Leaving Bangladesh? Not An Easy Choice For Brands

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NEW YORK (AP) — Bangladesh offers the global garment industry something unique: Millions of workers who quickly churn out huge amounts of well-made underwear, jeans and T-shirts for the lowest wages in the world.

But since a building collapse April 24 killed at least 1,100 garment workers in Bangladesh in one of the deadliest industrial tragedies in history, the country has gone from one of the industry's greatest assets to one of its biggest liabilities [1].

"The risk factors have jumped off the charts," said Julie Hughes, president of the U.S. Association of Importers of Textiles and Apparel, a trade group that represents retailers who import garments. "This is worse than what anyone had imagined."

Working conditions in Bangladesh's garment industry long have been known to be grim, a result of government corruption, desperation for jobs, and industry indifference. But the scale of this tragedy has raised alarm among executives and customers.

The Facebook pages of Joe Fresh, Mango and Benetton, a few of the brands whose clothing or production documents were found in the rubble of the collapsed building, are peppered with angry comments from shoppers. Some warn they're going to shop elsewhere now.

Retailers are also facing street protests. In the U.S., university chapters of United Students Against Sweatshops are helping to stage demonstrations against Gap in more than a dozen cities including Seattle, Los Angeles and New York. The group plans to target other retailers it believes are not committed to stricter standards for Bangladeshi factories.

The rising death toll may force Western brands to make a choice: Stay and work to improve conditions. Or leave and face higher costs, similar or worse worker conditions in other low-wage countries and criticism for abandoning a poor nation where per-capita income is just $1,940 per year.

Most retailers have vowed to stay and promised to work for change. Wal-Mart and the Swedish retailer H&M, the top two producers of clothing in Bangladesh, have said they have no plans to leave. Other big chains such as The Children's Place, Mango, J.C. Penney, Gap, Benetton and Sears have said the same.

"Today's economy is global, and it is not a question of if a company like H&M should be present in developing countries," said Anna Eriksson, an H&M spokeswoman. "It is a question of how we do it."

But for some, the risk of being in Bangladesh has become too great. The Walt Disney Co. announced this month that it is stopping production of its branded goods in Bangladesh.

Industry experts predict others will quietly reduce their dependence on the country.

"Almost everybody is going to cut back on what they are sourcing from Bangladesh," Hughes said. "Not today, but by a year from now our imports are going to fall. The question is how much."

But it's not easy for retailers who make their clothes in Bangladesh to simply leave.

There is no shortage of cheap labor or available garment factories around the world. But it takes months or even years to establish relationships with new factories that retailers can trust to turn out large volumes of garments to their specifications on time.

Even if retailers move their business to other low-cost countries, they still face threats to their reputations.

Of the major garment-manufacturing countries, Bangladesh's working conditions pose the highest risk to brands, according to Maplecroft, a risk analysis firm based in Bath, England. But Bangladesh ranks somewhat better than many low-cost countries on other labor issues, such as child labor and forced labor.

According to Maplecroft's Labor Rights and Protection Index, which measures the overall risk of association with violations of labor rights, Bangladesh is the 17th-riskiest country in the world — and less risky than such garment-producing leaders as China, Pakistan, Indonesia and India.

Another reason it's hard for retailers to leave is that Bangladesh is one of the few places in the world that has enough workers, manufacturing capacity and experience to provide what retailers demand: High volume, low prices, good quality and predictable service.

The garment industry in Bangladesh is the third-biggest exporter of clothes in the world, after China and Italy. There are 5,000 factories in the country and 3.6 million garment workers. Manufacturers have easy access to cheap raw materials, and the country's political situation has been relatively stable.

And its garment workers command the lowest wages — by far — in the world. The average worker in Bangladesh earns the equivalent of 24 cents an hour, compared with 45 cents in Cambodia, 52 cents in Pakistan, 53 cents in Vietnam and $1.26 in China, according to the Worker Rights Consortium, a worker advocacy group.

On Sunday a Bangladesh cabinet minister said the government plans to raise the minimum wage for garment workers, and a new minimum wage board will issue recommendations within three months.

Between 15 and 25 percent of the wholesale cost of a garment is for labor. Unlike raw material costs, which can vary, labor is the only major cost that retailers can control.

Bangladesh has long been a major garment producer, but in recent years its production has soared.

For decades, the global garment trade was controlled with a quota system called the Multi Fibre Arrangement that limited production from developing countries to protect higher-wage workers in developed countries.

When the system ended in 2005, retailers flocked to Bangladesh because of its low wages. Manufacturers scrambled to increase the size of their factories.

Land is scarce in Bangladesh, one of the world's most densely populated countries, with 163 million people. So the Bangladesh government, desperate to boost employment, looked the other way as companies converted unsuitable buildings into factories or crammed far too many workers and equipment into small spaces, creating fire hazards, labor activists say.

Since 2005, at least 1,800 workers have been killed in the Bangladeshi garment industry in factory fires and building collapses, according to research by the advocacy group International Labor Rights Forum.

In November, 112 workers were killed in a garment factory in Dhaka, the Bangladeshi capital. The factory lacked emergency exits, and its owner said only three floors of the eight-story building were legally built. Clothes destined for Disney, Wal-Mart and Sears were found among the building's remains, though Disney has denied its suppliers used the factory.

But as horrific as that fire was, it wasn't as bad as the April 24 collapse, the garment industry's worst disaster. The eight-story Rana Plaza building housing five garment factories collapsed at the beginning of a workday.

The building wasn't designed to hold factories, and three stories had been added illegally. Most of the victims were crushed by massive blocks of concrete and mortar falling on them.

Then as the death toll was climbing, a fire broke out at a sweater manufacturer Wednesday in Dhaka, killing eight people including a senior police officer, a Bangladeshi politician and a top clothing industrial official.

Only a few companies, including Britain's Primark and Canada's Loblaw Inc., which owns the Joe Fresh clothing line, have acknowledged that suppliers were making clothes for them at the Rana Plaza site and have promised to compensate workers and their families. Loblaw's CEO said suppliers were making clothes for as many as 30 brands and retailers at the site.

Benetton labels were found at the site, and the Italian fashion brand acknowledged that one of its suppliers had used one of the factories. The company said that before the collapse, the factory had been removed from its list of approved factories.

Mango, whose production documents were found in the ruins, has said it was planning to produce there but hadn't started.

Clothing retailers often depend on a web of contractors and sub-contractors to produce goods for them. Fabric will be made at one factory, buttons at another, and the item will be sewn together somewhere else. Large orders are often placed with one contractor, who then farms out the work to several smaller factories.

Retailers said they have strict standards that they require their suppliers to follow, but they know little or nothing about conditions at individual factories that make their clothes because there are so many of them.

But retailers are very familiar with the general conditions in the countries where they do business, and their importance to local economies means they can push for improvements. Labor groups and other activists have said last month's tragedy is just the most extreme evidence that brands haven't done nearly enough to protect workers.

The retail industry hasn't released estimates on how much it would cost to upgrade Bangladeshi factories to Western standards. But the Worker Rights Consortium puts the cost at $1.5 billion to $3 billion. If the money was spent over five years, it would be 1.5 to 3 percent of the $95 billion expected to be spent on clothes manufacturing over that time. Put another way, it's 10 cents added onto the cost of a T-shirt.

There are limits to what companies can do to improve conditions, though, said Matthew Amengual, a professor at the MIT Sloan School of Management who studies labor regulation and enforcement in developing countries. The collapse of the factory in Bangladesh showed how safety issues in the country are in some ways too ingrained and complex for companies to monitor and change. It is much easier for a company to push for more fire extinguishers or make sure fire exits aren't locked than to judge the structural integrity of thousands of factories.

"Companies have a very important role to play, but they can't do it just by auditing their supply chain," Amengual said.

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