



BUS 400
BRAC University
Internship Report on “Impact of the Accord on RMG Sector”

Submitted to:

Md. Fazla Mohiuddin

Lecturer

BRAC Business School

BRAC University

Submitted by:

Kazi Sabrina Sultana Mitul

ID- 15104112

BRAC Business School

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Internship Report on “Impact of the Accord on RMG”



Name of the Organization: PDS Multinational Group



Letter of Transmittal

November 29, 2018

Md. Fazla Mohiuddin

Lecturer

BRAC Business School

BRAC University

Subject: Submission of internship report on “Accord Impact on Ready Made Garments (RMG) sector”.

Dear Sir,

With due respect, I am a student of BRAC Business School and I have prepared my internship report on “Accord Impact on Ready Made Garments (RMG) sector”. Currently, I am working on PDS Multinational Group which manages supply chains for major brands and retailers worldwide. Here, I have worked with utmost dedication and have tried my level best to meet the requirements of the course and follow the guidelines of my supervisor to prepare the report. This internship program has helped to get an insight about the real work environment and perform effectively.

Moreover, it has enhanced my knowledge and given an exceptional experience that might have immense uses in the future endeavors and I sincerely hope that I would be able to fulfill your expectations.

Therefore, I have put my sincere effort to give this report a presentable shape and make it as informative and precise as possible. My cordial thanks to you for providing such unique opportunity.

Sincerely yours,

Kazi Sabrina Sultana Mitul | ID: 15104112

Letter of Endorsement

The internship report entitled “**Impact of the Accord on RMG sector**” has been submitted to the office of placement & Alumni, in partial fulfillment of the requirements for the degree of Bachelor of Business Administration, Major in Human Resource Management, Faculty of Business Administration on Dec 13, 2018 by **Kazi Sabrina Sultana Mitul, ID- 15104112**. Therefore, the report has been accepted and may be presented to the Internship Defense Committee for evaluation.

(Any opinions, suggestions made in this report are entirely that of the author of the report. The University does not condone nor reject any of these opinions or suggestions.)

Md. Fazla Mohiuddin

Lecturer & Internship Supervisor

BRAC Business School

BRAC University

Acknowledgement

The internship opportunity I have been given in PDS Multinational Group is a great platform for learning and professional development. I am grateful to PDS Group for allowing me to be a part of their group. I would like to convey greatest gratitude to Our Global Compliance Executive Director Mr. Rajeev Sharma for guiding me to the right path and for assisting me to carry out my responsibilities properly. Additionally, I would like to thank my colleagues and professionals whom I have met in this organization for helping me to understand the process and culture of the organization as well as for their constant coordination and cooperation.

Moreover, I am really grateful and therefore, convey my deepest gratitude to my internship supervisor Mr. Md. Fazla Mohiuddin for his constituent help and guidance for preparing my internship report. It would be very difficult for me to complete my internship report without his numerous and continues consultations. I would also like to thank BRAC University for allowing me the opportunity of internship to understand the actual scenario of professional life. In addition, I would like to thank those people who have directly or indirectly helped me during internship or for the preparation of the report.

Therefore, I am grateful to experience such a great opportunity which has helped me to enrich my knowledge and skills and it will also be very helpful for my future professional development.

Executive Summary

The Accord is an independent and legally binding agreement which is designed to ensure safe and healthy working condition of Ready-Made Garment Factories of Bangladesh. The study represents the impact of the Accord in the RMG sector of our country and also represents the reasons behind the establishment of the Accord. The Accord has come into play as a result of numerous hazards and accidents leading to death and injuries of a large number of garment workers in the previous years. Moreover, the catastrophic hazard of Rana Plaza had captured the attention of the whole world and therefore, major brands and retailers started to become really concerned about their reputation. Additionally, the contribution of ready garment is also discussed in this study since the impact is very significant in our economy. These ready-made garment factories has created employment of a large number of people specially women and it is one of the examples of women empowerment and most importantly has earned foreign currency contributing to the development of this country (Shoron and Huq, 2014). As a result, the govt. became very concerned when the Generalized System of Preference (GSP) was suspended and this huge industry was at stake. To protect this industry immediate measures were taken to ensure safe and healthy working condition for the garment workers. In response, Bangladesh government adopted National Tripartite Action Plan with the help of ILO for building and fire safety. Under which factory building were assessed based on structural integrity, fire and electrical safety with a target of covering 1500 factories. Even the country's labor law of 2006 had been amended in 2015. Therefore, 200 retailers of European, Asian and American buyers signed on the Accord on Fire and Building Safety. The objective of the Accord is to ensure sustainable and safe garment industry in Bangladesh. As a result, this study describes the impact and changes brought by the Accord in the ready-made garments industry in terms of safe and healthy working condition. Moreover, it also represents the impact on the organization where I am given an opportunity of internship. Overall, the study firstly represents the reasons behind the introduction of the Accord in our country. Then it discusses about the processes, programs and practices conducted by the Accord. Thirdly, the study signifies the impact of the Accord on PDS Multinational Group. Most importantly, it signifies both financial and non-financial impact of the Accord on RMG sector. Lastly, the study talks about the "Transition Accord 2018".

Contents

Organizational Overview	8
Department of Central Compliance	9
Job Description.....	10
Product Review	12
Introduction.....	13
• Research Objective:	14
• Scope and Limitation of Research:.....	14
Literature Review	16
Methodology of the Study	17
Analysis and Interpretation of Data.....	18
Impact of the Accord on PDS Multinational Group.....	21
Impact of Accord on Ready Made Garment Factory	23
Financial Impact	25
Findings of Study	27
Recommendations	29
Conclusion	30
Bibliography	31

Organizational Overview

PDS Multinational is a group which manages supply chains for major brands and retailers worldwide. They have a vast network covering 18 countries, 31 offices and over 2,300 employees across Asia, Europe, North America and Middle East. This organization is involved in designing and supplying to the world's leading apparel retailers and brands. They are one of the largest virtual manufacturing and distribution businesses in Asia who are designing consumer goods, are involved in developing as well as sourcing. PDS group encourages entrepreneurs and thus creates opportunities for them to become the best and brightest from the global supply chain industry. They are specialized at providing world class products at a competitive price to the world's leading brands and retailers.

Their goal is to be the world's best innovative enterprise, providing fashion solutions in a highly ethical and trusted manner.

Their mission is to provide PDS clients outstanding service and innovative designs sourced in the most ethical manner and to provide all PDS associates and partners unparalleled opportunities for personal and professional development.

They have diverse employees and management team coming from different nationalities, backgrounds, ethnicities and countries. Therefore, everyone is considered to be valued and treated with respect, empathy and compassion. This organization highly supports trust and transparency. As a result, they aim to maintain high standard of integrity, trust and ethics throughout the organization.

Moreover, this organization always does and will do business in a socially responsible manner while involving in protecting environment, improve working condition, support community involvement as a part of its social responsibility.

Furthermore, this organization involves with customers to make sure high-quality service or products are delivered. Therefore, they aim to provide right value to customers to satisfy their needs and demands while learning from experiences so that they can align their business processes, engage with buyer's teams and transform PDS culture rightfully to win customer loyalty. ("PDS Multinational Group", 2012)

Department of Central Compliance

Central Compliance aims to provide basic compliance standards which have to be followed compulsorily while working with the Group. It ensures ethical values of the whole organization while complying with the policies. Any non-compliance with the policy is considered to be a breach of the Principal Agreement resulting in cancellation of the contract. The aim of this department is to ensure high level of integrity, accountability, performance, ethical behavior, equity in all aspects of operations. Therefore, this department is segmented into different sections which are shortly described below (“PDS Multinational Group”, 2012)

- **PDS Code of Conduct**

PDS code of conduct is divided into two sections. The code of conduct helps to create the right corporate culture, empower employees and ensure sustainability of their operations.

- **Employees Code of Conduct:** The core value of employee code of conduct is “trusteeship” where professionals are “trustees” who maintain the trust of the stakeholders. It signifies that employees are responsible that the organization is managed in the best interest of the stakeholders. The purpose of the employee code of conduct is to define the standard of ethics and law so which employees are expected to follow and maintain properly. Therefore, if there is any breach of this code of conduct then strict disciplinary action will be taken (“PDS Multinational Group”, 2012)
- **Suppliers Code of Conduct:** The supplier’s code of conduct includes human rights and some of the ILO core conventions. Therefore, many of the human rights as well as ZTVs are included under this code of conduct to protect the best interest of the suppliers (“PDS Multinational Group”, 2012)

Moreover, central compliance is very important for this organization since it holds all the segments together and make sure that the legal and ethical standard is maintained throughout the whole organization.

Job Description

Job description basically describes the task and responsibilities that are required to be fulfilled as per being an employee of the organization. The following job description is described below:

- **Internal Audit**

Internal Audit evaluates the effectiveness of a factory in terms of health and safety, environment, employee documents, child labor, forced labor, discrimination, disciplinary practices, freedom of association, working hours, overtime, benefits, monitoring as well as documentation of laws and regulations.

Therefore, as per job description scheduling internal audit is one of the main tasks. The internal ethical audit is scheduled based on customer category. For “A” category customer internal audit is scheduled within 3 months interval. For “B” category customer internal audit is scheduled within 4 months interval and for “C” category customer internal audit is scheduled within 6 months interval.

- **Communication with factory regarding internal audit window**

Communicating with factory and proposing semi-announced internal audit window of 4 weeks period and get the confirmation from factory. After getting confirmation from the factory, the audit date is fixed and keeping follow-up with the factory.

- **Releasing internal audit report**

The reports prepared by the auditors are reviewed by the manager and then released to the factory and let business team know about the status of the factory whether they’re complying with the laws and regulations or not.

- **Third-party follow-up globally**

Communicating and following up with factories for third-party audits like SMETA, BSCI, WRAP, COC etc. Reminder given to factories before these expiration of third-party audits, keeping follow-up and receiving the reports from the factories.

- **Summary Status**

Preparing factory summary status, calculation of the Accord percentage. Therefore, if the Accord percentage is less than 50% then it is being highlighted and if the percentage is satisfactory for the proposed customers then it is recommended. Additionally, the third-party audit status is also taken into consideration and if it is below average then it is highlighted to co-operate top management to take decision regarding these types of factories.

- **MIS database administration**

Administrative practices in the MIS system including audit initiation of factories, scheduling, getting reports etc.

- **Reporting to Global Compliance Executive Director regarding internal audit, report release and on-boarding tracker and third-party follow-up**

- Reporting to Global Compliance Executive Director regarding the internal audit being performed, the audit being due, window proposed but not confirmed by factories within every 15 days.
- Reporting of pending as well as report being released in every 15 days.
- Report regarding on-boarding tracker where all the descriptions are given while on-barding in a factory which shows in what stage the factory is remaining whether it is added or not.
- Providing update of the factories which have not conducted third-party audits and will be due within one months.

Moreover, any additional responsibilities are appreciated and performed on the basis of the requirements of job designation.

Product Review

PDS offers a complete solution from design to production to their retail partners combining strengths from China and India while providing an extensive range of accessories. Their products include the following-

Apparel: They offer a full range of apparel solution for ladies, men, essentials, kids and babies. They design, develop, source and manufacture a wide range of apparel which is developed by dedicated in-house designer teams. These products are designed based on the skills, experience and creativity of the team designers. They provide quality apparels with style carrying exceptional value for large international retailers in a competitive price (“PDS Multinational Group”, 2018)

License: PDS has a license division in order to specialize in supply, design and manufacture licensed apparel products to existing customer base. They believe in fashion-led products endorsed by brands. Therefore, they offer retail partners with the right license at the right time at the right price in order to satisfy them. They have strong contacts within the licensing industry and an excellent supply base which has helped them to build an evitable portfolio of license which is flourishing to define the landscape of UK licensed apparel. They are planning and preparing to start license business in other countries as well (“PDS Multinational Group”, 2018)

Footwear: It is one of the main reasons behind the success of the global apparel business. It works on the basis of (FOB) which means Free on Board and it has offices in different countries (“PDS Multinational Group”, 2018)

Accessories: They offer a wide range of accessories including bags, belts, hats, scarves, winter warmers and small leather goods offering to ladies, men & kids. Moreover, they design, develop and source all kinds of accessories developed by in-house designers. They have showrooms in UK, Europe, USA, Canada, Hong Kong, China, India & Australia (“PDS Multinational Group”, 2018)

These are the products PDS group offers in many different countries.

Introduction

The Accord 2018 is known to be an independent, legally binding agreement aiming to ensure to work towards a safe and healthy garment industry in Bangladesh. This agreement came into effect on 15th May, 2013 by Western retailers and trade unions. In this agreement it is described that fire and building safety measures is divided into 9 parts: Scope, Governance, Credible Inspection, Remediation, Training, Complaints Process, Transparency and Reporting, Suppliers Incentives and Financial Support. Under the Accord the signatory companies and retailers have committed to take the following measures (Bhadily, 2015):

- The Accord is a binding agreement which enables parties to have arbitration support from the court of the home country of the retailer or company in question, used to solve disputes occurring between parties of the Accord (Section 5).
- Safety inspections should be done by independent inspectors, and all factories should be inspected within nine months (Sections 8 and 9).
- All suppliers are obliged to implement the fire safety experts' report and recommendation.
- Signatory companies and retailers are committed to provide the sufficient funds for all the necessary safety repairs and renovations (Section 12).
- The Accord provides a fundamental right to workers to refuse dangerous work or enter dangerous buildings (Section 15).
- Companies encourage and allow independent and union worker representatives.
- Cease outsourcing from any suppliers not complying with the Accord requirements (Section 16)

The export-oriented RMG sector has made a crucial contribution to the development of Bangladesh economy. However, the incident of Rana Plaza severely affected the RMG sector. Before 2013 a law was present regarding safety named “Bangladesh National Building Code” but it was not implemented. After the incident of Rana Plaza, buyers became really concerned about the safety issues and therefore, European buyers made an agreement of 5 years from 2013 to 2018 and according to this agreement they would send an engineering team to inspect

and they would declare how much corrective action plan (CAP) might be needed. As a result, 2 weeks after the incident an inspection regime was formed to certify factories under Accord and if the CAP would be satisfactory then they issued the certificate of Accord. In this study, the impact of Accord on garment factories would be addressed since it is one of the major sources of economic contribution in our country.

- **Research Objective:**

According to Accord (2018), around 84% overall remediation progress rate of safety issues found at initial inspection had been fixed. Among them, 767 Accord factories have completed more than 90% of the remediation and 142 factories have completed all the remediation in the initial inspections out of which 14 factories have completed all the issues of remediations including new findings.

The objective of the study is to identify the changes as well as the impact both financial and non-financial that Accord has brought on the garment factories within these 5 years.

- **Scope and Limitation of Research:**

The study focuses on the changes experienced by garment factories of Bangladesh as a result of implementation of the Accord. RMG sector is one of the major sources that have been contributing to our economy for a long time and the Accord had been working for safety issues since 2013. At present in 2018 the signatories of the Accord want to continue a fire and building safety program to ensure a safe working environment where workers have no fear of fire, building collapse or any other accidents. Therefore, the study aims to describe whether most of the Accord listed garment factories have been able to ensure safer working condition as described by the Accord or not.

However, the limitation of the study is the fact that the Accord is at the end of its agreement on 2018 and the real question or limitation is to identify what would happen to the Accord factories who have not yet being remediated or are in the list of escalation.

The Accord is a very sensitive issue for the ready-made garment factories carrying a huge risk. As a result, any information related to the Accord is very confidential and it was very difficult to collect information regarding the Accord. This is another limitation of the study that in-

depth financial data being very confidential could not be shared by both the factory and organization.

Another limitation of the study is the time. Within this very short time, it is very hard to bring out all the information collectively. Moreover, this is a very crucial time for both the ready-made garment factories and the Accord since the agreement has come to an end. As a result, vulnerable state confidential information regarding the Accord escalation was also not shared by the ready-made garment factories.

However, the report has been written with all the information that could be collected in this crucial state and the aim is to get an insight about the impact that the Accord has brought both in the organization as well as the ready-made garment sector.

The aim of the Accord 2018 is to transition the safety functions to a national regulatory body when they are ready so that the standard of safe work-environment they have created can be continued which will be known as “Transition Accord”.

Literature Review

Life is very precious and a core human right however, workers' lives seem to be very cheap in Bangladesh since the govt. try to be complacent by offering small amount of money to the victim's family who have lost their lives in fire or collapse of garment factory in order to response employer's failure to ensure safety at the workplace. Fire at Tazreen Fashions killed at least 112 workers and injured around 100 workers. When the tragedy took place around 1150 workers were working in the factory and the fire alarm took off. However, factory manager asked workers to stay at work and blocked their way to staircase. Even the building was locked at that time and had no emergency fire exit. On the other hand, three staircases ended on the ground floor where the fire originated. Unfortunately, none of the staircases were fire protected. Moreover, fire extinguisher was either dysfunctional or none knew how to use them (Solaiman, 2013). It clearly showed that none of the factory building including Tazreen Fashions were constructed according to the national building code.

The RMG sector had poor record on labor and building safety compliance, the govt. was instable and the lack of infrastructure all these had led to so many hazards and accidents killing and injuring a large number of workers very frequently. Among these, Rana Plaza collapse was the most catastrophic where the workers spotted cracks in the factory building and refused to work. However, the factory threatened to withhold a month's salary if they didn't go to work (United States Senate, 2013)

However, The Wall Street Journal posted an article on this issue named "[T]hat incident focused international attention on Western companies' increasing use of factories here to produce low-cost clothes and so-called fast fashion, making Bangladesh the second-largest clothing exporter after China" which created severe pressure on both apparel firms and retailers. After a week of this collapse apparel firms and retailers held a meeting to determine an industry response regarding this issue (New York Times, April 30th 2013) and this meeting resulted in the agreement of the Accord which was signed within two weeks. The Accord agreement was signed to ensure safe working condition for the workers and avoid such hazards or accidents while taking preventions.

Some people describe the Accord as a "game changer" (Ryan, 2013). On the other hand, another group of people describe the Accord as a "breakthrough" (Henslar & Blasi, 2013). However, the Accord is both a "game changer & a breakthrough" because of its achievement as an agreement

(Rahman, 2014). The reasons of the Accord being both a game changer and breakthrough are that it is a legally binding international and national agreement which is able to create an agreement between buyers and suppliers. Another reason would be the support of the govt. to ensure safe working condition since this is one of the major sectors contributing to our economy. As a result, it was a must to ensure safety in this sector or else we would lose such effective earning source for our economy. Moreover, it empowered workers by increasing the monthly minimum wage by 77% and by supporting trade unions (Rahman, 2014)

Methodology of the Study

Research methodology is the blue print that is constructed before going for a research and it is considered to be one of the crucial parts of this study where we have stated how the data has been collected, which respondents have been chosen, how and why these respondents have been chosen for analysis of raw data.

The topic of the study is “Impact of Accord on RMG sector” and it has allowed me to get a clearer insight on the actual scenario related to the topic. Thus, it can be said this study is of qualitative or descriptive manner.

The method of this study is ethnographic as I have gathered information through job experience, internal documents, engaging in internal procedures and I have taken interview of key stakeholders.

Primary data has been collected through interviewing key stakeholders who are working or related to RMG sector. Their identity is not revealed as a concern of confidentiality. The population is the workers, employees or anyone related to Ready Made Garments industry and the sample that has been selected for the study are a certain number of people who are directly or indirectly related to this industry. However, due to certain limitation it was difficult to take interview of all these people. As a result, I’ve prepared the study and collected data in ethnographic method.

The research instrument in this study is based on open-ended questionnaires. Moreover, secondary data has also been collected from different websites, journals as well as articles which have been mentioned in the bibliography section.

Analysis and Interpretation of Data

The Accord Programs

The Accord program and practices are described below:

- **Inspections**

All factories producing for the Accord signatory companies have to go through inspections on fire, electrical and structural safety. Among these signatory companies, different buyers prefer different percentage. For an example, a proposing factory has to have initial accord score of 90% to be accepted by NKD. If any factory has less than 90%, then NKD would not place order in that factory. In such way different buyers have different requirements on the Accord percentage.

All the Accord listed factories are inspected against Accord Building Standards on the basis of “Bangladesh National Building Code” and a result or product of discussion between ILO and the Accord, The National Tripartite Plan of Action and the Alliance for Bangladesh Safety.

The initial inspections are conducted by international engineering firms contracted by the Accord. After the inspection, the factories are provided with findings, remedial actions along with remediation timeline. However, proposed factories have to meet minimum required Accord percentage made by the customer to place order in those factories. If the minimum requirement is fulfilled then only the factories can have order from that specific customer. Therefore, after receiving the order the factories have to continuously update their CAP and progress status since it is expected of the factory to complete their remediation and achieve 100% score of the Accord.

As a result, these inspections are continuously being done throughout the 5 years in the Accord listed factories and continuous CAP is being updated publicly to understand the status of the factory. However, if any factory fails to update their status or fails to remediate within the timeline then some additional timeline is given to fix these issues. If the factory again fails to remediate then the owner evacuates the building and has to stop Accord production in that factory.

- **Accord Summary**

Name of the Factory							
Area	Total Findings	Completed	Pending Verification	In-Progress	Completed %	Pending Verification %	In-Progress %
Structural	15	15	0	0	100.00	0.00	0.00
Fire	33	26	4	3	78.79	12.12	9.09
Electrical	36	36	0	0	100.00	0.00	0.00
Total	84	77	4	3	91.67	4.76	3.57

Completed: Factory has already been verified and completed all the CAP issues.

Pending Verification: Factory has completed verification but the Accord has not yet verified.

In-Progress: Factory has started verifying not yet done with verification.

Therefore, these percentage is updated every month. However, when the Accord conducts follow-up audit within every 3 months these percentage changes. Moreover, different buyer has different preferences of the Accord score.

- **Remediation**

After the initial inspection, the Accord facilitates remediation process along with its signatory companies. The remediations are given on the basis of the inspection report which is shared with the signatory companies and worker representatives. Then a Corrective Action Plan (CAP) is developed to take remedial actions within the timeline suggested by the Accord and financial plan is signed off by each party. While remediations take place, the participating brands and retailers of the Accord negotiate in commercial terms and also if production is closed partially or wholly for a certain time for remediation then suppliers have to maintain employment relationship of workers up to six months.

The Accord engineers provide guidance for the remediation and conduct verification visits to monitor the remediations being done properly or not.

- **Safety Committee Training Program**

The Accord trainer and safety committee members fix an initial meeting to introduce the Safety Training Program. These members introduce themselves with all the factory workers and acknowledge them about safety hazards, precautions and preventions of any accident or emergencies etc through continuous meetings and inspections. Meetings are held at least once in three months. Workers in the factories can also issue any complaints regarding safety issue. Moreover, after every meeting workers are given a booklet to recap the information given in the meeting. The main focus of the safety committee is remediation, complaint management, joint problem solution, hazard identification as well as monitoring safety measures.

These are the programs and practices that the Accord conduct in order to ensure safe and healthy working conditions of garment workers in Bangladesh. Therefore, many more activities are performed which are included under these programs.

Impact of the Accord on PDS Multinational Group

The Accord establishes a dedicated governance contact between buyers and their suppliers' employees, resulting unambiguously in a legally relevant relationship (Salminen, 2018). The Accord focuses on the safety measures of the listed factories under them which also creates an impact on PDS group since PDS group works as an intermediary between buyers and listed factories. The impact of Accord on PDS Group is described below:

- **Risk Management**

The Accord aims to establish safety standard for the listed factories and arranges programs to ensure and maintain safe working conditions. Previously, a lot of accidents or incidents used to occur since safety measures were not properly maintained, the buildings were not made according to building structure plan and workers had little knowledge or training about emergency incidents. A factory named "Spectrum" collapsed in 2005, a fire incident occurred in "That's it sportswear" in 2011, Rana Plaza collapsed in 2013, fire in "Aswad Garment Factory" in 2013 (Rahman, 2014) and so on. All these incidents severely hampered the reputation of RMG in our country and major brands and retailers thought of closing their orders. However, the Accord has helped to minimize the risk and continue business in our country by the major brands and retailers.

Before implementation of the Accord, it was too risky to work with a factory because if any accident occurred then it majorly hampered both the factory and PDS group. However, when the factory is the Accord enlisted, then its safety is ensured by the Accord and minimized a huge risk of PDS group.

- **Formation of strict compliance**

When the Accord was being implemented, it also made PDS Group to strictly maintain their compliance as well. Previously, compliance department was available but not strictly maintained. Since, Rana Plaza incident shook the whole world, PDS Group also decided to closely monitor the status of the enlisted factories, plan their internal audit, evaluate progress status of the factories while complying with the law and regulations and continue business with those factories whose status were satisfactory.

Their compliance team ensures that internally all the safety standards are evaluated and measured. Therefore, every factory is proposed for the customer after they have been evaluated internally and found to be satisfactory. If any factory does not seem to be satisfactory then it is given a chance to improve its status within a given timeline. If the factory improves its status within a given timeline which is evaluated through internal audits then it is proposed or else it will not be proposed by PDS Group. All these processes are being implemented and strictly maintained to support buyers and comply with the Accord.

- **Attract buyers**

Rana Plaza incident adversely affected the reputation of RMG sector in our country. On the other hand, implementation of the Accord created a reputation of RMG sector in our country since it is implemented to ensure safety standard of garment factories. The foreign buyers started to regain trust in our garment factories and thus major brands and retailers were attracted to do business in our country which positively affected PDS Group as well as garment factories in our country. As a result, we can say that the Accord has attracted customers like Mango, Inditex, Primark, Tesco, Sainsbury's to do business with us.

- **Employment**

The Accord has created employment for many people in our country. It also created employment in factories as well as PDS Group. In order to closely monitor factory status and to comply with the Accord, the compliance department hired many employees like Compliance Director, Managers, Coordinators, Auditors etc. It has helped to form a whole new department of Compliance so that PDS Group can monitor whether the factories are complying with the laws, rules and regulations, maintaining ethical, social and safety standards or not.

However, it has also created a pressure on PDS Group so that the minimum safety standard is maintained and pressure factories to inspect and conduct continuous progress to do business. Therefore, financially it affected PDS Group in a sense that since the number of employees increased so the cost of the group also increased. The auditors had to conduct both ethical and technical audit for some customers and before the Accord's audit several visits are done to make sure the factory has taken corrective measures for remediation. All these activities increase the cost of PDS Group but the accurate financial information is not revealed.

Impact of Accord on Ready Made Garment Factory

In order to ensure health and safety, the Accord conducts many programs and practices which have major impact on the garment factories in our country which are described below:

- **Pressure from Western Retailers**

There was severe pressure mounted by people on Western retailers with brands who were outsourcing from Bangladesh. It was high time, Bangladesh took measure to prevent fire and building collapse in RMG industry. Otherwise, major brands would withdraw their orders to protect their reputation (Bhandily, 2015)

- **Pressure from Government**

The incident of Rana Plaza severely affected RMG sector in our country. As a consequence, Generalized System of Preference (GSP) was suspended for Bangladesh. The GSP is a US trade program which is designed to promote economic growth in the developing countries like Bangladesh. It provided Bangladesh with the opportunity of duty-free access for up to 4,800 products covering 129 designated beneficiary countries and territories. However, USA suspended GSP in 2013 to ensure that Bangladesh took necessary protective measures in this regard (Bhadily, 2015).

In 2013, Bangladesh earned around \$20 billion by exporting garment products which covered 75 percent of the total export of the country. Additionally, it also shared 18% of the total national GDP. However, the tragedy of Rana Plaza collapse created a great uncertainty whether the country could continue their operation in this industry or not. As mentioned above, after this incident Bangladesh lost the privilege of duty-free access. Moreover, international buyers would not place order if they do not ensure safety. As a result, the government was in a vulnerable situation because if this industry would close down the whole economy would collapse as per GDP would go down. It would lower the standard of living and unemployment rate would increase at a great extent.

Bangladesh government wanted RMG industry to continue and so they agreed to sign the agreement of the Accord. Moreover, National Tripartite Plan of Action (NTPA) was initiated. NTPA created a govt. body named Department of Inspection for Factories and Establishment (DIFE) and

factories were inspected by this govt. body under Ministry of Labor and equipment headed by ILO and BUET

- **Buyer driven industry- control of buyer**

Bangladesh is well-known for its cheap labor and cheap production in RMG sector. After the collapse of Rana Plaza, the measures taken by the foreign buyer has also affected the production cost. According to the agreement, the buyer decides the whole production process price and adds a little profit to it. For example, for making a shirt they will decide what to buy, what to spend on each shirt from button to make it a full shirt and then they will add a little profit to it. So, the whole cost of production was decided by the buyer.

Furthermore, the corrective action plan (CAP) given to them also benefited them. For example, if a fire door has to be bought then they will decide from where. Even if it is cheap and maintains its quality from another store, they will not certify. As a result, the garment factory had to buy the fire door from where and which price the buyer had decided.

Moreover, the engineers that are sent to inspect are more like a threat to garments owner as their writing ensures whether the garment would continue or shut down. Lastly, Rana Plaza incident got the attention of so many people. When garment owners were asked about the reason, they replied that it was a conspiracy. They also added that through Terms of Trade they didn't get a fair treatment. No country allowed unauthorized accessibility to a garment factory but in our country anyone could access and inspect.

Overall, the garment industry seemed to be vulnerable both for the garment owners and workers. For workers, it was vulnerable in a sense that they had nothing else to do, no other option to switch heavily depending on one industry and the garment owners were both pressurized by the buyer and garment workers. From 1970-2013, Bangladesh could not find any other alternative option or industry to earn money. As a result, global market could do anything at any time becoming wholly a buyer driven industry.

- **Escalation of Accord**

The “Transition Accord 2018” is currently experiencing uncertainty due to restraining order issued by Bangladesh High Court. If the order of Bangladesh High Court doesn't extend then it will lead

to premature closure of the Accord office in Bangladesh. Such closure would take place in Dec 01, 2018. As a consequence, the Accord's ability to inspect and remediate will be compromised although the Accord will continue follow-up inspections through international engineering firms. However, the Accord will be unable to strictly follow-up or monitor that it does at present which creates a lot of pressure for them as well as the factories. As a result, the Accord will prioritize factories who have taken remediations appropriately to de-escalate them. On the other hand, factories in escalation stage 1 for more than 6 months will be escalated to stage 2 which will be applicable from 1st Dec, 2018. If the factories do not take remediations by 31 Dec, 2018 then it will be escalated to stage 3 by 1 Jan, 2019. Moreover, the factories currently in stage 2 will be escalated to stage 3 by 1 Dec, 2018 if remediations not taken. Consequently, if any factory enters stage 3 then buyers would withdraw order from that factory and will no longer place order until or unless it is being de-escalated.

Financial Impact

In the below table, one of the Accord listed factory's detailed cost analysis is given for corrective action plan. However, the name of the factory is not revealed as a matter of confidentiality. Moreover, this factory has completed 91% of CAP which occurred them to spend 64850000 BDT. We can see that factory had to take huge amount of loan for remediation which is a big pressure for the factory. In the meantime, production was also hampered due to partial closure of production for remediation. These remediation process increases operational as well as administration cost.

		Accord Remediation: Detailed Cost Analysis							
SL No	Name of the item	Approximate (total) amount for correction in BDT	Approximate (total) amount for correction in USD	Invested amount for correction in BDT	Invested amount for correction in USD	Approx. outstanding amount to be invested in BDT	Approx. outstanding amount to be invested in USD	Source of funding for the amount paid	Source of funding for the amount outstanding
1	Detail Engineering Assessment (DEA)	1000000	\$12,821	700000	\$8,046	300000	\$3,846	Loan from Bank	Loan from Bank
2	Retrofitting work (Steel)	25000000	\$320,513	0	\$0	25000000	\$320,513	Loan from Bank	Loan from Bank
3	Addreassable Fire Alarm System	8300000	\$106,410	7500000	\$86,207	800000	\$10,256	Loan from Bank	Loan from Bank
4	Fire Protection System/ Hydrant System (Jocky pump)	14600000	\$187,179	13000000	\$149,425	1600000	\$20,513	Loan from Bank	Loan from Bank
5	Sprinkler System	0	\$0		\$0	0	\$0	Loan from Bank	Loan from Bank
6	Fire Door	7000000	\$89,744	7000000	\$80,460	0	\$0	Loan from Bank	Loan from Bank
7	Fire Seperation wall (e.g. Boiler room, Compressor room, Generator room & all other relevant civil work)	300000	\$3,846	200000	\$2,299	100000	\$1,282	Loan from Bank	Loan from Bank
8	LPS	500000	\$6,410	500000	\$5,747	0	\$0	Loan from Bank	Loan from Bank
9	SLD	150000	\$1,923	150000	\$1,724	0	\$0	Loan from Bank	Loan from Bank
10	Major changes in electrical layout	8000000	\$102,564	7500000	\$86,207	500000	\$6,410	Loan from Bank	Loan from Bank
11	Other issues for which larger investment is required		\$0		\$0	0	\$0		
Total		64850000	\$831,410	36550000	\$420,115	28300000	\$362,821		

Moreover, cheap labor and production cost is one of the main reasons for attracting foreign buyers in RMG sector. Although, the remediation process requires huge amount of money to invest but many factories are unable to manage such huge finance resulting in closure of business. Consequently, it also hampers our economy as well.

Findings of Study

With the help of this study and through reading several journals, articles, websites etc. there are several points that are identified below:

- The Accord has almost come to the end of its agreement and its aim was to transition the 2018 function of the Accord to a national regulatory body. However, none of the national regulatory body is yet ready to take transition of the Accord. As a result, there is complete uncertainty prevailing whether the Accord would close its function as per the order of Bangladesh High Court or the agreement would be extended until the national body is ready to take the transition.
- The Accord signatory bodies, major brands and retailers want the agreement to continue in order to ensure safety but mostly to have a control over these factories. The Accord has helped major brand and retailers to have control over these supply chains throughout these five years. However, the agreement has come to an end but the customers want it to extend for their own benefit.
- RMG is an essential sector contributing to Bangladesh's economy. As a result, it has certain impact on the govt. of Bangladesh. However, these factories do not want this agreement to extend since it creates both financial and non-financial pressure on the factories. As a result, these factories are trying to convince the govt. not to extend this agreement.
- The Accord has created employment for a number of people both within the Accord and also in factory administration. Since, the agreement is ending, all these employees both within the Accord and in factories will no longer be needed and so they are in need of new employment and searching for other options to switch. However, there's an

uncertainty prevailing on the issue of the Accord to extend or not. In such uncertainty, these employees are experiencing a vulnerable situation since they do not know whether they would stay or not or they would find a new employment or not.

- The factories prefer third-party audit rather than the Accord. Third-party safety audit requires a handsome amount of payment on the other hand, the Accord inspections are free of cost. As a result, factories remediate the issues before they conduct third-party audit and so the status of third-party audit is usually better than the Accord.
- The Accord only considers and ensure structural, building and fire safety of the Accord listed factories. Other social and ethical issues like worker's right, wage, severance payment, overtime etc. are not considered by the Accord.
- The factories which have completed the Accord remediation are prioritized over the factories in progress even though the factory may have lacking in other social and ethical issues. As the factory has achieved 100% completion rate, most buyers are attracted to that factory where ethical and social issues are not considered.
- The Accord is strengthening its escalation process so that they can make factories remediate before the closure of the agreement on the contrary, factories are waiting for the Accord to close so that they do not need to remediate since it requires huge expense, production hamper, increase of administrative works for them.
- The Accord escalation has a great impact on factories as well as its sister concern factories. Therefore, when a particular factory in a group is escalated, the whole group comes under escalation list even though the sister concern may not have any issues to remediate.
- At present, the whole concern is regarding safe and healthy working condition. However, garment factories are continuously contaminating our environment which also have a severe affect on the environment. As a result, we will be facing severe issues regarding environment concern in near future.

Recommendations

Some suggestions have been made on the basis of the findings which are mentioned below:

- The national body is yet not ready to take the transition from the Accord. As a result, the national body which is proposed to take the transition should be given a training from the Accord to learn about their practices, how they work, overall their processes and actions.
- If the Accord closes its functions in Bangladesh then a certain number of people currently working under the Accord will be out of employment for a certain time. In such case, the national body can hire those Accord employees which will save both time and cost of the national body since they are already trained and aware about the Accord practices and procedures and most importantly they have worked for the Accord having the accurate expertise to make national body effective.
- The sister concern factories which have come to the escalation list of being a group should be de-escalated since these factories do not have to make any remediation and have come to the escalation list because of their sister-concern factories.
- The Accord considers only safety measures of a factory. However, all other social and ethical issues are not considered by the Accord. As a result, the workers are still deprived of their rights. So, the national body should consider safety as well as ethical and social issues of every factory.
- The pending corrective action plans should be verified by the factory before the agreement ends. As a result, necessary steps must be taken to make factories do the needful in this regard.
- The Accord has created a standard of safety in the garment factories. Even if the Accord leaves, the standard of safety should be maintained to avoid such accidents and hazards as before. The govt. as well as the national body which will be proposed to take the transition of the Accord has to be careful in this regard or else we will lose our customers and such flourishing industry.
- Moreover, most of the buyers prefer factories which are verified by the Accord ensuring safety standard but the social and ethical issues are not considered under that. Therefore, buyers should also consider social and ethical issues so that factory not only work on safety but also improves their social and ethical issues.

Conclusion

The agreement of the 2013 Accord has almost come to an end. According to its agreement, the Accord is supposed to handover its program or processes to a national regulatory body. However, there is a great uncertainty prevailing on the matter that whether a national regulatory body is ready to take the handover from the Accord. If national regulatory is not ready then the agreement will be extended to at least another 12 months. In response to this, the Accord signatories, major brands and retailers want to extend the agreement since the Accord has been able to bring a rapid improvement in fire and building safety in ready-made garment in Bangladesh. Additionally, the major brands and retailers have the opportunity to monitor and have a control over the supply chains through the Accord. As a result, if the agreement is taken over by a national regulatory body then they would not be able to monitor like the last 5 years. On the other hand, garment factories prefer the end of this agreement since it occurs huge expense and work. At the same time, the factories in the escalation list will face severe problems if they do not verify their issues, they would lose their business while entering in to the last stage of escalation.

Although, the transition of the Accord is not certain but it is to be mentioned that the Accord has improved the working condition of the ready-made garments industry. At present, workers are more confident about their working condition and are acknowledged regarding what to do during a crisis or hazard which is a great achievement for the Accord. Moreover, the main concern health and safety has to be maintained properly whether the Accord agreement extends or not because these workers are our assets and this industry is one of the core elements of our economy.

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