

Investigation on Compliance in Ready-made Garment Factories in Bangladesh

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ABSTRACT

Purpose: The objective of the study is to examine the compliance situation of Bangladesh's ready-made garment (RMG) factories.

Methodology: For the analysis, survey data was collected from 88-export oriented RMG factories in Dhaka, the capital city of Bangladesh, and surrounding districts, including Gazipur and Narayanganj. Two workers from each factory were interviewed to explore the factory's compliance status. The interviews took place from August to September 2019. The survey questionnaire used the main questions from the compliance assessment tool developed by the International Labor Organization, which contains various issues in compliance with international standards and national legislation.

Findings: The study found that Bangladesh's RMG factories' compliance situation, especially the working environment, is improving. However, a highest level of non-compliance has been found in some areas such as trade union issues, payment of overtime, voluntary overtime issues, regular working time, leave facilities, and so on. Hence, significant improvement in these compliance issues is necessary.

Limitations: This study has focused on the compliance issues of RMG factories from the workers' perspective. Hence, there is a scope for further study to measure the compliance situation of the RMG factories from the viewpoint of stakeholders.

Practical Implication: This study discloses significant aspects of the compliance status of Bangladeshi RMG factories. The findings will provide inputs for policy design aimed at improving the factories' compliance situation with the international standards.

Originality: This study is particularly focused on compliance issues by using ILO formulated assessment tools and one of the studies in the area of Bangladesh RMG factories.

1. Introduction

Bangladesh's ready-made garment (RMG) sector has played an important role in the country's economic development. It has been the second-largest RMG producer after China since 2015, with 6% of the world market share in 2015 (United Nations [UN], 2020). The sector accounted for 84.2% (US\$ 34,133.3 million) of national exports in fiscal year (FY) 2018–19. This figure increased from 3.9% (US\$ 31.6 million) in FY 1983–84. The number of RMG factories increased from 384 in FY 1984–85 to 4621 in FY 2018–19 (Bangladesh Garment Manufacturers and Exporters Association [BGMEA], 2021).¹ In 2018, the RMG industry contributed more than 13% to the gross domestic product (International Labor Organization [ILO], 2019). The RMG sector provides abundant employment opportunities and has become the largest source of manufacturing employment in the country. In 2012, the RMG sector generated 55% of Bangladesh's total manufacturing employment (Moazzem & Reza, 2018). It employed almost 4.1 million people, 65% of whom were female (Bangladesh Garment Manufacturers and Exporters Association, 2020). In addition, the RMG sector has helped to alleviate poverty in the country. For instance, the

¹ In Bangladesh, the FY starts in July.

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national poverty rate was 40% in 2005 and declined to 24.3% in 2016 (Ministry of Finance, 2020).² During the period, the poverty rate dropped in urban and rural areas, and employment in the garment sector significantly reduced urban poverty (Hill & Genoni, 2019). Based on purchasing power parity under \$1.90 a day, the percentage of employed people in Bangladesh was 5.6 in 2019 (Asian Development Bank [ADB], 2021).

The RMG sector in Bangladesh was developed in the late 1970s. Dosh-Daewoo's technical and commercial collaboration enabled the sector to be competitive in the international market.³ Later, several national and international policies played a notable role in this sector's speedy growth (Yunus & Yamagata, 2012). Early on, Bangladesh mainly exported RMG products to the European Union (EU) and the United States (US) markets. Currently, these two markets account for 80% of Bangladesh's RMG export. In FY 2018–19, the EU had the largest market (62%), followed by the US (18%) (BGMEA, 2021).⁴ Along with the availability of cheap labor, preferential treatment, such as those generated by generalized systems of preferences (GSP)⁵ and the quota facilities under the multi-fiber arrangement (MFA)⁶, contributed to the rapid development of the Bangladeshi RMG sector, particularly the EU and US markets (Ahmed, 2009).

While the Bangladeshi RMG sector has been growing rapidly, the absence of compliance has remained an issue. Compliance means fulfilling the obligations of specific rules and regulations, conventions, and acts. Bangladesh's RMG sector has been plagued with inadequate labor-related rules and regulations, defective auditing processes of the buyer to track the factory compliance, failure to maintain a safe working environment by the entrepreneur and trade bodies as per national and international standards (Rahman & Moazzem, 2017). The lack of supervision on the part of the government worsened the situation. Child labor violations were found in RMG factories in Bangladesh in the mid-90s. At that time, the US especially emphasized the elimination of child labor. However, following the memorandum of understanding with the ILO and The United Nations Children's Fund (UNICEF), the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) attempted to eliminate child labor from the garment factories by forbidding children under 14 from working in the factories (Yunus & Yamagata, 2014).

Due to the lack of safe working environments, several accidents have occurred in the RMG sector, causing large-scale deaths and severe injuries. One of the most fatal accidents in Bangladesh's industrial history was the collapse of the Rana Plaza building, which housed many garment factories, on April 24, 2013, resulting in the deaths of 1134 people and more than 2500 injured (Ansary & Barua, 2015). This accident highlighted workplace safety issues, and Bangladesh's compliance received worldwide attention. It put the RMG sector under in-depth scrutiny by various stakeholders, including foreign governments, foreign buyers, trade unions, and retailers both in Bangladesh and abroad.⁷ These stakeholders expressed concern regarding labor rights and workplace safety. In response to the Rana Plaza incident, the US immediately suspended GSP facilities for Bangladesh.⁸ As the workers' safety issues became evident, international buyers became hesitant to purchase products from Bangladesh.

² Data is based on the Bangladesh Household Income and Expenditure Survey, 2016.

³ In 1978, the Daewoo Corporation in Korea and Dosh Garments in Bangladesh agreed to cooperate technically and commercially. As part of the agreement, employees of Dosh garments were sent to South Korea for intensive training on the RMG production process and marketing. Afterward, they returned to Bangladesh and contributed to the Bangladeshi RMG sector (Yunus & Yamagata, 2014).

⁴ Export to the United Kingdom is included in the EU figure.

⁵ As a least-developed country (LDC), Bangladesh was given market access facilities through the Everything but Arms (EBA) scheme under the EU-GSP program, which allowed duty-free, quota-free (DFQF) access to all products, except for arms and ammunition. (Source: <http://www.epb.gov.bd/site/page/7bd7d4d7-cdba-4da3-8b10-f40da01e49b6/nolink/Trade-News>).

⁶ A multi-fiber arrangement (MFA) is an agreement under which developed countries control the limit of clothing imports from developing countries. It was first introduced globally in 1974 and Bangladesh in 1985.

⁷ On April 24, 2013, a building named "Rana Plaza," which housed several RMG factories and other shops and was located in the Savar area of the Dhaka district, collapsed. More than 1000 people died and 2500 were injured. After the accident, massive criticism regarding workplace safety issues evolved from buyers, customers, and labor organizations worldwide. After the incident, to ensure safe working environments in the RMG sector, national and international bodies started several initiatives (Source: Borua & Ansary, 2015). It was a tragedy caused by individuals, and a series of negligence issues and lack of accountability led to the largest industrial disaster in the history of Bangladesh.

⁸ The Generalized System of Preferences (GSP) is a US trade program. It was instituted on January 1, 1976, by the Trade Act of 1974, intended to stimulate economic development in the developing world by providing privileged duty-free access for up to 5000 products from 129 selected countries and regions.

This occurrence demonstrated that compliance is the most pressing issue for the Bangladeshi RMG sector. Hence, following global buyers' criticisms and the suggestion of the ILO, Bangladesh made various arrangements with multiple stakeholders to initiate safety measures to improve working environments in the sector. After the Rana Plaza accident, three initiatives were introduced in Bangladesh at the national and international levels. These include the National Tripartite Plan of Action, the EU Sustainability Compact, and the United States Trade Representative Plan of Action. In addition, the Accord and the Alliance were formed by international buyers to improve workplace safety in Bangladeshi RMG factories by complying with fire, electrical, and structural safety regulations and ensuring corrective measures in inspected RMG factories. Additionally, National Initiatives were established to inspect the RMG factories (Barua & Ansary, 2017; Rahman & Moazzem, 2017).

Several studies have been conducted about compliance issues in Bangladesh's RMG sector. Several studies examined the initiatives taken after the Rana Plaza collapse and found that the RMG sector's compliance is improving; however, additional measures are required to ensure enforce labor rights and standards in the sector (Barua & Ansary, 2017; Rahman & Moazzem, 2017). Other studies assessed compliance issues in the Bangladeshi RMG sector and concluded that a strong enforcement mechanism is required to effectively improve compliance (Berik & Rodgers, 2010; Bakht & Hossain, 2017). Despite the importance of compliance in the Bangladeshi RMG sector, there has been a dearth of research on this issue. The existing studies focused on some selected issues of compliance from a governmental perspective. In particular, there is a lack of detailed analyses of compliance issues at the RMG factory level. Therefore, it is necessary to examine the state of compliance in Bangladesh's RMG sector in detail.

This study aims to examine the state of compliance in Bangladeshi RMG factories. For the data, a sample survey was conducted using a questionnaire of 88 RMG firms in the capital city of Bangladesh, Dhaka, and its surrounding districts, including Gazipur and Narayanganj, from August to September 2019. A total of 176 workers, two workers from each factory, were interviewed to investigate each factory's compliance status through snowball sampling. The survey instrument used the main questions from the compliance assessment tool developed by the ILO. In this study, compliance was measured by the degree of implementation of the Bangladesh Labor Act⁹ and the ILO core convention¹⁰ ratified by Bangladesh. This study examines the aspects of compliance based on ILO core labor standards and national legislation. The aspects regarding international standards derived from eight ILO core conventions include freedom from child and forced labor, freedom from discrimination at work, and freedom to form and join a trade union and bargain collectively. The other aspects regarding national legislation include compensation, contracts, human resources, occupational safety and health, and working time to the Bangladesh Labor Act.

The next section briefly reviews the literature on the compliance issues in Bangladesh's RMG sector. The third section presents an analysis of the current state of compliance issues in the Bangladeshi RMG sector from workers' perspectives. The fourth section discusses the findings, and the fifth section concludes the study.

2. Literature Review

In the literature related to compliance issues of Bangladesh's RMG sector, many studies examined its labor standards or poor implementation of compliance. For example, Berik and Rodgers (2010) examined the labor standards enforcement and compliance conditions in Bangladesh and Cambodia. They concluded that the blending of the trade-linked strategy and strong monitoring policy could enhance the labor standard. Bakht and Hossain (2017) assessed workplace safety, level of compliance, and determining factors of labor standards in Bangladesh and concluded that the lack of implementation of labor laws creates problems for workplace safety and labor

⁹ National legislation includes the Bangladesh Labor Act of 2006. The export processing zone (EPZ) area has a separate Act.

¹⁰ Bangladesh became a member of the ILO in 1972. It ratified seven of the eight fundamental conventions to date. Union rights include freedom of association and protection of the rights to organize (C-87) and collective bargaining (C-98). Forced labor conventions include forced labor (C-29) and the abolition of forced labor (C-105). Child labor conventions include the minimum age convention (C-138) and worst forms of child labor (C-182), and discrimination conventions include equal remuneration (C-100) and discrimination in employment and occupation (C-111). Among these, the minimum age convention (C-138) has not been ratified by Bangladesh yet.

(Source: https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:11200:0::NO::p11200_country_id:103500).

standards in Bangladesh's RMG sector. Hence, effective coordination requires promoting monitoring and follow-up activities. Barua and Ansary (2017) discussed the challenges of Bangladesh's RMG industry and reviewed the initiatives taken after the Rana Plaza collapse. They found that Bangladesh has progressed significantly in workplace safety compliance. However, in terms of labor rights protection, factory remedial works, capacity building through training is still needed. The authors concluded that the sector's future competitiveness would depend on adjustment with rising operational costs of maintaining compliance. ILO (2019) conducted a study to analyze the working conditions in Bangladesh's RMG industry. The study found that many signs of progress have been made in the RMG sector. However, for the achievement of decent work, working conditions still need to be enhanced.

Some studies focused on governance and legal enforcement of compliance. For example, Rahman and Moazzem (2017) analyzed several governance-related issues in the post-Rana-Plaza initiatives. They argued that national rules and institutions should be put at the center of Bangladesh's clothing sector's governance, with adequate space for private international initiatives to improving labor and social standards practiced in the sector. James, Miles, Croucher, and Houssart (2019) examined how well the workplace inspection program has performed to upgrade safety in Bangladesh's garment factories. The findings conclude that such type of supervision can make constructive results, even in the absence of intense public regulatory support. Boudreau (2020) identified the effects of private execution of labor laws by multinational companies in a developing country, including the Bangladeshi RMG factories, and found that the enforcement interventions can meaningfully improve working conditions.

Other types of studies focused on the challenges of upgrading. For example, Moazzem and Basak (2015) studied the current practices of occupational health and safety compliance in the workplace in the RMG sector of Bangladesh and the cost of maintaining compliance issues. The study concluded that along with improving the institutional mechanism, both parties including suppliers and buyers have the responsibility to ensure compliance related to the production process. Islam and Stringer (2018) examined the challenges of achieving social upgrading. The study concluded that social upgrading has not occurred to the same extent as economic upgrading and strict governance mechanisms are required to ensure the firms' compliance with international standards. Akbar and Ahsan (2019) identified the challenges of Bangladesh's clothing firms in implementing workplace safety compliance and concluded that the firms need to strategically supervise factory capacity and longstanding commitment from their worldwide buyers.

The majority of the studies noted above examined the labor standards and compliance issues of the Bangladeshi RMG sector. Some studies emphasized workplace safety issues, institutional weaknesses, and challenges of the social upgrading of the RMG sector. The present study focused on the RMG sector's compliance issues, which covers both the national and international standards. Furthermore, although the compliance of the RMG sector is an evolving issue in Bangladesh, insufficient attention has been paid to it thus far. To highlight this issue and add more new insights to the existing studies, this paper represents an attempt to analyze the compliance issues of Bangladesh's RMG sector from the workers' perspectives.

3. Data Analysis

This section recounts the assessment of the state of compliance among RMG factories in Bangladesh. It begins with an explanation of the survey design and data and ends with a discussion of the survey results.

3.1 Survey Design and Data

Data were collected from 88 export-oriented RMG factories in the capital city of Bangladesh, Dhaka, and surrounding districts, including Gazipur and Narayanganj (Table 1). A total of 176 workers—two from each factory—were interviewed to investigate the compliance status of the establishments. The interviews took place from August to September 2019, generally outside the workplace. The survey instrument comprised the main questions from the compliance assessment tool developed by the ILO for its “Better Work” program.¹¹ This tool has been widely used in the ILO's assessments of compliance issues in clothing sectors worldwide and covers adherence to the organization's core labor standards and national legislation. The standards are the same for all countries, but because of differences in national legislation in different countries, varying questions are used to address some

¹¹ The “Better Work” program is a unique partnership between the International Labour Organization and the International Finance Corporation. It improves labor standards and competitiveness in global supply chains based on the core ILO labor standards and national labor law (Source: https://www.ilo.org/global/programmes-and-projects/WCMS_084616/lang--de/index.htm).

issues. In the survey administered in the current work, matters related to work environments were modified based on the Bangladesh Labor Act of 2006. The participants were recruited via snowball sampling, which was initiated by personally contacting some RMG workers. Upon being issued a request for contact details, this initial group of workers provided relevant information about other employees. An attempt was also made to communicate with RMG stakeholders, including company officials, and visit several factories to collect information on their compliance situation. A relentless effort was made to determine relevant issues, and the respondents have assured anonymity as they spontaneously answered the questions despite their sensitive nature.

Table 1. The General Profile of Factories (N = 88)

Particulars	Sample factories (No.)	Sample factories (%)
Location	Dhaka	60
	Others	28
Year of Establishment	Before 2005	48
	After 2005	40
Factory Zone	EPZ	10
	Non-EPZ	78
Membership	BGMEA	75
	Others	13
Origin of firm	Bangladesh	74
	Others	14
Current Worker	Below 1000	34
	Over 1000	54
Product types	Knit	39
	Others	49

Source: Authors' Survey

Notes: EPZ stands for Export Processing Zone. BGMEA stands for Bangladesh Garment Manufacturers and Exporters Association. Concerning product type, "others" include woven items.

Three categories of responses were incorporated into the questionnaire to assess whether a factory is compliant: "yes" or "no" to denote compliance and non-compliance concerning a particular issue, and "don't know" to signify the inability to respond or the lack of information on or awareness of the issue in question. If the responses of two respondents from the same factory differed, these were dropped from the analysis. To ensure trustworthiness in the data, only identical respondent answers were included in the analysis. When both participants from a single factory denied knowledge of a given issue (i.e., the "don't know" option), their responses were also dropped from the examination.

The questionnaire has two sections: one devoted to the general profile of a factory and the other revolving around compliance issues. The compliance section covers matters divided into eight areas. The first four (1) child labor, (2) discrimination, (3) forced labor, and (4) freedom of association and right to collective bargaining are related to the ILO core labor standards. The rest of the areas (5) compensation, (6) contracts and human resources, (7) occupational safety and health, and (8) working time are associated with national legislation. Each area subsumes several segments, totaling 37. Then each segment consists of several specific issues of compliance. In total, respondents are asked 122 questions about compliance issues. Details on the questionnaire sections are found in the Appendix.

A factory's general profile was obtained through its company website, trade associations, the RMG sector database of the Department of Inspection for Factories and Establishments under the Ministry of Labour and Employment of Bangladesh, and different published materials. The information includes the factory's location, year of establishment, factory zone, membership, origin, ownership status, current workers, and product manufactured. As shown in Table 1, out of 88 RMG factories, 68% are based in the Dhaka district, and the remaining 32% are headquartered in surrounding areas. Among these factories, 89% belong to the non-EPZ area. More than half of them (55%) were established before 2005, and many (61%) employ more than 1,000 workers. The firms are export-oriented, and the majority are locally owned private companies (84%) and have BGMEA membership (85%). They produce both non-knitted (56%) and knitted items. Significant buyers include North American and European countries as well as some Asian nations.

3.2 Segment-wise Survey Results

This section presents the segment-wise survey results of the state of compliance.

3.2.1 Child Labor

The section on child labor comprises of three segments: Child laborers, Hazardous work and worst forms of labor, and Documentation and protection of young workers. Child labor is meant to determine the existence of child workers in a factory. According to the Bangladesh Labor Act, a person under the age of 14 is considered a child. The survey results showed that none of the RMG factories employ children. The section on hazardous work and worst forms of labor is intended to ascertain whether workers under the age of 18 years do dangerous activities and work long hours at night. Likewise, none of the factories employ workers under such conditions. Concerning age verification systems and documentation for under-18 workers, almost all the factories maintain these measures in their establishments (91% and 98%, respectively), but some non-compliance with these requirements was observed (9% for age verification systems and 2% for documentation).

Table 2. Child Labor

Segment	Issues	Respondents	Compliance (%)
Child Laborers	Existence of Child labor (below 14)	86	100
Hazardous Work and other Worst Forms	Hazardous work and other worst forms of (under 18)	80	100
Documentation and Protection of Young Workers	Existence of workers' age verification system	47	91
	Compliance with appropriate documentation	57	98

Source: Authors' Survey

Note: Two issues (maintenance of register and protective measures for under-18 workers) were excluded from the analysis because of low response rates.

3.2.2 Discrimination

The section on discrimination contains four segments: Race and origin, Religion and political opinion, Gender, and Other grounds. Almost all the factories comply with requirements about the origin and political opinion-based employment. As per Table 3, some do not comply with standards that frown upon gender-biased employment (29%), sexual harassment (18%), and the consideration of disability as a factor of employability (31%). The most considerable incidence of non-compliance was observed in the case of pregnancy-based discrimination (73%).

Table 3. Discrimination

Segment	Issues	Respondents	Compliance (%)
Race and Origin	Race and origin biased employment	72	93
Religion and Political Opinion	Religion or political opinion is a factor of employment	74	92
	Gender biased employment	52	71
Gender	Sexual harassment of workers in the factory	44	82
	Workers discrimination based on pregnancy	49	27
Other Grounds	Disability is a factor in employment	48	69

Source: Authors' Survey

Note: Accommodation for disabled workers was excluded from the analysis because of a low response rate.

3.2.3. Forced labor

The section on forced labor comprises of two sections: Coercion, and Forced labor, and overtime. As shown in Table 4, the factories are most compliant with affording employees the freedom to leave their organizations with reasonable notice (92%). Some of the factories register violations, such as threatening workers (43%), withholding wages (37%), inflicting punishment for participation in a strike (41%), and compelling workers to render overtime work under threat of penalty (43%). The factories are most non-compliant with the prohibition against restricting workers from leaving the workplace during work (68%).

Table 4. Forced Labor

Segment	Issues	Respondents	Compliance (%)
Coercion	Restrict workers from leaving the workplace	60	32
	Workers freely leave their jobs by reasonable notice	51	92
	Threat of violence to intimidate workers	28	57
	Withhold wage payments to coerce workers	38	63
	Punishment for participation in a strike	32	59
Forced Labor and Overtime	Overtime work under threat of penalty	30	57

Source: Authors' Survey.

Note: The issue regarding bonded labor was excluded from the analysis because of a low response rate.

3.2.4 Freedom of Association and Collective Bargaining

The section on freedom of association and right to collective bargaining encompasses five segments: Freedom to associate, Union Operations, Interference and discrimination, Collective bargaining, and Strikes. The factories are compliant with almost all the requirements about freedom of association (more than 90%). The union operations segment is designed to ascertain whether union officials have access to workers in the workplace and deduct union fees from workers' wages. The highest non-compliance has to do with the deduction of union wages. Some workers are reluctant to join a union, hence the higher number of respondents indicating non-compliance as a response. In the interference and discrimination segment, non-compliance rates are high in all issues. Non-compliance was equally high in the matter of collective bargaining. The highest level of non-compliance is that related to strikes (57%). The number of respondents who provided answers in this segment is relatively low. This might illustrate the complexity of labor union issues in Bangladesh.

Table 5. Freedom of Association and Collective Bargaining

Segment	Issues	Respondents	Compliance (%)
Freedom to Associate	Freedom to join the union/welfare association	65	94
	Freedom of union to join federations and confederations	45	93
	Requirement of workers to join a union/participatory committee	44	93
Union Operations	Accessibility of union representatives to the workers in the workplace	33	76
	Deduction of union dues from wages according to law	32	44
Interference and Discrimination	Workers free to meet without management present	31	55
	Equal treatment of multiple union in the factory	21	67
	Employer tried to control the union	27	33
	Job applicant's union membership affect hiring decisions	31	48
	Employer threaten or terminate for union activities	24	46
Collective Bargaining	Non-compliance of termination of union officials	30	47
	Consultation by employer with unions where required	28	71
	Employer refuse to bargain union or worker representatives	28	50
Strikes	Workers are informed about the CBA in the factory	22	64
	Punishment for participating in a strike	21	43

Source: Authors' Survey

Note: One issue regarding the strike was excluded from the analysis because of a low response rate.

3.2.5 Compensation

The section on compensation covers seven segments: Minimum wages, Overtime wages, Premium pay, Method of payment, Wage information, use, and deduction, Paid leave, and Social security and other benefits. Almost perfect compliance was observed in the segments of minimum wages except concerning incorrect overtime payment (76%); 72% of the respondents said that they receive their regular wages within seven days of the due date. In the case of paid leaves, 86% of the respondents declared that they do not enjoy this benefit. Non-compliance was also found about wage information, payment method, and social security, and other benefits.

Table 6. Compensation

Segment	Issues	Respondents	Compliance (%)
Minimum Wages	Payment of minimum wage for full time workers	67	96
	Payment of piece rate workers correctly for work	52	98
	Payment of minimum wage other than regular workers	55	98
Overtime Wages	Incorrect payment for overtime	41	24
Premium Pay	Pay workers double for overtime work	43	84
Method of Payment	Workers' full wages paid in the manner required	39	69
	Workers paid within seven days from the date wages become due	50	72
Wage information, Use and Deduction	Any unauthorized deductions from wages	44	57
	The employer keeps only one accurate payroll record	19	53
	Inform workers about wage payments and deductions	26	38
Paid leave	Incorrect payment for any types of paid time off (breaks and leave, festival bonus)	50	14
	Employer pay workers correctly during work stoppages	26	38
Social Security and Other Benefits	Comply with workers' contributions to provident funds	27	44
	Employer pay the required contribution to provident funds	26	23
	Comply with introduction of group insurance for workers	31	61

Source: Authors' Survey

Note: Premium pay here is used as double payment for overtime work rates.

3.2.6 Contracts and Human Resources

The contracts and human resources section comprises four segments: Employment contracts, Contracting procedures, Termination, and Dialogue, discipline, and disputes. The factories are most compliant when it comes to employment contracts, but they are non-compliant with directives on contracting procedures. In the case of termination, major non-compliance exists, with the factories failing to provide appropriate notice before terminating an employee. Significant non-compliance was also observed in the matter of worker harassment (58%). In most cases, workers are bullied, and a supervisor exhibits disrespectful behavior.

Table 7. Contracts and Human Resources

Segment	Issues	Respondents	Compliance (%)
Employment Contracts	Employment contracts/letter specify the terms and conditions	75	97
	Employment contracts comply with legal requirements?	56	98
	Workers understand the terms and conditions of employment	69	99
	All persons, both onsite and offsite, have a contract	44	89
	Employer provide a copy of their contract/appointment Letter	55	87
	Employer provide workers photo identity card according to law	64	77
	Internal work/service rules comply with legal requirements	44	64
	Employer maintain a service book for each worker	49	82
Contracting Procedures	Compliance with probationary period of workers	39	69
	Compliance with migrant workers recruitment process	33	70
	Compliance with subcontracted workers hiring system	22	64

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Termination	Employer only terminate workers for valid reasons	43	65
	Opportunity to defend workers prior to termination	51	84
	Employer provide workers proper notice of termination	43	70
	Employer compensate workers t when they resign or are terminated	42	79
	Terminating workers due to changes in operations according to law	36	75
Dialogue, Discipline, and Disputes	Disciplinary measures comply with legal requirements	29	66
	Workers been bullied, harassed, or subjected to humiliating treatment	33	42
	Have a functioning Joint Union-Management Committee	47	87

Source: Authors' Survey

Note: One issue regarding disputes is dropped from the analysis because of a low response rate.

3.2.7 Occupational Safety and Health

The section on occupational safety and health covers eight segments: Worker protection, Working environment, Welfare facilities, Health services and first aid, Worker accommodation, Emergency preparedness, Chemical and hazardous material, and occupational safety and health (OSH) management systems. For worker protection, the factories comply with almost all the requirements. According to the respondents' perception, the factories are more than 80% compliant with issues related to the work environment, indicating an acceptable level of adherence. Most of the respondents declared that they have welfare facilities, amounting to compliance ranging from 96% to 100%. For health services and first aid, non-compliance was observed among several medical staff and concerning the availability of first aid kits in factory premises. As regards worker accommodation, supervisors have access to some facilities that are unavailable to workers. Almost all the factories comply with emergency preparedness requirements. In the case of chemicals and hazardous material, 76% of the respondents said that the factories comply with directives about the use of a chemical substance. In connection to OSH management systems, 73% comply with written OSH factory policies.

Table 8. Occupational Safety and Health

Segment	Issues	Respondents	Compliance (%)
Worker Protection	Punishment to workers for reluctant to work in a dangerous work situation	53	34
	Workers get all necessary personal protective clothing and equipment	60	72
	Workers get training about the of use personal protective equipment	56	80
	Compliance with ergonomic requirements	40	73
	Proper guards and maintained on all dangerous machines	62	82
	Electrical equipment properly installed, and maintained	49	90
	Appropriate safety warnings posted in the workplace	61	95
	Measures to protect workers from falls from heights	47	94
Working Environment	The temperature in the workplace is acceptable	57	93
	Noise levels is acceptable	58	91
	The workplace is adequately lit	51	86
	The workplace is clean and tidy	60	80
	Availability of adequate accessible toilets	65	91
	Have adequate hand washing facilities and adequate soap	63	92
Welfare Facilities	Having enough free safe drinking water	85	100
	Having all required facilities	68	96
	Having an adequate eating area	79	100
	Availability of day care facility for the children of workers	64	94

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Health Services and First Aid	Compliance with medical checks for workers	57	89
	Addressing of safety and health risks to workers	51	80
	Compliance with requirements on HIV/AIDS	42	55
	Having required onsite medical facilities and staff	53	70
	Availability of sufficient number of first aid boxes/supplies	53	75
	First-aid training for workers	50	88
Worker Accommodation	Workers and/or supervisors stay in factory dorms	47	83
Emergency Preparedness	Have a fire detection and alarm system	57	86
	Having adequate fire-fighting equipment	57	88
	Trained workers to use the fire-fighting equipment	43	93
	Emergency exits and escape routes clearly marked	54	93
	Existence of enough emergency exits	54	93
	Available of accessible emergency exits	59	92
	Conduction of periodic emergency drills	48	94
	Compliance with emergency evacuation requirements	43	91
	Flammable materials safely stored	42	83
Possible sources of ignition appropriately safeguarded	30	97	
Chemical and Hazardous Material	Use of chemicals and hazardous substances	25	76
OSH Management Systems	Factory have a written OSH Policy	22	73

Source: Authors' Survey

Note: Four issues regarding occupational safety and health (OSH) management systems were excluded from the analysis given low response rates.

3.2.8 Working Time

The section on working hours comprises three segments: Regular hours, Overtime, and Leave. On the subject of regular hours, as Table 9 shows that the factories adhere to almost all aspects, except those revolving around regular work hours, for which the factories are most non-compliant (53%). The highest level of non-compliance was observed about overtime and leaves. Among these, non-adherence to both the absence of leave encashment facilities and compensatory leaves for weekly holidays (84%) is the highest. Non-compliance was also observed concerning maternity leaves (74%) and voluntary overtime (72%). The factories register significant non-compliance in providing personal leaves, including annual, sick, and casual leave provisions (80%).

Table 9. Working Time

Segment	Issues	Respondents	Compliance (%)
Regular Hours	Regular working hours (8 hours/day or 48 hours/week)	77	47
	Reflection of records of actual hours worked	77	97
	The employer provides required daily break periods	83	99
	The employer provides required weekly rest periods	68	91
	Compliance with limits on overtime hours worked	48	56
Overtime	Compliance with requirements for voluntary overtime	50	28
	Compensatory leave for worked on weekly holiday	55	16
	Compliance with personal leave (annual/casual/sick)	65	20
Leave	Compliance with maternity leave for women workers	54	26
	Leave encashment facility to the worker	55	16

Source: Authors' Survey

4. Discussions

Based on a survey in Dhaka and surrounding areas, the previous section presented the current state of compliance at 88 RMG factories. Figure 1 summarizes the responses by showing the number of issues in each compliance-rate range. If the number of responses was less than 20, those responses were dropped. Because of this, the total number of compliance issues was 112. More than 80% of factories were compliant with nearly 50% of the issues (55 of 112 issues), a percentage greater than expected. In particular, all factories followed rules regarding child labor issues (child labor and hazardous work, and other worst forms of child labor).

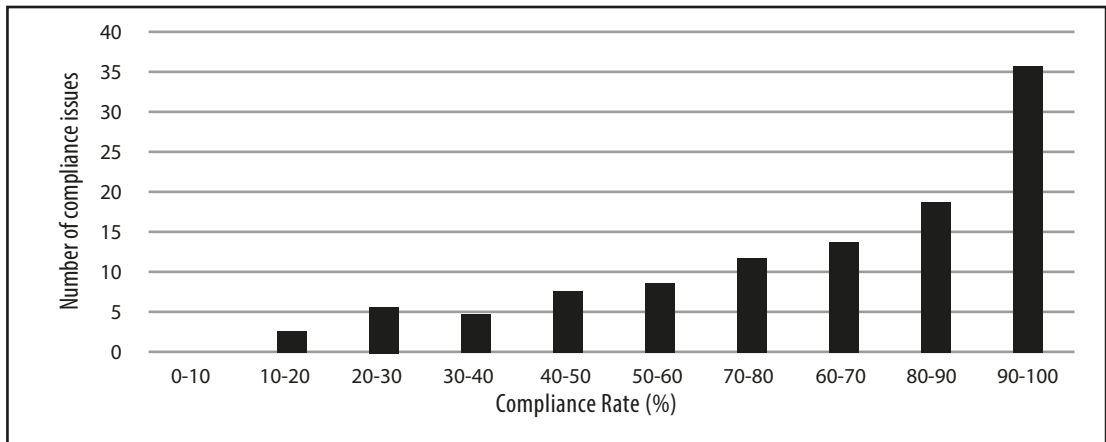


Figure 1. Number of Issues in Each Compliance Rate Range, Source: Authors Derived

There are several reasons for relatively high rates of compliance in nearly 50% of the issues. The BGMEA, the association of RMG factories, campaigned to increase awareness among its members of the need for compliance and implemented programs to ensure factories' compliance. Regarding child labor issues, in the mid-90s, the BGMEA signed a memorandum of understanding with the ILO and UNICEF to prevent child labor in Bangladesh's RMG factories and has made continuous efforts to eliminate it. The survey's results show the effects of these efforts. Furthermore, after the Rana Plaza collapse, several steps were taken nationally and internationally to upgrade workplace conditions. International buyers provided various resources to investigate the fire and the issues of electrical and structural safety and to provide plans ensuring that factories completed remedial work. Donor agencies, including the International Finance Corporation and the Japan International Cooperation Agency, provided funds to improve RMG factories' compliance status. In addition, Bangladesh's government introduced several measures regarding the RMG sector, including overseeing factories' structural and fire safety, improving labor standards and codes of conduct, and adopting various provisions regarding labor rights, trade unions, and safety issues in an amended Labor Act. The government also reformed the labor-inspection system, appointed more inspectors, and trained them with the help of the ILO. These initiatives have contributed to improvements in compliance status. In contrast, there were 22 issues on which less than 50% of firms were compliant. The issue with the lowest compliance rate, 14%, was Compensation (issue11), regarding the incorrect calculation of compensation for paid leave.

To see how compliance differed among factories and how factories' characteristics influenced their compliance, logistic regression was applied to each of the 112 issues. The estimated equation used the compliant/non-compliant response as the dependent variable (binary) and the year of establishment, the number of workers, firm origin, product (knit or woven), an export processing zone (EPZ), non-EPZ status as the independent variables. Factory characteristics were found to significantly affect compliance in only nine issues. This is probably because the number of factories surveyed and the number of responses from each factory were small and also because the factories' characteristics were relatively similar, making for little variation in the independent variables.

Table 10 briefly summarizes the results of the nine issues for which the factories' characteristics affected compliance. For two factory characteristics, it is fairly obvious why they would influence compliance. First, a factory's number of workers positively influenced compliance regarding four issues (Dis 1, Comp 9, OSH 1, and OSH 2), meaning that compliance rates increased as the number of workers increased. This can be explained by the fact that large factories are usually more established and organized and may well invest more in compliance. The second characteristic that influenced compliance was foreign ownership, which positively influenced firms' compliance on two issues (WT 9 and WT 10), which are related to leave. This may be explained by the fact that foreign-owned firms are considered to be more compliant than locally owned ones.

Table 10. Issues Significantly Influenced by Factories' Characteristics

Compliance issue	Firm characteristic	Sign	Significance level
Dis 1	No. of workers	(+)	10%
Comp 9	No. of workers	(+)	10%
CHR 15	Years established	(+)	1 %
OSH 1	No. of workers	(+)	10%
OSH 2	No. of workers	(+)	5%
OSH 19	EPZ	(-)	10%
WT 8	Product (woven)	(+)	5%
WT 9	Origin (foreign-owned)	(+)	5%
WT 10	Origin (foreign-owned)	(+)	10%

Source: Authors' Estimation.

Note: Details of these results can be obtained from the authors.

The 22 issues on which less than 50% of factories were compliant could be categorized in three areas: six were in FACB (regarding freedom of association and collective bargaining), six were in WT (working time), and six were in Comp (compensation). Of the six issues in the FACB area, four belonged to the interference and discrimination segment, regarding factories' interfering with union issues, discriminating against workers for union membership, or punishing them for participating in strikes. Compliance with these issues was not high. In Bangladesh, labor union issues are complicated and politically engineered in some cases, and the nation's economy has suffered from strikes. In recent years, labor unions have become less active; however, firm owners still fear the negative effects of union activities on production. The WT area includes issues on working time. Factories were particularly non-compliant with giving leave, including maternity leave, and with scheduling overtime. As Table 10 shows, the type of ownership mattered for WT 9 and WT 10. Foreign-owned factories were more compliant in this regard than Bangladeshi factories. Somewhat related to the WT area is the compensation (COMP) area, which covers compensation, including minimum wage, paid leave, and benefits such as social security. Unfortunately, factories' compliance with these segments was not high. Overall, the survey shows that labor unions, working hours, and compensation are the areas requiring the most compliance improvement.

Because the number of responses was not large, the survey's results must be interpreted with caution. Some questions might also have been difficult for workers to know how to answer. In particular, questions on the OHS area, dealing with management systems, were not easily answered by workers. This might have decreased the accuracy of the responses. Nevertheless, the study reveals important aspects of compliance status in Bangladesh.

5. Conclusion

Using survey data from 88 export-oriented RMG factories in Dhaka and surrounding districts such as Gazipur and Narayanganj, this study examined the state of compliance of Bangladeshi RMG factories with ILO core labor standards and national legislation, which were divided into eight areas: child labor, discrimination, forced labor, freedom of association and collective bargaining, compensation, contracts and human resources, occupational safety and health, and working time. The study revealed that the compliance situation of Bangladesh's RMG factories is improving. The majority of the surveyed firms were compliant with child labor, occupational safety and health, and contract and human resource issues. However, for some areas, such as freedom of association and collective bargaining, working time, and compensation, there is a need for significant improvement. Ensuring compliance raises the cost of production, which negatively affects the international price competitiveness of the Bangladeshi RMG sector. However, keeping businesses compliant with international standards is fundamental to the sector's success in the global market. As this study discloses significant aspects of the compliance status of Bangladeshi RMG factories, the findings will provide inputs for policy design aimed at improving the factories' compliance situation. Moreover, as this study only reflects workers' perspectives about the compliance situation of RMG factories, there is scope for further research to measure compliance from the perspective of stakeholders.

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Appendix

Research Questionnaire

Factors determine the Lack of compliance of Ready-Made Garment (RMG) sector of Bangladesh

General Information of the Factory

1. Name of the Firm/Factory:
2. Address/contacts/Location:
3. Year of establishment:
4. Factory Zone: EPZ Non-EPZ Area others (Specify.....)
5. Membership Status: BGMEA BKMEA others (Specify.....)
6. Types of ownership: Sole Proprietorship Partnership Shareholding Company
7. Origin of the firm: Domestic Joint venture foreign-owned
8. Capital at the time of establishment in Bangladeshi Taka (BDT):
9. Current Capital in Bangladeshi Taka (BDT):
10. The number of workers at the time of establishment:
11. The number of workers at present:
12. Sales Domestic sales Export only both domestic sales and export
13. Products produced: Knit Non-Knit both others (Specify).....
14. Sources of Raw materials Import Own source others (Specify).....
15. Major Markets (After MFA): 1..... 2..... 3..... 4. Others (Specify).....
16. Major Markets (Before MFA) 1..... 2..... 3..... 4. Others (Specify).....
17. Products exportation through directly international traders sub-contracting
18. Profitability status of the firm Profitable Non-profitable Break-even
19. Major international buyers' Walmart H & M Adidas others (Specify).....

The General Profile of the Respondent

1. Name:
2. Factory Name/Address:
3. Position (grade):
4. Year of Experience:
5. Gender: Male Female
6. Age: below 18 18-25 years above 25 years
7. Marital Status: Single Married
8. Education: Primary Secondary Graduation No education
9. Monthly Income: below BDT 8000 between BDT 8000-15000 above BDT 15000

Compliance with the Factory

Indicators	Questions	Yes	No	Don't Know
1. Child labor				
Child Laborers	1. Have you found any workers under the age of 14?			
Hazardous Work and other Worst forms	2. Do the workers under age 18 perform the worst form of child labor including hazardous, work at night, or work for long hours or more hours than allowed by law??			
Documentation and Protection of Young Workers	3. Does the employer have a reliable system in place to verify the age of workers before hiring?			
	4. Does the employer comply with age verification and documentation requirements for workers?			
	5. Does the employer keep a register of workers under 18 years of age as specified in law?			
	6. Does the employer comply with other legally required measures to protect workers under the age of 18?			
2. Discrimination				
Race and origin	1. Is race, color, or origin a factor in hiring, employment, or termination?			
Religion and Political Opinion	2. Is religion or political opinion a factor in hiring, employment, or termination?			
Gender	3. Is gender a factor in hiring, employment, or termination?			
	4. Is there sexual harassment of workers in the workplace?			
	5. Are workers subject to discrimination based on pregnancy?			
Other Grounds	6. Is disability a factor in hiring, employment, or termination?			
	7. Have all accommodations been made for physically disabled persons required by law?			
3. Forced Labour				
Coercion	1. Does the employer restrict workers from leaving the workplace?			
	2. Are workers free to terminate their employment with reasonable notice, and to leave their jobs when their contracts expire?			
	3. Does the employer use violence or the threat of violence to intimidate workers?			
	4. Does the employer delay or withhold wage payments to coerce workers to work?			
	5. Does the employer force workers to work to discipline them or as punishment for participation in a strike?			
Bonded Labour	6. Can workers who owe debts to the employer or a third party freely leave their jobs?			
Forced Labor and Overtime	7. Are workers forced to work overtime under threat of penalty?			
4. Freedom of Association and Collective Bargaining				
Freedom to Associate	1. Can workers freely form and join the union/welfare Association of their choice?			
	2. Can the union(s) freely form and join federations and confederations of their choice?			
	3. Does the employer require workers to join a union/participatory committee?			
Union Operations	4. Do union representatives have access to the workers in the workplace?			
	5. Does the employer deduct union dues from wages according to law?			

Continued on next page

Interference and Discrimination	6. Are workers free to meet without management present?			
	7. If there is more than one union, does the employer treat them equally?			
	8. Has the employer tried to interfere with, manipulate, or control the union(s)?			
	9. Is a job applicant's union membership a factor during hiring decisions?			
	10. Does the employer punish, threaten, intimidate, harass, terminate or not renew workers' contracts due to their union membership or activities?			
Collective Bargaining	11. Has the employer terminated a union official in a way that did not comply with law			
	12. Does the employer consult with unions were legally required?			
	13. Does the employer refuse to bargain collectively or refuse to bargain in good faith with the union, or worker representatives, union federations, or confederations?			
Strikes	14. Are workers informed about the CBA in the factory?			
	15. Has the employer tried to prevent any workers from participating in a strike?			
	16. Has the employer punished any workers for participating in a strike?			
5. Compensation				
Minimum wages	1. Does the employer pay at least minimum wage for ordinary hours of work to regular full-time workers?			
	2. Does the employer pay piece-rate workers correctly for ordinary hours of work?			
	3. Does the employer pay at least minimum wage for all other than regular workers?			
Overtime Wages	4. Does the employer pay any workers incorrectly for overtime?			
Premium pay	5. Does the employer pay workers double their normal wage for overtime work?			
Method of payment	6. Are workers' full wages paid in the manner required?			
	7. Are workers paid within seven days from the date wages become payable?			
Wage Information, Use, and Deduction	8. Has the employer made any unauthorized deductions from wages?			
	9. Does the employer keep only one accurate payroll record?			
	10. Does the employer properly inform workers about wage payments and deductions?			
Paid Leave	11. Does the employer pay any workers incorrectly for any types of paid time off (breaks and leave, festival bonus)?			
	12. Does the employer pay workers correctly during work stoppages?			
Social Security and Other Benefits	13. Does the employer comply with requirements to collect and forward workers' contributions to provident funds?			
	14. Does the employer pay the required employer contribution to provident funds?			
	15. Does the employer introduce group insurance for a worker in compliance with the law?			
6. Contracts and Human Resources				
Employment Contracts	1. Do the employment contracts/letter specify the terms and conditions of employment?			
	2. Do the employment contracts comply with legal requirements?			
	3. Do workers understand the terms and conditions of employment?			
	4. Do all persons who work for the factory, both onsite and offsite, have a contract?			
	5. Does the employer provide a copy of their contract/appointment Letter?			
	6. Does the employer provide workers photo identity cards according to law?			
	7. Do the internal work/service rules comply with legal requirements?			
	8. Does the employer maintain a service book for each worker according to law?			

Contracting Procedures	9. Is the probationary period for workers comply with legal requirements?			
	10. Does the recruitment process for migrant workers comply with the law properly?			
	11. Does the employer comply with requirements concerning subcontracted workers?			
Termination	12. Does the employer only terminate workers for valid reasons?			
	13. Do workers have an opportunity to defend themselves before they are terminated based on their conduct or performance?			
	14. Does the employer provide workers proper notice of termination?			
	15. Does the employer compensate workers for unused paid annual leave or severance pay/termination payment when they resign or are terminated?			
	16. Does the employer comply with legal requirements before terminating or suspending workers due to changes in operations?			
Dialogue, Discipline, and dispute	17. Do the disciplinary measures comply with legal requirements?			
	18. Have any workers been bullied, harassed, or subjected to humiliating treatment?			
	19. Did the employer resolve grievances and disputes in compliance with legal requirements?			
	20. Does the factory have a functioning Joint union-management Committee?			
7. Occupational Safety and Health (OSH)				
Worker Protection	1. Are workers punished if they remove themselves from work situations that they believe present an imminent and serious danger to life or health?			
	2. Does the employer provide workers with all necessary personal protective clothing and equipment?			
	3. Are workers effectively trained and encouraged to properly use personal protective equipment and machines?			
	4. Does the employer comply with ergonomic requirements?			
	5. Are proper guards installed and maintained on all dangerous machines and equipment?			
	6. Are electrical wires, switches, plugs, and equipment properly installed, grounded, and maintained?			
	7. Are appropriate safety warnings posted in the workplace?			
	8. Has the employer taken legally required measures to protect workers from falls from heights?			
Working Environment	9. Are the temperature and in the workplace acceptable?			
	10. Are noise levels acceptable?			
	11. Is the workplace adequately lit?			
	12. Is the workplace clean and tidy?			
Welfare Facilities	13. Does the workplace have adequate accessible toilets?			
	14. Does the workplace have adequate hand washing facilities and adequate soap?			
	15. Does the employer provide workers enough free safe drinking water?			
	16. Does the workplace have all the required facilities?			
	17. Does the workplace have an adequate eating area?			
Health Services and First Aid	18. Does the employer provide a daycare facility for the children of workers?			
	19. Does the employer comply with the law regarding medical checks for workers?			
	20. Does the employer address safety and health risks to pregnant or nursing workers?			
	21. Does the employer comply with requirements on HIV/AIDS?			
	22. Does the workplace have required onsite medical facilities and staff?			
Worker Accommodation	23. Has the employer ensured that there are a sufficient number of readily accessible first aid boxes/supplies in the workplace?			
	24. Has the employer-provided first-aid training for workers?			
	25. Do workers and/or supervisors stay in dorms on the factory premises, or do workers stay in offsite housing that is managed by the employer?			

Emergency Preparedness	26. Does the workplace have fire detection and alarm system?			
	27. Does the workplace have adequate firefighting equipment?			
	28. Has the employer trained an appropriate number of workers to use the fire-fighting equipment?			
	29. Are emergency exits and escape routes marked and posted in the workplace?			
	30. Are there enough emergency exits?			
	31. Are the emergency exits accessible, unobstructed, and unlocked during working hours, including overtime?			
	32. Does the employer conduct periodic emergency drills?			
	33. Does the employer comply with emergency evacuation requirements?			
Chemicals and Hazardous Material	34. Are flammable materials safely stored?			
	35. Are possible sources of ignition appropriately safeguarded?			
OHS Management Systems	36. Does the employer use chemicals and hazardous substances?			
	37. Does the factory have a written OSH policy?			
	38. Has the employer assessed general occupational safety and health issues in the factory?			
	39. Has the employer formed a joint worker/management OSH committee?			
	40. Does the employer record work-related accidents and diseases?			
	41. Does the employer have legally required construction/ building permits?			
8. Working Time				
Regular Hours	1. Do regular working hours exceed 8 hours per day or 48 hours per week?			
	2. Do the working time records reflect the hours worked?			
	3. Does the employer provide required daily break periods?			
	4. Does the employer provide required weekly rest periods?			
Overtime	5. Does the employer comply with limits on overtime hours worked?			
	6. Does the employer comply with requirements for voluntary overtime?			
	7. Does the employer provide compensatory leave for work on a weekly holiday?			
Leave	8. Does the employer provide required personal leave (annual/casual/sick leave) to the worker according to the law?			
	9. Does the employer provide required maternity leave for women workers according to the law?			
	10. Does the employer provide a leave encashment facility to the worker?			

Source: Authors Developed

Thanks for the Cooperation