Why Efforts To Stop Factory Fires Have Failed

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About a year and a half before a fire at a clothing factory in Bangladesh killed 112 people in November, executives from Wal-Mart, Gap and other big retailers met nearby to discuss ways to prevent the unsafe working conditions that have made such tragedies common.

Representatives from a dozen of the world's largest retailers and fashion labels gathered with labor groups and local officials in April 2011 at the three-day meeting held in the 15-story, glass-walled headquarters of the Bangladesh Garment Manufacturers & Exporters Association in Dhaka, the capital. They were considering a first-of-its-kind contract that would govern fire safety inspections at thousands of Bangladeshi factories making T-shirts, blazers, and other clothes Americans covet.

Under the terms of the agreement, each company would be required to publicly report fire hazards at factories, pay factory owners more to make repairs and provide at least $500,000 over two years for the effort. They would also sign a legally binding agreement that would make them liable when there's a factory fire.

Discussions seemed promising. Then, on the second day, Sridevi Kalavakolanu, director of ethical sourcing for Wal-Mart Stores Inc., spoke up. "In most cases very extensive and costly modifications would need to be undertaken to some factories," Kalavakolanu was quoted as saying in the minutes of the meeting obtained by The Associated Press. "It is not financially feasible ... to make such investments."

The statement from the world's largest retailer, with $447 billion in annual revenue, essentially sucked the air out of the room, witnesses said. It also set the tone for the rest of the meeting, which ended the next day without a single company agreeing to the plan.

"I think that really had quite an impact on ... everybody who was in the room," said Ineke Zeldenrust, who was at the meeting representing the workers' rights group Clean Clothes Campaign. "It was quite clear that we were very far from a solution."

As if to underline how much still needs to be done, even as executives nixed the proposal over tea in an air-conditioned room decorated with flowers, scores of scarred survivors and their relatives gathered outside the same building to await compensation checks from another fatal factory collapse more than six years earlier.

The retailers' meeting and its aftermath highlighted a central issue for the $1-trillion dollar global clothing industry: What role retailers play — and should play — in making working conditions safer at the factories that manufacture their apparel.

Retailers often claim they know little or nothing about conditions at factories,

because the long and intricate manufacturing chain runs through several contractors and sub-contractors. Wal-Mart and others whose garments were found in the ruins of the fatal Tazreen Fashions Ltd. on Nov. 24 say they had severed ties with the factory or were unaware their clothes were being produced there.

Yet some industry experts and labor activists say it is those major retailers, and the customers who buy their clothes, who ultimately set the price for how much factories get paid, and how much they in turn pay their workers. Safety, they say, can take second place to profits.

The retail industry hasn't released estimates on how much it would cost to upgrade Bangladeshi factories to Western standards. But one advocacy group, The Worker Rights Consortium, puts the cost at about $1.5 billion to $3 billion over the next five years. That's about 3 percent of the $95 billion expected to be spent on clothes manufacturing in the country during that time. It also amounts to about 10 cents added onto the cost of a T-shirt.

Building fires have led to more than 600 garment work deaths in Bangladesh since 2005, according to research by the advocacy group International Labor Rights Forum.

Major retailers such as Wal-Mart, Gap Inc. and Swedish clothing chain H&M have stepped up their own fire safety efforts, but they've stopped short of industry-wide standards that would hold them legally and financially accountable for fire hazards at factories.

Gap, which owns the Gap, Old Navy and Banana Republic chains, turned down the proposal because it did not want to be vulnerable to lawsuits, according to Bobbi Silten, senior vice president of global responsibility. The retailer also did not want to pay factories more money to help with safety upgrades, she said.

"It seemed very challenging to agree to," she said. "We don't own these factories and we're not the exclusive brands. It would be a different picture if we owned the factories."

Since then, Gap has hired its own chief fire inspector to oversee factories that produce Gap brands in Bangladesh. In addition to about $1 million spent on safety measures in Bangladesh in the last two years, Gap has committed to another $2 million to ensure that people laid off because of fire safety repairs are still paid. The San Francisco-based company has pledged to put factories in touch with financial institutions that can give them up to $20 million in capital for safety improvements. The chain has also said it will share anything it learns about safety issues in factories with the Bangladeshi and U.S. governments.

Silten acknowledged that such measures are not exhaustive.

"But we believe that in order to change (the system)," she said, "we need others to change."

Fashion chain H&M, which places the most apparel orders in Bangladesh, also did not sign on to the legally binding proposal because it believes factories and local government in Bangladesh should be taking on the responsibility, according to Pierre Börjesson, manager of sustainability and social issues, who attended the Dhaka meeting.

"We have the responsibility in Bangladesh to improve the situation, but this is through educating suppliers," he said.

H&M, which works with more than 200 factories in Bangladesh, is one of about 20 retailers and brands that have banded together to develop training films for suppliers. H&M has also started to do electrical assessments at the factories it does business with, an expense shared by the factories. It is pushing for suppliers to establish workers' committees to negotiate better wages and other issues with factory management, Börjesson said.

Wal-Mart, which ranks second in the number of apparel orders it places in Bangladesh, has also taken new steps. This year Wal-Mart is requiring regular audits of factories, fire drills and mandated fire safety training for all levels of factory management. Spokesman Kevin Gardner said Wal-Mart's comments during the April 2011 meeting, which were jointly edited by Wal-Mart and Gap in the minutes obtained by the AP, were taken "out of context."

"Wal-Mart has been advocating for improved fire-safety with the Bangladeshi government, with industry groups and with suppliers," Gardner wrote in an email to the AP. "We firmly believe factory owners must meet our (supplier standards), and we recognize the cost of meeting those standards will be part of the cost of the goods we buy."

Auditors hired by Wal-Mart, based in Bentonville, Ark., inspected the Tazreen factory in 2011, giving it an "orange" or high-risk rating. Months later, the third-party auditor did a second inspection, giving it another "orange" rating. And early this year the factory was no longer authorized to produce merchandise for the retail giant. The company said a supplier — who has since been fired — had moved Wal-Mart production there without its knowledge.

But Prakash Sethi, a professor of management at City University of New York, is skeptical that Wal-Mart has so little power or knowledge when it comes to safety conditions at factories.

"How long will it take Wal-Mart to identify a factory if they were making shirts or shorts that were uneven, or where the sewing was below acceptable quality? Less than two days," he said. "They would immediately figure out which factory, where it's being made and put a stop to it. Why is it that they can't do it about the workers?

Labor activists also doubt that the safety plans designed by retailers themselves will do the job.

"Voluntary codes of conduct are useless," said Charles Kernaghan, executive director of the Institute for Global Labour and Human Rights, who is best known for exposing the use of Honduran child labor to produce clothing for celebrity Kathie Lee Gifford's line in the mid-1990s. "The monitoring is completely phony."

In many ways, it is strong demand that has driven the problem in Bangladesh. Companies in developed nations like the U.S. move production from country to country in search of the lowest costs and least worker strife. Bangladesh is now second behind only China among the world's largest exporters of apparel, with a $20 billion-a-year garment industry.

Cheap labor, unlike materials, transportation and taxes, is one of the few costs retailers and brands can control. And factories in Bangladesh know they can get lucrative deals with retailers and designers by shaving pennies off the cost of making a T-shirt, so they often cut corners.

Bangladesh has the cheapest labor by far. The average garment worker in Bangladesh earns the equivalent of 24 cents an hour, compared with $1.26 an hour in China, 53 cents an hour in Vietnam and 34 cents an hour in Cambodia, according to The Worker Rights Consortium.

Yet growing competition to offer up-to-the-minute fashions at low prices in the weak global economy has led retailers and designers to demand even lower costs from factories. A few years ago, companies shipped new merchandise to stores every two to three months; now, the goal is a fresh supply each month. They are also asking factories to make last-minute changes to orders more often — add a button here or a belt there.

Factory owners can agree, or lose the order, sometimes to new factories that spring up overnight.

"Factory owners, in a certain sense, they're in a bind," says Robert Ross, author of "Slaves to Fashion: Poverty and Abuse in the New Sweatshop" and a sociologist at Clark University. "They're forced to be ruthless and brutal — and they are."

A year after the retailers' meeting in Dhaka to discuss the safety proposal, only two companies have signed the resulting joint memorandum of understanding.

Phillips Van-Heusen Corp., a New York City-based company that sells the Calvin Klein and Tommy Hilfiger brands, in March signed the legally binding agreement after a national TV news report that chronicled the dangerous conditions in one of its Bangladesh factories. The company agreed to underwrite a two-year, $1 million program that allows independent fire-safety inspections and public reports of findings. But PVH, which did not return repeated calls seeking comment for this article, pledged to start the program only if at least three other major retailers sign on.

So far, only one has: A German coffee chain named Tchibo that also sells clothes.

Last week, Nanda Bergstein, the chain's head of vendor relations, said on a post on the company's website that measures by individual companies were not enough, and a sector-wide initiative was needed. Her quote: "As soon as two more companies join, it will come into force."

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