

Constraints for Bangladeshi RMG Factories to be Compliant

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Abstract - Now-a-days, readymade garment (RMG) sector is considered as the backbone of the country because of its extended economic growth in the last couple of decades. Among many other challenges, compliance issue of RMG factories is the key requirement for most of the reputed global garments buyers. Compliance ensures all social and environmental standards set up by different organizations. Out of five thousands RMG industries in Bangladesh, some are quite small and their investment capabilities on compliance are not same while compared with large factories. This paper is based on descriptive and inferential research of the compliance procedure of small, medium and large RMG industries. Five point scale system is used in this investigation to do rating of three factories based on nine different issues of compliance. The study shows highest rating in case of large industries among three industries and indicates that the performance on compliance of large factory is comparatively better than that of the medium and small ones. This research work also identified the constraints of the compliance procedure of different RMG factories and suggests the improvement procedure of the factories. The study finally suggests that for the sustainable development of this sector in future, factory owners must need to concentrate on the working environment of the factory, health, safety and security, social issues, labor relations and other areas of compliance and there are also scopes for development of RMG sector in Bangladesh.

Keywords: BNW, Compliance, COC, RMG, WPC.

I. INTRODUCTION

The readymade garment (RMG) industry of Bangladesh commenced its journey in the late 1970s and within a short period of time emerged as an important player in the economy in terms of export earnings, employment generation, and poverty alleviation and empowering of women. Bangladesh exports its RMG products mainly to the United States of America (USA) and the European Union (EU). Garments exports from Bangladesh have been growing at an impressive rate in recent years. In the fiscal year 2014-2015, Bangladesh earned US \$ 25.49 Billion from RMG export which was 81.71% of total export and provides direct employment of almost 4.2 million people [1]. The prospects of RMG sector, however, in Bangladesh not only depend on availability of cheap labor and government's liberal policy but also depend on compliance with codes of conduct. RMG sector of Bangladesh needs to improve the factory working environment and various social issues related to the industry. International buyers are very particular about compliance with codes of conduct before placing any import order.

Poor housekeeping, storage system, ineffective monitoring and controlling system, disorganized production layout, lack of team-based work, rented factory premises, narrow staircases, closed environment, insufficient light and air, clean drinking water, separate wash room for male and female, etc. are common practices in most of the RMG factories in Bangladesh. The Textile and fashion industry is the second most polluting industry in the world and is primarily responsible for causing environmental pollution and social issues [2]. However, as the compliance procedure requires significant investment, all types of factories are not capable to invest on the compliance equally. Small factories are usually new plants which investment capacity is less where as the medium and large scale factories are well capable to invest on the compliance. As small factories are not investing on the compliance, reputed buyers who pay usually higher price are not placing orders in the small and non-compliant factories. Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) set standards for compliance like factories must have alternative stairs, basic fire equipment, approved layout plan from concerned authority for ensuring safe building construction, group insurance for workers, hygienic sanitation facility and first aid appliance, as well as ensuring minimum wages and flexible jobs for the workers. In this paper, the existing compliance practices of a small, a medium and large RMG factory located in Dhaka city, are examined. Compliance is an affirmative indication or judgment that the supplier of product or service has to meet the requirements of the relevant specifications, contract, or regulation, and also meeting requirements. Compliance is the fulfillment or conformity with various international & national social standards. It cares about the ethical labor practice, health and safety & environment. It is a natural consequence of good management, it encourages management to come up with more difficult, yet cost effective solutions and improve productivity. Compliance is to comply with the local laws and the Code of Conduct (COC) of the buyers or the complying with the standards of relevant international organizations. Compliance is either a state of being in accordance with established guidelines or specifications, or the process of becoming so [3]. Compliance means to comply with something or yield to the wishes of another. Compliance ensures all labor rights and facilities according to the local labor law or buyer's code of conduct. The aim of compliance is to maintain strictly the labor law. U.S Small Business Administration (SBA) for most industries defines a "small business" either in terms of the average number of employees over the past 12 months, or average annual receipts over the past three years [4]. The precise

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definition of small-scale, medium-scale and large-scale industry varies depending on a number of factors. There are two key ways the defines the size of a business: the number of employees and the amount of revenues [5]. The definition is also dependent on the specific industry. Some industries are a lot more labor intensive, and the definition of "small" may include a large number of employees. Other industries, especially those that rely on technology or specific skills of an individual, may reach only a low employee number before being bumped up into the next size category. However, this type of study on the compliance is conducted in very little extent during the last few years in Bangladesh and further works are essential to underscore this issue all over the sector. One work has been conducted in this arena to represent a comparative study among the compliant & non-compliant RMG factories in Bangladesh. From the study it is apparent that compliance factories are earning extra profit as compare to non complaint factory. So, every RMG factory must be complaint not only for more profit but also for protection of the human rights by maintaining compliance code of conduct [6]. Another work is published in Bangladesh which suggests the enhancement of factory activities through compliances and makes a relationship between compliance and productivity [7]. Since, it is becoming the crucial obligation of the international clients, further research in this ground to be conducted. This research paper will be essential for the RMG factory owners to be familiar with the procedure of rating of factory based on compliance issues and to know about different constraints to make their factory compliant.

II. RESEARCH METHODOLOGY

Both descriptive and inferential research was conducted in small, medium and large garment factories to identify different dimensions of compliance such as labor organization, child labor, forced labor, discrimination, working hours and leave, wages and bonus, health, safety and security, workplace condition and environment. The study was carried out by a structured questionnaire (in appendix) survey from 150 respondents of three RMG industries where 50 workers from each factory have participated in this survey. Both primary and secondary sources were used in this study. Primary data were collected through a structured questionnaire (with a 5 point scale) from three factories located in Dhaka city. Those factories were classified as small, medium and large factories based on their man power, production space and year of establishment. Factories with manpower up to 500, 500-3000 and above 3000 were considered as small size factory, medium size factory and large size factory respectively. Secondary data were collected from official documents of those RMG factories such as industry manuals, audit reports, annual reports etc. Information of three factories is not mentioned in this paper due to privacy issue and is kept confidential.

Table-1: Overview of selected RMG factories.

Particulars	Small Factory	Medium Factory	Large Factory
Man power	350	1200	5800
Floor Space (in sft)	10,700	42,200	3,00,000
Year of establishment	2013	1990	1984

The research work was conducted to provide an overview of the present compliance situation in the garment factories; to find out the barriers of small, medium and large sized RMG industries to be compliant; to compare the compliance procedures of small, medium and large garment industries; to justify whether big industries are truly more compliant than smaller industries; and to find out the solutions to overcome the barriers of compliance procedures of all sized factories.

III. RESULTS & FINDINGS

This study was about measuring the extent to which the garment industries are following their compliance obligations or not. Collected data were analyzed and interpreted in line with the objective of this study. All the data have been compared with each and every other factory’s corresponding data and later have been rated individually. At first each section has been rated and then the average value has been used to rate the whole issue. Later each industry has been rated on overall findings about their existing compliance. Three RMG factories were evaluated in total 9 issues. Each Issue has a total of 5 rating point. Here, the summery of those issues are stipulated in the following table 2.

Table-2: Earning of points by three different factories based on compliance issues.

Sl. No.	Compliance Issues	Small Factory	Medium Factory	Large Factory
1	<i>Labor Organization</i>	2.0	3.0	3.5
2	<i>Child Labor</i>	2.5	3.0	3.5
3	<i>Forced Labor</i>	4.0	4.0	4.0
4	<i>Discrimination</i>	2.5	3.0	4.0
5	<i>Working hours and Leave</i>	2.0	3.5	4.0
6	<i>Wages and Bonus</i>	2.0	4.5	4.5
7	<i>Health, safety and security</i>	2.5	4.0	4.0
8	<i>Workplace Condition</i>	3.0	4.0	4.5
9	<i>Environmental obligations</i>	2.5	3.0	4.5
<i>Total Rating Points Earned</i>		23.0	32.0	36.5
<i>Avg. Rating Points</i>		2.56	3.56	4.06
<i>Total rating points available</i>		45	45	45

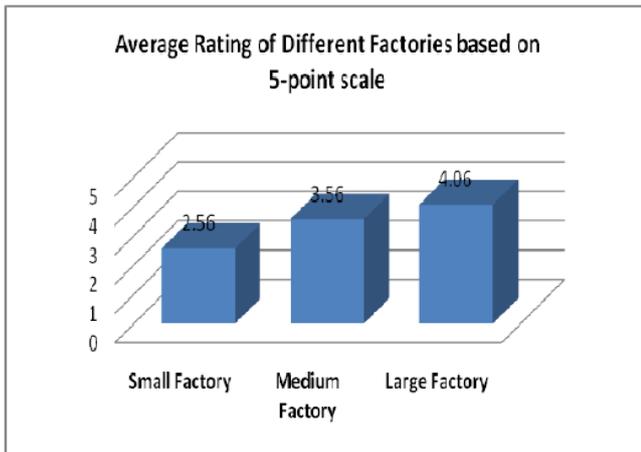


Figure-1: Bar diagram represents average rating of three RMG factories based on 5-point scale.

From the table-2 and figure-1, it is clear that small factories have lots of lacking and have sometimes failed to abide the relevant laws due to their insufficient resources and manpower. The considered small factory has cut an unsatisfactory figure by scoring 2.56 out of 5. There are lots of issues to improve for the studied small factory which is the youngest (established 2013) among the studied factories. Table-1 shows that there are lot of areas to improve for small sized factory including labor organization, child labor, working hours and leave, wages and bonus, health, safety and security, and workplace condition. Though it may get tough, but with precise planning they can give labors the opportunity to form a labor organization, at least they can develop a workers participatory committee (WPC) which will work on behalf of the workers. Though according to the laws of Bangladesh, person above the age of 14 can work in the factory due the socio-economic condition, it is not the age for them to work in the industry. They can make this happen by not taking labor below 18. Factories should pay overtime payment properly and in time. Rather than not thinking for sub-contracting, factory should maintain compliance in factory which is mandatory to get sufficient direct orders. There are always scopes to make everything better to prevent accident and to make environment safe by abiding all the rules including environment protection. Medium sized factory is established in 1990 and have passed a quite long way to implement compliance properly, but the considered factory manages to score the average score. It has moderate resource support and manpower. There are many areas which can be improved including, Table 1 shows that there are lot of areas to improve for medium sized factory including working hours and leave, wages and bonus, health, safety and security, and workplace condition. Though it may get tough, but with precise planning they can give labors the opportunity to form a labor organization instead of workers participatory committee. Though according to the laws of Bangladesh, person above the age of 14 can work in the factory due the socio-economic condition, it is not the age for them to work in the industry. They can make this happen by not taking labor below 18. Factories can arrange some extra facilities for pregnant woman such as permitting them to work in ground floor or in 1st floor and giving those 6 months of maternity leave. There is fixed overtime duration, and it has been seen to

be violated sometimes. This problem should be solved. Studied large factory is the oldest and scored 4.06 which is the highest among the studied factories. It is clear that the considered large factory is way more ahead than other two types of factory because of their huge resources and manpower. They have scored above satisfactory in almost every issue and are ahead of implementing necessary steps to ensure compliance with a few barriers. Those barriers are practically very hard to overcome in Bangladesh in present circumstances. Practically, there is no garment factory with proper labor organization in Bangladesh. “Large Factory” can consider allowing proper collective bargaining agent (CBA) instead of workers participatory committee (WPC). Salary of a low-grade labor is very low comparing to the living expense on Dhaka city. Studied large factory can consider basic need wages (BNW) instead of currently minimum wages fixed by the government. Though pregnant women do not get anyhow discriminated, there are lots of thing that can be done. They can practically implement every step to ensure safety and comfort ability of any pregnant workers, such as permitting them to work in ground floor or 1st floor rather than going up in the building and permitting six months maternity leave with pay instead of currently practiced four month maternity leave with pay. Though the studied large factory implemented compliance successfully, there are always scopes to improve and factory can continually improve the in the areas of Health safety and security and workplace condition.

IV. CONCLUSION

In the context of growing competition among RMG exporting countries and consumer preference for products that meet internationally recognized standards, it is essential for Bangladeshi RMG suppliers to improve compliance in their factories. Especially the performance of small factory is quite poor which lead them to a number of difficulties. Regular practice of compliance can bring higher price of products, lower labor unrest, less worker turnover rate, highest worker morality, higher productivity and product quality, smooth industrial relation as well as global image and reputation. So, Bangladeshi RMG firms need to deal with above mentioned compliance issues strictly in order to remain competitive in the global market. Otherwise, Small and medium sized RMG factories may face stronger challenges which may lead them to quit the business in future. So, developing partners, importers and government can extend their hands especially for smaller factories to remain in the market with a possibility of growing.

V. APPENDIX

(Questionnaire for Comparative Review on the Compliance of Different Factories)

Section 1: Demographic Data

The following questions are related to demographic information. For each question, please choose one answer that is the most appropriate for you.

Name of the Factory				Location	
Address					
	Tel:		E-mail:		
Type of products manufactured					
Sample no.					
Name of the employee					
Educational background				Training Achieved	
Sex	<input type="checkbox"/> Male	<input type="checkbox"/>	Female		
Age (yrs)	<input type="checkbox"/> Below 15	<input type="checkbox"/> 15-20	<input type="checkbox"/> 20-25	<input type="checkbox"/> > 25	
Job designation	<input type="checkbox"/> Supervisor	<input type="checkbox"/> Operator	<input type="checkbox"/> Helper		
Working duration (yrs)	<input type="checkbox"/> 0-3	<input type="checkbox"/> 4-6	<input type="checkbox"/> 7-9	<input type="checkbox"/> > 9	
Skill level of the worker	<input type="checkbox"/> Skilled	<input type="checkbox"/> Semiskilled	<input type="checkbox"/> Unskilled		
Salary (BD Tk.)	<input type="checkbox"/> 5000-7000	<input type="checkbox"/> 7000-9000	<input type="checkbox"/> 9000-11000	<input type="checkbox"/> > 11000	

Section 2: Rating the issues of compliance in your garment factory

Dear respondent, Please rate the following compliance issues in your organization:

Sl. No.	Compliance Issues	1.0 (lowest)	2.0	3.0	4.0	5.0 (highest)
1	Labor Organization					
2	Child Labor					
3	Forced Labor					
4	Discrimination					
5	Working hours and Leave					
6	Wages and Bonus					
7	Health, safety and security					
8	Workplace Condition					
9	Environment					

All factories have been rated for different issues out of 5. Here:

5 = Very much above average, 4 = Above average, 3 = Average, 2 = Below average & 1 = Very much below average

Section 3: Rating the areas of compliance issues in your garment factory

Dear respondent, Please rate the following areas of compliance issues in your organization:

Sl. No.	Areas of Compliance Issues	Small Factory	Medium Factory	Large Factory
1. Labor Organization				
1.	Is there any labor organization? If yes, how much is it effective?	NO, Labor activity is monitored by the Management.	NO, Workers participatory committee (WPC) is working.	NO, Workers participatory committee (WPC) is effectively working.
2.	Are the workers aware of their rights?	Yes	Yes	Yes
2. Child Labor				
3.	What is the minimum age required to work in the factory?	There is no age verification system before recruitment.	No worker under 16 was encountered.	No workers under 16 are allowed to work in the factory.
4.	Is there any employment policy to prohibit child labor?	Not available	Yes	Yes
5.	If there is any under aged labor, what was the procedure to permit them?	At present time there is no under aged labor.	No child labor found	No child labor found

6.	Are the conditions for the workers under aged in compliance with local law?	No	No	No
3. Forced Labor				
7.	Are the workers forced to work without their free will?	No	No	No
8.	Does the factory employ prisoners?	No prisoners are allowed.	No prisoners are allowed.	No prisoners are allowed.
9.	Are the workers free to leave the factory after the working shift?	Over time, if any, is mandatory.	Over time, if any, is mandatory.	Over time, if any, is mandatory.
10.	Is there any security money or deposit required to join in the factory?	No	No	No
4. Discrimination				
11.	Are all the workers hired without any discrimination?	Workers from the owner's locality get preferences	Workers from the owner's locality get preferences	Yes
12.	Do women get the same wages like men?	Yes	Yes	Yes
13.	Do all the works have equal access to training?	Yes	Yes	Yes
14.	Do pregnant women get anyhow discriminated?	Pregnant women usually leave the job.	No	No
5. Working hours and leave				
15.	What is the maximum working hour per day/Week?	Maximum working hour is 48 hrs/wk.	Maximum working hour is 48 hrs/wk.	Maximum working hour 48 hrs/wk.
16.	What the maximum over time duration per week?	Over time as required.	Total 126-154 hours of overtime was recorded in the month of January, 2015.	Factory tries to keep it 12 hrs/wk, but exceeds on the requirement.
17.	What are the rules for leave?	Workers can enjoy allowed leaves.	Workers can enjoy allowed leaves.	Workers can enjoy allowed leaves
18.	Does the pregnant worker get maternal leave?	No	Yes. Four months full paid maternal leave.	Yes. Four months full paid maternal leave with 52 hrs/months of overtime payment.
6. Wages and Bonus				
19.	What is the legal minimum wage for a month?	Factory provides government approved salary structure for garment workers.	Factory provides government approved salary structure for garment workers.	Factory provides government approved salary structure for garment workers.
20.	What is the legal over time premium?	$\frac{\text{Basic Salary} \times 1}{26 \times 08}$ BDT But factory doesn't pay it in time.	$\frac{\text{Basic Salary} \times 2}{26 \times 08}$ BDT Factory pays it properly.	$\frac{\text{Basic Salary} \times 2}{26 \times 08 \text{ hours}}$ BDT Factory pays it properly.
21.	Do the workers get festival bonuses?	Yes and two times a year.	Yes and two times a year	Yes and two times a year.
7. Health, Safety and Security				
22.	Is the factory premise rented and shared?	Yes	No	No
23.	Is there any health supervisor in the factory?	No	Yes	Yes
24.	Are there fast aid signs and writing instructions in the factory?	Yes	Yes	Yes
25.	Is there any fast aid box in the factory?	Yes	Yes	Yes



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26.	<i>Are the first aid boxes equipped with medicine all the time?</i>	Yes	Yes	Yes
27.	<i>Is there any injury registrar?</i>	No	Yes	Yes
28.	<i>Do workers have access to safe drinking water?</i>	Yes	Yes	Yes
29.	<i>Is that water ICDDR,B certified?</i>	No	Yes	Yes
30.	<i>Does the factory have working fire extinguishers in every floor?</i>	Yes	Yes	Yes
31.	<i>Is there any instruction for using fire extinguisher next to each unit?</i>	Yes	Yes	Yes
32.	<i>Is there any Danger sign posted next to electrical Panel Board?</i>	No	Yes	Yes
33.	<i>Does the factory have emergency exit?</i>	Yes	Yes	Yes
34.	<i>Does the factory have security guards?</i>	Yes	Yes	Yes
35.	<i>Are all the entries are documented?</i>	Yes	Yes	Yes
8. Workplace Condition				
36.	<i>Is there sufficient amount of light and air supply in floor?</i>	No	Yes	Yes
37.	<i>Are the floor kept clean enough?</i>	Yes	Yes	Yes
38.	<i>Does the temperature of the floor is comfortable?</i>	Yes	Yes	Yes
39.	<i>Is there different washroom for both male and female workers?</i>	Yes	Yes	Yes
40.	<i>Are all the washrooms cleaned properly?</i>	Yes	Yes	Yes
41.	<i>Do all workers use protective equipment during work?</i>	No	Yes	Yes
42.	<i>Do all the QC tables have proper lighting system?</i>	Yes	Yes	Yes
43.	<i>Is there any fatigue matt provided to the standing workers?</i>	No	No	Yes
44.	<i>Is there any dining place?</i>	Yes	Yes	Yes
9. Environmental Obligations				
45.	<i>In Which category does the factory belong to?</i>	Orange	Green	Green
46.	<i>Does the factory have Environmental Clearance Certificate?</i>	N/A	N/A	Yes
47.	<i>Does it follow the Global Effluent Guideline (GEG)?</i>	No	Yes	Yes
48.	<i>Does the factory have efficient waste management system?</i>	N/A	N/A	Yes
49.	<i>Does it maintain the standards for waste discharge from industrial units?</i>	N/A	According to the factory authority, Yes	Yes, which is ZDHC [Zero Discharge Hazardous Chemical]
50.	<i>Does the factory or the secondary supplier have ETP unit?</i>	All are the secondary suppliers and are not verified.	Yes, The factory have own ETP Plant.	Yes, The factory have own ETP Plant.

51.	<i>Do they run the ETP unit on daily basis?</i>	Not verified.	Yes	24 hours a day and all over the week.
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