

Saturday, 11 May 2013

The Phoenix syndrome and the garments industry in Bdesh



Grief-stricken relatives of dead garment workers, following recovery of bodies from under the Rana Plaza debris, burst into tears on the premises of Adhar Chandra High School at Savar Friday. FE Photo

Rubana Huq

This is a land of Kaikobad, a small businessman coming forward to contribute to the rescue operation and having lost his life in the process. This is a land where, out of the rubble, a woman rides the ambulance after 16 days. This is a land of heroes. This is also a land of extra-ordinary spirit where every individual has the will to rise from the ashes. Just like a phoenix. The readymade garment (RMG) industry and the indomitable will of the entrepreneurs and the workers will ultimately triumph and the export of garments will treble in no time. I speak with conviction, as I know for sure that none of us will allow our workers to be out in the streets, in spite of many of us not paying attention to safety and security measures. Let's understand one point clearly: no manufacturer kills his/her own workers. Our actions may lead to tragedies and disasters, but no one wants a murder tag, at no price and at no cost.

International media is covering Bangladesh in the most negative manner. And yes we deserve it. Local media is playing their segments on Savar with the most tragic tunes and narration. And yes, we deserve that too. Talk-show 'gurus' are killing us with their regular sermons on "fairness". And yes we deserve that as well. A government representative has added sarcasm to his comment and has taunted top exporters by closing their factories down. His tone is something we don't deserve.

What we deserve is a little more from the government. Before detailing what we need at this point, let me refer to the suggestions made by Professor Yunus. His suggestions on forming an Action Group, raising minimum wage and forming the Workers Welfare Trust are all worth studying.

As far as the Action Group is concerned, yes, a pressure group needs to be formed. This pressure group not only should be formed with members of the civil society but also with people from the trade. Without inside information of how the business is run, there's no way, one could make pragmatic suggestions to improve the lot of the industry.

With regard to increasing the minimum wage, he has suggested doubling it. In order to double the wage, a 5.0 dollar shirt/blouse in which the worker gets 38 cents, would have to be sold at US\$5.38. Even a small amount of 38/40 cents is too much of an increase to expect of a buyer. The increase one could reason with the buyer is an up-charge of five cents per piece at the maximum. Unfortunately, the minimum wage is therefore going to be left with the manufacturers' pockets alone. Professor Yunus has also written, "No buyer will give any salary below this rate, and no industry owners will fix

salary below this limit. It would be an integral part of compliance." I assume he meant that no buyers would agree to place orders if that particular factory did not pay minimum wages as per the revised ceiling.

If we come to his third suggestion, I think appealing to the retailers to pay a few cents more to build a fund for the Workers Welfare Trust is an idea that can be floated with all. However, if by his calculations, a 35-dollar product brings extra 50 cents from the buyer, the average product selling at \$5.0 would fetch seven cents extra a piece for the factory. This figure, too, is a utopia and I don't see this being translated into reality. We can, of course, ask for three cents a piece from the buyer and match that three cents from our end, making the total fund contribution six cents a piece. This way, an average four line factory producing 80000 pieces of shirts/blouses would also be able to have a trust fund of \$4800 a month. This fund may be controlled both by the buyer and the supplier.

What needs to be done immediately is another issue altogether. The first responsibility should be to identify the first, second and the third tier factories. The first tier factories are also the ones who run many third tier factories as their own or as their sub-contract establishments. Out of the 5000 factories that we say we have, at least 2500 factories would fall under the third tier. Another 1500 would fall under the second and the balance 1000 under the first one.

Now how do we define the first, second and the third tier ones? The third tier factories lack the basic fire and safety equipments, have no second exits and are set up in risky factory buildings. An audit of the third tier factory would possibly reveal a second staircase made of cast iron rotting in absence of maintenance. It would also possibly expose that the lines are congested and in place of a three line set-up has four line lay-outs, in which case, the floor would not leave any space for the operators to evacuate in case of emergency. The audit findings would also give us a grimmer picture of the wiring in the factory where the load has not been calculated properly and the distribution board would probably have wires exposed on the walls that host them.

The second tier factory could be on old buildings or in shared tenancy where a few issues like the generator or the boiler being on the floor may happen, or it may also have a few compliance issues like extra hours or one day rest policy. Those would all be remediable.

The first tier would have no issues but would have a huge responsibility to undertake. I humbly suggest that at least 250 first tier factories, identified by Bangladesh Garments Manufacturers & Exporters Association (BGMEA) should focus on the 2500 third tier factories and work towards auditing them and also suggest possible and minimal changes, so that disasters can be immediately avoided. Every first tier factory has an audit team that can inspect at least 10 factories. The initial audit findings could be shared with BGMEA and the Ministry. With every audit, the corrective action plan should also be listed.

If one were to assume that BGMEA along with its team of inspectors, Rajdhani Unnayan Karttripakkha (RAJUK) and Bangladesh University of Engineering & Technology (BUET) engineers would be able to finish auditing the factories, then one would grossly err. It is not humanly possible for the BGMEA to list, inspect, audit, suggest, and finally close down with accuracy at such a short notice. Therefore, the manufacturers could come forward and do self-audits on their own premises and carry out the additional responsibility of auditing ten others belonging to the third tier.

How much money is required for the sector to breathe in peace, at least for now? An average second tier factory would need to address possible areas like updating licenses, ensuring good housekeeping including drinking water, doctor's room, and child care, etc. These only would cost any factory of an average 1500 sq meters a total of \$20000. If we are to assume that there are 1500 second tier factories in the country, then in total we could urge the government to allocate in the budget, at least Taka 1.50 billion (150 crore) to save these units and to ensure minimum compliance.

A third tier factory would probably have to be relocated and would require at least 200 acres. An investment of, at least, Taka 25 billion (2500 crore) is required in terms of simply purchasing the land, building the factories, considering that it would cost Taka 100 million (10 crore) per factory to be set up. Only ONE Hall-Mark group cost us that. Could the banks and the government help these third tier ones out and finally create the one special economic zone based on these special considerations?

Having four blankets on a floor along with one fire extinguisher over 55 sq meters, 10 gas masks, hose reels every 10 sq meter, etc., isn't enough. We need to open our eyes and breathe in the new reality. The altered reality now awaits us with challenges on minimum margins, optimum efficiency and maximum awareness. The next time a building collapses or fire

happens, the next time the next thousand lose their lives because of our insensitivities, the whole country is going to burn in shame and from those ashes, no matter what we do and how much we appeal, we won't be able to rise. The Phoenix syndrome will then finally come to an end.

(The writer is Managing Director, Mohammadi Group, E-mail: rubanahq@gmail.com)



Copyright © 2012
International Publications Limited.
All rights reserved