

Ensuring fair trade in RMG sector

Shahidur Rahman



ON Eid day, as most Bangladeshis were enjoying joyful moments with their friends and families, some 1,600 workers of Tuba Garments factory were on a hunger strike in the capital demanding their arrear wages and festival bonus. While the news was covered by the major media outlets there was no action from the owners or the umbrella organisation BGMEA or the government. Ironically, the owner of the factory also owns Tazreen Fashions, in which a fire accident in late 2012 took 117 lives. Accidents at Tazreen Fashions in December 2012 and collapse of Rana Plaza in April 2013 brought the issue of unsafe working conditions in the readymade garments factories to the forefront of an international debate. Can't the garment factories be made safer for the workers?

The entrepreneurs often argue that if they comply with the code of conduct, it may be difficult to offer a low price for their products and the orders will be shifted elsewhere. So it is important that the buyers show their willingness to pay for the safety standards. After the Rana Plaza tragedy, retailers importing garments from Bangladesh came under pressure from activists and unions all over the world to sign the 'Accord on Fire and Building Safety in Bangladesh.'

At the same time, it is equally important to ensure fair trade in this sector. The garment industry works through a complex supply chain in the global market. Garment manufacturers operate this sector under intense pressure from different interested groups in the global market. These groups include retailers, subcontractors, buying houses, unions, global monitoring bodies, donor agencies and global trade bodies. The garment manufacturers have generally been facing two types of pressures from these groups: the need to provide low-priced but quality products, and ethical work practices.

The buyers mainly pressurise the manufacturers to offer low prices as well as to supply the finished products on time under any circumstances. There has also been the pressure from buyers to maintain compliance with a code of conduct, but this is not as effective as the other pressure. Rather, the unions and other global monitoring bodies such as ILO, human rights organisations and NGOs are active in putting pressure on the garment manufacturers to maintain ethical work practices. These groups only focus on ethical work practices in the factory, but are not aware of the need for a fair price.

It is difficult to produce concrete data on the profit margin of the buyers. We can get a picture of this information from Miller's (2013) research on the negotiations of manufacturing price with suppliers. On the basis of 2006 data the study found that the buyers bought a men's formal shirt from Bangladesh for \$4.10 (the price included finished product, packaging and the transport cost from the factory to port/airport in Bangladesh) and sold it in their market for \$36, which is nine times higher. It clearly shows the great amount of profit earned by the buyers. Although the profit margin for the buyers has increased significantly the profit margin for the Bangladeshi exporters has decreased from 24% in 1995 to 6.2% in 2005 (Khatun et al 2008). But the costs of exporting garments from Bangladesh have gone up, including the industrial and non-industrial costs. For instance, the minimum wage of garment workers was increased from Tk.1,662 in 2006 to Tk.5,300 in December 2013. In spite of that, the garment manufacturers are vulnerable in the sense that they know if they cannot offer low prices for their products (at the cost of low wages and adverse working conditions), the buyers may opt for other suppliers.

The manufacturers are well aware of the fact that they can push their workers by providing low wages or not paying wages on time, but they cannot force their buyers to increase the price of their products. This means that the garment employers do not have sufficient bargaining power with respect to the buyers. The CEO of Hennes & Mauritz, the world's second-biggest fashion retailer, supports higher wages for garments workers

in Bangladesh but warned against such change by saying, “After all, many companies source from Bangladesh, not just us. The country needs to take into account that jobs could be lost to other countries” (BGMEA 2014).

While the issue of fair trade is being debated, the workers of the Tuba garments are yet to be fully paid their earned wage. The Triangle Shirtwaist Factory fire in 1911 in New York City killed 146 workers and the aftermath of the accident led to a revision of the US labour laws and workers' rights. In Bangladesh, Rana Plaza was only the latest in a string of accidents, but let us hope that this tragedy will lead to a safer and secured workplace for the workers where every stakeholder should take the responsibility.

The writer is an Associate Professor of Sociology at BRAC University and author of 'Broken Promises of Globalization: The Case of the Bangladesh Garments Industry' published by Lexington Books.