

Development of responsibility in Bangladesh garment industry

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<p>The aim of this research is to study how have responsible sourcing actions of European clothing companies impacted the development of responsibility in Bangladesh garment industry.</p> <p>Bangladesh has had the image of being only a low-cost production country, where social responsibility is not in focus and regulation is loose. The 2013 collapse of Rana Plaza building, housing also garment factories, has been the biggest turning point for the Bangladesh garment industry. A lot of good progress has happened since. This thesis presents the main steps taken regarding responsibility issues.</p> <p>The study is conducted as qualitative research. Theoretical framework for this thesis is collected from public information provided by international organizations, industry literature and reports, as well as interviews of client company Tokmanni's Product Line Managers. The empirical section consists of data collected from interviews of representatives of Tokmanni's Bangladesh garment suppliers. Interviews were conducted as semi-structured interviews. The data was processed through thematic data analysis coding.</p> <p>Research shows that Bangladesh is highly dependent on its garment industry. The extensive growth of the garment industry has had a significant impact in Bangladesh's economic and social development. Due to pressure from customer companies, Bangladesh garment industry has taken large steps towards more responsible business procedures and culture. Besides customer companies, the internal responsibility work of Bangladesh garment industry and government is contributing to the progress.</p> <p>The responsibility initiatives, compliance systems and demands of European clothing companies have impacted greatly into responsibility development of Bangladesh garment industry, for example in terms of building safety, safer working environment and fair treatment of workers. Even though the development is slow, Bangladesh garment industry can rise to the level of global standards.</p>	
Keywords Responsibility, Garment industry, Bangladesh, Sourcing, Social compliance	

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1 Introduction

The aim of this research is to study how have responsible sourcing actions of European clothing companies impacted the development of responsibility in Bangladesh garment industry. The 2013 disastrous collapse of Rana Plaza building in Bangladesh, killing numerous garment workers, has been the biggest turning point for the Bangladesh garment industry. After the tragedy, the industry, including government, suppliers and client companies, faced huge international pressure to improve its social performance, and a whole lot of reforms have happened since.

The researcher of this thesis has been working in garment industry for several years, working with Bangladesh suppliers. The researcher is aware of the threats and weaknesses, but also of the strengths and opportunities of the Bangladesh garment industry. However, the image of Bangladesh garment industry presented by media has mostly been one-sided and negative. The issues are not one, or even two sided but highly complex. The aim of the thesis is to examine the progress Bangladesh garment industry has achieved in terms of responsibility. However, the intension is not to undermine the fact that a lot of progress is yet still needed.

1.1 Objectives, delimitation, research question setting and research methods

The objective of this thesis is to study how have responsible sourcing actions of European clothing companies impacted the development of responsibility in Bangladesh garment industry. The topic of this thesis is very current as responsibility factors are and will increasingly be in the focus of media, as a result of growing interest by consumers, non-government organisations, investors and employees. The thesis is a valuable study for the researcher's own professional expertise as well as colleagues working with Bangladesh garment suppliers or with responsibility issues.

Research question

How have responsible sourcing actions and initiatives of European clothing companies impacted the development of responsibility in Bangladesh garment industry after 2013 Rana Plaza collapse.

Delimitation

From Western clothing companies, the study is delimited to Europeans. The delimitation is made as in this way the practices of the companies are more consistent than if the United States and Australia, among others, were included. The research also focuses more specifically on Amfori BSCI's social compliance system, which is used in the client company.

Amfori BSCI is the most commonly used social compliance system among European clothing companies, while other system or certificates are mainly preferred by US or other customer companies.

Timewise, the study is limited to the period after the 2013 Rana Plaza factory collapse. The accident has been a turning point in accelerating the responsibility of the Bangladesh garment industry. Supply chain responsibility has been emphasized after 2013 much more than previously. Therefore, researching the time before Rana Plaza is not necessary for this study. However, the theoretical framework also looks at the development of responsible sourcing at a more general level, and in this section past is also briefly presented.

Client company for this thesis is Tokmanni. In research data collection, it has been decided to focus on interviewing only the representatives of Tokmanni's suppliers. Interviews with employee representatives, such as trade unionists and factory workers, have been excluded in order to keep the focus of the study sufficiently compact.

Research methods

The study will be conducted as qualitative research. The aim of a qualitative research is not to measure, but to illustrate, understand and describe a phenomenon. As Kananen & Gates states, the main question is "what is this all about?". (Kananen & Gates 2011, 36-37; Kananen 2014, 16-19.) Theoretical framework (chapter 2) for this thesis is collected from public information provided by international organizations, industry literature and reports, as well as interviews of Tokmanni's Product Line Managers. The empirical section (chapter 3) consists of data collected from interviews of representatives of Tokmanni's Bangladesh suppliers. The methodology of the data collection and analysis is more closely introduced in section 3.1.

1.2 Collapse of Rana Plaza

The collapse of Rana Plaza building in 2013, killing more than 1100 people and injuring more than 2500, was Bangladesh's worst industrial disaster, but also the industry's biggest turning point. Most of the victims were garment workers. (AlJazeera 2017.) Rana Plaza was a nine-storey building, three of which were illegally built, that housed five garment factories, a bank, apartments and several smaller shops (AlJazeera 2017; Hemphill & White 2018, 490). After stress factors were discovered in the building's infrastructure, the bank and the shops closed their operations. Official warnings to avoid occupying the building were ignored by the garment factories' owners and the employees were ordered to return to work the following day, the day the building collapsed. (Hemphill & White

2018, 490.) The garment factories were subcontractors to many garment companies, meaning that in many cases global brands did not place their orders directly to factories operating at Rana Plaza. Also, in some cases the subcontracting was illegal (Niuwenkamp 2017).

The Rana Plaza accident was the most severe one, but far from the only accident in the garment industry. In 2012, in Tazreen Fashions' factory fire, at least 117 people were killed and over 200 injured. The Bangladesh garment industry has also witnessed numerous other, smaller but deadly accidents. (Hemphill & White 2018, 490.) However, it was finally the Rana Plaza disaster that provoked sweeping reforms in garment sector (AlJazeera 2017). Bangladesh garment sector became the focus of worldwide attention. There was a widespread recognition of the need for rapid action from multiple parties involved; the government of Bangladesh, brands exporting from Bangladesh as well as the garment factory owners and their associates expressed willingness to ensure safer workplaces for garment workers. (Better Work 2019a, 8.) While there was already general agreement in the sector that companies should identify and address risks with direct suppliers, the complexity of Rana Plaza raised the question, whose responsibility is due diligence when we look beyond direct contractors and further down the supply chain? (Niuwenkamp 2017).

1.3 Client company - Tokmanni

Tokmanni is a Finnish general discount retailer with 191 stores around Finland. The head quarter is located at Mäntsälä and the company has a sourcing office in Shanghai, jointly owned with a Norwegian discount retailer Europris. Tokmanni's yearly revenues are around EUR 945 million. The company employs directly over 3650 people. (Tokmanni 2019, 6; Tokmanni 2020a.)

Tokmanni does not own production facilities but relies on domestic and international producers, importers and agents (Tokmanni 2019, 6). The two main sourcing countries for all Tokmanni's products are Finland (72,9 %) and China (12,2 %). Other important sourcing countries all with less than 2 % share are Bangladesh, Denmark, Sweden, Estonia, Germany, Poland, Netherlands and Hong Kong. (Tokmanni 2020b.) However, in terms of clothing, Bangladesh is an important sourcing country as for example most of the cotton garments are produced there. In its clothing range, Tokmanni focuses primarily on its Private Label clothing lines which are designed by its own designers and technicians in Mäntsälä. (Tokmanni 2019, 49-50; PLMb 27.1.2020.)

2 Theoretical framework

This chapter is divided in two parts. First part examines sourcing from developing countries and the evolution of Corporate Social Responsibility (CSR) that is crucially linked to offshoring, as well as initiatives that are established in order to improve working environment in garment industry. The second part introduces Bangladesh as an operating environment for garment industry. The chapter is based on public information provided by international organizations, industry literature and reports. As for more practical framework, Tokmanni's clothing department Product Line Managers were interviewed. Product Line Managers have worked in garment industry for several decades. They will share their insight on how compliance and monitoring actions done by the customer company affects the business in practise.

2.1 Sourcing from developing countries

"The term "sourcing" refers to the decision-making process companies use to determine how and where the textile and apparel products or their components will be procured and produced" (Burns, Mullet & Bryant 2016, 285).

Over the past 50 years, USA and European clothing companies have moved masses of production offshore to countries where labor costs are considerably lower than domestically. The labor required to cut and sew the goods makes up a significant portion of garment production, and therefore reducing labor costs can help clothing companies to keep lower prices for finished goods. (Burns, Mullet & Bryant 2016, 259, 305.) To maintain profit margins, clothing companies seek for cheaper and more efficient sourcing options. Asia continues to be the dominant manufacturing continent, with China producing the majority of the world's garments. However, as labour costs in China are rising, clothing companies are seeking lower-cost production countries, such as Bangladesh, as the typical fashion consumer is unwilling to pay more of the product. (Londrigan & Jenkins 2018, 20.) In addition to advantages of lower labor costs, availability of materials is oftentimes closer to production facilities in Asian countries (Burns, Mullet & Bryant 2016, 268). If the raw materials, fabric mills and factories are in close proximity, it can significantly reduce production and transportation costs (Londrigan & Jenkins 2018, 28). Also, the Asian garment suppliers have the needed capacities and capabilities to make the production (Burns, Mullet & Bryant 2016, 268). Extending supply chains globally is an effective way to gain access to cheaper materials and labor. However, this means clothing companies are facing greater supply chain risks and problems associated with ethical, environmental and corporate social responsibility issues. (Wong 2017, 211.) For example, language differences might affect communication and cultural differences working conditions. Also understanding of

good governance and abiding by the rule of law might pose challenges. (Burns, Mullet & Bryant 2016, 269.)

Many developing countries rely on garment industry for their economic development. Garment exports account for a significant proportion of total exports from south Asian countries, such as Bangladesh, India and Pakistan, and contribute greatly to the economies of these countries. All these countries are considered lower-wage production centers for efficient manufacturing of moderate and budget-priced apparel. (Burns, Mullet & Bryant 2016, 271, 275.) Countries often start manufacturing through the garment industry, since compared with other manufacturing industries, garment production is fairly inexpensive to establish (Londrigan & Jenkins 2018, 28, Burns, Mullet & Bryant 2016, 272). Also, since the majority of the tasks associated with basic garment production are low-skill and labor intensive process, countries with large pool of unskilled labor tend to partake in apparel manufacturing (Londrigan & Jenkins 2018, 28). On the other hand, as garment production is highly labor intensive, the industry is able to provide work for large amount of people (Burns, Mullet & Bryant 2016, 272). According to Londrigan & Jenkins (2018, 28) an ability to take advantage of trade agreements is one of key drivers for countries to pursue garment production. This is the advantage Bangladesh has with EU countries as later discussed in section 2.2.1. According to the EU, European companies offer Bangladesh many advantages through garment sourcing, such as, creating new jobs and improving the local skill base, help to improve working conditions, for example, by introducing policies like corporate social responsibility and responsible business conduct and practises, and raising the level of Bangladesh's production, helping it to compete in global markets (EEAS 2016).

2.1.1 Phases of the garment industry's globalization

Era of quotas

During 1970s US and western European clothing companies started moving production offshore to countries where labor costs were considerably lower (Burns, Mullet & Bryant 2016, 259). However, to provide protection to domestic textile and clothing producers, the USA and western European countries decided to place quotas to limit the amount of goods able to be imported from developing countries through *Multi Fiber Arrangement (MFA)* that lasted from 1974 to 1995. Quotas are governmental restrictions, which limit the number of units in specific categories that can be imported from specific countries, in this case textiles and clothing. (Londrigan & Jenkins 2018, 21; Burns, Mullet & Bryant 2016, 262.) During the period of quotas, the primary reasons a supplier from developing or

emerging country was selected for production was that it had capacity to produce garments within the constraints of the quota, not that it had talent, efficient assembly line or guaranteed quality. Consequently, as long as a factory had quota, they could get orders. (Londrigan & Jenkins 2018, 27.) Quotas were slowing down offshoring from developing countries, but not stopping it. During the 1980s and 1990s, as labor costs in US and Europe increased, while at the same time consumers demanded for low-cost products, textile and clothing imports continued to grow in search for the best labor price for production. (Burns, Mullet & Bryant 2016, 15, 22; Londrigan & Jenkins 2018, 11)

In the late 1980s, to increase productivity, efficiency and global competitiveness, the Quick Response (QR) system was formed. The system involved a number of strategies to shorten the production time from raw fiber to the sale of a finished product to the consumer. The QR process increased speed of design and production, and efficiency of communication through use of computers. Quick response was a change from the *push* system of the past, in which produced products were pushed on to the consumer, to a demand-based *pull* system which is driven by the flow from consumers to the manufacturers on timely and accurate information about consumers' want and needs. Ultimately QR system resulted in increase of sales, stock turnover, and return on investment. By the late 1990s, virtually all successful firms had implemented some QR strategies. (Burns, Mullet & Bryant 2016, 15-16, 22.)

Phaseout of quotas

In the 1995, the World Trade Organization (WTO) was created for member countries to negotiate multilateral trade agreements with an ultimate goal of enhancing international trade (Burns, Mullet & Bryant 2016, 17-18.) During the same year, WTO established the *Agreement on Textiles and Clothing (ATC)*, which provided a ten-year phaseout of quotas between 1995 and 2005. The new multilateral agreement gave companies the freedom to select manufacturing locations without restrictions on the volume of productions. The elimination of quotas caused a dramatic shift of production from developed countries to developing and emerging countries. The global garment manufacturing market became favorable for countries such as Bangladesh, India and Pakistan because of their relatively cheap labor costs. (Londrigan & Jenkins 2018, 22.) After the quota constraints ended in 2005, clothing companies began to select factories on base of performance. To remain competitive, suppliers started to face requests for increased compliance and transparency. As suppliers refocused on performance instead of only cost, they had to invest in talent, upgrade their management and take part in certification programs. (Londrigan & Jenkins 2018, 27.)

Clothing companies stopped relying on their internal production departments and instead relied on external suppliers to manufacture goods. Clothing companies maintained the design and marketing functions of the brands, the highest profit areas, and outsourced the less profitable aspects, the garment manufacturing. This shift in strategy was a key turning point for the garment industry as by removing the manufacturing element of the business, the companies no longer required the investments associated with owning and running factories. Now, a garment was pieced and assembled throughout the entire supply chain instead of being started and finished by the same workers in one factory. This new production strategy ultimately drove costs down. (Londrigan & Jenkins 2018, 22-23.)

Increased demand for Corporate Social Responsibility

Formal discussion about CSR began in the 1950s when several highly acclaimed business authors discussed the merits and value of responsible practices (Londrigan & Jenkins 2018, 42). However, among large corporations, the gradual acceptance of the importance of CSR among only started during the 1970s (Wong 2017, 229). For individuals, a strong understanding of the importance of CSR came fairly late in the 1990s when a USA clothing line was revealed to be made in a factory in Honduras by thirteen and fourteen-year-old workers among other questionable business practices. The issues have however always existed (Londrigan & Jenkins 2018, 42.) At the late 1990s, reflections on the industries 100 years earlier revealed that the same inhuman conditions of the early textile factory towns in England and US were occurring again in factories in developing countries around the world (Burns, Mullet & Bryant 2016, 20). Since the late 1990's, most companies have implemented codes of conduct and routinely monitor factories. Although fashion industries have been an integral part of the process of globalization for decades, the turn of the millennium brought increased attention to how the industry would deal with the evolving global economy. (Burns, Mullet & Bryant 2016, 17, 20)

Fast Fashion

The ability to meet consumer demand, the need to produce on-trend fashions, and the increased need to beat other brands in market are dramatically impacting the fashion supply chain (Londrigan & Jenkins 2018, 11). Consumers' demand for quick gratification is fueling fast fashion, a retailing culture characterized by a short time from concept to production to retailer, quickly changing collections, low price points and latest fashion trends (Burns, Mullet & Bryant 2016, 31; Londrigan & Jenkins 2018, 10). These ultrafast supply chains have the ability to produce goods from concept to retailer in weeks instead of months (Burns, Mullet & Bryant 2016, 18). To achieve the ultrafast supply chains, near-shoring, the movement of production closer to the consumer, is being used by retailers to reduce production lead times. The push for fast fashion is causing labor costs to be only a

portion of the production consideration. (Londrigan & Jenkins 2018, 11.) Fast fashion for European markets is oftentimes produced in Eastern European, lower-wage countries, such as Turkey, Cyprus, Hungary, Bulgaria and Romania (Burns, Mullet & Bryant 2016, 274; Shaw & Koumbis 2017, 72).

Tokmanni wants to differentiate itself from the fast fashion industry. According to Tokmanni's Product Line Manager, Tokmanni's target customers are not interested in the highest trends or disposable ideology of fast fashion. Tokmanni wants to identify its collections as "supermarket fashion". Product Line Manager describes supermarket fashion as affordable, good quality clothes for everyday use where current trends might be brought out with colours, prints or small details. Tokmanni wants to sell its products for everyday people, for the big masses, so the garments can not be extraordinary, Product Line Manager states. (PLMa 27.1.2020.) Neither does the timeline of Tokmanni's collections fit within the fast fashion concept. New collection is presented maximum six times a year. For the collections, orders are made well in advance and the average delivery time from order to store is around six to ten months. This allows factories to plan production and employees' schedules. (PLMb 27.1.2020.; Tokmanni 2019, 50)

2.1.2 Socially responsible sourcing

Corporate Social Responsibility

In today's environment, companies are expected to operate legally as well as responsibly. While society expects businesses to obey law, ethical responsibility goes beyond the legal requirements. (Wong 2017, 230.) The European Commission defines Corporate Social Responsibility (CSR) as follows: "Corporate Social Responsibility (CSR) refers to companies taking responsibility for their impact on society" (Londrigan & Jenkins 2018, 42). In the Londrigan & Jenkins (2018, 55) interview, long-time fashion executive M.G. Cally, states that "a company's CSR policy functions as a self-regulatory mechanism whereby a business ensures its active compliance with the spirit of the law, ethical standards and national or international norms". According to Burns, Mullet & Bryant (2016, 10), in today's business environment, companies must offer consumers competitively priced merchandise that is designed, manufactured and distributed in responsible way that fosters sustainability from both environmental and business perspective. There are still bad players in the industry that place business in factories that are not acting responsibly, but their numbers are declining. According to Tokmanni's Product Line Manager, who has been traveling for work to Bangladesh since 2007, the difference between 2007 and today is huge. Due all the positive reforms, the shoddy factories that offer prices way below market price

have vanished as no one wants to do business with such players anymore. The appropriately run, serious factories have survived. (PLMb 27.1.2020.)

Wong states that, today, CSR is a must for all companies. However, the reality is that businesses cannot just focus on social responsibility; they have to simultaneously consider multiple business objectives including market share, revenue, profit, competition, regulation, environment and social responsibility. Therefore, the definition of CSR should not ignore the responsibility to make profit. A corporation that makes money will be able to continue providing employment and paying taxes to the government. (Wong 2017, 229-230.) There is also evidence to suggest a positive link between CSR and financial profit (Londrigan & Jenkins 2018, 49). The aim of sustainable sourcing practices is the inclusion of sustainability issues in the sourcing strategy and in the sourcing decisions (Trautrim 2017, 158). Given the potential for human rights violations, the clothing industry has continued to improve its labour compliance (Londrigan & Jenkins 2018, 27). According to several industry executives, it was identified that costs will continue to rise and due to two key issues, labor and social responsibility. These two go hand in hand as the more responsibility the industry seeks, the higher the wages will need to be to cover the health and safety costs that are directly tied into social responsibility issues. (Londrigan & Jenkins 2018, 108.) According to Tokmanni's Product Line Manager, it is obvious that purchasing prices must increase slowly over time. However, the consumer demand for low prices is still heavy, and this effects on the price a clothing company is able to pay for its suppliers. From Tokmanni's side, it's a constant balancing on how to be both profitable and responsible at the same time. (PLMa 27.1.2020.)

However, public opinions and consumer demands have impacted the CSR discussion also in a positive way (Londrigan & Jenkins 2018, 70). On many occasions the push for a more responsible supply chain needs to come from the customer or even consumer side. The pressure on the downstream supply chain to support responsible initiatives often needs leadership from the larger and more powerful actors. (Trautrim 2017, 159.) However, the ethical responsibility of a corporation is often left to individual managers' and corporations' judgement and choice, as society does not always provide clear-cut expectations for companies and no universal standard exists (Wong 2017, 230; Londrigan & Jenkins 2018, 49). CSR business practices require the implementation of formal compliance standards and the key is to the call for standards that ensure that these practices are carried out (Londrigan & Jenkins 2018, 49, 54). Regulation can be considered a major driver for both customer company's and suppliers environmental and social compliance efforts. Although compliance is not a guarantee of improved environmental and social performance, it is related to involvement in sustainable practices in purchasing. (Trautrim 2017, 163.) For all the good that has been done in the area of CSR and sustainability, there are

those in the clothing industry who challenge the notion that any good has been accomplished at all (Londrigan & Jenkins 2018, 54). However, according to Londrigan & Jenkins (2018, 54) “much progress has been made and through sound CSR practices and sustainability movements, many more lives have been improved than not”.

The complexity of supply chains

Today’s vast global supply chains raises concerns about the social impact of sourcing from other side of the world (Trautrim 2017, 155). The supply chains of garment are complex and stretch far, so there are many opportunities for problems to surface that would fall under the heading of CSR (Londrigan & Jenkins 2018, 102). With the number of layers and suppliers, the complexity increases and monitoring the entire supply chain, including all sub-suppliers and components, such as picking up cotton, raw materials, sewing yarns, textile mill, zippers and other accessories is a difficult task. The garment factory in Bangladesh could pass all the responsibility requirements, but it is difficult to verify all of its suppliers. (Trautrim 2017, 158; Londrigan & Jenkins 2018, 89-91, 102.) It would cost a lot of money to track all various origins and to verify their accuracy, and most consumers would not want to pay extra required to be fully knowledgeable about what they buy and wear (Londrigan & Jenkins 2018, 89-91).

Continuous improvement through cooperation

Numerous business experts have agreed that developing partnership can provide strong benefits to all parties involved in supply chain (Londrigan & Jenkins 2018, 103). According to Better Work Bangladesh, continuous improvement is possible through co-operation between clothing companies and suppliers, supported by strong national institutions and a clear vision for the industry (Better Work 2019a, 28). Despite vast range of suppliers, good suppliers are nevertheless in short supply. Working successfully with any supplier requires the development of a strong and effective business relationship. (Shaw & Koumbis 2017, 69.) International clothing companies have substantial influence over working conditions in factories in Bangladesh. By strengthening their long-term engagement and vision of partnership with key suppliers, suppliers are more likely to invest in good systems, their workers and safe and healthy workplaces. (Better Work 2019a, 28.) To achieve competitive garment prices, many clothing companies have cut back on agents or other middleman and are dealing directly with factories. This puts greater emphasis on smooth cooperation. (Shaw & Koumbis 2017, 73.) Good, long-term collaborative working relationships enable to identify supply chain issues and resolve disruptions quickly. This reduces financial losses caused by loss of sales, markdowns due to late arrivals, and additional costs that might be associated with transporting goods by air to minimize delays. (Londrigan & Jenkins 2018, 32.) According to M.G. Cally, some suppliers may have lack of knowledge of

the benefits of following a CSR policy. Through sustainable co-operation, suppliers have the opportunity to learn and strengthen their image in the marketplace, which make them a more valuable resource for both a client companies and the workers they wish to attract. (Londrigan & Jenkins 2018, 55)

Also Product Line Manager emphasizes the good, co-operative, long-term relationships with Tokmanni's suppliers. Tokmanni wants to work with same proven suppliers, even if the purchasing price might be a bit higher. Working with same suppliers is easier for everybody, as there is continuity in quality and processes, cooperation, trust, accountability and due these, the risks are easier to control. Product Line Manager states that Tokmanni is interested in its suppliers' responsibility development. Tokmanni wants to work with same suppliers and continuously improve cooperation and production with its partners and their employees. "We do not settle for what supplier can offer now, but we try to push our suppliers further towards our standards. We aim to together tackle all issues and we try as much as we can to help and advise our suppliers in these things." Also, when supplier can trust its customer to do continuing business and give orders also in coming years, it is easier for the supplier to comply and invest on customers responsibility requests. (PLMb 27.1.2020.) According to Product Line Manager, responsibility issues are often caused by lack of knowledge and understanding, and usually when issues are discussed and clarified together with suppliers, solutions are found (PLMa 27.1.2020).

Code of conduct

When laws in supplier countries are less strict than companies believe is appropriate, or when enforcement of laws is problematic, companies may establish their own code of conduct (COD), a guideline that address human resources, health and safety, and labor and environmental laws, and require their employees and contractors to follow them (Burns, Mullet & Bryant 2016, 264; Wong 2017, 239). In addition to companies, many commercial and non-commercial organizations and industrial associations have now developed their own code of conducts (Wong 2017, 239). To be effective, code of conduct must be credible, that is, taken seriously by governments, consumers and all companies involved. The credibility depends on the level of auditing, enforcement and transparency associated with the code. Transparency reflects the extent to which the suppliers, workers, organizations, governments and consumers are aware of the code and how they are enforced. According to critics, some companies are interested only in the public image of code of conduct but do very little to enforce the guidelines. (Burns, Mullet & Bryant 2016, 282-283). To avoid problems, clothing companies need to use proactive monitoring in their supply chains, as supplier performance need to be continuously evaluated. Some

suppliers might start with no red flags, but on following visits remediation might be necessary. (Londrigan & Jenkins 2018, 32, 104).

For the code of conduct to be effective, regular factory audits are needed. Clothing companies either conduct their own audits or use an independent factory auditing organization to conduct periodic reviews of factories. The effectiveness of audits depends on their authenticity, credibility, transparency and enforcement. The overall goal of factory auditing programs and organizations is to improve the working conditions in garment factories. The audits will occur before a factory is taken on, and periodically after that. Factory audits are conducted through visual observation of the factory, financial audits, management interviews, worker interviews, review of reports and review of government regulations and laws. (Burns, Mullet & Bryant 2016, 282-283.)

There is no universal standard for CSR and many competing initiatives and organizations with different standards work with thousands of companies, in addition to countless major retailers and brands around the globe, who have their own standards. From supplier point of view, this makes following of CSR standards complex and challenging. It is difficult for supplier to remain compliant as a factory may be supplying products to multiple brands or retailers with different standards. (Londrigan & Jenkins 2018, 50.) Tokmanni's Product Line Manager points out that this is causing a lot of expenses to suppliers, as the auditing systems are not cheap (PLMa 27.1.2020). According to Product Line Manager, nowadays all customer companies expect factories to follow some code of conduct or auditing system, and this has been a huge improvement in the past 10 years. These systems are now a natural part of the Bangladesh garment industry, and if a factory does not follow any, it is an immediate red flag. Product Line Manager states, that if a factory complies several different systems, and even though Tokmanni does not use those ones, it does pose trustworthiness as the factory has been checked and approved through all these different lenses. (PLMb 27.1.2020.) There has been a movement to have a universal set of industry standards for all to comply to, but this goal is far from reached. (Londrigan & Jenkins 2018, 50.)

2.1.3 Initiatives to improve the working environment

Following the Rana Plaza tragedy, stakeholders worldwide, ranging from industry to labor organizations and civil society, mobilized to improve working environment in ready-made-garment (RMG) sector. The amount of initiatives launched to tackle the problems is vast. (Niuwenkamp 2017.) For example, *Sustainability Compact* and *Better Work Bangladesh*,

are some of the main initiatives, supported by EU governments and brands, that have had proven positive impact in Bangladesh garment industry working environment.

Sustainability Compact for Bangladesh is an initiative launched by EU, with the aim of improving labour rights and factory safety in the RMG industry (European Commission 2019). The initiative brings together government of Bangladesh, International Labour Organization ILO, the main markets of Bangladesh's garment production; EU, USA and Canada, accompanied by employers, trade unions and other key stakeholders. (European Commission 2019; Better Work 2019a, 11.) In the short term, Bangladesh was required to ensure immediate action to be taken to prevent further building collapses or fire incidents, and in the long term, improve legislation, capacity and regulations of working conditions, as well as the effective implementations and enforcement of legislation (Better Work 2019a, 8).

The Better Work Bangladesh is a joint initiative between the ILO and the International Finance Corporation (IFC), supported by several EU governments and brands. The program aims to strengthen the competitiveness of the Bangladesh garment industry by improving compliance with Bangladesh's labor law and the ILO's core labor standards, leading to better working conditions, enhanced economic performance and ultimately stronger competitiveness in global supply chains. Better Work Bangladesh is committed to help secure the reputation of Bangladesh as an ethical sourcing destination. (Better Work 2019a, 4,6, 27.)

Next, two initiatives, *Accord on Fire and Building Safety* and Amfori's *Business Social Compliance Initiative BSCI* are introduced more closely. Accord has been one of the most impactful direct effects of Rana Plaza collapse, while BSCI is one of the oldest compliance systems and the Code of Conduct and auditing system Tokmanni complies with its garment factories.

Accord and Readymade Sustainability Council

In 2013, Bangladesh's garment industry unions and over 43 clothing companies sourcing from Bangladesh, most of them leading EU brands, set out to advance a safer RMG industry by signing five-year legally binding *Accord on Fire and Building Safety in Bangladesh* agreement (Accord 2018; EEAS 2016). *2013 Accord* was in effect during 2013-2018. By 2018, Accord was signed by 222 companies. When signing the Accord, companies committed to negotiating commercial terms with their suppliers which ensure that its financially feasible for the factories to maintain safe workplaces and comply with remediation requirements. Signatory companies used various types of financial assistance to make it

financially feasible for their supplier factories to remediate, including guaranteed order volumes for longer periods, higher volumes, order pre-payment to improve cash flows, access to funding or direct cash assistance. (Accord 2018.) The Accord was governed by a Steering Committee with equal representation of the signatory companies and trade unions with a neutral Chair provided by the ILO (Accord 2019).

In 2014, the Accord embarked on a large-scale fire, electrical and structural inspection program across all garment factories producing its company signatories. Under the 2013 Accord, the Accord engineers made initial inspections to more than 2000 RMG factories and identified over 150 000 safety hazards. By 2018, the Accord conducted over 25 000 follow-up inspections, and reported 85 % of the initially identified hazards to be fixed. Accord also required 50 factory buildings to be evacuated, temporarily or permanently, due to severe and imminent risk of structural failure. Under the 2013 Accord, 1.4 million workers in over 1000 factories took part in a *Safety Committee and Safety Training* program. A safety and health complaint mechanism, which provided individual workers, groups or workers representatives access to inform safety concerns which are not being effectively addressed at factory level, was established and taken into action. The 2013 Accord ultimately covered 1600 RMG factories with 2 million workers, contributing to significantly safer workplaces. (Accord 2018.)

To ensure that all garment factories producing for Accord company signatories become safe workplaces and are maintained as such, the global unions and 197 companies signed the *2018 Transition Accord*, which entered into force in 2018 after the 2013 Accord expired. As the name implies, the 2018 Transition Accord's purpose was to be transitional and to ensure all remediations would be completed, key features remaining the same as in the original Accord. (Accord 2018.) Attempts by the Accord members to extend its authority to operate were challenged in court by factory owners and as a solution, the government set up its own body to take over the Accord's work (Quadir 2019).

On January 2020, representatives of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and the Steering Committee of the Accord finalized the establishment of the *Readymade Sustainability Council (RSC)* by signing a Transition Agreement and agreeing to the Articles of Association for the RSC (BGMEA 2020). The RSC, governed by the BGMEA, brands and workers' representatives, will replace the Accord to ensure compliance with workplace monitoring in the industry (Quadir 2019). The RSC Board of Directors will consist of an equal number of representatives from industry, brands and trade unions. The RSC will operate within the regulatory framework of the laws of Bangladesh, closely co-operating with and supporting the regulatory functions of the government of Bangladesh. It will retain all health and safety inspections and remediation, safety

training and complaints handling functions currently carried out by the accord. (BGMEA 2020.) The RSC will also encompass industrial relations, skill development and environmental standards (Quadir 2019).

Amfori BSCI compliance system

Amfori is a business association supporting companies to advance the social and environmental sustainability in their supply chains (Amfori 2019b, 1). Amfori emphasizes the relationship between trade and sustainability, and that open trade can be an engine of environmental and social progress, as trade can be a vehicle for economic growth, innovation, investment and jobs, and in lifting millions of people out of poverty (Amfori a). Amfori provides its member companies and their producers guidance, training, compliance framework as well as advocacy to advance and align their supply chains according the Amfori BSCI Code of Conduct (Amfori 2019b, 1).

Amfori has over 2400 members in 44 countries, and over 62 500 producers globally. 21 % of the member companies operate in the garment and textile industry. 85 % of the Amfori member companies are based in Europe. (Amfori 2019c, 3, 12; Amfori 2020, 2.) As majority of the members are EU companies, the vision of Amfori is aligned with EU's external approach. Amfori offers EU its expertise and experiences as well as pressurizing EU for decision making and to deliver a better and more sustainable trade and investment policy. (Amfori 2020, 2-4.)

Bangladesh is a top three producer country for Amfori members. In Bangladesh, there are 2890 factories who comply the Amfori's code of conduct, with almost 400 offshore Amfori members sourcing from these factories. Amfori has an office in Dhaka, which offers locally based services and support for members. (Amfori 2019c, 12; Amfori 2019a, 4.) Amfori has for example been one of the official advocates of raising the legal minimum wage of garment workers in Bangladesh, calling for continuity of the work of Accord, and pressuring Bangladesh government to further improve labor and human rights. (Amfori 2018a, Amfori 2019c, 12; Amfori 2019d).

BSCI - Business Social Compliance Initiative

The vast variety of individual codes of conduct, diverse auditing procedures and differing implementation approaches have resulted in confusion and unnecessary duplication of efforts and costs for companies as well as their suppliers. Amfori provides its members one common code of conduct, BSCI - The Business Social Compliance Initiative, and one common implementation system, setting out the values and principles that BSCI members shall implement with their business partners across supply chains. (Amfori b; Amfori

2019b, 1.) The BSCI is a supply chain management system that supports companies to drive social compliance and improvements within the factories and farms in their global supply chains (Amfori b). BSCI offers companies the tools to carry out human right due diligence through identifying, preventing, mitigating and remediating negative human rights impacts in their supply chains (Amfori 2018b, 1; Amfori 2019b, 2). Amfori also provides its members the Business Environmental Performance Initiative (BEPI), to support companies commit to improving environmental performance in their supply chain. (Amfori a.) Tokmanni has recently adopted BEPI into its sourcing strategy but it will not be included in this research.

Each BSCI member company must commit to take all reasonable and appropriate measures within their influence to promote the implementation of code of conduct in their supply chain (Amfori 2019b, 1). Implementation of the BSCI is a step-by-step continuous improvement process, which gradually improves working conditions in supply chain. The process helps companies to pro-actively identify critical problems and enables them to take decisions that will improve the quality and effectiveness of their human rights commitments and to take corrective actions. (Amfori 2019b, 3; Amfori b.)

The code of conduct implements the principle international labour standards protecting workers' rights, such as ILO conventions and declarations, the Organization for Economic Co-operation and Development (OECD) guidelines for multinational enterprises and the United Nations (UN) Guiding Principles on Business and Human Rights (Amfori b). BSCI also includes relevant UN Sustainable Development Goals (Amfori 2018b, 1).

Audits, remediation and follow-up

High quality social auditing is an important basis for human rights due diligence. However, it is important to keep in mind that audits are merely a snapshot of that specific time and therefore require regular follow-up. Audits can only be effective when companies follow up on their suppliers' progress to effectively remediate any problems identified. In BSCI audit system follow-up audits are mandatory. (Amfori 2019b, 3, 5; Amfori 2018b, 2.) In 2018, over 1,400 BSCI audits were conducted in Bangladesh factories (Amfori 2019a, 4).

Amfori does not execute the audits itself but provide a network of independent, third-party, accredited auditing partners which are selected, commissioned and overseen by Amfori (Amfori b; Amfori 2019b, 4). Audits can be either announced in advance or unannounced (Amfori 2018c, 18). Auditors will cross-verify multiple sources, such as worker interviews,

documentation and site observations, to gather satisfactory evidence and reach a professional judgement. BSCI audits supports early detection, monitoring and remediation of any non-compliances that may come up. (Amfori 2019b, 3).

The Amfori BSCI audit measures performance in 13 areas (table 1) which correspond into the principles in the Amfori BSCI Code of Conduct.

Table 1. BSCI Performance areas (Amfori 2018c, 17)

Social Management System and Cascade Effect	No Child Labour
Workers Involvement and Protection	Special Protection for Young Workers
The Rights of Freedom of Association and Collective Bargaining	No Precarious Employment
No Discrimination	No Bonded Labour
Fair Remuneration	Protection of the Environment
Decent Working Hours	Ethical Business Behaviour
Occupational Health and Safety	

A full BSCI audit evaluates the factory's progress across all 13 performance areas and all areas are important. Auditees need to reach for performance improvements across the whole range. There are five possible audit ratings from A to E. An A or B rating indicates the business partner can continue to manage its own processes of capacity building and continuous improvement autonomously and no follow-up audit is needed. Full audits rated A or B are valid for two years. In case of a C or D rating, the auditee may not represent a high risk for BSCI participants, but a follow-up audit is needed. A regular follow-up is required to ensure that the auditee submits a Remediation Plan within 60 days and that follow-up audit is organized within 12 months to cover those areas in which the auditor has identified findings. An E rating refers to an unacceptable level of social performance and will require Remediation Plan, follow-up audit as well as regular monitoring of the company by BSCI participants. Even though all areas are important, some of the performance areas are critical "zero tolerance" areas. These include child labour, bonded labour, ethical behaviour, and any case of immediate threat to workers' life, health or safety. (Amfori 2018c, 18, 24.)

According to Better Work Bangladesh, when non-compliance is discovered it is important that client companies encourage and work with the factory to resolve and get to the root

cause of issues in hand instead of reducing order sizes immediately. However, pressurizing factory to too quickly resolve or to “close” non-compliance issues can result in only a short-term solution to what are very often complex and ingrained issues. (Better Work 2019a, 7.) Continuous improvement through cooperation is embedded in the BSCI system and the BSCI participants are obligated to support their partner factories in improving their performance. However, in some cases the customer can no longer continue business with factory. This might be the last resort when a factory compromises the integrity of an audit by means of bribery, shows clear unwillingness to align to the BSCI Code of Conduct or is unable to implement BSCI standards. (Amfori 2018c, 23.)

Amfori provides online BSCI Platform where all social performance-related information, including audit reports, remedial action plans and progress reports, are available to access by concerned BSCI members. (Amfori 2018b, 3; Amfori 2019b, 4.) However, BSCI has been criticized by the lack of transparency as the auditing or other reports are visible only to Amfori members and not public (Clean Clothes Campaign 2019, 2-3).

BSCI in Tokmanni

As a member of BSCI Tokmanni is committed to obeying to its ethical principles. The monitoring and development of responsible sourcing focuses on risk countries classified by the World Bank. Bangladesh is classified as one of these countries where the risk of labour and human rights violations is higher. The primary focus is on private label and exclusive distribution product suppliers as these are suppliers within Tokmanni’s more immediate sphere of influence. Suppliers must require any of their own sub-suppliers to comply within same ethical principles. (Tokmanni 2019, 46-48.) Tokmanni applies continuous improvement to its own responsibility actions and is aiming for ever improved responsibility within its supply chains (Tokmanni 2020b).

Starting a business with garment factory is never a quick process. Before any orders can be placed, Tokmanni investigates the factory’s background thoroughly. (Tokmanni 2020b.) All the garment factories Tokmanni is placing orders must have valid BSCI audit (PLMa 27.1.2020.) A third party auditing company will conduct the audit and compile a report. The report will then be analysed by Tokmanni’s responsibility expert. (Tokmanni 2019, 47) Before starting business, Tokmanni staff will visit the factory site (PLMa 27.1.2020.). The factory visits are important as factory might look good on paper but be something else in real life (PLMb 27.1.2020.).

The most common score within Tokmanni's factories is C. Some of the factories in BSCI system are Tokmanni's responsibility, as Tokmanni is a so called RSP (responsible company for suppliers) to the factory in question. In case of findings, Tokmanni requests concrete and scheduled remediation plan from the factory. In case of significant findings, as in if the result is a D or E (or a C with significant shortcomings), remediation plan is required even if the suppliers aren't Tokmanni's responsibility. (Tokmanni 2019, 47-48.) According to Product Line Manager (PLMa 27.1.2020.), score of D or worse is nowadays appearing on very rare occasions in Bangladesh garment factories. The most common problems found in BSCI audits have to do with management systems, working times and in increasing employee participation and awareness building (Tokmanni 2019, 47-48). According to Product Line Manager, in working times the issue is often that workers want to do overtime in order to earn more money. However, this will affect the audit score even if workers prefer it themselves. This will also affect the management score as it indicates that management has not planned the production and workers properly. Other issues are often caused simply by the lack of knowledge and training. (PLMa 27.1.2020.) Tokmanni supports its supplier factories by continuously providing with information on BSCI principles and trainings (Tokmanni 2019, 47-48).

Clothing department Product Line Managers visit Bangladesh suppliers on site twice a year accompanied by varying Tokmanni personnel, such as for example buyers, designers and sustainability and quality experts. Each time they aim to visit at least all factories that are running Tokmanni production at the time. (PLMa 27.1.2020.) If the factory is recently audited, Product Line Managers want the factory to present their remediation plan and together discuss about it (PLMb 27.1.2020.). Product Line Managers want to make sure everything is clear and understood, if not then they will explain and advice. Often the factory has a valid BSCI audit because customers require it, but it is important to ensure that factory has really internalized and embraced it. (PLMa 27.1.2020.) For Tokmanni it's important that its suppliers are continuously improving. However, in Bangladeshi culture the reached level is often satisfactory, and they don't reach higher by nature. This is something the Product Line Managers are trying to challenge and to push factories forward. According to Product Line Manager, even though every Buying House and factory has their own compliance department, they are not always acting proactively, but constantly need to be pushed and reminded of BSCI requirements. (PLMb 27.1.2020.)

Buying House is a trading partner between the buyer and factory, based usually in the manufacturing country. It works with several factories and buyers simultaneously. For buyers, it provides service related to operating in the production country. For factories, it provides services related to international business." (Uddin 2017.)

At the end of the day, knowing your business partner in order to trust them is key (PLMb 27.1.2020). As Product Line Manager states: "We are here, on the other side of the world. We want our partners to continuously improve. We need to know we have good factories and we need to be able to trust that they are doing their part and bearing their responsibility". Therefore, it is important that also the supplier can trust Tokmanni as a long-term co-operative customer that will give good orders also in future. Knowing that as a long-term partner Tokmanni is interested in its suppliers' social compliance development, the factory will be more eager and invested in developing. (PLMb 27.1.2020.)

According to Product Line Manager, before the BSCI there weren't any comprehensive international responsibility systems. Companies followed their own systems if any. Around 2007 BSCI started to become more common, but it was still difficult to use and most factories did not apply for it. However, since then it has significantly evolved and now it's a must. BSCI has improved workers quality of life and the lousiest factories have disappeared. "It gives us assurance that things are moving towards right direction. We know that the workers have good and safe working conditions, drinking water, sanitation, health care, wages are paid on time and all that." (PLMb 27.1.2020.)

Tokmanni also conduct its own audits at factories especially in risk countries. Own audits are conducted particularly in potential new factories, and at factories where the assessed risks of human rights violations are the highest. In 2018, own audits were conducted in 13 % of all risk country factories. Tokmanni's own audits focus on the findings of BSCI audits and if corrections of those issues have been carried out. In addition to this, particular focus is placed on work safety and quality control. (Tokmanni 2019, 48.)

2.2 Bangladesh as a garment production country

This section will study Bangladesh as a sourcing destination by using modified PESTE analysis. PESTE is an analysis tool that gives an overview of a certain operating environment, in this case Bangladesh. It investigates the environment from different views, Political, Economic, Social, Technological and Environmental. (Hanni 29.2.2016.) Within these themes, this research focuses on factors related to Bangladesh garment industry. The structure is modified to better suit the objective and the Technological aspects are merged inside other subjects. It is to be noted that used literature has been collected prior to COVID-19 pandemic and therefore presented forecasts may not be valid post-pandemic.

According to Burns, Mullet & Bryant (2016, 257), when company is sourcing offshore, it needs to take factors such as geographical location, infrastructure, trade regulations, social and environmental issues into consideration. Political instability, economic problems or natural disasters c dramatically affect the availability of materials and reliability of transportation and shipping alternatives. Unexpected disruptions in supply chain can prove to be very costly for the company. (Burns, Mullet & Bryant 2016, 265; Wong 2017, 211.)

Basic country information

Bangladesh is located in South Asia, mostly surrounded by India (figure 1). Bangladesh basic country information is presented in below table 2.



Table 2. Bangladesh country information (BBC 2019; ADB 2019a, Amfori 2019a, 1; Bangladesh Bank 2020)

Capital: Dhaka
Population 165 million
Population density: over 1400 persons/km ²
Area: 114 000 km ²
Major language: Bengali
Major religion: Islam 90 %, Hinduism 9,5 %
Currency: taka, 1€ = 93,5BDT

Figure 1. Location of Bangladesh and capital Dhaka (Amfori 2019a, 1)

2.2.1 Political environment

The political climate is a factor that impacts the global fashion supply chain. Government plays a key role in supporting or limiting the participation in global supply chain. (Londri-gan & Jenkins 2018, 28-29). The political situation in Bangladesh is uncertain and corruption occurs frequently. However, Bangladesh has managed to form a favorable relationship with global community and positive reforms are taking place. Bangladesh is part of the global community by being a member state of World Trade Organization (WTO) since 1995, and United Nations (UN) since 1974 (European Commission 2019; United Nations a).

Political situation and corruption

Bangladesh, formerly East-Pakistan, now officially The People's Republic of Bangladesh, gained its independence in 1971 after war with Pakistan. After its independence, Bangladesh spent 15 years under military rule. Democracy was restored in 1990, but the political scene however remains volatile. Since 1991, politics has been dominated by bitter rivalry between two women: Sheikh Hasina of the Awami League and Khaleda Zia of the Bangladesh Nationalist Party. Both women have been prime ministers at various times during previous two decades. (BBC 2019.) The ruling prime minister has not been auspicious towards the opposing party and the caused political confrontation and associated disturbances could be harmful for Bangladesh's economic growth and governance, as the country can't offer steady business environment for foreign investors (Rao 2018). Frequency of nationwide strikes is a problem for all sectors. When a general strike is called, Bangladesh is forced to shut down. Economist estimates that these strikes cost the nation as much as 3-4 % of GDP every year. (Euromonitor International 2018a.) Also, without a viable outlet to voice their opinions, supporters of the opposing ideologies may form a large pool of disaffected individuals and even radicalize (Rao 2018).

According to all major ranking institutions, Bangladesh is routinely one of the most corrupt countries in the world (GAN Business Anti-Corruption Portal 2018). In the Transparency International's *Corruption Perception Index 2018*, Bangladesh was ranked as 149 out of 180 countries, by scoring 26 points out of 100 (Transparency International 2019). Main obstacles are fragile rule of law and insufficient implementation of corruption legislation (Euromonitor International 2018b). To business development of Bangladesh, corruption and bureaucracy are major hurdles as corruption is common at all levels of society and companies (Euromonitor International 2018b & GAN Business Anti-Corruption Portal 2018). The *Code of Criminal Procedure*, the *Prevention of Corruption Act*, the *Penal Code* and the *Money Laundering Prevention Act* criminalize attempted corruption, bribery, money laundering, extortion and using public resources of confidential state information for private gain. However, enforcement of these legislations is very weak and therefore for example gifts and irregular payments are illegal, but common in practise. (GAN Business Anti-Corruption Portal 2018.)

International context

Because manufacturing typically is the economic generator that creates jobs and access to foreign investment, countries choose to pursue manufacturing relationships that support their development (Londrigan & Jenkins 2018, 28). The European Union (EU) works closely with Bangladesh in the framework of the *EU-Bangladesh Co-operation Agreement*, concluded in 2001. This agreement provides broad scope for co-operation, extending to

trade and economic development, human rights, good governance and the environment. As a least developed country, Bangladesh benefits from the most favourable regime available, the EU's so called *Everything but Arms* (EBA) arrangement, which grants duty free, quota free access for all exports, except arms and ammunitions. (European Commission 2016.) Bangladesh's exports in the RMG sector have benefitted greatly on the high utilization of by its EBA status (Amfori 2019a, 3). For European clothing companies, duty free goods from Bangladesh has become an important means of holding profit margins in increasingly competitive global markets (Clodfelter 2018, 281).

According to EU, promoting responsible supply chain is an important part of its trade and investment strategies. The respect of human, and core labor rights, are at the heart of engagement with countries getting privileged access to the EU market. (European Commission 2016.) The EU is broadly supportive of the Bangladesh government reform agenda, but emphasises the need for Bangladesh government to deliver on its promises and ensure compliance with its human rights obligations (EEAS 2016). Bangladesh is expected to reach middle-income country status in 2024, which means that the country could lose the EU trade preferences awarded to low-income countries. By 2027, when the country's transition to middle-income country is complete, garments manufactured in Bangladesh could face customs taxes up to 12-15 % on exports to Europe. To maintain its advantages while transitioning, Bangladesh will have, among other criteria, to fulfil its social compliance and sustainability commitments to Sustainability Compact and ratify or/and enforce 27 United Nations (UN) or/and ILO's Conventions. (Better Work 2019c, 3.) To reach its goals, Bangladesh also receives low-cost loans from France, Germany and the EU to help small and medium size companies invest in factory safety improvements. Alongside EU assistance, some EU countries provide separate assistance to Bangladesh through their own bilateral agreements, including Denmark, Germany, Netherlands, Sweden and United Kingdom. (EEAS 2016.)

The World Bank has been a longstanding partner of Bangladesh since its independence, and during this time the World Bank has committed more than 30 billion USD of interest-free financing credit through the International Development Association IDA. In recent years Bangladesh has been one of the major recipient countries of the IDA fund with the largest ongoing IDA programs. With help of the funding, World Bank has been supporting the Bangladesh government efforts in economic development, power, infrastructure, disaster management, climate change, human and social development and poverty reduction. (World Bank 2019a.)

Bangladesh Labour Act

Regulation can be considered as a major driver for compliance efforts. Although regulation is not a guarantee of improved compliance, it is related to involvement in sustainable practices. Regulations are a motivator for finding new solutions for reducing harmful impact at a low cost. (Trautrim 2017, 163.)

First version of *Bangladesh Labour Act* came into effect in 2006 (Better Work 2019a, 5-6). The law was radically amended in 2013 to better protect worker's rights and increase productivity (The Daily Star 2018). The amended law was one of the first components of the ILO's *Improving working Conditions Programme* in the RMG sector (Better Work 2019a, 5-6). International bodies, including ILO and EU, had been demanding further improved labour rights in Bangladesh after Rana Plaza disaster. The global community even threatened to cut the privileges Bangladesh enjoys, particularly in the EU market, if the government fails to amend the labour law giving more right to the workers. (The Daily Star 2018.) In 2018, the Bangladesh government approved further improvements to the *Bangladesh Labour Act*, and it came to effect in November 2018. (Better Work 2019a, 5-6, 8) New amendments, for example, provides eight weeks mandatory maternity leave and other maternity benefits, gives more allowances for labour unions, limits general daily working hours to 10, including rest time and ban child labour in factories. Under the *Bangladesh Labour Act 2013*, a child could do light work in suitable conditions, but under the amend law no child is allowed to work in factory. New amendments also incorporate tougher provision to strictly prohibit misconduct on the part of owners and workers. (The Daily Star 2018.)

2.2.2 Economic growth through garment industry

Economic overview

At its independence in 1971, Bangladesh was incredibly poor country, however now its economy is growing rapidly (figure 2), and it is the world's second fastest growing economy (Amfori 2019a, 1). Bangladesh's economy has performed impressively over the past ten years. Real GDP growth has averaged around 6 % per annum, and risen to 7,9 % in 2018, which is well above the Asian average (Euromonitor International 2018a; ADB 2019a, 168-170). According to Euromonitor Internationals forecast, the GDP growth rate will be around 7 % per annum in 2020-2025. Inflation in Bangladesh has stayed below 6 % in recent years and is expected to remain similar. (Euromonitor International 2018a.)

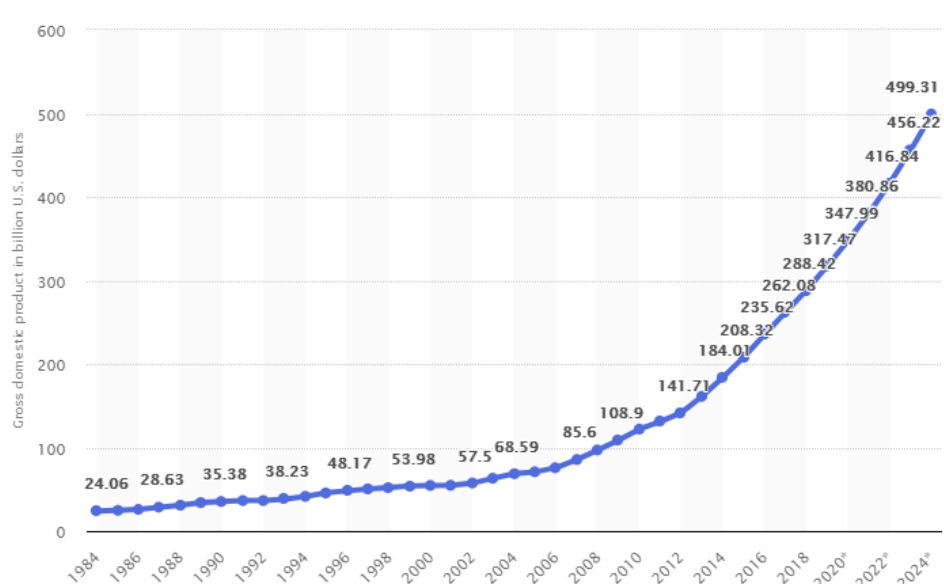


Figure 2. Gross domestic product (GDP) of Bangladesh (in 2019 prices) (years 2020-2024 are forecast) (Statista 2019)

Agricultural sector is important sector for Bangladesh as it employs over 41 % of the work-force (Euromonitor International 2018a), however, it contributes only 14 % of the GDP (Euromonitor International 2019a). Now Bangladesh is diversifying away from agriculture to manufacturing (Euromonitor International 2018c). The main driver for economic development has been the rapid expansion of the industry (figure 3), especially the garment industry (IMF 2019a). Manufacturing, especially the RMG category, is now Bangladesh's largest sector in gross value-added terms (Euromonitor International 2018c).

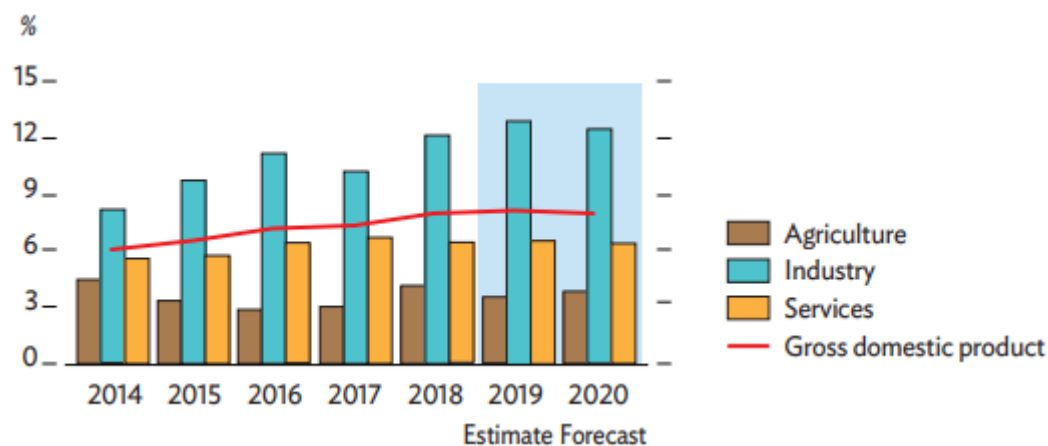


Figure 3. Bangladesh GDP growth rate by sectors (years 2019-2020 are forecast) (ABD 2019a, 174)

Bangladesh's strong and stable economic performance has resulted in reduced income poverty and improved social indicators (IMF 2019a). Economic growth, expansion of the manufacturing sector and improvements in the agricultural sector are forecasted to drive populations income and spending growth, as well as support the middle-class expansion.

(Euromonitor International 2019b.) However, in global comparison income level remains low as Bangladesh remains one of the poorest countries in the world and poorly functioning labour market makes it hard for the government to achieve its goals of reducing poverty (Euromonitor International 2018a). To achieve its growth aspiration of becoming an upper-middle income country, the World Bank advises that the Bangladesh government urgently needs to ensure continuity of steady macroeconomic management, implement structural reforms, expand investment in human capital, increase female labour force participation and raise productivity through increased global integration. (World Bank 2019a.)

Garment industry

The extensive growth of the RMG industry over the past four decades has had a significant impact in the country's economic and social development, playing a major role in industrialization, employment creation, poverty alleviation and the empowerment of women. The industry is by far the biggest contributor to Bangladesh's export earnings and contributes more than 13 % of GDP. (Better Work 2019a, 4, 8.) Bangladesh is now the world's second largest garment producer after China (Better Work 2019c, 3). There are over 4600 garment factories in Bangladesh, most of them located outside Dhaka and Chattogram (Chittagong) areas (ILO 2019a). About 95 % of these factories are owned by local companies or families, with the remaining 5 % being foreign owned (Hemphill & White 2018, 491). Garment factories employ close to 4 million workers, of which around 60 % are women (ILO 2019a).

In the World Economic Forums Global Competitiveness Index 2019, Bangladesh was ranked at 105 out of 141 countries. The more competitive a country is, the more likely it is that it will be able to improve living standards. In the ranking, competitiveness is defined as: "the set of institutions, policies and factors that determine the level of productivity of a country". (World Economic Forum 2019, XIII.) Even with tremendous economic growth, Bangladesh continues to be a low labor cost country (Better Work 2019a, 28). Apparel manufacturing is one of the most labour-intensive and low skilled manufacturing sectors. On average, 40 % of garment production requires manual labour. Cut-Make-Trim (CMT) process of the garment's value chain requires least amount of skills due its repetitive nature but is also the area with least amount of profit returns. (Londrigan & Jenkins 2018, 27-29.) Bangladesh factories have much to improve also in terms of efficiency. Compared to for example China, where worker productivity is relatively high, Bangladeshi worker's productivity remains low (Burns, Mullet & Bryant 2016, 259). Despite garments being produced in Bangladesh for over thirty years, for the most part, the country is limited to the low value-add segment of the garment supply chain. However, there is undoubtedly potential to take the garment sector to the next level in the value chain. (Better Work 2019a,

28.) The garment industry has played an important role in the implementation of new strategies to increase productivity and competitiveness. New technology in equipment and manufacturing systems, such as computerized knitting and cutting machines for example, has dramatically changed garment production and achieved more efficient use of labor team. (Burns, Mullet & Bryant 2016, 96-97, 306.) The ability of a garment producing country to do this depends on a number of factors, including close collaboration with brands, factories and the government, decent infrastructure and public services. Quality, more sophisticated products, fabrics and technology are linked to strategic partnerships with brands which encourages investment and commitment to the sector and to individual factories. (Better Work 2019a, 28.) Bangladesh garment industry is maturing due to supply and demand. Countries with cheap labor output eventually become more expensive as workers' living standards rise (Shaw & Koumbis 2017, 72). While manufacturing often starts with low wages, as the workforce matures there is often a push for improved wages, improved working conditions and management opportunities (Londrigan & Jenkins 2018, 27).

Trade

Trade reforms and greater integration into the global economy has raised the share of trade in Bangladesh's GDP. Total exports have grown as much as 52 % from 2012 to 2018, and total imports even more, 62 % in same period. (Euromonitor International 2018a.) Exports should further benefit from government efforts to improve the investment climate by reducing cost of doing business (ADB 2019b, 173). A cheap labour force, lack of tariffs, central location within Asia Pacific and government backing to drive sector growth are factors viewed as beneficial by foreign textile companies sourcing from Bangladesh (Euromonitor International 2018c). However, Bangladesh is not necessarily easy country to source from. In the World Banks Ease of Doing Business 2020 ranking, Bangladesh was placed at 168 out of 190 countries. (World Bank 2019b.)

In 2017, global garment exports totaled USD 441 billion, of which Bangladesh enjoyed a 6,4 % share (figure 4), making it the world's second largest exporter after China (ILO 2019a).

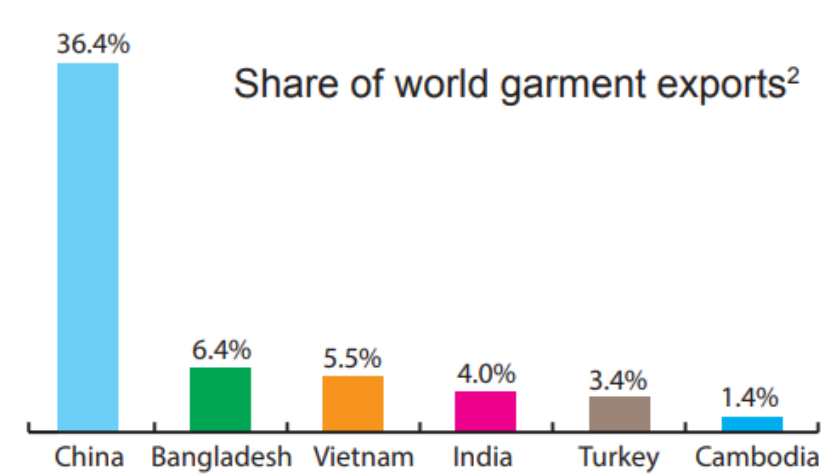


Figure 4. Share of world garment exports in 2017 (ILO 2019 T)

Bangladesh started its journey in 1978 with exports valued at USD 12 000. In 2018, it reached USD 30,6 billion in exports. The government has set an ambitious future target to achieve apparel exports of USD 50 billion by 2021. (Better Work 2019a, 3-4.)

Bangladesh: GDP / RMG Exports

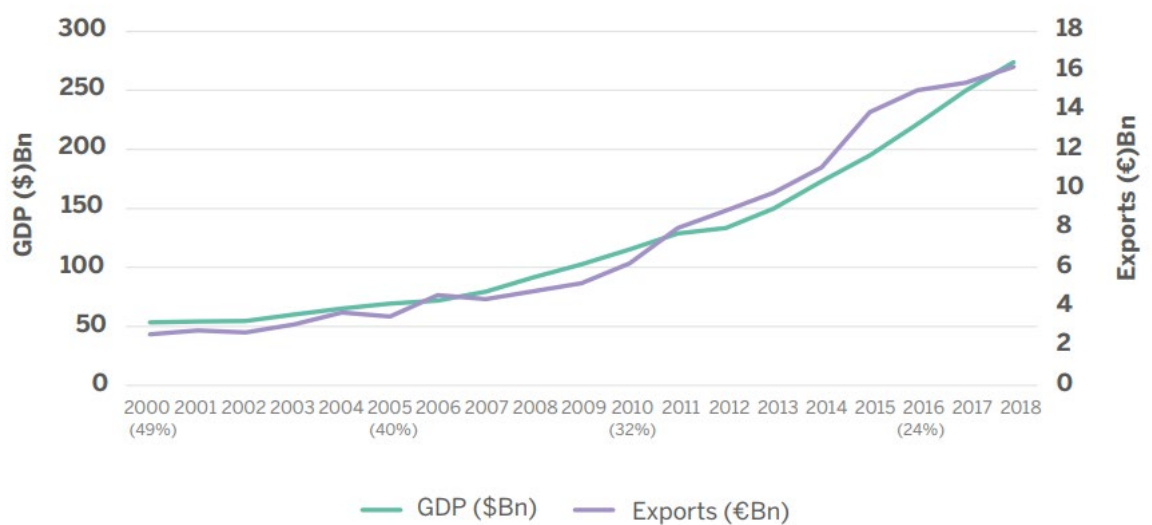


Figure 5. Bangladesh GDP and RMG exports (Amfori 2019a, 2)

The RMG industry is by far the biggest contributor to Bangladesh's export earnings (figure 6) as it accounts for over 83 % of the country's total exports. (Better Work 2019c, 3.) Due to strong clothing production, required textile materials, especially cotton, is Bangladesh's largest import category (Euromonitor International 2018c).

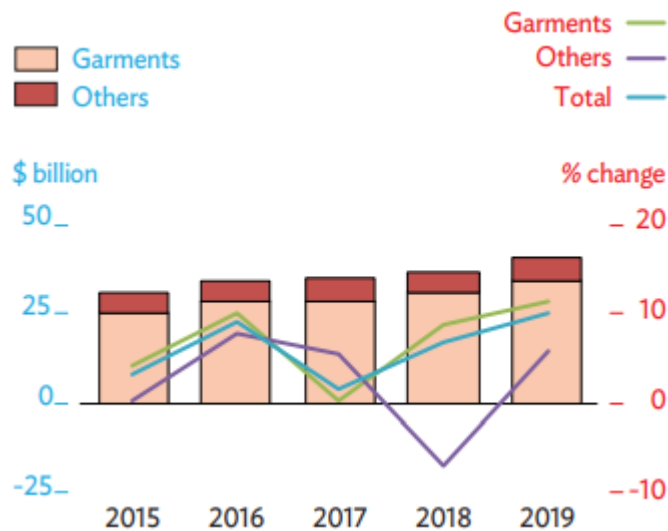


Figure 6. Bangladesh exports, value and growth rate (ABD 2019a, 171)

EU countries are Bangladesh's main destination for garment exports with 63 % of share, USA coming as second with 18 % share (ILO 2019a). EU's imports from Bangladesh are dominated by clothing, accounting for 90 % of imports. From 2008 to 2018, EU's imports from Bangladesh have over tripled from EUR 5,5 billion to EUR 17,8 billion. (European Commission 2019.) Main share of Bangladesh's imports, 65 %, is coming from Asia Pacific region, as second biggest importer Europe only brings 10 % share of all imports. (Euromonitor International 2018a.)

Infrastructure

Economic growth has rapidly increased the demand for infrastructure and transportation (World Bank 2019a). In this sector, progress has been slow. Infrastructure is still very underdeveloped, especially air transport and roads. Bangladesh is for example lacking meaningful motorways system, making logistics challenging and expensive (Euromonitor International 2018b). Insufficient planning and investments have resulted in increasing infrastructure bottlenecks, such as severe traffic jams in urban areas, and pollution. (World Bank 2019a). There have been improvements in ports, roads, railways and waterways but much more work is needed. Also, persistent power shortages are a hindering factor to economic growth and the pace of reform in this sector is slow (Euromonitor International 2018a).

2.2.3 Social matters slowly improving

According to Better Work Bangladesh, over the past two decades, the growth of the garment industry has spurred significant social changes in Bangladesh (Better Work 2019a, 3). Bangladesh's RMG industry is the cornerstone of the country's economy. It provides

formal employment for millions of workers, many of them women and most from poor, rural areas. (Better Work 2019b.) Due to a steady growth in GDP, poverty reduction, life expectancy, literacy rate and food production per capita have increased significantly (World Bank 2019a). Bangladesh has made steady progress improving many indicators for UN Sustainable Development Goals (IMF 2019a).

Education

Bangladesh's workforce of 87 million (2016) is largely undereducated, as only 4 % of workers have higher than secondary education, and the overall quality of the human capital is low (World Bank 2016). However, through government initiatives, adult literacy rate has seen significant rise from 58 % in 2012 to 74 % in 2018 (Euromonitor International 2018a, b). Over the past two decades, Bangladesh has made significant gains in ensuring access to basic and secondary level education. In 2018, primary school net enrolment rate reached 97 %, however, drop-out levels remain high; around 18 % of children between ages 6-11 remain out of school. (World Bank 2016 & 2019a.) Great number of early dropouts in previous years mean that there are estimated 12 million young people, with less than primary education, most of whom are women from rural areas (World Bank 2019a).

Bangladesh is among the few countries to achieve gender parity in school enrolment and has more girls than boys in secondary school. However, patriarchal socio-economic culture and less women-friendly environment at the post-secondary level hinders progress in further female education and labour force participation. (World Bank 2019a.) Skills, vocational and tertiary education are indispensable for enabling women and girls to enter the workforce on equal terms with men and to access better conditions, better pay and better prospects (ADB 2018a, b). Enhanced human capital, both male and female, will ultimately lead to higher welfare (IMF 2019b, 15).

One of the greatest challenges is to improve quality of education at all levels (World Bank 2019a). For example, in World Bank's 2012 *Enterprise and Skills* survey, employers did not think graduates of Bangladesh's higher education or training programs were adequate for today's or tomorrow's labour market (World Bank 2016). Also, within educated population brain drain is a significant issue, as considerable number of people leave the country for better labour market opportunities and higher educational facilities (Euromonitor International 2018b).

Income and poverty

As a result of steady economic growth and improving employment opportunities, mainly in

the manufacturing sector, income levels per capita are expected to maintain steady growth until 2030. However, globally per capita income levels are expected to still remain low. Most of the population now belong to lower-middle class or middle class. Continuing economic growth, improving employment opportunities and the government efforts to decrease poverty supports further expansion of middle classes, which are expected to be fastest growing groups by 2030. Expanding middle class is expected to support demand for example better transportation and education and therefore boost social development. Despite expanding middle class, income inequality in Bangladesh is among the largest in Asia Pacific region, although, the situation is expected to improve. The urban versus rural income divide is expected to prevail, as the income growth in rural areas is forecasted to lag behind urban areas, due to fewer employment opportunities in the manufacturing and service sectors. (Euromonitor International 2019b.)

According to World Bank, Bangladesh has made remarkable progress in reducing poverty. Based on the international poverty line of USD1,9 per day, Bangladesh reduced its poverty rate from 44 % in 1991 to 15 % in 2016. (World Bank 2019a.) Despite good progress, the risk of poverty remains relatively high (Euromonitor International 2019b). An estimated 24 million people are living below the poverty line (World Bank 2019a).

Employment

Unemployment rate was 4,2 % in 2017 and was expected to stay same in coming years (ADB 2019a; Euromonitor International 2018a). The same year, labour force participation rate was as low as 58,2 % due high amount of informal employment that is not captured in official statistics. Gender gap in labour force participation is huge, as for men the participation rate was 80,5 % but for women only 36,3 %. (ADB 2019a & Euromonitor International 2018b.) Further development needs improvement in the employment of youth and especially female. The youth's participation rate is also worrying, as in 2018, 26 % of youth were not employed, educated or trained. This is especially distinct for females 44 % in 2018 compared with 9 % for males. (IMF 2019b, 15.) Population in Bangladesh is fairly young, as about 70 % of the population is under 35 of age, and an estimated 1,4 million people join the workforce every year (Euromonitor International 2018a). Therefore, the World Bank has identified job creation as one of the country's highest development priorities (World Bank 2019a).

There is emphasis on the significance of labour in garment manufacturing (Londrigan & Jenkins 2018, 27). Garment industry employs over 4 million workers, many of whom have moved from countryside to urban centres due better job opportunities (Better Work 2019c, 3). RMG sector is creating formal employment to a large and vulnerable group of mostly

young Bangladeshi with very little other job alternatives. These workers not only earn income to maintain their own lives, but can also support their families, including ensuring better education and health for the next generation. (Better Work 2019a, 8.) Garment sector employment has contributed to pull millions of workers out of poverty, but Bangladesh still accounts for some of the lowest wages among RMG producer countries (Better Work 2019c, 3). In 2013, after international pressure following Rana Plaza collapse, monthly minimum wage of USD 68 for garment workers was declared. Minimum wage was increased again in 2018 as much as 51 % to USD 95. (Reuters 2018). Between 2010 and 2018, the number of employed workers living below the international USD 1,90 poverty line, dropped from 74 % to 10 % (ADB 2019a). However, while the garment workers wage has increased, so has the cost of living. Total cost of living for garment workers, such as housing and food costs, has risen by 86 % between 2013 and 2018 (Weber-Steinhaus 2019).

Women workers in garment industry

Majority of apparel-manufacturing work, such as sewing and cutting, require low skill level but these are also the lowest-paid positions. Majority of garment workers are female working in such positions. Low-level apparel manufacturing is often the only employment option available for uneducated women. (Londrigan & Jenkins 2018, 27.)

According to the Asian Development Bank's report *Bangladesh Gender Equality Diagnostic of Selected Factors*, Bangladesh's women have made progress in various social and economic aspects, but still face sizable gender gaps (ADB 2018a, b). The garment industry in Bangladesh has the means to lift millions of women out of poverty, and can meaningfully advance gender equality, as good quality jobs catalyze women's economic empowerment and offer social protection. (Better Work 2019a, 10) While most of the workers in garment industry are women, they remain poorly represented in mid- and top-level management (Better Work 2019a, 3). Only 5 % of the sewing line supervisors are female, while 80 % of the sewing line workers are women (Better Work 2019a, 10; Better Work 2019d), and under 5 % of companies have women in top management (ADB 2018a, b).

Female labor force participation has increased only moderately between 2006-2017 and remains among the lowest in peer countries (IMF 2019b, 15). However, women's participation is rising faster than men's and the gender gap in income and wages have narrowed (ADB 2018a, b). Despite this, the gap is still significant due to the paternalistic nature of Bangladeshi culture that upholds traditional female roles such as childcaring and home-making (Euromonitor International 2018b). Women's educational and work opportunities

are also hindered by a lack of reliable, safe and economical public transport (ADB 2018a, b).

The majority of RMG workers are women of reproductive age. Workers turnover in the garment industry is high, often because mothers leave the workplace after giving birth, unable to balance caring for an infant whilst still working. This loss of skilled workers creates constant and costly challenge for businesses to hire and train new workers. (Better Work 2019a, 10.) Amended *2018 Bangladesh Labor Act* provides eight weeks mandatory maternity leave and other maternity benefits (The Daily Star 2018). In addition, several programs have been established to empower women to take more active role in work life, such as for example Better Work Bangladesh' and UNICEF's joint program *Mothers@Work* (Better Work 2019a, 10), Better Work Bangladesh's *Gender Equality and Returns (GEAR)* program (Better Work 2019a, 10; Better Work 2019d) and Amfori's *Women's' Empowerment Programme* and the *Shobola Project* (Amfori 2019a, 4; Amfori 2019c, 9). According to Better Work Bangladesh's research, when all workers, men and women, are treated fairly and have decent jobs, workers, employers, the industry and the local and national economies benefit (Better Work 2019a, 10).

Urbanization

Economic growth and increased employment opportunities at manufacturing sector has rapidly increased urbanization (World Bank 2019a). The percentage of population living in urban areas has grown from 32 % in 2012 to 37 % in 2018 (Euromonitor International 2018a). If the rapid urbanization is not managed properly, it can cause reversal in the progress that has been made for women's empowerment. As without access to services such as power, sanitation, water and transport, women are subjected to frequent sexual harassment and violence in slum areas where they have to put up with unsafe housing, common toilets and water points and insufficient lighting. (ADB 2018a, b.)

2.2.4 Environmental issues

Bangladesh is very vulnerable to effects of climate change. Therefore, the issue has been taken seriously. However, as a developing country, Bangladesh faces a lot of challenges and needs the help of global community to tackle its environmental issues. Bangladesh is one of the 195 signatories of the Paris Climate Agreement, target of which is to prevent the global temperature rising above 2,0 Celsius degree over pre-industrial levels and to achieve zero net emissions before 2050. Bangladesh has also ratified the agreement in 2016. (Euromonitor International 2019a.)

Climate change and natural hazards

Bangladesh is a low-lying, densely populated country with a tropical climate including heavy monsoon-rain season (Euromonitor International 2018a). With 60 % of its land surface at five meters or less above sea level, Bangladesh is considered especially vulnerable to rising sea level, tropical cyclones and storms accelerated by climate change (IMF 2019b, 2; IMF 2019c). Due to the dense population, one-third of Bangladesh's population is estimated at risk of displacement because of rising sea levels. (IMF 2019b, 2.) According to Red Cross estimate, from 2008 to 2019, over 37 million people in Bangladesh have already been affected by natural disasters, such as floods, landslides, tsunami, earthquakes and extreme heat events (Euromonitor International 2019a).

Besides to the loss of human lives, the most significant impacts include damages to crops, destruction of the roads and other infrastructure, and distribution to industry and commerce. A study by the Bangladesh Ministry of Finance projects that, depending on scenarios of sea level rise, the annual cost of climate change due to the loss of capital and lower economic activity would range between 1,49 % and 3,02 % of GDP by 2031, with significant employment losses. (IMF 2019b, 2.) Natural disasters are a major challenge to poverty reduction though negative cycle of natural disasters and poverty, as by each new disaster the poor are in risk of becoming poorer and good development is in risk of slowing (World Bank 2019a). For both suppliers and for companies sourcing from Bangladesh, natural disasters are a real risk regarding supply chain disruption. Some unexpected disruptions can be very costly, and natural disasters can affect supply chain operations for months. (Londrigan & Jenkins 2018, 141; Wong 2017, 211.) Recognizing the urgency of issue, according to the International Monetary Fund (IMF), Bangladesh has become one of the most active countries in terms of planning and actioning on climate change (IMF 2019c).

Energy production

Thanks to the economic development and government efforts, 86 % of the population had access to electricity in 2018, up from 63 % in 2013 (Euromonitor International 2019c). Bangladesh energy sector is highly dependent on imported fossil fuels and therefore reduction of CO₂ emissions is challenging. Fossil fuels account for 77 % of Bangladesh's total energy mix. However, due to dense population, measured per capita, Bangladesh fossil fuel consumption is globally low, as 14 % of population does not have access to electricity all together. Lack of available land and unfavourable climate conditions hinder development of solar and wind power and meteorological conditions are not suitable for hydro power generation. Therefore, renewable energy capacities remain globally some of

the lowest. (Euromonitor International 2019a.) However, Bangladesh is set to invest in renewable energy, and in 2019 the country received a 185 million USD credit from the World Bank to add production of renewable energy (Euromonitor International 2019c).

Air and water pollution

While Bangladesh accounts only less than 0,35 of global greenhouse gas (GHG) emissions, the country has taken several measures in recent years to promote climate change investments (IMF 2019c). Now, Dhaka is considered to be the second most polluted capital city in the world (IMF 2019b, 6). Bangladesh is highly affected by greenhouse gas and ozone depleting gas emissions from India, as India remains the major pollutant of the Indian subcontinents. Therefore, Bangladesh's ability to control its air quality and carbon footprint is limited without cross-country pollution action plan among the subcontinent, especially with India. (Euromonitor International 2019a). The international community has a role to play in supporting the efforts of low and lower-middle income countries to cope with climate change. This has been highlighted as a way to internalize the cost of GHG emissions for which advanced and emerging market economies are responsible. Under the 2015 Paris Agreements, advanced economies are expected by 2020 to mobilize USD 100 billion per year from public and private sources to support adaptation and mitigation activities in developing countries, and by 2025 set a new, higher quantified financing goal. (IMF 2019b, 8.)

Industrial pollution accounts for 60 % of pollution of water in Dhaka area, and the garment industry is identified as the second largest contributor. Despite being surrounded by rivers, Dhaka's water supply to its 18 million residents is being threatened by the extremely high levels of pollution. (World Bank 2017.) Bangladesh garment factories and fabric mills that wash, dye, and finish fabrics consume 1,500 billion liters of water annually, which aggravates falling ground water levels. The factories and mills also discharge toxic effluent that contaminates waterways and surrounding environments, contributing to frequent shortages for local communities, and harming health, food production, and eventually economic growth. In addition, many garment and fabric producers rely on polluting and expensive generators that emit high levels of greenhouse gases. (IFC 2017.) It is evident that the garment industry have been a big part of the pollution problem so far. Environmental concerns could harmfully impact Bangladesh's market share in the global garment market, and acknowledgement of this has helped to form a growing consciousness of the importance of water efficiency in the industry. (World Bank 2017).

To tackle the water pollution issue, Partnership for Cleaner Textile (PaCT), was launched in 2013. The initiative is led by the International Finance Corporation (IFC) in partnership

with Netherlands and is supported by several EU brands. The PaCT engages with international partners, government, communities, financial institutions and other stakeholders to bring a systematic, positive environmental change for the Bangladesh garment industry. (World Bank 2017; PaCT.) The PaCT provides factories on-site assessments, and advice on easy, low cost solutions and larger capital investments that help reduce water and chemical use, use of effluent treatment plants (ETPs), and to cut annual energy use and wastewater discharge. These investments at the same time reduce factory's greenhouse gas emissions and most of them are low cost and quick return solutions. (IFC 2017, PaCT.) The PaCT's Cleaner Production strategy is designed to maximize profits by making more efficient use of inputs (such as energy, water, or chemicals), while maintaining or increasing production and minimizing waste and pollution at source (PaCT).

Even though there is much more work to be done, the progress in pollution management is moving to the right direction, and while some factories undoubtedly have much to improve, many are world class. In fact, Bangladesh has the largest number of LEED-certified (Leadership in Energy and Environmental Design) green garment factories in the world. (Roberts-Islam 2019)

Technological solutions to reduce environmental impact

The garment industry has also played an important role in the research and development. Garment suppliers are working to improve environmental conditions and to show that they are environmentally conscious. Significant innovation in sustainability include reducing water and energy consumption, which are vital developments that benefit both the environment and reduce costs. Clothing companies are also pressuring suppliers to provide environmentally friendly textiles. Therefore, a number of environmentally responsible textile manufacturing processes have been implemented, including using organic cotton, recycled materials, cleaner dyeing and finishing processes, less-toxic materials, such as low-impact dyes that uses less water in production and waste reduction. One example of investment in technologically advanced equipment and processes is digital textile printing, which does not require water and is more environmentally friendly. (Burns, Mullet & Bryant 2016, 97.)

2.2.5 Concluding remarks

Over the past decades since countries started pursuing open trade policies millions have been lifted out of poverty, especially in developing and least developed countries (Amfori 2020, 1). Bangladesh economy has benefitted greatly on its growing garment exports and foreign investments. As history has shown in other countries, economic welfare leads to

social welfare. Bangladesh has made significant improvements in many sectors and actively invests on sustainability. However, much still needs to be done, but the country is on a right path. Bangladesh can not continue developing only by itself but needs the support of the global community, including European clothing brands.

3 Interviews of Bangladesh company representatives

The target of this thesis is to study how customer companies have impacted the development of responsibility and working conditions in Bangladesh garment industry. Theoretical framework in previous chapter is collected from references published by mainly Western entities. In order to illustrate the phenomenon, it is important to hear the thoughts and opinions of the people working in the field. This chapter gives the Bangladeshi point of view from the field as it consists solely on the interviewees of representatives of Bangladesh suppliers. As COVID-19 gave a big hit to garment business globally, it is to be noted that the interviews were conducted before the virus spread into global pandemic.

3.1 Methodology, research data collection and data analysis

Data for the qualitative research was collected by interviewing five representatives of Tokmanni's Bangladesh garment suppliers. As Tokmanni's Product Line Managers has the closest personal relationship with the supplier representatives, the interviewees were selected together with them through purposive sampling, according to Hirsijärvi & Hurme (2008, 58-60) and Kananen & Gates (2001, 52-53). In order to achieve substance in data, it was required that the interviewees would have good understanding of the global context and solid experience of working with European customers and their responsibility standards. It was wanted that interviewees represent different companies and company types, as in factories and Buying Houses. It was preferred that among interviewees would have been both male and female. However, eventually this criterion did not fulfil as all of the interviewees were male. Interviewees are introduced in table 3. Interviewees remain anonymous as singling out individuals does not add any to a qualitative research while at the same time staying anonymous could help the interviewees speak more freely.

Table 3. Introduction of the interviewees (Hiltunen 2020)

Company type	Title	Description
Factory	Director	Has worked in garment industry for seven years as successor in family business. Studied in UK where graduated as Master of Economics in industrial and labour economics.
Factory	General Manager	Has worked in garment industry for 15 years. Has worked in six organizations in fields of merchandising, marketing and R&D. Graduated from Bangladesh University of Textiles in Dhaka.

Buying House	CEO	Has worked in garment industry for 37 years. Has worked in 8 organizations in various positions in retail and buying, from shop floor to top management. Of European nationality. Has worked in Bangladesh 20 years by travelling, now permanently.
Buying House	Business Head	Has worked in garment industry for 15 years. Has worked in both Bangladeshi and Western companies in multiple areas; designing, merchandising, quality management, sourcing, garment technology, country manager. Has worked as consultant for NGO's. Graduated in Fashion Design and Apparel Manufacturing Management. Lectures part-time in University of Dhaka in field of garment.
Buying House	General Manager Merchandising	Has worked in garment industry for 18 years. Has worked in different types of organizations in different areas; in fabric mill, factory and Buying House in areas of garment technology, marketing and merchandising. Graduated in Textile Technology and Engineering from Bangladesh governmental University. Afterwards studied in UK where graduated as MBA of International Design Marketing.

Interviews were conducted as semi-structured interviews, according to Hirsijärvi & Hurme (2008, 47-48, 66-67, 102-105), Kananen & Gates (2011, 51-52, 54) and Kananen (2014, 70-72, 76-80, 86). Semi-structured interview has more discussional tone and it gives the interviewees freedom to share their views on the subject while the focus stays within the wanted topics. By using semi-structured format, the frame of the discussion exists and all the discussion topics will be covered. Additional or more defining questions can be asked during interview. The objective of this research is to display a phenomenon and semi-structured interview is suitable tool in achieving this. The discussion topics were format based on the topics researched in theoretical framework. The discussion topics were either questions arise that theoretical framework did not find answers for, or issues where supplier point of view was wanted. Discussion topics for supplier interviews can be found as appendix 2. The research data was collected through one-on-one interviews through video call. The length of the interviewees varied from 40 minutes up to almost two hours. The interviews were recorded and afterwards transcribed by the researcher.

Transcribed raw data was imported to an Excel sheet for a data analysis coding. Researcher followed thematic coding according Kananen and Gates (Kananen & Gates 2011y, 59-61; Kananen 2014, 103-108). Example of the data analysis coding chart is found as Appendix 3. The raw text was separated into shorter sentences and sentences further simplified. Each sentence was categorized into three levels; Level 1 description,

Level 2 sub-level, Level 3 main level. In Level 1 was description of the key matter of the sentence while purpose of Level 2 and 3 was to find common nominators within the data. Data was then arranged based on these categories. Level 3 codes are the themes used in next sub-chapter.

3.2 Findings of the interviews

This section introduces the findings of the interviews. The findings are assorted in eight themes. Within each theme, key findings are first collected in table and then more closely presented.

3.2.1 Consequences of the Rana Plaza collapse

All interviewees agreed that collapse of Rana Plaza in 2013 was a huge and despairing disaster, but it eventually led into something good and forced the Bangladesh garment industry standards to develop into a higher level. According to the interviewees, the disaster eventually had a huge positive impact, and was the biggest turning point in industry history. Interviewees explained that in 2013, due the Rana Plaza collapse, Bangladesh garment industry was in the focus of international attention, and massive demands started coming in terms of working environment and safety. These demands and international attention had a huge impact, as they resulted into several initiatives to improve working environment.

Table 4. Key findings: Consequences of the Rana Plaza collapse (Hiltunen 2020)

Key findings	Quotes of the interviewees
Structural safety and Accord	<p>"I would say the structural safety was the major thing significantly changed after 2013."</p> <p>"Before Rana Plaza anybody could open a building, nobody cared about structural safety."</p>
Transparency	"Bangladesh has become probably the most transparent textile producing country factory wise."
Increased customer responsibility	"Cheap price is not the main focus anymore."
Challenges in profitability	"Garment company debt ratio is the biggest problem of Bangladesh business model. Most of Bangladesh companies are running on debt, which they are only increasing over time. That is not right way to do sustainable business."
Results of reforms	<p>"I am proud of how things have improved. Changes are long term and good for Bangladesh. I would say there has been a lot of positive changes in our garment industry."</p> <p>"Rana Plaza could have been the end of the Bangladesh garment industry."</p>

Structural safety and Accord

Structural safety of the buildings was stated to be one of the most important improvements and Accord being one of the most effective initiatives. Interviewees admitted that before 2013 many factories were not structurally safe, and government was not aware of how factories were built or run. There wasn't any structure or guidance on how to make a factory building.

"Industry growth was very high, and people were building garment factories in every possible way to satisfy high demand in garment manufacturing."

According to the interviewees, in 2013 Accord was established and it changed how the industry operated. A lot of safety reforms started coming in terms of worker safety, fire safety and structural safety. It was explained that after Rana Plaza, the government has changed the regulations so that no one without a proper authority and structural and fire safety approval is allowed to make a building. It was also pointed out that after 2013, due to Accord, unsafe factories were ripped down and new safer ones were built.

"This is a significant work our government and people have done. It's not just like okay I will make a building as it used to be."

Transparency

Another improved matter mentioned as being one of the most significant was transparency. It was stated that due to all the international attention and initiatives, Bangladesh has become very transparent production country and that transparency has improved beyond other competing Asian garment production countries.

Increased customers responsibility

It was pointed out that it was not only Bangladesh garment industry that needed to improve, but also customer companies. Interviewees found that customers have started to pay more attention to social matters as before Rana Plaza they were not in focus. It was found that companies sourcing from Bangladesh have established more ethical sourcing policies than before and price is not the only factor anymore.

Challenges in profitability

Interviewees explained that after Rana Plaza there was no time to procrastinate and Bangladesh garment factories were forced to upgrade very quickly. It was admitted that there were many factories in the industry that were not up to the new standards. Interviewees explained that from factory point of view, the major effect of the increased standards

was the high increase of investments needed. Industry and customer demands have increased, yet the buying prices did not. This was found as a challenge for factory profitability.

“Big factories with a lot of areas needed to change, so a lot of investments from factory side needed to fix those parameters. Medium size factories invested around few hundred thousand dollars to meet the standards.”

It was mentioned that not all factories have afforded the changes and have shut down. This has been the case especially with smaller factories, as they do not have the same financial backing as the bigger factories. It was reported that due to this, as smaller factories have shut down, bigger factories have gained market share and become even bigger. However, it was stated that many of the Bangladesh garment companies are not making money at the moment. A lot of factories are taking orders to stay booked in order to get credit from bank.

Results of reforms

Retrospectively interviewees thought that overall impact of Rana Plaza has been positive. It was admitted that before 2013, Bangladesh garment industry was very disorganized and not compliant. However, according to the interviewees, in the past seven years things have developed significantly. The results of Rana Plaza have been a vast improvement in the standards of Bangladesh factories as the whole garment industry standards were aligned with the global standards. It was stated that the disaster eventually forced Bangladesh to rise up to international standards. For example, much needed updates to Bangladesh labour law was done as one of the interviewees mentioned:

“You can not continue as a production country without securing and making sure that there are rules for factories to follow.”

Factories now must take more responsibility in their actions than before. It was found that compared to 2013, factory safety, building standard as well as the social compliance has improved significantly.

“In 2013, if you compare to factories in China or India, we were pretty much similar. Now we are better, up to standard.”

One of the interviewees explained that there was no choice, without upgrading, international customers would have disappeared:

“After the collapse, nobody was placing orders at the beginning. But then they saw that they are actually doing something positive in order to never let this happen again.”

3.2.2 Wage increase led to improved efficiency

Table 5. Key findings: Wage increase led to improved efficiency (Hiltunen 2020)

Key findings	Quotes of the interviewees
Factories forced to be more efficient	"We are in a business, so we have to do something to be in a profitable situation. No business can sustain if it's not profitable."
Efficient management	"Industrial engineering department calculates how many products are coming out in an hour, which machine operation is causing the issue, can we fix that machine operation or improve worker efficiency."
Adopting modern concepts	"We are trying to engage LEAN management in our production line to bring the efficiency up."
Mimimizing wastage and centralized sourcing	"15 years ago, people didn't care about wastage, they could afford it. We used to book like 25 % extra fabric just in case."
Reduced overtime	"Also when the salary increased, also the cost of overtime is doubled. So the factories do not do overtime that much because they are losing money, 51% increase plus the overtime in double, it does not help them."
Technology and machinery	"In Chinese factories you will see only machines, not a lot of people. But in Bangladesh, you will see people everywhere. A lot of workers, helpers and semi-helpers. That is also what we are changing."
End-result of wage increase	"What actually happened because of the wage increase was a positive thing."

Factories forced to be more efficient

According to the interviewees, in past ten years there has been massive investments in efficiency in Bangladesh garment industry. It was pointed out that the need for efficiency was already there because of price pressure and increased overall capacity and hence increased competition. But the final push came with the 51 % increase of garment industry minimum wage in 2018. Interviewees found that industry's first reaction to wage increase was negative and distressed. However, it was pointed out that the 51 % increase was for the minimum pay and most of the workers already had better salaries, so the actual increase was closer to 30 %. Regardless, the increase was huge. Interviewees explained that at the same time with wage increase, orders had been reduced and customers were not willing to pay higher purchasing prices to compensate for the wage increase. It was stated that even after the wage increase, purchasing prices have generally gone down as customers are still constantly pressuring for lower prices. It was pointed out that there is a limit of how cheap you can make products as general costs will not go down, instead they will go up.

Interviewees explained that Bangladeshi mentality is laidback. People will not act unless they have to, and now they had to. According to the interviewees, to keep their factories

running, they started to look inside, to think how to minimize costs as customers are not going to pay extra. The only way to cope with the wage increase was to strictly look inside and increase efficiency of production. It was explained that in order to survive, factories started to work on their efficiency in terms of productivity, wastage, adapting modern technologies and processes. This was a huge shift in mentality around the whole industry.

“We worked on our efficiency so that we can keep the prices or with a marginal increase. We calculated the effects and started working on ourselves a year advance. Due this our company has been less effected than many others as we offset the costs with investments in efficiency.”

According to the interviewees, the areas where efficiency improvements were needed were vast; efficient management, adaptation of modern concepts, decreasing wastage in materials, labour and resources as well as increasing automation.

“If you work with the right customers, you have the right business direction in terms of your production floor, planning, your efficiency, your ability to save costs even in microlevels, you can offset the balance.”

Efficient management

It was explained that factories were not efficiently managed, and for the first time they had to do strict cost analyses and cut excess. Because of that, work and time study become a massive initiative around the industry. One of the interviewees explained that nowadays almost all successful factories have industrial engineering (IE) departments. IE department's function is to study and calculate how factory can be more efficient. It was admitted that this kind of data has never been collected before. Interviewees found that investing in technology and better software to calculate the efficiency has helped in this area. It was mentioned that industrial engineering is still quite new initiative and therefore still has much unused potential for the future.

Adopting modern concepts

According to the interviewees, the industry has widely adapted LEAN management and modular production lines to increase efficiency. It was explained that there used to be a lot of different level of helpers in factory production floor. Now sewing lines are set up to modular lines where worker is passing the garment to the next worker, without needing helpers in between. It was mentioned that many companies have also invested in ERP systems to ensure profitability of business.

“In Bangladesh people are not honest. To keep the right information ERP is necessary.”

Minimizing wastage and centralized sourcing

It was mentioned that also sourcing of materials was something that could be done more efficiently by taking advantage of purchasing volumes in order to negotiate better price.

“Earlier we could buy materials randomly from whom ever supplier could give us good price at the time. Now we had to start collaborating in our sourcing, same fabric for several customers from one supplier so that we could negotiate better price.”

Issues such as fabric wastage was also strictly minimized. Now factories are trying to utilize fabric as much as possible.

“Some factories used to make 105 % of the ordered pieces just in case. Now they are making 100 %, and if at the end of the process there is shortage, they will make needed pieces separately. They are trying to find new ways of doing things. The saving is not only with fabric but at working hours too.”

Reduced overtime

According to the interviewees, the maximum allowed overtime for factory workers is two hours per day. With the wage increase also the pay for overtime doubled. It was explained that because of that, overtime in factories is not common anymore as it is twice as expensive. In order to minimize costs, use of overtime has been minimized.

Technology and machinery

Interviewees explained that Bangladesh is still low-tech country and the adaption of technology has been slow. But it was stated that as customers demand for more efficiency and speed, automation will have a huge impact in Bangladesh garment industry future. According to interviewees, investment in machinery is effective way of increasing efficiency. With machines, the productivity is three to five times higher than manual labour. It was explained that automation decreases the number of people needed in production and speeds the process, while at the same time drops line cost. The quality is also better and more consistent than manually.

“For example, new dyeing machines use less steam which saves costs, but is also gives better control of shrinkage and spirality. This upgrades garment’s standard and gives better quality product for customer. So it is a win-win for everyone.”

One of the interviewees stated that automation and machinery is only way to increase productivity.

“Increased productivity must come through machines, it can not come through workers. I am working with humans, not robots. If efficiency is gained through workers, they would be under pressure all the time. That’s how you get factory workers who tell the newspaper reporters that the owners are mistreating us and don’t let us go to the bathroom. I am not that guy.”

However, it was pointed out that while using automation and machinery is more efficient and cost effective in the long run, investments in those are hugely expensive. Some factories have invested more in automation than they initially did when they started the factory.

“Those owners can see that if they did not invest in technology, they would not survive in this market.”

However, it was agreed that the mindset is slowly changing, and most factories have new machines for different things. Interviewees mentioned following processes as examples where automation is utilized:

- Auto-cutters that lay the fabric and cuts it automatically
- Printing and embroidering have moved towards machines
- Several different technologies for finishing processes
- CAD (Computer Aided Design) is a popular investment
- Modern washing machines save time, water and energy

End-result of wage increase

Interviewees found that with the improved efficiency, impact of the wage increase was not what was initially feared. Now the situation has become “new normal”.

“Wage increase was not the reason for factories to close down. If factories were closing it is because of insufficient orders, huge wastage or poor management, but not because of the wage increase.”

It was pointed out that the biggest factories are more financially stable and could cope better with the changes. Some of the smallest factories were struggling the most as they don't have the same financial backing. Not all could cover the increased overhead with only efficiency improvements and were forced to increase their prices and are losing business because of that.

“We are okay this time, but I can not tell you if we can survive another big wage increase. With increased efficiency, we can at least keep our costs at standard level.”

According to interviewees, to be able to pay the extra, many factories had to increase their production capacity in order to cover the overhead. Therefore, the industry's overall capacity of production increased almost 30 %, which increased competition even more.

Some of the interviewees stated because many factories could not cope with wage increase, they were forced to shut down. However, other found that as this might have been the final push, the wage increase was not the reason for any factory to close its operations

but there were other profound issues in their business models. Nevertheless, when a factory in Bangladesh closes down, it has severe impacts on employee lives.

“Many factories have shut down and many more employees have lost their jobs. In developing country, the economic impact of factories closing is quite serious. Unemployed garment workers don’t have savings and can not survive without pay.”

Interviewees found wage increase to be a difficult subject. While the increase was economically difficult for Bangladesh garment companies, the interviewees still found workers salary to be small. Solution for this can not be solved only in Bangladesh but within global community.

“We have to work with trade unions and worker federations to come to understanding. I still believe you can pay more to you workers.”

3.2.3 Importance of right partners

Table 6. Key findings: Importance of right partners (Hiltunen 2020)

Key findings	Quotes of the interviewees
Good partners	“For brands, to help with BSCI or ethical sourcing, I think it’s important to partner with right people.”
Know the people you work with	“More important than audits is to get to know the company owners, are they good or bad guys. You need to know the people you are working with. Are they good people, do they care about things, are they educated, up to date, do they keep industrial landmarks, are they smart in their business.”
Bad partners	“In Bangladesh there are still thousands of factories that you can easily get the cheapest t-shirt from anybody. But that kind of organization you would be supporting becomes very questionable, because lots of bad practises happens here and a lot of bad practises happen on the background that buyers are not aware of.”
Right customers	“It is very important for me that I assure the company survives, and the best way for me to do that is to work with the right customers. Today we are not as interested to work with just anybody and everybody. Now it’s all about customers with values, with vision, who has the right approach towards their business partners.”
Fair price	“The best way brands can help industry is to give fair price. You don’t need to give higher prices, just fair prices. If you are paying low price the you are poisoning the market. Because good factories that deserve the good business can’t get it anymore. The market price of a t-shirt is now too low. That is a problem.”

Good partners

According to the interviewees, there are still a lot of bad players in the industry, both suppliers and customers. That is why companies should choose their partners wisely and know the people they are working with. Interviewees stated that solid co-operation is the

best way for a customer company to move forward in garment business as global markets are changing and sustainability and ethical sourcing are coming more of a focal point.

“You can get the cheapest product anywhere in Bangladesh, but the main thing is to work with someone you know, someone you know you can place orders for the next five years and there will not be a fire or the building will not collapse and that they understand your European standards.”

According to the interviewees, it is the buyer company’s responsibility to find right partners to work with and appreciate suppliers that treat their workers right. It was stated that there are a lot of good suppliers in Bangladesh that are truly trying to do good and sustainable business. Best way buyers can expel bad practises from the industry is to choose to work with those suppliers.

“If you choose to work with good partners, good people can grow, do better work, employ people, treat them like humans and make improvement in Bangladesh where we need all this.”

It was pointed out that when working long term with right partners, also transparency and trust is at a higher level. Transparency is an integral part for building trustful business relationship.

“The benefit of working with a right partner is, once you have established a supplier, you don’t have to visit them every year. The factory is already giving you the assurance that you can trust them, they will do your thing. They will not hide anything, they will give you any information you need, transparently.”

“My focus is to be as transparent as possible towards my customers. Transparency is a key to trust. So that you would know that we are the right people to work with moving forward in the long term.”

Know the people you work with

One of the interviewees stated that responsibility standards, audits and Code of Conducts are important, but more responsibility is actually on single persons. That is why it is important to know the factory owners personally and what are their mindset and intentions. It was stated that it is important that buyers personally visit Bangladesh, to meet the people behind the factory and to see what’s the organization and factory are actually like.

“When the buyer is present here, when they see who they are working with, it helps the good people. After you get to know the owners and the factory, you can trust them more easily. Trusting relationship, that’s how business should be.”

Bad partners

According to the interviewees, in Bangladesh there are a lot of factories to choose from, good and bad, but unfortunately many customers are partnering with wrong ones. If customers would stop supporting bad factories, they would eventually go out of business and

the overall industry would get healthier. One of the interviewees mentioned that besides audits and knowing your partner, one way of scanning bad factories is to look at their finances.

“Also look at the financials of the company. Most bad players are in deep debt. If they can not make profit, how they will work with you in long-term. If they are always making loss, they will be trying to make some profit off you, by cheating.”

Interviewees were wary that there are factories that are willing to cut corners and cheat to save costs in order to give lower prices. However, it was pointed out that when working with such factories, quality, service, trust and social standards are at lower level.

“With low price, products will be maybe delayed, and not exactly what you have ordered. Fabric will be lighter, 10cm will be 8cm, quality will be poor. All this they will do to make a profit.”

It was mentioned that good partners want to do business in the long run, so they won't cut corners for short-term profit. They will give customer what is agreed on in order to have mutually fruitful business relationship.

“If we would have worked for several years and have trusted relationship, the business will grow for both parties. You are placing orders with the right guys, they can execute well, you will pay the fair price, and they are all compliant. Your business will grow and you can give us more volume and our business will grow.”

Right customers

Interviewees pointed out that as for a customer it is important to work with the right suppliers, it is also important for supplier to work with good customers as there are still bad players on both sides.

“Some customers want cheap price and don't care about the social compliance. These orders we will not take. You will find thousands of brands and companies all over the world saying, it's fine just give us the best price.”

It was stated that customer support is important for a supplier in developing country. In order to do long term sustainable business also in future, supplier needs to have good and reliable customers. One of the interviewees for example explained that when new safety standards were introduced, customer support enabled them to implement the best safety solutions. Their main customer agreed to pay 1 - 2 % more for their goods. This increase in prices helped the factory massively to get up to standard.

“Without customer support, safety improvement would not have been financially possible. The safety equipment must be bought, but they also need to be maintained forever.”

Fair price

When doing long-term sustainable business, it was stated that everything starts with the right sourcing and fair price. For good partners, customers should pay fair market price.

“Partner with right factories and pay them fair price. By that you will help the factory, you will help the workers. You will pay fair price to me instead of low price to a bad factory. You know I will give you the service and I will also have a positive impact and something for your brand to be proud of. If you want to say that our business help to empower women at work, I’m the guy you should work with. If you want the cheapest price on the market, I’m not the guy you should work with.”

Interviewees explained that constant pressure for lower prices is an industry wide issue. With competition being high, buyers take the opportunity to ask for the cheapest price and the factories keep cutting the price down just to take the business. With this formula, the factory is not making profit, it only stays alive.

“I need you more than you need me. You are the reason I can have work, these women and workers have jobs and they can make a living and go out of poverty and have a better life. Everyone should benefit from this, worker, customer, factory. That should be the formula. But somewhere we messed the formula.”

It was stated that low price can not be the main focus when doing sustainable business. This is something the whole global clothing business should step away from.

“Good quality is how you ensure customers. We have to get away just from price. That is the short-term business. How are you going to move your business further if you are making below average quality programs below average price.”

3.2.4 Progress in compliance issues

Table 7. Key findings: Progress in compliance issues (Hiltunen 2020)

Key findings	Quotes of the interviewees
Following compliance demands	“Before 2013 some certifications was there but nobody was really following them.” “Following compliance is now much more stringent and much more process oriented, so there is no way of escaping it.”
Audit fatigue	“The problem is that the customers are not accepting same authorization bodies, and therefore we have to do multiple audits. All the requirements are sometimes difficult to absorb. It would help if all customers would come into one common platform. It would definitely be more effective and cost effective from our side.”
Buying House compliance team	“We make sure that we know exactly where the factory is at and whether they are going on with the changes and rectifying the problems we have found.” “The main word is transparency. Everything we do has to be on the table. This is how it is, this is payment, this is fire related, this is technical, this is social. They can not escape with some fancy talk or excuses.”

Factory compliance team	<p>"It is important to keep connections with auditors and other industry compliance managers to keep up with the latest changes and updated rules and laws and requirements of different standards and companies. Through right connections, you will quickly find solutions, help and answers to your questions."</p> <p>"We try to educate workers to understand why it is important to follow the standards. It's difficult to explain for the lesser educated workers why you have to follow these strict guidelines."</p>
Mindset is slowly changing	"To improve compliance, you need to continuously educate and train factories, continuously trying to change their mindset."
Subcontracting and sub-suppliers	<p>"There are no gains in subcontracting. Subcontractor will do a lousy job and get the money, but they will not share our responsibilities in case of claims for example."</p> <p>"For trust and transparency, you will have to work with the right partners."</p>
Customer follow-up	<p>"To help responsibility development, customers can push factories even further for improvements and better results by checking and discussing how remediation plan is implemented."</p> <p>"If you are not present here, you need to trust your partners and auditors."</p>
Customers need to demand more	<p>"Push for improvement must come from customer side, whether it is better quality or improved social issues. They have the power of not placing the orders if this or that is not in order."</p> <p>"For example, because of the BSCI requirements, factories have improved significantly."</p>

Following compliance demands

Interviewees found that international compliance organizations have definitely had a huge impact on the whole industry, safer working environment and worker's rights. These issues are now monitored and taken care of more carefully. There is no escaping as if compliance requirements are not met, customers will not place orders.

"Previously we could maybe pay our workers a bit late but now no chance because of the Better Work and BSCI. All workers get paid at the same and BSCI, Better Work, Sedex, all strictly follow that."

It was stated that the journey has not been easy. As mentioned earlier, the improvements were required to be done extremely fast, even in international standards. This has required a lot of time, effort and investments from the whole industry.

"Since 2013 we have upgraded a lot. Getting to the standard was difficult thing. It took us good two years of hard work between 2014 and 2016. By the 2017 we were in a good place. So now if BSCI comes, we don't have to worry."

"We have come a long way to have our current standard."

Audit fatigue

According to the interviewees, audit fatigue in Bangladesh garment industry occurs due to the fact that majority of customer companies requires some sort of certification or validation that compliance issues are in order. However, every customer company has their own preferences of what standard of Code of Conduct must be followed. Many of the customers prefer general international standards, but many bigger companies also have their own Code of Conducts and auditing systems. It was stated that most of the standards and audits are similar and the standard requirements are not really very different. Most parts of the standards are overlapping. However, it was mentioned that every audit also has their individual demands, the areas they are focusing on.

“We have 16 different audits for safety and others for environment.”

Some of the interviewees did not find audit fatigue to be an issue, some thought that the process would be better if streamlined, but they also mentioned that this situation is something they are accepting and coping with. One of the interviewees stated that the problems are not because of the different systems, but because people are not seeing the bigger picture. The interviewee stated that single compliance employees are concentrating on minor details instead of embedding the true essence of the standards.

“Audit fatigue is caused mostly by confusion. Audits are like religion. Key of all the religions is the same, but there are a lot of collisions between them. The collisions are because of their own understanding, the religion itself don't have any problem.”

“As long as you are maintaining a certain standard and you explain why things are done like this, it's fine. Minor details are fine if you can justify them.”

Buying House compliance team

It is to be noted that Buying Houses are not BSCI participants, only factories. However, it was pointed out that also Buying Houses have their own compliance teams who educate and make sure BSCI and other standards are well embedded and followed by factories. It was explained that a Buying House has a certain pool of factories they work with. Based on customer demands and products, suitable factory will be selected from the factory pool. Buying House also has its own level of compliance for its factory pool.

“Our Buying House has its own company standard which is actually higher than BSCI.”

“We can not work with lower level factories because we will never be able to control what they are doing.”

According to the interviewees, before any factory can join the pool, Buying House compliance team checks the factory thoroughly.

“Our compliance team does a pre-audit in a factory, if we see some areas that are not maintained well, we monitor them. They will go through our factory development program, which means our compliance people will go to the factory and educate them for six months to increase the standard of the factory.”

It was explained that Buying House compliance team spends most of their time in factories educating, instructing and following up on the improvements. They also keep close contact with different compliance companies to keep up with the latest changes and updates on requirements and standards.

“For example with BSCI, our compliance team goes to factories and sit with the factories with these 13 performance areas and educate them and instruct them on how to follow and what to do to improve ratings. We help the factories to work on themselves on how to improve or how to get a better score. How to run a factory in all areas, management, control areas, salaries and benefits, child labour, all that.”

“Compliance needs to happen every single day. There can not be days off.”

According to the interviewees, after an audit, in case of needed remediations, Buying House compliance team closely monitors the factory so that each correction will be done in time.

“For example, if one of the findings is that salary is not on time, in next three months we check from the factory what is happening here and next three months we are checking if they are paying on time or not. If not, why not and with factory top management we sort this out.”

After the remediations are done, Buying House compliance team will make sure the factory arranges a BSCI re-audit.

Factory compliance team

Interviewees explained that every factory has its separate compliance team who will make sure each of the code of conducts and standards are followed. It was mentioned that having an experienced and competent compliance manager is a key to having a strong compliance team. When working with European customers, it would be best to have compliance manager with experience of working with European customers and good knowledge of European standards. However, it was stated that as experienced and competent employees are more expensive, this is not something all factories are willing to invest in.

“In some areas people do not prefer to hire the expensive guy, so people sometimes spend less money in particularly in compliance and R&D. So the understanding of employees on these areas are not always good.”

Factory compliance team also does internal informal auditing. It was explained that internal audits are more about instructing employees on tangible level on how and why certain

rules are to be followed. Compliance team also holds and arranges different types of training sessions and seminars for workers in terms of compliance issues.

“When working with lesser educated people, they are not as responsible, proactive or professional. I as the educated one have to do my best to help them raise their standard.”

Mindset is slowly changing

It was explained that the one thing still hindering progress in compliance is the mindset of Bangladeshi people which is not proactive or progressive. It was stated that audits are still mostly done to get the paperwork passed, as factory will prepare everything for the day of the audit to get a pass score instead of focusing on true internal improvement. It was stated that there are also still factories that get their pass reports on false pretences.

“Some factories fabricate their reports through bribery and corruption. They pay someone to take nice photos and make false documents, this does still happen.”

However, it was stated that nowadays mindset is changing, and compliance is not implemented only for the paperwork.

“We used to do compliance mainly for the audit. Before we used to control on short-time basis and not make permanent solutions. But then we started taking it seriously, not escaping anything. Inside improvement became a culture and aim was to truly fulfil requirements. And eventually compliance became easier. Now 99 % of the requirements are fulfilled.”

One of the interviewees explained that single improvements have not been drastic, instead small changes have accumulated into big results. Embedding the true essences of compliance is a long way to go as it is also about changing people's mindset.

Subcontracting and sub-suppliers

In this context, term subcontracting is used when factory outsources its own production or part of the production to some other factory. Term sub-supplier however refers to necessary next tier suppliers in supply chain, such as spinning mills, zipper or hanger supplier etcetera. It was admitted that wild subcontracting used to be more common in past, but nowadays it is not. It was stated that there is not really an upside for a factory in subcontracting as the subcontractor gets the profit but does not share the responsibilities. One of the Buying House representatives explained that outside subcontractors are not used. If a factory is unable to finish production in time, another factory can be used within the same Buying House factory pool. However, new factory will have to comply all the same requirements as original factory and the change will always have to be approved by customer. Any changes will not be made behind customers back.

Sub-suppliers, the next tier suppliers are necessary for any business. When discussed about how companies monitor compliance of their sub-suppliers, the answers varied. Some of the interviewees mentioned that they are not monitoring their suppliers, some stated that they are. It was also mentioned that having trustful and transparent partnership with supplier is needed. Some preferred to buy from big international suppliers to ensure better internal monitoring and compliance. It was also mentioned that some bigger customer companies have nominated sub-suppliers which are required to be used.

“We do not have separate body to check sub-suppliers. For nominated suppliers it is the customer who checks, audit and approved them. Only these ways we monitor our sub-suppliers.”

“With local suppliers we work with, we send our compliance guys to factories and they check themselves, the raw materials, the machinery, the production etcetera. Customers usually don’t require this but we check it to save ourselves. It’s in my best interest.”

“For trust and transparency, you will have to work with the right partners. For example the spinning mill we buy our yarn from we have done business a long time. They are transparent with us.”

“With local suppliers we have been screwed many times. That is why we have cut back. We are working mostly with international companies that have established their operations in Bangladesh. They are more expensive, but you are getting transparency, trust, the best in the business. With big well-known multinational suppliers there is no need for monitor. I will rather buy from trusted companies than take the risk with local suppliers.”

Customer follow-up

According to the interviewees, when working with factories in developing country, there is always a chance everything is not as promised. For their own good, it is customers responsibility to know what is going on in their production factories.

“Customer carries the reputation risk. It’s a disaster for you if something happens in my factory and your goods are on the lines, your name gets highlighted in the newspaper, even if it’s my fault.”

However, it was stated that customer follow up is highly important also for the industry compliance development. Customers need to follow up on factories on regular basis to justify that compliance is implemented in real life. Interviewees explained that many bigger customer companies have offices in Dhaka and their compliance team have open access to factories without a notice. Interviewees found that being present in Dhaka is the best way for customers to make sure factories are following their commitments every single day.

“To implement the open culture, it’s best to keep open doors for everyone who wants to come to check any time. A factory that is committed to open door policy are confident to keep the standard all year around.”

However, it was stated that for smaller customers being present in Dhaka all the time is difficult as they don’t have the resources to establish own offices at Bangladesh or visit factories as often as representatives of bigger companies. Smaller customer companies have to use other means to make sure compliance is followed. This is why especially smaller customers have to rely heavily on BSCI and other compliance systems. It is also possible to have third party unannounced audits or Buying House surveillance and audits. It was also mentioned that good way to find out the level of factory’s compliance is to benchmark those bigger customers that have their offices and close surveillance in Dhaka.

“By looking at the factories customer profile you will know what level of standard they are having. The customers with offices at Dhaka with high volumes, you can be sure they are closely monitored.”

Customers need to demand more

Interviewees agreed that best way for customers to improve compliance matters is to demand more. It is because customer demands that Bangladesh garment industry has developed into this point. Customers are the ones who have the power to demand more.

“Sustainability does not come internally in Bangladesh. It comes from clients demands.”

As long as customers demand more, factories will improve more. However, it was pointed out that money is always involved. Fulfilling those requirements must be financially beneficial for the factory.

“Factory owner will think if I invest this much and I get this much more orders, is this financially feasible. If there is a give and take then of course they can see the benefit of improving the factory.”

3.2.5 Amfori BSCI as a compliance system

Table 8. Key findings: Amfori BSCI as a compliance system (Hiltunen 2020)

Key findings	Quotes of the interviewees
BSCI compliance system	<p>“You can consider BSCI as a standard tool to justify a factory. In most of the cases that is valid.”</p> <p>“If you have everything in order, BSCI is very easy audit. If you don’t, BSCI can be very very difficult.”</p>

Benefits	"BSCI is one of the oldest ones of social compliance, and it has definitely improved garment industry significantly in terms of social responsibility, compliance, salaries, on time salaries, safety, child labour, discrimination. Without BSCI we would be in a much darker situation, so definitely their impact has been good in our garment industry."
Audit	"BSCI goes through everything; our workers, our workers participation committee, our safety standards, our record keeping, how professional we are overall as a company, how clean, how structured we are, are we safe, are we secure, are we monitoring our alarm systems, are we keeping record, everything."
Deficiencies	"Audit should be ongoing. For an audit I can make my factory very good and the rest of the day my factory is not good."

BSCI compliance system

According to the interviewees, Amfori BSCI is one of the oldest social compliance systems and the primary system used in garment industry. Interviewees stated that BSCI is a good general system, especially combined with other compliance systems and for example Buying House monitoring. Interviewees found that BSCI has not always been taken seriously, but in past years it has grown to be more solid and reliable system.

"BSCI is better now than it was four, five years ago. BSCI used to be just a piece of paper, but now it goes through everything. It has now gotten a serious standard to follow."

Interviewees found BSCI to be efficient compliance system as it covers multiple areas simultaneously.

"I would say BSCI is an only company who looks up to huge areas. I don't think any other audit looks up to this much areas. It is good for a factory so that they don't miss anything."

According to the interviewees, BSCI is not demanding too much. The BSCI Code of Conduct is basically what is abided by the governmental law and BSCI is verifying that the rule of law is embedded in the business operations.

"They will verify if factory follow the Code of Conduct, the local government law, worker rights, worker benefits and other elements. They will check if the Code of Conduct is truly embedded."

Interviewees reported that if factory is overall compliant, BSCI requirements are not difficult to follow. However, getting up to the standard required a lot of work.

Benefits

Interviewees explained that the overall effect of BSCI is that factories must maintain standards. Without BSCI and other compliance systems and audits, a factory could easily

postpone various improvements. BSCI will verify the standard and make sure all needed improvements are done in time. If a factory chooses not to make needed improvements, it will lose its BSCI status and due to that, lose customers and business and eventually it would have to close down.

“You don’t want to come to a factory and see mistreated people or bad waters or bad food. You need to know that whatever goods you buy in whatever price you buy them, they are made in a factory that is controlled and have the minimum social requirements. Factories need to be safe, organized, they need to have fire equipment, automatic fire doors, housekeeping, clear exit paths etcetera.”

“BSCI has affected the industry in a way that now we are extremely transparent. No one can hide anymore.”

It was explained that as a social compliance system, BSCI’s purpose is to ensure and further improve safe working environment and fair treatment of workers.

“The impact if BSCI has been on worker lifestyle. They will get all the salary and benefits fully and on time. This happened because BSCI has verified that these will happen on behalf of customers. This is very important from our worker point of view.”

Audit

According to the interviewees, because BSCI audits have been going on so long and the process is streamlined, if factory has everything in order, BSCI audit is a simple but thorough process. In a full audit, the auditor will go through each of the 13 performance areas in details and checks if remediations are done since previous audit. Interviewees explained that during the audit the compliance team sits down with the auditors and follows them circling across multiple departments and take notes along the way. The auditors will share their observations during the process and give advice on what and how to improve.

“Especially professional auditors will share their opinions with us. Some of these advices are actually off the record, but it helps us. They want us to do good, they want us to improve and develop.”

It was stated that some of the required remediations are easier to perform than others. Sometimes remediations require more effort and investment. By working in co-operation with BSCI, solutions are eventually found.

“Not all improvements are easy. Sometimes it will take one or two months, sometimes longer. But the auditors will give us the need time for remediations.”

Deficiencies

Comments about BSCI were mostly positive, but some issues were mentioned. BSCI auditing is done once a year and once every two years if total score is A or B. Interviewees pointed out that with this audit frequency it is not certain that factory is keeping the standard every day. It would be better if customer company could be present in Bangladesh and do unannounced checks to factories as many bigger companies do. This would be more concrete than paperwork from BSCI. It was explained that some factories prepare their factory for the day of the audit, but only for the passed score. It was stated that most of the customers accept BSCI score C. Interviewees admitted that as Bangladesh is highly corrupted country, a factory can get at least a passed score by BSCI in other ways than actually being compliant.

“If you follow BSCI it is a very good system. But on the other hand, it’s possible to get a minimum passed score without following it.”

One of the interviewees discussed about the Worker Participation Committee in the factory. The workers participation committee is a body of five to ten people that workers go to raise their concerns. The committee collects feedback and communicates it forward to the management. The interviewee explained that when electing Workers Participation Committee for the factory, BSCI is pushing for free election. However, it was stated that because of high corruption and political minded people, the free election would not be fair election, especially for women.”

3.2.6 Women in the work community

Table 9. Key findings: Women in the work community (Hiltunen 2020)

Key findings	Quotes of the interviewees
Male dominant culture	“For most women in Bangladesh, their first job is to raise kids and take care of the family. Second priority is job. As for men the first priority is job, and second priority is family. If you can provide your family, you are okay. For women, if you can manage your family it’s okay, if you can not manage, it’s absolutely not okay.”
Working women	“The women workers in garment factories, they are unprivileged ladies. They all come from villages to Dhaka. This is a huge industry demand for unskilled workers. This is not the case for any other industry in Bangladesh.”
Women as employees	“Women are better employees to us as a company. Women are more co-operative and flexible. They understand win-win situation.” “Women are smarter and we will be having more sessions with them on how to make working environment better for them. We have to be supportive towards women as they make better employees.”

Lack of women in managerial positions	<p>“Managers manage people, so they have to have a voice. In Bangladesh it’s about voice, not skills or motivation. Due to voice, managerial positions goes to men because of the male dominant culture.”</p> <p>“There are opportunities for ladies, but in male dominant culture it’s more difficult for them and it’s going to take long time to improve.”</p>
Progress	<p>“More ladies will come to the industry and take on more areas. Ladies are moving towards all areas. This has not been the culture before.”</p>

Male dominant culture

According to the interviewees, the is fact that most of the garment workers are women but they are not moving forward in work life, is mainly due to culture, including working environment and religion.

“The reason for women issue is the social structure of Bangladesh. It is very different from European countries structure.”

It was explained that usually men are providers in Bangladesh. By culture women stay at home to raise children and take care of the family instead of working or getting education. It was explained that men don’t really want to change this setting as they prefer to dominate women. If a man can work and provide his family, they usually don’t prefer woman to work.

“Men don’t want women to earn their own money and to have a voice.”

Working women

Interviewees stated that garment industry is an exception regarding female workers. Only garment industry or garment related fields have women workers. In other fields share of female workers is less than 1 %. According to one of the interviewees, all the industries together, less than 5 % of workforce is female. The garment industry operations need peasant workers, hence women. According to the interviewees, in factories majority of women work in sewing section. The women in garment industry lack education and skill-set required by many other tasks, but most of the women have learned sewing at home, so this is familiar task for them.

“It became a culture that women work in sewing.”

It was mentioned that in other sections at the factory production floor there are less women as the tasks may be more physical and women don’t prefer it. However, it was pointed out that in less physical jobs the percentage of women is increasing.

“For example compliance and accounting are better fit jobs for women. At other areas, like compliance, merchandising, sourcing, quality inspection, I would say more than 50 % are women.”

Women as employees

Interviewees agreed that they prefer having female workers. It was stated that women cause less problems, they don't share the same negative way of thinking as many of the males, they have better values and they care about the company's progress more than men.

“We have 80 % female workers and I have deliberately stopped recruiting men because they cause trouble.”

According to the interviewees, having majority of male workers can cause problems. It was argued that men get agitated more easily and can even get violent. They are more politically involved and put their own interests before the company's interests. It was also stated that men often have lower work ethic than women.

“Men are more lazy, they have political intensions and they cause more problems. All the unproductive thinking is in the heads of men.”

One of the interviewees explained how the company is doing their best to keep female workers happy and content by providing them good work environment and making sure their voices and concerns are heard.

“It is very important we make sure our maternity benefits, childcare facilities, healthcare and health insurance are in place. Everything we can do in our power to make sure our women feel safe. Our women recruitments have increased because in our area they know that this is women friendly factory. So it's already working for me and I'm proud of this. As long as my women are happy, my company is happy. Some benefits, for example extra breaks for breastfeeding does hurt production a little bit but can be easily managed.”

Lack of women in managerial positions

According to the interviewees, in factory production floor most of women are workers but most of the managers are men. This was explained to be mostly because of the male dominant culture. It was argued that most of the women don't even want to be in managerial positions in production floor as they would have to interact with men and have a strong voice to be able to manage both males and females.

“In factory managerial positions you have to interact with men outside factory; suppliers, loaders, truck drivers. Women don't want to do that.”

It was also mentioned that most of the women don't have education or prior work experience so they will come to work in garment industry for low-skill tasks. But because of the

lack of education or experience, it is difficult to put them up on the next level. And as especially top management consists of mostly males, there must be a man giving opportunity for a woman. However, it was pointed out that in office type of jobs in factories and Buying Houses, there already are more female managers than in factories. It was stated that women are more interested of working as managers in office type of environment where they don't have to interact with outside men. Still, in top management women are exceptions.

"We are slowly increasing women in managerial positions. For example, our Industrial Engineering department which collects data from our production, machines, workers, operators, is run only by women. I have offered women at the IE department managerial positions if they improve their work. In IE department you don't have to work with men, you will work just for the company. They were very interested and have been improving in the past year they have been working on this. Women are excellent at IE department because they are honest. They will be straight about the current situation. Honesty is a key in IE department."

Progress

Interviewees found that there already is a shift in industry mindset about giving females more opportunities, but as cultural mindset is not something that changes quickly, the progress is slow. It was found that companies are already increasing the share of women. Women are slowly moving forward and there already are women as supervisors and in mid-management. However, in this matter factories are progressing slower than Buying Houses.

"Going forward, Bangladesh garment industry will need to bring female leaders, managers, into any corporation, into any factory. But it's a long way to go."

But as already mentioned, the men will have to give the opportunity to women. There has to be a man giving an opportunity to a woman in order to take small steps forward as one of the interviewees explained:

"We are doing that in our Buying House now. Whenever people are asking to have another employee I say that's fine, let's call in some people for interviews, but at I need at least one female to be there among them so I have the possibility to choose her from any male. Of course, she has to have the same abilities, the same techniques, the same skills. But if there is only a small difference, then that job will go to a female person, and I have told this. So that is our little what we can do from here. In all levels, we will have more females."

3.2.7 Environmental issues supported by new technical solutions

Table 10. Key findings: Environmental issues supported by new technical solutions (Hiltunen 2020)

Key findings	Quotes of the interviewees
Waste and pollution management	"Pollution wise the factories are improving a lot, however, there is still heavy pollution in garment industry."
Water pollution	"No dyeing mill now is allowed to open without ETP (<i>Effluent Treatment Plant</i>). It is a must."
Smart solutions	"The willingness to find smart solutions must come from inside. It must be beneficial for the customer, environment, but also for the factory."

Waste and pollution management

According to the interviewees, waste and pollution management at garment factories have improved a lot, however, nation wise the situation is quite poor and does not seem to improve. In many other industries around the country pollution management is not taken care of. And even if environmental factors are now more in focus in Bangladesh garment industry, there is still heavy pollution within industry.

"If you look outside, if you look at the rivers and lakes and the sidewalks, people are still throwing trashes. If we were graded as a nation from 1 to 10, then the general grade would be 4 or 5."

According to the interviewees, because of customer demands, garment factories are having pollution and waste management in place. Again, customers would stop giving orders if pollution issues are not taken care of. It was stated that also in this issue, it is the customer demands that are the needed push for improvement and that customers should be demanding more in order to see better progress in this matter.

"Customers are focusing on pollution in different ways. European customers and also some US customers are focusing on that."

Water pollution

According to the interviewees, the main environmental risk at garment production is the water pollution due to dyeing and washing processes and used chemicals. It was explained that in Bangladesh the existing environmental law, the Environmental Conservation Act, requires factories and dyeing and washing plants to clean their polluted water. The polluted water is cleaned with Effluent Treatment Plant, ETP. It was explained that after dyeing or washing is completed, the polluted water runs through chemical ETP process where chemicals and colours are removed. After ETP has cleaned the water, it is re-

leased back into the general pipeline system or it can be reused straight away if the machinery is designed so. The chemical waste residue is dumped into designated governmental dumping ground. Interviewees mentioned that for setting up an ETP, Bangladesh government has set a special low interest bank loan for factories in order to make sure environment is not polluted. Nowadays without an ETP government will not give a permission for a factory. However, running an ETP process daily is expensive. It was stated that in order to save costs, some factories build an ETP but do not run it.

“Not running ETP is a big concern as it is why there is still so much pollution in water.”

It was pointed out that when working with trustful and transparent partners, these kinds of bad practises do not occur. When customers demand higher compliance industrywide, non-compliant factories will slowly die.

“Our Buying House would not work with a factory that doesn’t run their ETP properly. Our compliance team audits the ETP, tests the water after reprocessing and check the ETP running hours in order to make sure ETP is properly running.”

Smart solutions

Interviewees stated that it’s up to the Bangladesh garment companies to find smart environmentally friendly solutions in order to fulfil customer demands. However, smart solutions must be beneficial for all.

“Finding smart solutions that are beneficial for us makes us sustainable company. It saves cost, increases efficiency, it’s all beneficial. You have to make profit to be able to invest in machinery and organization.”

There are many initiatives already taken by Bangladesh garment factories. In table 12 are presented some of the taken actions interviewees mentioned.

Table 11. Examples of smart environment-friendly solutions (Hiltunen 2020)

Smart solution	What has been done
New Effluent Treatment Plant (ETP)	<p>One of the factories renewed their ETP in 2018. New ETP reuses water and energy but also the clean water results are better. The factory also now buys better dyestuff which reduces needed water and dye time and therefore uses less energy.</p> <p>“The quality is also better, so we invest, and we also get the benefit.”</p> <p>The factory also invested in in-house water testing facility and is now testing water regularly also internally. These improvements were done with a support from a European customer.</p> <p>“We had a water pollution project with a big European customer. This helped us significantly.”</p>

New boilers	<p>Gas and steam are highly required resources in garment industry. One of the factories invested in new boilers which are more energy efficient, consume less steam and recycles the steam for reuse. It was reported that steam efficiency has gone up significantly</p> <p>“Earlier we were wasting steam but then we started recycling it. Now we are wasting 60-70 % less steam.”</p>
LED lighting	<p>One of the factories reported changing all of their lighting to LED which uses less energy.</p> <p>“LED light has not been previously used in Bangladesh. In a big factory this makes up a significant change.”</p>
Less fabric wastage	<p>One of the factories increased their efficiency of fabric consumption. By making less fabric wastage, they are decreasing amount of wasted resources.</p> <p>“Our fabric wastage is reduced. We are up to 90 % efficient with fabric. When less fabric is used, less cotton, less dyestuff, less chemicals, less everything is used.”</p>

3.2.8 Outlook on the future

Table 12. Key findings: Outlook on the future (Hiltunen 2020)

Key findings	Quotes of the interviewees
Challenging future	<p>“Current situation is challenging. Because of the wage increase, the law and lower demand of the goods, expenses have gone up. But I feel this is something we have to accept.”</p> <p>“I think we got another ten good years provided, if we have the right direction and we are thinking the right way.”</p>
Solutions for future business	<p>“Definitely future is there, and I can see very good prospect. But only fittest will survive. Not the laid-back people, not the people who has worked from 1995 or 2000 and still doing things same way. They will not survive, there is not chance.”</p>
More sustainable products	<p>“Consumers will rather buy fewer clothes that last longer. This we have been focusing on past year. We think it’s important for us to make good quality clothes. If you are happy, you will come back to me, that is how I increase my business. Better quality and ethical sourcing is the positive direction the business should go.”</p>
Diversification and value-addition	<p>“Whenever we see a difficult item, oh it’s a China product, we can not do that. We really have to come out of that. Now the mindset is changing a little bit.”</p> <p>“We know we have to do this, if we will not diversify our products outside basics, we will absolutely dry out.”</p>

Challenging future

Interviewees were aware of the garment industry's importance for Bangladeshi people and the economy. It was stated that as the garment industry's role in Bangladesh is important, people respect it.

"Bangladesh heavily relies on garment industry. So if our garment industry will suffer, the whole economy will suffer. So we can not have that. As a country we would just collapse if our garment industry would collapse."

"Bangladesh needs employment, poor people need to make the improvement in income so that they can live better lives and get educated. It's like very direct economic model. We can do so much together with brands."

Interviewees found the future of Bangladesh garment industry to be very challenging, yet they were optimistic. It was stated that in order to future be promising, the direction of development must be right, and several factors still must improve.

"We don't have nothing to worry for the next ten years, if we have simple changes in our life, better efficiency and better support from our customers. If things are in time and things are in place, then definitely I can see for the next ten years it would be very difficult to dismiss Bangladesh."

According to the interviewees previous years have been challenging for the Bangladesh garment industry. The compliance standards have increased, the wages have increased, competition in basic products is very high within the country and yet at the same time customers are squeezing the prices. It was stated that because of the poor overall global economy, the buying power of the end customers have reduced, and they prefer to use their money elsewhere other than garments. Especially 2019 was a difficult year and interviewees reported of company and job losses within the industry. Interviewees were also wary of the fact that favourable duty-free EBA agreement with EU is soon coming to an end.

Solutions for future business

Interviewees mentioned several initiatives and action points that would enable positive future for Bangladesh garment industry; better positive marketing, further increase of efficiency, female empowerment in work communities, governmental development of infrastructure, taking advantage of sustainability trend, diversifying product lines and moving towards value-added items, and as EBA agreement with EU is close to an end, expanding into other markets such as U.S., Australia and Asia. A key factor in reaching these initiative and new opportunities is forward thinking mindset.

According to the interviewees, Bangladeshi people are culturally laid back and don't have a forward-thinking mindset. It was stated that for the future, general mindset needs to

change to be more efficient and proactive. This mindset needs to translate into positive marketing. It was stated that while Bangladesh garment industry has developed hugely in several sectors over the past seven years, this progress has not been marketed globally. Better positive marketing would help the industry greatly. It was stated that Bangladesh is much more structurally organized to process garment orders than many other competing countries. But when it comes to proactiveness and promoting themselves, Bangladesh falls behind.

“Bangladesh has the cultural behaviour of leaning back and wait for the orders, but it doesn’t work like that. They should not lean back and wait for some positive marketing, they should act on it. We can not sit back and just wait for everything to happen. Bangladesh needs to do proactively something which shows the world that you can come here, we are not just a third world country.”

It was stated that to be taken seriously and not just a third world country, Bangladesh needs to keep up with modern global development and rise up to international level in making business.

“New mindset will give business more respect, more orders.”

It was pointed out that the education and skill level have risen in Bangladesh for the past 15 years. Many of the factories are now run by new generation with new, more modern, international and forward-thinking mindset. This kind of mindset is helping the industry to transform into a new decade.

“With new generation the international knowledge is coming into different areas. They are having different knowledges and experience, some of them studied abroad, they have seen a lot of countries. New generation is getting different knowledge and they are implementing all those new concepts, new ideas, new thoughts. And that is helping out to develop the country.”

More sustainable products

Sustainability being a megatrend, according to the interviewees, end consumers buying pattern especially in Western countries has changed. Consumers are now buying less inexpensive basic garments and the overall demand has decreased. Those are the products Bangladesh has been focusing on. However, interviewees found this direction to be something Bangladesh garment industry can take advantage on by focusing more on quality over quantity and on more sustainable products. It was predicted that more environmentally friendly products will be the next big thing also in Bangladesh.

“Everybody is talking about recycled polyester, organic cotton, all these, and this is what we have to follow. This is not something we can say I’ll do it in 3-4 years, no. You do it now or you will not be part of this game. “

Diversification and value-addition

According to the interviewees, the general perception of Bangladesh within the industry is that it's a third world country that only makes the cheapest products like basic t-shirts. It was stated that many of the factories do share this mindset.

"Most of the factories are happy with their product line. They still prefer to do the very basic garments. They are not interested of working on the complicated value-add items."

However, it was pointed out that because the basic garment production is already saturated and competition is high, while at the same time orders are reducing, making only basics is not a long-term solution. Factories are not getting enough basic orders as it is, and the orders are predicted to reduce even more. It was agreed that the best way forward for Bangladesh garment industry is to diversify product range and step away from only basics. Interviewees explained that in more complicated, value-added products the profit margin is higher. However, diversification again requires more proactive mindset. According to the interviewees, many factories have already started expanding their product lines.

"I feel in next few years Bangladesh can handle at least 40 – 50 % of the items China is doing right now."

However, interviewees explained that expanding the product range and making new types of products requires a lot of effort and investments. Developing new product types require research and testing but also investing on new machinery and adapting new technologies.

"It demands investments to do the research and development, make samples of different kind of garments, prints and washes, to show what we can offer."

"Thinking and testing what else we could do is hard work, but it also pays better."

It was pointed out that proactive mindset is needed also to market new products. As Bangladesh has been known as production country for simple basic items, buyers need to be convinced that Bangladesh factories are capable of making also value-added items. However, it was argued that while Bangladesh garment industry is ready to move up to the next level in value-addition, the most technically complicated items are still out of reach. According to the interviewees, it is not needed for Bangladesh to jump right to the most complicated products. Instead, Bangladesh must use its advantage which is manufacturing labour at lower cost.

Interviewees explained that in order to diversify product range and making more value-added products, fabrics are needed to be imported from China. At the moment, basic cotton-based fabrics can be produced in Bangladesh for a good price, but for other fabrics it is not possible. It was explained that for example making a polyester yarn is technically

more difficult and it requires a huge investment. China has the needed raw materials and machinery and is able to make fabrics much cheaper. So for now value-added fabrics must be imported from China. However, with imported fabrics, Bangladesh factories can manufacture products cheaper than China.

“So even if it’s a crazy thought bringing in yarns or fabrics from China makes the garment cheaper, it’s true.”

However, it was pointed out that in recent years some mills in Bangladesh have started making also polyester and other value-added fabrics. But as production is small, the price still rises too high for the customer companies.

“Only problem we have with fabrics is the polyester, we can not make that. But it has actually started, we are making some polyester fabrics, slowly. Two years ago it was not even a dream but now we are making mesh fabric. The next step is to go for polyester woven fabrics. Also the polyester fabric production will definitely come to Bangladesh.”

Interviewees stated that the local fabric production is the next big step needed to be taken in order to gain more competitiveness in global markets. This was seen to happen eventually, even if the progress is slow at this point.

3.3 Concluding remarks

As due to Bangladeshi laid-back mentality, responsibility development does not come internally in Bangladesh. Push for improvements must come from the customers. Therefore, customer companies have a responsibility to demand even more and follow-up that improvement is continuous. Therefore responsibility initiatives and actions of European clothing companies are important and proven to be effective. However, customer companies can not only be demanding more and more, but the demands must be fulfilled together in good cooperation between customer and supplier companies. The key is to find smart solutions which are beneficial and profitable for all parties. However, to ensure their future, Bangladesh garment industry must be more proactive in keeping up with the global standards, marketing the good progress, as well as supplying the kind of wider product range consumers are looking for.

4 Discussion

The aim of this research is to study how have responsible sourcing actions of European clothing companies impacted the development of responsibility in Bangladesh garment industry. The interviews of Bangladesh company representatives collected by the researcher state that due to increasing pressure from European customer companies, Bangladesh garment industry has taken large steps towards more responsible business procedures and culture. The 2013 collapse of Rana Plaza building acted as the turning point to changes throughout the Bangladesh garment industry.

Bangladesh is highly dependent on its garment industry. The extensive growth of the garment industry over the past four decades has had a significant impact in Bangladesh's economic and social development, playing a major role in industrialization, employment creation, poverty alleviation and the empowerment of women. In order to keep up with this positive progress, Bangladesh garment industry must adapt to the changing environment, where responsibility issues are becoming more important and even crucial to get any European customers. EU countries are Bangladesh's main destination for garment exports. The responsibility initiatives, compliance systems and demands of European clothing companies have impacted greatly into responsibility development of Bangladesh garment industry, for example in terms of building safety, safer working environment and fair treatment of workers. Amfori BSCI is the main compliance system used by European clothing companies and it has impacted strongly on the compliance development. However, as in any system, there are still shortcomings, for example frequency of audits and the fact that audit can be passed by non-compliant means. Besides customer companies, also the role of Buying House and factory compliance departments is important in responsibility development.

A lot of challenges remain. There are still bad factories in the industry, although fewer if any European customers are working with such partners. Bangladesh culture is male dominant and gender equality poses a challenge for women moving forward in work life. The share of women in the overall workforce is minor, but women do represent majority of workers in the garment industry. Women working in garment industry are uneducated, low-skilled and come from rural areas. The male dominant culture and working environment is reflected to women not moving and not wanting to move towards managerial positions, as they do not have a "strong voice" to manage both males and females. However, mentality is slowly changing and there are male managers that respect the issues of female workers and are promoting female empowerment. Still, there has to be a man giving

an opportunity to a woman. As Bangladeshi mentality is laid-back, the responsibility development does not happen by their own initiative. The continuous push for improvement must come from the customers and progress must be followed. Without proper monitoring, non-compliant practises might be tempting. It is all about cooperation between factories, Buying Houses and customer companies and their long-term actions regarding responsibility. While cooperation between customer companies and their suppliers is advancing the compliance development, it does not necessarily reach the next tier suppliers. Sub-suppliers are lacking the monitoring and support by inner tier and their compliance can not be guaranteed.

Although there are challenges, there are also many opportunities. Many of the factories are now run by new generation with new, more modern, international and forward-thinking mindset. This opens new opportunities for the Bangladesh garment industry, if it can transform into more adaptive business models. In order to be competitive in future global markets, industry's focus should be in wider and more sustainable product range. Garment industry in Bangladesh is committed to continuous improvement, supported by their customer companies. All the good progress, especially regarding responsibility, should be proactively marketed.

The perception has been that by offshoring production to developing countries, companies are seeking also to outsource problems. Bangladesh has had the image of being only a low-cost production country, where social responsibility is not in focus and regulation is loose. However, as this research shows, it would be time to change this conception. Even though the development is slow, Bangladesh garment industry can rise to the level of global standards.

4.1 Trustworthiness

The theoretical framework was collected from vast range of reliable sources with as up-to-date information as possible. In the research data collection saturation was not reached. The number of interviewees was quite small, however, sufficient for Bachelor level thesis. In a higher-level study, the number of interviewees should be increased in order to achieve saturation. Interviewees were carefully selected with purposive sampling. Gender diversity of the research was not reached as all the interviewees were male. This was not intended, but suitable female candidates were not available. Female interviewees would have given higher trustworthiness, especially when discussed the women in work commu-

nity. However, all the interviewees gave excellent substance for the research. The interviewees remain anonymous and this gave them freedom to speak freely, also about difficult matters.

4.2 Proposals for development and further research

For this research, theoretical framework and research data was collected before the global outbreak of COVID-19 pandemic. Garment business around the world has suffered from the pandemic because of suddenly lowered customer demand. Therefore, the overall demand for garment production lowered. It was reported that some customer companies did even cancel their finished products, leaving the goods in hands of the suppliers. There has also been discussion whether nearshoring would be safer option for European customer companies. Proposal for further research is to examine the Bangladesh garment industry post pandemic; what kind of impacts did the pandemic have to Bangladesh garment industry and how sustainable future can be ensured.

The research data of this thesis shows that the compliance of next-tire suppliers are not properly monitored and their responsibility level is not guaranteed. For customer companies, monitoring of long, global supply chains is difficult. If companies would reach their monitoring deeper into supply chain, a lot more resources would be needed. This would be costly and would reflect on higher prices for consumers. The proposal for future research is how could monitoring of supply chains reach deeper into next tires and benchmark companies that have strong procedure for this. It should also be discussed what are the responsibilities of first tire suppliers in this matter.

In Bangladesh, especially after Rana Plaza collapse, the focus has been on improving the social responsibility. This research also concentrates more on the progress made in social aspects. However, the interviewees of this research believed that environmental issues are the next big thing on agenda. Proposal for further research is to conduct a similar research from environmental point of view; to examine progress, current situation and the steps need to be taken for more sustainable future.

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Appendices

Appendix 1. Discussion topics for the Tokmanni Product Line Manager interview

Responsible sourcing

- 1) Describe what is Tokmanni clothing departments sourcing strategy/philosophy?
- 2) Tell about co-operation between Tokmanni clothing department and its suppliers
- 3) What differentiates Tokmanni from fast fashion companies?
- 4) What is the average lead-time for Bangladesh garment orders
- 5) How does Tokmanni clothing department implements/promotes responsible sourcing in its own operations?
- 6) What are the responsibility requirements for the suppliers?
- 7) When taking in new supplier, how is sufficient compliance level verified?
- 8) In case of existing suppliers, how Tokmanni monitors that the compliance level is maintained?
- 9) Is there any difference in verifying compliance in case of direct order from a factory or ordering through Buying House?
- 10) How has the 51 % increase in garment workers wage affected Tokmanni clothing department
- 11) How does Tokmanni clothing department promotes garment workers living wage?

Amfori BSCI

- 12) How is BSCI implemented from Tokmanni clothing departments side?
- 13) How is suppliers BSCI performance followed/monitored?

- 14) How Tokmanni reacts to in case of remediations or in case of violations against BSCI Code of Conduct?
- 15) What kind of factors/actions can lead to terminating relationship with a supplier?
- 16) In your own experience, how does BSCI advances suppliers to act more responsibly?
- 17) In your own experience, how does BSCI advances customer companies to act more responsibly?
- 18) In your own experience, how has BSCI advanced responsibility development?
Any examples of noticeable changes?

Appendix 2. Discussion topics for supplier interviews

- 1) Briefly, tell about your personal professional background in garment industry.

Development of garment industry since 2013

- 2) How has Bangladesh garment industry changed after 2013?
- 3) What affects have international and national institutions had to garment industry and working environment?
- 4) How has development of technology changed the garment industry?
(ICT, communication, factory machinery, automation, new techniques etc.)
- 5) How has the 2018 51% rise in garment workers' pay affected your company?
- 6) Tell about your company's waste and pollution management?
- 7) Most of the garment workers are women, however they are underrepresented at managerial positions, both floor and top management. What are your thoughts about this?
 - What are the main reasons for women not moving forward in work life?
 - In big picture, what would need to happen to change this?
 - In concrete, what actions could be done to change this?

Amfori BSCI

- 8) Describe how BSCI is implemented in factory/Buying House level
- 9) When remediation is needed, how does the process of remediation go, from plan to action to review?
- 10) How does your company monitor that sub-suppliers act according BSCI Code of Conduct?
- 11) What are your company's abilities to affect to sub-suppliers responsibility actions?
- 12) What are the pros of BSCI?
 - in general
 - in day-to-day operation

- 13) What are the cons of BSCI?
- in general
 - in day-to-day operations
- 14) How could European customer companies, such as Tokmanni, better help or support your company to implement BSCI Code of Conduct?
- 15) Is there any other aspects European customer companies, such as Tokmanni, could better help or support your company in terms of responsibility efforts?
- 16) In your opinion, how has BSCI affected Bangladesh garment industry?
- 17) What effects has BSCI had in factory level?
- 18) In your opinion, is BSCI a good system?
- in general
 - compared to other responsibility initiatives and Codes of Conduct

Moving forward

- 19) In your opinion, how does the future of Bangladesh garment industry look like?
- 20) In your opinion, what are the next steps need to be taken moving forward in economic and social development?
- 21) Compared to for example China, Bangladesh garment industry still faces lower value-addition and lower efficiency. How can Bangladesh further increase its competitiveness in global markets?

Appendix 3. Example of data analysis coding

Interviewee	Raw text	Simplified expression	Description Level 1	Sub-level Level 2	Main level Level 3
HB	- I would say a technology has affected little slow still.	Adaption of technology is slow	Affect	Technology	EFFICIENCY
HB	- But technology will come now for sure because customers are demanding efficiency and speed. Bangladesh can not say anymore, oh we need 160 days for this and that, no, you have to	Technology will definately come as customers demand for more efficiency and speed	Need for efficiency	Technology	EFFICIENCY
HB	- So technology in any cutting section, in machinery, all that will have a huge impact in future than it has had now, for sure.	Automation of machinery will have a huge impact in future	Automation	Technology	EFFICIENCY
HB	- Now it has been still like, you introduce sewing machines from Germany or staff like that, but that happened very slowly. Now because of customer demands, it will be much more hyphened and factories need to go with that new development, technology	Now it has been slow, but automation in factories will increase in future	Need for efficiency	Technology	EFFICIENCY
HB	- Everybody was scared shit, like oh my god, what to do.	First reaction was negative ans scared	Wage increase pushed efficiency	Wage increase	EFFICIENCY
HB	- And what actually happened was a positive thing.	What actaully happened was positive	Wage increase pushed efficiency	Wage increase	EFFICIENCY
HB	- Customers said no, we are not going to pay you higher price than previously.	Customers refused to pay more	Wage increase pushed efficiency	Wage increase	EFFICIENCY
HB	- Actually factories simply had to be more efficient.	Factories were forced to be more efficient	Wage increase pushed efficiency	Wage increase	EFFICIENCY
HB	- The management was not efficient, so now they had to do cost analyse and to see, I need this many workers, this many. And if you look at a factory with 2000 workers, then maybe 1200-1500 is efficient. shifts, how much can they do per day.	Factory management was not efficient, so now they had to do cost analyse and cut excess.	Wage increase pushed efficiency	Wage increase	EFFICIENCY
HB	- So what actually happened was, customers got better prices as they said, no this is your problem, we are not going to pay you extra.	Customers refused to pay more	Wage increase pushed efficiency	Wage increase	EFFICIENCY
HB	- So we managed and it actually did not have the feared impact, that the whole system collapses.	The impact was not as feared	Wage increase pushed efficiency	Wage increase	EFFICIENCY
HB	- and now nobody talks about it. In the first months everybody were scared, then it settled and now nobody is talking about it.	Now situation is new normal	Wage increase pushed efficiency	Wage increase	EFFICIENCY
HB	- The first road of Bangladesh goes from Dhaka to Chittagong, and that is also the worst condition road in Bangladesh, and that is the only road that leads to shipments. How can that be. Then they give money for the road and then the money disappeared	Due lack of governmetal, road from factories to port is insufficient and creating bottlenecks for truck traffic that is important for BD imports.	Infra	Lack of proactiveness	EFFICIENCY
HB	- So the whole infrastructure, they are building now the metro system, but its should have been five years ago.	Metro project delayed	Infra	Lack of proactiveness	EFFICIENCY
HB	- But the roads to Chittagong, there is a big bottleneck where all the trucks are waiting to deliver the goods and the last truck will	Road from factories to port is insufficient	Infra	Lack of proactiveness	EFFICIENCY
HB	- And then the next is marketing this. Show the world that now we can transport the goods from Dhaka to Chittagong, instead of spending 5, 6, 7 day from leaving the factory to loading on to the	Imprvoed infra needs to be well marketed. Now there is lack of positive marketing.	Need for positive marketing	Lack of proactiveness	EFFICIENCY
HB	- So shortened lead time, be more efficient.	If infra corrected, lead time would be shorter and more efficient.	Infra	Lack of proactiveness	EFFICIENCY
EH	- Bangladesh is still low-tech,	BD is still low-tech	Affect	Technology	EFFICIENCY
EH	- If I'm a guy who is only thinking about efficiency and manipulation, my workers would be under pressure all the time, there are some factories where workers can not go to the bathroom because their production targets are so high.	If I'm always thinking about efficiency and targets, my workers would be under pressure all the time.	Right patner	Social	EFFICIENCY
EH	- I don't have that high targets, I'm working with humans, not	I'm working with humans, not robots.	Social	Social	EFFICIENCY
EH	- I will improve the efficiency through machines, not through people. They need to go to the bathroom, 'cos they are humans.	I will improve the efficiency through machines, not through people.	Social	Social	EFFICIENCY
EH	- These are the same workers who will go to the newspaper reporter and say, they don't even let us go to the bathroom. And they also mistreat the women. Mistreating the women is a horrible thing. Because women are quieter, women are more shy, so people can easily raise their finger to a woman. This kind on behaviour is disgusting and I will not have it in my factory.	These are the same workers who will go to the newspaper reporter and say, they don't even let us go to the bathroom. And they also mistreat the women.	Social	Social	EFFICIENCY