12. THE RANA PLAZA COLLAPSE

ALEX SAGER

BACKGROUND

ON APRIL 24, 2013, THE EIGHT-STORY RANA PLAZA IN BANGLADESH collapsed killing 1,129 people, many employed in garment factories serving international brands that included Benetton, the Children's Place, Joe Fresh, Mango, and Walmart. The collapse was one of a recent series of highly publicized tragedies in Bangladesh's garment industry, which directly or indirectly employs four million people and comprises 80 per cent of Bangladesh's $21 billion export market, making up 18 per cent of the country's GDP in 2013.

The collapse was in many ways predictable. The owners had added additional stories to a building without receiving a permit to do so. The building was not designed for industrial use, but much of the space had been leased to garment factories with heavy machinery. Despite police warnings to evacuate and employee protests at the new cracks that had appeared in the building, managers ordered garment workers to come to work.

The Rana Plaza Collapse exemplifies the political corruption and economic pressures that contribute to widespread labor abuses in Bangladesh's and many other developing countries' export sectors. It was preceded by the April 11, 2005, collapse of the Spectrum-Sweater factory in Savar that killed 64 people. The November 24, 2012, Dhaka fire killed 117 people and injured many more, because of the lack of emergency exits. Many more incidents go unreported in the international news. The avoidable deaths of workers is only the most extreme examples of widespread, questionable labor practices in the developing world, which include slavery and indentured labor, child labor, physical and sexual abuse, exposure to hazardous chemicals, and low wages.

There have been a number of responses that address safety and working conditions in Bangladesh, including a National Action Plan to review fire safety and structural integrity for buildings with ready-made garment factories and a compact between the government of Bangladesh, the European Union, the United States, and the International Labor Organization to improve working conditions. The International Labor Organization has established a fund to compensate victims of the Rana Plaza collapse. As of June 2014, the fund had received less than half of the $40 million target and half of the companies associated with manufacturing in the Rana Plaza failed to contribute.

On May 23, 2013, international retailers and Bangladeshi trade unions released the *Accord on Fire and Building Safety in Bangladesh* calling for increased inspections, remediation, and training, as well as contributions from signatory companies. The *Accord* is a legally binding document, which requires companies to fix buildings likely not to meet safety standards and to continue to employ and compensate workers while repairs are taking place. Though many major international brands have signed the accord, Walmart, Gap Inc., and H&M refused. Walmart and Gap Inc. later joined a coalition of major North American apparel companies, retailers, and brands to form the Alliance for Bangladesh Worker Safety and created the Bangladesh Worker Safety Initiative.

It is too early to know the long-term effects of these initiatives, but there are some grounds for concern about their scope, efficacy, and broader effects. Though the Institute for Global Labour and Human Rights reports successes from a collaboration between Bangladeshi workers, the Institute, Gap and H&M in improving conditions, wages and benefits for factories in the Ha-Meem and Windy Groups of factories, these groups comprise only a fraction of Bangladesh's garment factories. Even leaving aside widely recognized problems with corruption, the Bangladeshi government does not currently have enough staff to rigorously inspect all of its factories.

Inspections can also harm workers that they are designed to help. The *New York Times* reports that inspections organized through the Bangladesh Accord Foundation have led to the closing of some factories, leaving thousands of workers unemployed and uncompensated as repairs are made.[1] Factory owners and labor unions have asked international brands to pay wages, but so far have had limited success.

ANALYSIS

THE RANA PLAZA COLLAPSE CLEARLY INVOLVED NEGLIGENCE ON the part of the building owner, the garment factories leasing space, and the public officials expected to oversee safety compliance. Workers should not be subjected to easily preventable, immanent, life-threatening danger, a conviction expressed by the arrest and conviction of building owner Mohammed Sohel Rana and factory owner Bazlus Samad Adnan, who employed 1,700 people at the Rana Plaza. But the reason that this case is interesting for business ethics is that issues surrounding the collapse raises broader issues about safety, working conditions, and wages.

Working conditions in the developing world often appear unacceptable from the perspective of people in affluent, Western countries. Nonetheless, workers routinely accept risks and choose to labor for what seem like low wages because jobs in the export sector are better than other alternatives open to them. In fact, companies serving international brands often pay higher wages than local companies. Moreover, the only reason that developing world countries are able to attract business for their export sectors is because they offer plentiful cheap labor. Though many developed world consumers take pride in paying more for clothing made by unionized workers in their country, refusing to buy cheap foreign goods may very well slow economic development and harm the global poor. The imposition of safer worker conditions by international firms under pressure from consumers abroad may be welcome, but it can also be an imposition for workers who lose wages or their jobs when the companies they work for do not meet standards.

In 2014, Bangladesh raised the minimum wage 79 per cent to $68 per month without overtime (adjusted for purchasing power parity), cutting into profit margins and contributing to a slowdown in the garment industry. One consequence of the international focus on Bangladesh is that factory owners reported that export orders fell to rivals.[2] The disproportionate focus on Bangladesh after the Rana Plaza collapse is questionable, since there are similar labor practices in many countries, including major rivals such as China, Vietnam, Indonesia, and Cambodia.

How do we decide what just labor standards are? Should this question be largely determined by supply and demand on the market in which workers and firms negotiate wages and working conditions? Are there universal minimal standards that all ethical employers must respect? Should citizens decide labor practices through democratic processes? Are multinational corporations bound by the labor standards of the countries in which they operate or of the countries in which they are based? Or do they need to find some sort of compromise? Should countries comply with standards set by the International Labor Organization or another international body? What role should consumers play? These are complicated questions.

One concern that many people have about overseas labor is that it is exploitative. Though theorists have understood exploitation in various ways, a core idea is that exploitation occurs when one party is able to take unfair advantage of the other, usually because the exploiting party enjoys more power or possesses information that the exploited party lacks. Notably, exploitation is often mutually beneficial. For example, low-wage labor under unpleasant conditions is often better than the alternative of unemployment. Nonetheless, critics retort that it is exploitative because workers are not in a position to bargain for something better.

The challenge for any account of exploitation is to explain when an agreement is unfair. Broad accounts of exploitation hold that most agreements reached between parties with unequal bargaining power are unfair. One concern, though, is that this may entail that most employees are exploited, including relatively well-paid employees in developed countries. Narrower accounts of exploitation locate unfairness against a baseline of what would be determined under conditions of perfect competition: if workers are being paid less that they would in a free market, they are exploited. These accounts raise the opposite concern: if markets are reasonably efficient, then almost nobody can claim to be exploited.

Some business ethicists have preferred to distinguish questions of safety and working conditions from questions of wages. After all, even advocates of low-wage overseas labor condemn businesses that enslave workers, use physical violence to compel workers to meet quotas, or force children to work long hours. Regarding questions of safety, business ethics sometimes invokes rights such as the right to life or notions of human dignity. For example, Denis Arnold and Norman Bowie have argued from a Kantian perspective that respect for persons requires that employers guarantee minimal health and safety conditions and that they inform workers of any workplace hazards so that they can make rational decisions about accepting work.

Critics from libertarian market-based perspectives have responded that it is illegitimate to distinguish between wages and improvements to worker safety and health. The cost of a salary increase and the cost of a sprinkler system have the same effect on a company's bottom line. In contrast, they place the emphasis on worker choice and view the market as providing sufficient information to allow employees to choose rationally whether they wish to assume the risks.

This debate raises two issues. First, are market mechanisms the right tools for determining just labor conditions and wages? Libertarians contend that if workers have freely decided to sell their labor in a competitive market, then competition will lead employers to offer wages and working conditions that satisfy workers' preferences. Workers are usually the best judges of their needs and their tolerance for risk, and this should be respected. In response, critics contend that labor conditions should not be set solely by supply and demand; they prefer instead to invoke independent standards such as basic human rights, or to have these questions be determined by democratic processes.

A second, related issue concerns the extent to which imperfect and asymmetrical information, barriers to entry, monopoly power, and background political and social conditions impair the market from functioning efficiently. Libertarians who oppose regulation gain traction from the assumption that markets are fairly efficient in practice. Where this turns out not to be the case, the market should not be relied on to set just labor conditions, even if this would be best in an ideal world of perfect competition.

Leaving aside questions of safety and fair wages, who is responsible for labor abuses and workplace dangers? Often critics of overseas labor conditions place the primary responsibility and blame on multinational companies. For example, Kalpona Akter, executive director of the Bangladesh Center for Worker Solidarity, commented on the Rana Plaza collapse: "After the Tazreen fire, it was a cemetery, human bodies all over the floor. And now we have another one ... American companies, they know this is happening. We've told them: Remember these human faces. You killed these girls."[3]

Is Akter right that American companies are to blame for these tragedies? The answer to this question turns on whether or not American (and other) companies failed to meet the moral obligations they had to workers in the supply chain. In order to determine companies' obligations, it may also be necessary to determine other agents' moral obligations. Another complex question concerns how moral responsibility should be reassigned if some parties fail to fulfill their obligations. For example, presumably local suppliers and governments have obligations toward the safety of workers. In fact, H&M's reason for rejecting the Accord on Fire and Building Safety in Bangladesh was that it thought responsibility for safety standards rested in the factories and in the local government. A further concern is that foreign corporations or consumers are imposing their labor standards on the developing world with limited knowledge of local conditions, and that this is condescending and paternalistic.

The Bangladeshi government has labor standards in place, but they are often not enforced due to corruption or lack of capacity. If local companies fail to meet their obligations, do these obligations automatically fall on companies further up in the supply chain? To answer this, we need to determine what role multinational companies play and can play in working conditions. Did the fact that Bangladesh factories manufacture clothes for export to international brands play a significant role in the working conditions, or are workers poorly paid or mistreated because of vulnerabilities caused primarily by local conditions? How we answer this question will affect where we should direct our attention in identifying potential for reform. Should we think of overseas working conditions in terms of corporate social responsibility or as a question of government regulation and reform (keeping in mind that it might be both)?

Another question concerns the moral obligations of parties in a commodity chain. The fair trade movement places moral obligations on consumers with the conviction that they can pressure companies into improving conditions. One reason why many people focus on large, foreign companies is the conviction that they have the power and responsibility to change practices and conditions in companies that supply them. If we believe companies have some obligations, there are further questions. How much knowledge do companies need to acquire about their contractors, keeping in mind the many challenges of effectively monitoring practices abroad? What if contractors subcontract some work to other companies? When answering these questions, it is important to keep in mind that monitoring and compliance have costs that may impact vulnerable workers.

Another question concerns the type of measures that ought to be adopted and who should determine their content. Should labor standards be determined primarily by regulation or by voluntary compliance? The Accord on Fire and Building Safety in Bangladesh gives trade unions a major role in setting policies and also serves as a binding agreement. The International Labor Organization serves as an independent chair. One drawback to this sort of agreement is that companies may be reluctant to join. For example, Gap refused to be part of the Accord because it feared that it might result in lawsuits and that it would require them to fund safety upgrades. In contrast, the Bangladesh Worker Safety Initiative was founded by retailers and takes more of a corporate social responsibility approach. Though companies may be less reluctant to become involved in this sort of initiative, one concern is that it gives workers and unions limited power to help set the agenda and that it lacks independent monitoring.

Lastly, we can ask about the role of the global capitalist economy in putting pressure on production and arguably contributing to a race to the bottom. In recent years, textile companies' product life cycles have become shorter, with new collections appearing monthly and even weekly (as opposed to bi-yearly cycles in the past). Shorter lead times and last minute changes lead factories to subcontract to second- and third-tier suppliers over which there is limited control. Furthermore, buyers place enormous pressure on price, leading suppliers to frequently switch to new factories or new countries to meet demands. The result is that factories have no guarantee of work in the future; this removes the incentive to invest in safety and better equipment and motivates them to cut corners to meet demands. Addressing these concerns involves suppliers and buyers, but also requires structural changes in the industry and in consumer attitudes and demands.[4]

NOTES

1 Steven Greenhouse, "Bangladesh Inspections Find Gaps in Safety," *New York Times* (May 11, 2014).

2 Serajus Guardir, "Rising Wages Squeeze Bangladesh Garment Makers as Factories Await Upgrades," *Reuters* (April 13, 2014).

3 Sarah Stillman, "Death Traps: The Bangladesh Garment Factory Disaster," *The New Yorker* (May 1, 2013).

4 I'm grateful to Peter Jonker for his comments on this case study and his insights into the textile industry.

DISCUSSION QUESTIONS

(1) Is Kalpona Akter correct in claiming that American companies are morally culpable for the deaths of the people who died in the Tazreen fire?

(2) The economist Paul Krugman echoes the conviction of many of his colleagues that we should in fact praise cheap labor. Why do you think he believes this? Is he right? If not, why not?

(3) What moral obligations (if any) do consumers in the developed world have when deciding to buy clothing made abroad?

(4) Do reasonably well-functioning markets fairly set wages and working conditions? If not, how should these be determined?

(5) Compare and contrast the Accord on Fire and Building Safety in Bangladesh and the Bangladesh Worker Safety Initiative. What are the advantages and shortcomings of each?

FURTHER READINGS

Accord on Fire and Building Safety in Bangladesh, http://bangladeshaccord.org/.

Denis G. Arnold and Norman E. Bowie, "Sweatshops and Respect for Persons," *Business Ethics Quarterly* 13.2 (2003): 221–42.

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Jagdish Bhagwati, *In Defense of Globalization* (New York: Oxford University Press, 2004).

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Richard M. Locke, "Opening the Debate: Can Global Brands Create Just Supply Chains? A Forum on Corporate Responsibility for Factory Workers," *Boston Review* (May 21, 2013).

Lindsay Poulton, Francesca Panetta, Jason Burke, David Levene, and the Guardian Interactive Team, "The Shirt on Your Back: The Human Cost of the Bangladeshi Garment Industry," *The Guardian* (April 16, 2014).