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Corporate social responsibility, economic globalization and developing countries
A case study of the ready made garments industry in Bangladesh
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Abstract
Purpose
– This paper aims to examine the state of corporate social responsibility (CSR) in labour-intensive industries in developing countries in the context of economic globalization. Using the ready-made garments’ (RMG) industry in Bangladesh as a case study, challenges and key issues relating to CSR are highlighted.

Design/methodology/approach
– The paper draws from the review of existing literature, and the content analysis of two leading newspapers in Bangladesh for a period of one year (July 2012-June 2013) to identify the key and contemporary issues related to CSR in the RMG industry.

Findings
– Findings identify the contemporary issues of concerns associated with CSR in the RMG industry, relating them to the debate on the applicability of Carroll’s CSR pyramid to developing countries. The findings suggest that non-compliance of CSR in labour-intensive industries is a function of the nature of economic globalization. The need for a stakeholder approach towards CSR for the profitability and sustainability of this industry is also highlighted.

Practical implications
– This paper makes contributions to two different but important interrelated discourses on CSR and economic globalization. It also provides insights into the complexity involved in CSR in labour-based export industries in developing countries and acts as a springboard for further research.

Originality/value
– The paper is the first to look at all major issues of concern regarding CSR in the RMG industry in Bangladesh. As Bangladesh is an exemplar of developing countries and RMG is a typical starter industry, the findings are generalizable to similar industries in other developing countries.

Keywords
Bangladesh, Developing countries, Corporate social responsibility, Economic globalization, Ready-made garments

Paper type Research paper

Introduction
Corporate social responsibility is not about writing cheques to museums. It is life and death, and must become a crucial part of how companies do business (Bader, 2013).
Corporate social responsibility (CSR) has become increasingly important for businesses, particularly in the context of the global spread of unethical practices among businesses in both developed and developing countries, as it helps businesses retain their reputation and be more competitive, sustainable and innovative (Carroll and Shabana, 2010; Lee, 2008). The realities of globalization and tougher competitive conditions, as well as the increase in the power of corporations, put pressure on businesses to examine their social responsibilities and to integrate responsible practices with their business operations (Adams, 2008; Burke and Logsdon, 1996; UNCTAD, 2011). In the Western world, auditing, reporting and programming CSR is now an industry in its own right (Brown, 2011; Dusuki, 2008); the same cannot be said of developing countries.

Although CSR already exists in various forms in developing countries, it has gained importance recently amid rising concerns about lack of good governance and irresponsible business practices. Dangerous products from emerging economies, such as unsafe toys from China, have raised serious concerns for safety, negatively affected the image of the country, and damaged the reputation of the corporation involved (Li et al., 2010), while in Bangladesh, industrial disasters in the ready-made garments’ (RMG) sector, such as the collapse of the Rana Plaza building in 2013 and the fire in Tazreen garments factory in 2012, have killed thousands (Lund-Thomsen and Lindgreen, 2014; Manik and Yardley, 2012; Yardley, 2012c). At the Ali garment factory in Pakistan, 300 workers were burned alive or succumbed to smoke inhalation when fire broke out (Lund-Thomsen and Lindgreen, 2014). Such catastrophes have not only created moral outrage from around the world and reinforced the importance and the need for CSR than ever before but have also exposed the flaws in labour-based export industries such as the RMG industry in developing countries. These recent disasters in developing countries have triggered a range of reform initiatives and proposals from a wide range of domestic and international stakeholders (Yardley, 2012c), but the progress is slow.

In this backdrop, the paper examines the CSR issues in RMG industry in Bangladesh through the lens of stakeholder theory. More specifically, we aim to investigate, “what are the major concerns as well as key issues for the adoption of CSR in the ready-made garments industry in Bangladesh in the context of economic globalization?” In doing so, the paper contributes to two different but important interrelated discourses on CSR and economic globalization by analyzing how economic globalization influences CSR using the case study of RMG industry in Bangladesh. We focus on the RMG industry in Bangladesh for multiple reasons. First, the RMG industry has played an instrumental role in the growth of developing countries, particularly those in Asia (Gereffi and Memedovic, 2003). With low fixed costs and emphasis on labour-intensive manufacturing, RMG has been a springboard for national development, and is the typical starter industry for countries engaged in export-oriented industrialization (Adhikari and Weeratunge, 2006; Gereffi and Frederick, 2010; Gereffi, 1999). Second, the World Trade Organization’s (WTO) phase-out of the Multi Fiber Arrangement (MFA) between 1995 and 2005 had significant implications for developing countries in Asia in accessing the apparel markets of developed countries (Gereffi and Frederick, 2010). While China has been the big winner, other developing countries such as Bangladesh, India, Vietnam and Indonesia have also benefitted (Gereffi and Frederick, 2010), and the changes in management attitudes and ethics that have arisen are worth examining. Third, as an industry dealing with large multinational corporations (MNCs) with a buyer-driven value chain, the RMG offers the opportunity to analyze the gap between the rhetoric and reality of CSR. Bangladesh offers a good example
of an emerging country competing in the international market on the basis of cheap labour, while responding to growing demands for compliance with CSR. After three decades of phenomenal growth, its RMG industry is now facing problems related to non-compliance of CSR. As Bangladesh is a typical developing country, the findings of this study may be generalized to other developing countries in the region where labour-intensive export industries like RMG, leather and footwear, agri-business, pharmaceuticals and shrimp farming all experience major concerns with CSR.

The paper begins with a brief review of the literature on CSR in developing countries using the perspectives of stakeholder theory. We then explain the link between CSR and economic globalization and how that affects the practices of CSR in the context of developing countries in labour-intensive export industries. Next, we present our methodology and the case study of Bangladesh, providing a background on the current state of the RMG industry and the relevance of CSR in this industry. This is followed by a discussion of the emergent themes from the content analysis of two leading national newspapers in Bangladesh between July 2012 and June 2013, presenting a framework of CSR for RMG in developing countries. The paper concludes with theoretical and practical implications of this research, as well as suggesting avenues for future research.

CSR and economic globalization in the context of developing countries

CSR in developing countries

Of the plethora of CSR definitions, that of Carroll’s (1991) remains the most widely accepted and used. It states that CSR requires organizations to have not only economic and legal obligations to society but also ethical and discretionary responsibilities. These four constructs – economic, legal, ethical and discretionary responsibilities – are depicted as a pyramid with economics as the foundation on which the others rest (Carroll, 1999). This definition is useful because it recognizes the firm’s economic responsibility as a factor to be considered in CSR, and it differentiates legal, ethical and philanthropic categories of responsibility or performance, providing scope to examine different corporate actions (Carroll and Shabana, 2010). The economic and legal responsibilities, which are said to be “required”, represent the old social contract between business and society; ethical responsibilities are “expected” and discretionary/philanthropic responsibilities are “desired”. These latter constructs reflect a new, broader, social contract between business and society (Carroll and Shabana, 2010). Carroll’s model was proposed in the USA, and its context specificity has led to doubts of its accuracy, relevance and transferability to developing countries. Crane and Matten (2010) contend that the levels of CSR in Carroll’s pyramid have different significances and are interlinked differently in different contexts, while Visser (2008), drawing on his African research, notes that the order of levels differs in developing countries where the economic responsibilities get the most emphasis followed by philanthropic, legal and the ethical responsibilities. For the purpose of this paper, we adopt the definition of CSR as provided by Carroll (1991) and use stakeholder theory to advance the debate on whether this four-part CSR pyramid as proposed by Carroll (1991) manifests itself in the RMG industry in the Bangladeshi context. As the stakeholders of RMG industry are diverse – employees, government, community in which it operates, media – and businesses have limited resources and abilities to meet their demands (Freeman, 1984), the stakeholder approach is relevant in this context.
In developing countries CSR seems to be a new term, but the concept is old (Baughn et al., 2007). In developing countries, philanthropy and community development dominate the application of CSR (Azmat and Samaratunge, 2009; Matten and Moon, 2008). These expressions of CSR can be explained by strongly embedded and long-standing cultural norms and expectations (Jamali and Neville, 2011; Muthuri and Gilbert, 2011), deeply rooted religious values and beliefs (Jamali et al., 2009) and the critical socioeconomic needs of the region (Frynas, 2005). Prior research suggests that the level of CSR in Asian countries is lower than that in their Western counterparts, with the exception of Japan (Baughn et al., 2007; Chapple and Moon, 2005; Welford, 2005).

CSR in Asian economies tends to be tied to localized issues and cultural traditions, highlighting the importance of context specificity for CSR, particularly of the national and regional systems and their institutional capacities in which firms are embedded (Chapple and Moon, 2007, 2005).

Stakeholder theory, in which stakeholders are “groups who can affect or are affected by the achievement of an organization’s purpose” (Freeman, 1984, p. 49), was an important development in the field of CSR in the 1980s. The theory postulates that all businesses have stakeholders, and that managing them appropriately can reduce risk and improve companies’ social responsibility (Perrini, 2006). Stakeholders are important because they have the power to influence the management of an organization, and the success of the organization depends on the extent to which it satisfies the demands of the variously powerful stakeholder groups (Islam and Deegan, 2008; Ullmann, 1985). If ignored, stakeholders can evolve and turn into activists to pressurize companies to meet their demands. Many CSR initiatives of companies grow out of public exposure, adverse publicity or consumer or public backlash, confirming the power of stakeholders (Schoenberger-Orgad and McKie, 2005).

We have used stakeholder theory for our analysis because RMG industries in developing countries, due to their nature, have multiple key domestic and international stakeholders which include – employees, government and community in which they operate, media, international buyers and customers. Knowing these stakeholders, their power and interests and having a good relationship with them is critical for better management, strategic planning and long-term sustainability of the industry. However, RMG industries in developing countries have historically been driven by multinational buying companies and their requirements (Islam and Deegan, 2008), rather than managing relationships with other key stakeholders, particularly the employees. Research indicates the existence of contradiction between international buyers’ purchasing practices – demand for lower-priced products within a short period of time – and their insistence on complying with codes of conduct (Barrientos, 2013). Many suppliers engage in irresponsible business practices that favour the first at the expense of the second, such as lowering wages, saving costs and making workers engage in overtime (Lund-Thomsen and Lindgreen, 2014; Ruwanpura and Wrigley, 2011; Tokatli et al., 2008).

**Economic globalization and CSR in the context of developing countries**

In many developing countries, CSR is inescapably tied to perceptions of the risks and opportunities of economic globalization (Fox et al., 2002). According to Weiss (2000, p.3), “in the least trivial sense, globalization is quintessentially an economic process, whose causes and consequences may be political and social (as well as economic)”. The significance of economic globalization lies in its “ability” of breaking down the national economic
barriers for the spread of international trade, expansion of financial and production activities, and the growing power of MNCs and international financial institutions (Khor, 2000). The concern is that globalization, particularly in developing countries, is not an indigenous process from either the economic or the political perspective (Hirst and Thompson, 1996; Wade, 1996).

Developing countries face certain challenges in their integration into the global economy, and these have implications for CSR. First, MNCs, the principal drivers of economic globalization, may exploit governance gaps found in developing states with fledging international regulatory frameworks (Lund-Thomsen and Lindgreen, 2014; Detomasi, 2008). Some states, keen to attract international trade, may fail to “exercise proactive, regulatory power” on MNCs (Williams, 2000, p. 725; Goldblatt et al., 1997; Eden and Lenway, 2001). Many have weak public sector institutions unable to meet challenges that are powerful, organized and corporate-driven. Second, relentless market pressure to lower costs drives MNCs to operate in countries with the lowest operating costs and highest regulatory freedom (Detomasi, 2008), and emerging economies may have to choose between an inadequately compensated and protected workforce or no industry at all. Third, state sovereignty is often challenged as MNCs implement production strategies in their best interest often with no regard for the host nation’s economic, cultural and religious values or interests (Detomasi, 2008). By imposing such restrictions on the state, MNCs challenge the ability of the public sector to protect and promote public interest and welfare. Fourth, under predatory globalization, corporations seek absolute rate of profit (Farazmand, 2012), although Chapple and Moon (2007) argue that MNCs often struggle with global versus local issues in developing countries, at times adapting their CSR policies. In this context, CSR remains an essential element for business, particularly in the face of widespread violations of basic commitments such as fair pay, labour rights and workplace safety.

Alongside these challenges, there are also positive implications of economic globalization. The increased activity of Western businesses in Asia has led to some expansion of CSR activities in line with practices in the country of origin. Corporations may also implement CSR to create their positive image in emerging markets, in response to the international framework on responsible business endorsed by the World Bank, the Organization for Economic Cooperation and Development and the United Nations Global Compact (Chapple and Moon, 2005; McIntosh et al., 2004). Naeem and Welford’s (2009) study of Bangladesh and Pakistan finds that MNCs in both countries have significantly more policies concerning human rights, labour standards, environment and anti-corruption than locally listed companies. Other research suggests that, between 2000s and into the early 2010s, there have been improvements in tangible work conditions such as minimum wages, occupational health and safety and reductions in overtime work in labour-intensive industries like RMG; however, intangibles such as freedom of association and the right to collective bargaining (Barrientos and Smith, 2007; Lund-Thomsen and Lindgreen, 2014) are less affected. Sporadic attempts to drive CSR in Bangladesh and Pakistan, where companies tend to be more reactive to legislation, indicate that some degree of coercion along with encouragement to be socially responsible is required (Naeem and Welford, 2009). Major Bangladesh laws such as the Company Act 1994, Bangladesh Labour Law 2006, Environmental Conservation Act 1995 and Environmental Preservation Policy 1997 are not sufficiently focussed on compliance with CSR (Nasrullah and Rahim, 2014; Rahim, 2012).
As a result, the corporate regulation framework is not yet in a position to promote the interests of stakeholders other than the government and shareholders (Rahim, 2012).

**Methodology**

The choice of a case study approach for our study draws on Creswell’s (2007) and Granlund’s (2003) recommendations for such a method to provide a detailed and in-depth understanding of the issue. According to Yin (2009), the case study approach can be exploratory, descriptive, explanatory or causal. In this paper, the case study of Bangladesh RMG industry is exploratory and explanatory. Bangladesh has been chosen for this case study because it has characteristics shared by other developing countries, a combination of overpopulation, poverty, environmental degradation, a depleted resource base and poor governance. Like other developing countries, particularly in Asia, it has exploited its cheap labour force, the lack of other employment options for women and simple technology needs to facilitate rapid growth of the RMG industry (Khosla, 2009). However, CSR has emerged as a serious concern for the survival of this labour-intensive, export-oriented industry and Bangladesh like other developing countries is now facing the challenge to address these issues for the sustainable growth of the industry (Rahim and Wisutitsak, 2013; Nasrullah and Rahim, 2014). The case study therefore is meant to shed light into identifying issues of contemporary concern in the RMG industry to enable the development of remedial actions that can be applied to RMG and similar export industries in other developing countries.

Our study used a two-phase content analysis, a methodology of structured and systematic protocols for data reduction to facilitate analysis of large quantities of textual data which can be used quantitatively (frequency counts, correlations, trends and differences over time) or qualitatively (theme identification, theory elaboration) (Krippendorff, 2004). The first phase considered topics related to CSR in RMG in Bangladesh, published in academic journals or in reports from international and national agencies such as BGMEA, Bangladesh Occupational Safety, Health and Environmental Foundation, International Labour Organization (ILO), International Trade Union Confederation, Transparency International Bangladesh, US Agency for International Development (USAID), and War on Want. This resulted in the following eight themes (Table I):

1. occupational health and safety;
2. fair pay;
3. legal aspects;
4. social welfare/work–life balance;
5. labour rights;
6. environment;
7. gender issues; and
8. fair trade.

A relative lack of recent research on CSR in the RMG industry in Bangladesh was overcome by including the content analysis of two leading daily newspapers in Bangladesh, The Daily Star (2012/2013) and Prothom Alo (2012/2013), in the second phase. These newspapers are the most widely circulated and creditable, available in English and in Bangla (Rolt, 2012). This phase established a link between the available literature and empirical work, and relevant events occurring between 1 July 2012 and 30 June 2013. The content analysis of the newspapers is presented in Table II.
Table I. Issues of major concerns of CSR found from the review of existing literature

<table>
<thead>
<tr>
<th>Authors and year</th>
<th>CSR issues</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fair trade</td>
</tr>
</tbody>
</table>

Coding and analysis

Our first phase review of academic journals and reports identified themes related to CSR. In the second phase, we quantitatively and qualitatively analyzed both newspapers. The purpose of the qualitative analysis was to confirm the CSR themes identified in the first phase and to discover additional themes. The quantitative analysis, on the other hand, was used to determine which of our identified themes were most important to the media, and the frequency with which they were reported. Two researchers conducted two rounds of coding in each phase to ensure plausibility and reliability, and each theme was discussed to achieve consensus about the main categories.

Table II reflects the number of reports, not the number of incidents. For example, on a given date, there might have been a report of non-compliance of CSR involving five garment industries; this was taken as a single case; and if reports about a single incident were published over several days, these were counted as one incident.

Our analysis found that most areas of CSR gleaned from the literature also appeared in the newspaper reports. However, the newspapers contained additional issues: widespread violation of labour insurance requirements, supply of poor quality food and water to the workers, resulting into food poisoning and other diseases, unjustified application of coercive measures such as the use of bullets and tear gas by the police and misuse of the coercive
authority of law-enforcing agencies as a medium of government patronization of the RMG owners. These issues are broadly covered by the key themes that have been identified earlier in our content analysis. Some burning issues such as gender issues and fair trade were not reflected adequately in the newspaper reports, possibly due to the nature of these issues as noncompliance of CSR in gender issues and trade requires rigorous long-term research to produce a credible report. Furthermore, socio-cultural realities mean that issues such as gender disparity are not usually discussed or revealed by victims explicitly, and they remain neglected.

Case study of CSR in the RMG industry in Bangladesh

Despite the fragile state of business and the inadequate industrial base, the RMG sector in Bangladesh has witnessed remarkable growth in the past three decades, increasing its share of garment export in the international market after the phase-out of the MFA in 2005 (Gereffi and Frederick, 2010). There are some 6,000 garment factories in Bangladesh (BGMEA, 2014). The growth of the industry can be explained by the availability of cheap labour, particularly women, and simple technology required for the industry (Khosla, 2009), and also by the considerable support provided by the government, including duty drawback facilities, tax holidays, cash assistance, income tax rebates, creation of export processing zones and zero tariffs on machinery inputs (Ahmed, 2009; Muhammad, 2007; USAID, 2007; Rashid, 2009).

The growth of the RMG industry has had widespread positive ramifications for other segments of the economy (Bhattacharya et al., 2002), and is now a huge sector for the employment of the semi-skilled and unskilled and, in particular, the female rural population (Ahmed, 2009). The RMG industry contributes the major portion of export earnings in Bangladesh (Absar, 2001; Clark and Kanter, 2010/2011). Table III summarizes the major contributions of this sector for the Bangladesh economy.

In the past few years, owing to cumulative neglect of and disregard for CSR by management and the continuous deprivation and exploitation of workers’ rights, the sustainability of the industry has been threatened by building collapses, factory fires leading to death, injuries of workers, on-going labour unrest and violence. Compliance with CSR is constrained by the lack of integration between political, administrative and business sectors (Samaratunge et al., 2008). Moreover, weak enforcement of regulations; poor rule of law and accountability; and lack of control of corruption – absence of these components of good governance in Bangladesh – are encouraging businesses to be socially irresponsible (Azmat and Coghill, 2005). These fundamental deficiencies have widened the scope of predatory globalization to the extent that Alam and Teicher (2012, p. 858) argue that the state institutions:

[...] have been captured by members of a powerful nexus who have developed a symbiotic relationship with the state, affecting its institutional capacity to reduce corruption, strengthen transparency and accountability.

This is reflected in the RMG industry, as the government is compelled to be sensitive to the interests of garment factory owners who hold seats in the national parliament (Clark and Kanter, 2010/2011; Kazmin, 2010). For instance, in the last parliament (2009-2014), politicians were outnumbered by businessmen and industrialists who occupied roughly 60 per cent of the seats (Alam and Teicher, 2012, pp. 864-867). The Bangladesh
Garments Manufacturers and Exporters Association (BGMEA) has emerged as a “central political player” (Nielsen, 2005, p. 563) with the ability to influence both legislative and executive branches of the state. This situation has fostered a subservient atmosphere within public institutions, which remain loyal to the interests of industry owners and adopt a policy of non-involvement in labour rights by “watching from the side line” (Khan, 2001, p. 214).

Table II. Content analysis of two leading dailies in Bangladesh on RMG related reports (July 2012-June 2013)

<table>
<thead>
<tr>
<th>Name of the newspaper</th>
<th>Occupational health and safety</th>
<th>Fair pay</th>
<th>Legal aspects</th>
<th>Social welfare/workplace balance</th>
<th>Labour rights</th>
<th>Environment</th>
<th>Gender issues</th>
<th>Fair trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Daily Star</td>
<td>37</td>
<td>21</td>
<td>3</td>
<td>6</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prothom Alo</td>
<td>29</td>
<td>48</td>
<td>13</td>
<td>9</td>
<td>8</td>
<td>7</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

Table III. The RMG industry and its impact on Bangladesh economy

<table>
<thead>
<tr>
<th>Fiscal year (July to next June)</th>
<th>No. of RMG factories</th>
<th>Employment (million workers)</th>
<th>Export value (billion US$)</th>
<th>Share (%) of the RMG sector in country’s total export earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987/1988</td>
<td>685</td>
<td>0.31</td>
<td>0.43</td>
<td>35.2</td>
</tr>
<tr>
<td>1991/1992</td>
<td>1,163</td>
<td>0.58</td>
<td>1.18</td>
<td>29.3</td>
</tr>
<tr>
<td>1995/1996</td>
<td>2,553</td>
<td>1.29</td>
<td>2.35</td>
<td>65.6</td>
</tr>
<tr>
<td>1999/2000</td>
<td>3,200</td>
<td>1.8</td>
<td>4.35</td>
<td>75.6</td>
</tr>
<tr>
<td>2003/2005</td>
<td>4,107</td>
<td>2.9</td>
<td>5.17</td>
<td>74.2</td>
</tr>
<tr>
<td>2007/2008</td>
<td>4,740</td>
<td>2.88</td>
<td>10.7</td>
<td>75.8</td>
</tr>
<tr>
<td>2011/2012</td>
<td>5,400</td>
<td>4.0</td>
<td>19.4</td>
<td>78.6</td>
</tr>
<tr>
<td>2012/2013</td>
<td>5,900</td>
<td>4.0</td>
<td>21.5</td>
<td>79.63</td>
</tr>
</tbody>
</table>

Source: BGMEA (2014)

**Major issues of concern related to CSR in the RMG industry in Bangladesh**

Our content analysis found isolated research into a few dimensions of CSR issues in the RMG industry which include gender issues, wages, the socio-economic condition of workers, child labour and labour rights (Absar, 2001; Ahmed, 2006, 2009; Ahmed and Peerlings, 2009; Khan, 2001; Khundker, 2002; Nielsen, 2005; Paul-Majumder and Begum, 2000, 2006). However, there has been no consolidated effort to identify all potential issues based on academic research; we intend to fill this gap. We identify key emergent themes, which are discussed in detail below. These have been organized in terms of frequency, following the results of the content analysis of newspapers.

**Occupational health and safety.**

Both the literature and newspapers reveal that the RMG industry is seriously deficient in regard to the health care of its workers and safety in the workplace. Recent incidents including the Tazreen garments fire of 2012 killing 123 workers (Burke and Hammadi, 2012) and the collapse of Rana Plaza building in 2013 killing more than 1,000 workers, have created global awareness of the poor working conditions in factories. Major problems in the factories, our findings suggest, include the absence of fire safety measures or first aid and poorly-ventilated, suffocating work places. As most of garment factory buildings are over-crowded, congested and poorly ventilated, the workers, particularly in the sewing area, are exposed to toxic substances and dust (Paul-Majumder and Begum, 2000). Skin problems, headaches, gastric ailments and fatigue are common among workers (USAID, 2007). Fire safety, in particular, emerges as a serious concern; due
to the lack of fire safety measures, factories are “virtual death traps for the workers” (CPD, 2003, p. 7). Paul-Majumder and Begum (2000) observe that most factories violate fire codes and do not have fire exits or fire alarms. Often the main gates are locked during working hours, making the fire-related incidents more deadly (Ahmed and Peerlings, 2009). Various estimates suggest that since 1990, over 400 workers have died and some 2000 have been injured in fire-related incidents (Arnold and Bowie, 2003; Brown, 2011; Rashid, 2006; Shumi, 2008; Skeers, 2006).

**Fair pay.**

RMG factories in Bangladesh are accused of paying extremely low wages in comparison to other major garment-exporting countries, at rates that are incompatible with the cost of living. In the wake of a series of protests by workers and massive labour unrest in 2012 and 2013, the government fixed the tertiary wage of a garment worker at Bangladesh Taka (BDT) 5,300/month (US$68), although the workers demanded a minimum salary of BDT 8,114/month (US$105) (The Daily Star, 2013). The Centre for Policy Dialogue (CPD) confirms that the minimum salary is below the poverty level (CPD, 2013), and inadequate to provide sufficient food for a four-member family.

Various elements of the pay structure reflect the social vulnerability of female workers, the continuing unemployment situation in the country and the power of cost-effectiveness over ethical treatment. Workers in Bangladesh are paid very low wages compared with their peers in other countries. As of August 2013, the monthly minimum wage for entry-level workers in Bangladesh was US$39 per month, less than Cambodia (US$80), India (US$71), Pakistan (US$79), Sri Lanka (US$73) and Vietnam (US$78) (ILO, 2013, p. 2). This practice of low pay seems to be the major comparative advantage for this industry and is strongly evident from our content analysis (Tables I and II). It is argued that due to poor lead time and quality, Bangladesh competes primarily on the basis of reduced final delivery costs, utilizing an excess of unskilled labour to make low-quality garments at the lowest price in the world (Clark and Kanter, 2010/2011). The issue of low pay is compounded by female workers receiving lower pay rates, working unpaid overtime and receiving delayed payment. The low pay also has implications for human resource availability in the long term as workers from Bangladesh opt for higher salaries in other competing countries such as Malaysia (Rashid, 2009).

**Legal aspects.**

The RMG industry is often criticized for tax evasion, violation of rules and lack of transparency, all relating to issues of compliance with legal standards. Existing international and national rules and regulations protecting various rights of workers are largely violated in the apparel industry (Ahmed, 2006). Although Bangladesh has ratified a number of ILO Conventions and is committed to relevant international policy frameworks including the WTO, in practice, these conventions are either not enforced or are manipulated by factory owners to serve their own interests.

Management in RMG industries has been accused of unjustified hiring and firing practices, with retrenched workers often not paid off (Rashid, 2006). Owners of factories often prefer informal labour recruitment and workplace policies, including employing workers without proper appointment letters and giving supervisory staff authority to hire and fire semi-skilled, casual workers as necessary (Khan, 2001; USAID, 2007). Documentation and transparency are not considered best practice. There has also been a cycle of corruption in the public sector, allowing the industry to breach its legal mandates. A recent report by
Transparency International Bangladesh (2013, pp. 29-30) mentions that to establish a new RMG industry in Bangladesh costs roughly from US$10,000 to 25,000 in bribes paid to various agents in the public sector.

**Social welfare/work–life balance.**

Our analysis suggests that the RMG sector, as a major industry, is reluctant to address social welfare issues or the provision of work–life balance for its workers, despite its huge size and revenue. From the outset, most RMG factory owners pursue their business “without significant social obligations to their workforce” (Khan, 2001, p. 181). Workers are not covered by any social welfare or security initiatives by their employers. The powerful networks of industry owners thwart moves to implement minimum wages, work hour restrictions, worker pension schemes or fringe benefits (Absar, 2001). The scope for recreation is limited because of the poor work environment, poor worker–employer relations and poor pay. Female workers, in particular, have difficulty carrying out family responsibilities as there are, generally, no welfare initiatives or childcare facilities (War on Want, 2011). There are no weekly holidays. Due to excessive work stress, workers, their families and their children are affected both mentally and physically (Rashid, 2006). There are no transportation or accommodation facilities for workers. All these indicate “slavish conditions of employment without visible enslavement” (Araghi, 2003, pp. 60-61) that are hallmarks of industrialization under globalization.

**Labour rights.**

Pope Francis, in a reaction to the violations of labour rights of RMG workers in the Rana Plaza incident, compared the state of labour in Bangladesh with “slave labour” (Pullella, 2013). Prior to the Rana Plaza incident, both law-enforcing agencies and BGMEA told the owner of the building to close the factory on grounds of safety. This was ignored, and workers were forced to work against their will and rights to complete pending orders (The Economist, 2013). In recent years, industrial violence characterized by labour unrest, strikes, protests, damaging and ransacking of garment factories by the workers have occurred frequently, mainly in response to the poor application of labour rights in the industry.

Although Bangladesh has ratified the four core labour standards set by the ILO, freedom of association and the recognition of the right to collective bargaining; the elimination of all forms of forced or compulsory labour; the abolition of child labour; and the elimination of discrimination with respect to employment, remuneration and occupation, these standards have not been put into practice by the RMG industry (Morshed, 2007). Even the newly amended Bangladesh Labour (Amendment) Act 2013 fails to meet various standards of ILO conventions (BAPPG, 2013; Transparency International Bangladesh, 2013). RMG workers cannot practice labour rights as prescribed by the ILO. In most cases, they work for a whole month without a day off, in contravention of the Factory Act of 1965 (Absar, 2001, p. 6). The trade union movement, generally “weak”, is also “male oriented” (Absar, 2001, p. 3), highly politicized (Kabeer and Mahmud, 2004; Khan, 2001) and prohibited in the garment sector (Islam and Ahmad, 2010). It is further reported that only 25 of 200 trade unions are registered and only two-thirds of 52 federations for workers are active (Clark and Kanter, 2010/2011). These realities suggest the existence of a highly inappropriate environment for the practice of international standards of labour rights, which allows the industry carte blanche to maximize profits without adhering to their legal responsibilities. This is a major departure from Carroll’s CSR pyramid, where legal responsibilities come second only to economic responsibilities.
**Environment.**

Most RMG factories are located in non-industrial zones, and the presence of industrial units in residential and commercial areas contributes to environment-related problems. Many suppliers in Bangladesh have established factories and manufacturing sites without following building and safety codes (ILO, 2013) or appropriate industrial standards (Rashid, 2006). Some environmental impacts include neighbourhood insecurity, disregard for urban planning, increased fire hazard due to the highly flammable nature of raw materials and products, domestic power shortages caused by the huge consumption of electricity and gas by the industry, air pollution and noise.

Globally, there is increasing demand for organic garments. This requires RMG factories to use fibres which are not genetically modified and do not involve the use of pesticides or the reduction of water levels in their production. The factories are also required to have their own effluent treatment plants, to treat wastewater so that it has low toxicity before being disposed of in local rivers and streams (Amin and Karim, 2007). In Bangladesh, very few factories comply with the environmental standards required for an organic garment manufacturing, or by the general environmental requirements prescribed by the government.

**Gender issues.**

Economic globalization is often criticized for being centred on the “social construction of gender” (Marchand, 1996, p. 600), which has encouraged the “feminization of labour”, particularly in the labour-intensive and low-wage textile and garment industries (Moghadam, 1999, p. 372). In Bangladesh, roughly 1.8 million, or 85 per cent, of workers in the garment industry are women (Khosla, 2009); the majority are 18-35 years old (Clark and Kanter, 2010/2011). Although it is argued that the massive employment of women enhances their economic independence, gives them social respect and voice (Khosla, 2009), the present attitude of the industry towards its female workers and their place in society is conducive neither to the requirements of female empowerment nor to poverty reduction (Kabeer and Mahmud, 2004; Morhsed, 2007; Paul-Majumder and Begum, 2000, 2006). Entrepreneurs in the garment industry prefer to hire women because of the belief that women are nimble and patient, are more docile and controllable than men, are less likely to join trade unions, are better at sewing and will accept lower wages (Morhsed, 2007; Paul-Majumder and Begum, 2006). There is a gendered division of labour- and gender-centric discrimination against female workers in the industry (Absar, 2001; Khundker, 2002; Paul-Majumder and Begum, 2000; USAID, 2007; War on Want, 2011), reflected in the employment of predominantly females in the woven sector and males in the more skill-intensive and financially rewarding knitted sector (Ahmed, 2009; USAID, 2007). Women are mostly employed in low-skill, low-pay jobs, and are paid lower wages than men for the same job (Khosla, 2009).

Similarly, research into the welfare of female garment workers paints a grim portrait. A study by USAID (2007, p. 50) found 21.8 per cent of female workers had suffered workplace-related illness in comparison to 9.4 per cent of male workers. Paul-Majumder (2001) and Paul-Majumder and Begum (2000, 2006) identify a range of issues associated with mental health problems in female workers, such as claustrophobia and other phobias and depression. Sexual harassment continues to be another major problem for women in garment factories, despite regulations against it (Amin and Karim, 2007).

Although the majority of workers are female, many factories have no provision for maternity leave (Amin and Karim, 2007). Not all female workers are aware of their
entitlement to four-month paid maternity leave according to government rules, and are not enlightened by their employers. Female workers, excluded from the male-dominated leadership of unions and management, are often unaware of their rights and so are largely incapable of deciding the course of their future (Paul-Majumder and Begum, 2000).

**Fair trade.**
The RMG industry relies on a supply chain network for raw materials and other products, as well as for outsourcing to third parties. Findings suggest that, many in this network are small manufacturers, who are in a disadvantageous position in relation to large manufacturers. Kabeer and Mahmud (2004, p. 144) describe these small manufacturers as the “third tier” of the industry in Bangladesh, referring to the small, low-grade factories that do not have direct contact with foreign buyers or the ability to make contact. They work in small rented premises and rely on sub-contracted orders from larger factories which have taken on too many orders or need to meet a deadline (Kabeer and Mahmud, 2004). These subcontractors compete in price, which leaves little space for compliance with CSR (USAID, 2007). For example, Walmart (buyer for roughly 25 per cent of the garments exported from Bangladesh) functions through 500-600 factories in the country. Like most other foreign brands, they do not own the factories that produce the clothing they purchase, or monitor conditions in them (Clark and Kanter, 2010/2011). Most of the orders for these factories are outsourced to cheaper third parties, as they use only 25-40 per cent of a given factory’s production capacity, to reduce the company’s liability about labour right, work environment and the fair trade issues (Clark and Kanter, 2010/2011). War on Want, a UK-based, non-profit organization, claims that prior to the 2012 London Olympics, factories in Bangladesh producing sportswear for Olympic sponsors Adidas, Nike and Puma were not effectively monitored for compliance with CSR standards. War on Want (2012) also claimed that the female workers were physically and verbally abused, underpaid and overworked. In addition to these concerns, there are often payment delays, producing a ripple effect that ends with low pay to the workers, arrears bills, and tension along the supply chain. This situation, and the huge emphasis on cutting costs, can be partly attributed to economic globalization that has forced businesses, their suppliers and subcontractors to adopt methods which pose genuine and apparently insuperable challenges to implementing CSR practices along the supply chain (Arnold and Bowie, 2003).

**Discussion**
Based on the content analysis of academic publications and two leading newspapers from 1 July 2012 to 30 June 2013, this paper has identified and explored the contemporary issues of concerns for the compliance of CSR in the RMG industry in Bangladesh in the context of economic globalization through the lens of stakeholder theory. In doing this, the paper also contributes to the debate on the application of Carroll’s four-part CSR model in developing countries. Our findings point to some interesting facets in CSR dynamics in RMG and other labour-intensive industries in the context of developing countries as discussed below. First, our findings confirm that meeting the demands of stakeholders become complicated when there is a powerful nexus of vested interest groups. In line with earlier studies (Islam and Deegan, 2008), our findings suggest that although the RMG industry in developing countries has multiple key stakeholders, such as the industry owners, international buyers, RMG workers, public sector, non-governmental organization (NGO) and civil society organizations, local community and natural environment, it is mainly driven by the requirements of international buyers. This has led to a systematic neglect of other prime
stakeholders such as the garment workers, the community where the industries operate and the natural environment. There is a need to properly identify key stakeholders and address their concerns if the industry is to be sustainable. Despite employees/workers being important stakeholders, who both create the product and make up the largest group of interested parties, they are overlooked and ignored. Prior research suggests that corporations in Bangladesh are visibly banking on the “vulnerabilities of a highly labour-intensive and poor country as their source of profit” (Rahim, 2012, pp. 105-106); this study concurs with this finding.

Second, our study suggests that profit maximization by businesses, both local and MNC; use of unethical and unsustainable business practices to exploit the human resources; inadequate commitment; and the capacity of the state to effect compliance with CSR, have emerged as the dominant challenges to the implementation of CSR in the RMG sector and can be attributed to the predatory nature of globalization.

Finally, our findings suggest that the order of the CSR levels proposed by Carroll differs in developing countries. We found economic responsibilities get the most emphasis in Bangladesh, followed by philanthropic, legal and the ethical responsibilities. This is consistent with the findings of Visser (2008) who suggested a similar order in the African context. Our findings provide evidence that in the RMG sector in Bangladesh, the majority of businesses have focussed on profit maximization without complying with national or international legal standards, compromising the “required” legal elements of CSR, in essence, failing to abide by the basic condition of being socially responsible (Carroll, 1991; Visser, 2008). The exploitation of humans, and the poor conditions of the workers, suggests inadequate ethical consideration on the part of the business owners that comprises the “expected” construct of CSR. Although some businesses in the RMG carry out their philanthropic responsibilities, it can still be argued that the industry is predominantly focussed on its narrow economic responsibilities, disregarding even its legal responsibilities and its duty towards its stakeholders. The philanthropic contributions are significant and not to be understated, but are not sustainable, as they tend to have a short-term focus, and are distanced from business goals and profits (Jamali, 2007). In view of the problems experienced in the sector, the industry seems to lack the level of “benevolence” corporate citizens should demonstrate in the form of its willingness to “transcend self-interest for the sake of the common good” (Palazoo and Richter, 2005, p. 396).

Based on the findings of our content analysis, we have identified key issues that businesses need to focus on to be sustainable in labour-intensive industries like RMG. These issues are presented in Figure 1, in the form of a framework that can also be applied to other labour-intensive export industries in developing countries.

The eight dimensions of CSR issues include gender realities, legal aspects, fair trade, fair pay, social welfare/work–life balance, labour rights, occupational health and safety and environment. We argue that it is important for businesses to consider these issues, as it is not just in their financial interests but is also crucial for the sustainability of RMG and other similar industries where CSR has emerged as a serious concern.

**Theoretical implications**

In addition to confirming and reinforcing the findings of earlier research in this topic, this paper contributes to the existing literature on economic globalization and CSR in developing countries. It identifies and explores contemporary issues relating to the RMG industry in the form of a framework that can be applied to this and similar sectors in developing countries. It also contributes to the debate on the applicability of Carroll’s four-part CSR model in the
context of developing countries. Our findings also confirm and reinforce the significance of managing a better relationship with the key stakeholders through stakeholder analysis for long-term sustainability and mitigating CSR concerns.

Figure 1. Dimensions of CSR in the RMG industry in developing countries

**Practical implications**

The study has a number of practical implications. First, it provides insights into the current situation in the RMG industry, identifying key issues and highlighting the importance of being socially responsible for businesses for the profitability and sustainability of the industry. It further illustrates how the agendas of CSR have now extended beyond businesses to include their supply chains, as well as the downstream effects (Moon, 2014), increasing the complexity of CSR in labour-based export industries in developing countries. Due to this complexity, findings suggest that CSR, particularly in labour-intensive industries needs to shift from being “corporate centred” – companies deciding their own responsibilities and how to pursue them – to being “corporate oriented” – where the state and the civil society define and secure the responsibilities of businesses (Moon, 2014: 17).

Second, for CSR to be corporate oriented, the paper provides implications for a concerted effort by the state for adequate interventions to protect the public interest and resist the predatory nature of economic globalization. Given the limitations of state in developing countries, our findings highlight the role for NGOs to work as “partners” with the state and other actors such as international development agencies and businesses to assist businesses in being socially responsible (Moon, 2014).

Third, in the current context of irresponsible behaviours in this industry, identifying the issues helps to create awareness of the importance of CSR for both business and government. Finally, the paper emphasizes the relevance of a stakeholder approach to a labour-intensive industry in a developing country. In discussing the various aspects of CSR in relation to the RMG industry in Bangladesh, the paper also draws our attention to the exploitation of human resources in a socially disadvantaged and vulnerable segment of the Bangladesh population and shows how this affects the long-term sustainability of the industry.
The issues discussed lead to certain policy implications to address the concerns identified in the RMG industry. In the past three decades, the RMG industry in Bangladesh has reached a level of maturity where it has demonstrated its capability to sustain international financial crisis, as well as the domestic political turmoil. Now as a matter of priority, the focus of CSR needs to be more corporate oriented, with the involvement of state and the civil society. State in Bangladesh needs to play a more stronger and effective role in protecting the rights of the workers in the industry and the local community who remain as the most unattended segment of the stakeholders, while promoting the interest of the industry or business. However, given the current state of corruption in Bangladesh, the limitations of the government – lack of efficient manpower and resources – and the cultural acceptance of the exploitation of women, we argue that public policies need to be addressed using an integrated approach, and that the help of other actors such as NGOs, businesses and international agencies is equally important to institutionalize CSR in the industry. The involvement of NGOs in the context of Bangladesh is more relevant, as they can help in multiple ways in addressing the issues, particularly the exploitation of women in the industry, which are driven by the socio-cultural context. By partnering with state, MNCs, businesses and the stakeholders, they can act as watch dogs, a pressure group as well as an advisor in ensuring that the rights and interests of stakeholders, particularly the workers, local community and the natural environment are not being abused; making the corporate supply chains transparent and ethical; pressurizing companies to address their social and environmental problems; and creating awareness among the workers of their rights and about the exploitation of women and workers in the industry in the broader society. As globalization has been identified as a significant driver of CSR, NGOs can partner with the stakeholders of the MNCs responsible to ensure these stakeholders are aware of the current situation of CSR, as well as the exploitation of workers in the industry. Some NGOs in Bangladesh currently are involved in these roles, but there needs to be a more coordinated effort on part of the NGOs for their voices to be heard and demands to be realized. Further, the size of the industry and its impact on the national economy and socio-political realities demands the establishment of a separate ministry or division to exclusively focus on the RMG industry. This restructuring of the public sector is also required to facilitate a comprehensive approach towards the industry with CSR as a central focus and to coordinate the efforts of other actors working as partners to put pressure on businesses to be socially responsible. Once this organizational restructuring takes place, the sporadic public sector and non-governmental efforts will be more effective. Another important policy implication of our findings is the need for managing a better relationship with the key stakeholders, not just the international buyers. This requires a thorough a stakeholder analysis, identifying the key stakeholders of the industry, their relative power, interests and assessment of their needs for long-term sustainability. There are some limitations to our study which also suggest potential areas for future research in this under-researched but important field. The study is theoretical, but it sets foundations for future research in CSR in the RMG industry. Future studies could focus on RMG and other labour-intensive industries in other developing countries to validate our findings. Further studies of various dimensions of the framework identified here are needed, such as environmental concerns, fair trade, fair pay, occupational health and safety, the social and economic welfare of garment workers and labour rights. Exploring the nexus between government, political leaders, factory owners and international partners is another critical area where detailed studies will prove valuable.
Conclusion
The paper aimed at shedding light on the realities and the complexities involved in regard to CSR in labour-intensive industries in developing countries in the context of economic globalization using the RMG sector in Bangladesh as a case study. Findings suggest that the non-compliance of CSR in the RMG industry in Bangladesh is a result of multiple factors such as economic globalization, failure of the industry to respond to key stakeholders and the weak role of the state. The RMG industry in Bangladesh has developed “with a dominant core-periphery structure of production” (Rahman, 2004, pp. 75-76) dictated by external elements where local entrepreneurs are not in the driving seat. Like many similar industries in developing countries, the RMG in Bangladesh is trapped in the “iron triangle” of international brand retailers who demand lowest prices with highest quality and fastest possible delivery (Brown, 2011). The Bangladeshi state apparatus, driven by export-oriented economic policies, has abrogated its role as defender of social rights (Khan, 2001), maintaining a “regimented environment” (Muhammad, 2007, p. 185) that allows maximum freedom for industry owners. Findings from this study suggest that businesses in the RMG industry in Bangladesh, in most cases, focus only on their economic and discretionary responsibilities in the four-part CSR pyramid, with less attention to legal and ethical responsibilities (Carroll, 1999). Consequently, the industry’s management has reached a point where they can neither any longer ignore CSR nor quickly undo the damage caused by cumulative neglect. The RMG industry in Bangladesh urgently needs to adopt CSR from a stakeholder perspective for its credible survival and long-term sustainability, in a manner that is judicious and responsive to the existing realities both inside and outside the country. Findings further highlight the use of an integrated approach where NGOs should work as “partners” with the state and other actors such as international development agencies and businesses to help businesses be more socially responsible (Moon, 2014). As Kabeer (2004a, 2004b) mentions, good intentions implemented without due regard for their likely outcomes carry the danger of doing more harm than good to those they seek to benefit. ITUC (2010)

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Further reading

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