



# **Good Governance in RMG Sector: Progress and Challenges**

## **Executive-Summary**

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## **Executive Summary\***

### **Introduction**

The Rana Plaza accident has been regarded as a stark example of good governance deficits and corruption in the Ready Made Garment (RMG) sector in Bangladesh. After this accident, national and international stakeholders gave special attention to improve governance in this sector. At the same time, TIB conducted a research (October 2013) to identify governance challenges responsible for such accidents and compliance deficits in the RMG sector. The study revealed some governance challenges that include lack of coordination among relevant stakeholders, negligence of duties of duty bearers, political influence, collusive nature of corruption in this sector. TIB also proposed 25 point recommendations to establish good governance in the sector. Afterwards, TIB has conducted three follow up studies to assess the progress of 102 initiatives belonging to 54 broad governance challenges identified in the first study. These studies revealed that after the Rana Plaza accident, the government and other stakeholders have been found uninterruptedly busy in implementing those initiatives in the last four years. Therefore, TIB has undertaken this study to assess current status of those initiatives.

### **Research Objectives and Method**

The objective of this research is to assess current status of different governance initiatives undertaken by different stakeholders after the Rana Plaza accident.

This study mostly followed qualitative research methods. Data for this study were collected from both primary and secondary sources. Primary sources include the Department of Inspection for Factories and Establishments (DIFE), Fire Service and Civil Defense, Department of Labour, RAJUK, garments owners, BGMEA, Accord, Alliance, trade unions, workers and experts on RMG sector. Checklists were used to collect information from above institutions and key informants. Secondary sources include relevant laws and rules, websites, official documents, research reports, news and articles released in print and electronic media.

### **Enactment and reform of laws and rules and enforcement of laws**

The government amended the Labour Law 2006 in 2013. The amendments made a number of changes including the provision of not giving the list of labours to concerned factory owner during registration of trade union and requirement of getting consent of 30% workers in a factory for formation of trade union. The government enacted Labour Rules in 2015. The Rules gave a

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provision to form Safety Committee in each factory within 6 months of enactment and creation of Labour Welfare Fund from the contribution of 0.03% from each of the export orders. Besides, the government gave approval to the Health and Safety Policy 2013 and Fire Prevention and Extinguishing Rules 2014. The Cabinet also gave approval to the Textile Law 2017 retaining the RMP sector under its purview.

Regarding enforcement of laws, it is found that the Criminal Investigation Department (CID) submitted charge-sheet against 41 accused and the Anti-corruption Commission (ACC) submitted the same in one case out of three cases filed. In March 2018, the owner of the Rana Plaza was given three years imprisonment for the case filed by the ACC. Her mother was given six years imprisonment for holding illegal money. The testimony of Tazreen Fashions case started in 2015.

On the other than, the government has given some policy supports for giving incentives for the RMG sector. In 2016, the government reduced corporate tax for the RMG sector to 12% from 20%. The tax at source was reduced to 0.7% from proposed 1%. Duty for importing fire extinguishing equipment was set at 5%. 15% VAT for port services for RMG sector was withdrawn.

### **Measures taken for enhancing institutional capacity**

The DIFE (2014) and Department of Labour (2017) were elevated to the status department. The Department of Labour produced two Standard Operation Procedure (SOP) for registration of trade unions and preventing anti-union discrimination with the assistance of International Labour Organization (ILO). The Fire Service and Civil Defense procured fire floor, water carrying vehicles and other equipment worth of 160 crore. Capacity development training from inspectors of DIFE from local and foreign sources is continuing. Skills and Training Enhance project funded by BGMEA and the World Bank has started giving training to five thousand workers. The Center for Excellence for Bangladesh Apparel Industry at BGMEA is giving second round skill development training for mid-level officials and workers with the support of ILO and H&M.

E-filing at DIFE, Department of Labour and RAJUK was introduced. In an effort to digitalize DIFE, the Labor Inspection Management Application was installed with the support of ILO. The DIFE, Department of Labour and RAJUK have introduced different online services regarding issuance and renewal of factory license, trade union registration, building plan approval and land use clearance certificates. A tri-partied council comprising 22 members from the government, factory owners and labour representative was formed to solve different problems of the industry. ILO helped to form a group named '5+3' to discuss and solve different problems at international level with the participation of 5 countries, members from a consortium of some countries (America, Canada, European Union, Britain and some individual European countries) and ministries of Commerce, Labour and Employment and Foreign Affairs.

### **Measures taken for enhancing accountability and transparency**

The government has taken many initiatives for strengthening the accountability of different institutions. The DIFE has set up a monitoring team under the leadership of the Additional Director General and introduced digital inspections. Public hearing has been conducted in regional offices of DIFE to promote social accountability. The Ministry of Commerce produced a draft policy for ensuring accountability of buying-houses. 31 buyers have disclosed names of



factories under their supply chain. BRAC has started a project titled Digital Factory Mapping for RMG in Bangladesh. About 29 lakh and 48 thousand workers' information have been inserted in the database created by both BGMEA and BKMEA. Different regulatory agencies working in this sector have installed separate hotlines or helplines. Percent of complaints made through DIFE's hotline in 2016-17 constitutes 27% of the total complaints. During 2013-2017, 4404 complaints were submitted against factories at DIFE. The Department of Labour arbitrated 54% complaints in 2016-17. The Arbitration Cell of BGMEA settled 97.1% complaints in 2016 and 2017. BGMEA's arbitrations have collected Tk. 3 crore and 77 lakh from concerned factory owners and distributed the amount to 5024 workers.

### **Measures taken to improve factory safety**

Accord, Alliance and national initiative have completed initial inspections in 4356 factories. Improvement is observed in 2079 (68%) factories in response to corrective measures proposed in those inspections. The government has allocated 500 acres of land in Mireshari, Chittagong to set up a Garment Village in an effort to give the sector a sustainable solution. Since Rana Plaza accident 778 factories have been established that eventually created employment of 6 lakh workers. JICA and IFC have given funds amounting Tk. 274 crore and Tk. 40 million respectively for remediation of factories. ADB has created a fund amounting 20 million dollar for constructing environment friendly and sustainable factories. On the other hand, buyers alliances in support of the government and ILO have created a Remediation Coordination Cell (RCC) to continue and sustain inspection and remediation activities after the expiry of their contracts. The RCC is comprised of five departments (DIFE, Fire Service and Civil Defense, Department of Public Works, RAJUK, the Officer of Power Inspections) and three taskforces (fire, infrastructure and electricity). The RCC formally started operations on May 14, 2017. ILO has been working to mobilize \$50 million for enhancing institutional capacity of RCC.

### **Measures taken for ensuring labour rights and social security**

The government set up a 'Wage Board' in 2017 with the participation of factory owners and labourers. The Board is now reviewing the wage. At present, 98% compliant factories are maintaining minimum wage set by the government. The labour law has made two mandatory provisions that include factories cannot use workers overtime for more than two hours and one permanent Health and Welfare Office has to be appointed in a factory for each of 5000 workers. The Department of Labour has increased Labourer Welfare Centers from 29 to 32 for ensuring health services to labourers. Moreover, the department has developed an app titled 'Health Services for Workers' through which workers can access health services online easily. With support from both labour welfare fund and insurance payment, the government has made a provision of Tk. 5 lakh as compensation for a worker who sustained an accident. A measure has been taken to amend Labour Law so that workers can set up trade unions through getting consent from 20% to 25% depending on the number of workers. Another amendment was made in the Labour Law in 2013 that allows selection of Participatory Committee Members through ballot paper instead of nomination. The Department of Labour has given registrations to 500 unions since Rana Plaza accident. On the other hand, the Department of Labour has established 850 Participatory Committees in different factories.



## **Measures taken to ensure integrity in RMG sector**

Different regulatory agencies have established their integrity committees. The DIFE is imparting integrity training to its district units every month through video conferencing. At the same time, the ACC has imparted training to inculcate integrity among officials at different units of RAJUK.

## **Existing challenges**

Although different regulatory agencies and stakeholders have taken numerous measures for the improvement of RMG sector, some challenges prevail:

### **Challenges in the laws, policies and enforcement**

The 'Committee of Experts' of ILO has expressed concerns in June 2017 on different articles of Labour Law 2013 (Amendment) and EPZ Labour Law 2016. Articles include posing barriers to labour rights by broadening the definition of the factory owners (article 2(49) and limiting the definition of workers 2(65), creating barriers against formation of associations (article 179(5) and 183(1)), interfering on voluntary adoption of constitution (article 179(1) and 188), creating obstacles on calling of strikes and different terms of punishments (211(1)(3)(4), 227(ga) 196 (2)(ga), 291(2)(3) and 294-96) and provision of mandatory arbitration in response to conflicts among parties. In response to these observations, the government withdrew the enactment of the EPZ law from the Parliament and formed a high-powered committee to amend the law. On the other hand, the Fire Prevention Rule 2014 was suspended temporarily in response to factory owners' objection to its different articles and the Rule remains suspended for a long time. In regard to the enforcement of laws, it is found that accused of Raza Plaza and Tazreen Fashions have not been arrested and litigation process has been delayed by changing hearing dates.

### **Challenges in the enhancement of institutional capacity**

The DIFE could not make any progress in preparing said SOPs with the support of ILO. For lack of competent officials for internal promotion and getting government approval for hiring specialist from outside, 147 specialist inspectors could not be appointed. At the same time, RAJUK could not complete recruitment of its specialists. There have been allegations that some local government bodies are giving illegal approvals within the catchment areas of RAJUK. The Fire Service and Civil Defense could not complete construction of 11 fire stations in different industrial areas in the last five years. Because of the incongruity in the definitions of high rise buildings followed by RAJUK and Fire Service and Civil Defense and lack of logistics of the latter to deal with buildings higher than 33 meters, risks prevail in extinguishing fire in high rise buildings. Online services of DIFE and Department of Labour could not be used adequately for lack of campaign and service recipients' skill deficits in using online services. There is a displeasure from factory owner's end on current rate of tax at source as tax at source is received based on export orders. As a result, factory owners have to pay additional money.



## **Challenges in ensuring factory safety**

There have not been satisfactory remediation improvements in 32% factories (1118) conducted by the government and buyers' alliances. Most of these factories belong to national initiatives. Remediation activities of most these factories were hampered for financial inability of concerned factory owners, factories located in rented space, non-cooperation from concerned EPZ authority. There have been instances where government and buyers' alliances neglected their responsibilities to conduct remediation activities. Although there has been financial promises with favorable conditions for carrying out remediation activities, those money could be used for absence of strategic agreement with relevant financial sources for accessing those funds. Over the years, almost 1200 factories were closed down after inspection by Accord and Alliance and national initiatives. Because of the closure of these factories, 4 lakh workers lost their jobs. Although there is a provision in the law to compensate these workers, only 6676 workers from 2 factories received compensation. Moreover, there have been instances where some factories lost their businesses for some buyers' immoral behaviors. There prevail challenges in building financial capacity of the Remediation Coordination Committee (RCC), creating buyers' legal obligations and a structure for sustaining remediation efforts in the long run. For lack of financial support from ILO, recruitment of 47 specialist inspectors could not be done. Thus, technical and financial deficits of RCC prevail for carrying out remediation measures. Because of these deficits, factory owners have lost confidence on the RCC. At the same time, buyers also lost confidence on the RCC for factory owners' political influence and their inability to make quick decisions. On the other hand, inclusion of owners' representatives to assess capacity of the RCC and absence of neutral members in the committee have enhanced factory owners influence that might pose hindrance for sustained progress of this sector.

## **Challenges in ensuring workers' rights and social protection**

In most of the cases, small and sub-contract factories do not pay minimum wage to workers. But, there have been allegations that after setting up of the minimum wage most of the factories have started cutting wages, impose unattainable targets, setting up 4 hours of overtime or more instead of 2 hours through issuing circulars by the government. Therefore, because of increased workload workers have been experiencing mental and physical troubles. There are allegations of politicization in the formation of wage board as the board was not formed with the participation of confederation that has maximum federations and participation of workers associated in this sector was not ensured. Sub-contract factories most of the time do not provide maternity benefits to workers. Sometimes, they provide less number of leaves violating the limit set by the government. They do not pay salaries beforehand when workers go to maternity leave. Sometimes, workers are laid off during pregnancy period. It is found that current provision of maternity leave for garment workers is discriminatory as this limit is much lower compared by the leaves government employees enjoy. Safety committees have been formed in only 16% factories after promulgation of the law in 2015. The participatory committees are found to be in paper, thus they are less effective. In the sector, trade unions are available in only 3% factories and most



them are found to be controlled by concerned factory owners. Most of the trade unions are alleged to be crippled by leadership conflicts and political yes-men. As the number of litigations against workers and job loss are found to be high among workers who are active in trade union, collective bargain of workers has become weaker in practice. Factories normally do not purchase group insurance for all workers as per rule. Moreover, the provision in the Labour Rule to deposit group insurance premium from contingency fund encourages factories owners to avoid paying compensation to workers from their own. The victims of Rana Plaza have been deprived of timely compensation as the government has not ratified section 121 of ILO Convention. Moreover, the dissolve of High Court bench to set compensation package for the victims formed after the accident also contributed for the delay. There are allegations that some workers were not given compensation in the face of job loss for carrying out remediation activities. It has been found that some buyers cut their business ties with non-compliant factories to avoid their responsibilities.

### **Challenges in ensuring integrity**

Although the government has taken numerous measures to promote integrity in RMG sector, some challenges still prevail. There are allegations that some officials at Department of Labour receive Tk 10-15 thousands as bribe for registering trade unions. It is found that when inspectors from DIFE visit factories for investigating alleged anomalies, they interrogate workers in front of factory owners and their representatives. This practice sometimes provokes repression on workers and termination from their job.

### **Conclusion**

There had been immense governance deficits in the RMG sector before the Rana Plaza accident. Although considerable improvements have taken place in this sector after the accident due to collective efforts of relevant stakeholders, some challenges still prevail. Factory owners have given disproportionate attention to the increase of RMG export and sustaining their businesses; however, rights of workers and their social protection have not received due attention. Legal limitations prevail for ensuring rights of workers. Lack of political will and influence of factory owners persist that hampers the creation of a conducive environment for ensuring workers' collective bargain. On the other hand, there have not been notable progress regarding compensation for the loss of job, commensurate compensation for accident, maternity benefits, freedom of association, social safety for severe injuries etc. Risks prevail for durable improvement of the sector due to financial and technical inability of RCC. Further, due to inordinate delay in legal process, punishment cannot be dispensed to the offenders of accidents and worker rights and accountability of relevant stakeholders cannot be ensured. Finally, the government has to demonstrate utmost responsibility to seize opportunities already achieved in regard to governance of the sector for its durable improvement. Then, RMG sector of Bangladesh would emerge as a brand. TIB proposes below recommendations to uphold good governance in the RMG sector:



Serial	Recommendations
1	An authority should be established for the supervision and co-ordination to promote good governance in the RMG sector
2	Necessary amendments in the Labour Law 2006 have to be made especially regarding workers' compensation, maternity leave, freedom of association, rights to collective bargain etc.
3	Quick disposal of all litigations filed after accidents have to be ensured through establishing speedy trial tribunal
4	Legal rights of workers specially in setting wage, overtime, leave have to be ensured through a coordinated effort of all stakeholders and government oversight for ensuring such rights have to be enhanced
5	A fund has to be created with the participation of relevant stakeholders for ensuring compliance of sub-contract and small factories and easy access to the fund of those factories has to be ensured
6	All buyers have to disclose their business partners on their website and they have to discontinue their immoral activities like closure of factories, not giving compensation due to their job loss, not setting logical price of garment products
7	Provision of giving group insurance premium from the Central Welfare Fund has to be withdrawn
8	<p>Below measures have to be taken to make RCC effective:</p> <ul style="list-style-type: none"> <li>Financial and technical capacity of the RCC have to be enhanced through collective efforts of the government, buyers and ILO</li> <li>Neutral observers have to be appointed to oversee the operations of RCC</li> <li>Buyers have to be brought under legal obligation for making the operation of RCC sustainable</li> </ul>