

Improving Worker Safety in Global Supply Chains

The Case for a Global Safety & Health Management Standard

By Scott Cooper

The global marketplace is a marvel of modern world economy. Products are sourced from every region at ever-decreasing unit costs, whether tomatoes from Peru, toys from China or clothes from Bangladesh. From a vantage point in Long Beach or Newark, computerized cranes seamlessly shuttle containers from cargo ships to trucks and trains.

At the far end of these sophisticated global supply chains, however, it is a different story. In rural sheds and urban sweatshops, subcontractors compete to cut costs and gain business from contractors who supply the goods that fill the containers. Some owners of the brands that utilize these supply chains have acknowledged a limited stewardship obligation for the safety and health of workers who make their products.

Several global initiatives have been undertaken to develop governance systems that bring oversight and due diligence to the entire length of supply chains, but to date, signs of progress are few. What is lacking is a foundational standard for worker safety that can be utilized in all developing countries and by all industry supply chains.

Factory Fires Get the World's Attention

On Nov. 24, 2012, a fire broke out in the Tazreen Fashion factory in Bangladesh. At least 117 workers (mostly young women) were killed, many by jumping from windows. The building lacked emergency exits, fire extinguishers were nonexistent, and investigations showed that staircases had been padlocked to guard against employee theft. The factory supplied garments for both U.S. and European clothing manufacturers. Some manufacturers stated that they had not authorized the Tazreen factory to undertake contract work for their brands. Others said that Tazreen was on their "watch" list of factories with known safety hazards.

As horrific as it was, fires such as this are all-too-common occurrences in developing countries. Just 2 months before the Tazreen fire, a textile factory fire in Pakistan killed 300 workers. As the *New York Times* reported at the time, "Workplace safety is guaranteed under Pakistan's constitution, but labor leaders say that government oversight has crumbled rapidly in recent years, along with a general decline in governance." In the immediate aftermath of the Tazreen fire, a group of global companies with garments sourced from Tazreen met in Geneva, Switzerland, to discuss a compensation plan for the victims. Many of the largest global manufacturers did not attend. The Human Rights Watch, a nongovernmental organization (NGO), reported 6 months later that compensation efforts had been limited and insufficient.

Bangladesh in 2013 and New York City in 1911 are not all that different.

Exactly 5 months after the Tazreen fire, on April 24, 2013, the Rana Plaza building in Bangladesh collapsed, causing at least 1,100 deaths. It was 17 days before the last survivor was pulled from the wreckage.

Large cracks began to appear in load-bearing walls in the days before the collapse, and on lower levels, shops had closed as a precaution. The garment factories on the higher floors, however, remained open, and supervisors stated that a month's salary would be withheld from any worker who refused to enter the building. Twenty-eight global brands had garments in production in Rana Plaza at the time of collapse.

Bangladeshi inspectors had formally noted foundation cracks the day before the collapse, but they did not have the authority to close the building.

In a postmortem review, the head of the Bangladesh Fire Service said that the upper floors where the garment

factories were located had been built without a permit.

In Bangladesh, as elsewhere in the developing world, there is no lack of safety and health laws on the books. But Bangladesh is a poor country with little public infrastructure, and safety laws are often no more than aspirational goals. Subcontractors are desperate for business, and if preventive measures increase the cost of production, a contractor will worry about losing business to a more aggressive competitor.

The Rana Plaza tragedy was a wake-up call for global garment manufacturers. It also animated consumer groups and policymakers in their criticism of the hands-off response shown by the owners of global supply chains to the tragedies at the far end of those supply chains. Within the month following the Rana Plaza collapse, three highly visible public efforts were initiated to address worker safety in Bangladesh:

1) A "Plan of Action," led by the government of Bangladesh and the International Labor Organization (ILO), promises stepped-up inspections, coupled with new worker safety education efforts and a commitment to find jobs for the Rana Plaza survivors.

2) An "Accord" initiative, started by European garment manufacturers and including international unions and some U.S. clothing brands, commits members to a binding agreement of financial support for improvement of factory safety, support for worker empowerment and systematic inspections of all member factories. Accord members utilize about half of the garment industry in Bangladesh.

3) An "Alliance" made up of U.S. and Canadian garment manufacturers and retailers commits to rigorous factory inspections and enhanced worker safety training. The alliance will recognize democratically elected unions and will create a helpline for accepting anonymous worker complaints. Alliance members contract with about one-third of the Bangladesh garment industry.

All three groups have acknowledged that previous efforts to develop worker safety regimes have not succeeded. At the roll-out of the ILO Plan of Action, the Bangladeshi government pledged to undertake new labor law reforms to bet-

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ter empower workers, hire a minimum of 800 new safety inspectors, and conduct a safety assessment of all “export-oriented, ready-made-garment factories in Bangladesh.” At a U.S. Senate Committee on Foreign Relations hearing in February 2014, the accord witness stated that “past efforts to address the worker safety crisis in Bangladesh were insufficient.” The alliance representative said, “Too many Bangladeshis have died. We all have to do better.”

Have Changes Occurred?

What is the status nearly 16 months after the 2013 Rana Plaza building collapse? Textile factory fires in Bangladesh continue to average two to three a week, often with fatalities. More than 1,000 workers died in factories in Bangladesh in the 20 years before Tazreen and Rana Plaza. Last October, a year after Tazreen, a fire outside of Dhaka killed at least 10 workers, with 50 more injured. Labels from manufacturers from both the accord and alliance were found in the rubble. In separate articles, the *Guardian* noted that the factory “was outside global retailers’ safety accord,” while the *Wall Street Journal* said that the factory had failed inspections and that manufacturers were studying why it was still used for production.

At a February 2014 Senate hearing, a U.S. State Department witness acknowledged that the ILO agreements with Bangladesh to upgrade its safety inspectorate “are still in their initial stages . . . [and] the number of inspectors hired to date is relatively small.” According to a Senate Foreign Relations Committee press release issued after the hearing, as of the year’s end, only four new inspectors had been hired.

ILO also created a relief fund paid for by garment manufacturers for the families of those who died at Rana Plaza, and for the medical bills of those who survived. While 28 global brands were linked to Rana Plaza, to date only \$15 million of the \$40 million target has been raised. Articles commemorating the 1-year anniversary of Rana Plaza commented on the fact that many victims and their families are still waiting for compensation. The *Financial Times* reports, “Rana Plaza survivors face financial hardship. Only a fraction of those who lost jobs in the disaster are back in paid work.” And a headline in

the *Wall Street Journal* states, “Survivors of Bangladesh Factory Collapse Find Little Help in Recovery.”

The accord and alliance initiatives have both undertaken what they consider an aggressive series of factory inspections. Furthermore, individual manufacturers have conducted their own inspections—often the same factories—using a variety of audit standards or cursory check-the-box inspections. Accord inspections have led to eight factory closures to date, while the alliance has referred two factories to an in-house fire safety panel to decide whether to recommend pulling factory orders.

ILO says that three-quarters of the 4,000 garment factories in Bangladesh have yet to be inspected. Yet, over the past year, despite factory safety concerns, Bangladesh garment exports have risen 9.7%. The *Financial Times* attributes this to the fact that garments produced in Bangladesh are still “so cheap compared with those made in China and Southeast Asia.”

This is the challenge in bringing best global standards and practices to the far ends of global supply chains. Bangladeshi sweatshops are hard, dangerous places, but for young workers, often immigrants from rural regions, these are likely to be better jobs than what they would find elsewhere in the local economy. And subcontractors feel they must cut costs if they are to stay competitive. So work is farmed out to unauthorized subcontractors. Notified by “friendly” inspectors of upcoming inspections, fire doors are unlocked and flammable clutter is removed.

The sheer number of factories is both daunting and fluctuating; oversight, even when sincere, is a distant goal, not a reality. As the *New York Times* quotes one senior inspector, “We’ve been auditing factories in Bangladesh for 20 years, and I wonder: ‘Why aren’t these things changing? Why aren’t things getting better?’” To successfully break out of this vicious cycle, the initiatives must come from higher up in the supply chains and from global policymakers.

Global Supply Chains Need Consensus Standards for Safety

While the Tazreen and Rana Plaza tragedies have refocused attention on the lack of governance and accountabil-

ity in global supply chains, the accord and alliance initiatives are merely the latest in a series of commitments made by global manufacturers and policymakers to bring oversight and consensus standards to global supply chains.

In 1998, U.S. President Bill Clinton helped to shepherd an agreement between garment and footwear global supply chains, universities and consumer groups to address the issues of child labor, worker safety and adherence to international labor standards. This initiative became the Fair Labor Association (FLA), which accredits labor compliance programs. Since 2002, FLA has completed 1,500 factory inspections worldwide looking at worker safety and health issues, working conditions and compensation.

The ILO Better Work Program was launched in 2006 to “improve labor standards and competitiveness in global supply chains.” At the time of its inception, a Better Work program for Bangladesh was reportedly in the planning stage. Seven years later, in September 2013, after Tazreen and Rana Plaza, ILO announced the establishment of a Better Work program in Bangladesh.

Social Accountability International (SAI), established in 2007, has a well-respected audit and inspection program (SA 8000). In its latest figures (2011), SAI inspected 3,000 factories in 62 countries, spanning 65 industries. Over the previous year, its certifications of textile factories increased by 18% to 321 globally, six of which are in Bangladesh.

Several other global efforts are underway to address worker safety, most of which attempt to bring together workers, global consumers and policymakers to find a consensus approach to developing a system of governance for global supply chains. The work of FLA and SAI in particular has been pioneering in developing practical tools for creating credible governance structures for global supply chains. But these programs have not been able to grow and scale to the point of offering any significant responses to the global problems they seek to address.

Therefore, it is hard to argue that global supply chains are safer today than they were in 1998 when President Clinton negotiated the creation of the FLA. The number of audits undertaken by groups like FLA and SAI cover a



small percentage of the total number of established factories supplying goods into global supply chains, and few audits address the constantly shifting world of subcontractors who are ready to take any work that may come their way.

Barriers to Governing the Global Supply Chain

Two intertwined issues have hindered the development of viable governance systems for global supply chains.

First, global supply chains have traditionally sought lowest-cost venues while giving short shrift to other considerations, so it has been difficult to create incentives for investments in worker safety. Studies show that consumers say they will not buy products made in sweatshop conditions, but at point of sale, price is still the main criterion for consumer purchases.

The textile industry itself is especially cost-conscious, as is evident in its history of seeking ever-cheaper resources. Textile manufacturing started in the late 18th century with cotton goods manufactured in Manchester, England; crossed the Atlantic to New England in mid-19th century (following cheap labor and cheap water power); moved to South Carolina (where there were no labor unions) in the early 20th century; and finally took a huge leap to cheaper labor in Asia, first in Japan in the mid-20th century, then to China and Cambodia in the late 20th century. For now, the heart of the global textile industry is located in Bangladesh.

Second, the global marketplace does not operate within a recognized rule of law such as exists in domestic situations. The formal authority of any given nation-state ends at national boundaries, and the machinations of the global marketplace have far outrun the ability of the nation-states to develop multilateral agreements to restore authority and enforcement to the marketplace. The global marketplace lacks borders, courts of last resort and a recognized cop on the beat.

Ad hoc governance approaches of frenzied activity (often in a single country) followed by an inevitable slacking-off of effort when quick fixes do not show significant improvements have been tried and have failed. What is needed is a consensus approach by all stakeholders, not just the nation-

states and not just global supply chain owners, but civil society as well (e.g., consumer groups, workers, NGOs), to craft clear, equitable and practical rules that cover all regions and work for all manufacturing supply chains. In other words, this has to be a recognized global standard.

Triangle Shirtwaist Factory Fire: A U.S. Parallel to Bangladesh's Current Situation

So what would make a viable strategy to bring a practical governance structure to all global supply chains, not just for Bangladesh and not just for textiles? One hundred years ago, on March 25, 1911, in New York City, a garment factory fire occurred. It is eerily similar to the Tazreen fire in Bangladesh.

At the Triangle Shirtwaist Factory, 146 people (mostly young women) died in the fire or from jumping from the high stories of the burning building. At a public meeting held a week after the fire, a young female worker spoke for the dead: "This is not the first time girls have been burned alive in this city. Every week I must learn of the untimely death of one of my sister workers. Every year thousands of us are maimed. The life of men and women is so cheap, and property is so sacred."

The first response by public officials was to begin inquiries and to point fingers. The New York City Fire Department, Building Department, Office of the Mayor, coroner's office and district attorney all began investigations, as did the state assembly and senate. The cynical felt that was all that would happen as had so often been the case.

Finding practical consensus solutions for issues of industrial governance has not proven easy. The garment district in New York City at the beginning of the 20th century was the first stop for many new immigrants, who often spoke no English. If America was the land of opportunity, the first rung was often hard, dangerous physical labor. In many cases, bosses were immigrants themselves who had succeeded by being hard-nosed, hard-working and hard-hearted. Bangladesh in 2013 and New York City in 1911 are not all that different.

But two things may have tipped the scale into treating the Triangle fire as a pivotal moment. The first was the sheer scale and visibility of the event. Thousands in downtown Manhattan

witnessed the fire firsthand, which many found to be a life-changing moment. Among the witnesses was Francis Perkins, who later became Secretary of Labor under Franklin D. Roosevelt.

The second tipping point was that the Triangle fire happened during the Progressive Era, a time in American history when there was a widespread desire to bring about responsible governance.

The feeling was that aggressive owners should not be able to bribe corrupt officials, and workers should not risk their lives merely by entering factory doors. As one Triangle survivor said, her immigrant parents believed that "in America they don't let you burn."

The Triangle fire became a turning point for American governance: Former President Theodore Roosevelt urged his protégé Henry Stimson (Secretary of War for William Taft, Franklin Roosevelt and Harry Truman, and Secretary of State for Herbert Hoover) to chair a public-private committee on safety. In Albany, NY, Al Smith and Robert Wagner led a legislative Factory Investigating Commission that in the next 4-year period passed foundational laws on worker safety, sanitation and hazardous materials.

At a public meeting following the Triangle fire, Rabbi Steven Wise said, "We have laws that in time of crisis we find are no laws and we have enforcement that when the hour of trial comes we find is no enforcement." After the work of the committee and the commission, there were laws that were meaningful and inspections that were independent and responsive. America found the leadership and the resolve to develop a governance system that would protect workers and create the standards for the infrastructure integrity needed by the nation to become the industrial leader of the world.

The Progressive Era also dealt with the other dilemma of corporate governance: the clash of cost and safety, and the undercutting of competition by making lack of worker safety a perverse competitive advantage. Between 1909 and 1912, as the U.S. struggled to resolve issues raised by the Triangle fire, industry, labor and government also struggled with the issue of eradicating poisons in manufacturing processes.

For example, it was well known that phosphorous used in making matches

would cause a dangerous necrosis in workers, leading to disfigurement and death. Alternative, slightly more expensive manufacturing methods had already been accepted by most industrial nations, but in the U.S. at the time, factory safety was regulated by the states. Manufacturers and state officials were worried that if a particular state required the more expensive (but safer) process, then match factories in nonresponsive states would still use phosphorous and undercut manufacturers in responsive states.

As with fire safety after Triangle, it took a consensus of business, labor and government to find a practical solution. Supported by the president of Diamond Match (the largest match company in the U.S.), the public-private Association for Labor Legislation and President Taft, phosphorous matches were taxed out of existence. As Senator Henry Cabot Lodge stated, if “we cannot put a stop to an industry which has such hideous results on those engaged in it, [then] we are the only civilized nation that cannot do it.”

Beyond Bangladesh: Competition in the Garment Industry Worldwide

What can be done to bring worker safety (or “civilization” as Senator Lodge might express it) to the far ends of global supply chains now, at the beginning of the 21st century, as we were able to do for domestic supply chains at the beginning of the 20th century?

First, while efforts to create worker safety regimes in Bangladesh are commendable, workers in many developing countries are at risk, as are many other global supply chains beyond textiles. A Google search of any developing country and the term *factory fire* will turn up multiple examples of horrific fires with tens to hundreds of deaths, most linked with terms such as *fire doors locked*, *crowded conditions* and *dangerous chemicals*. As the *New York Times* reported in the Sept. 1, 2013, article “Fast and Flawed Inspections of Factories Abroad”:

[Current initiatives] are limited to Bangladesh. Other leading garment-producing nations, like China, Honduras, Pakistan and Vietnam, are not getting such stepped-up attention or expanded inspections. Thousands of factories in those countries will no doubt continue to

be reviewed through the perfunctory “check the box” audits.

The accord and alliance, albeit with a certain ad hoc approach to their inspections, have clearly devoted significant resources to improving the safety of garment manufacturing in Bangladesh. Both initiatives have pledged to stay at the effort for 5 years. How successful are they likely to be, however, in imposing a practical (and credible) governance structure for a hypercompetitive domestic industry in a country without a strong rule of law and in a global marketplace without widely accepted “rules of the road”? What about in 5 years?

Second, can a single developing country such as Bangladesh unilaterally commit to needed worker reforms and remain competitive in the global marketplace? One cautionary lesson may be found in Cambodia, where ILO has undertaken an 11-year Better Factories Cambodia initiative to end sweatshop abuses. ILO states on its website that “over 90% of garment factories in Cambodia now pay their workers their correct wages.”

However, the Worker Rights Consortium notes in its 2013 report, “Monitoring in the Dark,” “Wages in Cambodian apparel factories have fallen significantly in real terms over the past 10 years [with] buyers’ relentless pressure to keep prices low.” Further, “Undoubtedly, the enormous pressure international buyers put on the Cambodian garment industry to keep costs low and the Cambodian government’s inability to enforce its progressive labor law effectively also contribute significantly to these pervasive problems.”

In Bangladesh, as in many other developing countries, most workers in big-city sweatshops are immigrants from poor rural areas, with few skills, but a willingness to perform hard manual labor for long hours and low pay. Most bosses, especially at the subcontractor level, are barely an economic rung above their workers, depending on business passed their way because they are the lowest cost competitor. Such subcontractors are often off the grid, rising and falling on small, short-term transactions. For them, worker safety is viewed as a luxury. When the inevitable happens and brand labels are found in the rubble, global supply chain owners can often truthfully say that they did not

authorize their production lines to be undertaken by subcontractors with such questionable safety practices.

International Standards Can Set the Bar & Test for It, Too

A global approach to worker safety and factory integrity can act as a foundation for safety efforts used by all global supply chains and in all production facilities. Safety compromises should not be allowed to be utilized as a competitive advantage by countries willing to condone or ignore unsafe working conditions in order to solicit business.

Several public-private efforts provide good examples of developing governance structures to serve global supply chains. In particular, International Organization of Standardization (ISO), an independent, NGO made up of members from the national standards bodies of 162 countries, is well known for its global standards for product quality (ISO 9000, Quality Management Systems) and environmental quality (ISO 14000, Environmental Management Systems). These standards are used extensively by global supply chains to monitor their own production lines, and to brand their products as meeting international standards for quality and responsibility of production.

In the U.S., ISO standards on testing, inspection and auditing (ISO 17000 series) have been accepted by Congress in the Toy Safety Act and the Food Safety Act as the baseline for acceptance of lead-free toys and the safety of imported foods from global supply chains. In the case of toys, for example, China does not allow U.S. inspections of Chinese factories, but does allow accredited third-party inspections of the same factories based on ISO standards.

Occupational Health & Safety Management Systems: ISO 45001

A draft global standard on worker safety (ISO 45001, Occupational Health and Safety Management Systems) aims to create this necessary foundation of worker safety and factory integrity standards that can be accepted by all global supply chains, for use in all industries, covering all contractors and subcontractors, in all countries supplying products into these supply chains.

Forty-three countries are participating in this effort. In the U.S., ASSE and

ANSI are leading this effort. More than 90 organizations are involved in the U.S. Technical Advisory Group for ISO 45001. The ISO 45001 standard initiative benefits from seminal work done by ILO in developing occupational safety and health conventions, from the efforts undertaken by FLA and SAI, and from the many existing national worker safety and infrastructure integrity consensus standards developed over the years.

ISO 45001 has "the goal of providing governmental agencies, industry and other affected stakeholders with effective, usable guidance for improving worker safety in countries around the world." As ANSI CEO S. Joe Bhatia states, "This proposed health and safety standard represents one of the most significant consensus standards activities in the past 50 years."

What the ISO 45001 process can do that the ad hoc efforts cannot is create a single approach to worker safety oversight for use in all developing countries with a stake in global supply chains (all

of which are members of ISO). The accord and alliance initiatives have given a certain deference to this approach in that the standards they depend on for use in their inspections in Bangladesh are largely written by standards developers that are ANSI members.

It is time, in fact past time, to bring what Senator Lodge called "civilization" to the far ends of global supply chains. All stakeholders agree that the current system is dysfunctional. This consensus must be translated into an agreement of support for a single approach to global worker safety. Developing a global foundation of basic occupational safety and health standards to be used in all venues and with all supply chains will simplify current ad hoc efforts and create acceptance for safety "rules of the road" in the global marketplace.

In a thoughtful article on Nike's struggle to balance cost and worker safety, the *Wall Street Journal* describes how Nike reluctantly terminated a long-standing relationship as it decided

to pull back from Bangladesh. The factory owners tear down the posted Nike Codes of Conduct and start production for a new Japanese contract that will significantly speed up the factory line. "They want their clothes on time, no matter what. We had to tell the workers that the new buyer has a new mind-set and that means different rules."

A global standard on worker safety, in conjunction with effective inspections against that standard, can help ensure a foundation of safety rules that every new buyer needs to acknowledge if it wants to sell into global supply chains.

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