





# SWEAT & TEARS

Western multinationals are behind disasters like the Bangladesh factory collapse. Will public outrage and a new agreement with unions lead to improvements for workers?

BY ROBERT KUTTNER

**O**n April 24, the Rana Plaza garment factory in Bangladesh collapsed, killing 1,129 workers and injuring at least 1,500 more. Most were young women earning about \$37 a month, or a bit more than a dollar a day. The collapse was the worst disaster in the history of the global garment industry, evoking the 1911 Triangle Shirtwaist factory fire in New York City. The Rana Plaza factory made apparel for more than a dozen major international fashion brands, including Benetton, J.C. Penney, and Wal-Mart. This was the third major industrial accident in Bangladesh since November, when 112 people were killed in a fire at a garment factory producing mainly for Wal-Mart. At Rana Plaza, cracks appeared in the eight-story building the day before it collapsed. Police ordered an evacuation of the building. But survivors say they were told that their pay would be docked if they did not return to the factory floor, and most did.

Bangladesh, a nation of more than 160 million, has some 4 million garment-industry workers and 40 building inspectors. After China, it is the world's second-largest apparel producer: a destination of choice for the fashion industry because workers effectively have no rights and are among the world's most desperately poor people. These tragedies underscored not just the brutality of the global garment industry but also the bank-

ruptcy of a voluntary system of industry-sponsored factory certification by nonprofits funded by the big fashion brands.

In August 2012, one of the most prestigious monitoring groups, Social Accountability International, gave a factory owned by Ali Enterprises in Karachi, Pakistan, a clean bill of health. A month later, the factory burned, killing some 300 workers who were trapped behind locked doors.

In January 2012, Apple selected the monitoring group Fair Labor Association (FLA) to review conditions in the factories of Foxconn, its contractor in China. Two weeks later, *The New York Times* published an exposé of grim conditions, including 70-hour workweeks and a spate of worker suicides. In February, the head of the FLA toured Foxconn and pronounced the facilities "first class."

Thanks to the notoriety of the Rana Plaza collapse and the persistence of the global labor movement, anti-sweatshop activists in the U.S. and Europe, and an independent, labor-affiliated advocacy group, the Worker Rights Consortium (WRC), the tragedy in Bangladesh could open the door to more robust corporate accountability. A legally binding contract, signed May 15 by some 40 fashion brands, commits the big retailers and apparel producers to take responsibility for what happens in the factories that make the clothing they sell.

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A fire killed 112 workers in November at the Tazreen Fashions garment factory in Savar, Bangladesh.

Under the Accord on Building and Fire Safety in Bangladesh, the Western fashion companies will invest millions of dollars in factory improvements and provide longer-term supply contracts so that factory owners have the cash flow and confidence to invest in upgrades. The brands agree to independent safety inspections whose results are made public, with binding arbitration in the event of disputes and an enforceable commitment by the brands to terminate business with factories that do not meet safety standards. A seven-person committee enforces the agreement, with three members from labor groups, three from the fashion brands, and a representative of the International Labor Organization (ILO) in Geneva, a U.N.-affiliated

Instead, Wal-Mart, the Gap, and 15 other North American brands have created a rival, purely voluntary agreement. Their plan for better factory safety, announced in early July with the Bipartisan Policy Center providing the window dressing, has no arm's-length monitoring, no penalties, no enforceable rights, and no role for unions.

Depending on how well it is enforced, the European accord could be a turning point that could lead to a new wave of rights for workers in Third World manufacturing. "The business model of the apparel industry logically leads to sweatshops," says Scott Nova, executive director of the WRC. "The Bangladesh accord holds the promise of altering the model. But we expect that there will be extensive battles ahead."



Bangladesh garment workers are paid 18 cents an hour to produce clothing for Western consumers.

watchdog body founded in 1919 to promote worker rights, as chair and tiebreaker. The agreement, however, is about safety. It does not address wages per se, but it does commit the fashion brands to require the large factories they purchase from to allow union representatives to help train factory workers in safety monitoring. Sponsors hope that a union presence will lead to better wages.

By July, some 70 major European fashion brands and retailers with production in Bangladesh had signed the accord. Only a handful of U.S. companies joined, including PVH (the parent company of Calvin Klein and Tommy Hilfiger), Sean John, and Abercrombie & Fitch. Although Europe purchases more than double the volume of clothes from Bangladesh than the United States does, the deal would be more significant if the bigger American retailers such as Wal-Mart and the Gap joined, since both have resisted codes of conduct with independent monitoring and enforcement.

**THE \$1.5 TRILLION GARMENT** industry is structured in a way that almost guarantees a race to the bottom for its workers and a convenient distancing of the global fashion brands from the conditions of work. Typically, the fashion brand outsources not just the production but the organization of the entire supply chain. A \$20 billion Hong Kong-based firm that most people have never heard of, Li & Fung, dominates the intermediary business. According to Robert Ross of Clark University, author of *Slaves to Fashion* and an expert on the global apparel industry, "The fashion brands and retailers go to Li & Fung with a design, a price point, and projected volume, and they say, 'Find me a factory.'" Li & Fung, with more than 7,700 clients and 15,000 suppliers, invariably finds several competing factories to keep the pressure on for low prices and wages. So, when a disaster occurs, the retailer is at two levels of remove. It doesn't own the factory, and it didn't organize the production chain.

After the factory collapse in Bangladesh, for instance, Wal-Mart insisted that the Fame Jeans sold in its stores had been produced at Rana Plaza by a subcontractor without its knowledge. Fame Jeans in turn blamed "a rogue employee." But the entire production system is designed to promote this denial of accountability. Large factories in Bangladesh, Pakistan, Vietnam, or Cambodia might produce for 10 or 20 different brands. The brands and their intermediaries keep the factory owners on contracts of just a few months, so that if a rival factory offers a cheaper price, it will get the business.

In the negotiations for the Bangladesh deal, the breakthrough came when H&M agreed to sign. The largest purchaser of clothing made in Bangladesh and the world's second-largest apparel retailer with some 2,900 stores in 43 countries, H&M happens to be a Swedish multinational. Sweden has a long history of powerful trade unions and widely accepted collaboration between management and labor. Unlike every major U.S. fashion company, H&M is a union shop at home. When the Rana Plaza catastrophe occurred, it was a major embarrassment to H&M management. Inditex, the world's largest apparel retailer, quickly

A.M. AHAD / AP IMAGES

agreed to the accord. Based in Galicia, Spain, Inditex has 5,500 stores worldwide under several different brand names such as Zara.

The accord is a welcome change, but it is just a first step. With the Bangladeshi government allied with factory owners, the government could well undermine the agreement. Bangladesh has pursued the strategy of gaining market share by having the world's lowest wages for garment workers. The current minimum wage translates to about 18 cents an hour, up from 10 cents in 2010. Labor activists say a living wage is more like \$1.20 an hour—probably the world's widest gap between the legal minimum wage and a minimally decent standard of living. Although new union rights are promised in the accord, there could well be a proliferation of company unions and protracted wrangling over which entities are bona fide unions. The plan could lead to extensive jockeying between companies and factory owners over who is responsible for investing in upgraded safety conditions, as well as conflicts among the brands over which must invest how much in improved standards. The crunch will come when a factory fails to live up to the accord and the brands are pressured to drop it as a supplier. Since other apparel producers such as Vietnam and Pakistan are eager to displace Bangladesh, the race to the bottom is likely to continue until higher standards are mandated worldwide.

**THE MODERN ANTI-SWEATSHOP** movement, based on naming and shaming brands through consumer pressure, began in the mid-1990s. As global production chains were created by the industry, Third World factory conditions proliferated both globally and in the United States. In 1995, in El Monte, California, police found 72 Thai workers locked inside a factory producing clothes for major U.S. retailers, working 18 hours a day for less than a dollar an hour. With exposés of near-slave labor conditions in global factories of such brands as Reebok, Levi Strauss, and Kathie Lee Gifford's line of clothing, the companies moved to devise corporate codes of conduct. This led to a strategy of using voluntary organizations like Social Accountability International to monitor and certify labor conditions, which the big brands hoped would satisfy consumer concerns without raising their costs.

During the same period, college students began demanding that their universities set minimum labor standards as a condition of approving licenses to manufacture products with college logos. President Bill Clinton was instrumental in helping universities, corporations, and unions create the Fair Labor Association in 1999. But the FLA was compromised by its need to win the cooperation of the big brands. The unions soon quit, in favor of the more independent Worker Rights Consortium. Unlike the FLA, the consortium promotes union organizing and issues detailed

and scathing reports on sweatshop conditions. Each organization has about 200 university members that pledge to hold garment producers accountable to codes of conduct. Today, many universities are affiliated with both groups.

The limitation of the FLA approach is that fashion brands affiliate voluntarily. They agree to create their own codes, and the FLA hires monitors to certify whether factories that produce for the brands are in compliance. But because the whole program is voluntary, the FLA has proceeded gingerly.

Even so, the reputational concerns of the brands and the existence of the FLA have given more aggressive groups such as the WRC and the labor movement useful leverage. For example, in 2008 a member company of the FLA, Russell Athletic/Fruit of the Loom, closed a factory in Honduras rather than recognize the workers' decision to unionize. The FLA resisted taking any action against

**The Bangladesh Accord on worker safety is a breakthrough, because it includes an enforceable process with union involvement. Still, we need binding labor standards in trade.**

Russell. Eventually, some 100 universities, mobilized by the WRC and United Students Against Sweatshops, denied Russell licenses to make products with their logos, and the company finally agreed not only to reopen the factory but to allow others in Honduras to unionize.

**DESPITE OCCASIONAL BREAKTHROUGHS**, the Russell agreement and the Bangladesh accord are fragile exceptions. They still depend heavily on consumer pressure on the reputational concerns of large multinational corporations. In the absence of direct government legal standards, the strategy requires endless investigation and publicity—and the big brands have far deeper pockets than the nongovernmental organizations (NGOs) and more staying power than cohorts of college students that turn over every four years.

One key complement, which the WRC and the unions strongly support, is far greater government involvement in the regulation of working conditions both domestically and globally. A potential but seldom used lever is trade law. Corporations, after all, have invested massively in changing trade law to increase their global freedom of movement. Trade law might also cover workers' rights, but for the most part it doesn't except at the level of platitude.

Member nations of the World Trade Organization benefit from what used to be called “most favored nation” treatment—they get the same tariffs as those imposed on the most favored nation. The list of tariffs is known as the Generalized System of Preferences (GSP). In 2007, the AFL-CIO filed a petition requesting that Bangladesh be removed from the list of GSP countries because of its repeated violation of even the most minimal labor rights. The Bush administration rejected the petition. This June, the Obama administration acted to suspend GSP status for Bangladesh, but the action is largely symbolic because exports admitted under the GSP affect only about 1 percent of Bangladesh’s overall exports to the U.S. and do not include clothing. Still, the move is a diplomatic slap and adds some (minimal) government pressure on the Bangladeshi government, but the U.S. could do more.

Government-to-government pressure would reinforce

**Our own history in the mid-20th century suggests what it will take to rid the world of sweatshops—enforceable rights and effective unions. We need them at home, too.**

accords like the Bangladesh safety deal. The European Union is also reviewing whether Bangladesh qualifies for favorable tariff treatment. Activists hope that the combination of bad publicity, the risk of losing favorable tariffs, the new contract with the big fashion brands, and increased worker pressure on the ground will alter Bangladesh’s export strategy. Enforceable rights to organize or join unions, a stronger health and safety code, and a higher minimum wage would put more teeth in what is still a private accord that deals primarily with safety and relies on the highly fickle concerns of consumers, most of whom are more interested in price and fashion than in labor rights.

The U.S. government, architect of trade deals that mainly serve industry and finance, could add labor rights to the mix. But then the U.S. has failed to enforce labor rights at home—including the fundamental right to organize or join a union, supposedly guaranteed by the 1935 Wagner Act.

To get a glimmer of the progress that might be made if governments got involved, consider a brief interlude when the United States intervened on behalf of labor rights in one poor country, Cambodia. The story begins with the Clinton administration’s embrace of the North American Free Trade Agreement (NAFTA), a deal conceived by

industry and negotiated by the outgoing administration of George H.W. Bush. NAFTA was advertised as a trade agreement, but its most important provisions opened Mexico to massive direct investment by U.S. corporations and defined many health, safety, and environmental regulations as obstacles to trade. As a candidate in 1992, Clinton called for meaningful labor provisions as part of NAFTA, but the eventual “side agreement” on labor rights had no teeth. Most Mexican unions are pawns of the government, and the independent ones are subject to persecution. Napoleón Gómez Urrutia, president of the Mexican mining and metalworking union, one of the few legitimate ones, has been in exile in Canada for seven years, fearing arrest.

NAFTA was approved by Congress in 1993, over the fierce objection of the unions and with about two-thirds of House Democrats voting no. Clinton got it through mainly with the support of Republicans. When Clinton came back for new authority in 1997 to negotiate more trade deals, the House rejected his request. So the administration began discussions with the unions to see what kind of labor provisions might win their support. The administration was particularly eager to make a trade agreement with Cambodia, which was just emerging from the Killing Fields years under the Khmer Rouge and desperately needed access to U.S. consumer markets. In those years, textile and apparel imports were allocated according to a national quota system, known as the Multi-Fiber Arrangement. In yearlong discussions with Clinton officials, leaders of the apparel and textile union UNITE proposed a novel approach. As part of the trade deal, the Cambodian government would enforce workers’ rights to organize and join unions. If Cambodia kept its word, it would benefit from a significant increase in its import quotas. “The administration didn’t exactly take our version,” recalls Mark Levinson, one of the union’s architects of the plan. “We proposed more power for unions and workers in Cambodia. They accepted the broad idea of trading a quota increase for labor rights but brought in the ILO to oversee it.”

Thus did the U.S.–Cambodia free-trade deal come to include the world’s only enforceable labor rights as part of a trade agreement. Under the U.S.–Cambodia Bilateral Textile Agreement, signed in January 1999, Cambodia received a bonus export quota to the U.S. if its labor practices were found to be in compliance. Thanks to the agreement, Cambodia’s clothing exports increased from \$26 million in 1995 to \$1.9 billion in 2004, representing 80 percent of its industrial exports. Wages increased, and unions not only gained a foothold in the apparel industry but also were able to negotiate contracts with major hotels such as Raffles. But under another trade pact, the entire multi-fiber quota system was gradually phased out over a ten-year period ending in 2004, and fashion brands were now able to look for the cheapest producer worldwide.

Freed from quota constraints, China quickly became the world's largest exporter of clothing, other nations cut costs to match China's price, and the United States gave up its leverage to reward Cambodia for respecting labor rights.

By 2004, Cambodia's factory owners were repressing trade unions, hauling union leaders into court and holding them financially responsible for losses due to strikes. Government, fearing a loss of Cambodia's global market share and no longer having any reward for enforcing workers' rights, was siding with the industry. The popular leader of Cambodia's largest union, Chea Vichea, was assassinated. Between 2001 and 2011, wages in Cambodia's garment industry fell 17 percent. The ILO's monitoring program continues, but cooperation with it has evaporated. Factories have shifted more workers to short-term employment contracts. Trade union members are routinely fired. Illegal overtime has increased, as has child labor. This deterioration has intensified even though the purchasers of garments made in Cambodia are international brands such as Nike, Disney, and H&M, all of which have corporate codes of conduct.

**AFTER TWO MAJOR STRIKES**, in 1909 and 1910, and the Triangle Shirtwaist fire in 1911, organizers rode the wave of worker militancy and public outrage to increase union membership of New York's garment factories. With the period of full employment during World War I, unionization in the garment trades peaked at 129,000, despite having little protection from government. But in the 1920s, the industry managed to weaken the unions with a technique identical to the one used by the big fashion brands today. Instead of producing in their own factories, they contracted with "jobbers" and subcontractors, both to disperse the workforce and to diffuse responsibility for the appalling conditions. The economic collapse of the Great Depression reduced union membership even further.

The garment unions recovered only when the Franklin Roosevelt administration first guaranteed the right to unionize in 1933 and 1935, complemented by wage and hours laws in 1938, and then applied strict enforcement of union rights in war production contracts. Sidney Hillman, president of the Amalgamated Clothing Workers of America and FDR's top labor adviser, served as associate director of the Office of Production Management, which was responsible for all war production. It took both union militancy and the help of the government to win organized labor a tenuous foothold in America's implicit social contract. For a couple of generations, unions were part of the industrial landscape in America, and sweatshops vanished, until the progress was reversed by globalization. Between 1989 and 2010, as the Multi-Fiber Arrangement was replaced by a global free-for-all, productivity in global apparel production steadily rose, and the price of garments imported into the

U.S. dropped by 48 percent. Wages continued to decline.

Defenders of Third World sweatshops often argue that they benefit American consumers by providing low-priced products. Yet the factory worker receives only a pittance of the retail price. You could double the wage, and the final price would only rise by a percentage point or two. Meanwhile, Americans are under pressure to lower their own wages to be competitive globally. The truth is that workers in the U.S. and in Bangladesh are common victims of the larger production system.

Our own history in the mid-20th century suggests what it will take to rid the world of sweatshops—enforceable rights and effective unions. Yet in the past several decades,



that progress has been reversed. Sweatshops have returned to the United States as well as to Bangladesh. In the best case, the Bangladesh accord will open up the possibility for modest improvements in wages and working conditions and for organizing unions. It represents a rare instance of corporations agreeing to binding constraints on their behavior and that of their contractors. With sufficient consumer and union pressure, it could become a template for agreements in other countries.

Accords like this one may be the best available for now, given the failure of the U.S. government to tie labor conditions to trade deals. Still, one has to wonder what might happen if the millions of volunteer and NGO hours devoted to monitoring and publicizing corporate behavior were spent instead on organizing unions—and organizing to elect American progressives, so that our government insisted on labor rights in trade agreements and defended rights at home. ■

*Clothes with Disney labels lie among debris in the aftermath of the Tazreen Fashions factory fire in Savar, Bangladesh.*