Role of Government in Promoting Corporate Social Responsibility: Analysis of the Bangladesh Ready-Made Garment (RMG) Industry

By Nilima Mausumi
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Abstract- The paper focuses on the role of Bangladesh government in promoting Corporate Social Responsibility (CSR) in the country’s Ready-Made Garment (RMG) industry. Based on the four public policy roles proposed by Fox, Ward, and Howard (2002), this paper investigates the point to which the Bangladesh government has facilitated or initiated CSR practices in the selected sector. It reveals that since 2013, the government has taken various noteworthy initiatives from the perspectives of policy formulation, creating enabling environment for practicing CSR, instigating social dialogues, supporting stakeholder engagement, etc. However, it is urgent to adopt measures so that firms get recognition of their positive initiatives and become concerned to violate or ignore the government rules.

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I. Introduction

Government interest in CSR is comparatively a recent phenomenon. Different contexts and motivations including social demands, social competitiveness, and sustainable development guide government attention (Steurer, 2010). Although there is much evidence that signifies the relationship between government and CSR, the topic remains overlooked by the researchers (Gond, Kang & Moon, 2011). One probable cause is that the government-CSR relationship is counter-intuitive to many researchers.

A large number of researchers argued that CSR activities are voluntary and they are beyond government rules and regulations (Brammer, Jackson & Matten, 2012). On the other hand, many researchers include Gondet. Et al. (2011) offers a typology of the correlation between CSR and government that requires multifaceted interaction between them. They comment that government has the central role in CSR and it is not only self-regulation (voluntary) or substitute governance form that alters government roles but also viewed as self-regulation that is aided by government, coordinated with government and mandated by the government.

The government can encourage CSR using its legal power (Moon, 2005). While traditional soft-laws (voluntary Initiatives) do not require any particular behavior rather than producing regular reports on CSR activities in the firms, Government regulations can be more inclusive and explicit (Moon, 2005). Furthermore, Government regulations can set a binding minimum standard as well as quality assuring systems for environmental protection, health & safety and, employment rights to support CSR. Also, firms work for CSR activity when state regulations provide clear orientations (Barth, Wolff & Schmitt, 2007, 34). The Government can also provide policy and institutional framework that stimulate companies to raise their performance beyond minimum legal standards.

Recognizing new needs, the government in many countries started to participate actively in CSR enacting activities (Steurer, 2010). However, previous literature on government actions in CSR mostly focused on developed countries. Consequently, there is a dearth of research on the issue from developing country’s perspectives (Belal, 2001; Belal, 2006; Zabin, 2013). In this perspective, the aim of this paper is to examine the level to which the government of Bangladesh has accelerated CSR practices in the country’s Ready-made Garment (RMG) industry.

II. Literature Review

a) CSR

Despite many efforts, a neutral definition of CSR has not been established. According to Carroll (1979), in addition to economic and legal obligations, corporations have ethical duties. Similarly, Bowen (1953) points out that policies or strategies of large corporations have an impact on society. For this reason, business should consider society’s values and objectives while preparing and implementing business policies or decisions. The researcher assumes that CSR works in an environment where trade, governmental, legal and societal factors interact under some rules and shared responsiveness.

b) CSR in Developing countries like Bangladesh

CSR in developing countries have some distinctive features. According to Visser (2008), CSR in developing countries is not embedded in corporate strategy and also not rooted in political systems as...
developed countries. Also, in developing countries, CSR is considered as philanthropic, religious in nature. In contrast, philanthropy is a small part of CSR in developed countries where CSR is considered as a way to increase firm's performances (Frynas, 2005).

Bangladesh garment industry has become the lifeline of Bangladesh economy, as it earns more than 80% of its foreign currency. The garment sector launched CSR programs in the early 90s when external buyers put pressure on the owners to follow social compliance of the business. As a result, some issues like the elimination of child labor got initial priority, and the sector has achieved some success in the CSR. Analysing the development of CSR execution in Bangladesh, it is noted that the sector adopted some initiatives due to local or foreign or both pressures, which is a big problem of the industry to execute CSR voluntarily (Zabin, 2013). Consequently, social compliance of the business remains poor (Ahamed, 2013).

Most firms in Bangladesh still considered CSR as traditional practices or philanthropic activities rather than business profit (Zabin, 2013). Hossain, Islam & Andrew (2006) conducted research based on companies’ financial reports and found that only 8.33% companies disclose their social and environmental information in the annual reports. Sobhan (2014) has conducted a study on CSR in Bangladesh and found that most of the respondents understand the concept of CSR but do not align with government policies or advises.

Due to insufficient CSR implementation, women workers became the most vulnerable group in the sector (Shoma, 2017). Her findings argued that weak legislative execution, lack of effective trade unions and group bargaining power, sexual harassment, wage discrimination and irregular payments undermine the rights of women workers of the sector. Haque & Azmat (2015) also depicted gender discrimination in the industry. Compiling from various sources, they identified six CSR themes for Bangladesh garment industry. Under these six themes, they also classified existing problems in the RMG sector for improving social compliances.

<table>
<thead>
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<th>CSR Themes</th>
<th>Issues identified</th>
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| Occupational Health and Safety (OHS)| • Unhealthy working environment  
• Fire risk  
• Lack of fire exit and fire alarm  
• Work-related injuries and diseases. |
| Fair Pay                            | • Low wage  
• Female workers get a lower wage.                                               |
| Legal Aspect                        | • Tax evasion  
• Violation of national and international rules, compliances,  
• Informal recruitment, unfair firing,  
• Lack of transparency and accountability, Corruption in the public sector |
| Social Welfare/Work-Life Balance    | • No social/security schemes available  
• Limited recreation opportunities  
• Lack of childcare facilities  
• Rare weekly holidays  
• Lack of transportation and proper accommodation  
• Hampered family life due to excessive working hours. |
| Labor Rights                        | • Lack of enforcement of ILO core labor rights,  
• Weak and male-dominated trade union,  
• Lack of weekend,  
• Unsuitable working environment for practicing national and international labor rights. |
| Environment                         | • Lack of following national building code and general environmental requirement while building the factory,  
• Few have active Effluent Treatment Plant,  
• Indifference to urban planning,  
• Adverse environmental impact on neighborhood including increased air and sound pollution. |
| Gender Issues                       | • Salary and wage discrimination,  
• Women are more vulnerable to the work-related illness, sexual harassment,  
• Many female workers do not get maternal leave,  
• Women are not aware of their rights. |
| Fair Trade                          | • Compliance issues mostly ignored in subcontracted factories,  
• Unpaid, payment delay is frequent, and  
• Three tiers firms are more vulnerable to the industrial accident. |
The ‘Rana Plaza’ incident also shows that CSR is not practiced in Bangladesh garment industry properly. After the tragic event, national and international media, civil society organizations and foreign buyers criticised government because of its ineffective role in governing the sector (Siddiqui & Uddin, 2016). Thus, for sustainable development of garment industry, it is important to strengthen government roles and initiatives to reduce environmental pollution, improve occupational health and safety, ease gender-based discrimination, and ensure labor rights (Masud, Hoque, Hossain & Hoque, 2013; Zabin, 2013; Mausumi, 2017). All these attempts will foster exportability of Bangladesh garment products.

III. Objectives of the Paper

There are about 6000 garment factories in Bangladesh, and the sector has significant contributions towards country’s recent economic development (Haque & Azmat, 2015). However, to supply products at low price, many companies sacrifice CSR to reduce production cost. Consequently, labor conditions, safety at work, natural environment deteriorate. Although other stakeholders like brands, firms, and civil society launched some initiatives (e.g., Accord, Alliance), these are for short period of time and less comprehensive (Haar & Keune, 2014). In this condition, the state should approach for the sustainable solutions to the problems. The future of the sectors largely depends on how government policies will regulate the sectors. In this way, the objective of this paper is to investigate the extent of Bangladesh government’s role in fostering CSR implementation in the garment industry. The findings would be helpful for the government to locate its loopholes and work accordingly. Also, contextual information on CSR is limited in the global supply chain. This attempt will examine the roles of government institutions and their decision-making and bring to light the potentials of CSR in developing country.

IV. Theoretical Underpinning of the Research

This paper used the useful model of Fox, Ward, and Howard (2002) to analyze government roles in Bangladesh’s context. They made categories and examined four public sector roles in creating the better environment for practicing corporate social responsibility.

<table>
<thead>
<tr>
<th>Table 2: Public Sector Roles (Fox, Ward, Howard, 2002)</th>
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a) Mandating

The government set some minimum standards within the existing legal frameworks that industry should follow. Through mandating, the government can catalyze innovation in the business and inject some requirements that firms must follow. For example, firms should adopt available modern techniques, best practices, code of conduct to manage the commerce and its environment.

b) Facilitating

The government acts as a secondary agent or a supporting actor. Government creates enabling environment so that firms feel motivated and engage themselves in CSR related activities. For example, the government can arrange training programs, campaigns, and awareness building actions. Furthermore, the public sector can develop or encourage suitable CSR management techniques and execute international principles.

c) Partnering

The idea of partnership is significant for the CSR program. Through the partnership, complex societal or environmental issues can be solved with the participation of various stakeholders including local and central governments, between government, international organization, civil society, business, and workers organization. The government can be solely a participant, convenor or organizer. Such partnerships can create business profits, improve social development impact, as well as add constructive value for the government.

d) Endorsing

Public sector authorization can take various practices incorporating via policy document, practices in the government sector, or direct recognition of any firm or individual through providing the award; even recognition can happen when the political dignitaries praise individuals endeavor in their speech.
V. Methodology

This is explorative research aiming to analyze government roles in supporting CSR in Bangladesh garment industry. The research used both primary and secondary. The primary data came from the researcher’s master's thesis. The researcher conducted 25 open-ended interviews in the participation of various stakeholder of the industry including industry owners, workers, human rights workers, trade union leaders, and journalists. The sources of secondary data included journals, magazines, annual reports of Bangladesh government, newspaper articles, policy documents of the government, NGOs reports, and website materials including the Department of Inspection for Factories and Establishments (DIFE).

VI. Result

After Rana Plaza incident in 2013, the miserable working conditions and labor rights came under serious scrutiny. The incident creates pressure on the owners, buyers as well as government because of their ineffective roles. In addition, national and international media reports added extra pressure on the respective stakeholders. Consequently, the brand ‘Made in Bangladesh’ faced enormous challenges to continue its global recognition and business. To minimize the difficulty and uphold its global image, the government of Bangladesh initiated different programs.

Although the four public policy roles disclose overall initiatives of the government, distinctions among these roles are not always clear. For example, one single program of the government can be leveled as facilitating, partnership and endorsing responsibility. However, one big advantage of these roles is their generality power. Similarly, in Bangladesh case, it is quite difficult to differentiate all programs under these categories. Therefore, the author tries to encompass major initiatives of the government to discourse how the government plays its various roles and responsibilities for creating the effecting environment for implementing CSR (See Table 3).

a) Mandating Role of Bangladesh Government

Bangladesh labor law is the prime legal framework that shapes minimum standards for safety and labor rights in Bangladesh. The government of Bangladesh amended its labor law in 2013 to ensure safety and security of the workers. Regarding safety, the regulation indicates that all factories should have active and usable emergency exit stairs, active fire alarms, unhindered passage, regular fire check in the factory. In addition to physical safety, the law also incorporates workers rights including the formation of the trade union, OHS (Occupational Health and Safety) committee at the factory level. Furthermore, the law mentioned about formal appointment contacts between owners and employees, working hours, rights of women workers, and implementation of minimum wages, encourage collective bargaining while needed. The owners should maintain workers register for better management, set job termination process, compensation, introduce group insurance for the workers, maternity leave and benefit, daily and weekly fixed working hours.

Besides, amending the law, Bangladesh government formulated National Occupational Safety and Health Policy in October 2013 to improve occupational safety, health and workers rights. The plan covers all sectors of the country including ready-made garment. According to the policy, the authority should implement related national laws and international declarations, conventions and take every step to protect health and wellbeing of the employees. Additionally, the authority should maintain register containing the number of the accident with casualties. Furthermore, the policy distributed the roles and responsibilities of the respective stakeholders. Furthermore, it also adopts provision of to prevent future disruption of the policy (Better work, 2017; Barua & Ansary, 2017).

Table 3: Major recent initiatives of Bangladesh government

<table>
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<tr>
<th>Public Sector Roles</th>
<th>Mandating</th>
<th>Facilitating</th>
<th>Partnering</th>
<th>Endorsing</th>
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<tbody>
<tr>
<td>1. OHS</td>
<td>B) Formation of National Occupational Safety and Health Policy</td>
<td>B) Garment Village</td>
<td>B) Accord &amp; Alliance</td>
<td>B) National export trophy</td>
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<td>2. Fair Pay</td>
<td>C) Compliance Monitoring Cell</td>
<td>C) Rana Plaza Trust Fund</td>
<td>C) Government Commitment</td>
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<td>3. Legal Aspect</td>
<td>D) Taskforce on Occupational Safety</td>
<td>D) Government partnership with 2030 Water Resources Group</td>
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<td>5. Labor Rights</td>
<td>F) Changing gender norms for garment workers</td>
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<td>6. Environment</td>
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<td>7. Gender Issues</td>
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<td>8. Fair Trade</td>
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Furthermore, after the massive protest against low salary, Bangladesh government increased minimum wage for the garment workers. While RMG workers were got the minimum monthly salary of 38USD and average 78USD, since December 2013, the government increased 77% minimum payment to BDT 5,300/month (US$68) (Haq & Azmat, 2015). Moreover, to build the environment-friendly factory, the government of Bangladesh is offering bank loans for garment sector at 9% interest rate. As a result, green factories in Bangladesh are increasing.

b) Facilitating role of Bangladesh Government

The Department of Inspection for Factories & Establishment (DIFE) plays the main role in implementing law and other safety and security-related laws. Currently, DIFE enforces at least 46 labor laws, rules and regulations to ensure workers safety and upgrade working environment. Recently, the government has accelerated the department and increased human resources for boosting monitoring activities of the RMG factories. An accountability unit has inaugurated to ensure transparency of the department’s activities. Factory inspections reports and related risks and information are being uploaded to the website. It established a database dedicated to the RMG sectors. The government has created 392 new inspectors posts. Besides, various training activities also have taken with the cooperation of ILO to increase the capacity of the government personnel. The government is implementing better work programs with the help of ILO. Under these programs, government arranges training, workshops; seminars are being arranged around the year. The trainings focus on protesting sexual violence, reducing sexual harassment of female workers, and workplace cooperation for better harmony in the workplace. (Ministry of Labor and Employment, 2018)

Besides, Government decides to set up a textile village in the district of Tangail through a public-private partnership. The proposed project will adopt green technology and will consider environmental impacts of the textile mills. Additionally, Export Promotion Bureau (EPB) has established compliance monitoring cell to monitor social compliances, labor rights, and workers welfare in the ready-made garment industry of Bangladesh. An occupational safety taskforce in RMG has also prepared short, mid and long-term plan considering four risks including fire, building and environmental security.

Likewise, Bangladesh government has created a tripartite advisory council to advise government relation to labor rights and other issues. One of the main aims of the authority is to resolve undesirable situation including labor unrest through dialogues. Government is implementing a project for the period of 2016-2021 with the help of Sweden & Denmark governments and technical support of ILO to mitigate the crisis in the sector through dialogues. One of the main aims of the project is to enhance social dialogues for the sustainable, harmonious relation between workers and employers. The government has completed another project title changing gender norm of garment employees to increase awareness about gender sensitiveness in the sector (Ministry of Labor and Employment, 2018).

c) Partnering role of Bangladesh Government

The government of Bangladesh, employers and employees organizations agreed on a tripartite statement of commitment to improving fire safety in the Bangladesh garment industry in January 2013. However, after the tragic accident of Rana Plaza, the commitment incorporated structured integrity of factories and extended as National Tripartite Plan of Action (NTPA). Under the NTPA, a tripartite committee formed as the observer of the implementation of NTPA. ILO assists in the execution and coordination of the plan while better work plays a lead role in the tripartite committee. Under this initiative, BUET (Bangladesh University of Engineering and Technology) inspected targeted 1500 garment factories and identified fire and structural risks. The examined report is uploaded to the DIFE website. The inspection has identified 300 factories that need modifications and DIFE resend the report to the authority for corrections. Along with NTPA, international buyers formulated two other important programs with similar target titled The Accord on Fire and Building Safety and The Alliance for Bangladesh Worker Safety with an objective to make the sector safe and sustainable. Under these initiatives, a total of 150 factories gone through review panel as these factories have safety and structural hazards. According to the decision of the review panel, 39 factories permanently closed their production, 42 factories were partially shut down, and another 69 factories were permitted to operate business following some recommendations (Ministry of Labor and Employment, 2018).

Another noteworthy partnership program is ‘Rana Plaza Donors Trust Fund’. Immediately after the incident of Rana Plaza, funds were needed for the treatment of wounded workers and their rehabilitation. In this situation, Prime Minister Relief Fund played a key role while BGMEA, Primark, and some development partners contributed to the fund. For long-term support of the sufferers, government, employers, trade unions, NGOs together formed Rana Plaza Coordination Committee (RPCC) with a target of supporting treatment and financial support for the victims. In January 2014, Rana Plaza Donors Trust Fund launched to manage the fund to rehabilitate the sufferers. On June 2015, RPCC announced that Rana plaza trust fund already received USD 30 million as donations (Barua & Ansary, 2017).
Since 2015, Bangladesh government is working with 2030 Water Resource Group as a participant of Multi-Stakeholder Partnership targeting to ensure wastewater treatment as well as to boost efficient management of water in the apparel sector of Bangladesh. In a speech on 17 January 2017, Honourable Prime Minister of Bangladesh said, "Our work with 2030 WRG is focusing on the following areas: mobilising and facilitating large-scale finance for wastewater treatment infrastructure; enhancing fiscal and non-fiscal incentives for wastewater treatment, recycling and efficient use; establishing a valuation methodology for water use across Bangladesh; improving institutional setup for water resources management; increasing private sector and civil society participation in water governance" (Bangladesh Songbad Songtha, 2017).

d) Endorsing Role of Bangladesh Government

The Ministry of Labor and Employment publishes annual reports as a part of their regular activities to increase transparency, accountability and informing respective stakeholders about the actions taken by the ministry. The Department of Inspection for Factories and Establishments (DIFE) is an integral part of the ministry and dedicated to the rights and welfare of the labors. The report offers an overview of the department's yearly progress of the taken initiatives, impacts of their implemented programs and plan for the welfare of respective stakeholders. Furthermore, the report also presented Annual Performance Appraisal of the ministry from which, readers can evaluate activities of the department. The report accumulates ILO conventions regarding workers welfare and their progress of implementation. Additionally, it summarises yearly government activities that would be a helpful policy document for the government and other stakeholders. For example, the report summarises implementation progress of Bangladesh Labor Law-2006, newly adopted initiatives for the welfare of the garment workers.

To encourage manufacturers, every year government of Bangladesh provides National export trophies to recognize the contribution of the respective sectors including RMG to the states export trade. One of the criteria of being chosen for the award is following social compliance of the business. In these ways, the government is encouraging firms to practice CSR. In addition, very frequently head of the government & its ministers firmly announce their strong commitment and support for the sector. For instance, on January 2017, honorable prime minister of Bangladesh Sheikh Hasina attended a workshop title "Shaping a New Water Economy" while joining at the 47th yearly Meeting of the World Economic Forum in Davos, Switzerland. Speaking on occasion, she acknowledged the great contribution of Bangladesh garment industry in the economy of the country and expressed the strong commitment to her government for ensuring social compliance in the sector. She pointed out that Bangladesh has achieved higher compliance regarding workers rights, environmental protection and OHS in the garment industry. She also added, "We are supporting the industry to 'go green'. Today, Bangladesh has 38 LEED certified factories. Out of the world's top 10 green factories, seven are in Bangladesh," (Bangladesh Songbad Songtha, 2017)

VII. Conclusion and Future Research

The purpose of this research was to investigate government roles in supporting CSR in Bangladesh garment industry. From the result, it is clear that since 2013, the government of Bangladesh has taken numerous noteworthy initiatives to encourage CSR implementation. In mandating role, the government amended Labor law that guides the CSR and workers rights related issues in the sector. Also, national OHS policy, implementation of minimum wage improved stakeholders' satisfaction to some extent. In facilitating role, the government took initiatives so that DIFE can perform its roles effectively, offer opportunities to build planned garment village, support actions to solve the crisis through effective dialogues. In partnering role of the government, adoption of NTPA, creating Rana Plaza Trust Fund for supporting victims of the incident, Government partnership with 2030 Water Resources Group indicates government commitment to make the sector more sustainable with the participation of respective stakeholders'. In Bangladesh, garment owners are considered as heroes as they contribute hugely to the national economy. However, the workers and their rights, environmental issues are often overlooked to reduce financial expenses. Sometimes, owners violate laws by their political linkage, and professional strengths. Examples of Punishment for breaking the existing laws are rare. Therefore, in the endorsing role, the government should reinforce its efforts to establish rules of law and supporting positive initiatives.

Although the paper did not attempt to evaluate the taken initiatives, the researcher identified two main issues for future research or government intervention. Previous literature located various limitations of the adopted policies. For example, in some cases, the amended labor law did not spell out the punishment for breaking the regulations. In other cases, level of penalty is low compared to the consequences of the violations. For instance, for violation the options of maternity leave, recruit children and adolescent, minimum BDT 5000 is applicable. This kind of insufficient punishment may encourage authority to break the laws. Furthermore, many stakeholders argued that government preserved owners’ interest rather than workers rights in the law.
Previous studies reveal that many garment factories did not implement the minimum requirement of labor law. As a result, the effectiveness of the law remained questionable. Even though the government has increased minimum wage significantly, workers are demanding for further increase of their salary. Similarly, NTPA, Accord, Alliance have working with similar objectives from respective platforms. They jointly cover about 3500 garment factories while there are approximately 6000 factories in the country. Therefore, future studies might focus on how government policies could be more explicit. Simultaneously, future research might also focus on implementation levels of the taken initiatives to support CSR.

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