

Case Discussion Questions

1. The thesis in the end of chapter case is that Wal-Mart uses a corporate model that is not sustainable. Do you agree or disagree? Substantiate your argument with evidence.
2. What measures would be required for Wal-Mart to develop a sustainable business model?
3. Contrast Wal-Mart's employment policies with those of Costco and Target. What factors make the difference?

11 Global Labor Markets

Chapter Outline

Global Labor Markets

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Chapter Introduction

With the globalization of labor markets, the issues of international labor standards and abusive labor conditions arise. Global sourcing and outsourcing first of manufacturing, then of white collar and professional jobs, are emergent trends in the early twenty-first century, impacting both countries with developed economies and less economically developed countries.

Chapter Goal and Learning Objectives

Chapter Goal: To understand the implications of, and ethical challenges posed by, the globalization of labor markets and to fashion employment policies that are both competitive in a global environment and fair.

Learning Objectives:

1. Understand the mechanisms by which labor markets have become globalized.
2. Explain what makes a sweatshop.
3. Debate the impact of globalization of labor markets on less economically developed countries and the related ethical challenges.

4. Develop proposals to mitigate the most egregious practices victimizing workers in low labor cost countries, including child labor and de facto slavery.
5. Recommend a supplier code of conduct and an inspection system for the Children's Place in Bangladesh.

Global Labor Markets

Global standards of living are on the rise. Even LEDCs are experiencing dramatic rise in the standard of living in the early twenty-first century, spurred by the invention and spread of *microenterprise*¹ and by global sourcing.² Although microenterprise is typically discussed in terms of the benefits to the entrepreneur, bringing increased income to poor mothers and their families, production by the microenterprise also increases access to consumer goods and raises the standard of living among predominantly rural, poor people living in LEDCs, such as Bangladesh.

Furthermore *global sourcing*, such as the development of call centers in India, the manufacture of products for Wal-Mart in China, and the growth of textile production in Bangladesh, leads to an increase in worker income enabling a rise in the standard of living for the workers in their role as consumers in less-developed countries. China, for example, has been a consumer goods shortage society, so that a benefit of direct foreign investment in China and global sourcing by multinational enterprise, as well as the growth of local enterprise, has been that consumer goods have become both affordable and abundant. With the globalization of labor markets, the issues of international labor standards and abusive labor conditions arise.

Globalization

While global product markets were developed as early as the Age of Exploration, the post-Industrial Revolution has given rise to global labor markets as well. The creation of global rapid shipping routes, air travel and the information "highway," created by the synergy of computer technology and the invention of the Internet, has made the integration of global product and labor markets possible. Thomas L. Friedman calls this phenomenon the "flattening" of the world.³

Friedman attributes the flattening of the world to the end of the Cold War, the development of the computer and the linking of computers via the Internet, as well the application of computer software to project management. Additional forces that serve to integrate, or "flatten," the world include outsourcing and offshoring. Actually, outsourcing and offshoring are consequences of the more fundamental facilitators, and they further integrate global enterprise and relationships among enterprises, including the creation of supply chains.⁴

True globalization makes possible “the global web.” Robert Reich uses the term “the global web” to point out the rise of an international division of labor between countries.⁵ The shift of routine, mass production operations to LEDCs occurred in the 1970s. Initially, the destination countries were cheap labor market countries such as South Korea and Mexico. US workers displaced by the move of manufacturing operations offshore were retrained under special legislation, including the Job Training Partnership Act.⁶ However, more recently, Mexico and South Korea have been displaced as low-labor cost countries by such countries as mainland China, Sri Lanka, Vietnam and Indonesia. Because communications, including shipping, have become low cost and rapid, products can be “produced” among a web or network of companies. The final product may be produced among several companies. For example, Friedman uses Dell Computer as an example of production using the global web.

The consequence of the global web, or production networks among countries that compete with each other for the location of operations, is that countries may become specialized among each other for particular types of operations. Initially, low-skill, low-wage manufacturing jobs were located in LEDCs. More recently, however, service jobs such as customer service call centers, have moved offshore, particularly to India, which is an English-speaking country. Most recently, high-end, high-technology jobs are being located in developing countries. Taiwan, for example, is specializing in computer chip manufacturing. India, with its good technical education systems and English-speaking population, may be becoming a center for high technology. For example, Microsoft located a research and development facility in Bangalore, India.⁷ Ironically, South Asian Indian engineers, who emigrated to the United States for employment opportunities, are being displaced by the move of engineering work to India.⁸

The global network is facilitated by the creation of transnational trading organizations. For example the General Agreement on Tariffs and Trade (GATT) was established after World War II, in 1947. Then the European Common Market was created in 1958, with internal tariffs among member countries removed in 1968. The Common Market laid the groundwork for the present day European Union. In the Americas, the North American Free Trade Association, executed in 1994, created a trading partnership among the United States, Canada and Mexico. In 2005, the Central America Free Trading Association was approved by the United States Congress. The South East Asian Nations created a regional trading association among Indonesia, Singapore, Malaysia, Thailand, the Philippines and Brunei in 1967. The World Trade Organization was created in 1995, as an outgrowth of GATT to promote tariff free trading among its member states.⁹ See Table 11.1.

What Makes a Sweatshop?

The location of manufacturing operations in LEDCs raises concerns about possible exploitation of workers in the less economically developed countries. The concerns include child labor, abusive working conditions, hazardous and unsafe working conditions, environmental hazards and fair wages. Some

Table 11.1 Transnational Trading Organizations

<i>Transnational Trading Organizations</i>	<i>Year Created</i>	<i>Member Countries</i>
GATT, General Agreement on Tariffs and Trade	1947	159 countries
Common Market	1958	France
European Economic Community	1967	West Germany, Italy, Netherlands, Belgium, Luxembourg original members
ASEAN, Association of South East Asian Nations	1967	Indonesia, Singapore, Malaysia, Thailand, Philippines, Brunei
NAFTA, North American Free Trade Organization	1994	Canada, United States, Mexico
WTO, World Trade Organization	1995	2005, 145 nations
CAFTA, Central American Free Trade Organization	2005	Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Dominican Republic
SAFTA, South Asian Free Trade Organization	2006	Bangladesh, Bhutan, India, Maldivia, Nepal, Pakistan, Sri Lanka

companies, such as Nike, locate their production facilities in LEDCs as a matter of corporate strategy. Levi Strauss also locates its manufacturing plants for its jeans in LEDCs, and in fact, closed all its North American facilities during 2003 and 2004.¹⁰ Apple produces its iPad and iPhones in China, with an important subcontractor at FoxConn.¹¹ The question arises: would companies such as Nike, Levi Strauss, and Apple choose to produce in developing countries if there were no labor cost and regulatory cost differentials?¹² Do these strategies amount to using sweatshops?

The International Labor Organization (ILO), based in Geneva, Switzerland, has developed model international labor standards for fair employment practices by international organizations.¹³ In the years since the 1990s, when the subcontractor sweatshop conditions became known, the ILO, as well as multinational corporations including Nike, Levi Strauss, and Kathy Lee Gifford enterprises, have developed supplier codes of conduct and learned to how to enforce them. Apple joined the Fair Labor Association (FLA) after its problems with overtime were publicized in January 2012.¹⁴ It is the only technology company to have joined the FLA. Apple is working on resolving the criticisms of the employment conditions but it finds the issue of overtime to be relatively intractable; Apple anticipates that it will take several years to bring overtime to conformity with the requirements of Chinese law.¹⁵ Sweatshops are not exclusively a problem of LEDCs. The US Congress requested the General Accounting Office (GAO) to issue a report about the prevalence of sweatshops in the garment industry. The GAO defines a sweatshop as “an employer that violates more than one federal or state labor law governing minimum wage and overtime, child labor,

industrial homework, occupational safety and health, workers' compensation, or industry registration."¹⁶

When Nike Corporation became embroiled in its "sweatshop" controversy, it defended its corporate reputation by asserting that it did not operate sweatshops and that any adverse conditions among the subcontractors in its supply chain had been corrected. A consumer activist in California brought suit against Nike for "false and deceptive" advertising.¹⁷ Nike defended the charges against it on the basis that it was engaged in political speech, for which there is wide latitude in opinion-giving. Kasky argued that Nike was engaged in commercial speech and that Nike's claims must be verifiable. Although Nike contested the characterization of its advertising that it did not operate sweatshops as commercial speech, and although the ACLU defended Nike's position, marketers generally conclude that Nike was using its statements that it did not operate sweatshops to induce consumers to purchase its products and, therefore, Nike's statements constitute commercial speech. However, the case settled without the issue in controversy being determined: whether Nike was engaged in political or commercial speech and whether corporations would be held to a "truth in advertising" standard when they assert to their customers that they do not operate sweatshops.¹⁸

Can Nike shift the ethical burden of sweatshop or exploitive labor conditions to subcontractors who actually produce the product? Or should Nike be held responsible for the working conditions of its subcontractors? The monitoring of working conditions in its subcontractors involves supply chain management, as discussed in Chapter 7. Nike, in its evolution of its monitoring and compliance process, has acted as a learning organization, following the model developed by Peter Senge.¹⁹

A related issue is: what is an appropriate wage for workers in developing countries who work for Nike, Levi Strauss, or other multinational corporations? Is it sufficient to meet the local minimum wage of the host country or is there an obligation to pay a "living wage?" Is there an obligation on the part of the multinational corporation to ensure that real wages keep up with inflation or other monetary problems in the country where the goods are manufactured? Would such an obligation be fair to the enterprise, since monetary issues such as inflation or currency devaluation are beyond the control of the enterprise?

Impact of Globalization on the Economies of Less Economically Developed Countries

The benefits of global sourcing of work on LEDCs are significant. Global sourcing is a significant means of poverty alleviation. Moreover, the premise of "wealth at the bottom of the pyramid" is that it is in the self-interest of corporations to market to citizens of LEDCs.²⁰ Prahalad and Hart urge multinational, global corporations to see the enormous opportunities that derive from marketing to the poorest people in the world, those at the bottom of the pyramid. The market at the bottom of the pyramid are people who live on less than US\$1

per day or US\$2 per day. Their thesis is that an orientation of global corporations to people at the bottom of the pyramid will bring prosperity to the poorest people of the world, as well as serve as an effective business proposition for private enterprise. Other strategists have joined the effort to eradicate global poverty through business solutions. Jeffrey Sachs's *The End of Poverty* was linked to the United Nations Millennium Development Goal of halving global poverty by 2015.²¹ Banerjee and Duflo's *Poor Economics: A Radical Rethinking of The Way To Fight Global Poverty*, which won the *Financial Times*/Goldman Sachs best business book of the year in 2011²² proposed anti-poverty interventions based on how the poor live and chose within their life parameters. Paul Polak and Mal Warwick in 2013 proposed *The Business Solution to Poverty: Designing Products and Services for Three Billion New Consumers*, which advocates "designing for the market"²³ of those at the bottom of the pyramid.

Concerns for employees working in outsourced firms must involve their physical conditions of work. For example, soccer balls are typically produced in LECDs. There are toxic hazards in the production of soccer balls. The Global Forum for Sports and Environment convened a forum that negotiated standards for the production of soccer balls in LEDCs, the Lahore/Sialkot Declaration on Corporate Responsibility. See Box 11.1.

Box 11.1 The Lahore/Sialkot Declaration on Corporate Responsibility

Lahore/Sialkot, 26 November 2004—Following two days of discussions in Lahore and Sialkot, Pakistan, during the Third Global Forum for Sports and Environment (G-ForSE), organized by UNEP and the Global Sports Alliance (GSA), the leaders of the sporting goods industry in Sialkot, who produce 60 per cent of the soccer balls used around the world, unanimously endorsed a declaration calling for environmental concerns to be fully taken into account in their industry...

Leaders have courageously tackled the issue of child labour in recent years and have committed to continue to improve working and environmental standards in line with the UN Global Compact initiated by the UN Secretary-General, Kofi Annan.

The Lahore/Sialkot Declaration on Corporate Environmental Responsibility
Recognizing the value of involving the private sector in achieving the United Nations Millennium Goals;

Recognizing the role of the environment in the Global Compact of the United Nations Secretary General;

Recognizing the importance that an increasing number of companies are placing on the Global Reporting Initiative of the United Nations Environment Programme;

Noting the importance of the participation of the corporate sector in the implementation of the United Nations Decade on Education for Sustainable Development and the celebration of the United Nations Year of Sport and Physical Education—2005;

Further recognizing that considerable progress has already been accomplished in incorporating environmental concerns in the work of sporting goods companies;

Further inspired by the social progress achieved in many parts of the world, including Lahore and Sialkot where child labour has been eliminated for the soccer ball industry;

Determined to contribute to the efforts for human progress and the reduction of poverty;

1. We sport related industries therefore agree: to raise the importance of sustainable development and the environment in our work principles;
2. to include the environment as a key factor in our non-financial reporting;
3. to reduce and improve the use of water and energy during the production of sporting goods;
4. to introduce cleaner technology, reduce the amount of toxic and chemical waste produced and other pollutants in our production facilities;
5. to raise environmental awareness and action among company workers;
6. to promote and sponsor children and youth activities linking good health, sport and environment;
7. to participate in and support initiatives that seek to promote the linkages between sport and the environment including with athletes.

Source: <http://www.unep.org/Documents.Multilingual/Default.asp?DocumentID=412&ArticleID=4673&1>

The working conditions that have come to light in Bangladesh were worse than imagined by the contractors. A fire at Tazreen Plaza killed 117 workers and burned at least 200 others.²⁴ The violations at Tazreen Plaza harkened back to the Triangle Shirtwaist Fire of 1911.²⁵ Then in April 2013 Rana Plaza collapsed, killing more than 1,100 workers.²⁶ Rana Plaza was inspected the day before the collapse and the building had been condemned. However, workers, mostly women, were visited at their homes and instructed to return to work and threatened with pay being docked. The scope of codes for subcontracts must be expanded to include building integrity, fire codes and other matters that might have been taken for granted by outsourcing firms. Building integrity and fire codes are subjects of both the Bangladesh Accord on Fire and Building Safety²⁷ and the Alliance for Bangladesh Worker Safety.²⁸ Issues of global sourcing and supply chain management after Rana Plaza are the subject of the end of chapter case.

Conclusion

The technological forces that have “flattened” the world and created the “global web” lead to ethical challenges in the management of the global labor market. Is the motivation for locating operations in LEDCs purely opportunistic, exploiting wage and cost of living differentials, as well as a more lax, lower

cost regulatory environment? Or is the globalization of operations done with an appreciation for the economic development that global sourcing brings creating “wealth at the bottom of the pyramid”? Are global companies developing best practice standards for operations, both environmental and labor standards, avoiding the creation of double standards for operations? Are global companies sensitive to, and managing with compassion, the unintended negative consequences of global sourcing on the displaced workers of more economically developed countries?

Chapter Discussion Questions

1. Nike uses subcontractors in developing countries to manufacture its products, as a matter of corporate strategy. Does this strategy amount to using sweatshops?
2. What makes a sweatshop?
3. Would companies such as Nike, Levi Strauss, Wal-Mart, Apple, and apparel companies such as Kathy Lee Gifford choose to produce in developing countries if there were no labor cost and regulatory cost differentials?
4. What is an appropriate wage for workers in developing countries who work for multinational corporations? Is there an obligation on the part of the multinational corporation to ensure that real wages keep up with inflation or other monetary problems in the country where the goods are manufactured?
5. How can the most egregious human rights abuses be prevented in production facilities of outsourcing companies?

Notes

- 1 See Muhammad Yunus, *Banker to the Poor: Micro-Lending and the Battle Against World Poverty* (London: Aurum Press, 1999). See also David Bornstein, *The Price of a Dream: The Story of the Grameen Bank* (Champaign, IL: University of Chicago Press, 1996).
- 2 See Thomas L. Friedman, *The World is Flat: A Brief History of the Twenty-First Century* (New York: Farrar, Straus and Giroux, 2005).
- 3 Friedman, *The World is Flat*.
- 4 The infrastructure enabling *outsourcing* lay in fiber optic cables, making possible web based communications worldwide as well as satellites for communications. The problems associated with Y2K were resolved by the programming skills of Asian Indian programmers using the global communications network. The coupling of the ability to communicate globally and the urgent need for programming power to resolve the Y2K programming code issues spurred the outsourcing initiatives to India. *Offshoring* was spurred by China’s open door policy initiated by Premier Deng Xiaoping in 1977 and then China’s accession to the World Trade Organization in 2001. Offshoring involves moving operations from one location to another location, one that has “cheaper labor, lower taxes, subsidized energy, and lower health-care costs.” *Supply chaining* involves the integration of retailers with their task environment: suppliers and customers. Wal-Mart is a master of inventory management.

- Supply-chaining depends on the ability to interface across organizational boundaries among interdependent, linked systems. See Friedman, *The World is Flat*.
- 5 Robert Reich, *The Work of Nations: Preparing Ourselves for 21st Century Capitalism* (New York: Alfred A. Knopf, 1992). The title is a play on the words and title of Adam Smith's *The Wealth of Nations*.
 - 6 Robert Guttman, "Job Training Partnership Act," *Monthly Labor Review*, March 1983, 3–10.
 - 7 "Microsoft opens R&D facility in Bangalore," *The Times of India*, July 26, 2011.
 - 8 Saritha Rai, "Is the Next Silicon Valley Taking Root in Bangalore (India)?" *New York Times*, March 20, 2006.
 - 9 "Welcome to the Regional Trade Agreements Information System (RTA-IS)," *World Trade Organization*, last modified June 27, 2014, <http://rtais.wto.org/UI/PublicAllRTAList.aspx>.
 - 10 Jenny Strasburg, "Levi's to Close Last U.S. Plants: Much of the Work Once Done in This Country Has Moved Instead to Cheaper Contract Factories in Asia and Latin America," *San Francisco Chronicle*, Sept. 26, 2003.
 - 11 Charles Duhigg and Keith Bradsher, "How the U.S. Lost Out on iPhone Work," *The i Economy part 1: An Empire Built Abroad*, *New York Times*, Jan. 21, 2012 http://www.nytimes.com/2012/01/22/business/apple-america-and-a-squeezed-middle-class.html?pagewanted=all&_r=0, and Charles Duhigg and David Barboza, "In China, Human Costs Are Built Into an iPad," *The i Economy part 2: A Punishing System*, *New York Times*, Jan. 25, 2012.
 - 12 As discussed in Chapter 4, is it ethical for companies to rely on the local environmental regulatory framework if best practices indicate other standards?
 - 13 International Labour Office
Bureau for Workers' Activities
CH-1211 Geneva 22
Fax: +41 22 799 6570
ACTRAV Homepage: <http://www.ilo.org/actrav/>
 - 14 Duhigg and Bradsher, "How the U.S. Lost Out"; Duhigg and Barboza, "In China, Human Costs."
 - 15 "Final Foxconn Verification Status Report," December 2013, *Fair Labor Association*, http://www.fairlabor.org/sites/default/files/documents/reports/final_foxconn_verification_report_0.pdf.
 - 16 "GAO/HEHS-95-29 Prevalence of Sweatshops," Nov. 1994, *U.S. Government Accountability Office*, <http://www.gao.gov/archive/1995/he95029.pdf>.
 - 17 *Kasky v. Nike*, 539 U.S. 654 (2003).
 - 18 *Kasky v. Nike* proceeded through the California state trial court, to the appellate court as well as to the California Supreme court. The verdict of the California Supreme Court was appealed to the U.S. Supreme court, which granted certiorari in the case. The U.S. Supreme Court determined that Kasky had standing under California law to bring the suit on behalf of consumers but that the writ of certiorari had been improvidently granted, with the result that the United States Supreme Court would not decide the issues in the case. The case then settled.
 - 19 Peter Senge, *The Fifth Discipline: The Art and Practice of the Learning Organization* (New York: Doubleday/Currency, 1990).
 - 20 See C.K. Prahalad and Stuart Hart, "The Fortune at the Bottom of the Pyramid," *Strategy+Business* 26 (2004): 54–67. See also C.K. Prahalad, *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits* (Upper Saddle River, NJ: Prentice Hall/FT Press, 2004) and Stuart L. Hart, *Capitalism at the Crossroads: The Unlimited Business*

- Opportunities in Solving the World's Most Difficult Problems* (Upper Saddle River, NJ: Prentice Hall /FT Press, 2005). An early approach is given by Joshua D. Margolis and James P. Walsh, "Misery Loves Companies: Rethinking Social Initiatives by Business," *Administrative Science Quarterly*, Vol. 48, No. 2 (Jun 2003) 268.
- 21 Jeffrey Sachs, *The End of Poverty: Economics Possibilities of Our Time* (New York: Penguin Press, 2005). For a statement of the Millennium Development Goals, see "Millennium Development Goals," *UNICEF*, last modified 2014, http://www.unicef.org/mdg/index_proverty.htm.
 - 22 Abhijit Banerjee and Esther Duflo, *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty* (New York: Public Affairs, 2011).
 - 23 Paul Polak and Mal Warwick, *The Business Solution to Poverty: Designing Products and Services for Three Billion New Consumers* (San Francisco: Berrett-Koehler, 2013).
 - 24 Steven Greenhouse, "Documents Reveal New Details About Walmart's Connection to Tazreen Factory Fire," *New York Times*, Dec. 10, 2012, <http://www.nytimes.com/2012/12/11/world/asia/tazreen-factory-used-by-2nd-walmart-supplier-at-time-of-fire.html>. See also Julfikar Ali Manik and Ellen Barry, "Months After Deadly Fire, Owners of Bangladesh Factory Surrender to Court," *New York Times*, Feb. 9, 2014, http://www.nytimes.com/2014/02/10/world/asia/owners-of-bangladesh-factory-surrender-in-deadly-fire.html?_r=0.
 - 25 See "Triangle Fire," *PBS American Experience*, last modified 2014, <http://www.pbs.org/wgbh/americanexperience/films/triangle/player/>.
 - 26 Jim Yardley, "Report on Deadly Factory Collapse in Bangladesh Finds Widespread Blame," *New York Times*, May 22, 2013, <http://www.nytimes.com/2013/05/23/world/asia/report-on-bangladesh-building-collapse-finds-widespread-blame.html>.
 - 27 *The Accord on Building Fire and Safety in Bangladesh*, last modified 2014, <http://www.bangladeshaccord.org/>.
 - 28 *Alliance for Bangladesh Worker Safety*, last modified 2014, <http://www.bangladesh-workersafety.org/>.

End of Chapter Case: Rana Plaza Collapse, Bangladesh

Business as usual is not an option : Supply chains and sourcing after Rana Plaza

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One year ago, the collapse of a factory complex at Rana Plaza in the industrial outskirts of Dhaka, Bangladesh, killed almost 1,200 garment workers. It was the world's worst industrial accident in 30 years, and came in the aftermath of the Tazreen factory fire in Dhaka only five months earlier that killed more than 120 workers. The images of grief-stricken families combing through the rubble is now seared in our consciousnesses. The size and scope of these disasters have captured public attention, focused on gaps in factory safety in Bangladesh. But a closer look reveals the uncomfortable truth that these tragedies are the almost inevitable result of a highly disaggregated sourcing model which has become the basis of global supply chains.

This report looks behind the headlines to reveal the way business operates at different levels of the supply chain in Bangladesh, the seventh most populous country in the world. We focus on global business relationships and especially what we call “indirect sourcing.” Indirect sourcing relies on the routine practice of subcontracting, often through purchasing agents and in a manner that is not transparent to buyers, to increase margins and boost production capacity while keeping costs low. As orders are subcontracted and in some cases re-subcontracted, production moves into facilities that are outside the scope of current regulation and often are “noncompliant” with minimum standards for safety and workers’ rights.

Indirect sourcing is an essential, though poorly understood, feature of the business models of global buyers and national-level suppliers in Bangladesh. Acknowledging these relationships is key to understanding the real scope of the factory safety challenges in Bangladesh. It also is essential for developing comprehensive policy responses that both will protect workers throughout the sector and ensure the sustained growth of Bangladesh’s export economy.

Indirect sourcing increases risk by reducing control and transparency in the supply chain. While this is the most prevalent sourcing model in Bangladesh, an alternative model is beginning to emerge. A small group of leading buyers and suppliers are starting to practice a more direct, transparent sourcing model in which the buyer works with partner suppliers on a long-term basis. We discuss the elements of this more direct and transparent sourcing strategy as an important alternative to indirect sourcing.

Second, the report examines public and private and governance of the garment sector. **The government of Bangladesh should be the principal regulator of the garment sector. The country is deeply reliant on garments in its export economy and as a driver of employment and social development.** The government also should be centrally involved in ensuring safety and high standards for working conditions, in addition to implementing public policies that encourage continued business growth in a way that benefits the whole society.

But today **the government of Bangladesh lacks the political will, the technical capacity, and the resources necessary to protect the basic rights of its workers.** Bangladesh ranks at or near the bottom across all measures of good governance, including civil justice, regulatory enforcement, and absence of corruption. In these areas, it is on the same level as Sierra Leone, Venezuela, Zimbabwe, Ethiopia, and Pakistan.

After years of halting progress, the government launched a National Action Plan to upgrade the garment sector in 2013. This plan is ambitious in scope, but unrealistic in terms of the government’s ability to implement it. The United States’ suspension of Bangladesh’s participation in a preferential trade program, coupled with the threat of suspension from the European Union’s program, has been a key motivator for the government’s commitments in this area.

We examine the status of public governance in the garment sector, including the legal framework for labor law and compensation for victims of industrial accidents, as well as the government’s own National Action Plan.

We also explore the prospects for successful implementation of the International Labour Organization (ILO) and the International Finance Corporation (IFC)’s Better Work Bangladesh program. Governments, companies, civil

society, and unions have all looked to this program as an important means of enhancing governance in the garment sector.

In the absence of strong government oversight, global companies have stepped in to provide some measure of private governance. Two major private initiatives were created in 2013 by global brands and retailers—the Bangladesh Accord on Fire and Building Safety ('Accord') and the Alliance for Bangladesh Worker Safety ('Alliance'). These represent an unprecedented collaboration among most of the biggest clothing companies in the world to collectively address structural weaknesses in the garment sector.

Much attention has been devoted to parsing differences between these two initiatives. Our analysis concludes that the Accord and the Alliance are fundamentally similar and that in key aspects, both are insufficient. Neither the Accord nor the Alliance addresses the role of indirect sourcing practices in their members' supply chains. Both are prioritizing rapid inspection of those factories that maintain direct relationships with their member brands, but neither initiative has yet developed a coordinated and clear system for financing remediation efforts based on the results of their inspections.

It is impossible to consider the long-term viability of Bangladesh as a major garment production center without addressing significant gaps in the country's infrastructure. Despite the extraordinary growth of the garment sector over the last 30 years, Bangladesh's infrastructure is among the most underdeveloped in the world.

In some respects, the demands of the garment sector have actually exacerbated the problem, placing even greater demands on an already overtaxed system. Erratic electrical supply and poor transport networks aggravate production delays and raise production costs. Ultimately, it is workers who pay the price for the country's poor infrastructure, in the form of long hours in unsafe facilities, where an electrical spark can lead to a deadly fire in a cramped building.

Many experts argue that moving garment production into export zones should be a key feature of a forward-looking strategy for the sector. We discuss the positive infrastructure attributes of the export processing zones, as well as longstanding governance challenges and weak labor law protections in the zones.

Foreign funding—from donor governments and international financial institutions like the World Bank and IFC—should be part of a response to the infrastructure challenges that underlie many safety risks in the garment sector. But our analysis reveals that while significant funding is being directed at training, inspection, and empowerment programs in the garment sector, relatively little funding is directed at infrastructure development. Corruption remains a significant obstacle to funding large-scale projects such as power plants and bridges, but these are essential for the sector's sustained growth and safety.

Filling the governance gap will require a network of interconnected actors—national and international companies, governments, civil society, unions, and international organizations—to enhance governance in the garment sector through a mix of public and private mechanisms.

This means fostering greater transparency in business relationships, investing in enhanced regulatory oversight, coordinating financing systems for making factories safer, and prioritizing infrastructure development.

This report delves into the nuances of the garment business in Bangladesh, but the lessons of the garment sector there apply broadly to all companies that rely on global manufacturing supply chains. Subcontracting and indirect sourcing relationships are increasingly prevalent in global business models everywhere. We hope this report sparks a discussion about increasing transparency, control, and oversight in the supply chain and what this would mean for the workers who are the heart of the system.

In the aftermath of Rana Plaza, “business as usual is not an option” was a popular refrain among people in the garment sector in Dhaka. We believe business has been and will continue to be a force for good in Bangladesh. Achieving better working conditions and a sustainable garment sector will require that business operate differently. We present this report as a reflection of a year of listening, research, and close observation of the way business operates in the supply chain. Our goal is to make it possible to discuss publicly what many people in the sector already know. This report attempts to connect the pieces of a complex business landscape and their relationships to workplace safety and workers’ rights. This represents a new way of viewing human rights challenges through a business lens that we hope will make a positive contribution to the sector and the country’s continued growth.

Executive Summary

This is a report about the garment industry in Bangladesh, its supply chain, and the workers at its heart. It is written in the context of intense international attention on working conditions in the global supply chain, and a shared desire for higher standards in the factories that produce the inexpensive clothing on which consumers in the United States and Europe have come to rely. It starts from the premise that the garment sector has greatly benefited the people and the economy of Bangladesh. But for low-cost garment production to continue to create value for business and society in Bangladesh and around the world, actors across the supply chain need to acknowledge and address the risks created by an indirect sourcing model.

There are significant challenges to achieving the objective of a sustainable garment sector in Bangladesh. To date, too little attention has been paid to connecting the dots to provide an overall assessment of where things stand and what really needs to be done to ensure safer factories and better working conditions. In this report, the Center for Business and Human Rights at NYU Stern provides that overview.

Conclusions

1. Indirect sourcing is the routine practice of subcontracting, often through purchasing agents and in a manner that is not transparent to buyers or regulators. It has become an essential feature of the garment sector in Bangladesh as a means of increasing margins and boosting production capacity while keeping costs low. In the absence of an effective regulatory

framework, the prevalence of indirect sourcing strategies has resulted in a supply chain driven by the pursuit of lowest nominal costs. This has increased risks for business and workers by undermining wages and working conditions, as well as investment in technology and training, and improvements in productivity and quality.

2. The two major remedial plans launched in the last year, the Bangladesh Accord on Fire and Building Safety and the Alliance for Bangladesh Worker Safety, fail to address the greatest risks of this system. The two initiatives have established parallel, and in some cases overlapping, systems of factory monitoring and worker training. But the universe of factories encompassed by their programs is less than 2,000, while the total base of factories and facilities producing for the export garment sector is likely between 5,000 and 6,000. The worst conditions are largely in the factories and facilities that fall outside the scope of these agreements.
3. The government of Bangladesh lacks the resources, administrative capacity, and often the will to protect workers in garment factories. The labor law remains weak and enforcement weaker still. Local industry enjoys outsized influence in the country's politics, which impedes the establishment and enforcement of rigorous regulation. The government has launched an ambitious National Action Plan aimed at addressing factory safety gaps, but few of its provisions have been successfully implemented and the government lacks resources to make it real.
4. The poor state of critical infrastructure, especially the weakness of the electrical supply throughout the country, exacerbates risks of factory fires and the likelihood of future tragedies. The international community has contributed significant funds to develop the garment sector in Bangladesh, but these programs are largely limited to training and for workers and management, inspections, and funds to support the International Labour Organization and International Finance Corporation's Better Work program. Especially in light of major corruption challenges, foreign governments and the World Bank are now shying away from investment in the infrastructure development that will be necessary to truly upgrade the sector.

The Way Forward

People across the sector recognize that Bangladesh's sustained economic and social development depends on the expansion and vitality of the garment sector, including through the continued investment of global buyers. We share the goal expressed by many people of ensuring that "made in Bangladesh" is a sign of pride for workers, business, and consumers. This is the right moment to assess the current status of efforts to improve the garment sector in Bangladesh and make necessary course corrections. We divide our recommendations into

three broad categories, focused on business practices, governance, and infrastructure and foreign funding.

Recommendations to the Business Community

Global brands and their first-tier manufacturing partners need to recalibrate their business relationships to prioritize transparency and longer-term commitments. This must begin with a thorough assessment of the overall universe of garment factories and facilities—big and small, registered and unregistered—that is producing products for export. The Accord and Alliance should join forces in this effort, working closely with the trade associations and the government. Once a comprehensive factory list has been compiled that identifies which factories or facilities produce for each brand, actors around the supply need to develop an ambitious but practical plan, consistent with business realities, to address the most urgent risks. Though this will be a long-term and difficult task, global brands should not cut and run from Bangladesh.

Recommendations to the Government of Bangladesh

The government needs to reclaim ownership of the country's regulatory system. It can not continue to outsource regulatory functions to the trade associations and others. International organizations like the ILO that are working with the government need to focus their resources and attention on building the government's capacity and expertise to monitor factory conditions and to develop credible, well-resourced remedial systems. The government should quickly complete the work of compensating victims of Rana Plaza and should institutionalize this effort to meet the needs of victims of future industrial accidents. Ultimately the government needs to take the lead in overseeing this system, though the private sector also needs to contribute.

Recommendations to the International Donor Community

The task of repairing and rebuilding the most hazardous factories in Bangladesh will take years to complete and cost hundreds of millions of dollars. The effort to build a functional infrastructure will require still greater resources. It is unfathomable that the government of Bangladesh and the private sector can do this alone. The international community—foreign governments, the World Bank, and other multilateral institutions—need to step up as well. As we mark the one year anniversary of the Rana Plaza tragedy, this is a propitious time for the international community to convene a major donors conference on factory safety and critical infrastructure in Bangladesh. Absent an infusion of significant international support, we are destined to see recurring tragedies in Bangladesh which represent a growing threat to the long-term sustainability of its garment industry.

We believe that it is possible to see a different future, where the garment industry continues to grow and compete by producing large volumes of clothing in a timely manner at competitive prices and where workers enjoy safety in the workplace. As we mark the one year anniversary of Rana Plaza, this is the future of Bangladesh we all need to pursue.

Appendix 1

A Primer on Buying and Selling Garments in Bangladesh

Making an Inquiry

Either directly or through a purchasing agent, the brand makes an inquiry about a factory's capacity and availability to produce a given garment—say 100,000 shirts—to certain quality specifications and by a specified delivery date. The factory may be subject to inspections to assess its capacity, levels of quality, and social compliance.

Negotiating the Sales Contract

If the factory is available, it will be asked to make samples of the garment. A sales contract is then negotiated, including design and materials specifications, quantity, price per piece, protections for intellectual property, and a delivery date. (Note that design specifications often are not finalized at this stage and may be adjusted up until the time of production.) The delivery date is often several months ahead to allow time to import the necessary materials and manufacture the order. The factory owner reserves the appropriate number of lines in the factory to meet the delivery date. (A line is the number of machines it takes to complete a given garment, ranging from 10 machines up to 50 machines, depending on the complexity of the product.) To illustrate how this works, let's say we will produce 100,000 shirts at \$1.00 per piece by September 1, for a total order value of \$100,000.

Opening an Export Letter of Credit

The buyer sends an export letter of credit ('export L/C') to the factory or agent's bank. Under the export L/C, payment will be remitted only when the buyer has received the finished goods. This means that the factory owner must procure all of the materials, pay workers, and cover operational expenses well before receiving payment.

Opening a Back-to-Back Letter of Credit to Procure Materials

The export letter of credit is a guarantee that the factory owner or agent will receive payment in the future if the goods are delivered as specified. On the basis of this guarantee, the factory owner or agent is able to open another letter

of credit for the purpose of importing materials (hence the “back to back” LJC). In our example, we will need fabric, buttons, zippers, labels, trim, thread, and packaging materials in order to complete the jackets, in addition to the cost of utilities and labor. Most banks allow an owner or agent to borrow up to 75% of an order’s total value, or \$75,000. The remaining \$25,000 will cover labor costs, utilities, and any goods purchased on the local market.

Getting Permission to Import from BGMEA or BKMEA

To import materials duty free, the owner requires a ‘utilization declaration’ or ‘UD; which is issued by the BGMEA or the BKMEA. The UD ensures that goods imported duty free for the purpose of export production do not end up on the local market. This means that in Bangladesh, the trade associations issue import and export authorizations, rather than the government’s trade or customs ministry. The UD includes authorization for a specific quantity of imported material matched to the specifications of the order. So if we need two yards of fabric for each shirt, the BGMEA will authorize the import of 200,000 yards of fabric.

Procuring Materials

The factory owner procures materials, most likely from China. Once the fabric is shipped, the factory owner’s bank pays the fabric supplier. This is called a bank guarantee and allows the factory owner to borrow against the value of the export letter of credit in order to import fabric. If the factory owner fails to deliver the goods to the buyer, he is still liable for the bank guarantee and the purchase price of the fabric. In this way, the system for financing pushes risk downward from the brand to the factory owner.

Production

Once all materials have been procured and the design specifications are finalized, production can begin. But if the materials arrive late or the buyer delays in submitting its final design, the factory owner’s system for reserving lines is thrown off, while the delivery date remains the same. Production is closely monitored by a series of people from inside and outside the factory management structure. The factory’s production manager is responsible for all aspects of production quality and delivery time. Quality control specialists from the agent or the brand visit the factory sometimes two or three times per week. Social compliance auditors, either from a third party auditor or the brand itself, visit factories at intervals ranging from every few weeks to once a year. Once the garments are sewn, they are finished with labels and tags listing the retail price and even the plastic security devices that will be removed once the garment is sold. Garments are wrapped in plastic and packed in boxes for transport.

Transporting the finished goods and receiving payment.

If everything goes smoothly and the order is completed on time, the goods are transported by truck to the port in Chittagong (about three hours from Dhaka) and sent by ship to the U.S. or Europe. Once the goods are 'free on board; the factory owner submits the appropriate documentation to his bank, which requests payment from the buyer. The time buyers take to process payments is notoriously slow, and factory owners may not receive payment for six months to a year after the order is shipped.

But often, everything does not go smoothly. If the design is complicated and production takes longer than expected, or if other delays have created time pressure against the delivery date, a factory owner has several options. If he has the space, he can open up additional lines in his own factory. He can either offer workers overtime or require them to work extra hours. If he has a strong relationship with the buyer, he can negotiate for an extension on the delivery date. In the worst case scenario, he can pay the significantly higher costs of sending the goods by air rather than by sea.

Or He Can Subcontract.

In our example, let's say the mother factory needed to subcontract 25,000 pieces of the original order. In the best case scenario, the mother factory would announce its need to subcontract to the buyer, which would work with the factory owner to identify a pre-approved subcontractor that meets the mother factory's level of quality and social compliance. A CSR manager for a European brand walked through the process for authorizing a subcontractor, saying, "[The factory] informs the agent they need a subcontractor, we [the CSR team] send the request to Germany and we do an assessment [of the subcontractor]. If the subcontractor meets the minimum standard, then they are in the list" and the order can proceed.

But the process of notification, inspection, and authorization can take a long time, which often does not meet the needs of a factory facing a looming delivery deadline. So in another, more common scenario, the subcontract is negotiated bilaterally between the two factories or through an agent without the knowledge of the buyer. If both factories are members of one of the trade associations, the trade association registers the subcontract through an 'interbond license: The license is important for certifying that the materials imported duty free remain within the 'bonded area' of export production. The interbond license is a one-page, typewritten form signed by the mother factory, the subcontract factory, and two representatives from the BGMEA or BKMEA.

In addition, the two factories will draw up a short contract specifying the terms of the agreement. In one subcontract shared with the Center for Business and Human Rights, the subcontract was a simple one-page document that

contained information about price, quantity, and delivery, but no provisions related to intellectual property, labor compliance, or design.

All transactions up to this point have been conducted in U.S. dollars and based on credit, with the exception of wages and any materials purchased on the local market. Subcontracting transactions are conducted in Bangladeshi Taka (Tk) through local banks on the basis of bills and receipts that are paid directly by the mother factory.

“Both parties agree to execute this agreement under the following terms and conditions: The 1st party . . . shall supply the necessary Cutting Fabric and Accessories to the 2nd party. The 2nd party . . . Only complete the Cutting, Making, packing & finishing of 8,000 pieces of Men’s Shorts Pant Style # . . . against Export L/C No. . . . The production will proceed under the full care of the 1st party. The 2nd party will also look after production and if any damage or losses, they will be liable for that. After finishing the 2nd party will be bound to return the readymade garments within (date). The agreed CM will be Tk25.00/Pc total sub-contract bill will be paid on delivery by Cash/ Cheque.”

The mother factory sends the required materials to produce 25,000 pieces and a supervisor to instruct workers at the subcontracting facility in design and production specifications. Upon delivery of the 25,000 finished shirts, the mother factory pays the subcontractor in Taka, often through a bank transfer. The subcontracted order is combined with the rest of the order and all 100,000 pieces are transported to Chittagong for shipment.

In the third tier of subcontracting—the unregistered, informal system—documentation and contracting is even looser. In our example, the factory that took the subcontract for 25,000 shirts has also faced production delays. So a mid-level cutting manager at this factory phones a friend who runs a very small, unregistered facility with the capacity to produce 5,000 pieces. The manager negotiates with the unregistered factory owner and they reach a verbal agreement on a price and delivery date. The original subcontractor has now become the mother factory.

Unregistered subcontracting is a cash-based system run on bills and receipts. One set of receipts shared with the Center for Business and Human Rights illustrates how the movement of material and finished garments takes place. If, for example, the sub-subcontracting agreement is for 5,000 shirts, the now-mother factory will deliver the component materials as they are available. The mother factory may only cut 500 pieces of the 5,000 piece order on the first day of production. The mother factory calls the subcontract factory, which is responsible for picking up the available materials, including fabric, thread, and other inputs and accessories. The unregistered subcontract factory then hires a truck or a rickshaw to go to the mother factory to get the materials. One example of a receipt for this kind of transaction follows.

To: _____ Chatan No. 19172
Recd By: _____ Date 15/02/2014
Time _____

Please acknowledge receipt of the following

Sl. No.	DESCRIPTION OF GOODS	QUANTITY	UNIT	REMARKS
1	90 Golden Thread	90	Cones	
2	105 Navy Thread	105	Cones	
3	35 Elastic	35	Rolls	
4	25 Twill Tape	25	Rolls	
For Sub Work				

Received the above goods in good condition & found no discrepancy

Receiver's Signature _____

Store-charge _____

Subcontractor's Signature _____

Vertical text on left: SARAH LABOWITZ

The delivery ‘challenge’ lists the materials that have been delivered to the unregistered subcontractor, including 90 cones of golden thread, 105 cones of navy thread, 35 rolls of two kinds of elastic, and 25 rolls of twill tape. The materials are delivered “for subwork.”

The transport of materials proceeds over the course of several days or a week until all of the inputs for the 5,000 pieces are delivered. At the start of the order, a line manager from the mother factory will visit the subcontractor to demonstrate the proper production process and ensure that production meets its standard. When the order is completed, the 5,000 pieces are combined with the remaining 20,000 pieces of the original subcontract, which are returned to the original mother factory and transported to the port for shipment.

Appendix 2

The Accord and the Alliance

The following analysis updates the comparison of the Accord and the Alliance included in the Center’s February 11, 2014 submission to the U.S. Senate Committee on Foreign Relations Hearing, “Prospects for Democratic Reconciliation and Workers’ Rights in Bangladesh.” It is intended as a snapshot of the two

initiatives at an early stage of their development, not as an exhaustive comparison. The Center's conclusion is that the similarities between the two initiatives far outweigh their differences.

Dimension 1: Participation

Both the Accord and the Alliance are comprised primarily of multinational corporations from North America and Europe. The Accord includes two global trade unions as signatories and several Bangladeshi unions. In this respect, it reflects the European industrial relations context, which has been characterized by political involvement through labor parties, worker participation in company decision-making, and relatively high levels of union membership. The Alliance includes the participation of local industry on its board.

	<i>Accord</i>	<i>Alliance</i>
Brands and retailers	Over 150 retailers. The majority of participants are based in Europe; a smaller group is from the Americas. Also includes Asia's largest retailer.	27 retailers. All are North American companies, representing 90% of readymade garment exports to the United States from Bangladesh.
Worker organizations or unions	Two global union Signatories, and a minimum of four unions from Bangladesh	None
Local industry	None	The BGMEA President sits on the board.
Other participants, observers, or advisors	Four international labor rights NGOs are "witness signatories."	"Supporting associations" include several North American trade associations and the NGO BRAe. U & Fung serves in an advisory capacity.

Dimension 2: Decision-Making and Governance

Both initiatives have small governing boards with an independent chair. Membership in the Accord's steering committee is split between retailers and unions. The Alliance's board is split between retailers and outside experts. Both have some international staff, as well as offices and staff in Dhaka.

	<i>Accord</i>	<i>Alliance</i>
Decision-making body	The steering committee is comprised of 3 representatives selected by trade union participants and 3 representatives selected by retailer participants. The ILO selects a neutral chair.	The board of directors includes 4 brand representatives, 4 outside experts, and an elected chair. The Board of advisors comprises 12 multi-stake holder industry experts.
Staff	Led by an Executive Director for International Operations and an Executive Director for Bangladesh Operations, with an office and staff in Dhaka.	Formerly led by a President and CEO in Washington, DC; now led by consultants in Washington, DC and Hong Kong, with an office and staff in Dhaka.

Dimension 3: Commitments

Each initiative is envisioned to last for five years, through 2018. The Alliance requires that members participate for two years; the Accord requires five years, with some requirements for maintaining order volumes for the first two years. If a member company leaves the Alliance, the member pays a financial penalty. If an Accord member is subject to a dispute, the issue is referred to the Steering Committee, whose decision either party can appeal to binding arbitration. Advocates of the Accord have emphasized that this constitutes a legally binding agreement, but it is not clear that the penalties associated with dispute resolution are significantly different from the more straightforward financial penalties contained in the Alliance.

	<i>Accord</i>	<i>Alliance</i>
Overall program commitment	5 years (2013–2018)	5 years (2013–2018)
Individual participant commitments	5 years of participation in the initiative. Member companies commit to maintaining order volumes for two years with Tier 1 and 2 suppliers as long as such business is commercially viable and the factory meets the member company's requirements.	Minimum commitment of 2 years participation in the initiative.
Penalties for leaving the initiative	Disputes between parties are referred to the Steering Committee, whose decisions can be appealed to a binding arbitration process.	Financial penalties assessed if a member Leaves the initiative before the 2-year mark; lesser financial penalties if a member leaves after the 2-year mark.

Dimension 4: Program and Approach

In total, the two initiatives encompass 1,894 factories out of the approximately 5,000–6,000 factories and facilities we estimate are part of the export garment manufacturing sector in Bangladesh. The two initiatives offer similar programs, focused on factory safety and building inspections, worker training and empowerment, and making funds available for factory remediation. All program activities in both initiatives focus on building and fire safety and do not address broader issues of labor rights, freedom of association, or business relationships in the supply chain.

	<i>Accord</i>	<i>Alliance</i>
Core program elements	Safety inspections, remediation, fire and building safety training, member sponsored funding for factory improvements.	Safety inspections, safety and empowerment training, voluntary loans for factory improvements.
Transparency	A single aggregated factory list was published on October 3, 2013 and is updated on an ongoing basis. Inspection reports will become public within a maximum of 6 weeks after the inspection. The stake holders of the factory are informed at least 2 weeks after the inspection, except in the event of immediate danger, when they are informed immediately.	Since October 2013, an up-to-date factory lists is released every month. Inspection reports will become public after a remediation plan has been agreed, or in case of imminent danger.
Factories covered	“All suppliers producing products for the signatory companies”; approximately 1619 suppliers across three tiers.	“100% of factories in the members’ respective supply chains”; approximately 626 factories.

Dimension 5: Fees and Funding

In both initiatives, corporate participants make an annual contribution based on dollar volume of exports to cover the inspection and training programs and operational expenses. A heated debate is now playing out about who will pay for the necessary remediation efforts identified through inspections. Our conclusion is that for all practical purposes, both the Accord and the Alliance put the burden of funding repairs on factory owners, with the option of financing from brands to be negotiated bilaterally between Alliance and Accord members and their suppliers. Neither initiative imposes a firm obligation on brands to fund repair of safety deficiencies uncovered by their audits, but both initiatives require factories supplying their members to be in compliance in order to continue to receive orders. This means factory owners are caught in a Catch-22. They are required to be in compliance in order to maintain relationships with Accord and Alliance members, but if they cannot

afford the remediation the initiatives determine is necessary, no one is obligated to assist them.

	<i>Accord</i>	<i>Alliance</i>
Participant fees to support core programming and operations	Company signatories make a maximum annual contribution of \$500,000 on a sliding scale basis relative to volume of sourcing from Bangladesh. Fees cover safety inspections, trainings, and operational expenses.	Members contribute up to \$1,000,000 per year to a Worker Safety Fund. Fees are assessed on a tiered basis, based on dollar volume of exports in the previous year. Fees underwrite fire and building safety initiatives in factories supplying member companies and operational expenses.
Additional costs to support factory-level remediation	Factory owners are responsible to pay for structural repairs or renovations in factories where remediation is required; brands have agreed to find funding if the owners cannot afford renovations.	Individual members may make affordable financing available to suppliers in their individual supply chains to help finance factory repairs and improvements on a voluntary basis. Terms are set by the individual member company.
Support for displaced workers during remediation	Factories must continue paying workers for up to 6 months during the remediation period. Signatory companies shall make reasonable efforts to ensure that displaced workers who cannot return to their original job can find employment with safe suppliers.	10% of fees directed to the Worker Safety Fund are reserved to support temporarily displaced workers.

The full report can be found at http://www.stern.nyu.edu/sites/default/files/assets/documents/con_047408.pdf

Case Discussion Questions

1. Compare the Bangladesh Accord on Fire and Building Safety and the Alliance for Bangladesh Worker Safety. Which approach will produce better outcomes for the workers and enterprises in Bangladesh and other less economically developed countries? How can cooperation and joint action be achieved?

2. What can be done to surface the sub-contractors that are unknown to the sourcing companies? The NYU report states that 2,000 factories are known but that another 3,000 or 4,000 factories are producing garments for export.
3. What can be done to end the use of purchasing agents for the placement of contracted garment production?
4. Disney pulled out of Bangladesh after the Rana Plaza collapse. Is this the most ethical position? Is it possible for firms to stay in Bangladesh ethically? Are there lessons to be learned from the Sullivan Principles? If so, what are they?