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Why do poor working conditions persist within the readymade garment industry in Bangladesh?

An analysis of the readymade garment industry in Bangladesh

A thesis submitted for the programme of

MA International Relations: Global Political Economy

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Chapter 1

1.1 Introduction

The modern consumer is more spoilt for choice than ever, especially when it comes to shopping for clothes. Articles of clothing are available in every colorway and style imaginable, and endless piles of clothes pad the walls of each and every clothing store one may encounter. Retailers have shifted away from the traditional four season fashion cycle, instead adopting “a model of keeping clothes on the rack for four to six weeks”, and subsequently “marking them down to make way for new items” (Guido 2023, 1). This phenomenon is known as ‘fast fashion’, an industry driven by its extremely cheap prices and rapid turnover of product lines. It seems like a win-win scenario, where fast fashion companies are able to turn increasingly large profits, and modern consumers are granted access to a diverse landscape of cheap and affordable clothing. However, there is more than meets the eye when it comes to the fast fashion industry. Products made by fast fashion retailers incur an immense cost to the environment, given that cheap clothes are, for lack of a better word, cheap. Modern day garments are produced at a lower quality than ever before in order to keep production costs as low as possible. Meaning that, the bulk of clothing items purchased simply end up in landfills after being used only a handful of times. A survey of twenty countries conducted by the Clean Clothes Campaign, a global network of over two hundred organizations advocating for labor unions and non-governmental organizations linked to the garment industry, estimated that “the average American in 2019 purchased 68 new pieces of clothing” (Clean Clothes Campaign, 2021). In 1980, the average American bought 12 new items of clothing annually (Ibid.). Furthermore, the survey found that of these pieces of clothing purchased by the average modern consumer, half of the items are worn “3 times or less” (Ibid.). The Clean Clothes Campaign emphasizes that the globalized market within which the fast fashion industry operates is poorly regulated, and that this has “stifled the development of protections for workers and the environment” (Ibid.). It seems that fast fashion is not all it was cracked up to be.

Discourse surrounding the garment industry and the production of clothes within the ‘fast fashion’ sphere has increasingly focused on the plight of garment workers and the plethora of ethical issues that are associated with the mass production of cheap garments. Primarily relying on “cheap manufacturing, frequent consumption, and short-lived garment use”, the fast fashion

industry has only continued to grow in recent years, with fashion brands “now producing almost twice the amount of clothing today compared with before the year 2000” (Niinimäki et al. 2020, 189). Multinational corporations (MNCs) such as the “leading practitioner of fast fashion”, Inditex, rely on a unique business model of adapting designs to current trends and customer demands on a constant basis (Crofton and Dopico 2007, 41). While clothing is readily available for consumers around the world at lower prices and more variety than ever seen before, the costs of the fast fashion industry are insurmountable to garment workers that fall victim to exploitative labor practices at the hands of leading brands. Such exploitative practices include unpaid overtime hours, slave and child labor, workplace abuse, exclusion from labor unions, unsafe and unhygienic working conditions, and precarity of labor leading to unstable employment (Ahmed and Nathan 2016; Baral 2010; Berg, Chhaparia and Magnus 2021; Hasan and Shi 2017). These practices are the ‘poor working conditions’ cited in the research question of this thesis; and will thus act as the working definition of ‘poor working conditions’ for the scope of this research. The bulk of production for companies such as Inditex tends to take place in poorer nations in the Global South, such as Bangladesh, in order to keep production costs as low as possible. Bangladesh is the world’s “second largest exporter” of readymade garments, behind China (Siegle 2014). The nation of Bangladesh is a perfect case study depicting the reality of how garment workers around the world are exposed to unsafe working conditions and subject to labor violations on a daily basis.

Given the widespread ethical issues that are associated with poor working conditions and the mistreatment of garment workers not only in Bangladesh, but worldwide, non-governmental organizations and social movements have drawn attention and called for changes to be made to address the plight of garment workers since as early as the beginning of the 1990s (Perez-Aleman and Sandilands 2008, 24). Efforts by such actors to spur change within the garment industry have predominantly been directed towards multinational, fast fashion companies such as Inditex, for example. In response to criticism over poor working conditions within garment factories, the bulk of such multinational companies have opted to pursue corporate social responsibility (CSR) initiatives to address the widespread, systemic issues that run rampant within the industry (Perez-Aleman and Sandilands 2008, 26; Hasan and Shi 2017, 12). Such initiatives include corporate codes of conduct, as well as enforcing auditing mechanisms as control measures within garment factories, primarily in the Global South (Ibid.).

The 2013 collapse of the eight-story commercial Rana Plaza building exemplified a major turning point for the readymade garment industry, as over one thousand garment workers lost their lives, subsequently leading to calls for concrete action to be taken to protect the livelihoods of such workers. In reality, little has changed for garment workers in Bangladesh. Garment workers are “not guaranteed a minimum wage”, they are unable to unionize, child labor continues to exist within the informal sector especially, and the legal and regulatory frameworks for Bangladeshi garment workers fail to “explicitly state what rights workers are entitled to” (Perez-Aleman and Sandilands 2008, 26; Gunawan et al. 2023, 441). Despite the existence of CSR initiatives, garment workers in Bangladesh continue to be denied their basic rights, and they continue to be exposed to various forms of poor working conditions. As such, prompting the research question that this thesis will aim to address: why do poor working conditions persist within the readymade garment industry in Bangladesh?

1.2 Literature Review

1.2.1 Background on global value chains and multinational corporations

Existing academic literature comprehensively analyzes the relationship between multinational corporations, their global value chains, and the industries within which such corporations operate. Modern-day global value chains are shaped and dominated by multinational corporations stemming from advanced economies in the West, creating a systemic international division of labor that is earmarked by such economies of scale, and their ability to harness factor endowment differences between nations to their advantage (Perez-Alema and Sandilands 2008, 23). The rise of novel communication technologies, most notably the Internet, lower international air travel costs, and better infrastructure for transportation facilitated a global shift through which corporations in the Global North pivoted to sourcing products from developing nations the Global South, specifically from Africa, Asia, and Latin America (Lund-Thomsen and Lindgreen 2014, 11). Such nations offered a competitive advantage in manufacturing capabilities, as well as lower-wage workers that possessed the necessary skills and supplies, a result of which was that Western corporations were able to create increasingly efficient “cost structures through extensive outsourcing”, resulting in the establishment of spread-out networks of production, commonly known as global value chains (Ibid.).

Events such as the Rana Plaza disaster, which is widely cited in business ethics scholarship as a turning point for the garment industry, beg the question as to why multinational corporations encounter challenges in ensuring ethical and sustainable labor practices throughout the global value chains within which they operate. In congruence with this, a research gap has been identified, namely the reason as to why ethical and sustainable labor practices are still not ensured for garment workers, despite the implementation of CSR initiatives by multinational corporations. As such, prompting the research question: why do poor working conditions persist within the readymade garment industry in Bangladesh? This literature review will aim to provide an overview of the current scholarship discussing the relationship between multinational corporations and their global value chains, and it will subsequently address the complications associated with ensuring ethical and sustainable labor practices, specifically within the context of the garment industry in Bangladesh.

1.2.2 Key ideas in the field: scholars on multinational corporations and global value chains

To begin with, it is necessary to take into account the nature and definition of the relationship between such multinational corporations and actors within their respective global value chains. Scholars such as Philips and Caldwell (2005), as well as Chen (2015), Lund-Thomsen and Lindgreen (2014) have referred to the traditional “arms-length” relationship that MNCs have maintained with actors in accordance with the rise of global value chains, alluding to the fact that many of such Western-based retailers “control vast networks of suppliers dispersed throughout the world”, as processes such as production were, and still are, increasingly outsourced to “developing country export industries”, creating a scenario in which such MNCs are often far removed and not sufficiently informed on the exact nature of the labor that takes place along their respective global value chain. Chen cites that it is vital for such corporations to consider the responsibilities they have in a deeper and further sense than this traditional “arms-length” relationship (2015, 366).

Labor practices across complex global value chains have historically involved malpractice, including but not limited to workers being underpaid and overworked, working conditions posing a direct threat to the health and wellbeing of wage workers, and child labor (Lund-Thomsen and Lindgreen 2014, 11; De Neve and Prentice 2017, 1). According to Chen,

campaigns initiated by student organizations, the media, non-governmental organizations and trade unions shed light on the use of slave and child labor within such aforementioned global value chains (2015, 12). Consequently, since the early-2000s, a common consensus amongst scholars discussing global value chains and their relation to MNCs has been that such corporations have come under harsh scrutiny and public outcry by consumers, shareholders, and non-governmental organizations, amongst other actors within the global economy (Chen 2015, 365; De Neve and Prentice 2017, 2).

Literature discussing the relationship between MNCs and global value chains often cites the importance of considering CSR initiatives when analyzing the relationship between MNCs and global value chains. A result of the increasing scrutiny and criticism surrounding the labor practices of such corporations has been that a myriad of MNCs have opted for establishing corporate codes of conduct, otherwise known as CSR initiatives, pertaining to the “environmental and social responsibility of their supply chains” to be applied to their suppliers (Chen 2015, 365). Such codes of conduct are oftentimes established in line with “international conventions, standards, and principles” including but not limited to the United Nations Global Compact, ISO 14001, and the International Labor Organization’s Declaration on Fundamental Principles and Rights at Work (Ibid.). Initially, efforts to reform labor practices within developing countries placed emphasis on reforming international policy actors (Chen 2015, 12; Lund-Thomsen and Lindgreen 2014, 13). However, such efforts were met with resistance by developing country governments, and the focus of labor-reform soon pivoted to campaigning directly against Western corporations utilizing labor in such developing nations (Ibid.). Consequently, scholars including Locke et al. (2009), as well as Lund-Thomsen and Lindgreen introduce a model known as the “compliance-based model”, that aims to explain the relationship between CSR initiatives within global value chains.

On the other hand, certain scholars, such as Lund-Thomsen and Lindgreen as well as Chen would posit that such CSR initiatives are “unlikely to alter power relationships in global value chains and bring about sustained improvements in workers’ conditions in developing country export industries” (Chen 2015, 366; Lund-Thomsen and Lindgreen 2014, 11). Theoretically, according to the aforementioned compliance-based model, “naming and shaming” campaigns of corporations that fail to provide hygienic and safe working conditions in supplier factories in developing nations should place pressure on international companies using labor

from the Global South, ultimately forcing such companies to develop standardized ethical guidelines and corporate codes of conduct that “stipulate the social and environmental conditions in which their products and services” should be produced (Lund-Thomsen and Lindgreen 2014, 12). Consequently, the compliance-based model posits that international companies that outsource production to factories in the Global South should be able to check, through auditing processes undertaken by “first-, second- or third-party monitors”, that the actual working conditions in such factories meet the agreed upon ethical guidelines or corporate codes of conduct (Ibid.). In theory, the factories that meet the conditions established would be “rewarded”, in the form of trading relationships that extend into the long-term, and more orders placed by international buyers (Ibid.). On the other hand, factories that are found to have poor working conditions would receive fewer orders, or even be totally excluded from their respective global value chains. Despite this theoretical assumption, scholars such as Lund-Thomsen and Lindgreen, as well as Locke et al. cite that the compliance-based model “rests upon misguided theoretical and empirical assumptions”, and that there is “limited evidence to suggest that international retailers systemically cut ties with factories in response to their low social or environmental compliance levels” (2014, 13; 2009, 2). Conversely, there is also little to no evidence indicating that suppliers that meet or exceed the conditions dictated in guidelines or codes of conduct receive rewards in the form of more orders or longer term trading agreements (Lund-Thomsen and Lindgreen 2014, 13). According to Locke et al., this begs the question as to what the drivers of “compliance” with basic labor standards in global supply chains are (2009, 3). Specifically, while the compliance-based model is useful in explaining the theoretical mechanism by which outsourcing of production should work, it fails to explain why labor standards are often not met and why working conditions remain poor and unsafe, within industries such as the garment industry in Bangladesh.

Describing global supply chains as an “extensive system of private voluntary regulation”, Locke et al. posits that the traditional model of compliance is utilized by global brands as well as non-governmental organizations as a means of “redressing” inadequate working conditions in global value chains (2009, 4). Locke et al. (2009) and Lund-Thomsen and Lindgreen (2014) agree that the compliance-based model relies on inadequate assumptions to explain the functioning of global value chains and how they function in the modern-day economy, and that these faulty assumptions have contributed to the shaping of labor compliance initiatives globally.

The global implementation of such false assumptions has in turn resulted in global brands displaying a lack of commitment to improve working conditions for suppliers in the Global South, as well as a lack of resources and transparency by both suppliers and MNCs; both of which are factors that explain why working conditions and labor rights have only marginally improved in centers of production in developing countries. This is a consensus reached by scholars “in both the United States and Europe” within the field of business ethics, such as Locke (2013), Locke et al. (2007, 2009), Ruwanpura (2012), Lund-Thomsen et al. (2012) and Lund-Thomsen and Lindgreen (2014), raising the question as to why exactly such multinational corporations encounter challenges in ensuring ethical and sustainable labor practices throughout their global value chains.

1.2.3 Case study: the garment industry in Bangladesh

As established earlier, the expansion of global value chains goes hand-in-hand with outsourcing practices, where processes such as “production, processing, distribution, and consumption” transcend borders (Perez-Aleman and Sandilands 2008, 24). Furthermore, standards that seek to account for social and environmental factors associated with labor practices are becoming increasingly common. Since the early 1990s, non-governmental organizations (NGOs) have “organized activities” and spurred “social movements” that seek to influence change in business practices pertaining to issues such as human rights, environmental sustainability, labor standards, and the reduction of poverty (Perez-Aleman and Sandilands 2008, 24). The industry has been plagued by controversy, such as the infamous Rana Plaza disaster that took place at a garment factory in Bangladesh, where this particular building collapsed, taking along with it the lives of over one thousand garment workers in 2013, simultaneously spurring widespread protests calling for better rights and safety standards for garment workers (Hira and Benson-Rea 2017). Given that the garment industry has been plagued by numerous tragedies such as the Rana Plaza disaster, it has been historically targeted by non-governmental and advocacy groups vouching for an improvement in sustainable and ethical manufacturing practices, making it an appropriate case study for the scope of this research.

Despite the “extensive social and environmental auditing programs” that were in place for their suppliers, global brands, including Wal-Mart and Sears, denied being aware that their products were being produced in the Ali garment factory (Lund-Thomsen and Lindgreen 2014,

1; Walsh and Greenhouse 2012). This particular garment factory was located in the commercial hub of Karachi, Pakistan; in September of 2012 more than 300 garment workers lost their lives in a fire in the Ali garment factory (Ibid.). Nonetheless, this factory complex was certified with a label known as SA8000, an international “seal of legitimacy” for factories such as the Ali garment factory that theoretically comply with international labor standards. Two months later, in November of 2012, a factory fire took place in the capital city of Bangladesh, Dhaka, where more than one hundred garment workers perished (Ibid.). Furthermore, global brands, such as the aforementioned Walmart and Sears, asserted that they lacked awareness of their products being produced in the Bangladeshi factory (Lund-Thomsen and Lindgreen 2014, 1; Yardley 2012). In addition to this, there were extensive social and environmental auditing programs in place for foreign suppliers to such global brands, that theoretically should have ensured that labor standards were being complied with in such factories. This begs the question as to why poor working conditions persist within the readymade garment industry in Bangladesh, despite there being auditing measures in place. Events such as the aforementioned Rana Plaza disaster and the Ali garment factory fire have sparked renewed academic debate pertaining to concerns surrounding the “lack of national labor regulations and the inadequacy of existing private social auditing schemes that seek to ensure a basic level of safety and decent work conditions for laborers in export-oriented industries located in developing countries” (Locke 2013; Lund-Thomsen and Lindgreen 2014, 1). These examples illustrate the contemporary relevance of the research question as demonstrated by existing academic literature. These events have been widely cited in academic literature by scholars including but not limited to Hira and Benson-Rea (2017); Lund-Thomsen and Lindgreen (2014); Locke (2013), Locke et al. (2007, 2009); Perez-Aleman and Sandilands (2008); and Ruwanpura (2012).

1.2.4 Political Corporate Social Responsibility

As established earlier, multinational corporations (MNCs) form the cornerstone of global value chains (GVCs). Within such global value chains, governance is commonly guided by corporate social responsibility (CSR) initiatives, which strive to regulate the environmental and social dimensions of production chains. One related concept to such discussions is that of political corporate social responsibility (PCSR). Scherer et al. define PCSR as the range of business endeavors and activities “that turn corporations into political actors, by engaging in

public deliberations, collective decisions, and the provision of public goods or the restriction of public bads in cases where public authorities are unable or unwilling to fulfill this role” (2016, 276). PCSR is a relevant concept within the context of this thesis, given that it draws attention to the fact that firms within the global economy, especially MNCs, are increasingly called upon to “implement and engage in deliberative democracy processes and structures” in order to address governance gaps where governments are unable or unwilling to do so (Goodman and Mäkinen 2023, 251).

Based on the link between PCSR and MNCs, it has been theorized that MNCs are expected to align their business practices with principles of ethics and sustainability, and that such corporations should also be responsible for the implementation of good governance practices “even at the level of their independent suppliers” (Schrage and Gilbert 2021, 657). However, this is precisely the issue that can be identified within the garment industry as a whole, where the “complexity” of governance gaps at the individual, supplier level affect the implementation of sustainable and ethical business practices in garment factories (Ibid.). Scholars such as Schrage and Gilbert (2021) as well as de Neve (2009) have maintained that this systemic issue is created by MNCs themselves.

1.2.5 The Systemic Issue: Governance Gaps

Within the sphere of the garment industry, MNCs tend to engage in private governance practices and respond to institutional pressures within the settings that their businesses operate in. While such companies tend to engage in private governance in “different ways”, there is a trend apparent. The systemic issue that creates challenges in ensuring ethical and sustainable labor practices within the garment industry is the so-called ‘governance gap’ (Leitheiser 2019). Governance gaps result from “inactive, ineffective, or inequitable governance mechanisms”, leading to failures in ensuring ethical and sustainable working conditions within the garment industry (Schrage and Gilbert 2021, 657). Within the dynamic of governance gaps, the existence of so-called ‘Tier 1’ and ‘Tier 2’ garment factories offer an in-depth explanation as to why such issues endure within the garment industry.

Altogether, governance gaps lead to a lower likelihood of intended working scenarios being achieved, creating the reality of poor working conditions in garment factories. In creating complex chains of production that are spread out throughout the world, governance gaps are

directly created and facilitated by MNCs, through the purposeful creation of “inequitable contracts or pricing policies” that are adopted “strategically and purposefully” by such corporations within the garment industry (Schrage and Gilbert 2021, 659). Such strategic inequalities are facilitated by the existence of Tier 1 and Tier 2 garment factories. Tier 1 firms represent a type of firm that receives orders directly from overseas buyers; such firms tend to be compliant firms meeting labor standards and conditions as outlined by buyers (Ahmed and Nathan 2016, 59). Conversely, Tier 2 firms receive sub-contracted orders from Tier 1 firms, receiving a smaller margin than overseas buyers would pay (Ibid.). Such firms tend to be smaller than their Tier 1 counterparts; they are often located in residential areas where workers are subject to poorer working conditions, and there is a lack of compliance audits (Ibid.). The bulk of orders are passed on from Tier 1 factories to Tier 2 factories when there is seasonal rush occurring, where the role of Tier 2 factories is to pick up the “slack” and aid Tier 1 factories in meeting orders placed by international buyers. Scholars De Neve and Prentice cite that suppliers are forced to keep up with “rising expectations of quality and speed at ever lower prices” (2017, 2). These rising expectations are coupled with extreme pressures faced by garment factories competing in the global market, and these pressures are exerted upon garment workers themselves, in the form of “insecure employment, unpredictable working hours, quickened production rhythms, and excessive overtime” (Ibid.). It is precisely within this dynamic where the aforementioned ‘governance gaps’ occur, leading to violations of ethical codes and labor standards. This distinction between Tier 1, Tier 2 and Tier 3 garment factories in Bangladesh is key in pursuing an answer to the research question, given that it demonstrates how the overarching, systemic issue is a lack of compliance at the sub-contractor level.

1.2.6 Core-periphery relations

As established in the previous chapter, the systemic issue leading to difficulties in ensuring ethical labor practices within Bangladeshi garment factories is the so-called ‘governance gap’ (Leitheiser 2019; Schrage and Gilbert 2021). Governance gaps between ‘Tier 1’ and ‘Tier 2’ firms result in continual violations of ethical codes and labor standards within the garment industry in Bangladesh. While this does demonstrate that there is systematic evidence of challenges in implementing ethical labor practices within Bangladeshi garment factories, governance gaps alone are not sufficient to explain the underlying reason as to why cycles of

exploitation are able to continue within such factories. The root cause and mechanism underscoring the persistent ethics and labor standard violations within the garment industry must be identified as a means of explaining why MNCs encounter challenges in ensuring ethical and sustainable labor conditions. Accordingly, it is of key importance to delve into the dynamic of core-periphery relations in the global economy, and how these may offer a more in-depth analysis of the problem at hand.

Core-periphery relations are a central feature in developing an understanding of the inequalities and ethical issues that continue to persist within the garment industry. Prior to analyzing this relationship, it is necessary to offer a working definition of core nations, peripheral nations, and core-periphery relations. The core-periphery model posits that economic activities tend to concentrate themselves around “some pivotal points”, which are usually located in the “Global North” (Klimczuk and Klimczuk-Kochańska 2019, 1). Such nations tend to play a central role in world trade, and are denoted as ‘core’ nations for this reason. On the other hand, countries in the “Global South” tend to occupy secondary or tertiary roles in world trade, occupying lower positions on global value chains and undertaking lower-value producing activities (Ibid.). These nations in the “periphery” serve as the “social and economic backstages” and “supply sources” of the global economy, and are “subject to degradation and decline” in some cases (Ibid.). Core-periphery dynamics are reproduced within the garment industry. Large fashion retailers, often based in the Global North, outsource production to garment factories in the Global South in order to save costs. As a consequence of this, the bulk of economic surplus is realized in ‘core’ nations, while ‘peripheral’ nations remain stuck, occupying lower positions within global value chains.

It has been posited that corporate regulations on ethics, such as PCSR initiatives, are “shaped by and constitutive of power relations and inequalities within the global market” (de Neve 2009, 63). While CSR initiatives within the garment industry strive to address systemic governance gaps that lead to ethical issues within the production cycle, such standards and codes tend to “generate new social regimes of power and inequality” themselves (Ibid.). On the one hand, Western companies, as well as consumers in the West, are characterized as “knowledgeable, caring, and disciplined” (Ibid.). This is facilitated through auditing and monitoring mechanisms that fall under CSR policies, where such mechanisms are a means of buyers from the West instigating a “regime of control” that frames non-Western actors within the

global economy as thoughtless, falling short of self-control, and “backwards” (Ibid.) According to de Neve, the CSR policies of companies in the Global North are used as a “tool” to facilitate the buyer-supplier relationship, as well as relationships between suppliers and subcontractors further down the value chain (2009, 64). However, it can be argued that this dynamic is a means through which inequalities within the global market are “maintained and reshaped” (Ibid.). Policies of CSR may themselves serve to maintain existing power imbalances between core and peripheral nations, rather than to address the causes of such inequalities within the global economy.

Chapter 2: Background

2.1 The Bangladeshi Garment Industry

As touched upon previously, this thesis will focus on the garment industry in the South Asian nation of Bangladesh specifically. While the garment industry as a whole has been plagued by incidents such as the infamous Rana Plaza disaster of 2013, the Bangladeshi garment industry in particular presents a unique case. Four decades ago, the Bangladeshi export-oriented garment industry was built from the ground up, given that the nation was subject to restrictions on exports under the Multi-Fiber Arrangement (MFA), a quota that was imposed on the import of textiles and garments from developing nations to developed nations from 1974 to 1994 (Ahmed 2004, 34). The Daewoo Corporation of South Korea, a rising garment manufacturer that was struggling under the burden of the MFA quota system, took interest in the nation of Bangladesh in the beginning of the 1980s, setting up a production base for textiles in the South Asian nation (Ibid.). Under this, over a hundred local employees took part in an eight-month long training course, under a company that was known as ‘Desh Garments’. A few years later, several of these local employees departed the South Korean company to start their own garment businesses, marking the beginning of a decades-long growth process of the Bangladeshi garment industry (Ibid.). By the late-1990s, a so-called “explosion of garment companies” had begun, with ex-Desh Garment employees bringing over \$2 billion USD in garment sales to the nation (Ibid.). This growth was able to be sustained, and by 2008, the readymade garment industry was bringing in more than \$10 billion USD to the South Asian nation. Statistics reported by consultancy firm McKinsey & Company have cited that as of 2021, the ready-made garment industry accounts for 84 percent of

Bangladesh's exports (Berg, Chhaparia and Magnus 2021). Finally, it is worthy to note that comparable export-oriented garment industries, such as that of the Philippines, have followed different growth trajectories than that of Bangladesh. Experiencing the same path of prosperity, both Bangladesh and the Philippines grew their garment industries in the three decades leading up to 2010 (Ahmed 2004, 38). Following this however, was sustained growth for Bangladesh's garment sector, while the Philippines underwent a sharp decline. For this reason, the longevity of the garment industry in Bangladesh is notable, as it points towards the fact that the nation represents a unique case in the export-oriented garment sector.

Seemingly, the existence of the readymade garment industry in Bangladesh creates a win-win situation for all. While international buyers are able to turn increasingly bigger profits from outsourcing labor, consumers in the Global North are granted access to cheaper, affordable clothing; citizens of poorer nations in the Global South, such as Bangladesh, are afforded employment opportunities and the ability to earn a living wage by seeking employment in garment factories (Alamgir and Banerjee 2019, 273). However, the reality is evidenced by disasters such as the Rana Plaza collapse and the Tazreen factory fire. In practice, garment workers are victims of “cut-rate pricing policies of buyers” that result in extremely low, non-livable wages; working conditions remain unsafe, overtime hours are often left unpaid, and there is a total lack of collective workers' rights or labor unions as a means of protection (Ahmed and Nathan 2016; Alamgir and Banerjee 2019, Baral 2010; Berg, Chhaparia and Magnus 2021; Hasan and Shi 2017). While academic scholarship has widely cited that the South Asian nation has made significant strides in improving working conditions for the approximately “four million garment workers” employed within the sector, ethical issues and breaches of compliance continue to run rampant within the Bangladeshi garment industry (Berg, Chhaparia and Magnus 2021). Despite the “phenomenal” sustained growth of the Bangladeshi garment industry incidents such as the Rana Plaza disaster spotlight the widespread problems in working conditions that continue to run rampant in the Bangladeshi garment industry (Ibid.). In fact, the 2012 Tazreen factory fire and the 2013 collapse of Rana Plaza spurred international buyers to temporarily cease sourcing of textiles from Bangladesh. Following this was the creation of “two multi-stakeholder initiatives”, an Accord for Fire and Building Safety as well as the Alliance for Bangladesh Worker Safety, marked the beginning of a commitment by international buyers to improving the safety of workers in the garment industry (Alamgir and Banerjee 2019, 273).

These two initiatives represented the first private mechanisms of governance that claimed to be legally binding, to varying degrees, within the Bangladeshi garment sector. Despite this, various pieces of evidence have pointed towards the fact that garment workers in Bangladesh continue to be exploited and subject to unsafe working conditions on a regular basis. Briefly, Bangladeshi garment workers are exposed to unhygienic and unsafe working conditions, they are excluded from labor unions, subject to workplace abuse, as well as precarious labor conditions (Ahmed and Nathan 2016 Baral 2010; Berg, Chhaparia and Magnus 2021; Hasan and Shi 2017). While wage scales have been revised on two occasions in the aftermath of the Rana Plaza collapse, garment workers in Bangladesh are still paid “lower than a living wage”, amongst the lowest in the world (Berg, Chhaparia and Magnus 2021).

It is undeniable that there is ample room for further improvement in conditions for garment workers in Bangladesh. This claim is substantiated by the fact that research has suggested that compliance measures put into place in response to events such as the Tazreen fire and the collapse of Rana Plaza act as mere markers of “legitimacy for multinational corporations and their global brands” (Alamgir and Banerjee 2019, 272;). This notion will be elaborated upon in the ‘Analysis’ chapter. In reality, such measures do little to address the widespread, “structural problems arising from exploitative pricing and procurement practices”, both of which can be directly traced to the “deplorable” working conditions in Bangladeshi garment factories (Ibid.). This begs the question as to why such issues persist despite the longevity of the readymade garment sector in Bangladesh, as well as the economic prosperity the garment industry has brought to the nation.

2.2 The Systemic Issue: Governance Gaps

In order to conduct a thorough analysis of the dynamics that lead to sustained difficulties in maintaining prescribed working conditions within the readymade garment industry in Bangladesh, it is necessary to identify the systemic issue causing such issues. This issue is the governance gap that exists between so-called Tier 1 and Tier 2 garment factories in Bangladesh. Within the sphere of the garment industry, international buyers, typically multinational corporations such as Inditex, tend to engage in private governance practices and respond to institutional pressures within the settings that their businesses operate in. While such companies engage in private governance in “different ways”, there is a trend apparent (Leitheiser 2019). The

systemic issue that creates challenges in ensuring ethical and sustainable labor practices is the so-called ‘governance gap’ that exists between different types of firms within the garment industry (Ibid.). Governance gaps result from “inactive, ineffective, or inequitable governance mechanisms”, leading to failures in ensuring ethical and sustainable working conditions within certain spheres of the garment industry (Schrage and Gilbert 2021, 657). These governance gaps exist between different types of garment factories. Specifically, a distinction must be made between so-called Tier 1 and Tier 2 garment factories. The systemic issue of governance gaps exists between Tier 1 and Tier 2 garment factories. The differences between these two types of garment factories offer an explanation as to why such issues of governance continue to persist within the garment industry in Bangladesh.

According to Ahmed and Nathan (2016) as well as Baral (2010), and Berg, Chhaparia and Magnus (2021), within the production network of the garment industry in Bangladesh, firms can be divided into three distinct tiers, namely Tier 1, Tier 2 and Tier 3. While Ahmed and Nathan (2016) explain the three-tiered division of the Bangladeshi garment industry in detail, Berg, Chhaparia and Magnus (2021) and Baral (2010) both discuss this tier-system in their articles as well. Tier 1 firms include those who receive orders directly from international buyers or their intermediaries (Ahmed and Nathan 2016, 53). Such factories tend to employ “two thousand or more workers”, and they account for approximately twenty percent of the total number of garment firms overall (Ibid.). On the other hand, Tier 2 firms consist of “a few hundred workers” and take the form of “medium-sized units” within the informal sector (Ibid.). Within this thesis, analysis will focus on the differences between Tier 1 and Tier 2 garment factories specifically. Tier 1 firms use Tier 2 firms to subcontract orders, as a means of “filling capacity gaps of producing specific lines” (Ibid.). The key distinguishing factor between Tier 1 and Tier 2 firms is that Tier 2 garment factories do not receive orders directly from international buyers, thus excluding them from the so-called “compliance net” (Ibid.). Meaning that, Tier 2 firms are excluded from compliance audits undertaken by international buyers, seeing as these are limited to those whom such buyers directly give orders to. Finally, Tier 3 firms include those who supply inputs to Tier 1 and Tier 2 factories. Within the context of the Bangladeshi garment industry, such firms were set up through Foreign Direct Investment (FDI) in order to supply certain inputs, such as zips, trims, and accessories (Ibid.). For the scope of this research, this thesis will focus on the governance gap that exists between Tier 1 and Tier 2 factories, given the

stark differences between the two types of firms. While Tier 1 factories are subject to compliance audits given their direct relationships with international buyers, the key difference between Tier 1 and Tier 2 factories is that Tier 2 factories are exempt from such audits, thus creating a so-called ‘governance gap’ between the two types of firms.

While Tier 1 firms tend to be compliant with CSR initiatives as dictated by their international buyers, Tier 2 firms are excluded from the “compliance net”, exempting such firms from audits, and leading to the creation of a governance gap between Tier 1 and Tier 2 firms. Tier 2 garment factories are part of the informal labor sector in Bangladesh, where “single-task orders” are taken on contract (Ahmed and Nathan 2016, 54). It is within this informal sector where child labor occurs, wages are often withheld, overtime hours are left unpaid, and overall working conditions tend to be significantly poorer than within Tier 1 factories. This notion will be further explained in the ‘Analysis’ chapter. Furthermore, Tier 2 firms tend to be located within cramped quarters in residential areas. A 2010 comparative study of ten garment factories, of which five were compliant and five were non-compliant, found that the compliant firms consisted of those who received orders directly from international buyers (Baral 2010, 85). Conversely, the non-compliant firms were those who received sub-contracted orders from Tier 1 firms, thus illustrating the fact that Tier 2 firms make up the bulk of non-compliant firms (Ahmed and Nathan 2016, 59). Furthermore, Ahmed and Nathan (2016) cited that the collapse of the Rana Plaza building was linked to Tier 2 garment firms (59). The Rana Plaza building was divided into “a number of firms”, each containing a few hundred to a few thousand workers, meaning that the firms operating within Rana Plaza were Tier 2 firms (Ibid.). As such, two main observations can be made pertaining to the difference between Tier 1 and Tier 2 firms. Firstly, that Tier 1 firms tend to be compliant as they receive orders directly from international buyers, while Tier 2 firms tend to be non-compliant as they receive sub-contracted orders. Second and finally, that Tier 2 firms are the firms that have been involved in “fire and building collapse incidents”, such as the Rana Plaza disaster. All in all, these observations and the differences between Tier 1 and Tier 2 garment factories point towards the significance of investigating this systemic issue within the context of the readymade garment industry in Bangladesh.

2.3 Beyond Rana Plaza

Various case studies and media reports have outlined the specific differences that exist between Tier 1 and Tier 2 garment factories. A 2019 publication from the ILO's Regional Office for Asia and the Pacific noted that tier-one factories within the garment sector are often under more pressure to participate in measures that aim to improve their productivity and working conditions, given that such factories often have direct relationships with international buyers and therefore already have access to so-called "factory improvement services" (Andersson, Machiels and Bodwell 2019, 20). On the other hand, lower-tier suppliers lack incentives to improve their productivity and working conditions, given that they "fall outside legal and regulatory frameworks, and are less exposed to pressure from buyers and advocacy groups" (Ibid.).

According to the Clean Clothes Campaign, deaths and injuries have remained commonplace since the 2013 Rana Plaza disaster. Since January 2021, the Clean Clothes Campaign has recorded 117 incidents that claimed the lives of 240 workers and injured over 800 (Clean Clothes Campaign 2024). Taking place in garment, textile and related factories in China, Pakistan, Egypt, Morocco, Turkey, Jordan, Cambodia, and Bosnia and Herzegovina; most incidents involved "several massive fires", floodings, or electrocutions (Ibid.). The Clean Clothes Campaign maintains that worker deaths and injuries often go unreported, meaning that the true number of fatalities and injuries is much higher in reality. Furthermore, the organization cites that well-known brands such as Nike, Levi's, Walmart, and Target were among the clothing retailers linked to the aforementioned factory incidents. The organization also emphasized that many factories were unable to identify the apparel brands that were linked to the incidents, given that "most textile companies refuse to reveal their supplier factories" (Ibid.). Most of these incidents took place in Tier 2 factories, such as the Rana Plaza disaster. As specified by Ahmed and Nathan (2016), a 2008 survey cited that 16.7 percent of workers employed in Tier 2 garment factories reported "accidents resulting from poor electrical systems" (63). Furthermore, all such subcontracting firms lacked emergency exits altogether, whereas Tier 1 garment factories "reported no such accidents" (Ibid.). As such, these pieces of evidence unveil the fact that the governance gap between Tier 1 and Tier 2 garment factories is the systemic trend leading to challenges in ensuring ethical and sustainable working conditions within the garment industry.

2.4 Conclusion

Altogether, governance gaps lead to a lower likelihood of intended working scenarios being achieved, contributing to the reality of poor working conditions in garment factories in Bangladesh. In creating complex chains of production that are spread out throughout the world, governance gaps are directly created and facilitated by MNCs, through the purposeful creation of “inequitable contracts or pricing policies” that are adopted “strategically and purposefully” by such corporations within the garment industry (Schrage and Gilbert 2021, 659). Such strategic inequalities are facilitated by the existence of Tier 1, Tier 2 and Tier 3 garment factories. Tier 1 firms represent a type of firm that receives orders directly from overseas buyers; such firms tend to be compliant firms meeting labor standards and conditions as outlined by buyers (Ahmed and Nathan 2016, 59). Conversely, Tier 2 and Tier 3 firms receive sub-contracted orders from Tier 1 firms, receiving a smaller margin than overseas buyers would pay (Ibid.). Such firms tend to be smaller than their Tier 1 counterparts; they are often located in residential areas where workers are subject to poorer working conditions, and there is a lack of compliance audits (Ibid.). The bulk of orders are passed on from Tier 1 factories to Tier 2 or 3 factories when there is seasonal rush occurring, where the role of such lower-tier factories is to pick up the “slack” and aid Tier 1 factories in meeting orders placed by international buyers. Scholars De Neve and Prentice cite that suppliers are forced to keep up with “rising expectations of quality and speed at ever lower prices” (2017, 2). These rising expectations are coupled with extreme pressures faced by garment factories competing in the global market, and these pressures are exerted upon garment workers themselves, in the form of “insecure employment, unpredictable working hours, quickened production rhythms, and excessive overtime” (Ibid.). It is precisely within this dynamic where the aforementioned ‘governance gaps’ occur, leading to violations of ethical codes and labor standards. This distinction between Tier 1 and Tier 2 garment factories in Bangladesh is key in pursuing an answer to the research question, given that it demonstrates how the overarching, systemic issue is a lack of compliance at the sub-contractor level.

Chapter 3: Methodology

3.1 Analytical framework

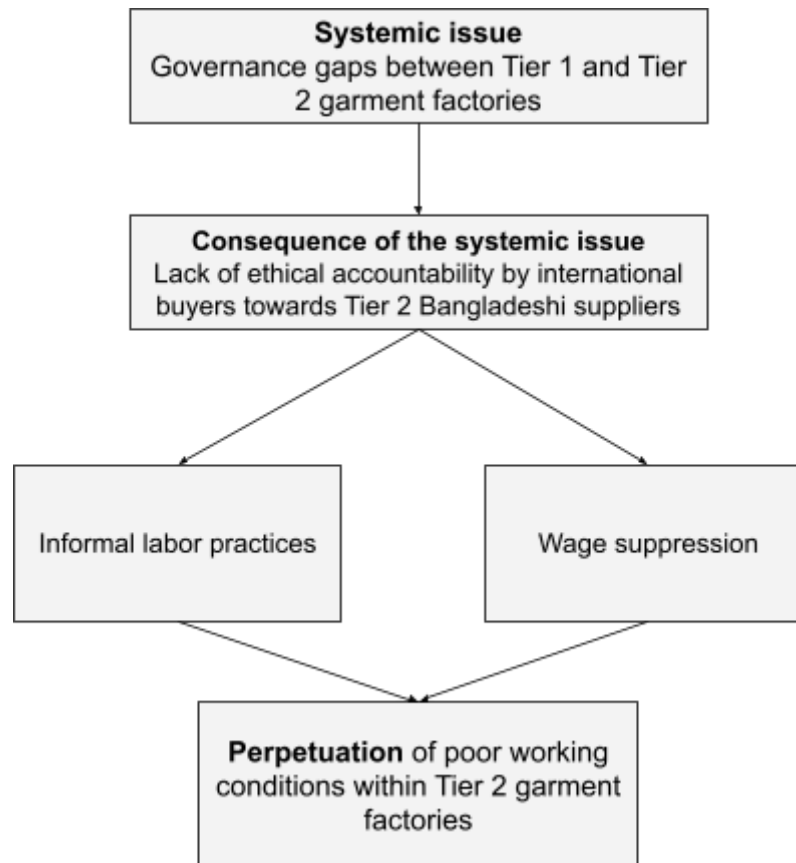


Figure 1: a flowchart explaining the mechanism of the analytical framework deployed within this thesis

For the scope of research within this thesis, the readymade garment industry in Bangladesh will serve as the chosen case study. As a means of providing structure to the research process, an analytical framework was developed as well. The flowchart depicted under ‘Figure 1’ represents the analytical framework for analyzing the mechanism and underlying reason as to why ethical issues and poor working conditions continue to run rampant within the Bangladeshi garment industry. To begin with, the starting point for this analysis is the systemic issue existing across Bangladeshi garment factories, which is governance gaps between Tier 1 and Tier 2 garment factories. As outlined in the background chapter, this systemic issue was identified

based on consensus amongst scholars such as Ahmed and Nathan (2016), as well as Baral (2010), Leitheiser (2019) and Schrage and Gilbert (2021). While Tier 1 garment factories receive orders directly from international buyers, Tier 2 garment factories receive outsourced orders from Tier 1 factories, meaning that Tier 2 factories do not have direct contact with international buyers. This, despite the fact that Tier 2 factories are still supplying readymade garments to international buyers via Tier 1 garment factories. A consequence of Tier 2 garment factories not being in direct contact with international buyers is that they are therefore not subject to the same compliance audits as Tier 1 firms are. Ahmed and Nathan (2016), as well as Baral (2010) cite that while Tier 1 firms are compliant given the fact that they do not receive sub-contracted orders, the “bulk” of Tier 2 firms are non-compliant given the lack of a direct relationship with international buyers (Baral 2010, 85). This difference is known as the governance gap, which is the overarching, systemic issue that can aid in explaining the reason as to why ethical issues and poor working conditions are still prevalent in the Bangladeshi garment industry.

Building upon the systemic issue of governance gaps within the Bangladeshi garment industry, the next step was to identify the main consequence of this systemic issue. Firstly, it is important to once again highlight the systemic governance gap, which is that Tier 1 garment firms are subject to audit measures by international buyers, while Tier 2 garment firms are not subject to such checks and balances. Building upon this systemic issue, it became evident that there is a lack of ethical accountability by international buyers towards Tier 2 garment factories in Bangladesh. This, despite the fact that Tier 2 garment firms do supply readymade garments to international clients, albeit indirectly through outsourcing by Tier 1 firms. Given this lack of ethical accountability, the next step in developing the analytical framework was to develop testable factors that can be used to demonstrate how the systemic issue of governance gaps leads to the perpetuation of ethical issues and poor working conditions within the Bangladeshi garment industry. Following this, the two terms in the third row, informal labor and wage suppression, are the two factors that facilitate the perpetuation of poor working conditions within the garment industry in Bangladesh. These will be investigated in detail in the ‘Analysis’ chapter.

The first factor that facilitates the perpetuation of poor working conditions within the garment industry is informal labor practices. According to the International Labor Organization, the term “informal economy” is an umbrella term seeking to encompass the workers and companies that are not protected or recognized under legal and regulatory frameworks, thus

leading to employees within the informal sector in a highly vulnerable position (ILO, 2024). Within Tier 2 firms in particular, informal labor practices run rampant within the garment industry. As outlined in the 'Background' chapter, it is worth reiterating that in Bangladesh, Tier 2 garment factories tend to be located in cramped quarters within residential areas (Baral 2010, 85). It is within such garment factories that child labor runs rampant, wages are often withheld, overtime hours are left unpaid, and working conditions as a whole tend to be poor and dangerous as compared to conditions in Tier 1 garment factories (Ibid.). The existence of informal labor in the Bangladeshi garment industry is not merely a consequence of the governance gap, rather, it is a factor facilitating ethical violations and poor working conditions within the garment sector. Due to this notable discrepancy between Tier 1 and Tier 2 garment factories, it is worth researching whether informal labor within the garment industry acts as a means of perpetuating ethical violations and poor working conditions within Tier 2 firms in the Bangladeshi garment sector.

The second factor facilitating the perpetuation of poor working conditions within the Bangladeshi garment industry relates to wages, specifically the issue of wage suppression. While the issue of wage suppression is included within discussions on the informal economy, especially when pertaining to the garment industry, it is worth exploring wage suppression as a standalone issue as well. This is due to the fact that a disproportionate trend of wage suppression has been emerging within the garment sector. Taking the example of a garment worker producing a t-shirt, Starmanns (2017) reported that the average garment worker would be paid only 1% of the price at which the t-shirt retails (1). Scholars such as Raworth & Kidder (2009), as well as Starmanns (2017) note that while international buyers have demanded lower prices and higher quality from their suppliers, suppliers report that within a time period of 1.5 years, prices sunk by 35%, while quality demands continued to rise disproportionately. It has been suggested that international buyers "exercise disproportionate power in global garment supply chains", and that this pressure is transferred from garment suppliers to garment workers, manifesting in the form of suppressed, or even withheld wages and precarious working conditions as a whole (Starmanns 2017, 3). As such, it is worth researching wages and wage suppression within the context of the Bangladeshi garment industry in order to investigate whether these are linked to the perpetuation of poor working conditions within Tier 2 garment factories.

Chapter 4: Analysis

4.1 Informality of labor within the Bangladeshi readymade garment industry

As outlined in Figure 1, the analytical framework depicts two factors relating to the systemic issue of governance gaps between Tier 1 and Tier 2 garment factories in Bangladesh. Specifically, the first testable factor that may explain the perpetuation of poor working conditions within Tier 2 Bangladeshi garment factories is informal labor practices. Prior to delving into informal labor practices within the Bangladeshi garment industry, it is of use to provide a working definition of the informal economy within the context of Bangladesh and its readymade garment sector. According to a 2012 report published by the United States Department of Labor, “the informal economy includes all enterprises and workers not recognized, regulated, or protected by comprehensive legal and regulatory frameworks” (United States Department of Labor). Within the context of this thesis, this definition is most appropriate, given the fact that the systemic issue of governance gaps focuses on the fact that Tier 2 garment factories are excluded from the compliance net of legal and regulatory frameworks that are imposed upon Tier 1 garment factories. A consequence of the systemic issue of the governance gap is the fact that international buyers do not have any ethical accountability towards Tier 2 Bangladeshi garment suppliers, given that they do not maintain direct relationships with such garment factories. It can be argued that a result of this lack of ethical accountability is that informal labor practices are able to continue within the garment industry in Bangladesh, and that this is one factor leading to the perpetuation of poor working conditions within such Tier 2 garment factories.

Scholars such as Khan (2001), Mahmud (2010), and Mondal (2002) have cited that the bulk of “research and policy attention on workers’ rights and labor relations in the private sector and the informal economy” in Bangladesh have been scarce, while most attention has been given towards “labor relations in the formal economy and on public sector workers” (Mahmud 2010, 60). This is precisely the issue at hand. While Tier 1 garment factories, part of the formal economy and therefore subject to codified regulations and CSR initiatives, are subject to audits and compliance measures; Tier 2 garment factories fly under the radar given that they are part of the informal economy, and international buyers do not facilitate direct relationships with such factories (Ahmed and Nathan 2016; Baral 2010). Mahmud (2010) goes on to posit that the manifestation of such “informal labor relations” in Tier 2 garment factories “within a formal

production process” is a unique trait of export garment manufacturing, and that this prevents workers from mobilizing in the form of unions, as well as excluding them from accountability processes, such as auditing, that should act as a safety net for the labor rights of garment workers (Mahmud 2010). While it is clear that the mere existence of informality within Tier 2 garment factories in Bangladesh leaves garment workers in the informal sector unprotected and unaccounted for by international buyers, it is necessary to first delve into the details and the dynamics of the informal sector within the Bangladeshi garment industry, as this will allow for a deeper understanding of the manner in which the informal economy acts as a facilitator of poor working conditions within the Bangladeshi garment sector.

To begin with, numerous scholars make the overarching argument that global safety compliance measures, often developed through multi-stakeholder initiatives, provide legitimacy to multinational corporations and their brand. Such scholars include Ahmed and Nathan (2016), Alamgir and Banerjee (2019), Baral (2010), Berg, Chhaparia and Magnus (2021); and Schrage and Gilbert (2021). However, the reality is that such compliance measures do very little to address the “structural problems” that arise as a result of exploitative pricing practices and procurement processes (Alamgir and Banerjee 2019, 272). One such structural problem is informal labor within Tier 2 garment factories in Bangladesh. The existence of informal labor within Tier 2 garment factories in Bangladesh is a driving factor that leads to the perpetuation of ethical issues within the Bangladeshi readymade garment industry. The most prevalent issues arising from informal labor within the Bangladeshi garment industry are child labor and poor, unsafe working conditions that predominantly affect Tier 2 firms.

To begin with, scholarship discussing the informality of labor within the Bangladeshi garment industry repeatedly makes reference to the occurrence of child labor. According to Ahmed and Nathan (2016), contracts given to Tier 2 garment factories from Tier 1 factories are commonly “single-task orders” taken through a “sub-contracting route”, which is precisely where the systemic issue of the governance gap takes place (54). Ahmed and Nathan (2016) cite that it is within such firms that child labor continues to persist, given that children often work “along with parents and other family members” in order to fulfill such jobs that are taken on contract (Ibid.). A metric from the Bangladesh Bureau of Statistics Labor Force Survey, as cited by scholar Ahamed (2013) reported that there are 5.7 million 10 to 14 year old children working in Bangladesh (33). Of this total, “nearly all” child labor is found within the garment sector

(Ibid.). Additionally, Ahamed (2013) elaborates on the prevalence of child labor within the readymade garment industry in Bangladesh, specifying that garment factory owners prefer to ‘hire’ girls under the age of 15, as they are “more likely to be unmarried with no children or domestic responsibilities” (Ibid.). All in all, child workers tend to first be appointed as “apprentices” or “helpers” within the readymade garment sector, leaving them without work identification or time cards “even after completing their apprenticeship period” (Ibid.). Furthermore, child laborers are not granted paid leave for holidays, their salaries are withheld altogether in the event of absence (Ibid.). While child labor within the Tier 2 garment factories in Bangladesh is a serious issue in and of itself, it is intrinsically linked to issues of workplace safety, or a lack thereof, within Tier 2 garment firms. Ahamed (2013) reported that child laborers are not granted the use of protective gear, they are not offered proper training, and are left uneducated on “occupational health and safety issues” (Ibid.). The International Labor Organization reports that jobs within the garment industry leave children at risk of stunted “physical and mental development”, in addition to the serious risks and hazards they are exposed to within unregulated, Tier 2 firms (Ahamed 2013, 34). While international organizations and NGOs have pressured the readymade garment industry in Bangladesh to establish safety nets for such workers, and to eliminate child labor altogether, such acts of compliance are impossible to enforce within Tier 2 firms, as these fall under the informal sector and outside of the so-called net of compliance (Ahmed and Nathan 2016; Ahamed 2013). As such, it is evident that Tier 2 garment firms are able to leverage their position outside of the compliance net in order to take advantage of child laborers, who continue to be treated as informal laborers within the readymade garment industry in Bangladesh. Consequently, the link between informal labor, child labor and how this leads to the perpetuation of poor working conditions within the garment industry in Bangladesh is evident.

While the intrinsic link between child labor within the Bangladeshi garment industry and the prevalence of poor working conditions within such firms is clear, it is of importance to discuss working conditions within the informal sector of the readymade garment industry as a standalone issue. According to Ahmed and Nathan (2016), the term “working conditions” encompasses the space that garment workers are provided with, lighting, the provision of toilets, and the availability of safety materials and equipment (58). Despite the fact that there are “a number of agencies” in existence that serve to monitor compliance norms within garment

factories, the “critical lacuna” in monitoring such working conditions is the difference between Tier 1 and Tier 2 firms, specifically, the fact that Tier 2 firms exist within the informal sector and are excluded from this compliance net altogether (Ahmed and Nathan 2016, 58-59). Citing a 2008 survey, Ahmed and Nathan (2016) reported that 16.7 percent of garment workers within sub-contracting, Tier 2 firms, reported accidents stemming from poor electrical systems; as well as the fact that “all sub-contracting firms locked emergency exits” (59). Moreover, a mere 4.5 percent of garment workers within Tier 1 garment firms reported such accidents (Ibid.). The findings of Baral’s 2010 comparative study of compliant versus non-compliant readymade garment factories in Bangladesh demonstrated a driving factor explaining why non-compliant, Tier 2 garment firms are still able to exist within Bangladesh’s economy. Citing that the average initial investment as well as the average running cost of compliant, Tier 1 firms is 0.159 and 0.118 million US\$ more expensive respectively, non-compliant factories are simply unwilling and unable to invest in equipment that would enable them to receive direct orders from “reputed” international buyers (Baral 2010, 99). Despite the fact that compliant factories are “more profitable in the end”, the major hurdle facing non-compliant Tier 2 firms is acquiring the resources needed as an initial investment, which is oftentimes unfeasible for owners of Tier 2 garment factories (Baral 2010, 93). As such, the vicious cycle of informal labor within Tier 2 garment factories is able to persist, leading to unsafe working conditions for garment workers within Tier 2 firms. As client demands for both quality and quantity continue to rise, Tier 1 garment factories become increasingly reliant on Tier 2 garment factories to fill the gaps in orders they are unable to fulfill themselves. And so, informality within the Bangladeshi garment factory lives on, leaving the majority of garment workers unprotected by the net of compliance, and exposed to avoidable dangers at their low-paying, precarious jobs within the readymade garment sector.

Finally, in discussing the link between informal labor and poor working conditions within the garment industry, it is of importance to acknowledge the gendered aspect of such discussions, as this was repeatedly noted by scholars discussing informal labor within the Bangladeshi garment industry. A defining attribute of the informal garment sector within Bangladesh is the fact that, according to a 2020 report titled “Understanding the Gender Composition and Experience of Ready-Made Garment (RMG) Workers in Bangladesh”, most workers in this sector are women (International Labor Organization, 2020). It is estimated that, according to the

Bangladesh Garment Manufacturers and Exporters Association, 80 percent of garment workers employed in factories in Bangladesh are women, meaning that 3.2 million of the total 4 million Bangladeshi garment workers are women (Ibid.). Women working in the readymade garment sector in Bangladesh are predominantly employed in the “largely unregulated informal sector”, meaning that they are primarily working in Tier 2 garment factories (Quayyum 2019, 840). Informal labor conditions within Tier 2 garment factories lead to the vulnerability of all garment workers, regardless of their gender. However, the fact that it is predominantly women who are employed within Tier 2 firms is notable, given the fact that women are in a more vulnerable position than their male counterparts in the first place, irrespective of whether they are employed in a Tier 1 or a Tier 2 factory. Not only are female garment workers left in a precarious position due to the fact that they tend to be employed in Tier 2 garment factories, female garment workers are worse off than their male counterparts in general. Overall, there are several factors leaving female garment employees within the informal economy worse off than their male counterparts.

The International Labor Organization’s (ILO) 2020 report outlines several reasons for the vulnerability of female garment workers in Bangladesh. Firstly, it is mentioned that female garment workers work comparatively longer hours as compared to male garment workers, given the fact that they are expected to combine their factory work with household tasks as well. For this reason, women’s working days are 14.1 hours long, whereas men work an average of 12.9 hours within the context of the Bangladeshi garment industry (International Labor Organization, 2020). Furthermore, women garment workers tend to work low-paid jobs within the readymade garment sector. It has been cited that most, specifically 97.1 percent, women workers in the readymade garment sector tend to be employed within the ‘production’ sphere (Ibid.). The sphere of production within the Bangladeshi garment industry can be divided into seven salary grades, where 1 represents the highest paying jobs and 7 represents the lowest paying jobs. A study done by the Bangladeshi Minimum Wages Board cited within the ILO’s 2020 report stated that while 83.8 percent of women are employed in low paying jobs, from grades 4 to 7, the same goes for only 67.7 percent of men within the Bangladeshi readymade garment industry (Ibid.). Linked to this is the fact that women working in the garment industry in Bangladesh are less likely to move into managerial and leadership positions within this sector. A 2019 review of Industry and Compliance by Better Work Bangladesh reported that between the years of 2010 and 2018, the proportion of women employed in non-production, managerial positions within the

garment sector remained “low and unchanged” (Better Work Bangladesh). This was linked to the fact that female garment workers in Bangladesh are negatively affected by “gender-based stereotypes, discrimination and norms” that leave them less likely to move upwards into managerial roles (Ibid.). A 2019 survey by Better Work Bangladesh investigating garment workers’ perceptions of productivity found that “most” respondents, 89 percent of women and 87 percent of men, believe that “men can work faster than women” and that men have a “greater output than that of women” (Ibid.). Finally, as outlined previously, female garment workers are expected fulfill their household roles as well and therefore work comparatively longer hours overall, which also leaves women less likely to pursue managerial roles given that they “do not feel qualified” for such roles due to the “intense workload” involved (Ibid.). Within the aforementioned Better Work survey, 67.7 percent of surveyed female garment workers cited these two reasons as preventing factors barring them from pursuing managerial positions. All in all, while all garment workers, regardless of their gender, are employed under precarious positions when they work in the informal economy, the gendered aspect of this discrepancy is noteworthy. Female garment workers employed in Tier 2 garment factories within the informal sector in Bangladesh are worse off given the fact that they work comparatively longer hours, their wages are often lower and they are less likely to be promoted to higher level positions.

With relation to de Neve’s (2009) discussion on core-periphery relations and how these relate to the exploitative labor practices going on within the Bangladeshi garment industry, it is important to mention how the informality of labor is connected to this notion as well. As discussed earlier, Ahmed and Nathan (2016) as well as Baral (2010) maintain that a primary reason as to why Tier 2 garment factories are able to continue operating is that Tier 1 garment firms are heavily reliant on Tier 2 firms as a means of filling the “gaps” in orders Tier 1 firms are unable to fulfill themselves (Baral 2010, 93). As demands by international buyers for increased quantity as well as improved quality for readymade garments continue to rise, Tier 1 firms become increasingly reliant on Tier 2 firms to fulfill orders and to prevent the loss of clients (Ahmed and Nathan 2016, 55). According to de Neve’s analysis of core-periphery relations within the global economy, CSR policies that are coined by international buyers may themselves serve as a means of maintaining power imbalances between core and peripheral nations, seeing as garment factories within the informal economy are excluded from such governance practices altogether (de Neve 2009, 64). As such, exploitative labor practices, such as child labor and poor

working conditions are able to persist within Tier 2 garment factories. Nations in the periphery, such as Bangladesh, continue to be heavily reliant on the economic gains made from the export-oriented readymade garment industry. Tier 1 firms increasingly rely on Tier 2 firms so that they can fulfill orders placed by international buyers, allowing the cycle of exploitation of Tier 2 garment workers to continue. Meanwhile, large fashion retailers based in ‘core’ nations are able to benefit economically from their outsourcing of production to nations in the periphery, despite the fact that garment workers continue to be treated poorly, especially within the informal sector.

4.2 Wage suppression within the Bangladeshi readymade garment industry

The second factor facilitating the perpetuation of poor working conditions within the Bangladeshi garment industry, as displayed under Figure 1, is that of wage suppression. While wage suppression is intrinsically linked to the informality of labor, wage suppression as a standalone issue relating to the garment industry in Bangladesh is particularly interesting to consider for two main reasons. First, it has been argued by numerous scholars that wages within the Bangladeshi garment industry in particular “need to be kept low to ensure competitiveness” (Alamgir and Banerjee 2019, 274; Ashraf and Prentice 2019, 94). A defining feature of the Bangladeshi garment industry specifically is the fact that the nation is a “provider of low-cost, ‘fast fashion’ garments for global brands and retailers”, a feature that is facilitated by the imposition of “structural vulnerabilities” on garment workers, including wage suppression (Ashraf and Prentice 2019, 95). Second, scholars Raworth & Kidder (2009) as well as Starmanns (2017), have highlighted the fact that while international buyers have continued to raise their expectations for quality and quantity when placing orders from Bangladeshi garment factories, wages have not risen to match these demands accordingly (3). In fact, wages for garment workers within Bangladesh remain among the lowest in the world. After five years without seeing an increase in their minimum wage, garment workers demonstrated in the streets of Dhaka at the end of 2023, demanding a “\$208 monthly minimum wage” in some of the “worst wage-related protests” to take place in a decade in the South Asian nation (Al Jazeera, 2023). Subsequently, the Bangladesh State Minister for Labour and Employment announced that the monthly minimum wage for garment workers would be raised to “\$113 from the previous \$75” as of December 1st, 2023 (Ibid.). Despite this, wages for garment workers in Bangladesh remain

“among the lowest in the world”, and garment workers find themselves struggling to purchase daily commodities, needing to “work overtime to make ends meet” (Ibid.). This applies to garment workers employed within both Tier 1 and Tier 2 garment factories, with the correlation playing into a larger issue at hand. To be more specific, the International Labour Organization has noted that due to the “sheer volume of its purchases”, buyers are granted “substantial bargaining power in an asymmetrical market relationship where a buyer can negotiate prices and specify, what, how, where, and by whom the goods it sells are purchased”, forcing wages to remain extremely low for Bangladeshi garment workers (Blasi and Bair 2019, 11). Unrealistic demands from international buyers inadvertently force Tier 1 garment factories to rely on Tier 2 garment factories as a means of filling the gaps in orders they are unable to fulfill themselves, which in turn leads to the perpetuation of poor working conditions within the garment industry in Bangladesh. In order to develop a holistic understanding of the link between wage suppression and the perpetuation of poor working conditions within the Bangladeshi readymade garment industry, it is worthwhile to delve deeper into the two aforementioned observations.

A cornerstone of survivability within the global garment sector for Bangladesh is its “comparative advantage” as a provider of extremely low-cost “fast fashion” garments (Ashraf and Prentice 2019, 95). Scholarship has widely argued that this comparative advantage is at least partially maintained by the fact that wages for Bangladeshi garment workers remain extremely low (Raworth and Kidder 2009, Starmanns 2017). In discussing this, it is also noteworthy to address the trend that wages for garment workers have taken in Bangladesh. Scholars Grimshaw and de Bustillo conducted a 2016 comparative study on wage fixing institutions and the impacts these have in major garment producing countries, in a report that was synthesized for the International Labour Organization. The results of the study identified a “sporadic and significant trend” for “industry-level minimum wages” in Bangladesh (Grimshaw and de Bustillo 2016, 19). To be more specific, due to Bangladesh’s “incomplete development”, regular upgrading of wages has remained very limited, coupled with “major failings in the system” that have facilitated this (Ibid.). This claim is substantiated by the fact that until 2023, the minimum wage for garment workers in Bangladesh had remained the same since 2018 (Al Jazeera 2023). The term “major failings” refers to the fact that legal and regulatory frameworks have not explicitly stated the rights that garment workers in Bangladesh are entitled to (Grimshaw and de Bustillo 2016, Perez-Aleman and Sandilands 2008, Gunawan et al. 2023). As a result, garment workers and

their livelihoods within the readymade garment sector in Bangladesh are left wholly unprotected by systems that exist, in theory, to protect them. The plight of Tier 2 garment workers is significantly worse than that of Tier 1 garment workers, given that garment workers within the informal sector are excluded from the legal and regulatory frameworks altogether. Meaning that, Tier 2 garment workers are significantly more likely to have their wages withheld, their overtime hours left unpaid, and they are excluded from the December 2023 minimum wage-increase agreement (Al Jazeera 2023). While Tier 1 garment factories commonly rely on Tier 2 garment factories to fill the gaps in orders they are unable to fulfill themselves and to keep costs as low as possible, Tier 2 garment workers are not granted any form of protection from legal and regulatory frameworks. While Tier 1 garment workers certainly suffer at the hands of the “major failings” associated with the aforementioned frameworks, the fact that Tier 1 factories rely on the informal sector as a means of maintaining their low production costs, and thus their comparative advantage, perpetuates the mistreatment of garment workers within the Tier 2 garment factory sphere (Ibid.).

Next, it is important to address the power dynamics between international buyers and their suppliers within the garment industry and how these connect to the notion of core-periphery relations. Alamgir and Banerjee (2019) posit that multinational corporations wield a unique “power and capability to develop ‘inclusive’ regimes of governance” in the form of CSR initiatives, for example (278). Such CSR initiatives, commonly deployed within the garment industry are mere forms of virtue signaling, argue Alamgir and Banerjee (2019) as well as De Neve (2009). While multinational corporations, based in core nations in the Global North, are able to use their CSR “regimes of governance” as a means of appearing to address the systemic issues existing within the garment industry’s supply chain; in reality, such standards and codes of conduct merely provide “legitimacy” to “powerful corporate and market actors rather than improve the conditions of workers (Alamgir and Banerjee 2019, 277). Such measures simply allow issues such as wage suppression to continue within the readymade garment industry. This is exemplified by the fact that Tier 2 factories are excluded altogether from the ‘net of compliance’, meaning that wages are kept to a minimum within Tier 2 garment factories. This, despite the fact that they continue to, albeit indirectly, fulfill orders for international buyers. Consequently, multinational corporations use the legitimacy provided by their CSR initiatives as a means of continuing to extract value from peripheral nations.

4.3 Conclusion

Finally, in discussing the perpetuation of poor working conditions for garment workers in Bangladesh, scholars Alamgir and Banerjee have noted the importance of acknowledging the “politicization of multinational corporations” (Alamgir and Banerjee 2019, 272-273). Scholars Levy (2008) as well as Alamgir and Banerjee (2019) have posited that “global brands and retailers exert more control over production networks and supply chains than local manufacturers in the garment industry”, given that these networks and chains are driven by “power dynamics and contestations” that occur between the actors existing within supply chains (Levy 2008, 943). The discussion of such “power dynamics” is a reference to the CSR strategies deployed by multinational corporations following the Rana Plaza disaster, as outlined and discussed previously. Alamgir and Banerjee (2019) build on this, arguing that such CSR-driven codes of conduct are in fact a means of “providing legitimacy to powerful corporate and market actors rather than improving the conditions of workers” (277). De Neve (2009) substantiates this claim, positing that CSR initiatives themselves emerge from “asymmetrical power relations” that lead to an imbalance of power between international buyers and their suppliers in the Global South. More specifically, that international buyers wield more power over their suppliers than the suppliers are able to exert. As such, international buyers are able to raise their demands for quality and quantity when placing orders with garment factories. If garment factories find themselves unable to keep up with these demands, buyers are simply able to take their business elsewhere, leading to this dynamic of “asymmetrical power relations” (Alamgir and Banerjee 2019, 277). This precisely is the reason Tier 1 garment factories are reliant on Tier 2 garment factories to bridge the gaps in orders they are unable to fulfill themselves. As discussed earlier, working conditions are poorer overall in Tier 2 garment factories, meaning that these “asymmetrical power relations” facilitate the perpetuation of poor working conditions for Bangladeshi garment workers. Within the readymade garment sector in Bangladesh in particular, wages are suppressed as much as possible as a means of keeping costs low and maintaining the nation’s comparative advantage in producing extremely low-cost garments. Ultimately, this is a factor that perpetuates the plight of garment workers within the Tier 2 sector.

Conclusion

Discussions on the readymade garment industry and the prevalence of poor working conditions within the industry have been centered around the plight of garment workers. Building on such discussions, this thesis identified a research gap, specifically that academic scholarship has not mapped out the overarching, systemic issue that may explain why such poor working conditions continue to exist within the garment industry. The systemic issue identified was that of governance gaps between so-called ‘Tier 1’ and ‘Tier 2’ garment factories. Subsequently, a case study method was employed, with guidance of an analytical framework in order to seek an answer to the research question: why do poor working conditions persist within the readymade garment industry in Bangladesh?

The analysis was built based on the analytical framework, and it focused on the informal sector and wage suppression as two factors perpetuating poor working conditions and other ethical issues within the readymade garment industry in Bangladesh. Findings of the research conducted demonstrated that the informal sector is intrinsically linked to the perpetuation of poor working conditions, commonly manifesting as child labor and unsafe working conditions. Furthermore, the gendered aspect of discussions on poor working conditions within the garment industry was explored. This showed that while all garment workers within the informal sector are subject to poor working conditions, female garment workers are worse off for several reasons. Overall, it can be concluded that governance gaps between Tier 1 and Tier 2 garment factories lead to a perpetuation of informal labor within the garment industry in Bangladesh, seeing as the governance gap leads to a lack of ethical accountability of international buyers towards Tier 2 suppliers.

The second component of the analysis, as dictated by the analytical framework, was exploring whether wage suppression facilitates the perpetuation of poor working conditions within the garment industry in Bangladesh. It was found that while multinational corporations utilize CSR initiatives as a mark of legitimacy, such initiatives are mere virtue signaling. This is because Tier 2 factories are excluded from the ‘net of compliance’ under such CSR initiatives, meaning that wages remain extremely low within the informal sector of the Bangladeshi garment industry. Given that Tier 1 factories are increasingly reliant on Tier 2 factories to fill the so-called gaps in their orders, poor working conditions are able to persist within Tier 2 garment firms, where wages are suppressed and unregulated by CSR initiatives. Therefore, the conclusion of

these findings was that wage suppression is a factor that perpetuates the mistreatment of garment workers in Bangladesh.

Additionally, the notion of core-periphery relations was touched upon within this thesis. The relevance of this concept is evidenced by the fact that large fashion retailers are typically based in so-called 'core' nations, while production is outsourced to 'peripheral' nations as a means of cutting costs. This, in turn, allows 'core' nations to benefit economically through extracting value from peripheral nations. Meanwhile, workers in the production sphere, such as garment workers in Bangladesh, are subject to poor treatment within the informal sector in particular. This notion was discussed by several scholars cited within this thesis, such as Ahmed and Nathan (2016), Baral (2010), and de Neve (2009).

Accordingly, an answer to the research question was identified, specifically that two factors leading to the perpetuation of poor working conditions in the Bangladeshi garment industry are informal labor and wage suppression; and that these factors stem from the systemic issue of governance gaps between Tier 1 and Tier 2 garment factories. The scope of this thesis was limited to two factors. Research constraints, specifically the word count, meant that it was fitting to focus on two factors within a thoroughly researched analytical framework for the purposes of this thesis. Given this, possibility for further research exists.

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