A governance deficit in the apparel industry in Bangladesh: Solutions to the impasse?

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Abstract

The rapid growth of Bangladesh's apparel industry has been facilitated by the emergence of global value chains (GVCs) connecting local suppliers with global buyers. The growth of the industry, however, has occurred without the parallel development of supportive institutions resulting in a governance deficit highlighted, in part, by ongoing disasters in which workers have been killed or injured. Building on the GVCs governance literature, this chapter discusses the need for public, private and social governance actors to work together to address the governance deficit in the aftermath of the Rana Plaza collapse. The chapter highlights the limitations inherent with one form of governance seeking to tackle problems in the industry and concludes that a mix of the three types of governance is needed.

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 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 recognisable 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 regards to sourcing countries, means suppliers in Bangladesh are in competition from other apparel exporting countries (Frederick 2016; Jun 2014; Lee 2016). Buyers will 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, Mayer, Pickles and Posthuma, 2011, 306).

Public governance actors include nation-state actors as well as intergovernmental organisations such as the International Labour Organisation (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 GVCs 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, Bair and Blasi 2013; Gereffi 2005a). This has also resulted in stringent production schedules, less than optimal conditions for workers (Appelbaum, Bonacich, and Quan 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 GVCs research to date has focused on governance (Bair 2008; Gibbon, Bair and Ponte 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, Gibbon and Thomsen 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 globalization 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.

<u>Governance institutions</u>

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 behavior, 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 Organisation (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 plays a key role in regulatory and redistributive roles, for example in its Generalized System of Preferences (GSP) and Generalized 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 thereof 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 *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 Gap, once poster-firms for reckless sourcing and labour abuses, are now viewed as industry leaders in transparency, monitoring and CSR practices, albeit largely due 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 Palpaceur 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 measures to tackle problems in the industry. From the suppliers' perspective, a lack of uniformity in private governance initiatives creates complexity for them to comply with, 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 by-pass 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 for fair wages and compensation, provide training and advocacy to workers to enhance their skills, and provide 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 – the 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 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 the 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 4.1) (BGMEA 2016b).

At the international level, the imposition of quota restrictions by developed countries on exports from newly industrializing 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 European Union and United States 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 4.1) (BGMEA 2016b). Supportive domestic initiatives, coupled with international regulations and liberalization 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 impact in terms of protecting workers' basic rights, including freedom of voice and association, living wages, security and dignity.

<Table 4.1 HERE>

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 4.2). 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] and 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 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

[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)

dominated by females (80% of the workforce), are not former employees in the industry, and lack influence (Tighe 2016).

<Table 4.2 HERE>

<u>Post-Rana Plaza: public, private and social governance initiatives</u>

In 2013, the now infamous Rana Plaza disaster occurred in which 1,134 workers were killed and around another 2,500 critically injured (Rana Plaza Arrangement, 2015). Rana Plaza, an eight story commercial building in the vicinity of the capital city Dhaka, housed several factories which manufactured apparel for a number of prominent brands, including Walmart, JCPenney, 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, Luinstra and Pickles 2014). Table 4.3 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 due to additional stories being 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.

<Table 4.3 HERE>

Public governance initiatives

At the international level, the ILO initiated a multifaceted 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 inspectorates. The governments of the Netherlands, Britain and Canada contributed US$24 million to implement these action plans over a three year period (ILO 2014b). 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 the ILO Conventions 87 and 98 (ILO 2013a). 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

4.3) 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, Raz, Miller, Schlangen and Van Der Sluijis 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 2014b). A milestone achievement of the NTPA was the government upgrading 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 regards to 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 may be 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 4.4 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.

<Table 4.4 HERE>

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 in the redistribution of gains to workers has been inadequate. In parallel, private governance institutions such as the 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, European Union) 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 nonbinding agreements, such as codes of conduct, which have signally 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 the weak institutional framework within Bangladesh.

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 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 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, Bamber and Fernandez-Stark 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 10 years apparel selling prices have declined by 10% in the United States and 25% in the European Union; 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, Tate and Petersen 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, Pournik and Robertson 2015). The concern remains, however, 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 Figure 4.1); a model characterised by "hybrid and complementary institutions of governance" (Mayer and Pickles 2014, 37).

[Figure 4.1 HERE]

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 governments, 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 like 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, Dekhili and Hamdoun 2015; Khattak, Stringer, Benson-Rea and Haworth, 2015; Poulsen, Ponte and Lister 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 interrelated) governance mechanisms, in terms of roles performed (facilitative, regulative and redistributive), 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).

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Figure 4.1: Interrelated governance model

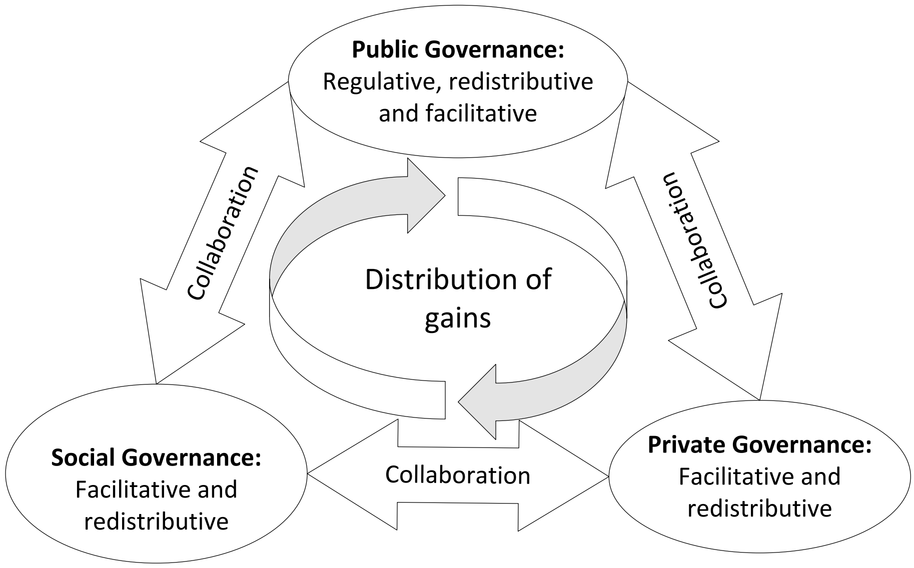

Table 4.1: Growth of the apparel industry from 1983 to 2014

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	4,349.4	75.6
1984-85	384	0.12	116.2	12.4	2000-01	3480	1.8	4,859.8	75.1
1985-86	594	0.20	131.5	16.1	2001-02	3618	1.8	4,583.8	76.6
1986-87	629	0.28	298.7	27.7	2002-03	3760	2.0	4,912.1	75.0
1987-88	685	0.31	433.9	35.2	2003-04	3957	2.0	5,686.1	74.8
1988-89	725	0.32	471.1	36.5	2004-05	4107	2.0	6,417.7	74.2
1989-90	759	0.34	624.2	32.5	2005-06	4220	2.2	7,900.8	75.1
1990-91	834	0.4	866.8	50.5	2006-07	4490	2.4	9,211.2	75.6
1991-92	1163	0.58	1,182.6	59.3	2007-08	4743	2.8	10,699.8	75.8
1992-93	1537	0.8	1,445.0	60.6	2008-09	4925	3.5	12,347.8	79.3
1993-94	1839	0.83	1,555.8	61.4	2009-10	5063	3.6	12,496.7	77.1
1994-95	2182	1.2	2,228.4	64.2	2010-11	5150	3.6	17,914.5	78.2
1995-96	2353	1.29	2,547.1	65.6	2011-12	5400	4.0	19,089.7	78.6
1996-97	2503	1.3	3,001.3	67.9	2012-13	5876	4.0	21,515.7	79.6
1997-98	2726	1.5	3,781.9	73.3	2013-14	4222	4.0	24,491.9	81.1
1998-99	2963	1.5	4,019.9	75.7					

Note: - Data was not available
Source: BGMEA 2016b

Table 4.2: Top apparel exporting countries

Exporting countries	Population (million)	Number of firms	Monthly minimum wage (US$)	Apparel exports (billion US$) 2013
China	1371.22	18,000	155	177
Bangladesh	161	4,296	68	24
India	1,311	11,000	137	17
Vietnam	91.70	2000	107	17
Indonesia	257.56	2,450	104	8
Cambodia	15.58	250	140	5
Pakistan	188.92	7,500	116	5
Sri Lanka	20.96	-	74	5

Note: - Data was not available
Source: ILO 2014a; Lu 2016; Van Klaveren 2016; WTO 2016; World Bank 2016

Table 4.3: 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, 3 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 unauthorized 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, 1,295 factories were inspected.	The CCC called on buyers to provide compensation for workers who died (US$6,250) 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 and certified as “no serious fire safety problem” (CCC 2010).	Compensation of US$2,500 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.
14 December 2010	That’ It Sportswear, Ashulia, Dhaka	Fire	Undisclosed	29	100	Abercrombie & Fitch, Target, Gap, and J.C. Penny	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 Hammadi2012).	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).
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.	1,135	2,500	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; 3 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).
2 February 2016	Matrix Sweater Factory, Gazipur, Dhaka	Fire	Suspected to be electrical short circuit	-	4	H&M, JC Penny, 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

Table 4.4: 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.	Due 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 Act2006.	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.