry has led some consumers to "vote" with their purchase, making more informed purchasing decisions, and avoiding products or services based on negative company, practices, and reputations (Mintel 2015; Wicker 2016). Additionally, consumers are increasingly asking where their clothes were made, what they are made of, and who made them (Fashion Revolution 2016). Media coverage of the collapse also resulted in consumers boycotting firms involved in outsourcing production at Rana Plaza, such as Primark and The Gap, and demanding that such firms change their practices (Francis 2014; Morrison 2013). As a result, apparel firms, including Adidas, Cotton On Group, Inditex, Mango, and C&A (ACCORD n.d.a), founded the Accord and the Alliance for Bangladesh Worker Safety (Business Human Rights Resource Centre 2014). The creation of the Accord and the Alliance was a result of firms reacting to media and consumer sentiment towards fair labour wages and conditions. Firms often need to respond to competing demands from a variety of stakeholders in order to maintain profitability, contribute money to charities, protect the environment, and help solve societal problems (Cormier et al. 2005; Darnall et al. 2010; Henriques and Sadorsky 1999). Stakeholders, including non-governmental organizations (NGOs), activists, trade or labour unions, as well as shareholders, represent their own agendas or goals by pressuring businesses to change or adapt their strategy, practices, or operations (Habib-Mintz 2009). These stakeholders are capable of changing, positively or negatively, a firm's position as well as environmental and social issues existing within society (Habib-Mintz 2009). Overall, consumers can actively pressure or boycott firms to adopt socially and environmentally responsible governance practices, rewarding or punishing firms depending on their behaviour.

Anti-consumption, where consumers resist, reject, or reduce the consumption of goods and services (Chatzidakis and Lee 2013; Lee et al. 2009), is increasingly changing the ways many businesses operate. Some companies adapt business practices because of anti-consumption behaviour, for example addressing boycotts that may negatively impact a firm's image or reputation (Aguilera et al. 2007; Dawar and Pillutla 2000; Osterhus 1997). H&M, for example, has been exposed to boycotts relating to child labour, poor working conditions, and organic cotton fraud (Green Resistance 2010). The company responded to these boycotts and media attention by changing parts of its supply chain, attempting to provide more transparency and revealing its ethical processes in annual reports (H&M 2016). Anti-consumption theory posits that people are "against" certain products or services based on their personal values, attitudes, and experiences, and that such reasons against consumption may be just as pertinent to their decision-making as the reasons "for" consumption (Chatzidakis and Lee 2013a; Lee et al. 2009). The demand for fair trade products may be attributable, to some extent, to anti-consumption activities such as protests, boycotts, consumer resistance, and general discontent towards status quo industry practices.

Furthermore, anti-consumption is becoming a widespread phenomenon because of information available about societal and environmental issues and increased awareness of the problems associated with one's own consumption and firm production processes (Adams 2014; Creyer 1997; Dailey 2015). For example, media and press reports have uncovered hazardous living and working conditions of workers in various fashion firms, including Nike, Walmart, and Primark (Daily Mail 2008; Harvard Law School 2016; Wazir 2001). This information, provided by media and press, although sometimes biased, empowers some consumers to make educated purchasing decisions to selectively avoid, reduce, or boycott certain companies, or demand that firms change their practices.

Though safety conditions seem to have improved for workers in some factories where companies have committed to the Accord (Hoffman 2014), many factories remain where worker conditions have not improved. Chua (2016) recently stated that working conditions in H&M factories have not improved since the Rana Plaza collapsed. Furthermore, in May 2016, when H&M's annual shareholder meeting was taking place, New Yorkers were boycotting H&M's Times Square store, attempting to influence H&M to keep its promise to ensure that Fire and Building Safety standards in Bangladeshi factories were met (Chua 2016). According to analysis by labour groups, many of the factories have not installed fire-rated doors or are behind schedule (Chua 2016; Galpin 2016). Perhaps owing to the lack of changes and transparency at the macro-level, some consumers try to act and create changes through the clothes they do *not* purchase (Banister and Hogg 2004). Therefore, if consumers are informed and the governance processes are transparent, then consumers should be able to identify what they deem as acceptable standards, since they are the ones who will decide how much value such standards are worth. But in almost all cases of manufacturing, consumers are kept in the dark and cannot influence governance decisions, except for the ability to vote with their wallet by purchasing products or brands they want to support and rejecting those that they do not.

A survey by Pew Research Center in 2011 showed that a number of anti-consumers want to change unethical industries, specifically labour practices as well as environmental issues arising from consumption and production processes (Rayapura 2014). Younger consumers, specifically "Millennials" or "Generation Y" (those born after 1980) are the most sustainably conscious generation in terms of what they will and will not consume (Rayapura 2014). Members of Generation Y are more supportive of stricter environmental laws and favours environmental policies (Rayapura 2014). They also demonstrate an increased willingness and are more likely to pay a higher price for products that reduce environmental and social impacts (Adams 2014; Rayapura 2014). However, the increased awareness of these issues and how consumers consume is country-dependent. Younger people in the USA, especially Generation Y, feature in the category described above. However, in Canada, younger as well as older people tend to be conscious about labour and ethical practices and are very decisive about what they will or will not consume based on information regarding a company's ethical and labour practice issues (International Institute for Sustainable Development 2013).

Anti-consumption and Business

In this section, we propose that anti-consumption shifts consumers from mere "choosers" to active citizens capable of influencing firm production practices. Anti-consumption occurs when consumers resist, reject, or reduce the acquisition or use of certain products and services owing to personal experiences, personal beliefs, and/or values (Chatzidakis and Lee 2013; Lee et al. 2009). Anti-consumption is not only focused on a consumer's opposition to over-consumption, it also emphasizes consumer actions directed against specific targets such as products or brands, companies, or even nations. Consumers, investors, and interest groups increasingly demand that companies comply with laws and regulations related to ethical issues. Managers are, therefore, under pressure to adopt CSR practices and take into account the needs of society and environmental protection when making business decisions (McWilliams 2015). Additionally, activists collectively demand that companies change their unethical practices, such as child or slave labour in supplier factories

(Shao 2009). Activists also campaign against unhealthy and unsafe working conditions in supplier factories, including the use of toxic dyes that may have an impact on the health of workers in those factories, as well as faulty electric wiring, defective appliances, and overcrowded work floors, which may lead to unsafe working conditions (ACCORD n.d.b). Additionally, labour unions in developed countries pressure companies to improve social benefits of workers and increase firm awareness of environmental consequences (Ioannou and Serafeim 2010). Mohr et al. (2001) found that: (1) consumer knowledge about social and environmental responsibility issues is positively related to socially responsible consumer behaviour; (2) the more consumers see their purchasing power as influential over firms, the more likely they will force firms to adopt socially and environmentally responsible behaviour; and (3) consumers are more likely to boycott irresponsible firms than to support responsible firms.

Ethical Firm Practices and Consumer Demand for CSR

Many companies include CSR in their business practices in response to consumer groups that either want to purchase ethical and environmentally responsible products or to make consumers feel good about their purchasing decisions (Becker-Olsen et al. 2006). According to Davis (2011), some customers search for information on how to live sustainably and expect firms to develop and sell environmentally and socially responsible goods allowing customers to adopt lifestyles that have a minimal environmental impact and contributing to customer well-being. Scholars have shown that people prefer to deal with parties who are perceived to be altruistic and trustworthy, and that is why some consumers avoid companies deemed to be malevolent and untrustworthy (Kohn 2009; Nooteboom 2002). However, some consumers can be cynical towards CSR initiatives because of beliefs that firms cannot behave in an altruistic way without expecting a return on investment (Dobscha 1998; Barone et al. 2000; Brown and Dacin 1997). As Nobel prize-winning economist Milton Friedman (1970) once argued, firms do not have a social duty, they only exist to make profits, which is why some consumers still believe that firms would not voluntarily incorporate CSR or pursue ethical working conditions even though it is the right thing to do. Often, the incorporation of CSR is considered by consumers as an investment that helps gain market share, enables firms to charge a price premium, and/or allows them to avoid consumer anti-consumption behaviour, such as boycotts, which may impact profits and reputation of the firm. This phenomenon of firms incorporating CSR for firm growth or profit reasons and not for the social good is visible in firms across the globe and is often referred to as greenwashing. Companies such as Nike committed publicly to clear out chemicals from their supply chain, but did not do so according to Greenpeace (Greenpeace 2016). Some companies, such as Ally Fashion, Boohoo, Brand Collective, Forever 21, and Pumpkin Patch, are reported to lack insights regarding their supply chain and worker conditions (Nimbalker et al. 2016, 6). According to goodonyou.org.au (Emmanuel 2015), Forever 21 only began random inspection of its labour conditions in 2012, after the US Labour Department investigated the company for sweatshop-like conditions along its supply chain. The company refers to its CSR commitment by referring to charities it is contributing to, treating worker rights as an optional charitable cause (Emmanuel 2015).

The voice of the consumer, whether it is through anti-consumption behaviour or customer feedback, needs to be considered by firms. Consumer demand for CSR has led some fashion companies to change the way they do business or has led to people starting their own businesses based on what a firm should be doing. Firms such as Patagonia choose to adopt and promote socially and environmentally responsible behaviour to customers by using educational campaigns and collaborations, such as the footprint chronicles, which provides an overview of its supply chain, showing where and how Patagonia's products are made. By clicking on one of Patagonia's suppliers on the world map, the consumer receives information on the supplier and why Patagonia works with that supplier (Patagonia n.d.). Additionally, the company is part of the fair trade programme to raise workers' wages and improve living standards. The programme promotes worker health and safety as well as social and environmental compliance. Between Autumn 2014 and May 2016 Patagonia's apparel workers received an additional US$430,000 (Patagonia 2016). More than 7000 people working for Patagonia along its supply chain worldwide are benefiting from the fair trade programme (Patagonia 2016).

Fair trade companies stand out in labour rights management. Etico and Audrey Blue were ranked with an overall A+ grade for knowing their suppliers, policies, and worker empowerment (Nimbalker et al. 2016, 6). Both companies were able to consistently demonstrate that their workers receive a decent living wage. Other initiatives that have an impact on securing living wages involve companies working with unions to establish collective bargaining agreements, such as Ethical Clothing Australia (ECA), where accredited brands must have annual audits to ensure facilities comply with local laws and appropriate industry rates for workers (Nimbalker et al. 2016, 13).

Furthermore, boycotts of ethical and socially irresponsible firm practices can contribute to successful social change. For example, Nike was exposed to anti-consumption behaviour when it was boycotted by angry consumers for its sweatshop labour conditions in factories abroad (Banjo 2014; Daily Mail Australia 2011; Teather 2005). In 2012, the fashion chain Flannels was boycotted by consumers for selling fur products. After consumers boycotted the brand, the brand decided to stop selling fur products (Ethical Consumer 2016). In 2006, Gill clothing was boycotted, with consumers demanding that the company stop sourcing from Burma, to which the company agreed (Ethical Consumer 2016). In 2005, Inditex withdrew its fur line from the group's subsidiaries, specifically to avoid a planned international day of action by consumers against fur products of Zara (Ethical Consumer 2016). In all of these examples, corporate governance was undoubtedly modified to avoid acts of anti-consumption, which could have had a negative impact on the firms' reputation and sales. After the Rana Plaza incident, consumers resisted and rejected brands such as Primark and other firms that were affiliated with the incident. Some consumers even joined the "Fashion Revolution", which brings people from around the world together on April 24, the day when the Rana Plaza building collapsed, to raise awareness of the true cost of fashion by wearing clothes inside out and asking on social media "who made my clothes?" (Fashion Revolution 2016). Fashion Revolution Day demonstrates a form of activism from consumers, firms, and suppliers of fashion firms cooperating, and showing that issues such as unethical working conditions do not have to exist in the fashion industry.

The Global Apparel Industry and Anti-consumption

According to Schwab (2014), US consumers throw away an average of 65 pounds of clothing per year. Despite the impact of consumption choice and rejection, there is still a majority of consumers who choose to consume and purchase products in a perishable way, wearing fast fashion-oriented products only a few times before disposal, without considering the conditions in which these products were produced (Siegle 2014). "What is cool" is often described as the driving force of the fashion culture, and when consumers define themselves through the clothing they buy, what is cool one day may no longer be cool the next (Joy et al. 2012). Some consumers do not care or do not know where and how products have been made (Chamberlain 2013; Hartley-Brewer 2015; Martinko 2014). According to Marci Zaroff, the owner of a small fashion brand in the USA, Under the Canopy, "consumers do not know what impacts firms have on people… Americans think that clothes grow in department stores they don't think about where products are made" (Clifford 2013). Nonetheless, Nike is not the only company coming to the realization that labour conditions are gaining importance in consumers' fashion buying decisions. Additionally, a counter-movement to the fast-fashion industry has developed within the last two decades: the slow fashion movement, focusing on sustainability, fair labour conditions, and wages, as well as high-quality timeless clothing.

Slow Fashion, an Industry Focusing on Ethical Consumption

Anti-consumption can be used to shed light on the slow fashion movement. Companies in this movement reduce, reuse, and recycle materials and products to minimize the overall impact of their products on the environment. The slow fashion movement can be related to the anti-consumption-oriented values that chief executive officers (CEOs) or owners of these firms incorporate and promote to consumers. Many of these firms promote the reduction or the slowing down of consumption as well as the reuse and recycling of their products to minimize the environmental as well social impact that the fashion industry has on workers. Much like some consumers who live simply, slow fashion firms also (from a governance perspective) try to reduce their impact by making durable, high-quality, timeless clothing, in an ethical way.

Slow fashion seems to counter the trend of disposable or wasteful fashion. The term slow fashion was introduced by Kate Fletcher in 2007 (Fletcher 2007). Akin to the slow food movement (Van Bommel and Spicer 2011), slow fashion focuses on slowing down production and consumption to a more sustainable pace, as well as consideration of the rest of the supply chain, including workers who manufacture the products. Slow fashion can be described as not being time-bound, but quality-based, where the design, production, and consumption of a clothing item is not based on the latest trends available in store, but on durability, longevity, and the reduction of the clothing item's environmental impact (Fletcher 2007). According to Pookulangara and Shephard (2013), by slowing down consumption, people might realize that consuming fashion continuously is not good for society and that it is unnecessary to buy new trends every six weeks if the current clothing items can still be worn. Slow fashion seems to have a greater focus on sustainability by: (1) downscaling production capacity; (2) limiting the availability of products; (3) reducing the negative impact of production on the environment; (4) paying workers fair wages and having strong and long-lasting relationships with suppliers, which are more like a friendship than a business relationship; and (5) reducing over- consumption of products by offering long-lasting quality products. All these governance decisions resemble anti-consumption values and practices of anti-consumers who are critical of mass-consumerism and pro-environment. The slow fashion industry has a stronger connection to the garments and clothing items sold, and has a greater awareness of environmental constraints compared to fast fashion. The focus of the industry is, therefore, on providing customers with high-quality clothing that is durable, and ethically and environmentally guilt free. The aim of firms in slow fashion is not necessarily volume growth, but reducing the environmental impact of goods by producing ethically along the supply chain and selling less for more.

Nonetheless, slow fashion does not refer to speed as the word slow suggests, but relates to a philosophy of conscious shopping decisions by being aware of the various stakeholder needs (including manufacturer and worker needs) and of the impact resulting from fashion on workers, consumers, and ecosystems (Pookulangara and Shephard 2013). The slow fashion movement challenges apparel firms within the industry to make an effort to include ethical practices in their designs, to select production methods that emphasize quality, craftsmanship, and experienced labour, and to educate consumers so that they can play an active role in making informed decisions regarding their apparel selections. An example for this is the company Tom's Shoes, which educates customers about people in need. For every pair of shoes purchased the company provides a pair of shoes for someone in need. Therefore, customers making the conscious decision to purchase a pair of Tom's Shoes know that their purchase will also result in a gift to someone in need.

Nonetheless, ethics aside, getting consumers to buy less in slow fashion does not fit with designing a fashion line in the current system, where high sales volumes are better for a country's gross domestic product (GDP) and a firm's financial position. Fortunately, sustainability is increasingly becoming a core consideration for the apparel industry, affecting strategy, operations, workforce engagement, and connection to consumers and communities (McWilliams and Siegel 2001). Obviously, compared to fast fashion businesses, slow fashion has different goals and priorities and is less growth oriented (Fletcher 2010). Slow fashion firms recognize that all actions of firms are interconnected and have an influence on ecological and social systems (Slow Fashion Forward n.d.). The success of slow fashion firms is determined by how a company markets the idea of slow fashion to consumers and how consumers connect to what they buy, when hearing a story about the designers, materials, and collections (Pookulangara and Shephard 2013).

Entrepreneurs choosing to incorporate the values of slow fashion into their business strategies and operations often possess strong anti-consumption values themselves and choose to reduce their personal consumption as well. Therefore, the owners' or CEO's beliefs can be visible in the firm's operations, strategies, and marketing as the company promotes anti-consumption to its consumers (Kotey and Meredith 1997). Overall, firms can incorporate and promote anti-consumption-oriented values and promote anti-consumption to consumers, which will be demonstrated further in the case of Patagonia. Owners of firms in the slow fashion industry want to see and create change in the industry as well as in the minds of consumers. Additionally, some owners and managers of slow fashion-oriented firms see themselves as activists who want to change the industry, but often have too little influence individually. As a result, many companies in the slow fashion movement have adopted a certification called B-Corp or Benefit Corporation. The following section briefly discusses the B-Corp certification process.

B-Corp Certification—A Way of Gaining Trust in Suppliers and Firms

A B-Corp certificate is to business what fair trade is to the coffee or cocoa trade (B Corporation 2016). B-Corps or Benefit Corporations are for-profit businesses that are certified to meet very strict standards related to social and environmental performance, accountability, and transparency. A B-Corp serves more than just shareholders. Businesses that are certified B-Corps are as responsible for community as the environment and use business as a means to do good (B Corporation 2016). The B-Corp certificate has been described as one of the highest standards for socially responsible businesses (Honeyman 2014). Because some consumers lack trust in companies' ethical and CSR practices, third-party certifications help to build trust. Many B-Corporations state that the certification helped them to build deeper, more loyal customers. For example, Neil Grimmer, co-founder and CEO of Plum Organics, says, "B-Corp certification—and the rigorous standards and third-party verification that the logo represents—helps us communicate our story, our mission, and our values in a way that our consumers understand and can trust"(Honeyman 2014). The B-Corp certified outdoor clothing business Patagonia is notable in its promotion of anti-consumption, as well as the reuse and recycle philosophy to consumers, thus encouraging them to consume less, more consciously. Furthermore, the transparency of the company's supply chain efforts is demonstrated as well as how the company builds trusting relationships with its customers.

Patagonia—A Case of Conscious Consumption and Ethical Practices

One impact of media coverage of increasing ethical awareness and consumer anti-consumption practices has been the development of more ethically focused business strategies, with firms within the fashion industry choosing to produce ethical and socially responsible clothing for a conscious consumer. These companies focus on slow fashion and see themselves as corporate activists aiming to change how people think and buy clothes through the way they market themselves; their transparency in the supply chain; and the raw materials they use to manufacture clothing. A slow fashion-oriented strategy may seem to be a counter-intuitive governance strategy, but the business owners and managers of these companies aim to create an ethical and socially responsible enterprise by embracing anti-consumption behaviour and attitudes.

Patagonia is an outdoor clothing manufacturer based in California, USA. In 2011, the company launched a Don't buy this jacket campaign, asking consumers not to buy its products unless they really needed to (Assadourian 2012). With this ad, the company addressed issues relating to the apparel industry as well as environmentally harmful consumer consumption behaviour. The campaign reduced the amount of products sold to customers (Patagonia 2011), but this strategy also allowed the company to gain new customers and might have increased the willingness of customers to pay a premium for their products, as they perceive they will receive higher value, repairable goods that will last a lifetime or even longer. The company created awareness of the negative consequences of disposable clothing on the environment. The company therefore promotes anti-consumption to its customers. Patagonia's values and mission have a strong focus on the environment and sustainability, which is also visible through their strategies (Patagonia 2011). Firm values as well as founder or CEO values can strongly influence a firm's strategies (England 1967) and also whether a firm wants to promote anti-consumption-oriented values or conscious consumption to its consumers and other stakeholders or not. Additionally, the company went into partnership with eBay to encourage and help customers to resell their worn Patagonia clothes. Patagonia did not have a share in the eBay partnership, nor did the company make any profits by encouraging customers to resell their worn clothes (Assadourian 2012). The firm provides its customers with high value products that are durable and of good quality, but chooses not to encourage over-consumption of its products for the sake of making more profits.

Patagonia adopts a slow fashion strategy. The company is an exceptional example of a firm whose governance philosophy is to reduce environmental damage, attract green customers to buy its clothing, and reduce (over-) consumption. Companies deciding to discourage customers from consuming more seem counter-cultural to the status quo of corporate governance, since consumption reduction may involve decreasing production as well as profits (Peattie and Peattie 2009). Patagonia's governance strategy has anti-consumption-oriented values because the company focuses on producing high-quality long-lasting products and asks its consumers to only buy what they really need and to reject unnecessary consumption. The company, therefore, promotes anti-consumption to its customers, in the sense that they encourage the rejection, reduction, and reclaiming of certain goods (Lee et al. 2011).

Patagonia also launched the Product Lifecycle Initiative, where the company commits to lengthen the lifecycle of its products by repairing, swapping, or reselling services for their garments. This strategic choice allows Patagonia to change or adapt to the behaviour of consumers and reduce over-consumption through repair services or even product-sharing options (Sheth et al. 2011). The idea of slow fashion could, therefore, be related to anti-consumption-oriented values as firms like Patagonia downscale their production and consumption by offering customers high-quality, timeless products. Additionally, aside from functional benefits, the corporate mission and symbolic ideology of Patagonia's governance decisions move beyond selling more products and making more profit. The company has adopted B-Corp certification, to focus on doing good for society and the environment. B-Corps use the power of businesses, in terms of their ability to solve social and environmental problems, as long as growth and profits are not the main factors determining business success (B Corporation 2016). Firms such as Patagonia can influence how consumers consume products based on the (emotional) values and beliefs the products convey to customers (Brown and Dacin 1997). Beliefs about the firm influence attitudes towards behaviour, which are translated into intention, and under the right circumstances into subsequent behaviour (Ajzen 1991). In the present context, a firm that changes societal values and beliefs, for example by promoting the idea that unnecessary consumption is socially unacceptable, may influence how consumers consume products and may also influence other firms' choices of governance strategies, competitive positioning, and value creation.

Furthermore, compared to other companies in the industry, Patagonia provides transparency via its supply chain by engaging in a variety of due diligence activities to promote and sustain fair labour practices, safe working conditions, and environmental responsibility. This monitoring programme includes direct sewing factories and their sub-contractors (Patagonia 2016). The company introduced a supplier workplace code of conduct, which is based on the ILO's core labour standards and complies with laws and regulations in each country in which the company's factories operate. This benchmark document, which Patagonia developed, makes its expectations clear to its suppliers and encourages suppliers to follow Patagonia's example (Patagonia 2016). Additionally, the company is a founding member of the Fair Labor Association (FLA), which provides customers with transparency and assurance that a company's practices are legitimate and genuine. Associated companies are randomly audited by an objective party and the results of such audits are posted publicly on the FLA website (Fair Labor Association 2012). Additionally, before Patagonia makes a decision on sourcing products from a new supplier, the company follows a fourfold approach it has developed, which includes: (1) sourcing, (2) quality, (3) social, and (4) environmental standards that suppliers must meet (Patagonia 2016). Furthermore, the company is part of a variety of multistakeholder initiatives. Patagonia focuses on its relationship and activities with NGOs to provide ethical and socially responsible products. The company values insights from NGOs to create opportunities through issues that NGOs are facing in the global apparel industry. The company is a participant and member in a number of different associations and programs, such as the ILO's Better Work Program in Vietnam and Jordan or a portion of the finished products is fair trade certified by Fair Trade USA, which audits the factories. Interestingly, consumers do not seem to play a large role for Patagonia in terms of influencing the company's actions. The ethical and environmental focus stems from the founder's vision of the company, and this cannot or will not be changed by consumers, but may influence consumers' consumption patterns, and other companies in how they might run their own businesses.

Overall, the company is very transparent in its operations: (1) using the footprint chronicles to show customers where their products have been made; (2) using a specific code of conduct for suppliers to secure a certain benchmark that suppliers must meet in order to supply Patagonia, and to inspire and encourage these suppliers to live and produce by the same code of conduct; (3) being part of various associations and possessing a number of certifications such as Fair Trade, fair labour associations, and B-Corp, thereby building trust with its customers; and (4) its blog "the cleanest line", which provides insights into challenges and issues the company is facing to provide complete transparency to the public. Patagonia is an exceptional example of a firm whose corporate governance promotes anti-consumption, tries to modify current societal and consumption patterns, develops codes of conducts to protect and support workers in their factories around the world, and makes information visible to its customers on a number of different forums. The amount of transparency that Patagonia is trying to bring to the customer in such unconventional marketing techniques as "Don't buy this jacket", as well as providing customers with the option of bringing back or repairing products, lets the company sprint ahead of its competition in terms of ethical and conscious firm practices. Additionally, the success of the company may also stem from the intrinsic desire to change and improve social and environmental conditions. The Patagonia case shows more of a bottom-up approach, where a firm sets an acceptable benchmark for standards and regulations with which suppliers and other partners have to comply, compared with a top-down approach through government regulations and policies that may set a lower standard for firms to comply with. Moreover, Patagonia shows that firms that are completely transparent in their ethical practices can be successful. Therefore, it is important for firms to move towards systems of transparency, so that consumers can make more informed choices, which may allow companies to benefit from positive changes in governance.

Even though the company promotes the reduction of consumption or consumers to purchase more consciously, it does not seem to face any financial challenges, which might be because of the higher price of the clothes, the genuine and transparent supply chain of the company, as well as the worldwide accessibility and availability of Patagonia clothes, allowing the company to serve a much larger market. Many smaller ethical companies that have started up since the Rana Plaza incident in 2013 are not as successful as Patagonia, and face financial challenges because the products they produce are long-lasting and customers do not repurchase as regularly as compared to fast fashion retailers, mainly because of two confounding issues. First, the prices of such clothes are higher compared to a fast fashion item, and second, the clothing lasts much longer. Further compounding these issues is their struggle to be recognized by more consumers because of the consumers' current lack of knowledge and education regarding ethical firm practices. Therefore, these smaller firms struggle to gain international presence and attract new customers because they do not seem to have the financial ability to go overseas or market their products convincingly to customers around a particular country or in the wider world. The following section discusses the importance of transparency and certification as possible solutions.

Possible Solution: The Triad of Transparency

In order for ethically and CSR motivated changes in governance to have an effect, the consumer must trust the system. Such trust is only possible with transparency. As our example of Patagonia demonstrated, the consumer must have access to information related to the multiple points of the supply chain. Such information needs to be accountable and trustworthy. Since governments and MNCs sometimes have vested interests, as previous chapters have argued, they cannot be relied on to audit themselves. Governments and MNCs must be held accountable by independent third party auditors. Such auditors, who may also be biased in some way, should in turn, answer to more than the local government and MNCs. Potentially, a transparent system of reporting could be implemented whereby third party auditors answer not only to the local government at the site of manufacturing, but also to the home government of the MNC, as well as the consumer.

For the average time-poor consumer who does not have the cognitive or temporal resources to investigate or keep track of such a system, the role of consumer activists, assisted by the connectivity of the internet, could create platforms of engagement where consumers can obtain relevant and reliable information quickly and easily. Following on from this system, a standardized "stamp of approval" similar to the internationally recognized B-Corp certificate, Trade Aid, or Biogro certification could then be developed to aid time-poor consumers in making the right decision. While such certifications are by no means perfect, nor cheap to implement and enforce, if utilized properly they can give consumers added confidence in their decision-making process. The question of who pays for such a system can be addressed by looking at how similar models of certification are currently being funded. In most cases, the cost of implementing, administering, enforcing, and reporting such programmes is shared by the MNCs that are seeking third party approval, the governments subsidizing such programmes through tax revenue, and the customer, who is paying some form of premium for the decision aid and the peace of mind which a reliable signalling system provides. In saying this, it is entirely possible that, in this age of interconnectivity and engagement, some more efficient models may emerge owing to the co-creative nature of the internet. Figure 1 demonstrates this triad of transparency.

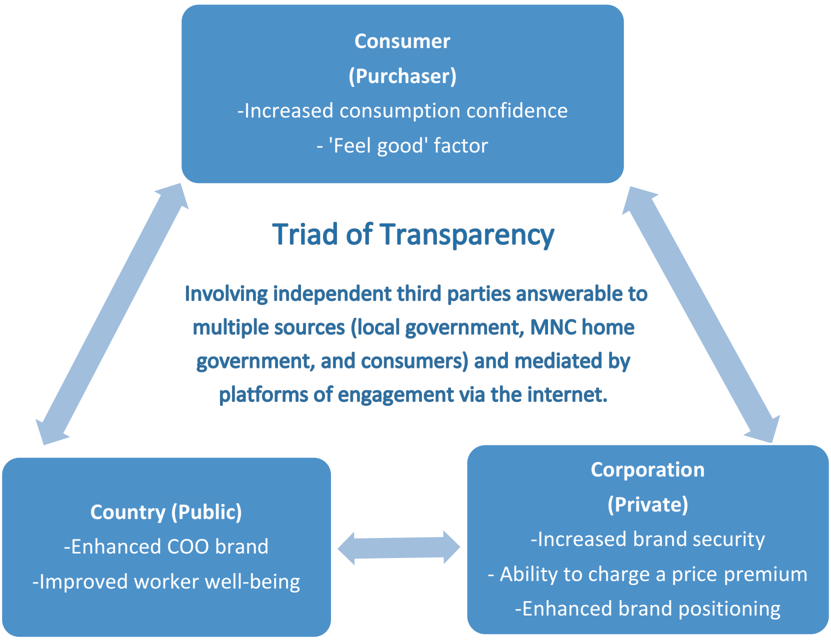

Fig. 1 Triad of transparency

Lack of transparency was certainly one antecedent of the Rana Plaza incident. Worker and factory conditions were not transparent to the public or other stakeholders before the incident. It was not until after the collapse that media coverage of poor labour and working conditions, as well as unsustainable working practices, became apparent and meaningful. Additionally, a lack of transparency has plagued the industry following the Rana Plaza incident. Here, the proposed and enacted changes in governance, at both political and private levels, are met with consumer cynicism and ambivalence, once again thanks to a lack of transparency.

However, there is hope. We witness an emergence of businesses in the fashion industry that position themselves by countering the lack of transparency. Such firms purposefully trace their garments, manufacturing, and fibres. They offer their customers as much transparency as possible regarding their supply chain, thereby creating trust and loyalty, rather than anti-consumption, cynicism, and apathy. Therefore, it is encouraging to see transparency becoming an increasingly important factor for some firms in the industry. It is not just about firms caring about their factory workers, governments caring for their citizens, or consumers caring about how their products are made, but also the transparency that enables all three of these relationships to coexist. Indeed, it is also transparency that may eventually decrease the likelihood of an incident such as Rana Plaza from happening again.

Concluding Remarks

Firms sometimes make the headlines for the wrong reasons, such as sweatshop labour, environmentally unfriendly production processes, or other outsourcing issues. Recently Ivy Park, the lifestyle brand by Beyoncé Knowles and Topshop, was accused of having its collections made in Sri Lankan sweatshops (McGregor 2016). In today's interconnected world, customers and media have greater access to information about the brands and products they consider and the ethics involved. Customers' moral beliefs and values may influence the success or failure of businesses; not only in terms of consumption and brand loyalty, but also through boycotts and other forms of anti-consumption that may damage a firm's reputation. Consumers are equal participants in global trade; they too will try to secure their desired consequences in the business relationship. Thus, companies and countries must consider a plethora of elements pertaining to consumers, including gender, social class, ethnicity, education, or occupation, as well as their access to knowledge, their motivational drivers, and their propensity for transformative boycotting or anti-consumption actions.

Apart from boycotts and acts of consumer resistance, there are positive aspects of the slow fashion movement that the broader industry may benefit from. Such aspects include conscious consumption and a higher feeling of "connectedness" to the source and the supply chain of the materials involved in fashion. Furthermore, firms within the industry and media can make changes in consumer consumption patterns and societal attitudes towards consumption. These firms and other organizations may be able to achieve a positive change within society to reduce negative environmental and social impacts compared with some governments who may be unwilling or unable to regulate or change the industry. Some governments set standards which firms comply with, but such standards are often based on minimum standards (ILO 2016; OECD 2008). A number of measures have been suggested by the EU and the USA to prevent fatal accidents, such as Rana Plaza, from happening again. These measures to change unethical working conditions in Asia include "greater union rights, more regular work, brands doing more due diligence when dealing with contractors, efficient and more cooperative audits, more stable purchasing practices, making some guidelines and principles legally binding, and putting pressure on Asian authorities to have workers' human rights better respected" (European Parliament 2014). Unfortunately, the "UN Guiding Principles on Businesses and Human Rights" as well as "OECD Guidelines for Multinational Enterprises" are not binding for firms. Similarly, although the ILO sets measures for countries around the world to adopt labour codes, the organization lacks real enforcement power. These standards and guidelines are insufficient to compel firms to act ethically because they are not binding. More often than not, firms incorporate only the parts, processes, or practices that are beneficial to them, neglecting what is good for the public, society, or the environment. It is for these reasons that the consumers' voice should not be overlooked, since it is their anti-consumption behaviour that can provide pressing incentives for firms to adjust and adopt ethical practices. Moving forward, third party certifications such as B-Corp may become increasingly important for making positive corporate governance changes to provide greater transparency to consumers. Such certification does not set a minimum standard; rather, it demands that the firms involved are transparent and act for the good of society and the environment rather than for profits and sales. In an industry that has been marked by cost reduction, sweatshop labour, environmental pollution, and incidents such as Rana Plaza, it is time that all parties in the arena shoulder the burden of responsibility.

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