

HFM
Working Session: Bangladesh RMG – The Way Forward
OECD Global Business Responsibility Forum (Paris, 26 June)

Ladies and gentlemen,

Good afternoon!

Let me begin by thanking OECD for organizing this session and for inviting me to speak as a keynote speaker. I would hope, the Forum would allow us to engage in an open and constructive discourse with our partners to bridge our understanding and further strengthen the RMG industry in Bangladesh. There, we look at OECD as a partner with wealth of experience and outreach. We would hope, in the process, some of the misperceptions in the public domain about the sector would be dispelled and clarified.

I spoke this morning at the inaugural plenary and shared some general reflections – particularly on the importance of the RMG industry in present-day Bangladesh society and economy and how it is poised to shape the emerging socio-economic realities in the country.

At this session, two other representatives join me from Dhaka: Mr Roy Ramesh representing the workers and Mr. Reaz Mahmud as the spokesperson for employers. They would share their respective thoughts on the evolving situation in the sector.

Dear friends,

Over the past weeks, many of you have followed developments in Bangladesh's RMG industry. Let me quickly underline a few facts which may help set the tone and content of our discussions.

RMG industry has earned Bangladesh around 20 billion dollars this year. While the industry grew over the past three decades, rapid growth was seen only during the recent few years.

Currently, slightly over three thousand export-oriented factories are active. Importantly enough, of the total employment of four million, over three million workers are women. They come mostly from poor households, from their non-monetised rural economy setting or traditional role of homemakers. If one considers it in the wider social context, one in every eight Bangladeshi – that is *around 20 million people* – are directly or indirectly dependent on the industry. If the associated industries like packaging, dying, and accessories are considered, the industry's impact on the lives and livelihoods is even more.

As I already said, empirical evidences show that Bangladesh's success in early attainment of some of the MDGs and Bangladesh's acclaimed progress in social development have been largely facilitated by the growth of the RMG sector, particularly through the employment and consequent empowerment of women. This has been manifest through productive employment of women; almost universal coverage of primary education of girls; rapid decline in child marriage, infant and maternal mortality; awareness of and access to reproductive rights and health; greater awareness of social, economic and political rights and entitlements.

As of 2011, Bangladesh RMG had a share of four and a half percent of the global clothing exports, and five and a half percent of the clothing imported by the EU. As the McKinsey Report shows, the international buyers increasingly focused on Bangladesh, mainly because of two "hard" advantages: the competitive pricing factor and the capacity to supply in time with quality. Bangladeshi suppliers have been recognized for 'their capability to supply good quality and large orders for value and lower mid-market'.

In the backdrop of such positives, some unfortunate accidents and invaluable loss of lives have made us all engage in a profound introspection about some of the structural deficits that need to be urgently addressed to sustain its growth momentum. Issues of workplace safety – in all senses – and labour rights in the RMG industry, have featured most prominently in our national development discourse.

As the EU Trade Commissioner Karel Gucht and myself concurred in Brussels in late May, "*... as the RMG industry holds further growth potential in Bangladesh, a balanced and welfare-enhancing development of RMG industry with safe and secure working place*" is crucial "*....which should contribute to Bangladesh's social and economic progression.*"

I can assure you that the entire population in Bangladesh stands behind this contention. The Government–Employers–Workers in Bangladesh are now working together to address all concerns in a pragmatic, result-oriented and time-bound manner. All stakeholders are unanimous that these incidents should be a turning point for the Bangladesh's industry. There is just no scope to continue with 'business as usual'.

Accordingly, the Government and the industry, either together or within their respective domains, have initiated or already taken a range of short and medium term measures. This March, the Government formed an 11-member Ministerial Committee to address all issues related to the RMG sector. In fact, the Committee started functioning even before the *Rana Plaza* incident.

Following the accident itself, the Government moved rapidly by taking steps to address various limitations, constraints and gaps, as embodied in the ILO-facilitated Tripartite Joint Declaration adopted on 04 May 2013. Work on drawing up of an Action Plan has begun with a view to achieving the objectives outlined in the Declaration before end-2013. A Task Force on Fire

Safety is also at work under a National Tripartite Action Plan, comprising representatives of the social partners, academia and relevant Government agencies. A year-long crash program is under implementation to train at least one owner and nine mid-level management of each factory.

A key focus of our ongoing work is on undertaking physical assessment of the safety of the factory buildings and premises. A Committee under the leadership of the Minister for Textiles is working on that since April. The industry has also initiated its own process in this regard. We are now working to bring all stakeholders together to undertake a comprehensive and more coordinated assessment. Obviously, it would amount to a race against time to meticulously inspect around three thousand active factories, within a given timeline of end-2013.

Our Government had also constituted a Workers' Assistance Cell¹ - to ensure legal and fundamental rights of the workers. In order to allow workers or, for that matter, any aggrieved person to register a complaint, a Hotline is functional since this February. These measures are expected to facilitate a better interfacing between employers and workers towards redressing complaints.

I know, as many of you are keen, reforms of the 2006 Labour Law stands as a crucial starting point for most of the actions. This April, Bangladesh Cabinet approved the proposed amendments which would, among others, address the fundamental rights of freedom of association and collective bargaining. In the process, the Government remained engaged with ILO from the initial stage. And, in framing the proposed changes, we were indeed mindful that the changed provisions of the amended Law, in entirety, would allow Bangladesh to opt for the ILO Better Works Programme. For record, ILO was fully on board on the proposed text; and they did attest that the changes would allow for initiation of the Programme.

The draft of the Law has been introduced in the Parliament during the ongoing Budget session. I have with me our Labour Secretary who updated me this morning that over the next one week period, the Bill on the amendments would be through.

Let me flag here that the amended Labour law would be applicable for all sectors of the economy – not only for the RMG sector. These changes would entail enormous amount of challenges in a low-income and growing economy, with diverse social, economic and political ramifications. The choices often proved to be quite tough, yet we got going! The Government had to assess possible impacts on many other existing and emerging sectors such as Frozen Food, Leather and Ship building. For an elected Government with a popular mandate, we were

¹ The Legal Aid Services Act, 2000

mindful of protecting the interests of the social partners without creating any conflicts or compromising the potential benefits for both sides. I would be candid to share with you that often the Prime Minister herself had to impose certain decisions on the employers in the interest of larger benefits!

I know, many of you are also interested to know, **what next**.

Once the Parliament gets through with the adoption of the Bill, within July, through issuance of a Gazette notification, the Act will come into force.

In this context, we realized that after the existing Labour Law came into force in 2006, the rules and regulations to give true effect to the Law, were not drawn up. This time round, we have already decided that by the end of this year, we would try to complete drawing up a commensurate set of rules and regulations.

We are confident that once the amended Act, with its supporting rules, are in force in a year's time, and the industries move towards re-positioning themselves, this should create a much better and safer working environment for the workers and employers in Bangladesh.

While we are focused on legal and institutional reform process, we also recognise that the inspection or supervision regime has to be robust as well. Otherwise, the legal provisions won't be able to make the difference. The Joint Declaration, as a first step, specified that the Government upgrade the existing Department of Factory Inspection to a Directorate; and recruit 200 additional inspectors towards enhancing the efficiency of the Directorate. On the first proposal, we have already started moving ahead with a proposal to create as many as 800 positions for the Directorate. On the more immediate target of having 200 additional inspectors by the year-end, the Cabinet has given clear instruction to expedite action to circumvent any bureaucratic bottlenecks.

We are also engaged with our employers to complete assessment of the structural integrity and fire safety of all export-oriented active RMG factory buildings. I am told that by 31st of May, the Industry Association, BGMEA, has obtained structural and all related designs from over 1,800 of their member factories. This follows a public call that the industry issued in early May. The initial work being over, the Association is now moving to the next phase – which is to check minutely the designs or layouts. This is being followed up through on-site visits or inspections of the factory buildings. While the Government and the industry have already begun the work, of late, we are trying to make it more coordinated based on the lessons learnt on the ground. For this, we are considering to forge a rainbow coalition – of the government, workers

representatives, entrepreneurs, professional bodies (of engineers, architects), local government authorities and even civil society.

We appreciate that BGMEA is developing a mega workers' database of the workers and also of the factories. For the workers' database, they would be taking the National ID Cards into account. This would not only bring more clarity and transparency in industrial relations management but would also help better re-organise the entire sector.

The minimum wage in the RMG sector was last revised by an average of 82% in 2010. On 12th May, on its own, the Government moved to constitute a Wage Board for the RMG workers to review wage structure. We are hopeful that all works completed, by end-2013, we should be able to agree on the next floor of wages; and announce the same. On a related score, the Government is also focusing on enhancement of skills of the workers with focus on the RMG sector.

At the same time, we remain seized with the long-term measures as well. With a view to ensuring a balanced and planned growth of the RMG sector, we have moved rapidly on the establishment of an integrated **RMG Village** over 532 acres of land. With more than 1,000 plots, the Village will have the identified vulnerable factories for prioritized relocation.

Ladies and Gentlemen,

A number of Ministerial delegations, particularly from Europe, have visited Bangladesh in the recent weeks and made public pronouncements to support the RMG sector in Bangladesh. We deeply appreciate this spirit of continued engagement of the global community and business through targeted support for the sector. Some of these relate to addressing the safety issues, some relate to rehabilitation of the injured workers, and some relate to up-gradation of skill levels of the workers. In the interest of avoiding duplication and securing greater result orientation, I would underline the need for greater coherence and coordination on all initiatives. I would underline this particularly before our friends and partners present here and to OECD – as I did underline to Secretary General Gurria this morning.

There is one other issue that I want to flag before you, which I find quite puzzling. And, this is an issue I also flagged this morning at the inauguration. It is about pricing. As both myself and Karel Gucht recognised in Brussels, for sustaining the RMG industry, ethical sourcing and ethical or fair pricing must be seen in conjunction. It is striking to learn that even in the aftermath of the *Rana Plaza* accident, when there is a groundswell of demand for an increase in retail price, many international buyers and retailers are still pressing our factories for even lower price! I am

told, against a general increase in cost of production of 12% - 13%, there has been a decline in average FOB price by 3% !

To ensure transparent and ethical trading, all buyers-retailers-importers and their agents/representatives perhaps need to be registered under a single platform across the industry.

A socially accountable framework may be developed: where the retailers would also account for their bit in the whole chain. Yes, the Fire Safety Accord is a welcome development. But, back home, we realize, being at the receiving end, it would be equally important for the Government and our industry to understand all the provisions – in full – in letters and spirit.

The buyers/brands and all stakeholders in the global value chain should engage with a view to ensuring responsible, ethical and value driven business.

I understand, two weeks down the line, talks are on to conclude a comprehensive Compact on Bangladesh in Geneva. There are the issues beyond Bangladesh that clearly need to be addressed in Geneva and beyond.

Dear friends,

Sustainable development of RMG industry offers a **win-win proposition** for Bangladesh and the world market and a globalizing world.

The Government and the industry in Bangladesh are pledge-bound to build a safe and sustainable production base for its own people and for the consumers worldwide. From *Tazreen* through *Rana Plaza*, Bangladesh never shied away from acknowledging reality i.e. the gaps, limitations, constraints. Bangladesh stands ready to learn from knowledge and experience elsewhere.

As I told Mr Gurria this morning, we will have to deliver. And, we will. Time is short. While the works at hand are time-bound and complex, both the Government and the industry are committed fully. This is a collaborative endeavour – where we would urge our friends and partners and the global business to bear with us. Please do remain with us. In the interest of making people's lives better, abandoning Bangladesh just cannot be an option.

Over the history, in four decades of independent Bangladesh, Bangladesh has eminently demonstrated that Bangladesh **can**. And, Bangladesh **does**. Bangladesh **acts**. Bangladesh is committed to do what it has agreed, in any way.

Your being with us will make us accomplish our targets - easier and better.

Thank you for your kind attention.

Bangladesh appreciated the continued support of the EU and its Member States in appreciating the larger scenario on RMG industry, particularly following the *Rana Plaza* accident; and encouraging the buyers and brands globally to evolve an initiative to promote a fair, ethical and responsible business compact. Both EU and Bangladesh, therefore, called upon all the buyers and brands to join the initiative. Both sides called upon the buyers and brands to stand by the victims of the *Rana Plaza* accident as part of their CSR as well.