

## Workers' conditions in the textile and clothing sector: just an Asian affair? Issues at stake after the Rana Plaza tragedy

### SUMMARY

More than 70% of EU imports of textile and clothing come from Asia. Many Asian workers have to work in sweatshop conditions, but the issue appears in global media only when major fatal accidents occur, like that at Rana Plaza in Bangladesh, in 2013.

Long working hours, low wages, lack of regular contracts, and systemically hazardous conditions are often reported. Trade unions, when allowed, are unable to protect workers.

Not all Asian countries exporting textile and clothing to the EU have ratified "Fundamental" ILO conventions and their concrete application is far from the norm. UN Guiding Principles on Business and Human Rights, and OECD Guidelines for Multinational Enterprises fix good standards of corporate social responsibility for Western brands operating in such countries, but are not binding and do not provide for sanctions if not applied. In practice, they have failed to defend workers' rights.

A number of measures have been suggested to change this situation, including in repeated European Parliament resolutions. Such measures would require action by Asian governments, international brands and the importing countries. They include greater union rights, more regular work, brands doing more due diligence when dealing with contractors, efficient and more cooperative audits, more stable purchasing practices, making some guidelines and principles legally binding, and putting pressure on Asian authorities to have workers' human rights better respected.



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### Glossary

**Textile:** any fabric or cloth, especially woven.

**Apparel, clothing, garment:** terms for something that is worn by a person.

**Offshoring:** the practice of moving a company's operating base to a country where labour costs are cheaper.

**Reshoring:** the return of some work to plants based in the country where most sales are made.

**Sweatshop:** (or sweat factory) a negatively connoted term for a working environment considered to be unacceptably difficult or dangerous. Sweatshop employees often work long hours for low wages.

**ILO:** International Labour Organisation, the only multilateral body bringing together representatives of governments, employers and workers at world level.

**Living wage:** a living wage is one that permits a basic, but decent, lifestyle considered acceptable by society at its current level of economic development, such that workers and their families are able to live above the poverty level and participate in social and cultural life.

**Watchdog:** an independent organisation set up to police a particular industry, ensuring that member companies do not act illegally.

### Issue

According to the World Trade Organisation ([WTO](#)), Asia alone accounts for 58.4% of world clothing and textile exports. More than 70% of [EU imports of textiles and clothing](#) come from Asia (see figure 1).

The customers of garment producers are most often global brands looking for low prices and tight production timeframes. They also make changes to product design, product volume, and production timeframes, and place last-minute orders without accepting increased costs or adjustments to delivery dates. The stresses of such policies usually fall on factory workers.

The harsh conditions in which many Asian workers perform their jobs have even been qualified as "[slave labour](#)". Despite repeated warnings from watchdog NGOs, the topic tends only to reach world media when major and deadly accidents occur.

On 24 April 2013, the most deadly industrial accident since the 1984 Bhopal disaster in India occurred in Dhaka, capital of Bangladesh and among the world's ten [largest cities](#). An entire eight-storey building – the Rana Plaza – containing five clothing factories, a bank and shops collapsed completely, killing 1 138 workers and injuring over 2 500. At least 27 global garment brands had recent or current orders with the factories in the building.

The [Rana Plaza disaster](#) has overshadowed another major accident which occurred on the outskirts of Dhaka in November 2012: the [Tazreen factory fire](#). A multi-floor fashion-garment factory burned down, taking 112 workers' lives.

The scale of these tragedies has raised awareness of issues linked to the responsibilities of Western global fashion brands, governments' and international organisations' policies, and even the individual choices of consumers.

### Importance of the sector in Asia

Following the Uruguay Round Agreements within the WTO, textiles and clothing have not been subject since 2005 to quantitative import limitations in the world market. The

[Agreement on Textiles and Clothing](#) brought to an end the previous quota system and provoked rapid offshoring of production to Asia. Not just EU Member States, but also several ACP and some Mediterranean and East European countries lost shares of the market, although the EU as a whole remains the world's second largest exporter – its industry [accounting](#) for some 6% of employment in the manufacturing sector and 3.1% of total merchandise exports. This highly labour-intensive sector is now characterised by very pronounced geographical dispersion of the various production stages.

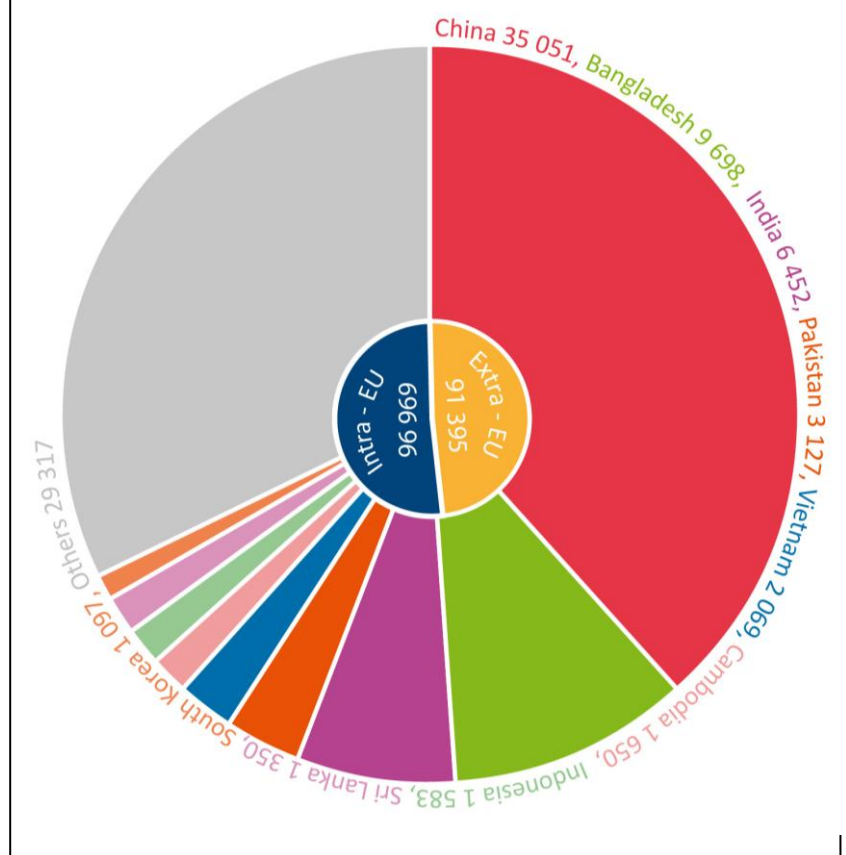
China has taken the lead in the lower-value assembly segments of the value chain, followed by other Asian countries. **China** counts more than 100 000 manufacturers, employing [over 10 million people](#), mostly located in five provinces in the eastern coastal area. Factories are clustered near shipping ports and logistics centres, shortening delivery times to clients. China remains the leader in this sector, though challenges such as the appreciation of the yuan, rising labour costs (especially in the coastal provinces) and lower profit margins for businesses may erode this position.

Brands meanwhile have been shifting orders to countries that may allow higher profits: first to Bangladesh, but also to India, Pakistan, Vietnam and Cambodia. A segmentation process may lead China (together with Vietnam and Thailand) to focus on producing high-end clothing, while low-end clothing could head to countries such as Laos, Myanmar and Cambodia. Meanwhile, cases of production [reshoring](#) in the EU are [multiplying](#).

The textile and clothing sector in **Bangladesh** is by far the main and most important industry (with 85.9% of all exports). Very low wages and trade deals with Western countries have helped make Bangladesh the world's second-largest garment exporter after China, with 60% of its clothes going to Europe and 23% to the US. Bangladesh has 5 000 textile and garment factories and [4 million textile workers](#).

In **India**, the sector contributes about 4% to GDP and 11% to the country's export earnings. It is the [second largest provider of employment](#) after agriculture (45 million jobs). Growth is also driven by abundant availability of raw materials and a large domestic market. India has been in [negotiations](#) with the EU on a free trade agreement ([FTA](#)) since 2007.

**Figure 1: Selected origin of EU imports of textiles and clothing in 2013 (Source: Euratex)**



In **Pakistan**, this sector contributes 9.5% of GDP and provides employment for about [15 million people](#) – 30% of the country's 49-million-strong workforce. Pakistan is the fourth largest producer of cotton in the world.

Textile goods amount to 15% of the value of all **Vietnam's** exports. The Vietnamese textile industry, with more than 3 800 companies giving employment to [2.2 million people](#), is the second export sector. Vietnam is negotiating an [FTA with the EU](#) and within the Trans-Pacific Partnership (TPP). While these agreements could pave the way for further export increases, they could also reveal a shortage in terms of domestic yarn factories, vital to the production cycle.

The [garment industry](#) in **Cambodia** – the largest employer in the "formal economy" – has been driving GDP growth. Currently, the garment industry accounts for about 80% of Cambodia's total exports.

**Indonesia's** garment and clothing sector, highly concentrated on the island of Java, employs [1.1 million people](#), as of 2012, making it one of the most important elements of the country's manufacturing industry. The textile, leather products and footwear sectors combined were [the fourth largest contributor](#) to manufacturing industry, with a market share of 7.8% for the quarter ending December 2013. But local textile producers depend almost entirely on imported cotton.

### Workers' conditions in some Asian countries

The explosion in the volume of orders<sup>1</sup> has not led to the necessary adaptation of production capacities. This has provoked strong pressure on working conditions, as reported by NGOs. And despite growing unrest from workers, which has led to [strikes](#) and protests in several countries, often repressed as in [Cambodia](#) and in [Bangladesh](#), their main achievement has been slight increases in the minimum wage, which remains still far below a living wage.

#### *Sweatshops*

Workers often have to perform their tasks under "sweatshop" conditions. They work long hours every day, sometimes without even a weekly rest day, and are often not paid for overtime. Many of them do not have a regular contract. In recent years, wages for garment workers in the majority of Asian countries have fallen in real terms, except in China. The gap between prevailing wages – the wages paid in general to an average worker – and living wages for garment workers in these countries has widened.<sup>2</sup>

#### *Unsafe work*

Systemic hazardous conditions<sup>3</sup> represent a common feature of many factories in this sector. The rapid expansion of the industry has led to the adaptation of many buildings, built for other purposes – residential, for instance – into factories, often without the required permits. Other plants have had extra floors added or have increased the workforce and machinery to levels beyond the safe capacity of the building. Lack of appropriate protective equipment, old and outdated wiring at risk of short circuit (a major cause of fires), and non-existent or outdated fire extinguishing facilities are often reported in these overcrowded workplaces. Fire exits are often deliberately blocked by factory owners, and windows even barred, thus increasing the death toll in accidents.

#### *Trade unions*

Trade unions are often [suppressed](#) and union organisers intimidated, including physically. Workers claim that some managers mistreat employees involved in setting

up unions, or force them to resign. Some claim they have been beaten up, sometimes by local gangsters attacking workers outside the workplace, and even at their homes.

#### *Consequences of accidents*

The lack of regular contracts means many workers who get injured in factory fires, and the relatives of those who die, [do not receive any compensation](#), because they are not registered as formal employees of the companies and the management therefore do not identify them as their workers.

### International conventions and guidelines for business

#### ILO Conventions

The WTO has [recognised](#) the ILO as the competent body to negotiate labour standards. The ILO identifies eight Conventions as "[Fundamental](#)", covering the following subjects:

No	Subject	Ratification by selected countries								
		CHN	BGD	IND	PAK	VNM	KHM	IDN	LKA	KOR
29	forced labour	x	✓	✓	✓	✓	✓	✓	✓	x
87	freedom of association and protection of the right to organise	x	✓	x	✓	x	✓	✓	✓	x
98	on right to organise and collective bargaining	x	✓	x	✓	x	✓	✓	✓	x
100	equal remuneration	✓	✓	✓	✓	✓	✓	✓	✓	✓
105	on abolition of forced labour	x	✓	✓	✓	x	✓	✓	✓	x
111	discrimination (employment and occupation)	✓	✓	✓	✓	✓	✓	✓	✓	✓
138	minimum age	✓	x	x	✓	✓	✓	✓	✓	✓
182	worst forms of child labour	✓	✓	x	✓	✓	✓	✓	✓	✓

On top of the Fundamental Conventions, there is a set of four ILO Governance (Priority) Conventions, including one on Labour inspection (No. 81). Of the above-mentioned countries, only Cambodia and China have [not](#) ratified this Convention.

It is worth mentioning that Cambodia was the first country in the world in which the ILO independently monitors and reports on working conditions in garment factories, vis-à-vis compliance with national and international standards. This effort is carried out through the Better Factories Cambodia ([BFC](#)) programme, which was established in 2001. Building on this, the programme now covers factories in [seven further countries](#) worldwide.

#### UN Guiding Principles on Business and Human Rights

In 2005, the UN Secretary-General appointed a Special Representative on human rights and transnational corporations and other business enterprises. John Ruggie was nominated to this post for a three-year mandate, renewed once until 2011. In 2008 he



proposed a "Protect, Respect and Remedy" Framework on business and human rights. In 2011 he issued "Guiding Principles on Business and Human Rights" in order to implement the Framework. The [Principles](#) were endorsed by the UN Human Rights Council. Principles are not intended to create new international law obligations, but to establish guidance for companies, in order not to violate human rights in their activities, and on providing redress should infringements occur.

They include three pillars:

- The duty of the State to protect against human rights abuses by third parties, including business, through appropriate policies, regulation, and adjudication. This includes taking steps to prevent abuse abroad by business enterprises within their jurisdiction
- Corporate responsibility to respect human rights, that is, to act with due diligence to avoid infringing the rights of others and to address adverse impacts with which they are involved, wherever they operate. This responsibility exists independently of States' abilities and/or willingness to fulfil their own human rights obligations, does not diminish those obligations and exists over and above compliance with national laws
- The need for greater access by victims to effective remedy, both judicial and non-judicial.

#### OECD Guidelines for Multinational Enterprises

The UN Guiding Principles on Business and Human Rights inspired the 2011 version of the [OECD Guidelines for Multinational Enterprises](#), first drafted in 1976. The Guidelines are recommendations addressed by governments to multinational enterprises. They set out voluntary principles and standards for responsible business conduct.

OECD member states are required to implement this regime by the establishment and operation of a National Contact Point (NCP) as a state-based, non-judicial, dispute-resolution mechanism to handle complaints concerning corporations operating from or within their respective jurisdictions.

At present, some NCPs and other partners, including the ILO, are developing additional practical due-diligence guidance for the textile and garment sector, with the [project](#) focusing on countries at particular risk.

In the wake of the Rana Plaza tragedy, two reports on the implementation of the OECD Guidelines in the textile and clothing sector were issued in December 2013 by [the French NCP](#) and in June 2014 by [the Italian NCP](#). The reports formulate practical recommendations to assist enterprises and their stakeholders in taking appropriate measures to strengthen application of the Guidelines and avoid disastrous accidents. They recommend that enterprises incorporate compliance with the eight fundamental ILO Conventions in their contracts with subcontractors.

#### Company watchdogs

[Business & Human Rights Resource Centre](#), a non-profit organisation which draws attention to the human rights impacts of over 5 100 companies, operating in over 180 countries. (HQ in London and New York)

[SOMO](#), the Centre for Research on Multinational Corporations (Stichting Onderzoek Multinationale Ondernemingen) is a not-for-profit research and network organisation working on social, ecological and economic issues related to sustainable development since 1973. (HQ in Amsterdam)

[Clean Clothes Campaign](#), an alliance of organisations in 16 European countries. Established in 1989, its members include trade unions and NGOs. Its mission is improving working conditions and supporting the empowerment of workers in the global garment and sportswear industries. (HQ in Amsterdam)

[Worker Rights Consortium](#) (WRC), a labour rights monitoring organisation, conducts investigations of working conditions in factories around the globe. Its purpose is to combat sweatshops and protect the rights of workers in the garment industry and other sectors. Founded in 2000, the Consortium has the support of over 175 US colleges and university affiliates. (HQ in Washington)

**Bangladesh after Rana Plaza: from tragedy to action***Customers*

The 13 May 2013 "[Accord](#) on Fire and Building Safety in Bangladesh" was signed by the IndustriaALL Global Union and UNI Global Union trade unions, and [more than 180 enterprises](#), most of them European. The Accord is to run for five years and is aimed at strengthening safety and fire inspections in the textile industry, and improving workers' health and occupational safety. The Accord provides for the inspection of more than 1 600 factories, whose cost will be borne by the signatories in proportion to the value of their orders.

North American companies took a separate initiative on 10 July 2013, named the "[Alliance](#) for Bangladesh Worker Safety". It was launched by a group of 26 North American brands, and covers 700 factories. The Alliance is non-binding and less stringent, as regards freedom of association, than the 13 May 2013 Accord.

*International community*

On 8 July 2013 in Geneva, as a response to the Rana Plaza tragedy, the European Commission, the ILO and the government of Bangladesh launched the "Compact for Continuous Improvements in Labour Rights and Factory Safety in the Ready-Made Garment and Knitwear Industry in Bangladesh". This [Compact](#) seeks to improve labour, health and safety conditions for workers, as well as to encourage responsible behaviour by businesses in the ready-made garment industry in Bangladesh. In particular, it set out a road map for implementing the action plan, including: reforming Bangladeshi labour laws (in particular regarding freedom of association and the right to collective bargaining); recruiting 200 additional factory inspectors by the end of 2013; and improving building and fire safety, by June 2014.

The ILO launched the Better Work Programme for Bangladesh on 23 October 2013. It covers 500 factories and runs for three years. Factory assessments were due to begin during the second quarter of 2014. The programme had been [conceived well before](#) the Rana Plaza tragedy.

*Bangladeshi government*

A National Tripartite Plan of Action on Fire Safety and Structural Integrity in the Garment Sector of Bangladesh ([NTPA](#)) was adopted on 25 July 2013 by the Bangladeshi government, manufacturers in the sector (BGMEA and BKMEA) and the local unions. It acts as a platform to coordinate the various projects and initiatives to improve working and safety conditions in the textile industry. On this basis, a [Ready-Made Garment Programme](#) in partnership with the ILO was approved on 22 October 2013 and will run for three and a half years. The NTPA will inspect the 1 500 factories not due to be inspected under either the Accord or the Alliance.

*Rana Plaza compensation scheme*

Following the Rana Plaza tragedy, an [arrangement](#) was signed on 20 November 2013 and a [Donors' Trust Fund](#), run by the ILO, was set up. Some US\$40 million was expected to be collected for distribution among the victims. So far, just less than [US\\$18 million](#) has been collected. An [advance](#) payment has been made available to injured workers and the families of deceased and missing workers.

**EU policy**

While human rights clauses have been included in all new general cooperation and trade agreements negotiated by the EU [since 1995](#), in 2008 they began also to include sustainable development chapters. These contain obligations to respect labour and environmental standards, with a clear reference to core labour standards as defined by ILO conventions.

In the frame of the Generalised Scheme of Preferences ([GSP](#)), only the "GSP+" enhanced preferences variant sets ratification and implementation of 15 core human and labour

rights UN/ILO Conventions (plus 12 related to the environment and to governance principles) as a precondition for enjoying GSP+ advantages. GSP+ applies to a limited number of countries – at present Pakistan is the only one in Asia.

The Council of the EU has recently [stressed](#) that business activities in partner countries should respect human and labour rights and promote decent work. The Council has also asked the Commission to strengthen the external dimension of the forthcoming revised EU Strategy for Corporate Social Responsibility ([CSR](#)).

The Commission on its side may soon table an [initiative](#) on a label for textiles and garments produced according to principles of social and environmental standards. This would represent a flagship of the [2015 European Year of Development](#).

### The European Parliament

In recent resolutions, the European Parliament has raised attention to the accidents which have occurred in garment factories in Bangladesh and Pakistan, as well as to the violent repression of textile workers' protests in Cambodia.

After the Tazreen factory fire, on 17 January 2013 the European Parliament adopted a [resolution](#) "on recent casualties in textile factory fires, notably in Bangladesh". In the wake of Rana Plaza, the plenary returned to the issue through the adoption, on 23 May 2013, of a [resolution](#) on "Labour conditions and health and safety standards following the recent factory fires and building collapse in Bangladesh" recalling both tragedies.

In a [resolution](#) of 21 November 2013 on "Bangladesh: human rights and forthcoming elections", the European Parliament called on the Bangladeshi government to adopt measures to grant trade unions better rights.

More recently, the European Parliament, through a [resolution](#) of 12 March 2014 on "Pakistan's regional role and political relations with the EU", invited the Pakistani authorities to sign up to the ILO/IFC-led "Better Work Programme" and called on all those responsible for the 2012 [factory fire at the Ali Enterprises](#) garment factory to finally pay compensation to the survivors of the fire.

In a [resolution](#) adopted on 16 January 2014 on the "Situation of rights defenders and opposition activists in Cambodia and Laos", the Parliament called on the Cambodian authorities immediately to release the 23 people arrested following demonstrations of textile industry workers calling for increased wages.

A [resolution](#) of 15 January 2014 on "the future of EU-ASEAN relations" recalls "that the granting of GSP and GSP+ is linked to the implementation of basic labour standards and ILO and other core international conventions".

The Parliament had also [called](#) for the inclusion of provisions on CSR in international trade agreements. Through this call, the EP wants to avoid "dumping" against European business obliged to work under more stringent standards, opening the possibility of discriminating between goods according to compliance of production with CSR standards. A further effect of CSR clauses is to prevent objections to the EU's regulation of the activities of its corporations in third countries.

### Ideas for improvement

In order to change the trends in textile and clothing workers' conditions in some Asian countries, a number of measures have been suggested, to be taken at different levels of



responsibility, as well as possibly structuring and making more consistent the various initiatives, and even incorporating enterprise-led actions in this context.

#### *National authorities*

[Union rights](#) are a key issue. Registering a trade union could be made easier. Public authorities should guarantee the implementation of union rights, including the protection of union leaders from persecution. Moreover, they could guarantee respect for workers' internationally recognised rights of freedom of association and collective bargaining, by ratifying and implementing ILO conventions on freedom of association.

Regular work should be the norm and not the exception. This not only enhances workers' rights, but for instance, in case of accidents, entitles victims and their families to compensation. This implies more checks by public authorities on safety and social-rights compliance. Suitable systems of labour inspection should be set up, and be staffed by adequate numbers of properly trained inspectors.

#### *International brands and retailers*

International brands should set up adequate corporate human-rights due-diligence procedures when dealing with contractors in developing countries.

A key element to perform due diligence is auditing. Not only should audits be accurately performed, but serious legal sanctions should be applied to audit firms and certification bodies which have provided false safety assurances in respect of factories in which fires and other serious health and safety accidents and fatalities subsequently occur.

The possibility of [revising](#) the mainstreaming concept of auditing has been suggested. Audits should represent a full assessment of the situation, rather than a simple checklist. This implies a change from traditional social compliance auditing to a process of cooperation between brand and supplier, in which all problems are disclosed in a transparent way. Not only safety, but workers' health too – paying particular attention to the [female dimension](#) of the problem – could be included in such audits.

Transparency is also recommended for audit reports of factories where safety incidents have taken place or where non-compliance with health and safety standards has been documented, in order to disclose this information to all stakeholders.

The importance of more stable relations between international brands and contractors has been highlighted. Brands should avoid the practice of "forum shopping": changing suppliers frequently to force down prices and shorten delivery times. This increases pressure on contractors and inevitably on workers. Contractors are pushed to hire non-registered workers in order to meet peaks in orders, while being able to dismiss them easily. Brands could adopt purchasing practices which stimulate the upgrading of factory buildings to safety standards.

#### *Importing countries*

According to the UN Guiding Principles on Business and Human Rights, "States should set out clearly the expectation that all business enterprises domiciled in their territory and/or jurisdiction respect human rights throughout their operations". A possible interpretation of this principle could lead a State to introduce legislation holding companies domiciled in its territory responsible for human rights violations throughout their supply chain. More generally, the possibility of transforming UN and OECD principles and guidelines into binding rules has been suggested.

Importing countries may also use their political and economic power to exercise pressure on producing countries. For instance, as a consequence of the Rana Plaza tragedy, the US decided on the [suspension](#) of GSP benefits for Bangladesh. However, Bangladesh continues to benefit from the EU's Everything but Arms ([EBA](#)) arrangement.

### *Consumers*

A [new awareness](#) is growing among consumers but is still at an early stage. Moreover, no label certifying the respect of workers' rights exists at the moment. At present, brands have to deal with the expectations of consumers primarily focused on cheap prices and buying [fast fashion](#). Consumers need to become the driving force for change, and realise that safeguarding fundamental rights has a price and inevitably raises production costs.

### **Main references**

[Guiding Principles on Business and Human Rights](#), Office of the Commissioner for Human Rights, UN, New York and Geneva, 2011, 37 p.

[OECD Guidelines for Multinational Enterprises](#), OECD, Paris, 25 May 2011, 91 p.

[NCP report on the implementation of the OECD Guidelines in the textile and clothing sector](#), French National Contact Point for implementation of OECD Guidelines for national enterprises, 2 December 2013, 178 p.

[Global Wage Trends for Apparel Workers, 2001-2011](#), Worker Rights Consortium, Washington, July 2013, 76 p.

[Tailored Wages UK](#), Labour behind the label, Bristol, March 2014, 98 p.

[Fatal Fashion](#), SOMO, Amsterdam, March 2013, 69 p.

### **Endnotes**

<sup>1</sup> Aid for Trade and Value Chains in Textiles and Apparel, IDE-JETRO, OECD, WTO, p. 13.

<sup>2</sup> Global Wage Trends for Apparel Workers, 2001-2011, Worker Rights Consortium, Washington, July 2013, p. 2

<sup>3</sup> Fatal Fashion, SOMO, Amsterdam, March 2013, p. 5.

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