Insights: Bangladesh

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Labour conditions in Bangladesh

Since the collapse of the Rana Plaza building, people have asked me whether they should stop doing business with Bangladesh altogether. Nobody wants to be held accountable for poor fire safety, collapsing buildings, the lack of health protection in workplaces or child labour. Financial and reputational risks seem to be very high when doing business with Bangladesh.

What is the current situation?
Poor working conditions can be found in most parts of the economy. International standards to protect the workforce as laid down in ILO conventions are usually not met. Not even Bangladesh’s national laws are properly implemented.

Child labour can be found in agriculture, poultry breeding, fish processing, the garment sector and the leather industry, as well as in shoe production. Children are involved in jute processing, the production of candles, soap and furniture. They work in the salt industry, the production of asbestos, bitumen, tiles and ship breaking. The US Department of Labor has published a report about slave labour among children aged between 5 and 17 in the production of dried fish.

In 2013, the situation in Bangladesh’s garment industry attracted a lot of international attention. Around four million people work in this industry, 80% of them women. In many cases, they are not even being paid the official minimum wage of 62 euros per month. Working hours are often extended to 12 hours or longer at very short or even no notice. Written contracts are virtually unknown and health and safety protection in the workplace is rare. Maternity leave before or after birth is usually not granted. Anyone attempting to found a union risks threats and violence at the hands of hired thugs.

When the Rana Plaza building collapsed on 24 April 2013, the world became aware of the dire situation of fire and building safety at many production sites in Bangladesh. 1,134 people died and more than 2,000 were injured in this accident. It may have been the worst incident but it certainly wasn’t the only one. 117 people died and more than 200 were injured just a year before when the Tazreen factory building in Dhaka burnt down. Only a few days after the collapse of Rana Plaza, eight people died in another factory fire. These are only three in a long series of incidents in Bangladesh’s factories.

Shaheen Dill-Riaz’s 2007 movie “Eisenfresser” (iron eaters) shines a light on the situation of Bangladesh’s ship breaking industry. Workers break ships on the beaches around Chittagong with hardly any appropriate tools. Tanks are not cleaned and no checks are carried out to see whether flammable or other dangerous chemicals can still be found on board before work begins. Hardly any of the men wear protective clothing and appropriate tools are unavailable. Before entering certain parts of a vessel, the men lower a chicken on a string into the void. If the chicken doesn’t die within a few minutes the men will start going down into the ship.
On average, one person dies every week. The most common causes of fatal accidents include falling steel parts or explosions ignited by welding torches. Children are sent into parts of the ships that are hard for grown men to reach. Although about half the workforce is illiterate, hardly any training takes place.

**Are state institutions doing their job?**

Compared to European standards, Bangladesh’s government institutions are clearly underdeveloped. State administration, the judicial system and democratic institutions can best be described as corrupt, inefficient and prone to nepotism. There are some good labour laws – like the official minimum wage or the right to found a union – but they are rarely implemented by state institutions. State inspections of factories usually involve identifying problems that are immediately overlooked as soon as bribes are handed out to the inspectors. Transparency International ranked Bangladesh 146 out of 176 countries in its most recent corruption perception index.

Nonetheless, remarkable progress has been achieved in recent years. Child mortality is lower than ever before and significantly more children are attending school. Poverty has been halved since the year 2000. Media and civil society are free to criticise and investigate state institutions. Entrepreneurs, foreign investors and global trade are steadily driving economic growth at a rate of 5-6% a year. Goldman Sachs has rated Bangladesh as one of the “next eleven” countries that have the potential to catch up with the leading emerging economies in growth, per capita income and economic importance.

**Have working conditions improved since the collapse of Rana Plaza?**

Some serious improvements have been initiated. Just a few weeks after the Rana Plaza incident, the minimum wage was raised from 35 to 62 euros a month. The right to found unions has been strengthened and the International Labour Organization (ILO) has initiated its “Better Work Programme”. 26 garment retailers from the US have founded the “Alliance for Bangladesh Worker Safety” and 180 mainly European companies, together with the ILO, fashion labels, factory owners and unions have launched the “Accord on Fire and Building Safety”. The Accord aims to improve the building safety of factories through regular on-site inspections. Dozens of factories have been closed or remodelled. Around 2,000 of the 5,000 factories in Bangladesh have so far been inspected. 65,000 problems have been reported, of which about one third have already been remedied.

Even if the questions of a living wage, written contracts, health protection in the workplace and freedom to form a union have yet to be resolved, the improvements in building safety represent a major step forward for Bangladesh’s garment industry. Obviously the picture is mixed. Some companies see good standards as a market advantage, while a second group of companies is giving in to pressure from their customers. A third group of company owners see their business model threatened by inspections and simply refuse to cooperate with the Accord. Unfortunately, the Bangladesh government is not really backing an improvement in labour standards, even in the face of considerable pressure from the EU Commission, EU governments and global retailers.
Bangladesh’s industry must meet the challenges of a very competitive global marketplace. This means improving quality and productivity through increased investment, but also requires a workforce that is well trained and motivated by good labour conditions. This applies to the shipbuilding industry, which needs to push the development from ship breaking to shipbuilding, as much as to the ready-made garment, chemical and pharmaceutical industries.

Withdrawing from Bangladesh would help neither companies nor the workforce. For many people in Bangladesh, low-paid jobs represent a first step out of poverty. Stopping trade and investment would deprive them of the chance to improve their lives. For women, a job in the garment industry is very often the only way to earn any income at all. Nobel Peace Prize laureate Muhammad Yunus once told me that “even this bad situation already constitutes an improvement for many women”.

Bangladesh needs foreign direct investment and international trade to keep its growth rates at the current level. It is the only way for the country to successfully fight poverty among its growing population.

How can companies responsibly engage in business with Bangladesh?
My suggestion to companies is to be aware of the risks and to take necessary precautions. Get expert advice on identifying and managing risks that may be specific to your business. No responsible company can afford to be involved in child labour, collapsing factory buildings or horrific labour conditions. Media attention and pressure from corporate clients or consumers is too great to even consider taking such risks. Reporting and transparency regulations have just been tightened by the EU.

But it is possible to find suitable partners in Bangladesh that do respect international standards for labour, building and fire safety. Many more companies are on their way to achieving these standards. So your requirements should not only concern the price and quality of what you intend to purchase. Include good labour standards and fire- and building safety in your request, and make clear why this is important to your company. Suppliers that want to stay in business should understand that this is not just a moral imperative: it is also a decisive economic question for European companies.

Strong and responsible business ties will serve the interests of Western companies as much as the people of Bangladesh.