Sweatfree Purchasing Consortium Open Membership Call on Labor Compliance in Bangladesh

Thursday, November 18, 2010
12:00-1:00pm ET

Guest: Michael O’Donovan, Bureau of International Labor Affairs, U.S. Department of Labor

Michele Reale, New York State representative to the Sweatfree Purchasing Consortium, update on the Sweatfree Purchasing Consortium: Currently 13 members with the recent additions of the cities of Seattle, WA and Olympia, WA. Bylaws and budget have been adopted. Application for 501c3 status has been submitted to IRS. Board of directors and officers have been elected; board members include by representatives of governmental entities and labor experts. A factory database is in design process.

Bjorn Claeson, interim coordinator of the Sweatfree Purchasing Consortium, introduction of Michael O’Donovan: Michael O’Donovan is an international economist at the Bureau of International Labor Affairs (ILAB) in the U.S. Department of Labor, where he works in the Trade Policy & Negotiations division. In his work, O’Donovan represents DOL on the GSP Subcommittee of the interagency Trade Policy Staff Committee (TPSC), which implements the Administration’s preferential trade program for developing countries. In addition to his responsibilities on the GSP Subcommittee, O’Donovan also monitors labor affairs throughout South and Central Asia.

Note: Michael O’Donovan’s comments in this forum are informal and not intended to represent official U.S. Government positions or policy.

Summary of Michael O’Donovan’s Presentation

Generalized System of Preferences

All developing countries are eligible for the unilateral trade preference program called the Generalized System of Preferences. As a least-developed country, Bangladesh is eligible for maximum benefits under the program. Worker rights is a general criterion, although the language in the statute is written loosely—“such country is taking steps to respect workers’ rights”—and therefore can be interpreted broadly. Following a 2007 AFL-CIO petition, ILAB has been investigating Bangladesh’s compliance with labor rights. While it has noted some areas of progress (for example in the shrimp sector), other areas that need more progress remain, particularly in the ready-made garment (RMG) sector.

Bangladesh’s RMG sector

Bangladesh’s RMG sector employs about 3.5 million workers and accounts for 80% of the country’s export earnings. 80-85% of the garment workers are women. The employment is primarily in Dhaka and nearby areas. Since the expiration of the Multi-Fiber Agreement in 2005, Bangladesh’s production of apparel has increased, partly as a result of shifts of production from China to Bangladesh.
Wages and working conditions

During the last few years there has been runaway inflation in Bangladesh. Many see the wage of roughly 1,600 taka per month that workers had been earning as inhumane. The new minimum wage (that went into effect this month) is 3,000 taka (~$42 US) per month, which corresponds to roughly US $0.20/hour. Disputes remain as to whether this is a fair wage. Following the announcement of this new wage, worker protested claiming that the wage increase was insufficient. Even though the new wage represents an increase from the 2006 wage, in terms of real wages it is only about a 10% increase.

By far Bangladesh has the lowest wages in the garment industry. It has undercut its nearest competitors, Cambodia and Vietnam. In these two countries monthly minimum wages range from US$50 to $60.

Minimum wages are usually paid in Bangladesh, although they are frequently late. This is a major issue for workers since their bills and remittances to rural areas are due at the beginning of the month.

Typically overtime is not paid accurately: either it is late or not fully accounted.

The majority of factories aren’t compliant with sexual harassment policies.

There is a team of about a dozen Bangladeshi government inspectors, but they don’t have cars, they are paid very poorly, and there are around 7,000 factories to inspect.

Studies show that a Bangladeshi worker cannot raise a family on the minimum wage; not even one person can survive on this wage.

Garment factory fires are also common. At the Garib & Garib factory in February 2010, 21 workers died. Fire equipment in the factory was found to be useless, and no-one had training in how to use it.

Freedom of Association

ILAB focuses on the International Labor Organization’s core labor standards, and particularly on freedom of association and collective bargaining because through that right the other rights can be won.

There is a huge amount of corruption in Dhaka and in the RMG sector broadly. It is recognized by the government and is even coming to be recognized by the Bangladesh Garment Manufacturers and Exporters Association (BGMEA). The BGMEA is starting to recognize that there is a lot of pressure for unions and that they can be a positive force. ILAB has discussed the idea of technical assistance with the BGMEA, the idea of bringing in the ILO so that there can be dialog and training for workers.

ILAB has talked with garment factory owners directly who have told them: “Like hell I will have a union in any of my factories… and if workers try to unionize I will hire thugs and go break their legs.” The BGMEA line has been similar: “This would be disruptive right now – right now we don’t want any more unionization.” The Bangladeshi Ministry of Labor has been slow to
register any unions—either there is hostility within the Ministry or they are sensitive to the situation.

Discussion Points

**Eric Dirnbach:** The problem is not just with the factory owners but there is also a problem with the buyers. The buyers simply aren’t paying enough. Are you hearing this from local factory owners?

**Michael O’Donovan:** Absolutely. Before the wage hike, owners would say that they couldn’t raise wages because other countries’ competition would squeeze them out. However, the reality is that the wages are still the lowest in Bangladesh. And regardless, wages are just a small portion of the cost of production and the price. There is no one else to squeeze them out, except for other factories in Dhaka but the same minimum wages apply to all of them. Brands have encouraged factories to pay the minimum wages and some brands have supported a higher minimum wage.

**Cindy Matz:** What could the Sweatfree Purchasing Consortium and its member cities and states do about this when making purchases?

**Michael O’Donovan:** They can send letters to the Minister of Labor and to companies.

**Bjorn Claeson:** Cities and states have adopted labor compliance standards for their garment purchasing, and typically refer to the ILO core labor standards and local labor laws of the country of production. In some cases there are also wage standards, requiring not just the minimum wage but also a non-poverty wage (in the case of Bangladesh it would be more than 3,000 taka). What can cities and states do regarding Bangladesh where it’s not a question of one bad factory, and there aren’t even a small number of good factories, but where the abuses are pervasive throughout the sector? It’s not desirable to stop buying from Bangladesh either, so what do you actually do to use government purchasing power to affect change in the industry?

**Michael O’Donovan:** By some rough estimations, a third of the sector—mostly the largest factories—are fairly compliant. Studies by think tanks show that factories in the export-processing zones are more compliant with the labor law than other, smaller factories. Interestingly, workers in smaller factories tend to be happier because they have a direct link to management without middlemen. Regarding the other factories: 1/3 are doing “just OK” and 1/3 have serious labor compliance issues.

Larger factories complain about hosting 70 auditors a year; they are desperate to get rid of the corporate auditors. ILAB doesn’t see corporate auditors as the most effective way to monitor an industry. ILAB is working with the ILO to put into place a program for technical assistance needs but that it will still take time.

Cities and states could communicate to brands what their requirements are, and require compliance for contracts.

Since 2007, ILAB and NGO partners have seen some progress in the EPZs; however, it remains common management practice to restrict workers’ right to organize and not allow unions. (Three shrimp factories had adopted unions but shortly thereafter all the union officers were fired.)
Bjorn Claeson: SFC’s new report ([http://www.sweatfree.org/bcws](http://www.sweatfree.org/bcws)) documents recent and ongoing persecution against the Bangladesh Center for Worker Solidarity (BCWS). BCWS leaders were charged with fabricated crimes and imprisoned; some were even tortured before they were released on bail. One of the factories where BCWS has conducted trainings referred to BCWS as “enemies of the nation.

**Michael O’Donovan:** The report is a comprehensive covering of the issues. Some speculate that the government may have used BCWS as a scapegoat for worker unrest related to dissatisfaction with the wage increase. An arrest warrant was out for BCWS leaders and when they were finally arrested they were poorly treated. The U.S. government has been effective in talking with the Bangladeshi government about this issue.

Eric Dirnbach: Does ILAB collect information on factories?

Michael O’Donovan: Not yet, but the ILO Better Work program is doing this in Cambodia and intends to do it in Haiti.

Michael O’Donovan can be reached at O’Donovan.Michael@dol.gov

*The meeting ended at 1:00pm ET*