

# Development in Brief



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## Poor Labour Standards in LDCs - Causes and Possible Solutions

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Serious accidents, such as the recent collapse of a garment factory in Bangladesh, repeatedly bring the problem of poor labour standards in Least-developed Countries (LDCs) back into the public domain. What are the main causes for the often catastrophic labour standards in labour-intensive export industries, and how can standards be improved?

### Structural problems

The situation is complex: In countries like Bangladesh and Cambodia, large international brands generally do not manufacture in their own production facilities; they engage suppliers – often through intermediaries. Part of the problem is a lack of willingness, but also a lack of ability, on the part of suppliers to comply with basic labour standards. That said, suppliers themselves are a relatively weak link in the production chain. They often receive package orders with fixed conditions, in which the calculated costs and margins are tight and there is little leeway to improve standards. However, higher wages and improved job safety would only result in a small increase in the end price of mid-range t-shirts.

On the other hand, western clients complain about lack of transparency and control mechanisms in local production. It is common for suppliers to pass contracts on to subcontractors without the knowledge of the western client. In subcontracting factories, the situation regarding labour standards as well as health and safety is frequently even worse. Problems with lack of control are also prevalent in the construction sector: many of the buildings which accommodate garment factories are unsafe and sometimes illegally constructed. Weak and/or corrupt governmental systems make it difficult to enforce existing local regulations.

The weak role of trade unions is also problematic. Freedom of association is limited in some LDCs, while in others, corruption or strikes forced by violence are not uncommon with trade unions. One reason for this is the low level of education of workers, who often do not know their rights and are therefore easy to exploit by both labour unions and employers. This hampers the businesses but also the employees and those trade unions that do want to make improvements.

### Involving all stakeholders

There is now a range of initiatives that pursue rather successful counter measures (sometimes as part of international development cooperation):

- *Self-commitments of international brands and multi-stakeholder agreements:* As a direct response to the tragedy in Bangladesh, for example, a safety agreement has been signed by roughly 80 mostly European fashion manufacturers to date. It is led by the Clean Clothes Campaign and international trade unions. The agreement focuses on building security in Bangladesh's garment factories, but the key elements can be applied to improve labour standards in other countries and industries:

- › Involvement of key stakeholders and establishing dialogue
- › Legally binding, holds international brands to their commitments
- › Independent inspections
- › Worker training

Some of these elements have already been successfully implemented in the "Better Factories" programme of the ILO in Cambodia: this programme contributed to making a noticeable improvement to labour standards in the Cambodian garment industry. Today, this is even considered a competitive advantage.

- › Labels and initiatives such as "Fair Wear" and social standard certifications (e.g. SA8000) can play a similar role. These make it easier for consumers to deploy their market power in a purposeful way for better working conditions.
- › Bilateral agreements between individual fashion brands and their suppliers, which involve intensive cooperation as well as on-site presence and controls are having an effect, too (e.g. ADIDAS).

Additionally, there is a range of other measures that can make a major contribution to improving the situation, for example:

- › The strengthening of trade unions in combination with information campaigns and trainings for trade unionists and workers,
- › Promoting the ability of governments to improve and implement laws on building and labour standards as well as combat corruption in these areas,
- › Improving suppliers' knowledge of occupational safety/labour rights (e.g. through training), and
- › Strengthening independent media, which conduct careful investigations to identify abuse as well as make positive examples public.

### Summary

There are no simple and quick solutions. Nonetheless, low-wage industries employ a large number of people in LDCs and also represent a crucial step on the road to higher value-added industries. Although the wages are sometimes barely sufficient to cover the costs of living, factory work for many people – especially poor and low-qualified women from rural regions – is much more attractive than working in agriculture. In the medium term, productivity gains and the measures proposed above could lead to better conditions for workers: after wage increases in China, we have seen a modest upward trend in Asian LDCs in recent years. In the long term, LDCs should strive to diversify towards higher-value production, which leaves more added value and therefore more income in the country. ■