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The Accord and Alliance: Lessons learned after five years of remediation

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ABSTRACT: *In response to the tragic Rana Plaza building collapse in 2013, major western clothing brands launched two initiatives: Bangladesh Accord on Fire and Building Safety (Accord) and Alliance for Bangladesh Worker Safety (Alliance). The initiatives sought to remediate the many violations of global electrical, fire, and structural standards among Bangladeshi ready-made garment (RMG) factories supplying these major brands. The agreements between the two initiatives and the government of Bangladesh ended in June, 2018. While meaningful progress was made in the remediation of electrical and fire deficiencies, inspection data from the Accord (up to late 2016) showed at that time that about half of identified structural problems remained unsolved, with a large portion of structural repairs over two years past their deadlines. The pace of remediation for these repairs was much slower than expected. As the Alliance has ended its intensive remediation work and the Accord seeks to begin a three-year extension, this article provides an update and suggests several lessons to be applied in the future.*

KEYWORDS: *corporate social responsibility; labour rights; Bangladesh; apparel; governance; occupational safety*

INTRODUCTION

On April 24, 2013, Rana Plaza, a building in Savar that housed factories producing clothes for western retailers, collapsed. Initial reports pegged the death toll at less than one hundred (Manik and Yardley 2013), but a full accounting documented 1,139 dead and about 2,500 injured. The Rana Plaza collapse is the worst textile factory disaster in history in terms of fatalities (Bhattacharjee 2016). An engineering inspection the day before had identified structural flaws and misplaced generators in the building, yet factory owners urged their employees to return to work despite these concerns. Later that year, the government brought formal murder charges against Sohel Rana, owner of the building, and 40 others (Manik and Najar 2015).

The Government of Bangladesh, factory representatives, and workers' rights advocates adopted the National Tripartite Plan of Action on Fire Safety and Structural Integrity in the Garment Sector of Bangladesh (also called the National Initiative) in response to the tragedy. This set new standards for factory safety and added resources to the responsible government department.

Western retailers also responded to the Rana Plaza event. A set of largely European clothiers signed The Bangladesh Accord on Fire and Building Safety (the Accord), while another set of North American companies joined the alternative Alliance for Bangladesh Worker Safety (the Alliance). Both initiatives were five-year, binding plans to provide higher-quality building safety inspections for factories with close ties to the brand signatories

of either initiative. This update focuses on the performance of these brand-led initiatives.

The Accord and the Alliance were groundbreaking efforts in improving worker safety throughout a supply chain, and policy makers will need to know, moving forward, to what extent efforts such as these substantively improve working conditions in contexts of weak governance.

As the first multi-stakeholder corporate responsibility effort, the Accord and Alliance provide a vital learning experience. This paper builds off, and provides an update to, research done for a Master's thesis (Hepburn 2017) that analysed the extent of progress the Accord made in correcting workplace hazards by the fall of 2016. I analysed the entire set of factory inspection reports the Accord had made public by late 2016.

As of late July, 2018, the future of industry-wide workplace safety is in question (Safi 2018; Mirdha 2018; Mathews 2018; Star Business Report 2018b, 2018a; Tribune Desk 2018; Accord 2018b). The Alliance is willing to work in conjunction with the government; the Accord hopes to extend its mandate for another three years. Whether the government will agree to the Accord's request or assume full responsibility as of 2018 is not clear at time of writing (August 2018). Whatever the short-term outcome in Bangladesh, this post-Rana Plaza model for corporate social responsibility is being implemented in other jurisdictions, notably Vietnam and India (Hasib 2018). This paper therefore assesses the Accord's and Alliance's contributions, shortcomings, and barriers and the most important lessons of relevance to other jurisdictions.

History of Bangladeshi Ready-made Garment Industry Regulation

Before the Rana Plaza incident, the Bangladeshi government's inspection regime was marked by corruption, a lack of vigilance, and underfunding (Clifford and Greenhouse 2013; Rahim and Alam 2013; Richards 2013; Zafarullah and Rahman 2008). Lax factory regulation, which enabled factory owners to avoid building maintenance costs, was a major feature of the low-cost Bangladesh garment sector and its successful expansion. Furthermore, anti-union laws enabled factory owners to set unduly low wages. The close association between elected politicians and factory owners, who are often one and the same, assured the persistence of this environment (Financial Post 2013). It remains to be seen whether the shock of the Rana Plaza collapse, the creation of the National Initiative, and the intervention of the Accord and Alliance will substantively and sustainably change the regulatory environment.

The Accord identified over 125,000 violations of global safety standards among the large-volume exporting factories subject to inspections, and in May of 2015 it deemed all of the approximately 1,500 factories it had inspected to be "high risk" (Loewen 2015). This is powerful evidence of government and employer negligence, as well as the ineffectiveness of retailers' previous corporate social responsibility (CSR) attempts. Reports of corruption surround the building and inspection of Rana Plaza itself (Al-Mahmood 2013).

Moving forward, the government's chief interest will be in protecting the industry's low-cost structure in the global market while

also making the case that image-conscious companies can source from Bangladesh without fearing tragedies in their supply chains. Balancing these interests requires extensive changes to the status quo ante.

Accord Performance by Fall 2016

According to the Accord, Alliance, and National Initiative, factories are required to submit to fire, structural, and electrical inspections. Factories then agree to a corrective action plan (CAP), which is binding. Because the Alliance and National Initiative did not provide the same level of public information about remediation completion (at the factory level), only the Accord's results were analyzed.

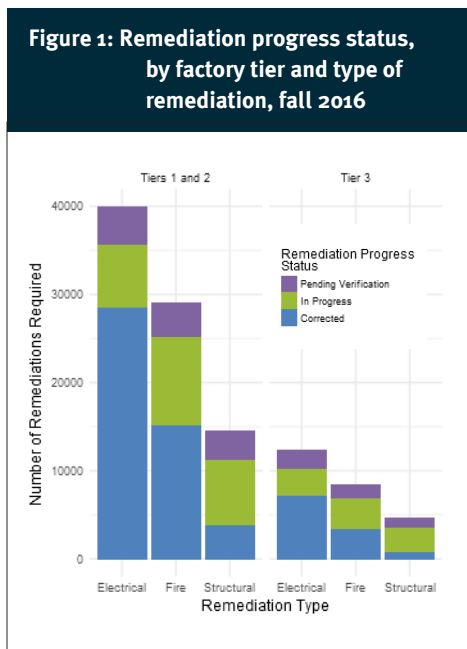
The Accord's CAPs include narratives about remediations needed, any updates since the CAP was first issued, follow-up inspections that had taken place, timelines, and some factory information. Each CAP is composed of individual standards violations, each with its own remediation plan, deadline, and follow-up commentary (Accord 2016). As of mid-October, 2016, 1,601 CAPs existed, of which very few had been designated "completed" and even fewer had been marked "on track". The overwhelming majority were "behind schedule".

I downloaded the publicly available CAPs and analysed which standards remained unmet well after the final deadline. The length of each remediation's "delinquency" (the number of days the remediation was behind schedule) was calculated by subtracting the most recent inspection date from the final deadline date, which yielded a delinquency measured in days. Exploratory analyses were undertaken

to determine correlates of such delinquency and to assess the overall status and rate of remediations.

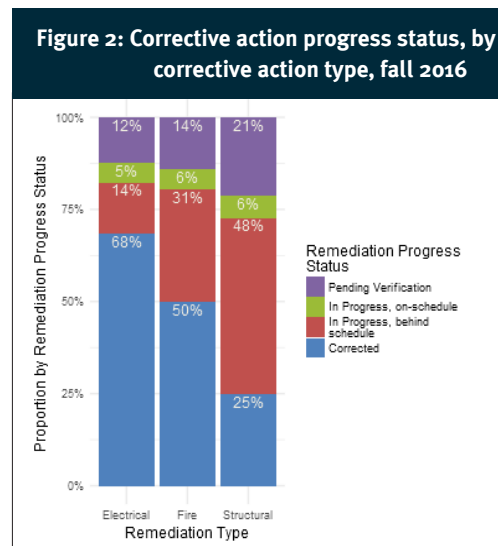
The Accord's 1,601 CAPs contained 125,860 individual inspection observations and their respective remediations. Since the Accord's inception the factories had corrected 62,634 (50.6%) of the observed problems; factories had claimed that another 18,284 (14.7%) had been corrected but needed Accord verification, and 43,779 (34.8%) remained uncorrected.

Figure 3 shows the total number of remediations corrected, pending verification, or incomplete (i.e. "In Progress"), disaggregated by type of remediation and by factory tier (where data exist). Tiers 1 and 2 factories are those in which the purchase order volume is much higher than tier 3, so the Accord places certain additional requirements on them.



The distributions of progress between tiers were quite similar. Although the business relationship between brands and the factories in tiers 1 and 2 entailed much greater purchase volume than tier 3 factories, both sets of factories had completed their remediations to a similar extent. Figure 1 shows that substantial progress had been made, especially in terms of fire and electrical issues. From this alone we can conclude that the Accord had a meaningful impact on worker safety.

The Accord's inspectors assigned deadlines to remediations, to which factory owners agreed. For remediations where progress was slow, these deadlines were often subject to an update to permit more time. This was done for nearly all remediations. Many remediations, though, had by fall 2016 long passed both the original and updated deadline, and were delinquent. There is a strong relationship between the overall type of remediation required and whether it is behind schedule. Figure 2 demonstrates the strength of this relationship.



A large proportion of the remediations remained “in progress” in 2016, well past their updated deadlines. Nearly half of the structural and a third of the fire remediations were past their deadlines. This was a strong indication that remediation was not proceeding as quickly as hoped, and that structural remediations were the most likely to pass their deadline uncompleted.

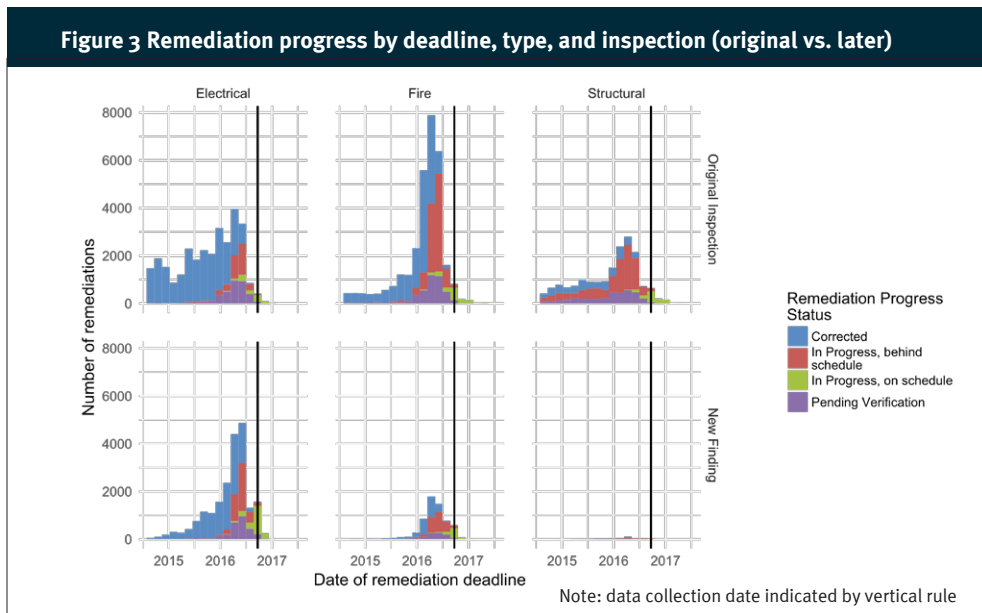
Adding the element of time demonstrates another important difference among the three types. Figure 3 shows the remediations divided across a number of dimensions: the date of the remediation’s final deadline, its type, its progress status, and whether it was assigned in the original inspection or a later one.

As shown, electrical remediations with deadlines before 2016 were nearly all implemented by late 2016, while those with more recent deadlines show a greater tendency to be delinquent. This suggests that

electrical problems were being solved, slowly but successfully. Almost all the remediations assigned in follow-up inspections were electrical, and these remediations fell behind schedule in a pattern like those assigned in the original inspection. The fact that electrical problems were identified so frequently in follow-up inspections suggests that many new electrical problems arose. Electrical safety may be the most difficult element to maintain moving forward.

Most of the fire remediations had deadlines in 2016. Those with deadlines before 2016, like their electrical counterparts, had nearly all been completed by late 2016.

About half of the structural remediations whose deadlines were in 2014 had not been reported as satisfactorily completed by 2016, two years past-due. The bulk of structural deadlines were in the year 2016, and more than half of these remediations were also



unfinished. If the remediations due in 2016 follow the pattern of those due in 2014, I expect many to remain incomplete through 2022. The remediations given deadlines in 2016 were assigned their deadlines in the same inspections as those remediations due in 2014, which suggested that these longer-term remediations were *expected* to be costly, time-consuming, and capital-intensive. If so, then many of these remediations would not occur even by 2022, given the rate of remediation seen in 2016.

Based on this analysis, I projected that electrical and fire remediation could be near complete by the initiatives' sunset in June 2018. Indeed, by April 1, 2018, 92.9% and 82.1% of original electrical and fire remediations respectively have been reported or verified as completed (Bangladesh Accord Secretariat 2018). This was a significant stride toward providing safer working conditions for factory workers. And 72.3% of the original structural remediations – and 59.0% of nearly 1,500 new ones – have been corrected (though not necessarily verified). This is a large improvement over fall 2016 results, yet this still falls short of the goal.

If the Accord continues its activities to 2021, we may see near-complete remediation across the board. I drew data reported in the Accord's quarterly updates on remediation completion.¹ Using these historical numbers of complete and incomplete remediations,

linear models were calculated on the number of total prescribed remediations and the number of remediations completed. Projecting each model into the future and calculating the projected proportion of completed remediations yielded the following projections.

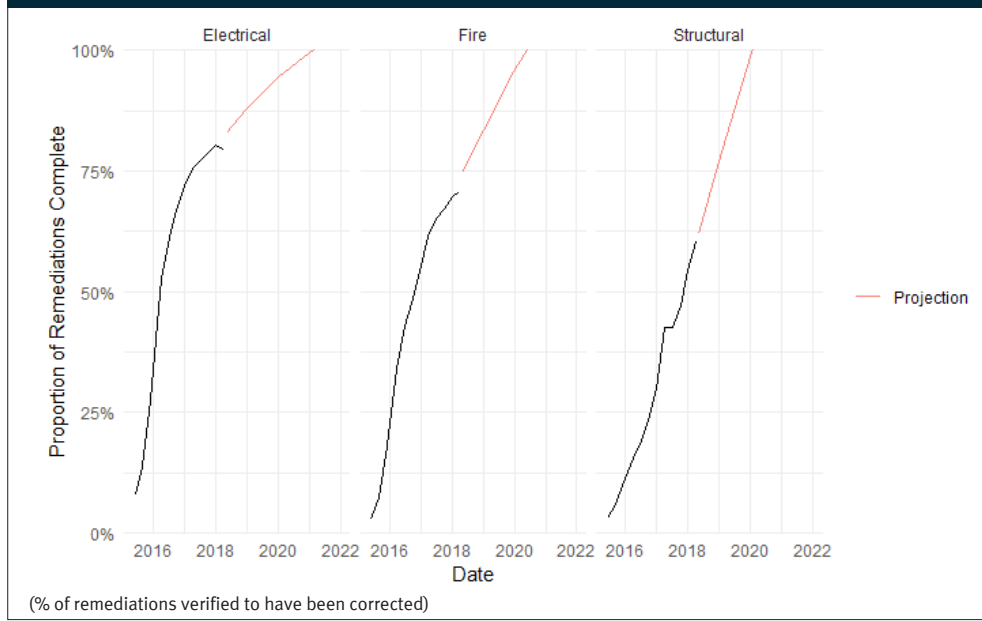
Nearly all structural remediations required were prescribed at the original inspection, whereas many new electrical and some new fire remediations were prescribed in subsequent inspections. The rate of structural remediation hastened after fall 2016, while the rate of electrical remediations slowed in 2017 as more and more new problems were identified. Assuming these historical rates hold steady, these projections predict complete remediation by 2021.

My naïve projections based purely on past performance may be overly optimistic. The final structural remediations may be the costliest, so the rate of remediation could slow dramatically over the final ten to twenty percent of structural remediations. The Accord engineers' vigilance may wax and wane unpredictably, leading perhaps to gluts of new remediations and significantly slowing statistical progress. In other words, past performance does not necessarily indicate future performance.

My thesis research showed that lack of financing arrangements was a strong predictor for the length of remediation delays, and structural remediations tend to be the costliest of the three remediation categories. This does not come as a surprise, given previous research on the topic; a sharp difference exists between the cost of remediation for factories that require extensive structural retrofitting and those that do not (ILO and IFC 2016). This

1 The Accord's quarterly updates show a decline in the number of confirmed structural remediations from 8,892 in April 2017 to 8,510 in July 2017, whereas the bar charts based on these numbers show an increase. The decline is presumably an error, and I changed 8,510 to 9,510, roughly what the bar charts show.

Figure 4: Actual and projected remediation progress as a proportion of total remediations



reinforces the need for immense investment in factory improvements on the part of western signatories and governments.

While financial arrangements between signatories and factories remain private, some additional funding became available since my thesis. The Accord Remediation Fund announced that it had helped remediate five participating factories for \$514,000 USD (Accord 2018a). Foreign governments and international bodies such as IFC and ILO have contributed some assistance, but most funding is believed to come through agreements between factories and signatory brands. The confidential nature of these investments makes assessment of the Accord and Alliance difficult, but progress has taken place.

When addressing numerous issues across an industry and in a context of weak governance,

factory safety remediation takes significantly more time than imagined in a context of a stronger regulatory environment. That said, the Accord's factories are substantially safer now than before Rana Plaza's collapse – due to pressure and financing from governments, signatory brands, and inspectors. Whether factories are brought entirely in-line with global standards depends on decisions regarding the Accord and Alliance after their sunset date of June 2018.

The Current Situation

The expiration of their agreements with the government in June 2018 was preceded by acknowledgment by both the Accord and Alliance complete remediation would not

occur by the deadline. Accord signatories and leadership were concerned about the preparedness of the new national regulator, the Remediation Coordination Cell (RCC). The RCC – backed by the ILO and the governments of Bangladesh, the UK, the Netherlands, and Canada – had only recently been staffed and trained. Fears around losing valuable progress therefore prompted a desire to continue the Accord. The Accord began collecting signatures for Accord 2018, a three-year extension to the initial Accord. The Alliance decided not to extend in as intensive a manner, though it is in talks around establishing a transitional “safety monitoring organization” with the government and BGMEA.

If approved by the government, the Accord 2018 would add several new features. First, safety committees and training would be established at all factories, not only those in tiers 1 and 2. The training and complaints protocol would cover workers’ association rights, though guarantees for these rights would not be bolstered. Severance payments would be provided to workers impacted by factory closures and relocations. The scope would expand to include home textiles and fabric and knit accessories. The agreement would transition to the RCC as soon as the joint Transition Monitoring Committee determines that the RCC is prepared to assume responsibility for upholding an appropriate level of scrutiny.

This Accord’s extension has been plagued by legal and political backlash. Industry leaders in Bangladesh have criticized it as overreach by powerful transnational corporations (Mathews 2018; Star Business Report 2018a). In a dispute between the Accord and a factory, the High

Court ruled that the Accord failed to properly consult the government regarding an extension and stayed the Accord 2018’s implementation (Staff Correspondent 2018a; Tribune Desk 2018). This stay was delayed until December 2018, and cabinet members have expressed reluctance in granting an extension because they feel the RCC is fully prepared to bear the responsibility for the entire sector (Star Business Report 2018b; Staff Correspondent 2018b). Commerce minister Tofail Ahmed on Tuesday said that Accord and Alliance were no longer required for Bangladesh readymade garment sector and the time frame of the platforms would not be extended anymore beyond December this year. The Accord released a statement, backed by the ILO and signatory brands, insisting that the RCC is not yet prepared, and committing the Accord to support the RCC’s preparation if an extension is granted. The statement carries the threat that Accord signatory brands may reduce orders from Bangladesh (Accord 2018b).

Lessons learned

The Accord and Alliance were novel solutions to an old problem: how to produce in a context of low costs and weak governance without unconscionable lapses in safety? Instead of pursuing individual firm corporate social responsibility programs, the major brands decided to assume collective responsibility for factory safety regulation, a responsibility that, in most countries, would be a responsibility of the domestic government. The brands agreed to regulate jointly, creating two organizations independent of the Bangladesh government,

and bound themselves to condition their orders on decisions made by the Accord and Alliance. As shown by the Accord's remediation progress, the approach has succeeded somewhat, though certainly not entirely. There are significant lessons to take from the experience.

First, while corporations committed to remediation, the source of financing to realize the required remediations were not made clear from the beginning. A future application of this approach should include greater transparency and prior commitments around who will pay for the remediation and how. Lack of firm financing turned out to be a major source of the delays experienced by the Accord.

Second, the original timeframe for the Accord was far too tight. An industry whose factories were in as dire a state as Bangladesh's factories in 2013 requires more than five years of inspection and remediation work to meet acceptable standards. Stakeholders realized that ongoing remediation of the sector requires strong regulatory institutions (such as the RCC will hopefully become) and a strong check to factory owners' power (such as a healthy and robust labour movement could provide). In the absence of strong government regulatory institutions and a robust labour movement, the sector may be "remediated" only to return to its pre-2013 status. Therefore, a longer timeframe and built-in protections for workers' association rights are merited in future Accord-like arrangements.

Third, arrangements such as the Accord lack democratic legitimacy. By not returning full responsibility for the sector's safety to the national regulator, safety responsibility remains largely in the hands of transnational corporations and labour unions. Others have

found this to be unsatisfactory, despite the progress it has engendered (Scheper 2017). Bangladeshi workers should be able to look to their own governments, factory owners, and unions for protection, not organizations headquartered in North America and Europe, which are chiefly accountable to investors and consumers. One way for future Accord-like arrangements to address this problem is to build in supports for the domestic institutions from the very beginning. This should include a staged handoff several years after the period of intensive remediation, during which time explicit financial and other supports are given to domestic labour and inspection institutions.

In conclusion ... If transnational corporations truly wish to take responsibility for the risks associated with low cost supply chains in countries with weak governance, Accord-like arrangements show great promise. By applying these three lessons to future Accord-like arrangements, major corporations and the ILO can contribute to the improvement in governance quality of developing countries.

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