Comparative Study of Compliant & Non-Compliant RMG Factories in Bangladesh

Lal Mohan Baral
Associate Professor
Department of Textile Technology
Ahsanullah University of Science and Technology
Dhaka, Bangladesh

Abstract— Compliance of RMG factories is key requirement for most of the reputed global garments buyers. Actually compliance ensures all labor rights and facilities according to the buyer’s code of conduct. Though Bangladesh is experienced with RMG from late 1970s, it is familiar with compliance issues from last few years. Now a days Compliance is more important factor to achieve a garments export order than the product quality. But only a small number of RMG factories in Bangladesh are complaint out of more than five thousand different scale factories. Because of the huge initial investment and running cost the factory owners are less interested to be a complaint factory owner.

This paper presents a comparative study between complaint and non-complaint RMG factories in Bangladesh in respect of Initial Investment, Initial cost for Compliances, Total running cost, Running cost for compliance and Annual turn over. The practical investigation and collected data represent that the Annual turn over for complaint factories is much higher than non-complaint factories for same volume of investment including the cost involved for compliance. So every RMG factory should have to be complaint not only for more profit but also for protection of the human rights by maintaining compliance code of conduct.

Index Term— Compliance, RMG, Labor rights, Fair Trade, Code of Conduct

1. INTRODUCTION
The ready-made garment (RMG) industry of Bangladesh started in the late 1970s and became a prominent player in the economy within a short period of time. The industry has contributed to export earnings, foreign exchange earnings, employment creation, poverty alleviation and the empowerment of women. The export-quota system and the availability of cheap labor are the two main reasons behind the success of the industry.

In order to export readymade garments, it is not only the quality parameters which are important towards acceptance of the product as per the intended end use, but also the working environment in which the garments are to be produced, is equally important so that sweatshop concept is totally taken care of and the code of conduct must be stretched towards achieving the objectives of social compliance issues. The core areas of social accountability are, basically based on the principles of international human rights, local culture and tradition. The prime objective of the system is to protect the human rights in readymade garment industries. Thus, Bangladesh has a stiff challenge ahead to meet the demand of world market.

2. COMPLIANCE
Compliance means to comply with something or yield to the wishes of another. Compliance ensures all labor rights and facilities according to the buyer code of conduct. The aim of compliance is to maintain strictly the labor law.

2.1 Compliance in Bangladeshi RMG:
In addition to speedy supply, the social dimensions of the RMG industry are getting more attention from consumers, social workers, welfare organizations and brand name international buyers. Currently, many international buyers are demanding compliance with their “code of conduct” before placing any garment import order. Informal recruitment, low literacy levels, wage discrimination, irregular payment and short contracts of service are very common practices in the RMG factories in Bangladesh. It is true that the country still enjoys some comparative advantage in manufacturing garment products based on low labor costs. Rented factory premises, narrow staircases, low roofs, closed environments, absence of lunch rooms, unavailability of clean drinking water and absence of separate toilets or common rooms for female workers are other concerns in the garment factories of Bangladesh. Bangladesh RMG firms need to deal with these issues in order to remain competitive in the global market.
2.2 Code of Conducts of Compliance in RMG:

- ILO Core labor standards
  - Child labor
  - Force labor
  - Freedom of association
  - Discrimination
- Employment Conditions
  - Harassment & abuse
  - Wages
  - Working hours
  - Leave & holidays
- Occupational health & safety
  - Health
  - Workplace conditions
  - Welfare
  - Safety
  - OHS Management system & training
- Other Aspects
  - Environment
  - Women's rights
  - Management
  - Employment relationship
  - Others

2.3 Importance of compliance in RMG Sector:
The international apparel trade is fiercely competitive. In light of growing competition among RMG exporting countries and consumer preference for products which meet internationally recognized social standards, it is essential for Bangladesh’s RMG suppliers to improve social compliance in their factory. Ready-made garment (RMG) is the most flourishing sector in Bangladesh and it would be imperative and that each and every issue related to improvement of the productivity and as well as quality is strictly followed, in order to survive in the global market.

2.4 Advantages of compliance in RMG:
i) Gets higher price of products
ii) Free from labor unrest.
iii) Reduce worker turnover rate.
iv) Increased worker morality.
v) Increased productivity.
vii) Increased product quality.
vii) Have global image and global recognition for their performance.
vii) Good public or community relation.

2.5 Certification bodies world-wide:
There are many compliance bodies worldwide. Some of the major compliance bodies are:

i. ILO
ii. ISO 14001
iii. WRAP
iv. BSCI
v. ETI
vi. SAI
vii. FLA

3. Experimental
3.1 Research Methodology:
In this research work 10 RMG factories have been taken as data source, from which 5 are compliant and another 5 are non-compliant.
Five compliant factories are:

1. Shine Fashion (Pvt.) Limited. certified by BSCI
2. Mascot Garments Industries certified by ISO
3. ZAARA Composite Limited. certified by ISO
4. Knit Plus Limited. certified by WRAP
5. Knit Asia Limited.

Five non-compliant factories are:

4. Step Two Garments.
5. Texcon Textile Limited.

From above factories both descriptive and analytical study has been done. Both primary and secondary data has been collected as a sample size each factory is one unit.

### Table I
Collected Data at a Glance (Per Line)

<table>
<thead>
<tr>
<th>Type</th>
<th>Factory Name</th>
<th>Initial Investment (US$ in Million)</th>
<th>Initial Investment for Compliance (US$ in Million)</th>
<th>Total Running Cost/Year (US$ in Million)</th>
<th>Running Cost for Compliance/year (US$ in Million)</th>
<th>Annual Turn Over (US$ in Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliant Factory</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Shine Fashion</td>
<td>0.30531</td>
<td>0.04375</td>
<td>0.17352</td>
<td>0.00336</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Mascot Knits Ltd.</td>
<td>0.28476</td>
<td>0.00952</td>
<td>0.16234</td>
<td>0.00108</td>
<td>1</td>
</tr>
<tr>
<td>3</td>
<td>Zaara Composite</td>
<td>0.28088</td>
<td>0.00357</td>
<td>0.19988</td>
<td>0.00072</td>
<td>0.917</td>
</tr>
<tr>
<td>4</td>
<td>Knit Plus Ltd.</td>
<td>0.27482</td>
<td>0.00071</td>
<td>0.19656</td>
<td>0.00168</td>
<td>0.875</td>
</tr>
<tr>
<td>5</td>
<td>Knit Asia Ltd.</td>
<td>0.27383</td>
<td>0.00029</td>
<td>0.15941</td>
<td>0.00084</td>
<td>0.95</td>
</tr>
<tr>
<td>Non-Compliant Factory</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Harun Garments Ltd.</td>
<td>0.09214</td>
<td></td>
<td>0.0443</td>
<td></td>
<td>0.267</td>
</tr>
<tr>
<td>2</td>
<td>Alim Knit Wear Ltd.</td>
<td>0.113095</td>
<td></td>
<td>0.06443</td>
<td></td>
<td>0.25</td>
</tr>
<tr>
<td>3</td>
<td>Green Knit Wear</td>
<td>0.1514</td>
<td></td>
<td>0.06428</td>
<td></td>
<td>0.35</td>
</tr>
<tr>
<td>4</td>
<td>Step Two Garments</td>
<td>0.12286</td>
<td></td>
<td>0.06309</td>
<td></td>
<td>0.3</td>
</tr>
<tr>
<td>5</td>
<td>Texcon Textile Ltd.</td>
<td>0.14275</td>
<td></td>
<td>0.06468</td>
<td></td>
<td>0.375</td>
</tr>
</tbody>
</table>
3.3 Data Analysis:

**Graphical Presentation of Total Initial Investment, Yearly Total Running Cost and Annual Turnover per line of different Compliant Factories**

![Fig. 2.](image)

**Graphical Presentation of Total Initial Investment for compliance, Yearly Running Cost for compliance & Annual Turnover per line of different Compliant Factories**

![Fig. 3.](image)
Graphical Presentation of Total Initial Investment, Yearly Total Running Cost & Annual Turnover per line of different Non-Compliant Factories

Comparative Presentation of Initial Investment per line between Compliant and Non-Compliant RMG Factories
Fig. 6.

Comparative Presentation of Total Yearly Running Cost between Compliant and Non-Compliant RMG Factories

Comparative Presentation of Annual Turnover per line between Compliant and Non-Compliant RMG Factories
4. **CALCULATION**

**Part-1**

**For Compliant Factories:**
- On an average,
  - For 0.283921 million US$ investment, turnover is 0.9484 million US$
  - So, the turnover rate is 334.04%. (In respect of initial investment)

**For Non-Compliant Factories:**
- On an average,
  - For 0.124496 million US$ investment, turnover is 0.30894 million US$
  - So, the turnover rate is 247.72%. (In respect of initial investment)

**Part-2**

From the line diagram (figure-10) it is visible that, the difference of initial investment between compliant and non-compliant factories is 0.159471 US$ in million. If we add this amount with the average initial investment of non-compliant factories, then the investment of both compliant and non-compliant factories comes to an equal scale i.e.(0.124496+0.159425=0.283921 million US$). Now, for non-compliant factories,

For 0.124496 million US$ investment turnover is 0.3084 million US$
For 0.283921 million US$ investment, turnover is (0.3084/0.124496) 0.283921 million US$

=0.7033 million US$(expected)

So, for the same investment which is 0.283921 million US$, the difference of turnover between compliant and non-compliant factories is, (0.9484-0.7033) million US$=0.2451 million US$.

5. **FINDINGS**

- The average initial investment of compliant factories is 0.159425 million US$ higher than the non-compliant factories (per line). [figure-04]
- The average running cost of compliant factories is 0.118186 million US$ higher than the non-compliant factories (per line). [figure-05]
- The average turnover of compliant factories is 0.64 million US$ higher than the non-compliant factories. [figure-06]
- The average annual turnover of compliant factories is approximately 2 times higher than the average annual turnover of the non-compliant factories.
- The average annual turnover rate in respect of initial investment of compliant factories is 86.32% higher than the non-compliant factories.
- For the same investment both for compliant and non-compliant factories, which is 0.283921 million US$, the average annual turnover of compliant factories is 0.2451 million US$ higher than the non-compliant factories.

6. **DISCUSSION**

According to the bar diagram [figure: 01] it is clear that the trend of Initial Investment, Yearly Total running cost and Annual Turnover for all compliant factories is more or less same and consistent but for non compliant factories is not so consistent [figure: 03]. Figure: 02 are showing the high Annual Turnover for complaint factories in compare to not only Yearly running cost for compliance but also Total Initial Investment for Compliance.

Initial Investment for complaint factories (per line) is much higher than non complaint factories [figure: 04], because complaint factories had to invest for different types of compliance tools but non-complaint factories had no investment for those equipments. Figure: 05 representing the higher yearly running cost of complaint factories for maintaining all the facilities smoothly.

Finally the difference of turnover rate between Complaint and non-Complaint factories is very much high [Figure: 06], because complaint factories invested according to their systematic plan and getting direct order from reputed buyer and also better product price from the buyer. So they are earning more profit than non complaint factories.

**CONCLUSION**

From the findings it is clear that, the annual turnover is much higher for compliant factories than the non-compliant factories with the same investment. On the other hand, to achieve the buyer requirement it is necessary to implement compliant factors. The RMG industries of Bangladesh are aware of the importance of social and environmental code of conduct. The government, private sector and development partners are pushing for full compliance with mandatory requirements as specified in the law. The Bangladesh labor law 2006 is a strong piece of legislation and covers most international standards. By complying with this law, manufactures are only a few steps away from meeting international standards, a point they should capitalize on. In the quota free apparels market, Bangladesh must compete with all major players to sustain its existing share as well as expand into new territories. Compliance is a key requirement for all global buyers; hence Bangladeshi manufacturers must equip themselves with these tools in order to maintain the dynamism of their industry. Hopefully the findings of above study will help the factory owners to think about the advantages of implementing compliance issues in their RMG factories.

**REFERENCES**


