

Chapter 2 Case study

MNCs and labour standards in the Bangladeshi garments industry

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On 24 April 2013, Rana Plaza, a building hosting garment production units, collapsed and 1129 people were killed. Reports from survivors suggested that serious structural problems with the building were known before the event (e.g. Devnath and Srivastava 2013).

The factories in the building were owned and operated by local companies, but manufactured clothing for a large number of European and North American brands, including Benetton, Mango, Matalan, Primark and Walmart.

After a wave of popular protests in Bangladesh, and worldwide criticism from advocacy groups, trade unions and politicians, an Accord on Factory and Building Safety in Bangladesh was reached between the IndustriALL Global Union, the UNI Global Union, other non-governmental organizations, and retailers, under the coordination of the International Labour Organization (ILO). The accord is intended to ensure that contractors are paid sufficiently by the retailers to maintain safe buildings, while providing assurances that retailers will remain in Bangladesh despite the higher costs involved. It also has provisions regarding pay protection for workers in unsafe factories. Once a retailer signs the agreement, it is legally binding.

Retailers were given a deadline of 16 May 2013 to sign the agreement. Most (although not all) major European brands had signed the accord by the deadline. However, a group of 17 large North American retailers refused to sign the agreement, citing concerns about the possibility that doing so might lead to them being liable to 'class actions' against them in the USA for accidents in Bangladesh (this claim is disputed, see *New York Times* 2013a).

This group of companies instead formed the rival Alliance for Bangladesh Worker Safety. This agrees, among other things, to make loans available to factories to improve safety, to inspect factories (*New York Times* 2013b), to facilitate worker reporting of problems, and ultimately to threaten to close unsafe factories. However, this Alliance does not have any legally binding provisions, and is not supported by the local or international labour movement.

Questions

- 1 To what extent does the remit of international HRM include issues such as worker safety in subcontracting firms overseas?
- 2 From the information in the links below, why do you think attitudes to the Accord differed between different retailers? Can you explain why European and American retailers seem, on the whole, to have taken different approaches?
- 3 Compare the arguments given on the Alliance for Bangladesh Worker Safety and Clean Clothes Campaign websites below? What are their key differences?

References and further information

Accord on Fire and Building Safety in Bangladesh, http://www.industrialunion.org/sites/default/files/uploads/documents/2013-05-13_-_accord_on_fire_and_building_safety_in_bangladesh_0.pdf

Alliance for Bangladesh Worker Safety, <http://www.bangladeshworkersafety.org/>

Clean Clothes Campaign (2013) Frequently Asked Questions (FAQ) about the Bangladesh Safety Accord, <http://www.cleanclothes.org/issues/faq-safety-accord/#1---what-is-the-accord-on-fire-and-building-safety-in-bangladesh->

Devnath, A., and Srivastava, M. (2013) ‘Suddenly the floor wasn’t there’ factory survivor says, <http://www.bloomberg.com/news/2013-04-25/-suddenly-the-floor-wasn-t-there-factory-survivor-says.html>

Guardian (2013) Walmart and Gap back plan to improve Bangladesh garment factory safety, 10th July, <http://www.theguardian.com/world/2013/jul/10/walmart-gap-bangladesh-factory>

New York Times (2013a) U.S. retailers see big risk in safety plan for factories in Bangladesh, http://www.nytimes.com/2013/05/23/business/legal-experts-debate-us-retailers-risks-of-signing-bangladesh-accord.html?_r=0

New York Times (2013b) US Retailers offer plan for safety at factories, http://www.nytimes.com/2013/07/11/business/global/us-retailers-offer-safety-plan-for-bangladeshi-factories.html?_r=0