

**Applicant's Name :** Dr Jimmy Donaghey  
**Workshop Name:** REGULATING LABOUR IN GARMENT SUPPLY CHAINS IN THE WAKE  
OF THE RANA PLAZA DISASTER  
**Chair :** Donaghey, Jimmy IRRU, University of Warwick

**Presenter/s :**

- 1) Reinecke, Juliane and Donaghey, Jimmy University of Warwick
- 2) Frenkel, Stephen (University of New South Wales), Wright, Chris (University of Sydney,) Schuessler, Elke (Freie Universitat Berlin)
- 3) Wright, Chris (University of Sydney)
- 4) Verma, Anil University of Toronto

**Discussant :** Keune, Maarten  
IAAS, University of Amsterdam

**Convenor :** Frenkel, Steve  
University of New South Wales

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**PROPOSAL**

On 24th April 2013, in Dhaka, Bangladesh, the Rana Plaza complex which housed over 3000 garment workers collapsed, leaving over 1129 people dead and in excess of 2500 injured. The building was originally developed as a shopping complex and office block, not a number of factories housing 3000 workers and their machines for which there was no official authorization. The tragedy occurred against the backdrop of a high growth in the garments sector in a very poor country which is almost totally dependent on this industry. The disaster attracted world-wide media attention, highlighting irresponsibility: by household brands in developed economies supplied by these factories together with failure by the Bangladesh government to enforce building standards. This is a stark example of a broader issue: the protection of workers in third world factories supplying customers mainly located in first world countries.

Protection requires establishment and regulation of labour rights in the context of global supply chains. This is a major contemporary issue particularly in the absence of international law and where globally competitive industries like garments and electronics mainly employ vulnerable, semi-skilled women workers (Barrientos et al. 2011). The 'race to the bottom' is reinforced by MNCs continually seeking more efficient and often lower cost suppliers, and states in developing countries lacking the capacity or willingness to enforce labour legislation.

Researchers have responded by attempting to understand better supply chain dynamics by developing theoretical explanations (Gereffi et al. 2005) including their anticipated effects on factory labour relations (Lakhani et al. 2013).

Specific mechanisms regulating labour relations in supplier factories have attracted the most attention. These include international framework agreements (Stavis, 2010), codes of conduct (Locke, 2013) and multi-stakeholder initiatives (Fransen, 2012). Research has also highlighted the roles of NGOs and unions as contributors to an emerging patchwork of private and public regulation (Bartley, 2007) and there has been important research on the impact of different forms of capitalism on lead firm supplier governance systems and their consequences for labour regulation in supplier factories (Lane and Probert, 2009).

The aim of this workshop is to bring together several papers that vary in theoretical and methodological approaches to the regulation of labour in supply chains with specific reference to the garment industry in Bangladesh following the Rana Plaza 'wake-up call' to MNCs, governments, suppliers and consumers. Five papers will be presented and discussed at the workshop. The first two papers deal with the governance initiatives that have directly emerged as a response to the Rana Plaza disaster. Juliane Reinecke and Jimmy Donaghey will present a comparison between the "Alliance" and the "Accord" as governance mechanisms. In particular, they focus on the impact of labour inclusion in the Accord and its exclusion in the Alliance. In the second paper Denise Sharif builds on this comparison to examine the impact of these two initiatives on the industry in Bangladesh as well as the wider supply chains. The third paper by Naila Kabeer focuses on the culpability for the deaths in Rana Plaza and argues that the nature of the supply chain extends culpability beyond those who directly employed the workers and traces it to the nature of garment industry supply chains as well as the failure of public regulation. The fourth paper focuses on the effects of the Rana Plaza disaster on garment retailers in developed economies. Steve Frenkel, Elke Shussler and Chris Wright analyse supply chain policies and practices of Australian and German garment retailers sourcing from Bangladesh. The authors provide an explanation based on a model integrating varieties of capitalism and global value chain theory. Downstream implications for labour standards in Bangladeshi garment factories are explored. Finally, Anil Verma's paper goes beyond the specifics of the Rana Plaza case to trace the emerging regulatory mechanisms which go beyond business case based CSR approaches. Full abstracts for each paper are included below. Maatren Keune from the University of Amsterdam will act as discussant and chair of the session.

### **The role of organized labour- Comparing responses to the Rana Plaza disaster**

Juliane Reinecke and Jimmy Donaghey, IRRU, University of Warwick, UK

This paper takes a comparative case approach investigating responses to the 2013 Rana Plaza factory collapse. In particular, the paper compares two key governance initiatives that emerged: The Accord and the Alliance. The "Alliance for Bangladesh Worker Safety" is a voluntary, social auditing programme founded by a group of North American apparel companies and retailers with 26 corporate members. The "Accord for Fire and Building Safety in the Bangladesh Ready Made Garment Industry" presents a radical departure as a hybrid governance arrangement that can be seen as a combination of CSR and collective bargaining: It is a legally binding, collective agreement between international trade union federations (GUFs), Bangladeshi trade unions, and over 180 retailers with the ILO as an independent chair. The aim of the paper is to explore the role of labour in these two governance initiatives. In particular we explore the extent to which labour inclusion affected the design and governance structure of a response to the Rana Plaza disaster.

The paper will highlight three key findings. First, while the prevailing social auditing paradigm has arguably failed to improve substantially working conditions in global supply chains (Locke 2013; Egels-Zanden and Lindholm, 2014), the involvement of labour has the potential to overcome some of the shortcomings. In particular, in the two initiatives examined, a substantial difference in their approach to improving labour conditions in supply chains exists.

The paper highlights that one of the key differences between the Alliance and the Accord: While the Alliance is essentially about a business case rationale for CSR, the Accord, similar to Dickens (1999) argument about managing diversity, is a three-pronged approach of business case, legal enforceability and worker involvement. Second, despite being competing mechanisms, there has been a certain degree

of complementarity between the two instruments. In terms of their implementation the Accord and the Alliance have developed shared standards in three areas despite being competing structures: Building, Fire and Electrical Safety. Yet, differences exist in how the differing governance structures affect the implementation of these standards in a number of somewhat surprising ways. Labour focused actors in the Accord show greater reluctance to shift production away from dangerous factories due to the potential employment effects, leading to conflict with corporate signatories. Third, the involvement of organized labour brings politics and contentiousness back into CSR by introducing labour and class-based politics. The Accord is underpinned by a pluralist logic whereas the business-case of the Alliance is unitarist in nature. Empirically, this is reflected in a greater alignment of interests between the Alliance and local industry and government stakeholders in Bangladesh. The Accord, in contrast, enjoys support of the global trade union movement, grassroots organizations, and global institutions, yet makes divides between interests of workers and factory owners more visible, leading to a more conflictual relationship with Bangladeshi businesses and governance actors.

**Paper 2: Global supply chains and the garment industry: the impact of Bangladesh's Rana Plaza on global regulation and world view.**

Denise S. Sharif

University of Massachusetts Boston

This paper will address the response of the global community following the Rana Plaza garment factory disaster in Savar, Bangladesh. Specifically, it will address the question of whether or not the post-Rana agreements which were signed by European and North American retailers (the Accord and the Alliance) present us with a solution toward a workable global governance framework or alternatively lead us to an inevitable return to an untenable status quo. It will additionally discuss how these agreements signed in the post-Rana environment intended to and have in fact impacted the reconstruction and restructuring of the garment industry in Bangladesh along with the effect on the security and resiliency of global supply chains. In this light, corporate social responsibility will ultimately play a key role in terms of the accountability and safety standards of both European and North American retailers, so the goal will also be to offer analysis of global governance, human security, gendered outcomes and the human side of the economics of the response.

**Paper 3: Chronicle of deaths foretold: exploring the issue of culpability in the collapse of Rana Plaza**

Naila Kabeer (London School of Economics)

The recent tragedy at Rana Plaza in Bangladesh, leading to the deaths of over 1000 mainly export garment workers and seriously injuring many more drew attention once again to the violations of basic labour and safety standards which characterize this sector in Bangladesh. While this sector is not alone in reporting these conditions, and may indeed have higher standards than prevail in enterprises in the rest of the country, Rana Plaza has served to focus national and international attention on what can be done to improve the safety and rights of workers in the export garment sector. This paper will argue that while employers of those who died or were injured in the collapse of Rana Plaza are clearly directly culpable for what happened, they are not alone. It will seek to explain these recurring tragedies in the garment sector in terms of the intersection of buyer-driven global value chains in which risks of meeting highly volatile consumer demand are downloaded to a highly decentralised network of producers located in low-wage economies in which state failure to uphold the rights of workers in the export sector is merely one manifestation of its failure to uphold the rights of workers more generally.

#### **Paper 4: Value Chain Governance, Big Events and Labour Standards' Regulation among Lead-Firms in the German and Australian Garment Industries**

Stephen J. Frenkel (University of New South Wales), Chris F. Wright (University of Sydney) and Elke Schuessler (Freie Universitat Berlin)

This paper integrates Global Value Chain (GVC) theory and comparative institutional analysis in our study of governance structures controlled by a comparable sample of major German and Australian garment retail firms. A dynamic dimension is provided by considering the responses of these lead firms to the Rana Plaza building collapse, a 'Big Event' that killed over a thousand garment workers in Bangladesh in April, 2013. In terms of key findings, German brand firms (with previous manufacturing experience) prioritize design and quality rather than price and depend on a positive brand reputation. They require high labour standards from their suppliers supported by multi-stakeholder regulation that includes regular third party monitoring. In contrast, large discount stores and online retailers who compete mainly on price, prefer flexible, market ties with suppliers. Their supply chain policies endorse the ILO's core labour standards, however less effort goes into ensuring that these standards are upheld, mainly via lead firm monitoring of supplier factories. On the other hand, being especially concerned about brand reputation, foreign 'fast-fashion' firms pay considerable attention to their supply chain policies and practices. They tend to develop relational ties with suppliers and insist on satisfactory labour standards regulated by multi-stakeholder institutions. Australian lead firms are all retailers and are relatively small; foreign-owned firms are relatively new to the local market. Australian retailers lack power relative to offshore manufacturers. They are unable to dictate supply conditions. Relational ties are preferred, although in some cases the

primacy of price leads to market type arrangements with suppliers. In other words, while relational arrangements in Germany, where they exist, complement manufacturing quality, in Australia such ties are a substitute for the limited influence these firms have on suppliers including the latter's labour standards. Regarding responses to the Rana Plaza disaster, most large German brand firms and retailers joined the Accord. Indeed several German firms participated in its development. German firms were aware that a disaster like Rana Plaza was a possibility so that when it happened they were not particularly surprised. In its aftermath, and encouraged by the Federal government, German firms began paying more attention to supply chain policies and practices. However, there has been less change than in Australian firms, partly because German firms were ahead in this respect but also because German unions' have tended to neglect international solidarity issues in favour of local problems (Helfen et al., 2013). Australian retailers, in contrast, were caught off-guard by Rana Plaza. Many were forced into crisis mode by a swift and effective media campaign waged by NGOs and unions highlighting the involvement of several large retailers in sourcing garments from factories in Bangladesh. Consequently, almost all Australian retailers sourcing from Bangladesh signed the Accord and nearly all claimed to have improved their supply chain policies in response to the disaster.

Differences in German and Australian lead firm supply chain approaches and practices reflect variations in the history of the local garment industry, product market scale and characteristics, type of lead firm, and institutional pressures, particularly NGOs and unions in the two political economies. Global garment industry tendencies are also important. These include price and fashion conscious consumers, the rise of discount retailers, and dependence on stock market finance - tendencies that are placing increasing pressure on lead firms and their suppliers to continuously increase efficiency. Reversing the 'race to the bottom' remains a daunting problem demanding a more comprehensive, integrated approach foreshadowed perhaps by the institutional changes now occurring in Bangladesh.

#### **Paper 5: A Fist in the Velvet Glove? The Evolution of CSR into Corporate Accountability and Liability Systems**

Anil Verma University of Toronto

The need for regulating labour standards in international supply chains was one of the drivers of the corporate social responsibility (CSR) efforts of the 1990s. It sought to mobilize corporations to "do good"

in the hope that it will help them do well by being seen as good citizens. Although much has been written on the CSR movement that is positive in its assessment, the critics of CSR have been suspicious of its motives and skeptical of its claims of improving labour standards. The harshest criticism is reserved for firms that do not allow independent audits of facilities by third-parties and do not agree to any sanctions in case of code violations. Proponents have argued that CSR as a form of "soft law" is not only a good start but it also builds capacity for introducing "hard law" down the road. Hence, it is to be encouraged and supported by all parties. This paper examines current evidence to analyze the evolution of the CSR movement. It argues that CSR as we knew it in the 1990s as a purely voluntary, self-policed set of codes is gradually fading into the background. It is being leapfrogged by another set of regulations that are creating systems of corporate accountability and in some cases, of corporate liability. These systems are not entirely voluntary and are often not entirely self-enforced. They are signalling a shift away from purely "soft law" systems gradually towards the hard law side although they have not yet morphed completely into hard law just yet.

This paper reviews empirical developments at three levels. First, it examines the requirements of international agencies such as the World Bank and International Finance Corporation's for borrowers. It also follows the trail of the Global Reporting Initiative (GRI) standards to the financial services industry that is developing a methodology for rating corporations that in turn is used by large institutional investors. Second, it examines disclosure requirements of stock markets that are demanding more accountability of corporations. Lastly, it examines national level developments where either by law or by institutional requirements, corporations are held accountable for their performance on a range of social, environmental and governance standards. The paper argues that these developments are moving us towards a system of accountability and liability that is quite different in character from the voluntary codes that characterized an earlier era. Based on this assessment, it is suggested that a hard law regime could evolve in the near future.