

## **Analysis of labor law practice on economic sustainability in Ready-made Garments industries in Bangladesh**

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### **Abstract:**

Sustainable business practices are long-cherished system, which is considered by environment management approachable practices introduced by a company for the determinations of becoming a more maintainable organization. The Ready-made Garments industries (RMG) in Bangladesh are now trying to adopt a sustainable arrangement in functioning their businesses. The more it faces rapid progression, the higher the demand for the application of sustainability. The qualified and old garments are seen quite well in upholding this sustainability, especially economic sustainability which relates to labor standards and labor rights. The newly established Ready Made Garment factories also have sustainable business process. Despite tremendous pressure from government and international communities, these factories often emphasize on profit maximization rather labor law practices. This article examines the business sustainability issues on economy aspects in RMG factories in Bangladesh. This economic sustainability includes the functional strategies regulating the human resources, labor rights and labor conditions of a factory. This research follows the mixed-method research approaches to get better findings of the sampled factories. The results of factory visits show that most of the investigated factories are in better position of implementation of economic sustainability.

**Keywords:** Business, Economic, Sustainability, Ready- Made Garments, Factory, The labor standard, labor right.

### **1. Introduction:**

Business sustainability defines the organization of ecological, societal with financial demands concerning to assure responsible, ethical and ongoing progress and it is an evolving matter especially with fast-growing trade countries.[1]The word “sustainability” means how natural systems function remains different and yield everything it needs for the ecology to last in

balance. [2] Corporate social responsibility, often abbreviated "CSR," is a corporation's initiatives to assess and take responsibility for the company's effects on environmental and social wellbeing.[3] Sustainability is a broader with more suitable process for business than CSR as sustainability has a long-term perspective and this broader view does not only include the impacts of business to natural environment but also other parts of business environments (Carroll & Buchholtz, 2014). As The Ready-Made Garments (RMG) industries in Bangladesh are a very significant sector for earning foreign currency but they are often criticized for lack of exertion of business sustainability issues in factories.[Rahima] Bangladesh is the second largest RMG exporting country in the world and The reinforcement of the garment industry as an open trade regime is claimed to be the more active form of assistance than foreign aid.[4] There are about 4 million personnel are involved in more than 4400 factories (BGMEA.) These factories are different due to size, skills, business operation, etc. Many of these are 100% export concerned with large, whereas many are small in size but exporting directly. For the enhancement of the business environment in RMG factories in Bangladesh, The acceptance of Sustainable process in business operation is a more needed system. There are some lacks of execution of sustainable procedure generates a complex situation to the international audience. The problem is blamed for bottlenecks in infrastructure, energy and transport unfair labor practices, defilement of workers' rights, unfair labor conditions, financial and political shocks, budget deficit, Stagnating private investment rate, insecure building structure, lack of occupational health and workers' safety, environmental pollution etc. [5] The industry is broadly critiqued after the heartrending events of fire incidents in Tazreen Fashions (in 2012) and the collapse of Rana Plaza which lodged 4 garments in a multi-storied building (BBC, 2013). Sustainability is often wrong exemplified and termed as compliance issues by the RMG industries in Bangladesh. The stakeholders have a misunderstanding about the idea of sustainability and many companies in Bangladesh believe that compliance is the problem on bottom lines, considering compliance issues as enforced matters rather than adjusting these rules to companies' operational policies. There are a good number of factories who are not aware of the sustainable business procedure, and most of the newly established factories are not interested in investing money in implementing good labor practices. Some of these factories are large, and many of these factories' size are small, working as sub-contract for foreign buyers. But all of these are planning to export directly. This paper notices sustainability issue problems in operating these

factories. So, the purpose of this study is the sustainability issues are not properly executed in the RMG factories in Bangladesh. The implication of this problem is huge. For the fulfillment of buyers' wants and sustaining the business into the society in the long run, adoption of sustainability in the business procedure is necessary. That is why, the owner and factory management need to state the problems, identify the necessity of the sustainable system, and implement the policies and stratagems accordingly (Belal& Owen, 2007). The importance of the sustainable business system is based on performance orientation rather than ethical orientation. Thus, sustainability effects on the financial performance of a company (Carroll &Shabana, 2010). This research work is based on the idea of Business Sustainability issues and to see the extension of the business sustainability specifically economic sustainability of a business is implemented in the RMG factories in Bangladesh.

## **2. Literature review:**

According to Kermath (n.d), sustainability is a condition with environmental integrity and social justice. Kermath further explains environmental integrity as the —ability of the whole environment to function as natural as possible and to do so without compromising the ability of the ecosphere from supporting all life forms on the planet and to maintain its inherent evolutionary potential (paragraph 6) and he explains social justice as —fair and equitable access to, and distribution of essential resources and power, fairly applied laws and regulations, and the guaranteed opportunity for all individuals and communities to contribute to the pursuit of meeting human needs, improving the human condition, fully realizing human potentials for everyone in safe and clean environments, and to receive an adequate and fair return on their investments of capital, creativity, labor, and time (paragraph 7) [6].

Environmental sustainability may be the most obvious. This means that we want to encourage habits that will not have negative long-term impacts on the environment, including the preservation of resources. For employing resources optimally, there is used of various strategies so that a responsible and beneficial balance can be achieved over the long term. Within a business context, economic sustainability involves using the assorted assets of the company efficiently to allow it to continue functioning profitability over time [7].

Sustainability, Triple-Bottom-Line (TBL) and Corporate Social Responsibility (CSR) have the same aspects and application considering the broader meaning of these three. The TBL approach and Sustainability have the strong link. Both approaches consider that firms have-financial, social and environmental - three different types of duties which are termed as 'people, planet and profits' (Elkington, 1998) [8]. CSR aims to ensure that companies conduct their business in a way that is ethical. This means taking account of their social, economic and environmental impact, and consideration of human rights (University of Edinburg) [9]. In response to the rising concerns on ethical issues in businesses, Carroll 1991 extended corporate social responsibility from the traditional economic and legal responsibility to ethical and philanthropic responsibility [10]. Carroll demonstrates that corporate social responsibility is made up of four responsibilities that are interrelated and argues that corporate social responsibility cannot be achieved without meeting the four responsibilities sequentially namely economic, legal, ethical and philanthropic responsibilities. Similarly, Business Dictionary defines CSR as "A company's sense of responsibility towards the community and environment (both ecological and social) in which it operates. Companies express this citizenship (1) through their waste and pollution reduction processes, (2) by contributing educational and social programs and (3) by earning adequate returns on the employed resources [11]." CSR is titled to aid an organization's mission as well as serve as a guide to what the company represents for its consumers. Business ethics is the part of applied ethics that examines ethical principles and moral or ethical problems that can arise in a business environment. ISO 26000 is the recognized international standard for CSR. Public sector organizations (the United Nations for example) adhere to the triple bottom line (TBL). It is widely accepted that CSR adheres to similar principles, but with no formal act of legislation.

Compliance means to comply with something or yield to the wishes of another. Compliance ensures all labor rights and facilities according to the buyer code of conduct. The aim of compliance is to maintain strictly the labor law [12]. The prospect of RMG sector however in Bangladesh not only depends on availability of cheap labor and government's liberal policy but also depends 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 [13].

### **3. Research Methodology:**

In this study, we had analyzed on the business sustainability issues on economic aspects in Ready-Made Garments (RMG) industries in Bangladesh.

For this research, we set few questions to get the result and questions are divided into two parts. One is a central question which is-‘What is the status of economic sustainability in Bangladeshi RMG factories?’ and another one is ‘few specific questions.’

Specific Questions are RQ1 -What is the condition of labor standard issues in RMG industries in Bangladesh? RQ2 -How are the workers’ rights in these factories exercised?

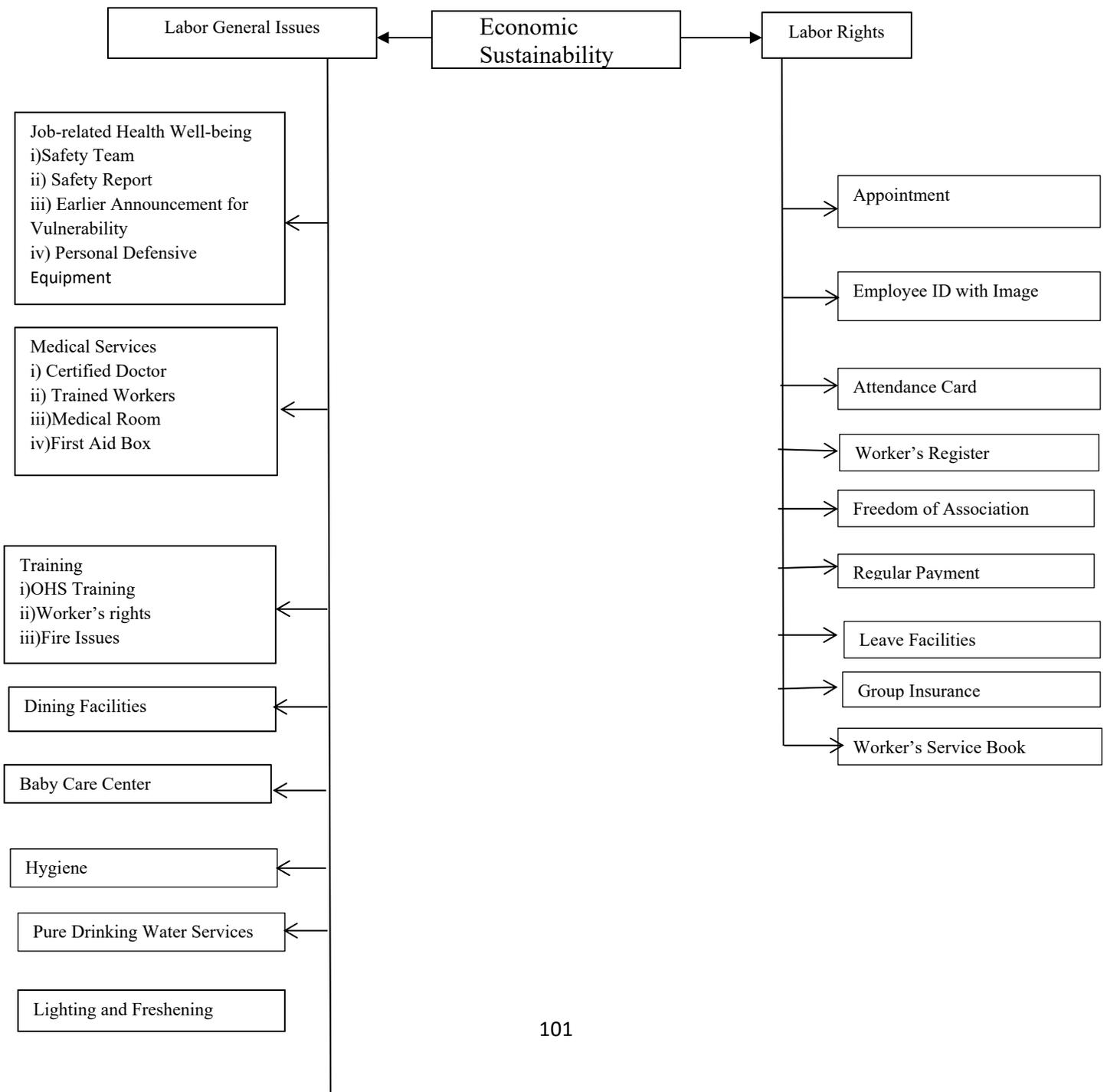
We have performed both qualitative and quantitative research to attain the result. In this analysis, we chose to reach questionnaire to the different factories, and we got 20 factories responses. The questions were mainly closed. In this case, users do not have to type so much. So, therefore, there is a possibility of getting more responses. Also, statistical analysis can easily be done through this system. Statistical data analysis had done through EXCEL and SPSS.

### **4. Economic sustainability production for RMG industries in Bangladesh:**

We can understand the labor criteria and labor constitutional rights conditions in garments factories in Bangladesh through a brief discussion on definite Economic Sustainability. The universal definition of economic sustainability is the capability of an economy to maintain a well-defined level of economic production considerably. [14]

Economic sustainability comprises company’s professional operation method, stratagems for the administration of human resources, observing of stock chain management and above all profit maximization and income generation procedure of a business (Langley & Mellor, 2002). This research enriches the topic to accumulate rich and actual data. As the part of economic sustainability, the Figure 1 portrays the factors that this study has surveyed.

**Figure 1:** The Employee Management Areas of Economic Sustainability





Fire Fighting Prearrangement



#### **4.1 Labor General Issues**

The parliament passed Bangladesh Labor Act 2006 with effect from October 11, 2006. Some key factors from Bangladesh Labor Act, 2006 took into consideration for this study. They are Conditions of service and employment, Health and Hygiene, Safety and Health, Working hours and leave, wages and payment, trade unions and industrial relations, disputes, penalty and procedure. [15] There was a capability approach which can be used to interpret the particular wellbeing with social situation, proposed by Sen (Sen, 1980, 2002) and the fundamentals of capability include income, opportunity of settlement, access to health facilities, chances for getting education for the individuals and their children's. [3] In 2013, 'Accord' and 'Alliance' two major initiatives are launched by foreign buyers and in May 2013, more than 200 dealers of European, American & Asian buyers contracted Accord on Fire and Building Safety. [16] The main objective of the program is the establishment of a sustainable and safe garment industry in Bangladesh where "no worker needs to fear fires, building collapses, or other accidents that could be prevented with reasonable health and safety measures" (The Bangladesh Accord on Fire and Building Safety [ACCORD], 2016). According to Sharif (2015), "More than 300 new trade unions have been registered in the RMG sector till April 2015" and many initiatives have been taken to promote workers' rights like training for safety committee, training to authorize workers and bringing positive change, developing a safety and health complaint system, likewise to Accord, installing 24-hour workers helpline in 770 factories to report safety concern anonymously. (Alliance Second Annual Report, 2015). [17] According to Bangladesh Labor Act 2006 and the recently-framed Bangladesh Labor Act Regulations 2015 (Ministry of Labor and Employment, 2015) there will be an arrangement for the personal protective equipment for the workers by the administration. The factory management may organize medical services such as first aid box, medical room for workers, skilled personnel in case of no regular doctor or nurse. According to Bangladesh's laws, there should be training on Occupational Health and Safety, workers' rights with fire issues and there should

be an arrangement for baby care center, dining, separate and enough toilets for male or female workers, pure drinking water, etc. for the supervision of workers efficiently. On the other hand, there should be prearrangement for fire-fighting equipment and, there should be the better system for the lighting and ventilation condition inside the factory. [18]

## **4.2 Labor Rights Issues**

According to International Labor Law (ILO) and Bangladesh Labor Act 2006, the employee has the right to get an official appointment letter. For easily count the number of working days of the employees for the company, there should be an employee ID card with photo and attendance card. The factory organization should uphold employees' register with the payment on the regular basis and will be allowed for different kinds of leaves facilities. Employees or Workers should have the facility to raise their voices through the establishment of Trade Union (TU) or Workers Participation Committee (WPC). According to the labor law rules, trade union leaders will recommend the workers' legislatures if there is the absence of Trade Union and Workers Participation Committee, the workers' representatives will be voted in the presence of the chief inspector. Sometimes many workers try to form unions to address the violation of workers' rights face intimidations, extortion, adjournment, sometimes physical attack at the hands of factory management and they also organize for group insurance for the emergency incidents (Human Rights Watch, 2015).

## **5. Result and discussion:**

### **5.1 Sample Description**

According to research strategy, various generation garments factories are picked as samples. These are stated in figure 2.



## 5.2 Labor Standard Issues in Factories (RQ1)

**Table no. 2: Findings of labor standard issues**

SL No.	Name of Factors	Yes ( %)	No ( %)	Total
1	<b>Occupational Health and Safety</b>			
	Safety Committee	20(100%)		20(100%)
	Safety Record Book	19(95%)	1(5%)	20(100%)
	Prior Notice for Hazard	18(90%)	2(10%)	20(100%)
	personal protective equipment	18(90%)	2(10%)	20(100%)
2	<b>Medical facilities</b>			
	Registered doctor	19(95%)	1(5%)	20(100%)
	trained personnel	20(100%)		20(100%)
	Medical room	19(95%)	1(5%)	20(100%)
	First aid box	20(100%)		20(100%)
3	<b>Training</b>			
	OHS training	16(80%)	4(20%)	20(100%)
	worker's right	19(95%)	1(5%)	20(100%)
	Firefighting	20(100%)		20(100%)
4	<b>Dining facilities</b>	20(100%)		
5	<b>Baby care center</b>			
	Facilities	19(95%)	1(5%)	20(100%)
	Playing Equipment	19(95%)	1(5%)	20(100%)
6	<b>Sanitation facilities</b>			
	Facilities	20(100%)		20(100%)
	Separate Toilet	20(100%)		20(100%)
	Enough Toilet	20(100%)		20(100%)
7	<b>Pure Drinking Water Facility</b>	20(100%)		20(100%)
8	<b>Lighting and Ventilation</b>	20(100%)		20(100%)
9	<b>Fire Fighting Arrangement</b>	19(95%)	1(5%)	20(100%)
	Equipment	20(100%)		
	Emergency Exit	18(90%)	2(10%)	20(100%)

This study found that sampled factories are quite ahead with the implementation of occupational health and safety (OHS). 100% of selected factories (representing 20 factories) have the safety committee in the factories, 95% factories (representing 19) have safety record book, 90% (representing 18) factories give prior notice to workers about hazards, but 90% factories (representing 18) have the arrangement for Personal Protective Equipment (PPE) for their workers (Table 3). For medical facilities, 100% of the total sample has the collection for first aid box (20 factories) for the injured workers. And most of the factories have the registered doctors (95%) or the separate room for medical assistance (95%) along with trained personnel (100%). According to the Table 3, the factories arrange or sent their workers for fire-fighting training more compare to OHS and worker’ rights. A total of 20 factories, which include factory management and workers, have received the training on fire-fighting techniques whereas the personnel of 16 factories got training on OHS and a 19factories have the training on workers’ rights. All of the factories have the arrangement of fire-fighting equipment (100% of the selected factories) whereas 18 factories (90% of the chosen factories) have the emergency exit. Almost most of the factories give baby care facilities with the well-equipped room. The sanitation facilities, pure drinking water and Lighting and ventilation system at the floors in all factories (100% for the selected factories) found quite well.

### **5.3 Labor Rights Issues that Exercised in Sampled Factories (RQ2)**

**Table 3: The findings on labor rights issues**

<b>SL No.</b>	<b>Name of Factors</b>	<b>Yes (%)</b>	<b>No (%)</b>	<b>Both (%)</b>	<b>Total</b>
	<b>Appointment</b>				
<b>1</b>	Formal	13(65%)		7(35%)	20(100%)
	Informal	8(40%)	12(60%)		20(100%)
	<b>Employee Facilities</b>				
<b>2</b>	Employee ID card with photo	20(100%)			20(100%)
	Attendance Card	17(85%)	3(15%)		20(100%)
	Updated attendance system	16(94.12%)	1(5.88%)		17(100%)
	Workers’ Register	20(100%)			20(100%)

Updated information on worker's register	15(75%)	5(25%)	20(100%)
Voice Representation/Participation Committee (WPC)/Trade Union (TU)/Freedom of Association	17(85%)	3(15%)	20(100%)
Regular payment	19(95%)	1(5%)	20(100%)
Medical Room	20(100%)		20(100%)
leave facilities	20(100%)		20(100%)
Group Insurance facilities	10(50%)	10(50%)	20(100%)

As of fundamental rights of an employee, most of the appointment in the selected factories is formal. There are 65% of sampled factories offer appointment letter to their workers. A total of 20 factories (100% factories) do arrange ID card for their workers. Most of the factories provide attendance cards (17 factories) with only one is not updated. All of the selected factories maintain the worker's register (20 factories), but one-fourth of these are not updated (Table 3). According to the Table 3, only 85% of total investigated factories (representing 17 factories) have the freedom of Association. All the factories (100%) provide regular payment and leave facilities to their workers. There are 50% factories which offer group insurance facilities for the workers.

**6. Conclusion:**

Economic sustainability is related to labor standard issues and labor right issues that we wanted to focus in this study. We can easily see from our research that most of the factories practice labor law and that is why they are sustaining their economic development. It is clear that changes in specific areas like group insurance facilities, updating attendance system can make factories more sustainable.

This study faces some limitations while collecting data. We chose a limited number of factories from different areas of Bangladesh. We did not consider which factories are new and which factories were old. Another one is that this research should include the budget allocation to ensure economic sustainability by factory management and the buyers. Also comparing of compliance and noncompliance, factory economic condition was not considered in our study. In future, these should be reached in a detailed way.

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