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Corporate social responsibility

Disaster at Rana Plaza

A gruesome accident should make all bosses think harder about what behaving responsibly means

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THE collapse of an eight-storey garment factory in Rana Plaza on the outskirts of Dhaka on April 24th killed at least 400 people and injured many more. It was probably the worst industrial accident in South Asia since the Bhopal disaster in 1984, and the worst ever in the garment industry. Local police and an industry association had warned that the building was unsafe (see [article](#)

(<http://www.economist.com/news/asia/21577124-tragedy-shows-need-radical-improvement-building-standards-rags-ruins>)). The owners reportedly responded by threatening to fire people who did not carry on working as usual.

Much of the blame lies with Bangladeshi governments of all stripes, which have made only rudimentary attempts to enforce the national building code, especially against politically well-



connected landlords. With luck, the laws will now be applied, but nobody expects much.

The spotlight is therefore on the multinational companies whose orders from local factory owners have led to the rapid recent growth of the garment industry in Bangladesh, the world's second-largest exporter of clothing after China. Familiar brands now stand accused of exploiting poorly paid workers with a callous indifference to their safety. Two companies whose products were found in the rubble at Rana Plaza—Primark, a cheap British label, and Canada's Loblaw, whose brands include Joe Fresh—have rapidly promised compensation to victims and their families.

But it goes deeper than that. Clothing companies, after all have been to the fore in “corporate social responsibility” (CSR). Prompted by earlier scandals over working conditions in far-flung factories, firms like Nike and Gap have strived to deal with problems like child labour. Now the disaster in Dhaka shows how hard it is to claim that your products are “ethically sourced”. That is not just because supply lines are stretched: should you check the supplier of your supplier's supplier? It is also because you are operating in a place where so little is to be trusted. Is it, for instance, enough for a Western multinational to see the building certificate for a Bangladeshi factory? Or should it have sent people to check every pillar? Though CSR tends to be seen as a moral matter, it comes down to the hard practicalities of companies' reputations and risk registers.

Western firms can choose to respond in one of three ways. The first is to forget CSR, and simply exploit labour wherever it is cheapest—counting on consumers back home to ignore the blood, sweat and tears that went into making that cheap T-shirt or pair of trousers. That may be the implicit strategy of many smaller firms, but it is hard to imagine any large multinational being daft enough to proclaim it was doing it.

Second, they could quit Bangladesh and buy from factories in countries where the risk of deadly industrial accidents is far smaller. For, say, a small upmarket retailer unable to check everything, that may well make sense. It would remove a risk while putting pressure on Bangladesh to police health-and-safety rules better. But if large Western firms left in droves, it would damage not just Bangladesh but also their reputations.

A stitch in time

The third approach is to stay and try to change things. Even before the latest disaster, Walmart had launched a fire-safety training academy there, and Gap had announced a plan to help factory owners upgrade their plants. The clothing industry has held a series of meetings with NGOs and governments, including Germany's and America's, to develop a strategy to improve safety in Bangladesh's 5,000 factories (see [article](http://www.economist.com/news/business/21577078-) (<http://www.economist.com/news/business/21577078->

after-dhaka-factory-collapse-foreign-clothing-firms-are-under-pressure-improve-working)).

Fine, but whatever the safeguards, there will be a gap between the cavalier promises of ethical supply chains and the reality of corrupt politics and dodgy pillars. CSR has always had a Utopian element. That was exposed in Bangladesh.

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