

The Jus Semper Global Alliance

Living Wages North and South

Human Rights and Sustainable Human Development

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The Catastrophe of Bangladesh

An emblematic case of globalised capitalism

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Alejandro Teitelbaum has devoted many years to work on the issue of human rights in the sphere of influence of global corporations and other business enterprises. As the former Permanent Representative to the United Nations Office in Geneva, for the American Association of Jurists –based in Buenos Aires, he spent time toiling with the bureaucracies of the UN and member states, in his pursuit of an international legal framework that would harness business activity so that it would stop violating a wide array of human rights in its sphere of influence, as is customarily the case today.

In this brief Teitelbaum analyses the catastrophe that occurred in Bangladesh in a building where more than 3000 people worked and where almost a third died. The author makes it clear that this is not an isolated mishap but the most recent "accident" in an extremely perverse system that operates consciously knowing the high probability of recurrence. The author lays bare the enormous hypocrisy of transnationals, that often react only after these calamities, which are a byproduct of blatant and deliberate corporate irresponsibilities, are exposed in the international press, with the sole purpose of whitewashing their image. His assessment exposes how the whole system is corrupt and subdued by the power and greed of transnationals. Given that the only reason transnationals outsource their garment production to Bangladesh is to maximise their profit margins to in turn maximise shareholder value, the entire production cycle subjects subcontracted workshops to accept the lowest prices. This forces subcontractors to pay modernslave-work wages, and prevents them from meeting the most rudimentary standards of industrial safety.

The Disaster	2
The 15 May agreement	2
A Brief analysis of the agreement	3
Economic relevance of Bangladesh's textile sector and transnational profit margins	
A sample case of globalised capitalism	
Realated links:	7

Then come the accidents, and companies sign agreements that avoid addressing the fundamental problem. Agreements that although they mitigate the effects of the context of blatant super-exploitation, they deliberately do not take responsibility for being the intellectual authors and material beneficiaries of said context. At best they offer derisory indemnities for the bereaved, which amount to little more than the amount of income of the current international poverty line. Incidentally, the vast majority of Bangladeshi textile workers not only earn half or less of what is considered the minimum wage necessary to sustain the reproduction of the labour force in that country, but they are paid daily wages below the international poverty line. From the context of TLWNSI's concept -of equal pay for equal work- a living wage, according to the cost of living in Bangladesh, is at a gargantuan distance from reality. Nonetheless, the payment of a living wage within thirty years in accordance to our concept is realistic if the Bangladesh State commits to this endeavour. What is greatly lacking, as in much of the world, is the political will to make it happen.

I. The Disaster

The collapse of a completely unsafe eight-story building in Bangladesh that housed several tailoring shops, which employed 3500 people, caused more than a thousand deaths. A few days later a fire in another textile shop caused 8 deaths, and in November 2012 another fire in a garment shop, also in Bangladesh, caused 111 deaths. In recent years there have been a total of 1700 deaths in similar accidents in Bangladesh. A number that must be put in the context of the two million workers that, according to the ILO, die each year because of work-related accidents and diseases worldwide, without this provoking any special alarm in public opinion.

Yet every time there is a spectacular disaster, like the recent one in Bangladesh, the media cover the story for a few days. There are people who object. Public officials announce "measures". Some transnationals that are profiting from this express grief and they even say that they will sign work-safety agreements. Then everything returns to "normal." That is, everything remains business as usual.

II. The 15 May agreement

In The catastrophe that caused over a thousand deaths, the impact on world public opinion and the risk of a fall in sales and profits, urgently required a whitewash by the transnationals involved in the garment business.

This is how the agreement was announced with "great fanfare" (we did it!, was the tag used by the IndustriALL Global Union, the UNI¹ and some national trade unions). The **Accord on Fire and Building Safety in Bangladesh (AFBSB)** was agreed between the IndustriALL Global Union and the UNI on one hand, and on the other, as of 15 May, 39 of the most important transnationals in the fashion and distribution industry: Inditex, H & M, C & A, Carrefour, Primark / Penny, Tesco, PVH (Calvin Klein), Tchibo, Benetton, El Corte Inglés, Mango, Marks & Spencer, Next, Stockmann, N Brown Group, GStar, KIK, Aldi South, Aldi Noth, Helly Hansen, New Look, Mothercare, Loblaws, Sainsbury¹s, JBC, WE Europe, Esprit, Rewe, Lidl, Hess Natur, Switcher, A & F and some more.

Under the agreement, the corporations commit to the establishment of a five-year program of prevention and control of fires and building safety in the garment shops of Bangladesh, which will be finalised within 45 days from the signing of the agreement and will be funded by the companies that endorse it. The agreement also provides for the appointment of an independent safety inspector, responsible for verifying the state of the factories' premises. The inspector will be responsible for ensuring that an initial inspection of all plants takes place within the first two years of the signing of the agreement. Moreover, the inspector will make publicly available the information of any detected problem within a maximum of six weeks, along with plans to solve it.

Factories must sustain the jobs and wages of their workers while a problem is solved, even if production stops. Otherwise they could lose their contracts with the transnational buyers. Similarly, the parties to the Agreement undertake to establish mechanisms for the participation of workers and their unions in the procedures set forth in the Agreement. Any dispute will first be addressed by an internal resolution scheme, then by arbitration and finally it could reach the justice system. One can review the full text of the Agreement at the site of IndustriALL Global Union.

Walmart, GAP, Auchan, Nike, Ralph Lauren, Adidas and other major companies have chosen not to pledge their adherence to such a commitment.

Walmart (which is famous for harassing trade union activists in their own businesses and for doing everything possible to prevent the unionisation of its workers) explained, to justify its refusal to take the least compromise, that instead of signing the AFBSB accord, it will carry out its own inspections of 279 "authorised" suppliers in Bangladesh. It assures that this will bring better results. It also reported that each worker will be trained on fire prevention and actions. Walmart argues that it did not join the agreement because the measures taken on its own are more efficient. It adds that while the AFBSB reports may take up to six weeks to come to light, its reports will be published immediately online. The AFBSB

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¹ IndustriALL Global Union is a global trade union federation founded in 2012 by the merger of the International Metalworkers Federation, the International Federation of Chemical, Energy, Mine and General Workers' Unions and the International Textile, Garment and Leather Workers' Federation. UNI Global Union portrays itself as "the voice of 20 million workers in the world's service sector."

may take up to 45 days to decide what measures to implement, while Walmart asserts that it has already begun to implement them.

In reality the Agreement commits the large transnationals to participate with only \$500.000 a year -a ludicrous amount for them- over the five-year term of the Agreement, for the implementation of the safety norms for fire and the prevention of the collapse of the buildings where their garment contractors operate their workshops.

III. A Brief analysis of the agreement

1) The Agreement does not even provide compensation for the victims of the 24 April collapse in Rana Plaza. To our knowledge, only one company (Loblaws in Canada) has talked about compensating the victims.

On November 2012 a fire in a clothing shop (Tazreen Fashion) in Bangladesh, caused 111 deaths. C & A announced that it would compensate the victims: children who lost a relative in the fire would get \$50 per month until they turn 18; the surviving relative would get \$15 per month for the child's education and \$1200 to each family of those killed in the fire. So far the victims have not received the modest compensation promised by C & A.

Yet, in the Agreement of 15 May there is not even the promise of compensation. The principle of joint liability of transnational corporations with suppliers has been ignored again. It should be noted that this fundamental legal principle does not apply internationally. The persistent proposals, for more than 20 years, by some NGOs to relevant bodies of the United Nations, to adopt a rule of binding international law have never been addressed.

- 2) The Agreement also lacks as well a provision for contracting companies to agree to improve the prices paid to their suppliers as a means to increase the wages of workers.
- 3) The agreement does not mention whatsoever any means of promoting and/or guaranteeing the fundamental rights of workers to form unions, to freely exercise their rights and to collective bargaining.

Evidently, improving working conditions in Bangladesh depends primarily on the organisation and the struggle of the workers of this country. But the obstacles (repression and restrictive laws) who oppose them are considerable. "When I visited Bangladesh in February, I realised that out of 5000 factories only a couple of dozen have registered a local union that works. As a result of intimidation and of registration problems, less than one percent of the workforce is unionised." (Jyrki Raina, Secretary General of Global Industriall, on the site of that body, 19 March 2013).

Aminul Islam, union organiser of the Bangladesh Garment and Industrial Workers Federation (BGIWF) and a member of the Bangladesh Centre for Worker Solidarity (BCWS), was found dead on 5 April 2012. Police photos of his body suggest that Islam was tortured before being killed. http://www.ethique-sur-etiquette.org/Aminul-Islam-assassine

- 4) The agreement provides for obligations primarily for suppliers. For example, if the building does not meet safety norms, the shop owners should stop operations, preserve workers' jobs and pay them their wages during the time required to complete the necessary repairs. The agreement does not establish any contribution from TNCs to the compliance of this responsibility, contrary to some false interpretations by victory-prone union leaders.
- 5) As for the binding force of the Agreement and the odds for demanding compliance before a court with power to impose its resolutions on the parties, its enforcement is confined to be applied only on the suppliers (producers).

The Agreement states: The objectives of the protocol are to (i) support and motivate the employer to take remediation efforts in the interest of the workforce and the sector <u>and (ii) expedite prompt legal action where the supplier refuses to undertake the remedial action required to become compliant with national law.</u>

It is false to claim that the Agreement is compulsory or binding, as it only foresees, in the case of conflict between the parties, the eventual creation of an arbitrage tribunal, without establishing with precision how to constitute one.

The Agreement states: 5. Dispute resolution. Any dispute between the parties to, and arising under, the terms of this Agreement shall first be presented to and decided by the SC [Steering Committee], which shall decide the dispute by majority vote of the SC within a maximum of 21 days of a petition being filed by one of the parties. Upon request of either party, the decision of the SC may be appealed to a final and binding arbitration process. Any arbitration award shall be enforceable in a court of law of the domicile of the signatory against whom enforcement is sought and shall be subject to The Convention on the Recognition and Enforcement of Foreign Arbitral Awards (The New York Convention), where applicable. The process for binding arbitration, including, but not limited to, the allocation of costs relating to any arbitration and the process for selection of the Arbitrator, shall be governed by the UNCITRAL Model Law on International Commercial Arbitration 1985 (with amendments as adopted in 2006).

The SC that, according to paragraph 4 of the same, shall be elected by the signatories to the Agreement and shall be constituted by three representatives of the signatory trade unions (Global IndustriALL Union and UNI), three representatives of the signatory companies (TNCs) and a representative (neutral, says the Agreement) of the ILO, chosen by the latter.

The fierce opposition of transnational corporations to hold binding covenants relating to human rights in general and to labour rights in particular has been publicly and repeatedly expressed by them at different times, and the relevant organisations of the United Nations have bowed to this refusal of the transnational economic power. This has been reflected in the content of the Guiding Principles for business prepared by John Ruggie (currently serving in the Barrick Gold's CSR Advisory Board) and approved by the Human Rights Council of the UN in June 2011. In September of 2012, a report by the UN Secretary General was presented to the Human Rights Council, relative to these Guiding Principles, which it states, in paragraph 11, that the principles "do not imply any new legal obligation."

The only obligation –if at all– for transnational corporations, set forth in the Agreement of 15 May –to fund the retrofitting required for the safety of the buildings with \$ 500.000 annually for five years– is sheer profit for these companies.

Indeed, on one hand, at minimal cost and in easy instalments they get to whitewash their public image, conveniently publicised by unionists complacent with transnational economic power, some NGOs and the mass media. A whitewash that is preventive of an eventual consumer boycott. On the other hand, by preventing accidents, transnational corporations ensure the continuity of production in the workshops and the survival of the cheapest labour in the world. Large companies, in their cost-benefit assessment, have gauged to be more beneficial to make a small investment in the safety of buildings, instead of continuing to look the other way when buildings collapse or catch on fire and hundreds of workers die.

Indeed, in January of this year, 24 CEOs of transnationals active in the textile trade wrote to the Prime Minister of Bangladesh, Sheikh Hasina, communicating their concern of the future success of Bangladesh's garment sector, if fire safety and the underlying causes of fires were not addressed. "These issues threaten to further damage the sector," the CEOs stated (according to Jyrki Raina, Secretary General of Industriall Global in a note published on 19 March 2013 on the site of that union).

To the demand of truly independent external controls, transnational corporations have always reacted by hiring large transnational consulting firms² or by accepting pseudo controls from well-known NGOs, more or less complacent, whose function oscillates between controlling and providing counselling to those companies (preferably paid, directly or indirectly). "The corporate social responsibility of companies is well adapted to the growth of public-private partnerships and to the increasing use of NGOs as service providers in new forms of philanthropy."³

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² In recent years the tendency to use large consulting firms to perform audit and control functions with transnational corporations became evident, both for economic and financial management, which is not new, as well as for social, labor and environmental management, which is new. The audit and control of large companies is a new market (the "control market") that generates significant profits for those conducting such activities; profits that increase rapidly from year to year. "This is a phenomenon that has given rise to a new industry of consultants and agencies that provide services to companies in social responsibility" (See footnote 3.) In mid-2002 the financial scandals involving leading consultants such as Arthur Andersen, which disintegrated, PriceWaterhouse Coopers and others, which were in a delicate position.

³ Dwight W. Justice, International Confederation of Free Trade Unions, Corporate social responsibility: Challenges and opportunities for trade unionists, in: International Labour Office, Corporate social responsibility: Myth or reality? Labour Education 2003/1 No. 130, p.1

For example, under the umbrella of the Clean Clothes Campaign, a group of NGOs developed and issued in February 1998 a draft for a very comprehensive Code of Conduct for the sporting goods garment industry (clothing and footwear). No company accepted it.

6) Finally, although the local company that gets the production orders frequently outsources production to workshops with even worse working conditions, the Agreement does not include the latter, for the scope of the Agreement covers all suppliers producing for the companies (TNCs) that have signed the Agreement. Thus, subcontractors that produce for local suppliers, and not for the transnational corporations that place the order with the supplier, are not covered. The agreement reads: SCOPE: The agreement covers all suppliers producing products for the signatory companies.

In other words, the fundamentals of the 15 May accord respond to the concern and interest conveyed by the TNCs. It is these who should declare WE DID IT! and not the trade union organisations and the NGOs defending (or presumably defenders) of labour rights.

A union leader in the region has had the audacity of declaring: "My main concern is that the men and women who come every morning to work in the garment factories of Bangladesh go back to their homes in the evening alive." And we would add: and regain their strength at home by eating a bowl of rice and sleeping to be back at the workshop the next morning to continue being uber exploited.

In any case, it remains to be seen whether this Agreement, given its severe limitations, will be implemented once the drama is forgotten. A staunch supporter of the Agreement, Isidor Boix, Director of CSR Department of FITEQA-CCOO (Workers Commissions of Spain), IndustriALL Coordinator for the implementation of the Framework Agreement with Inditex Bangladesh, in the article *In defence of labour rights*. *First major Global Framework Agreement*, writes: «The implementation of this Agreement, I contend, is not going to be easy».

IV. Economic relevance of Bangladesh's textile sector and the transnational profit margins

In the case of Bangladeshi garment workshops, the economic stakes are enormous. Their production accounted for 80% of total exports for the country last year, worth more than 20 billion dollars (the second largest exporter of textiles in the world after China). This results in huge profits for the major fashion clothing multinational brands and the global retail giants that buy the production of garment workshops in Bangladesh. For example, the Inditex Group (one of the buyers that promised to sign the 15 May Agreement) positions itself like this:

Inditex Group is one of the world's largest fashion retailers, welcoming shoppers at its eight store formats –Zara, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe– boasting 6.058 stores in 86 markets. The Inditex Group is made up of more than 100 companies operating in textile design, manufacturing and distribution. The group's success and its unique business model, based on innovation and flexibility, have made Inditex one of the biggest fashion retailers in the world. Our approach to fashion – creativity, quality design and rapid turnaround to adjust to changing market demands -- has allowed us to expand internationally at a fast pace and has generated an excellent public response to our retailers' collections. The first Zara shop opened in 1975 in A Coruña, Spain, a city in which the Group first began doing business and which is still home to its headquarters. Its stores can now be found in prime locations in more than 400 cities on five continents.

Fiscal Year	2012	2011	12/11
Net sales ⁽¹⁾	15,946	13,793	16%
Net profit ⁽¹⁾	2,361	1,932	22%
N° of stores	6,009	5,527	482
N° of markets	86	82	4
Employees	120,314	109,512	10,802

The Inditex financial year is from 1 February to 31 January of the following year (1) in millions of euros. http://www.inditex.es/en/who_we_are/our_group/

Inditex reported 2,3 billion euros in net profit in 2012, 22% more than in 2011, fifteen percent of net profit for the entire conglomerate, tantamount to the salary of all workers in the garment industry of Bangladesh for nearly three years.

These huge profits, like those of other similar groups, are the result of the sheer exploitation of millions of workers in the textile industry in so-called peripheral countries, including those in Bangladesh, who are the worse off in the world in terms of wages and workplace safety.

There are more than two million people in Bangladesh (most young women) working in this sector for wages that, as a rule, do not exceed \$30 to \$40 per month for work 10-14 hour shifts, six days a week. It is estimated that the minimum wage in Bangladesh should be about \$80 monthly, for a worker with no family, and \$160 for a worker with dependents.

Article 23, 3 of the Universal Declaration of Human Rights: "Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection"

Article 3 of the ILO Convention 131: The elements to be taken into consideration in determining the level of minimum wages shall, so far as possible and appropriate in relation to national practice and conditions, include: (a) the needs of workers and their families, taking into account the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups; (b) economic factors, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment.

Transnationals pay the supplier for a T-shirt from \$1 to \$2,80. This means an average price of \$1,90. (1,50 euros).

100% cotton men T-shirt

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FOB Price:	US \$0.9 - 2.8 / Piece <u>Get Latest Price</u>
Port:	Chittagong
Minimum Order Quantity:	1000 Piece/Pieces
Payment Terms:	L/C,T/T

http://www.alibaba.com/product-tp/137230745/100_cotton_men_T_shirt.html

And they sell it to consumers for about \$12 (10 euros). The net margin, for example, in the case of Inditex, after deducting all expenses (raw materials, labour, transportation, advertising, etc.) is, as noted above, 15%. The share of the cost of labour in Bangladesh, in the final consumer price, is approximately one percent, or about 12 cents (10 euro cents) per garment. A simple calculation lets us establish that if, for example, Inditex would consent to cut its net profit of 15 to 13 percent, and this reduction was employed to increase the wages of workers, their wages would triple. But in reality the opposite occurs: transnationals put pressure through various means on the suppliers to cut their prices and these, to try to keep their profit margins, keep wages extremely low and do not spend on the maintenance of the buildings where they have their workshops.

One means of pressure used by transnational corporations is the monopsony (a market situation in which a company is the sole purchaser of one or more suppliers). The supplier must yield to the demands of the buyer under the threat of losing its only client.

Incidentally, that transnational corporations in the retail business not only super exploit workers in the poorest countries but also exploit workers in their own countries: low wages, long and irregular hours and employment precariousness. And to avoid adverse reactions, they spy on and harass trade unionists and often prevent the organisation of trade unions. This is the case of Walmart and Carrefour, the world's two largest supermarkets.

The staff of the security companies hired by the supermarkets behave also brutally with customers. In late December 2009 in the Carrefour supermarket in Lyon's city centre, four security guards (two employed directly by Carrefour and two guards of the private security company Byblos) killed a young man trying to steal a can of beer. Carrefour's lawyers (one member of the International Federation of Human Rights-FIDH) gave a version of events designed to hold harmless

Carrefour, talking about the "professionalism" of the security agents and blaming the victim of being drunk and of offering a violent resistance. This version, in the investigation of the case, proved to be completely false. (See http://www.liberation.fr/societe/0101611568-une-mort-en-direct-sur-la-videode-carrefour)

V. A sample case of globalised capitalism

What happens in Bangladesh is just an extreme sample of what globalised capitalism means for humanity. In other industries the situation is similar. Nike, which is a "model" on the matter, has no factories. All production is entrusted to 736 units owned by subcontractors in 56 countries. In October 2001 they employed over half a million people: 455,000 in Asia (including 176.000 in China and 100.000 in Indonesia) 35.000 in Iberian America, 9500 in Africa and 55.000 in the rest of the world. The 20.000 people employed by Nike in the U.S. manage the financial, design and "marketing" areas. Wages in China and Indonesia in 2002 ranged between 60 and 70 euros per month, for a ten-hour shift, six days a week. That is an hourly wage of about 25 euro cents⁴. And Nike takes no responsibility for the existing labour conditions in these production centres.⁵

There is a sort of scale or global "ranking" of the exploitation of workers. Among the most exploited are those of Bangladesh and other Asian, African, Iberian American and Caribbean sweatshops. And among the –relatively– less exploited are those of some European countries and the United States. There are five variables in the exploitation, at least with respect to the latter countries: 1) the degree of exploitation varies by production sectors, 2) exploitation is greater when it comes to foreign workers (in Germany, for example, there is no minimum wage and foreign workers are usually paid less than German workers), 3) exploitation intensifies with "undocumented" workers, 4) exploitation is also greater when companies outsource various jobs: executing contract works (e.g. shipbuilding), services of various kinds, including cleaning nuclear power plants, where health risks are rather high⁶ and 5) exploitation seems less because the increase in the cost of living is lessened on the grounds that workers buy cheap products (clothes and other) from countries where exploitation is at a maximum. Thus, somehow, workers in rich and intermediate countries indirectly share with large companies the result of the uber exploitation of the workers of the poorest countries; a situation that sometimes leads them to not react in a more combative way against the stagnation or decline of their own real wages.

To try to avoid that the public gets a clear picture of all of this and draw the pertinent conclusions in the case of Bangladesh, as is usual modus operandi in similar situations, the mass media⁷, the trade unions that are complacent with big capital, some NGOs that sell the tale of Corporate Social Responsibility and "experts" on various subjects delude people into believing that the Agreement has already been signed by the companies (13 May: An Inditex spokesman told AFP that the agreement could be formally signed later, on a date to be determined by IndustriALL) and distort the reality of the true content of the Agreement of 15 May, ascribing clauses on different topics that were not part of it, such as improving working conditions, union rights, fair prices to be paid to suppliers, etc.

Realated links:

http://www.jussemper.org

⁴ Les petis pas de Nike, in the magazine Alternatives Internationales, France, July-August 2002, pages. 60-61.

7 of 8

⁵ In May 2002 the California Supreme Court sentenced Nike for misleading the public with a deceitful advertising campaign about the working conditions (which were portrayed as good) with the subcontractors in Southeast Asia, including Vietnam. The Court asserts that Nike cannot rely on the First Amendment of the U.S. Constitution (freedom of expression) to use deceitful advertising (New York Times, 04/05/02, page A4).

⁶ See Annie Thebaud-Mony, *Rationalité instrumentale et santé au travail: le cas de l'industrie nucléaire*, in La Gazette Nucléaire, No. 175-176, June 1999 and, by the same author, *Travailleur peut nuire gravement à votre santé*, Ed . La Découverte, Paris, 2007-2008.

⁷ The media "reported" a few days after the disaster in Bangladesh, that some 300 workshops had stopped operations for "safety reasons". The truth is that they closed after their workers complained but reopened three days later.

- ❖ About Jus Semper: The Living Wages North and South Initiative (TLWNSI) constitutes the sole program of The Jus Semper Global Alliance (TJSGA). TLWNSI is a long-term program developed to contribute to social justice in the world by achieving fair labour endowments for the workers of all the countries immersed in the global market system. It is applied through its program of Corporate Social Responsibility (CSR) and it focuses on gradual wage equalisation, for real democracy, the rule of law and living wages are the three fundamental elements in a community's quest for social justice.
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- The responsibility for opinions expressed in this work rests only with the author(s), and its publication does not necessarily constitute an endorsement by The Jus Semper Global Alliance.



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