



# Just Transition in the Garment Industry in Bangladesh

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kehitysyhteistyövarain

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# 1. Introduction

The global clothing and textile industry, supercharged by the fast fashion culture, puts an enormous burden on our planet. Climate change alone dictates that major changes are required to the ways in which our clothes are produced, sold, used and utilised after use<sup>1</sup>. In addition to fossil emissions warming our atmosphere, the industry is responsible for significant loading on other environmental factors such as land and freshwater use, air and water pollution and overuse of natural resources<sup>2</sup>.

Resolving these issues will lead to major changes in the industry that is estimated to employ 300 million people in its global value chains<sup>3</sup>. These changes come from a wide array of fundamental shifts to a more environmentally sustainable economy from increased use of innovative fibres and new circular business models to changes in consumer preferences and more effective recycling in the lifecycle's end-of-use phase. Other industry trends such as increased use of automation may further accelerate these changes. As a result, many of the aforementioned 300 million jobs will change: some will have new skill requirements, some will be relocated (e.g. nearshoring closer to consumers) and some will be lost altogether.

In order for the transition to the environmentally-sustainable textile economy to be just, its social impacts must be taken into consideration from the beginning. The concept and the need for a just transition was first recognised in fossil energy production (i.e. closures of coal mines and coal power plants), but the same principle must be understood more extensively as a prerequisite of global transition to the sustainable circular economy<sup>4</sup>. The clothing and textile industry is a good example of a sector where addressing the significant environmental impacts will cause major changes in employment and can lead to social problems if the transition is not coordinated and just. The concept of just transition means a planned approach to avoiding social problems and reducing inequality while transitioning to the ecologically sustainable economy, and it applies on all scales from a single company or industry to a nationwide or global transition.

1 Finnwatch, 2022, Life after fast fashion, available online: [https://finnwatch.org/images/pdf/Life\\_after\\_fast\\_fashion.pdf](https://finnwatch.org/images/pdf/Life_after_fast_fashion.pdf)

2 Niinimäki et al., 2020, The environmental price of fast fashion, available online: [https://finix.aalto.fi/wp-content/uploads/2021/04/Nature\\_review\\_Niinimaki-2020.pdf](https://finix.aalto.fi/wp-content/uploads/2021/04/Nature_review_Niinimaki-2020.pdf); EEA, 2019, Textiles and the environment in a circular economy, p. 18–25, available online: [https://ecodesign-centres.org/wp-content/uploads/2020/03/ETC\\_report\\_textiles-and-the-environment-in-a-circular-economy.pdf](https://ecodesign-centres.org/wp-content/uploads/2020/03/ETC_report_textiles-and-the-environment-in-a-circular-economy.pdf)

3 Ellen MacArthur Foundation, 2017, A New Textiles Economy: Redesigning Fashions' Future, p. 36, available online: <https://ellenmacarthurfoundation.org/a-new-textiles-economy>

4 Just Transition Center, 2017, Just Transition: A Report to the OECD, available online: <https://www.oecd.org/environment/cc/g20-climate/collapsecontents/Just-Transition-Centre-report-just-transition.pdf>



While ensuring a just transition is first and foremost under the responsibility of states, it is also a corporate responsibility issue<sup>5</sup>. Companies have a responsibility to address the adverse human rights impacts of their emissions by reaching net zero as soon as possible by reducing their greenhouse gas emissions, and offsetting all residual emissions before and at net zero<sup>6</sup>. In addition to the emissions reductions required by climate science, companies must ensure that while planning and executing these changes, human rights are respected and human rights due diligence is undertaken. This means that companies must assess the human rights impacts their climate action may have on workers and other stakeholders in their value chains, and adequately address any actual or potential negative impacts.

In the clothing and textile industry the transition risks, and thus the need for just transition policies, is most urgent in the biggest production countries most of which are located in Asia. In countries such as Bangladesh the clothing and textile industry is an important source of employment and essential part of the economy<sup>7</sup>. The shift from linear economy and fast fashion to sustainable circular business models can cause major disruptions in countries like these as current value chains will be replaced with new ones. The nature and overall number of jobs will change as the demand for new clothing diminishes due to increased lifespan, reuse and recycling of existing clothes.

So far the climate actions taken by clothing and textile brands are at a very early phase. The initial emissions reductions and climate targets have focused on one's own emissions (so called scopes 1 and 2) typically covering mostly the electricity used in offices and sales locations. However, the vast majority of emissions comes from the production of the clothes and textiles, which is typically done by separate supplier companies. Corporate responsibility to respect human rights – which includes their responsibility for their climate impacts – covers a company's entire value chain. This means that the emissions from the production, logistics, use phase and end-of-use (i.e. scope 3) must also be addressed. Climate targets covering scope 3 emissions are becoming mainstream, but quite often they are not as ambitious as the ones set for the scope 1 and 2 emissions.<sup>8</sup>

Companies in the clothing and textile industry have a human rights-based responsibility to reduce their climate impact in line with the target from the Paris Agreement of

5 Finnwatch, 2022, Life after fast fashion, available online: [https://finnwatch.org/images/pdf/Life\\_after\\_fast\\_fashion.pdf](https://finnwatch.org/images/pdf/Life_after_fast_fashion.pdf); in Finnish, see also: Finnwatch, 2021, Yritysten vastuu ilmastosta ja oikeudenmukaisesta siirtymästä, available online: <https://finnwatch.org/fi/julkaisut/oikeudenmukainen-siirtyama>

6 For definitions of net zero see for example UN, 2022, Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions, available online: <https://www.un.org/sites/un2.un.org/files/high-level-expert-group-update7.pdf>

7 See chapter 2 of this report.

8 Finnwatch, 2022, Life after fast fashion, p. 18, available online: [https://finnwatch.org/images/pdf/Life\\_after\\_fast\\_fashion.pdf](https://finnwatch.org/images/pdf/Life_after_fast_fashion.pdf)

limiting global warming to 1.5 degrees and to exercise human rights due diligence in planning and executing these reductions. Typically this means inter alia early and open dialogue about the plans, not only with other companies in the value chain, but also with employees, trade unions, authorities and other stakeholders. Companies should also be mindful of their (and their partners) impact on the societies where production is located. Such a proactive approach in the implementation of a just transition also requires that companies take steps to ensure their share of supporting society by paying taxes in key production countries, improve working conditions and the terms of employment, exert political influence to improve employees' social security in transition as well as participate in projects such as those that aim to retrain labour force and improve mobility between jobs.

This report discusses the challenges of such measures in the context of Bangladesh, which is a major exporter of clothing and where the sector is an important source of employment. Chapters 2 and 3 provide a future outlook of the global clothing and textile market and national circumstances and the future of Bangladesh's ready-made garment (RMG) sector. In Chapter 4, the perspective is deepened through interviews with workers from three factories in Bangladesh. The purpose of these interviews is to start framing questions and challenges that may need to be addressed in the transition process.

Chapter 5 offers another perspective on the transition, based on discussions with Finnish textile and garment sector companies. The report is summarised in Chapter 6 and recommendations to ensure a just transition in the clothing and textile industry are presented in Chapter 7.

## 2. Winds of change in clothing and textile industry

There are several different trends in the global clothing and textile industry that can affect the workforce in countries like Bangladesh. First, the continuation of cost competition may change the supply chains and drive production to countries with even lower costs, such as African countries like Ethiopia<sup>9</sup>. Second, technological advancements (i.e. automation) may lead to reductions in the demand of labour in current production countries<sup>10</sup>. The third trend is a rise in demand for more sustainable production, which

9 SGT, 2022, Textile Industry In Ethiopia: Apparel's Newest Sourcing Hub?, <https://www.sgtgroup.net/textile-in-industry-in-ethiopia-apparels-newest-sourcing-hub/> (viewed on November 8th, 2022)

10 Centre for Policy Dialogue, 2019, New Dynamics in Bangladesh's Apparels Enterprises, p. 17, available online: <http://rmg-study.cpd.org.bd/wp-content/uploads/2019/08/Report-on-New-Dynamics-in-Bangladeshs-Apparels-Enterprises.pdf>

means that in addition to costs, the buyers will be looking for producers that can drive down supply chain emissions and move to circular solutions. In this regard, countries with a large quantity of clean electricity generation and supplies of used clothing can gain a competitive advantage.<sup>11</sup>

While these trends are still largely nascent, according to a recent estimate by the ILO, Asia's share in global textiles and clothing exports peaked at 58 percent in 2015 and has since declined to 55 percent. It estimates that this three percent decline “was absorbed primarily by Europe as the share in exports of all other regions stayed relatively constant or declined”. According to ILO this is not due to relocation to lower cost destinations but a sign of nearshoring that has taken place during these years.<sup>12</sup>

There is also a major shift brewing in the Bangladesh clothing sector’s most important export market. In March 2022, the European Commission published a communication on EU Strategy for Sustainable and Circular Textiles. The document lays out the future of the industry:

*“By 2030 textile products placed on the EU market are long-lived and recyclable, to a great extent made of recycled fibres, free of hazardous substances and produced in respect of social rights and the environment. Consumers benefit longer from high quality affordable textiles, fast fashion is out of fashion, and economically profitable re-use and repair services are widely available. In a competitive, resilient and innovative textiles sector, producers take responsibility for their products along the value chain, including when they become waste. The circular textiles ecosystem is thriving, driven by sufficient capacities for innovative fibre-to-fibre recycling, while the incineration and landfilling of textiles is reduced to the minimum.”<sup>13</sup>*

The initiative includes six measures:

1. mandatory ecodesign requirements on “durability, reusability, reparability, fibre-to-fibre recyclability and mandatory recycled fibre content”;
2. a transparency requirement and a possible ban on the destruction of unsold or returned textiles;
3. tackling microplastics pollution through binding design requirements;

11 Quantis, 2018, Measuring Fashion: Environmental Impact of the Global Apparel and Footwear Industries Study, p. 43, available online: [https://quantis-intl.com/wp-content/uploads/2018/03/measuringfashion\\_globalimpactstudy\\_full-report-quantis\\_cwf\\_2018a.pdf](https://quantis-intl.com/wp-content/uploads/2018/03/measuringfashion_globalimpactstudy_full-report-quantis_cwf_2018a.pdf)

12 ILO, 2022, Employment, wages and productivity trends in the Asian garment sector: Data and policy insights for the future of work, p. 3, available online: [https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms\\_848624.pdf](https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms_848624.pdf)

13 European Commission, 2022, Communication: EU Strategy for Sustainable and Circular Textiles, p. 2–3, available online: [https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12822-EU-strategy-for-sustainable-textiles\\_en](https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12822-EU-strategy-for-sustainable-textiles_en)

4. requirement on digital product passport for mandatory information on circularity and other key environmental aspects;
5. minimum criteria for all types of environmental claims; and
6. extended producer responsibility on reuse and recycling of textile waste. In practice, the strategy will be implemented through a variety of legislative measures such as Ecodesign for Sustainable Products Regulation, Unfair Commercial Practices Directive and Waste Framework Directive.<sup>14</sup>

The textile strategy has been criticised for focusing on environmental impacts and on neglecting issues related to workers' rights<sup>15</sup>. However, it should be taken into account that the EU has separate policies to tackle human rights issues in far-reaching value chains, most importantly the upcoming Corporate Sustainability Due Diligence Directive (CSDDD)<sup>16</sup>. CSDDD will at a minimum include obligations for certain large companies to identify, prevent and bring to an end adverse impacts on human rights and the environment in their own operations, their subsidiaries and in their value chains. According to the Commission legislative proposal, the largest companies would also need to adopt a transition plan to ensure their strategy and business model are compatible with the goal of limiting global warming to 1,5 degrees and if climate change is a "principal risk" for them, they will also have to adopt emission reduction targets.

At the time of writing, the commission proposal was being debated by the European Parliament and the Council<sup>17</sup>. Before the co-legislators approve the directive, they will suggest and negotiate on changes to the original proposal. The garment and textile sector is identified in the commission proposal as a high-risk sector meaning more garment and textile sector companies will be within the scope of the directive than if it was not considered high-risk.

The new Corporate Sustainability Reporting Directive<sup>18</sup> (CSRD) obligates European companies to report on their transition plans, their scope 1, 2 and 3 emissions and, where relevant, their exposure to coal, oil and gas-related activities. The Commission will later issue

14 European Commission, 2022, Communication: EU Strategy for Sustainable and Circular Textiles, p. 3–7, available online: [https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12822-EU-strategy-for-sustainable-textiles\\_en](https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12822-EU-strategy-for-sustainable-textiles_en)

15 EEB, 2022, Textile strategy contains green ambition but forgets workers from the equation, <https://eeb.org/textile-strategy-contains-green-ambition-but-forgets-workers-from-the-equation/> (viewed on November 17th, 2022)

16 For more information see [https://ec.europa.eu/info/business-economy-euro/doing-business-eu/corporate-sustainability-due-diligence\\_en](https://ec.europa.eu/info/business-economy-euro/doing-business-eu/corporate-sustainability-due-diligence_en)

17 The Council agreed on its position to the Commission proposal in December 2022, see <https://www.consilium.europa.eu/en/press/press-releases/2022/02/24/council-adopts-position-on-the-corporate-sustainability-reporting-directive-csrd/>

18 Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting, available at <http://data.europa.eu/eli/dir/2022/2464/oj>

European sustainability reporting standards, based on technical advice from EFRAG<sup>19</sup>. Sustainability reporting in accordance with these standards is expected to ensure companies disclose sufficient information to meet the expectations from stakeholders, including investors, and comparability of data. There will be two types of standards: “sector-agnostic” and sector specific. The textile industry will have its own sector-specific standard. The CSRD includes “only” reporting obligations, meaning it does not obligate companies to adopt transition plans if they don’t already have them.

As the most important export market for the clothing from Bangladesh is moving away from fast fashion and towards more sustainable, more circular and possibly more local supply chains, there is an emerging question on the future of the millions of people currently working in the sector.



*Many workers, who were interviewed for this report, said that they live hand to mouth and that they cannot afford to put money aside for the rainy day.*

19 The first set of EFRAG’s European sustainability reporting standards is available at <https://www.efrag.org/Meetings/2211141505388508/EFrag-SRB-Meeting-15-November-?AspxAutoDetectCookieSupport=1> (viewed on 29th November, 2022)



# 3. Bangladesh at the forefront of climate change and the transition of the textile sector

Bangladesh is the second biggest exporter of clothing in the world<sup>20</sup>, and the exports from this sector are pivotal for the country's economy. While Bangladesh has a rapidly growing economy, it is still a poor and developing country that is already suffering under the impacts of worsening climate change<sup>21</sup>. While adaptation to such impacts is an urgent task for a nation of 166 million inhabitants<sup>22</sup> Bangladesh is also likely to be one of the countries facing a challenging transition as the clothing and textile industry shifts from linear economy and fast fashion to more sustainable business models.

This chapter provides insight into the economy of Bangladesh, on impacts of climate change and on the workforce, status and trends of the clothing and textile industry, with regard to challenges of the upcoming transition. It provides a backdrop for the research interview results presented in Chapter 4.

## 3.1 Bangladesh's economy is reliant on garment industry

Bangladesh is a South Asian country with the eighth largest population in the world<sup>23</sup>. In terms of GDP per capita, Bangladesh is one of the poorest countries in Asia<sup>24</sup>. The Asian Development Bank estimates that the Bangladeshi economy will grow at a rate of about seven percent in 2022 and 2023. This is similar to the growth in recent years except 2020 when the COVID-19 pandemic slowed the growth to three percent.<sup>25</sup>

The clothing and textile industry, especially the ready-made garment (RMG) sector, is a very important part of the Bangladeshi economy. The country's strategy is to offer low cost

20 WTO, WTO Data Service, available online: <https://stats.wto.org/>;

21 Goosen et al., 2018, Nationwide Climate Vulnerability Assessment in Bangladesh, available online: [https://moef.portal.gov.bd/sites/default/files/files/moef.portal.gov.bd/notices/d31d60fd\\_df55\\_4d75\\_bc22\\_1b0142fd9d3f/Draft%20NCVA.pdf](https://moef.portal.gov.bd/sites/default/files/files/moef.portal.gov.bd/notices/d31d60fd_df55_4d75_bc22_1b0142fd9d3f/Draft%20NCVA.pdf)

22 World Bank, Population, total – Bangladesh, <https://data.worldbank.org/indicator/SP.POP.TOTL?locations=BD> (viewed on September 13th, 2022)

23 World Bank, Population, total, [https://data.worldbank.org/indicator/SP.POP.TOTL?most\\_recent\\_value\\_desc=true](https://data.worldbank.org/indicator/SP.POP.TOTL?most_recent_value_desc=true) (viewed on September 16th, 2022)

24 World Bank, GDP per capita, [https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?most\\_recent\\_value\\_desc=false](https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?most_recent_value_desc=false) (viewed on September 16th, 2022)

25 Asian Development Bank, GDP Growth Rate, Asian Development Outlook 2022, <https://data.adb.org/dataset/gdp-growth-asia-and-pacific-asian-development-outlook> (viewed on September 14th, 2022)

production with a large reserve of workers willing to take low skilled and low-wage work. Currently, Bangladesh competes with Vietnam for being the second biggest exporter of clothing in the world, China being the biggest with a clear margin. When other textiles are also taken into account, Germany and Italy also surpass Bangladesh.<sup>26</sup> Heavy reliance on the RMG sector makes Bangladesh particularly vulnerable to changes in the global clothing market. World Bank lists diversifying exports beyond RMG sector as one of the development priorities for Bangladesh<sup>27</sup>.

The clothing and textile industry is still responsible for more than half of added value in manufacturing industry<sup>28</sup> of Bangladesh and its share of overall exports from Bangladesh is 86 percent (RMG products alone cover 82 percent of the total exports)<sup>29</sup>. A large majority of the exports go to Europe (62% of the value of export), but it has been estimated that export from Bangladesh to Europe may face more competition in the future as Vietnam – also a major exporter in the sector – signed a preferential trade agreement with the EU in 2019<sup>30</sup>. The trade agreement came into force in August 2020<sup>31</sup>. Bangladesh is also expected to graduate from least developed country (LDC) by 2026<sup>32</sup>. As an LDC, Bangladesh benefits from duty-free, quota-free access to the EU for exports of all products, except arms and ammunition. As the country graduates, it will need to meet certain criteria related to labour and environmental protections in order to continue to benefit from the EU's trade preferences<sup>33</sup>.

The World Bank estimates the work force of Bangladesh at 69,8 million in 2021<sup>34</sup>. The labour force participation rate is significantly lower for women (about 37 percent in 2016) than for men (almost 90 percent). According to the World Bank, this is likely to be asso-

26 WTO Stats, <https://stats.wto.org/> (viewed on October 19th, 2022)

27 World Bank, The World Bank In Bangladesh, <https://www.worldbank.org/en/country/bangladesh/overview#1> (viewed on September 16th, 2022)

28 World Bank, Textiles and clothing (% of value added in manufacturing), [https://data.worldbank.org/indicator/NV.MNF.TXTL.ZS.UN?most\\_recent\\_value\\_desc=true](https://data.worldbank.org/indicator/NV.MNF.TXTL.ZS.UN?most_recent_value_desc=true) (viewed on October 7th, 2022)

29 Export Promotion Bureau, 2022, Monthly Summary Sheet 2021-2022 For The Month of July-June 2021-22, available online: [http://epb.gov.bd/site/view/epb\\_export\\_data/](http://epb.gov.bd/site/view/epb_export_data/)

30 McKinsey, 2021, What's next for Bangladesh's garment industry, after a decade of growth?, <https://www.mckinsey.com/industries/retail/our-insights/whats-next-for-bangladeshs-garment-industry-after-a-decade-of-growth> (viewed on October 19th, 2022)

31 International Trade Administration, 2021, Vietnam – Country Commercial Guide: Trade Agreements, <https://www.trade.gov/country-commercial-guides/vietnam-trade-agreements> (viewed on November, 10th 2022)

32 UN, Bangladesh graduation status, <https://www.un.org/ldcportal/content/bangladesh-graduation-status> (viewed on November 29th, 2022)

33 For more information about the EU's generalised scheme of preferences, see [https://policy.trade.ec.europa.eu/development-and-sustainability/generalised-scheme-preferences\\_en](https://policy.trade.ec.europa.eu/development-and-sustainability/generalised-scheme-preferences_en)

34 World Bank, Labor force, total – Bangladesh, <https://data.worldbank.org/indicator/SL.TLF.TOTL.IN?locations=BD> (viewed on September 14th, 2022); World Bank, Unemployment, total – Bangladesh, <https://data.worldbank.org/indicator/SL.UEM.TOTL.ZS?locations=BD> (viewed on September 14th, 2022)



ciated with early marriage, division of household responsibilities based on gender, and mobility constraints, in the context of social and cultural norms<sup>35</sup>. The textile and garment industry in Bangladesh has played an important role in improving women's participation in the labour market<sup>36</sup>.

In 2019 40.4 percent of the working population was employed in services, 38.3 percent in agriculture and the remaining 21.3 percent in industry<sup>37</sup> about half of which work in the garment or textile sectors<sup>38</sup>. A significant part of the labour force in Bangladesh is employed in the informal economy: estimates vary from 35 to 88 percent.<sup>39</sup> Especially the export-oriented factories in the RGM sector have increased employment opportunities in the formal economy.

Before the COVID-19 pandemic, the unemployment rate in Bangladesh was 4.3–4.4 percent in 2013–2019. During the pandemic the rate has been higher, at 5.4 percent in 2020 and at 5.2 in 2021. Taking the overall size of the labour force into account, a mere one percentage point hike in the unemployment rate translates to approximately 700,000 newly unemployed persons since the start of the pandemic. Unemployment, measured as the share of the labour force that is without work but available for and seeking employment, is almost twice as common for women (7.9 percent unemployment rate in 2021) than for men (4.1 percent unemployment rate in 2021).<sup>40</sup> As the working age population of Bangladesh increases rapidly, the unemployment rate can go up even as the growing economy creates new jobs<sup>41</sup>.

In the decades before the coronavirus pandemic, Bangladesh was able to drive down the official poverty rate roughly halving both the national and international poverty rate during the first two decades of the 21st century<sup>42</sup>. However, a large portion of the popula-

35 World Bank, 2021, Bangladesh Social Protection Public Expenditure Review, p. 34, available online: <https://documents1.worldbank.org/curated/en/829251631088806963/pdf/Bangladesh-Social-Protection-Public-Expenditure-Review.pdf>

36 Finnwatch, Menetetty vallankumous, 2012, see for example page 15, available in Finnish at: <https://finnwatch.org/images/pdf/bangladeshweb.pdf>

37 Statista, Bangladesh: Distribution of employment by economic sector from 2009 to 2019, <https://www.statista.com/statistics/438360/employment-by-economic-sector-in-bangladesh/> (viewed on September 14th, 2022)

38 World Bank, 2017, Bangladesh Jobs Diagnostic, p. 70, available online: <https://openknowledge.worldbank.org/handle/10986/28498>

39 Yeasin, H., 2022, Informal Sector and Economic Growth in Bangladesh, available online: [https://www.researchgate.net/publication/357983166\\_Informal\\_Sector\\_and\\_Economic\\_Growth\\_in\\_Bangladesh](https://www.researchgate.net/publication/357983166_Informal_Sector_and_Economic_Growth_in_Bangladesh)

40 World Bank, Labor force, total – Bangladesh, <https://data.worldbank.org/indicator/SL.TLF.TOTL.IN?locations=BD> (viewed on September 14th, 2022); World Bank, Unemployment, total – Bangladesh, <https://data.worldbank.org/indicator/SL.UEM.TOTL.ZS?locations=BD> (viewed on September 14th, 2022)

41 BILS, 2021, The World of Work amid Covid Pandemic in Bangladesh: Trade Unions' Strategic Action Priorities, p. 8, available online: [http://bilsbd.org/wp-content/uploads/2021/10/World-of-Work-amid-Covid\\_TU-Strategic-Actions\\_April-2021\\_Revised.pdf](http://bilsbd.org/wp-content/uploads/2021/10/World-of-Work-amid-Covid_TU-Strategic-Actions_April-2021_Revised.pdf)

42 World Bank, 2020, Poverty & Equity Brief: Bangladesh, available online: [https://databankfiles.worldbank.org/data/download/poverty/33EF03BB-9722-4AE2-ABC7-AA2972D68AFE/Global\\_POVEQ\\_BGD.pdf](https://databankfiles.worldbank.org/data/download/poverty/33EF03BB-9722-4AE2-ABC7-AA2972D68AFE/Global_POVEQ_BGD.pdf)

tion has remained just above the poverty line. The pandemic drove many of these people below the poverty line, especially in its early phase in spring 2020. Surveys have estimated that on the average households lost a significant share of their income and many had to use their savings or rely on loans. It has been estimated that the number of households living under the poverty threshold doubled in 2020.<sup>43</sup>

The pandemic caused a short term dip in clothing and textile exports from Bangladesh<sup>44</sup>. The recovery has been rapid and the fiscal year 2021–2022 saw exports reaching a record level of 44,5 billion USD with a year-on-year growth of 19.7 percent. The growth has since slowed a bit due to the energy crisis and the downturn in the global economy<sup>45</sup>.

The clothing and textile industry in Bangladesh employs 4.5 million people<sup>46</sup>, and most of these people (3.6 million<sup>47</sup>) work in the RMG sector. In addition, there are an estimated 9.6 million additional jobs indirectly linked to RMG production<sup>48</sup>. The clothing and textile industry accounts for 54% of all the country's industrial jobs.<sup>49</sup> It has been estimated that in 2015 the country had around 7,000 clothing factories<sup>50</sup>, but since then there has been consolidation and the number has decreased to around 4,000<sup>51</sup> even as overall production has increased. The majority of the production is in domestically-owned, small or

43 SANEM, 2021, COVID -19 Fallout on Poverty and Livelihoods in Bangladesh, available online: <https://sanemnet.org/wp-content/uploads/2021/12/SANEM-HH-Survey-Report-2021.pdf>

44 Boudreau & Naeem, 2021, The Economic Effects of COVID-19 on Ready-made Garment Factories in Bangladesh, <https://pedl.cepr.org/publications/economic-effects-covid-19-ready-made-garment-factories-bangladesh> (viewed on October 19th, 2022); The Financial Express, 2020, RMG export earnings in July 1-18 total \$1.57b, <https://thefinancialexpress.com.bd/economy/rmg-export-earnings-in-july-1-18-total-157b-1595218398> (viewed on October 19th, 2022)

45 Fiber2Fashion, 2022, Bangladesh's garment exports growth slows to 16.61% in July 2022, <https://www.fibre2fashion.com/news/apparel-news/bangladesh-s-garment-exports-growth-slows-to-16-61-in-july-2022-282345-newsdetails.htm> (viewed on October 11th 2022); Al Jazeera, 2022, Bangladesh's garment sector faces energy, demand crises, <https://www.aljazeera.com/economy/2022/8/2/bangladeshs-garment-sector-faces-energy-demand-crisis> (viewed on November 8th, 2022); New Age Bangladesh, 2022, RMG exporters in Bangladesh fret over worsening power crisis, <https://www.newagebd.net/article/183423/rmg-exporters-in-bangladesh-fret-over-worsening-power-crisis> (viewed on November 8th, 2022)

46 World Bank, 2017, Bangladesh Jobs Diagnostic, p. 69–71, available online: <https://openknowledge.worldbank.org/handle/10986/28498>

47 Centre for Policy Dialogue, 2019, New Dynamics in Bangladesh's Apparels Enterprises, p. 72, available online: <http://rmg-study.cpd.org.bd/wp-content/uploads/2019/08/Report-on-New-Dynamics-in-Bangladeshs-Apparels-Enterprises.pdf>

48 IHRB & Chowdhury Center for Bangladesh studies at UC Berkeley, 2021, The Weakest Link in The Global Supply Chain: How the Pandemic is Affecting Bangladesh's Garment Workers, p. 26, available online: <https://www.ihrb.org/focus-areas/covid-19/bangladesh-garment-workers>

49 World Bank, 2017, Bangladesh Jobs Diagnostic, p. 69–71, available online: <https://openknowledge.worldbank.org/handle/10986/28498>

50 IHRB & Chowdhury Center for Bangladesh studies at UC Berkeley, 2021, The Weakest Link in The Global Supply Chain: How the Pandemic is Affecting Bangladesh's Garment Workers, p. 18, available online: <https://www.ihrb.org/focus-areas/covid-19/bangladesh-garment-workers>

51 Trade association BGMEA states 4,500 member factories on its website (BGMEA, About us, <https://bgmea.com.bd/page/aboutus>, viewed on October 19th, 2022), but in 2019 the number of operational factories was estimated as low as 3,856 (Centre for Policy Dialogue, 2019, New Dynamics in Bangladesh's Apparels Enterprises, p. 72, available online: <http://rmg-study.cpd.org.bd/wp-content/uploads/2019/08/Report-on-New-Dynamics-in-Bangladeshs-Apparels-Enterprises.pdf>).

medium-sized enterprises that provide production services such as “cut, make and trim” to clothing brands. Because of the competition with other producers, delivery times must be short and other margins of operation are narrow<sup>52</sup>.

Due to the intense international cost competition and the importance of the sector to the economy of Bangladesh the sector is being supported through lower tax rates. While companies in other sectors have to pay 22.5 percent in corporate income tax if they are listed and 30 if they are not, the RMG companies with so-called green factories pay just 10 percent in corporate income tax and non-green factories 12 percent<sup>53</sup>. Meanwhile the production of other textile products enjoys a reduced corporate tax rate of 15 percent.<sup>54</sup> The country also grants generous tax holidays to other business sectors. For instance, new tax holidays were entered into force in summer 2021 for the food<sup>55</sup> and automobile industries<sup>56</sup>. The country is also attracting foreign investments with eight export processing zones, where in addition to various tax holidays, companies are provided lighter permit processes and exemptions from customs duties<sup>57</sup>. In the special economic zones, implementation of workers’ rights, for example with regard to collective bargaining, has been reported as being even worse than elsewhere in the country<sup>58</sup>.

Such subsidies to business together with a large grey economy and numerous different loopholes in the tax base weaken the country’s possibilities for collecting tax revenue that could be invested in building the country’s resilience in the era of climate crisis. Bangladesh lacks many tax laws that would combat tax evasion. There are for example no interest deduction limitation rules or controlled foreign company rules (CFC rules) in place<sup>59</sup>. Corruption is rife throughout society, and in 2021 Bangladesh ranked 147th in

52 ILO, 2022, Employment, wages and productivity trends in the Asian garment sector: Data and policy insights for the future of work, p. vii ja 8, available online: [https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms\\_848624.pdf](https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms_848624.pdf)

53 Daily Star, 2022, Garment or non-garment -- same tax rates for all export industries, <https://www.thedailystar.net/special-events/budget-2022-23/news/garment-or-non-garment-same-tax-rates-all-export-industries-3043271> (viewed on November 9th, 2022)

54 Textile Today, 2022, 15% corporate tax for textile sector till 2025, <https://www.textiletoday.com.bd/15-corporate-tax-textile-sector-till-2025/> (viewed on November 9th, 2022)

55 The Financial Express, 2021, Agro-based industries get 10-year tax exemption, <https://www.thefinancialexpress.com.bd/economy/agro-based-industries-get-10-year-tax-exemption-1622741148> (viewed on November 19th, 2022)

56 Daily Star, 2021, Tax holiday to boost local manufacturing of automobiles, <https://www.thedailystar.net/business/news/tax-holiday-boost-local-manufacturing-automobiles-2106901> (viewed on November 19th, 2022)

57 BEPZA, At a glance, <https://www.bepza.gov.bd/content/at-a-glance> (viewed on November 19th 2022)

58 ITUC, 2022, We Need a Better Bangladesh, p. 11, available online: <https://www.ituc-csi.org/we-need-a-better-bangladesh-report>

59 Deloitte, 2022, International Tax Bangladesh Highlights 2022, available online: <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-bangladeshhighlights-2022.pdf>

Transparency International's Corruption Perceptions Index<sup>60</sup>. Corruption is believed to hinder the implementation of a just transition, and for example the responsible use of climate funding<sup>61</sup>.

## 3.2 Bangladesh is deeply dependent on fossil fuels and suffers from the impacts of climate change

The growing economy requires energy and, so far, the economic growth in Bangladesh has been based on increasing use of fossil fuels. There is especially strong reliance on natural gas, which covers more than half of the energy supply in Bangladesh. In the clothing and textile industry, natural gas has been estimated to cover at least three fourths of the energy demand<sup>62</sup>.

Use of renewable energy is growing slowly in Bangladesh. Waste incineration and biofuels have been important energy sources for a long time – covering about fifth of the overall energy demand – but modern renewables such as solar and wind remain somewhat insignificant. As biofuels and waste are mostly burned for heat (e.g. cooking), the share of renewables in electricity supply is less than one percent (most of which is hydropower).<sup>63</sup>

Solar power has been adopted as a local solution (e.g. rooftop systems), but issues relating to acquiring land and the lack of subsidies have been reported to slow down the development of on-grid solar. There is also a need to modernise the electric grid in order to scale up the production of intermittent renewables like solar and wind.<sup>64</sup> Currently, there is no nuclear power production although there are two reactors under construction<sup>65</sup>. While the energy system is built on fossil fuels, per capita carbon emissions remain quite low as the per capita energy use is also low.<sup>66</sup>

It has been estimated that in the garment sector electricity covers only 15 percent of the energy used, and in textiles the share is just five percent or even less than that. Because

60 Transparency International, Corruption Perceptions Index 2021, <https://www.transparency.org/en/cpi/2021> (viewed on November 19th, 2022)

61 Transparency International, 2021, Corruption and Climate Vulnerability – A Devastating Relationship, <https://www.transparency.org/en/blog/corruption-and-climate-vulnerability-a-devastating-relationship> (viewed on November 19th, 2022)

62 Green Climate Fund, 2020, Promoting private sector investment through large scale adoption of energy saving technologies and equipment for Textile and Readymade Garment (RMG) sectors of Bangladesh, p. 11 and 14, available online: <https://www.greenclimate.fund/document/promoting-private-sector-investment-through-large-scale-adoption-energy-saving-0>

63 IEA, Bangladesh, <https://www.iea.org/countries/bangladesh> (viewed on September 29th 2022)

64 For more, see: IISD, 2022, Could the Energy Crunch in Bangladesh Have Been Avoided?, <https://www.iisd.org/articles/explainer/could-energy-crunch-bangladesh-have-been-avoided> (viewed on October 3rd, 2022)

65 World Nuclear News, 2022, Containment dome in place at Rooppur 2, <https://www.world-nuclear-news.org/Articles/Containment-dome-in-place-at-Rooppur-2> (viewed on September 29th, 2022)

66 IEA, Bangladesh, <https://www.iea.org/countries/bangladesh> (viewed on September 29th, 2022)

of this the slowly increasing supply of cleaner electricity has a limited impact on the emissions of the industry that is heavily dependent on natural gas. Improvements in energy efficiency of the factories has been identified as a key measure to cut down the emissions in the short term.<sup>67</sup>

In the wake of the global energy crisis caused by Russia's invasion of Ukraine, it became evident that reliance on fossil fuels can lead to interruptions in production. According to media reports planned cuts in the electricity supply from the national grid to save fuel combined with the high prices of fuels are already causing disruptions in production.<sup>68</sup> In addition to the acute energy crisis, the reliance on fossil fuels is a transition challenge in the coming decades as energy production needs to move on from fossil fuels in order to keep global warming within the internationally agreed temperature limits.

Bangladesh is also at the frontline of the worsening climate crisis. Rising temperatures have not only been recognised as a risk to health (e.g. heat strokes, mental health impacts and prevalence of diseases<sup>69</sup>), but also a cause for a lost productivity due to heat stress<sup>70</sup>. As a recent study highlighted, in urban areas the health related risks of heat stress are not just due to temperature, but also related “on the sensitivity and adaptive capacity of people and urban systems exposed to the heat”<sup>71</sup>.

According to a report released in September 2022, heat stress already impedes productivity in the capital, Dhaka, which was cited as “unusually vulnerable to its effects, due to its labour-intensive economy and low rate of active cooling”. A garment worker in Dhaka was estimated to have a ten percent smaller income due to heat related reduction in productivity, and that effect is expected to double as the number of hot days increases. To protect the workers in Dhaka from the rising temperatures the proposed solutions range from structural changes in the infrastructure (e.g. reflective roof paint or green roofs) to awareness (e.g. better meteorological data and awareness campaigns) to social safety nets that give cover as excessive heat impacts livelihoods.<sup>72</sup>

67 Green Climate Fund, 2020, Promoting private sector investment through large scale adoption of energy saving technologies and equipment for Textile and Readymade Garment (RMG) sectors of Bangladesh, p. 11 and 14, available online: <https://www.greenclimate.fund/document/promoting-private-sector-investment-through-large-scale-adoption-energy-saving-0>

68 Al Jazeera, 2022, Bangladesh's garment sector faces energy, demand crises, <https://www.aljazeera.com/economy/2022/8/2/bangladeshs-garment-sector-faces-energy-demand-crisis> (viewed on November 8th, 2022); New Age Bangladesh, 2022, RMG exporters in Bangladesh fret over worsening power crisis, <https://www.newagebd.net/article/183423/rmg-exporters-in-bangladesh-fret-over-worsening-power-crisis> (viewed on November 8th, 2022)

69 World Bank, 2021, Climate Afflictions, available online: <https://openknowledge.worldbank.org/handle/10986/36333>

70 Watts et. al, 2021, The 2020 report of The Lancet Countdown on health and climate change: responding to converging crises, available online: [https://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(20\)32290-X/fulltext](https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(20)32290-X/fulltext)

71 Nazarian et. al, 2022, Integrated Assessment of Urban Overheating Impacts on Human Life, available online: <https://agupubs.onlinelibrary.wiley.com/doi/10.1029/2022EF002682>

72 Adrienne Arshat and the Rockefeller Foundation, 2022, Hot Cities, Chilled Economies Dhaka: Bangladesh, <https://onebillionresilient.org/hot-cities-chilled-economies-dhaka/> (viewed on November 10th, 2022)

In addition to heat, Bangladesh is already one of the rainiest countries in the world, and a report by the World Bank concluded that “the monsoon period is becoming longer, extending now from February to October”. The risks and damages from flooding are further amplified by the rising sea level which contributes to cyclone-induced storm surges.<sup>73</sup>

The extreme weather phenomena is already a challenge to many. A report published in 2021 surveyed the poverty risks of the households during the COVID-19 pandemic. When asked about “major problems” households had faced between March and November 2020, more people cited floods, landslides or erosion (13 percent of the respondents) than health issues (only one percent cited COVID infection, six percent cited other illnesses or death). The most common causes for “major problems” were high prices (50 percent of respondents) and loss of income (16 percent of respondents).<sup>74</sup>

The impacts of climate change can also cause disruptions in the labour market. For example coastal flooding can increase the salinisation of the soil, which negatively impact on agriculture and cause loss of livelihood and migration to other areas<sup>75</sup>. Out of all internal migration in Bangladesh the areas such as Dhaka, Gazipur, and Narayanganj with a lot of jobs in RMG factories have the highest in-migration rate<sup>76</sup>. There is, however, still reports of labour shortages in the sector<sup>77</sup>.

The national climate vulnerability assessment published in 2018 emphasised the importance of increasing the adaptive capacity of the country that “can be increased through education, technology, access to water, electricity, healthcare, and so on. Investing in increasing the adaptive capacity of the country is critical for reducing vulnerability, while at the same time, reducing gender imbalances and poverty”.<sup>78</sup>

73 World Bank, 2021, Bangladesh: Finding It Difficult to Keep Cool, p. ix–x, available online: <https://openknowledge.worldbank.org/handle/10986/36534>

74 SANEM, 2021, COVID -19 Fallout on Poverty and Livelihoods in Bangladesh, p. 34, available online: <https://sanemnet.org/wp-content/uploads/2021/12/SANEM-HH-Survey-Report-2021.pdf>

75 Solidarity Center, 2020, The Intersection of Climate Change, Migration and Changing Economy, p. 4, available online: <https://www.solidaritycenter.org/wp-content/uploads/2020/07/Bangladesh.Report.The-Intersection-of-Climate-Change-Migration-and-Changing-Economy.-June-2020.pdf>

76 Alam & Mamun, 2022, Dynamics of internal migration in Bangladesh: Trends, patterns, determinants, and causes, available online: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8843202/>

77 Daily Star, 2022, Worker shortage a new challenge for RMG, <https://www.thedailystar.net/business/economy/news/worker-shortage-new-challenge-rmg-2952581> (viewed on November 11th, 2022)

78 Ministry of Environment, Forest and Climate Change, Government of the People's Republic of Bangladesh and GIZ, 2018, Nationwide Climate Vulnerability Assessment in Bangladesh, p. 165, available online: [https://moef.portal.gov.bd/sites/default/files/files/moef.portal.gov.bd/notices/d31d60fd\\_df55\\_4d75\\_bc22\\_1b0142fd9d3f/Draft%20NCVA.pdf](https://moef.portal.gov.bd/sites/default/files/files/moef.portal.gov.bd/notices/d31d60fd_df55_4d75_bc22_1b0142fd9d3f/Draft%20NCVA.pdf)



### 3.3 Green jobs in green factories?

Bangladesh has had a long standing emphasis on the creation of “green jobs”<sup>79</sup>. According to a definition used by the ILO, green jobs “reduce the environmental impact of enterprises and economic sectors, ultimately to levels that are sustainable, while also meeting the standards required for ‘decent work’”<sup>80</sup>.

According to the ILO, social and environmental concerns of foreign buyers are driving the greening of the garment and textile industry in Bangladesh, but their ambitions are limited in practice due to a huge skills gap in the garment and textile industry workforce<sup>81</sup>. Another barrier is the cost of implementing cleaner technology which can be considerably higher than the (immediate and direct) cost of “business as usual”<sup>82</sup>.

The main adverse environmental impacts of the garment and textile sector in Bangladesh are related to the use of energy, water and chemicals. One of the main industry responses to these issues so far has been so-called “green factories”.

According to the BGMEA, green factories are expected to help reduce the energy use by 40 percent and water consumption by more than 30 percent. As such, they have helped to “regain Bangladesh’s image after the Rana Plaza tragedy”.<sup>83</sup> The government of Bangladesh supports green factories (i.e. factories which have an internationally recognised green building certificate<sup>84</sup>) with a lower corporate tax rate (10 percent as opposed to 12 percent applied to non-green garment factories)<sup>85</sup> and it aims to have 100 percent LEED certification for strategic export industries, such as textiles, by 2030<sup>86</sup>.

79 For example, the ILO and Bangladesh’s Ministry of Labour launched a “Green jobs in Bangladesh” initiative in 2008. See <https://www.ilo.org/dhaka/Areasofwork/green-jobs/lang--en/index.htm>. See also Ministry of Labour and Employment, 2019, A National Jobs Strategy for Bangladesh – Draft for consultation, p. 12

80 See for example the ILO, 2009, Green Jobs Initiative in Bangladesh: Towards decent work in a sustainable economy, p. 2, available online: [https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-dhaka/documents/publication/wcms\\_107554.pdf](https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-dhaka/documents/publication/wcms_107554.pdf)

81 ILO, 2018, Skills for Green Jobs in Bangladesh, p. 30, available online: [https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-dhaka/documents/publication/wcms\\_694947.pdf](https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-dhaka/documents/publication/wcms_694947.pdf)

82 Ibid, p. 64

83 Dhaka Tribune, October 3rd, 2022, Bangladesh is now a global leader in green factories, <https://www.dhakatribune.com/business/2022/10/03/bangladesh-is-now-a-global-leader-in-green-factories> (viewed on November 30th, 2022)

84 KPMG, 2018, Bangladesh Tax Profile, p. 4, available at <https://assets.kpmg/content/dam/kpmg/xx/pdf/2018/12/bangladesh-2018.pdf>

85 Daily Star, 2022, Garment or non-garment -- same tax rates for all export industries, <https://www.thedailystar.net/special-events/budget-2022-23/news/garment-or-non-garment-same-tax-rates-all-export-industries-3043271> (viewed on November 9th, 2022)

86 Mujib Climate Prosperity Plan, p. 41, available online: [https://mujibplan.com/wp-content/uploads/2021/12/Mujib-Climate-Prosperity-Plan\\_ao-21Dec2021\\_small.pdf](https://mujibplan.com/wp-content/uploads/2021/12/Mujib-Climate-Prosperity-Plan_ao-21Dec2021_small.pdf). LEED certification also plays a role in the plan for a new Green Exports Programme.



LEED-certification<sup>87</sup> is one of the best known internationally recognised green building certificates. According to a review of scientific literature, the opinions on LEED certification as an indicator of a building's energy efficiency are controversial<sup>88</sup>. This applies in particular to buildings that have reached the lowest possible level of LEED-certification. In such cases it is possible that the greenhouse gas emissions of a LEED-certified building are almost equivalent to the emissions of a non-certified building<sup>89</sup>.

LEED-certification is a scoring system in which buildings are awarded points in different categories, such as CO<sub>2</sub> emissions, energy, water, waste, transportation, materials, health and indoor environmental quality. The latest full version of the LEED criteria is v4, which was introduced in 2013.

Although LEED-certification is perhaps best known as a green building certification for office buildings, it has been applied to industrial manufacturing facilities since 2001<sup>90</sup>. When the certified building is a factory, the full energy use of both the factory building itself as well as the processing that takes place inside the building are taken into account in its certification. Therefore in the garment and textile industry, for example, the use of off-grid fossil energy in the dyeing process and in the production of steam is also within the scope of certification. In practice, meeting the certification requirements often means that the factory building itself as well as the processes that take place inside the building must be particularly energy efficient. Otherwise, LEED's minimum requirements for energy efficiency<sup>91</sup> will not be met.<sup>92</sup> The latest partial update to the LEED-criteria, v. 4.1, includes new mandatory criteria on energy efficiency, which take into account the greenhouse gas emissions of a building's energy use. In addition to energy saving measures, this encourages the use of clean energy. However, the use of clean energy is not in itself a minimum requirement for certification.

According to an often cited statistic, Bangladesh has the most LEED-certified factories in the world, and many of them have reached the highest level of LEED-certification<sup>93</sup>. As of December 2022, there were around 170 LEED certified factories in Bangladesh<sup>94</sup>, which

87 See <https://www.usgbc.org/leed>.

88 Amiri et. al, 2019, Are LEED-Certified Buildings Energy-Efficient in Practice?, p. 11, available online: [https://www.researchgate.net/publication/331931393\\_Are\\_LEED-Certified\\_Buildings\\_Energy-Efficient\\_in\\_Practice](https://www.researchgate.net/publication/331931393_Are_LEED-Certified_Buildings_Energy-Efficient_in_Practice)

89 Ibid, p. 9

90 See <https://www.usgbc.org/projects/steelcase-wood-furniture-manufacturing-p>.

91 The criteria for energy efficiency vary according to certification scope and between criteria versions. Energy efficiency is, however, always assessed against comparable other buildings.

92 GBCI Europe, Michelle L. R. Schwarting, email January 19th, 2023

93 See for example Dhaka Tribune, October 3rd, 2022, Bangladesh is now a global leader in green factories

94 According to the USGBC, a total of 174 industrial manufacturing projects in Bangladesh were LEED certified as of December 2022. See also <https://www.gbig.org/places/77/activities>

is around five percent of garment factories in Bangladesh. The certification of industrial manufacturing facilities is focussed either on a building's design and construction phase, or on the actual production phase in an already existing building<sup>95</sup>. A majority of the certified industrial manufacturing facilities in Bangladesh have been certified in the construction phase<sup>96</sup>. In the certification of a new factory building, the assessment of the building's energy efficiency is based on an estimate of the energy consumption of the building itself as well as the industrial manufacturing processes that are expected to take place inside the building once the building has been built and is in use. In the production phase in an already existing building, the certification in accordance with the LEED-criteria is based on the actual energy usage of the entire building which is assessed at regular intervals. This includes the energy use of industrial manufacturing processes that take place inside the building. In Bangladesh, less than a third of these LEED-certified so-called industrial manufacturing projects are certified according to the criteria applied to the actual production phase<sup>97</sup>. For the time being, LEED does not require factory buildings that are certified in the construction phase to be certified for operations and maintenance during the production phase in order to maintain LEED-certification. However, it is possible that this will be required in future criteria versions.<sup>98</sup>

LEED-certification is an insufficient solution to making the garment and textile sector environmentally sustainable on its own. A factory building can be certified based on its design and an estimate of the energy efficiency of the manufacturing processes without taking into account the actual emissions of the production phase. Even if the production phase is taken into account, LEED does not require the factory to switch to clean energy – the minimum requirements for certification can be met even without it. It should also be noted that for the garment and textile sector to be environmentally sustainable, in addition to ensuring the use of clean energy in the production process, other changes are also necessary, such as replacing virgin cotton and polyester with recycled fibres. Circular economy solutions are being piloted in Bangladesh by, for example, the Circular Fashion Partnership-project which seeks to support the development of the textile recycling industry in Bangladesh, but such solutions are not yet widely in use.<sup>99</sup>

LEED-certification includes some criteria that are related to the health and wellbeing of building occupants (e.g. factory workers). Some of them are optional but others, such as

95 LEED-criteria for the operations and maintenance of existing buildings.

96 According to the USGBC, 98 of the industrial manufacturing facilities certified in Bangladesh are certified against the 2009 LEED criteria for new buildings and 22 against the new building criteria version 4.

97 According to the USGBC, 52 of the industrial manufacturing facilities certified in Bangladesh are certified against the LEED-criteria for operations and maintenance, and of those 39 have been certified against criteria version 4 or 4.1.

98 GBCI Europe, Michelle L. R. Schwarting, phone conversation January 19th, 2023

99 See <https://globalfashionagenda.org/circular-fashion-partnership/>. See also Finnwatch, 2022, Life after fast fashion – Just transition to sustainable clothing and textiles industry, pp. 49–50

minimum criteria related to indoor air quality, are mandatory to all certificate holders<sup>100</sup>. However, NGO studies conducted in Bangladesh show that in practice, work in green factories can have serious health and safety impacts for the workers due to, for example, yarn dust, excessive heat, use of chemicals, lack of basic amenities, excessive workload and other factors, just like work in other garment and textile factories<sup>101</sup>.

According to a trade union leader interviewed for this report, green factories do not receive a premium price for their production<sup>102</sup>. In general, both trade union and NGO representatives interviewed for this report emphasised the importance of responsible buying practices and pricing that is sufficient to cover the cost of sustainable production, including both environmental protection and labour rights, such as a living wage.

### 3.4 Lack of decent work and no social security

The outsourcing of production from the Global North to countries like Bangladesh has been a major driver of economic growth in the country. As described in chapter 3.1, the clothing and textile sector directly and indirectly employs almost 15 million people in Bangladesh. Also, it should be noted that while it is typical in all countries that workers use their income for the benefit of their families, in Bangladesh this is of particular importance because social security is insufficient and the family income must cover needs such as taking care of the sick and the elderly and keeping the children in school.

The jobs in the RMG sector are generally quite poorly-paid, as many of the jobs have low skill requirements and the factories have small margins due to the fierce cost competition with their rivals. The lowest minimum wage in the garment and textile sector is only 8,000 Taka (about 76 euros<sup>103</sup>), which is approximately 34 percent of a living wage for Dhaka (or 42 percent of a living wage for Dhaka's satellite cities and its surrounding districts)<sup>104</sup>. In the export processing zones and export zones, even lower minimum wage rates apply<sup>105</sup>. In these, the lowest garment and textile sector minimum wage is 6 250 Taka. However,

100 GBCI Europe, Kay Killmann, email December 8th, 2022

101 Solidarity Center, April 20th, 2022, 'The factory is green, the job is not' – Bangladesh garment worker, <https://www.solidaritycenter.org/the-factory-is-green-the-job-is-not-bangladesh-garment-worker/> (viewed on November 30th, 2022)

102 See also Mr Fazlul Hoque, Managing Director, Plummy Fashions Limited and Former President, Bangladesh Employers Federation (BEF) and Bangladesh Knitwear Manufacturers & Exporters Association (BKMEA), in the "Securing Green Transition of the Textile and Readymade Garments Sector in Bangladesh" event organised by the Centre for Policy Dialogue on January 30th, 2022. The recording of the event is available online: <https://youtu.be/I9ezWJEMyxs>

103 1 BDT = 0,0094 EUR

104 The living wage estimates used here are based on Global Living Wage Coalition, Living Wage Update Report: Dhaka and Satellite Cities, Bangladesh, 2022, available online: [https://globallivingwage.org/wp-content/uploads/2018/06/Update-report\\_-Bangladesh-and-Satellite-Cities\\_-2022\\_30042022.pdf](https://globallivingwage.org/wp-content/uploads/2018/06/Update-report_-Bangladesh-and-Satellite-Cities_-2022_30042022.pdf)

105 Bangladesh Export Processing Zones Authority, 2018, Regarding re-fixation of the minimum wages and other benefits, available online: [https://www.bepza.gov.bd/public/ckfinder/userfiles/files/Wage%20Circular%202018\(1\).pdf](https://www.bepza.gov.bd/public/ckfinder/userfiles/files/Wage%20Circular%202018(1).pdf)

for many people a job in a RMG factory is an important step up from unemployment or self-employment. Jobs in the RMG sector are considered better paying than in many other industries.<sup>106</sup>

International cost competition has had other problematic consequences as the jobs created haven't been safe or decent in regard to working conditions. Reporting about these problems by actors such as NGOs and a few notable disasters – especially the collapse of Rana Plaza factory that killed over 1,100 workers – has led to initiatives aiming to improve safety, wage levels and labour conditions<sup>107</sup>, but a lot of work is still needed<sup>108</sup>. According to one study, factory “managers are better able to understand how to maintain the safety of their factory buildings”, but they have had only limited support from buyers to implement improvements<sup>109</sup>.

According to the ILO, about 12 percent of the workforce are members of trade unions<sup>110</sup>. The government has been criticised because the database of registered trade unions is poorly maintained and does not reflect the actual number of existing unions<sup>111</sup>. It has been estimated that the share of union members in the RMG sector is as low as five percent of the workers<sup>112</sup>. Such a level of unionisation is quite low compared to some of the competing countries<sup>113</sup>. Workers' organisations have been described to be weak or non-functional, and trade unions in garment factories are almost non-existent<sup>114</sup>. In general in Bangladesh, union busting and harassment of trade unionists are, still quite common, and even where trade unions exist, they struggle to collectively bargain. The International Trade Union Confederation named Bangladesh as one of the “10 worst countries

106 IHRB & Chowdhury Center for Bangladesh studies at UC Berkeley, 2021, The Weakest Link in The Global Supply Chain: How the Pandemic is Affecting Bangladesh's Garment Workers, p. 26–27, available online: <https://www.ihrb.org/focus-areas/covid-19/bangladesh-garment-workers>

107 IHRB & Chowdhury Center for Bangladesh studies at UC Berkeley, 2021, The Weakest Link in The Global Supply Chain: How the Pandemic is Affecting Bangladesh's Garment Workers, p. 18 and 26, available online: <https://www.ihrb.org/focus-areas/covid-19/bangladesh-garment-workers>

108 Centre for Policy Dialogue, 2019, New Dynamics in Bangladesh's Apparels Enterprises, p. 13, available online: <http://rmg-study.cpd.org.bd/wp-content/uploads/2019/08/Report-on-New-Dynamics-in-Bangladeshs-Apparels-Enterprises.pdf>

109 Rahman & Rahman, 2020, Multi-actor Initiatives after Rana Plaza: Factory Managers' Views, p. 1355, available online: [https://www.researchgate.net/publication/344221650\\_Multi-actor\\_Initiatives\\_after\\_Rana\\_Plaza\\_Factory\\_Managers'\\_Views](https://www.researchgate.net/publication/344221650_Multi-actor_Initiatives_after_Rana_Plaza_Factory_Managers'_Views)

110 ILO, Statistics on union membership, <https://ilostat.ilo.org/topics/union-membership/> (viewed on October 19th, 2022)

111 IndustriALL, 2022, IndustriALL calls on Bangladesh government to implement roadmap, <https://www.industriall-union.org/industriall-calls-on-bangladesh-government-to-implement-roadmap> (viewed on November 9th, 2022)

112 New York Times, 2020, Union Garment Workers Fear 'an Opportunity to Get Rid of Us', <https://www.nytimes.com/2020/05/08/fashion/coronavirus-garment-workers-asia-unions.html> (viewed on November 9th, 2022)

113 ILO, 2022, Employment, wages and productivity trends in the Asian garment sector: Data and policy insights for the future of work, p. 37, available online: [https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms\\_848624.pdf](https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms_848624.pdf)

114 Centre for Policy Dialogue, 2019, New Dynamics in Bangladesh's Apparels Enterprises, p. 19, available online: <http://rmg-study.cpd.org.bd/wp-content/uploads/2019/08/Report-on-New-Dynamics-in-Bangladeshs-Apparels-Enterprises.pdf>

for working people” in its most recent global survey of trade union rights.<sup>115</sup> The report highlights regressive laws and cites examples of police violence and criminal prosecutions against trade unionists.

A 2019 report surveyed employment security, wage and trade union rights among RMG sector workers in the city of Chattogram. It reported excessive overtime practices with little extra pay, terminations for union activities or for asking for leave, different types of workplace harassment and insufficient wages. Also rights to unionise, to submit grievances and to strike were limited. According to the same study, training provided to workers does not aim at the development of new skills but is superficial and based for the most part on fulfilling the key requirements of purchasers.<sup>116</sup>

While factory workers’ labour rights are therefore not always realised, improvements are also needed to social security. There are 114 different programmes in Bangladesh that are considered social security, the majority of which are related to food aid and support for the elderly. Both the ILO and the World Bank have estimated that such a wide range of different programmes leads to inefficiency.<sup>117</sup> A report, that also assessed the impacts of the coronavirus pandemic on the country’s clothing industry in 2021, ended up recommending that the country’s social security should be strengthened by introducing a basic income or another mechanism that could help people who have lost their jobs due to falling into poverty.<sup>118</sup>

While there is no unemployment insurance in use, there are some structures that can help workers when they lose their job, but these are mainly designed to support agricultural workers during the low-season when the demand for workers is smallest. Also, during the pandemic there were additional support mechanisms such as subsidised loans and direct cash transfers from the government.<sup>119</sup> A report assessing the impact of the COVID-19 pandemic on poverty in Bangladesh recommended expansion of social safety nets including government-led measures to improve the functionality of the labour mar-

115 ITUC, 2022, Global Rights Index, p. 27, available online: [https://files.mutualcdn.com/ituc/files/2022-ITUC-Rights-Index-Exec-Summ-EN\\_2022-08-10-062736.pdf](https://files.mutualcdn.com/ituc/files/2022-ITUC-Rights-Index-Exec-Summ-EN_2022-08-10-062736.pdf)

116 BILS, 2019, Employment Security Wage and Trade Union Rights in Four Industrial Sectors of Chittagong Region, s. 30–34, available online: <http://bilsbd.org/wp-content/uploads/2019/03/Employment-Security-Wage-and-Trade-Union-Rights-in-Four-Industrial-Sectors-of-Chittagong-Region.pdf>

117 ILO, Social Protection in Bangladesh, <https://www.ilo.org/dhaka/areasofwork/social-protection/lang--en/index.htm> (viewed on September 16th, 2022); World Bank, 2021, Bangladesh Social Protection Public Expenditure Review, p. 71, available online: <https://documents1.worldbank.org/curated/en/829251631088806963/pdf/Bangladesh-Social-Protection-Public-Expenditure-Review.pdf>

118 IHRB & Chowdhury Center for Bangladesh studies at UC Berkeley, 2021, The Weakest Link in The Global Supply Chain: How the Pandemic is Affecting Bangladesh’s Garment Workers, p. 66, available online: <https://www.ihrb.org/focus-areas/covid-19/bangladesh-garment-workers>

119 Razzaque, M.A., 2022, Options for Improving Unemployment Protection in Bangladesh, p. 3–6, available online: [https://socialprotection-pfm.org/wp-content/uploads/2022/03/Output-6\\_note-on-Options-for-Improving-UP-Feb22.pdf](https://socialprotection-pfm.org/wp-content/uploads/2022/03/Output-6_note-on-Options-for-Improving-UP-Feb22.pdf)

ket and tackling problems of existing social security schemes such as corruption, mismanagement, and the inability to reach the most vulnerable people<sup>120</sup>.

The need for unemployment protection was also recognised in 2015 by the government in the National Social Security Strategy. However, the implementation of the strategy has been slow. According to the assessment released in February 2022, the unemployment caused by the pandemic has brought new interest in developing unemployment protection. The report recognises several ways forward including raising awareness of the existing laws and programmes among the working population, expansion of workfare programmes, setting up a “holistic institutional framework” to coordinate the several instruments, an introduction of job search mechanisms accessible to all labour market participants and a sustained social dialogue involving the relevant stakeholders.<sup>121</sup>

### 3.5 Safety nets insufficient during the pandemic

There is a recent example on how vulnerable the workers of the RMG sector currently are. In spring 2020, the COVID-19 pandemic caused order cancellations in the RMG sector which led to 90,000 workers losing their jobs, either temporarily or permanently. During the spring and the following summer cancellations also led to labour unrest at more than 90 factories.<sup>122</sup> Some well-known brands made a commitment to pay for the orders already in production, but many others did not<sup>123</sup>. The union representatives have claimed that many furloughed workers were not paid a government mandated portion of their salary while being without a job. Many global buyers have also been reported refusing to contribute to the cost of these partial wages.<sup>124</sup> According to one early estimate in a study conducted in March 2020, after the first wave of cancelled orders due to the pandemic, 72.4 percent of the furloughed garment workers were not paid the partial salary required by the law. Furthermore, according to the responding suppliers more than 95 percent of the buyers refused to contribute to partial wages or severance pay for the workers.<sup>125</sup>

120 SANEM, 2021, COVID -19 Fallout on Poverty and Livelihoods in Bangladesh, p. 39–40, available online: <https://sanem-net.org/wp-content/uploads/2021/12/SANEM-HH-Survey-Report-2021.pdf>

121 Razzaque, M.A., 2022, Options for Improving Unemployment Protection in Bangladesh, p. 5–11, available online: [https://socialprotection-pfm.org/wp-content/uploads/2022/03/Output-6\\_note-on-Options-for-Improving-UP-Feb22.pdf](https://socialprotection-pfm.org/wp-content/uploads/2022/03/Output-6_note-on-Options-for-Improving-UP-Feb22.pdf)

122 BILS, 2021, The World of Work amid Covid Pandemic in Bangladesh: Trade Unions’ Strategic Action Priorities, p. 13, available online: [http://bilsbd.org/wp-content/uploads/2021/10/World-of-Work-amid-Covid\\_TU-Strategic-Actions\\_April-2021\\_Revised.pdf](http://bilsbd.org/wp-content/uploads/2021/10/World-of-Work-amid-Covid_TU-Strategic-Actions_April-2021_Revised.pdf)

123 Worker Rights Consortium, Covid-19 Tracker: Which Brands Acted Responsibly toward Suppliers and Workers?, <https://www.workersrights.org/issues/COVID-19/tracker/> (viewed on October 19th, 2022)

124 IHRB & Chowdhury Center for Bangladesh studies at UC Berkeley, 2021, The Weakest Link in The Global Supply Chain: How the Pandemic is Affecting Bangladesh’s Garment Workers, p. 20, available online: <https://www.ihrb.org/focus-areas/covid-19/bangladesh-garment-workers>

125 Center for Global Workers’ Rights, 2020, Abandoned? The Impact of Covid-19 on Workers and Businesses at the Bottom of Global Garment Supply Chains, available online: <https://www.workersrights.org/wp-content/uploads/2020/03/Abandoned-Penn-State-WRC-Report-March-27-2020.pdf>



When a survey conducted for another report published in 2021 asked about strategies used by households to cope during the economic challenges caused by the pandemic, the most common answers were borrowing (49 percent), reliance on savings (32 percent), reduction in non-food expenditures (27 percent), involuntary dietary changes (27 percent) and donations from friends or relatives (17 percent). Only five percent of respondents cited government support.<sup>126</sup>

In June 2021, a survey of 500 workers in the RMG sector from four different areas was conducted to find out the impacts of the COVID-19 pandemic. The respondents reported an average of 11.4 percent loss of household income compared to the situation before the pandemic. The pandemic also had a detrimental impact on the diversity of people's diets and on participation in education. As with the wider survey cited in the previous paragraph, the most important coping mechanisms for RMG worker households were loans and savings. Most of the households (79.6 percent) that faced "additional financial hardship" did not receive any external support, and of those who did, got it mostly from friends and families (9.4 percent), government (4.5 percent), NGOs (3.7 percent) or charities (3.3 percent).<sup>127</sup>

## 4. Interviews with workers and other stakeholders

### 4.1 How interviews were done

This section is based on interviews with 30 garment and textile sector workers about their views on climate change and its impacts on their lives and livelihood. The purpose of this section is to offer a glimpse to the workers' circumstances and vulnerabilities, thereby beginning to map some of the questions and challenges that need to be addressed in order to ensure a just transition to a low-carbon economy.

The interviews were carried out between July and September 2022 in Dhaka in person by the Awaj Foundation<sup>128</sup>, commissioned by Finnwatch. The interviewed workers worked for

126 SANEM, 2021, COVID -19 Fallout on Poverty and Livelihoods in Bangladesh, p. 35, available online: <https://sanemnet.org/wp-content/uploads/2021/12/SANEM-HH-Survey-Report-2021.pdf>

127 Citizen's Platform, 2022, Dealing with the Aftermath of COVID-19: Adjustments and Adaptation Efforts of the Apparel Workers In Bangladesh, p.12-19, available online: <https://bdplatform4sdgs.net/wp-content/uploads/2022/08/Dealing-with-the-Aftermath-of-COVID-19.pdf>

128 Awaj Foundation is a workers' rights organisation active in the garment and textile industry in Bangladesh. For more information see <http://awajfoundation.org>



Hop Lun Ltd, Natural Denims Ltd and Zaber and Zubair Fabrics Ltd. These factories are located in major garment and textile industry hubs, such as Gazipur just north of Dhaka, and in Ashulia, within the Dhaka District. The three companies are all suppliers to Finnish and European retailers and brands (see text box for more details pp. 27–31).

Among the interviewees, there were 8 men and 22 women. The interviewees had all migrated from other parts of Bangladesh to Dhaka, Ashulia and the area surrounding Gazipur. Half were originally from the Rajshahi and Rangpur divisions in North Bengal, where some of Bangladesh's poorest districts (based on income) are located<sup>129</sup> and where multidimensional poverty is also high<sup>130</sup>. Some of the interviewees had only recently started working for their current employer whereas others had worked in the industry, or even for the same employer, for more than 10 years. Most were employed in jobs on wage grade 4 (e.g. operator, quality inspector) but the sample also included workers in more senior and junior positions (see also Chapter 4.5). Of the interviewed workers, 6 were trade union members and another 4 also held a formal position in factory level trade unions at either Hop Lun or Natural Denims<sup>131</sup>. There is no union in the Zaber and Zubair Fabrics factory. In addition to worker interviews, Finnwatch has also conducted interviews with sectoral trade union and national trade union federation leaders and representatives of NGOs operating in Bangladesh for this section.

129 Ali, Z., Ahmed, B., Maitrot, M., Devine, J., & Wood, G., 2021, Extreme Poverty: The Challenges of Inclusion in Bangladesh, available online: [https://bids.org.bd/uploads/research/completed\\_research/FINAL\\_Challenges%20of%20Inclusion\\_With%20LOGOS%20\\_28%20September%202021\\_Revised.pdf](https://bids.org.bd/uploads/research/completed_research/FINAL_Challenges%20of%20Inclusion_With%20LOGOS%20_28%20September%202021_Revised.pdf), p. 6

130 Ibid, Table 13

131 Hop Lun and Natural Denims factory level unions are both affiliated with Sommilito Garments Sramik Federation.

## Hop Lun Ltd

Hop Lun<sup>132</sup> is a supplier to companies such as Kesko<sup>133</sup>, Lidl<sup>134</sup>, Lindex<sup>135</sup> and H&M<sup>136</sup>. The company produces lingerie and swimwear. The company is headquartered in Hong Kong but its 12 factories are located in Bangladesh, China, Indonesia and Ethiopia. The company's total annual production capacity is 144 million pieces, and 42 percent of its customers are supermarkets or hypermarkets.<sup>137</sup>

Hop Lun's sustainability reports for 2020 and 2021 are available online on the company website<sup>138</sup>. Transparent and detailed reporting, such as the reporting by Hop Lun, is somewhat exceptional for companies at the production level – but highly welcome..

Hop Lun has six factories in Bangladesh which employ more than 20,000 people in total. Of these six factories, three are located in export processing zones (see chapter 3.1)<sup>139</sup>. In each factory, the workers' average age is around 30 and around 80 percent of the workforce is female.<sup>140</sup> Hop Lun's factories in Bangladesh are both Amfori BSCI<sup>141</sup> and Smeta<sup>142</sup> audited<sup>143</sup>. Amfori BSCI and Smeta are factory auditing schemes, commonly used by retailers and brands to monitor working conditions in their supply chains<sup>144</sup>.

132 See <https://www.hoplun.com>

133 Kesko, Tehdaslista, K-Citymarket, updated March 9th, 2022, <https://www.kesko.fi/yritys/vastuullisuus/kestava-hankinta/tehdaslistat/> (viewed on November 15th, 2022)

134 Lidl, 2022, Lidl International and Lidl GB national textile suppliers that delivered products to Lidl between 1st January 2021 and 31st December 2021. Not all suppliers on the list have necessarily supplied Lidl Finland.

135 Lindex, Supplier lists, <https://about.lindex.com/sustainability/how-we-work/suppliers-and-factories/> (viewed on November 15th, 2022)

136 H&M Group, Supply chain, <https://hmgroup.com/sustainability/leading-the-change/transparency/supply-chain/> (viewed on November 15th 2022)

137 Hop Lun, 2021, Sustainability Report, p. 5, available online: <https://www.hoplun.com/storage/app/media/images/Sustainability/Sustainability%20Report%20Volume%202%20FY21.pdf>

138 See <https://www.hoplun.com/page-sustainability>

139 Hop Lun's factories in the export processing zones operate under the name Hop Yick. See <https://www.hoplun.com/services-manufacturing-excellence>

140 Hop Lun, 2021, Sustainability Report, p. 6

141 See <https://www.amfori.org/content/amfori-bsci>

142 See <https://www.sedex.com/our-services/smeta-audit/>

143 Hop Lun, 2021, Sustainability Report, p. 49

144 For more information on these auditing schemes, see for example Finnwatch, 2022, Kaalimaan vartijat 2: Sertifiointija auditointijärjestelmien laatua tarkasteleva seurantaraportti, available in Finnish at: [https://finnwatch.org/images/reports\\_pdf/Kaalimaan\\_vartijat\\_2\\_.pdf](https://finnwatch.org/images/reports_pdf/Kaalimaan_vartijat_2_.pdf)

According to Hop Lun's latest available sustainability report<sup>145</sup>, a full 100 percent of the company's workforce in Bangladesh earn at least a living wage. The company claims to have applied the Anker Methodology, promoted by the Global Living Wage Coalition<sup>146</sup>, to calculate living wages for all its factory locations. It publishes the results of its calculations in Hong Kong dollars, but converted back to Bangladeshi Taka, the company's estimates for a living wage in 2021 in Bangladesh ranged from 11,099 to 11,565 Taka (or 105–109 euros) based on factory location<sup>147</sup>. This is considerably less than the 2022 living wage benchmark for satellite cities and districts surrounding Dhaka published by the Global Living Wage Coalition itself (see chapter 4.6). As such, the company's claim that they pay their workers a living wage is questionable. According to the information provided by the company, the difference is mostly explained by their significantly (10 250 Taka in 2021) lower estimate of housing and food related costs. Whereas GLWC's estimate of food costs is based on three meals per day, Hoplun's estimate is based on bulk purchase of certain goods over a month. In addition, Hoplun provides their workers one meal a day, and this is reflected in the company's calculations. For housing, GLWC uses the rental costs of acceptable decent housing whereas Hoplun uses the costs of housing that is available to the workers.

In at least one Hop Lun factory in Bangladesh, the Hop Lun Apparels Unit 2, the company has signed a collective bargaining agreement with the factory's trade union. The agreement, first signed in 2019 and updated in March 2022, stipulates a 10 percent annual increment on the basic wage to all workers, among other things.<sup>148</sup>

The company's stated goal is to keep its working hours below 60 hours per week. The average weekly working hours in its factories in Bangladesh were 61 hours or more during only 2 weeks in the 2021 financial year<sup>149</sup> (compared with 14 weeks in the 2020 financial year). Even then, the average working hours during 35 weeks were between 49–60 hours.<sup>150</sup> According to the International Labour Organization (ILO), working more than 48 hours a week regularly is associated with a range of safety and health risks, and increased work–family interference. Such long working hours are most common in Southern Asia where more than 50 percent of the total workforce works more than 48 hours per week.<sup>151</sup> ILO Convention no. 1, the very first international labour standard adopted

145 Hop Lun, 2021, Sustainability Report, p. 28

146 See <https://globallivingwage.org/about/anker-methodology/>

147 Exchange rates as of November 15th, 2022, 1 HKD = 13,0035 BDT; 1 HKD = 0,1228 EUR

148 Bipartite Agreement Letter according to the Bangladesh Labour Law-2006, Section 210(3), HopLun Apparels Ltd. Dated 1.3.2022

149 Financial year refers to a period from 1st of April to the end of March

150 Hop Lun, 2021, Sustainability Report, p. 32

151 ILO, 2018, Ensuring decent working time for the future, pp. 11–12, available online: [https://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---relconf/documents/meetingdocument/wcms\\_618485.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_618485.pdf)

by the International Labour Conference in 1919, limits the working hours in an industrial establishment to 8 hours per day and 48 hours per week<sup>152</sup>. In 1935, ILO adopted another convention which promotes the 40-hour week principle that should be applied in such a manner that the standard of living is not reduced in consequence<sup>153</sup>. An ILO Recommendation from 1962 describes the 40-hour week as a social standard that should be achieved in stages if necessary<sup>154</sup>.

Hop Lun also publishes information on its scope 1, 2 and 3 greenhouse gas emissions, although the scope 3 is only partially included and the assumptions used in calculating value chain emissions are “imprecise” by the company’s own admission<sup>155</sup>. The company is committed to setting a target under the Science-Based Target initiative, both for short term emission reductions and for reaching a net zero on a longer term.

The company has also set a goal of buying 50 percent of all its purchased materials from certified recycled or otherwise “more sustainable” sources by the 2026 financial year. Hop Lun can manufacture products with certified recycled content at its factories in Bangladesh. In the financial year 2021, 12 percent of its total purchasing volume was what the company calls “more sustainable” materials, i.e. recycled polyester, organic cotton, and FSC certified or recycled paper and carton.<sup>156</sup> From the sustainability report, it is not clear whether the recycled polyester the company sources is made from textile waste, or other waste such as plastic bottles or packaging. Most commonly, recycled polyester is made from recycled plastic bottles and the use of textile waste is generally underdeveloped<sup>157</sup>. According to Hop Lun, the company also aims to upcycle or recycle all its own waste streams but is still looking for ways to achieve this goal.

152 ILO Convention 1 – Hours of Work (Industry), Article 2

153 ILO Convention 47 – Forty-Hour Week, Article 1

154 ILO Recommendation 116 – Reduction of Hours of Work Recommendation

155 Hop Lun, 2021, Sustainability Report, pp. 14–15

156 Ibid, p. 19

157 For more information see e.g. Finnwatch, 2022, Life after fast fashion – Just transition to sustainable clothing and textiles industry, pp. 31–34, available online: [https://finnwatch.org/images/pdf/Life\\_after\\_fast\\_fashion.pdf](https://finnwatch.org/images/pdf/Life_after_fast_fashion.pdf)

## Natural Denims Ltd

Natural Denims is a supplier to companies such as H&M<sup>158</sup> and Mango<sup>159</sup>. On its website, the company also lists several other companies such as Zara, Calvin Klein, Esprit and Tommy Hilfiger as its buyers<sup>160</sup>. The company produces many different kinds of denim and non-denim clothing, including jeans, jackets, Bermuda shorts, skirts, shirts, dungarees, jeggings and chinos. It is part of a Bangladesh-based Natural Group and according to the company website, it is Amfori BSCI certified.<sup>161</sup> The company also holds chain of custody certificates for handling of recycled materials and can manufacture products with certified recycled content. It also has a biological effluent treatment plant. The company employs 4,300 people. According to the factory management, it has a production capacity of 800,000 pieces per month.

Natural Denims has signed a collective bargaining agreement with the factory's trade union. The agreement, first signed in 2017 and updated in 2020, stipulates a 7 percent annual increment on the basic wage to all workers, among other things<sup>162</sup>.

158 H&M Group, Supply chain, <https://hmgroup.com/sustainability/leading-the-change/transparency/supply-chain/> (viewed on November 15th, 2022)

159 Mango, Transparency Pledge: Lista de fábricas de producción de MANGO, [https://press.mango.com/en/mango-publishes-the-list-of-tier-1-and-tier-2-factories-in-its-supply-chain\\_130881](https://press.mango.com/en/mango-publishes-the-list-of-tier-1-and-tier-2-factories-in-its-supply-chain_130881) (viewed on November 30th, 2022)

160 Natural Group, About us, <https://naturalgroup.org/about-us/> (viewed on November 30th, 2022)

161 See <https://naturalgroup.org/about-us/>

162 Bilateral Settlements per Section - 210(6) of the Bangladesh Labor Act, 2006, Natural Denims Limited. Dated 13.1.2020.

## Zaber and Zubair Fabrics Ltd

Zaber and Zubair Fabrics<sup>163</sup> is a supplier to companies such as Ikea<sup>164</sup>, H&M<sup>165</sup>, Kesko<sup>166</sup>, Lidl<sup>167</sup>, Mango<sup>168</sup>. Its customers also include Esprit, Hugo Boss, Lee Wrangler, Marks & Spencer, Ralph Lauren and Zara. Zaber and Zubair Fabrics is part of the Noman Group. The company has 32 production units, and it produces fabric, clothing and home textiles. According to the company website, it is engaged in Amfori BEPI and is, for example, both Amfori BSCI and Smeta audited. It also holds chain of custody certificates for handling of recycled materials and can manufacture products with certified recycled content. In addition, it has made investments into green technologies, including the “largest solar power plant in Bangladesh” and has a biological effluent treatment plant.<sup>169</sup> According to the company management, the whole company employs 70,000 people. The company has a monthly production capacity of, for example, 1 million pieces of clothing, 8,000 tonnes of spinning yarn, nearly 14 million metres of home textiles and approximately 11 million metres of fashion fabric.

According to a report from 2016, another supplier to Ikea, Karupannya, produces rugs for Ikea using waste fabric from Zaber and Zubair Fabrics.<sup>170</sup>

163 See <https://www.znzfashion.com>

164 Panjiva, Supply chain intelligence about Zaber & Zubair Fabrics Ltd, <https://panjiva.com/Zaber-Zubair-Fabrics-Ltd/28439771> (viewed on November 30th, 2022)

165 H&M Group, Supply chain, <https://hmgroupp.com/sustainability/leading-the-change/transparency/supply-chain/> (viewed on November 15th, 2022)

166 Kesko, Tehdaslista, K-Citymarket, updated on March 9th, 2022, <https://www.kesko.fi/yritys/vastuullisuus/kestava-hankinta/tehdaslistat/> (viewed on November 15th 2022)

167 Lidl, 2022, Lidl International and Lidl GB national textile suppliers that delivered products to Lidl between 1st January 2021 and 31st December 2021. Not all suppliers on the list have necessarily supplied Lidl Finland.

168 Mango, Transparency Pledge: Lista de fábricas de producción de MANGO, [https://press.mango.com/en/mango-publishes-the-list-of-tier-1-and-tier-2-factories-in-its-supply-chain\\_130881](https://press.mango.com/en/mango-publishes-the-list-of-tier-1-and-tier-2-factories-in-its-supply-chain_130881) (viewed on November 30th, 2022)

169 Zaber and Zubair Fabrics, Company sustainability, <https://www.znzfashion.com/sustainability.php?Q=znzfashion> (viewed on December 19th 2022)

170 Inclusive Textiles and Clothing: Mapping Inclusive Business Opportunities in the Textile and Clothing Sector in Asia, p. 44, available online: <https://inclusivebusiness.se/wp-content/uploads/2020/03/InTaCt-report-inclusive-business-opportunities-in-the-textile-and-clothing-industry-.pdf>





3,6

million people work in the approximately 4,000 garment factories in Bangladesh. Taking into account the manufacturing of other textiles as well as indirect jobs, the sector provides livelihood to more than 10 million people.



## 4.2 Impacts of climate change

*“Recurrent cyclones and flash floods are devastating our village home. We have already lost part of our village due to riverbank erosion. We are forced to leave our village and come here to work in the factory.”*

*- A worker from Gaibanda*

All workers who were interviewed for this report were internal migrants who had moved to Dhaka and its surrounding areas from other parts of Bangladesh. The changing environment has for long been pushing people on the move in Bangladesh<sup>171</sup> but according to NGOs interviewed for this report, there are more and more climate migrants working in the garment and textile sector in Bangladesh<sup>172</sup>. For example, in some coastal areas in Bangladesh an increase in the salinisation of the soil due to the sea level rise has led to land becoming unsuitable for cultivation and threatens the supply of potable water, making existing livelihoods unviable and driving migration. Bangladesh is expected to have up to 19.9 million internal climate migrants by 2050<sup>173</sup>.

Although most workers interviewed for this report were not familiar with the term “climate change” or its precise meaning, practically all of them had observed changes for example in weather and rain patterns in recent years which could be linked to climate change<sup>174</sup>. According to the workers, summers have gotten longer with scorching hot and humid weather, and rainfall has become irregular. Some said that the areas where they come from are being flooded repeatedly while other areas are facing drought with rivers also drying up. Although a small minority of the interviewees expressed no concern over these impacts, for most they were a source of serious concern, especially because of their consequences on people’s health. They also have a direct impact especially on those workers and their family members whose livelihoods and food supply in their home village depends (in part) on agriculture and fishing.

171 For example, in a 2012 study by A S Moniruzzaman Khan, the director of the Centre for Climate Change and Environmental Research at BRAC University, almost all of 1 500 Bangladeshi families migrating to cities cited the changing environment as the biggest reason for their decision. Cited in The Guardian, December 1st, 2015, Dhaka: the city where climate refugees are already a reality, <https://www.theguardian.com/cities/2015/dec/01/dhaka-city-climate-refugees-reality> (viewed on November 22nd, 2022)

172 Most internal climate migrants seek shelter in slums surrounding large cities and take up work in the informal sector as day labourers.

173 Clement, Viviane; Rigaud, Kanta Kumari; de Sherbinin, Alex; Jones, Bryan; Adamo, Susana; Schewe, Jacob; Sadiq, Nian; Shabahat, Elham. 2021. Groundswell Part 2: Acting on Internal Climate Migration. World Bank, Washington, DC. <https://openknowledge.worldbank.org/handle/10986/36248> License: CC BY 3.0 IGO.

174 Likely impacts of climate change in Bangladesh include increased flooding, increased vulnerability to cyclones, increased drought, increased salinity and greeted extreme temperatures. See e.g. European parliament, DG Internal Policies of the Union – Policy Department Economic and Scientific Policy, 2008, Climate Change Impacts and Responses in Bangladesh, Chapter 1.2, available online: [https://www.europarl.europa.eu/RegData/etudes/etudes/join/2008/400990/IPOL-CLIM\\_ET\(2008\)400990\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/etudes/join/2008/400990/IPOL-CLIM_ET(2008)400990_EN.pdf)

*“Our life is dependent on rivers, and drying up of rivers and riverbank erosion has a huge impact on our lives. River Padma<sup>175</sup> has encroached our land and houses. It is a very serious concern for us. We are not catching enough fish from the rivers.”*

*- A worker from Rajshahi*

As summers are getting hotter, high temperatures make workers struggle. Several workers who were interviewed for this report mentioned that because of the heat, they become exhausted more quickly. At least in one factory in the sample, some people have even fainted while working due to extremely hot and humid conditions, the interviewees said. Some said they also face difficulty sleeping because of the heat, and as such do not get proper rest.

NGO interviewees expressed concern that climate impacts are likely to reduce the garment and textile sector’s profitability, and that the decrease in profitability might lead to buyers moving their business out of the country.

*“We know that the garment industry is going to change because of the impacts of climate change. It is going to impact the industry and its profitability and what we don’t want to see is brands and buyers who cut and ran during COVID-19 doing the same thing when climate change, environmental degradation hurts their business.”*

*- An NGO representative*

Things that NGOs see that might be affecting the sector’s profitability include the unbearable heat that makes it impossible for the workers to meet their production targets, but also other factors such as delays in shipments due to waterlogging and factories having to relocate from areas prone to flooding. According to some estimates, as many as one in five exporting factories in Bangladesh’s RMG sector are located on land less than 5 meters above the sea level, putting them in danger of regular flooding by 2030 and beyond<sup>176</sup>. According to NGO interviewees it is typical that factories that need to close for example because they are relocating fire their entire workforce overnight<sup>177</sup>. In many of these situations, it becomes really difficult for workers to claim back wages and severance pay. Workers who have been terminated may have to go back to their home villages as

175 Padma is one of the most important rivers in Bangladesh. Climate changes affects the river and the livelihoods of millions of people living close to it. For more, see Islam et al., 2021, Climate Change and Anthropogenic Interferences for the Morphological Changes of the Padma River in Bangladesh, available online: <https://www.scirp.org/journal/paperinformation.aspx?paperid=109094>

176 Garment Worker Diaries, 2011, Factories, Workers, and Flood Risk, <https://workerdiaries.org/factories-and-flood-risk/> (viewed on November 22nd, 2022)

177 See also e.g. The Business Standard, 3.12.2022, 4 RMG factories of DIRD Group announced closed indefinitely, <https://www.tbsnews.net/economy/rmg/4-rmg-factories-dird-group-closed-indefinitely-544458> (viewed on December 15th, 2022)

they can no longer afford to live in the city. This makes it costly and time consuming to pursue a legal case. Additionally, it may be difficult for workers to get timely and adequate assistance from the Department of Inspections for Factories and Establishments (DIFE), which is the legal authority responsible for handling claims for back wages and due benefits.

## 4.3 Few believe in the end of fast fashion

*“I don’t think there is a plan.”*

*- An NGO representative*

As discussed in chapter 3.1, the garment and textile industry is of crucial importance to the Bangladeshi economy. The expectation has also been that the sector will continue to grow and employ more people due to increase in exports as Bangladesh benefits from low-cost labour and rising production costs e.g. in China<sup>178</sup>.

NGO representatives who were interviewed for this report were sceptical about any significant decrease in garment and textile sector jobs in Bangladesh due to changes in the demand in the consuming countries. According to them, there is simply no evidence (or even signs) of such changes in consumer behaviour that would be sufficient to prompt a downward turn. Tuomo Poutiainen, the ILO country director for Bangladesh, expressed similar views in a Finnwatch-podcast in March 2022<sup>179</sup>. According to him, the “end of fast-fashion” does not appear to be imminent when looking at the issue from the Bangladeshi viewpoint: The order books for RMG factories are full to the point that there is shortage of skilled labour. Trade union leaders interviewed for this report also tended to agree. They saw any demand-based large-scale reduction of jobs as a possibility in the distant future only.

In the opinion of NGO interviewees, if anything, other factors such as a decrease in the sector’s profitability and rising production costs linked to e.g. climate adaptation (see chapter 4.2), are far more likely to lead to a reduction in the number of orders that buyers place to their suppliers in Bangladesh. If this was to happen, labour pressures would shift to other (manufacturing) industries.

An estimated 2 million young people enter the labour force in Bangladesh every year<sup>180</sup>. The government has recognised the need to diversify the country’s economy, including its

178 See e.g. ILO, 2018, *Skilling for green jobs in Bangladesh*, p. 29, available online: [https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-dhaka/documents/publication/wcms\\_694947.pdf](https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-dhaka/documents/publication/wcms_694947.pdf)

179 Finnwatch, March 24th, 2022, *Valokeilassa-podcast: Ilmastomuutoksen vaikutus työpaikkoihin* [in Finnish], <https://open.spotify.com/show/3WY4bsugBm3CgiLcL0l3rh> (viewed on November 23rd, 2022)

180 See e.g. Sumi, H. F., Reaz, M. M., 2020, *Building Competitive Sectors for Export Diversification: Opportunities and Policy Priorities for Bangladesh* (English). p. 8. available online: <http://documents.worldbank.org/curated/en/982561587362264731/Building-Competitive-Sectors-for-Export-Diversification-Opportunities-and-Policy-Priorities-for-Bangladesh>

manufacturing base, and breaking into new markets, as a means to provide employment opportunities to the country's growing labour force and surplus labour.<sup>181</sup> The problem is, as NGO interviewees pointed out, that “we just have not seen those [other sector] jobs yet.” The interviewees continued: “Instead we have seen the government of Bangladesh seeing the export of its excess labour, the commodification of workers abroad where the government doesn't have to deal with them, where the government will not be responsible for any kind of social programmes, [as a solution].”

The government of Bangladesh has indeed set targets for sending surplus labour abroad<sup>182</sup>. By the government's own admission an increase in overseas employment helps relieve the pressure on the domestic labour market – and also contributes to the foreign exchange earnings for the country. Already now Bangladeshi workers abroad are a significant source of foreign exchange for the country, second only to the garment and textile industry. The authorities have also announced an initiative that aims to open a hundred new economic zones in the country's underdeveloped regions<sup>183</sup>. These new economic zones promise to create 10 million new jobs in export-oriented industries. Economic zones enjoy various tax benefits<sup>184</sup>, much like Bangladesh's export processing zones<sup>185</sup>, and also follow the export processing zones' own labour laws which are weaker than those in the rest of the country<sup>186</sup>. According to the interviewees, one target group for the jobs in the new economic zones appears to be climate migrants<sup>187</sup>.

In the garment and textile sector, the current labour shortage is at least partly due to the lifting of the COVID-19 restrictions<sup>188</sup>. Some of the garment and textile sector workers, who were fired or left their jobs during the pandemic, have not returned to work in the sector. According to a recent study, the shortage of workers has led to increased pressure

181 See e.g. General Economics Division (GED), Bangladesh Planning Commission, Ministry of Planning, 2020, Perspective Plan of Bangladesh 2021–2041, p. 91, available online: <http://oldweb.lged.gov.bd/uploadeddocument/unitpublication/1/1049/vision%202021-2041.pdf>

182 See e.g. Arab News, March 2nd, 2022, Bangladesh sets target to send 1 million workers abroad in 2022, <https://www.arabnews.com/node/2035006/world> (viewed on November 22nd, 2022)

183 Dhaka Tribune, November 28th, 2021, BEZA plans to create 1C new jobs in 100 EZs, <https://www.dhakatribune.com/business/2021/11/28/beza-plans-to-create-1c-new-jobs-in-100-ezs> (viewed on November 30th, 2022)

184 See Bangladesh Economic Zones Authority, Incentives for Developers, available at: <http://www.beza.gov.bd/wp-content/uploads/2020/11/Incentives-packages-11.2020.pdf>

185 See Bangladesh Export Processing Zones Authority, Incentives & Facilities, <https://www.bepza.gov.bd/content/incentives-facilities>

186 Bangladesh EPZ Labour Act, 2019, available online: [https://www.bepza.gov.bd/public/storage/upload/content-file/210731064604-32765\\_6059605792686867415.pdf](https://www.bepza.gov.bd/public/storage/upload/content-file/210731064604-32765_6059605792686867415.pdf). See also Bangladesh Export Processing Zones Authority, Labor Issues FAQ, <https://www.bepza.gov.bd/content/faq>

187 See also e.g. Bloomberg, March 3rd, 2022, For Climate Migrants in Bangladesh, Town Offers New Life, <https://www.bloomberg.com/news/articles/2022-03-30/for-climate-migrants-in-bangladesh-town-offers-new-life?leadSource=verify%20wall> (viewed on November 23rd, 2022)

188 Daily Star, February 2nd, 2022, Worker shortage a new challenge for RMG, <https://www.thedailystar.net/business/economy/news/worker-shortage-new-challenge-rmg-2952581> (viewed on November 22nd, 2022)

on the remaining workers, including self-reported forced work<sup>189</sup> – and also an increase in subcontracting work. Factories that accept subcontracted orders often receive less scrutiny from buyers than direct suppliers, and working conditions in them can be worse than in other factories. It has recently been reported that such factories have hired child and juvenile workers<sup>190</sup>. According to trade union leaders who were interviewed for this report, if the demand and orders from buyers was to reduce significantly, it would be subcontracting factories where jobs would be lost first.

## 4.4 Alternative employment opportunities

The workers who were interviewed for this report were asked about what alternative employment opportunities would be available to them should they lose their current jobs in the garment and textile sector. Many expressed concern for how they would be able to make ends meet in such a situation.

*“My family is fully dependent on my income, if I don’t have a job, they will be on the streets.”*

*- A participant to a focus group interview*

*“I would have to stop educating my children. I would not be able to take care of my parents and family.”*

*- A worker from Netrokona*

Some workers who were also representatives of factory level trade unions expressed concern that large-scale job losses in the garment and textile sector would lead to chaos across the country and that “millions of families would starve.” One trade union representative, however, suggested that in any case, many workers view their employment in the garment and textile sector as temporary to begin with, and make long-term plans for what they would do if they lost their current jobs.

Nevertheless, according to the workers, their alternative employment options in such situations would be slim. Many said that they would basically take any job they could get, but that realistically only informal sector jobs, such as working in cottage industries<sup>191</sup>, opening a tea stall or accepting work in a brick kiln, would currently be available to them. Others mentioned small-scale farming as their only alternative to a garment and textile sector job. Men also thought they could try to make a living pulling a rickshaw, women as domestic helpers.

189 Christian AID & Centre for Policy Dialogue, Presentation on CA-CPD Study on Debate and recent export growth and decent employment in RMG industry: A UNGPs perspective, p. 42, available online: <https://cpd.org.bd/wp-content/uploads/2022/09/Debate-on-Recent-Export-Growth-and-Decent-Employment.pdf>

190 Ibid, p. 29

191 Cottage industry refers to manufacturing that takes place in people’s homes, rather than (purpose-built) industrial facilities.

According to the workers, the kind of support they would need in the event of large-scale reduction in the availability of jobs in the garment and textile sector includes not only alternative job opportunities but also subsidies to cover daily essentials. Trade union representatives at both national and factory level also emphasised the need for the creation of alternative employment opportunities, and support for small entrepreneurs for the development of their businesses (including through small loans), as well as training and re-skilling of workers as a necessary support mechanism to cope with the change. According to the interviewees, addressing these challenges requires cooperation between factories, buyers and the government.

*“We need alternative job opportunities, education, automachine skills, how to use – that’s the government part, and people need to be more skilled. Buyers have to [adopt] responsible purchasing practices, [provide] fair wages, fair benefits, so many things.”*

*- A trade union leader*

## 4.5 Economic resilience of workers

Most workers who were interviewed for this report said their take-home pay was somewhere between 9,000 – 15,000 Taka per month including overtime (approx. 85 – 142 euros<sup>192</sup>). The interview sample included workers on different pay grades, from the lowest earning grade (grade 7, e.g. a helper) to the middle grades (grade 3, e.g. a senior operator). To reach such salary levels, the workers put in as much as 60 hours per week. Even then, their salaries were well below the living wage. According to the Global Living Wage Coalition, a living wage (net) is slightly more than 19,000 Taka per month (179 euros) for Dhaka’s satellite cities and its surrounding district (including Gazipur and Ashulia), and around 23,000 Taka per month (217 euro) for Dhaka. Living wage refers to a wage paid for normal working hours, i.e. without overtime pay<sup>193</sup>. However, at least for the highest paid interviewees, their earnings appear to be in line with a recent estimate for the average RMG worker’s earnings in Bangladesh<sup>194</sup>. The minimum wage for the garment and textile sector grade 7 jobs in Bangladesh is 8,000 Taka per month (76 euros), for a 48-hour/6-day working week. For the highest grade, i.e. grade 1, the minimum wage is 17,510 Taka per month (165 euros). The minimum wage comprises the basic (or main)

192 1 BDT = 0,0094 EUR

193 Global Living Wage Coalition, Living Wage Update Report: Dhaka and Satellite Cities, Bangladesh, 2022, available online: [https://www.globallivingwage.org/wp-content/uploads/2018/06/Updatereport\\_-Bangladesh-and-Satellite-Cities\\_-2022\\_30042022.pdf](https://www.globallivingwage.org/wp-content/uploads/2018/06/Updatereport_-Bangladesh-and-Satellite-Cities_-2022_30042022.pdf)

194 An RMG worker, on average, took home 15,633 Taka in March 2022 including overtime. The figure is based on a sample of 105 workers. For more information see Christian AID & Centre for Policy Dialogue, Presentation on CA-CPD Study on Debate and recent export growth and decent employment in RMG industry: A UNGPs perspective, available online: <https://cpd.org.bd/wp-content/uploads/2022/09/Debate-on-Recent-Export-Growth-and-Decent-Employment.pdf>



wage and allowances for house rent, treatment, transport and food.<sup>195</sup> Some workers in the interview sample earned the minimum wage for their pay grade.

At normal times, many garment and textile sector workers are eager to work overtime in order to earn the extra overtime wage. According to Bangladeshi labour law, normal working hours in the garment and textile sector are 8 hours per day, 48 hours per week. Overtime of 2 hours per day is permitted. However, at times the government may temporarily relax overtime rules to help the industry meet demands. For example in June 2022, there were reports according to which the government would allow 4 hours of overtime per day in the export-oriented RMG sector<sup>196</sup>.

However, since August 2022, the government has also been restricting factories' operating hours due to the high cost of energy and subsequent power shortages<sup>197</sup>. Industry representatives have expressed concern over the power shortages as they are impacting the ability of factories to meet demand. Subsequently, they have also had a diminishing impact on new orders being placed to Bangladesh as supply has been unstable.<sup>198</sup>

The power shortages also mean that at the time when worker interviews for this report were conducted there was no overtime work – and subsequently no overtime pay – available in the factories. In addition, inflation has hit a decade high this year in Bangladesh<sup>199</sup>. However, as many interviewees pointed out, despite an increase in the cost of daily necessities such as food, rent and transportation, there has been no inflation adjustment to their salary.

These factors were reflected in workers' responses regarding their livelihood security. Almost without exception, workers who were interviewed for this report said they were struggling to make ends meet. Some said that as a consequence, they had made involuntary changes to their diet. Nearly all of them had taken out loans to cover needs such as more nutritious food, medical care, education for their children and taking care of their elderly parents. Most of them said they cannot get loans from banks (because they have

195 Ministry of Labor and Employment, 2018, Monthly wage rate for garments industry, <https://idoc.pub/documents/minimum-wages-in-bangladesh-2018-gazette-english-notary-vlr902076wlz> (viewed on December 19th, 2022)

196 The Financial Express, April 1st, 2022, Govt allows two more hours of overtime for RMG workers, <https://thefinancialexpress.com.bd/trade/govt-allows-two-more-hours-of-overtime-for-rmg-workers-1654052827> (viewed on November 20th, 2022)

197 See e.g. Deutsche Welle, October 10th, 2022, Europe's Liquefied Natural Gas demand surge hits Asia, <https://www.dw.com/en/lng-european-thirst-for-natural-gas-puts-bangladesh-and-pakistan-in-the-dark/a-63401354> (viewed on January 26th, 2023)

198 See e.g. New Age Bangladesh, October 11th, 2022, RMG exporters in Bangladesh fret over worsening power crisis, <https://www.newagebd.net/article/183423/rmg-exporters-in-bangladesh-fret-over-worsening-power-crisis>; Al-Jazeera/Bloomberg, August 2nd, 2022, Bangladesh's garment sector faces energy, demand crises, <https://www.aljazeera.com/economy/2022/8/2/bangladeshs-garment-sector-faces-energy-demand-crisis> (viewed on November 30th, 2022)

199 The Business Standard, October 5th, 2022, Inflation jumps to 9.5% in Aug, drops to 9.1% in Sep: Minister, <https://www.tbsnews.net/economy/inflation-jumps-95-aug-drops-91-sep-minister-508926> (viewed on November 30th, 2022)

no collateral) so instead, they turn to friends and relatives, or take out loans from local loan sharks. According to the interviewees, the loan sharks charge monthly interest rates of 3 to 5 percent depending on the amount, and if workers fail to pay their instalments in time, the loan sharks might verbally and physically abuse them.

Even when the workers take out loans, they still cannot afford to put money aside for a rainy day. According to the trade union and NGO representatives interviewed for this report, payment of living wages is the best way to increase workers' resilience to climate change. Without a living wage, workers who have been paid "poverty wages" for a long time, will not be able to afford to adapt to climate change impacts in their daily lives. Some of the interviewees even described the just transition as merely the new "label" in a long string of different "labels", such as codes of conducts, at the heart of which has supposedly been the long-standing issue of ensuring decent work for all, and in particular living wages and trade union rights.

Social security should also be improved. In addition to government schemes, trade union leaders, who were interviewed for this report, thought that buyers and suppliers could establish and contribute to private schemes, namely Provident Fund & Benevolent Fund Schemes<sup>200</sup> that could support workers in certain situations, e.g. when facing job loss.

## 4.6 Workers' voice not heard in climate debate

*"Union voice can also be in dialogue with the government, with the buyer, with the company, different stakeholders – this is the solution."*

*- A trade union leader*

Although several workers interviewed for this report mentioned having had informal chats with their colleagues or even managers about extreme weather (heavy rain and floods, heat waves, drought etc.), nobody was aware of any formal conversations about these issues having taken place between managers and workers. As mentioned in chapter 4.2, most workers who were interviewed for this report were not familiar with the term "climate change" or its (in-depth) meaning.

Workers who were active and held formal positions in factory trade unions said that according to their knowledge, some buyer companies are demanding their suppliers to make improvements to wastewater processing and waste recycling. The garment and textile industry is a major contributor to pollution in the Dhaka watershed, and the gover-

<sup>200</sup> A provident fund is a fund to which employees of a company contribute 7 to 8 percent of their basic wage, and the company matches their contribution. The employees can access the funds when they leave their place of employment. A provident fund is mandatory if at least 75 percent of the employees of a company demand it; it is also mandatory in the export processing zones. For more information see Bangladesh Labour Act, Chapter XVII. Companies can also set up benevolent funds for the purpose of providing welfare amenities and facilities for their betterment and development. For more information see Bangladesh Labour Act, Chapter XV.

nment has declared three rivers in Dhaka biologically “dead” due to the effluent entering them.<sup>201</sup> Some also mentioned that their union has had discussions with the buyers on issues such as harmonious labour relations and working conditions<sup>202</sup>. However, none of them mentioned any climate change related demands or discussions with buyers either. The NGO interviewees were similarly unaware of any climate change-related discussions between brands and workers’ representatives.

Especially the NGO interviewees expressed concern for worker representatives and trade unions being sidelined in climate change discussions in Bangladesh and the lack of cooperation between the environmental and labour movements. According to trade union interviewees, the unions in Bangladesh are only now starting to slowly address climate impacts and transition issues. Some saw the lack of forward planning and preparation in unions as a problem. However, awareness of climate change and the related issues is not in-depth nor widespread, so as a first step more education is needed.

## 5. Views of companies operating in Finland on a just ecological transition

In December 2022, Finnwatch and Finnish Textile & Fashion co-organised an event for clothing and textile companies operating in Finland to discuss just ecological transition in their sector. Many of these companies have suppliers in Asian countries that are subject to the changes discussed in this report. The event was attended by 21 company representatives. The views of the companies were mapped in small discussion groups following the Chatham House Rule. The views that were raised in the discussion groups have been compiled to the following chapters.

201 ILO, 2021, Effective regulations? Environmental impact assessment in the textile and garment sector in Bangladesh, Cambodia, Indonesia and Viet Nam, p. 19, available at [https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms\\_802429.pdf](https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms_802429.pdf)

202 These interviewees were unable to recall which buyer companies had taken part in these discussions. This suggests that the dialogue between factory level trade unions and buyer companies may not be either regular or frequent.

## 5.1 Climate action is considered important, supply chain emissions are a big challenge

Some of the companies have set carbon neutrality targets and climate action is considered important. However, scope 3 emissions in supply chains were highlighted as a particular challenge – even just reliably calculating them was considered challenging. According to the companies, it is very difficult for them to investigate the emissions of their value chains themselves, and it is hard to get reliable information. Identifying reliable services for calculating emissions was also considered difficult. When information is uncertain, communicating this information also becomes challenging. Data and figures that are being shared with stakeholders such as consumers should be correct. At the same time, it was acknowledged that the targets cannot be reached if there is so much fear of mistakes that it prevents making progress with the task at hand.

Addressing emissions in value chains requires cooperation with suppliers and other buyers. Without the cooperation of the buyer companies, it can be difficult to get the necessary leverage to drive changes. Starting such cooperation seems challenging in some companies, because of the size of the supply chain alone. Even though the first tier is a reasonably limited group, it grows exponentially when one goes deeper into the value chain.

Several people taking part in the conversation pointed out that one of the big challenges was the low level of knowledge and understanding among business partners in the global south on greenhouse gas emissions. Only a few business partners measure or have set any goals in relation to these. Many brands have already started to take action to manage emissions in their value chains, and buyers are asking factories more and more questions about these. Even so the increase in awareness is very slow. This is especially the case in the lower tiers of the value chain, where the suppliers' do not necessarily have any understanding of the emissions caused by their own production and the problems these emissions cause. On the other hand, many also emphasised that the situation is changing and when questions about emissions or other environmental issues are no longer a surprise to the business partner, the conversation has already become easier. Today emissions and their verification are important criteria for buyers when choosing new partners.

## 5.2 Emissions of great importance in the country of operation

In terms of reducing emissions, the country where operations are was felt to be of great importance: e.g., in Vietnam it is possible for companies themselves to change energy sources relatively easily, unlike in China. In centrally led China, situations can change quickly, and the energy mix of entire regions can change overnight. The greening of

China, with measures such as increasing hydropower, is not always in line with the protection of human rights or biodiversity, but this is impossible for individual companies to influence. Some of the participants had experienced Vietnam as a good country to operate in, as there are energy-efficient factories and renewable energy in use. In India, some of the participants' business partners have also started investing in renewable energy such as solar panels independently. It is good to note that even in Europe some countries still have old and dirty production, and political pressure from within the country is needed to change that.

In the discussions, it was pointed out that companies are constantly mapping alternative suppliers and value chains, but long-term partnerships are particularly important because they are where one can have the most influence.

Companies are prepared to support their suppliers financially in such things as the energy transition. In some companies, there have been discussions about re-channelling sums that are currently being used to offset emissions to finance emission reductions in value chains. This would mean that impacts were more clearly "in one's own hands". This would require good practical examples of financing mechanisms, model contracts and other tools for funding, such things as solar power systems for joint suppliers. In addition, the implementation of such projects requires local knowledge of national legislation and processes. Some of the companies that took part in the discussion considered it a realistic goal for them to join a cooperation project like this.

### 5.3 Material choices can reduce emissions, but quality causes concern

Material choices were considered a reasonably easy way to start reducing a company's emissions. In the discussion, it was pointed out that, e.g., switching to recycled polyester can reduce emissions more than what can be achieved by switching to a lower-emitting production facility.

Many participants emphasised the importance of design. Designers should be trained and encouraged to use recycled materials and to design products from the point of view of recyclability. More products could be made from monomaterials, with the intention of recycling the used fibre several times. For example, good quality cotton fibre could be recycled into cotton products many times over, and other materials could be mixed with it only at a later stage when the quality of the fibre has deteriorated.

On the other hand, sustainable materials are more expensive, and their delivery times can be longer. Recycled fibres also have challenges with quality: in synthetic materials, the quality is preserved better, but in non-synthetic materials, the quality often deteriorates when the fibres are processed.

Established long-term business partners are not always able to deliver products from new materials. In such situations, one may have to make choices between more ecologically sustainable materials and reliable, long-term partners. Trade secrets can also make it difficult to reliably verify the emissions generated in the manufacture of materials. Sometimes, for example, one may need a reliable consultant who can calculate the emissions of the fabric manufacturing stage, if the fabric supplier does not agree to open their "recipe" directly to their customers.

However, even in the best case scenario product-specific emission can be reduced by approximately 10–20 percent through choice of materials, so it is clear that measures that are perceived as more difficult are also needed, such as influencing the energy sources used in value chains and consumer behaviour.

The participants also expressed need for more in-depth discussion about the ecological sustainability of recycled fibres: recycling of PET bottles into polyester as is currently typical in the sector was considered an insufficient measure, and various claims about recycled fibres were considered to involve a lot of greenwashing.

## 5.4 Influencing consumption behaviour

Many participants were of the opinion that in order to reach climate goals, both consumption and production must be reduced. The too-cheap prices of clothes were seen as the cause of many problems in the production chain. If the clothes were more expensive, consumers would buy them more on the basis of need, take better care of them and finally bring them back for reuse.

Companies can influence this by making high quality and long-lasting products that last from one generation to the next. This is supported by new business models such as the sale of second-hand products and warranty and repair services, which can take on a new meaning with the ecological transition. However, without regulation of the clothing and textile industry, change will hardly happen.

In the discussions, it became clear that at present it is difficult to create enough value from the sale of second-hand products. Consumers are not ready to pay for used products, because new similar products are far too cheap. Consumers' attitudes also need to change more: in the case of clothing, the second-hand is becoming more common, but in the case of home textiles such as bed linen, consumers still prefer buying new products.

It was also seen as a challenge to keep one's own operations profitable in a situation where, with the transition, production costs will be increased, but at the same time production volumes and sales volumes will decrease. Rising costs may be difficult to fully transfer to consumer prices. The rise in consumer prices was also seen as a question of fairness, for which solutions should be thought of. If the expensive price becomes an obstacle to some consumers, should companies implement measures such as providing their customer with a possibility to pay in instalments as a means to lower the obstacles?



## 5.5 Bearing responsibility for workers

The industry does not yet know how much the value chains will change in the end. Some estimate that the value chains will remain pretty much the same, and the solution will be more in the cleaning of energy production. Others, on the other hand, brought up in the discussions even radical changes as a result of, for example, the transition to a circular economy.

Concerns emerged in the discussions that, at least in the short term, the ecological transition could be catastrophic for workers in a vulnerable position in the clothing and textile industry. Without regulation and decisive actions by states, companies will not bear responsibility for employees in value chains. "If the consumption of clothes decreases, we ourselves will have to reduce our own employees. It is clear that in the midst of negotiating lay-offs for one's own employees, no one will come up with an idea to voluntarily pay more to, e.g., the workers in a Bangladeshi supplier's factory."

However, the responsibility for the workers of one's own business partners is recognised in companies, although questions about how far in the supply chain one should or could go were raised. Own local contacts and in-country presence are seen as an important way to keep in touch with workers. However, in reality one often has to rely on an audit report and trust someone they only have contact with by email.

Reducing emissions and the impact of declining production on employment are a big challenge for companies, characterised by contradictions. Discussions with long-term business partners may be very open and buyers may, for example, receive requests from their suppliers to schedule orders for "quiet seasons" so that production lines can be kept in operation and workers do not need to be temporarily dismissed. These are also taken into account in procurement, i.e. companies give a great deal of thought into which orders they give to their supplier factories and when.

Typical problems with working conditions are long working hours and low wages. In order to solve these as well, cooperation between industry actors is needed. Some of the companies have already estimated and paid a living wage for the workers of some of their suppliers. However, in the discussion it was noted that rapid inflation has reduced the benefits of a higher salary for the workers. The livelihood of the workers is therefore already at stake, even though the transition has not even properly started yet.

## 5.6 Role of regulation

Some participants were hoping for political decision-makers to provide more guidance for the industry. In the discussion it was suggested, for example, that high-quality clothes suitable for the circular economy should be taxed more lightly, or alternatively, non-ecological products should be taxed with Pigouvian taxes or other similar mechanisms. It was proposed that clothes and textiles be included in the upcoming EU carbon border adjustment mechanism, which in practice would mean pricing the emissions embedded in such products that are imported to Europe. Participants also suggested an obligation for companies to take care of end-of-life products. The VAT reduction for repair services that promote circular economy was also brought up as a possible regulatory measure to promote the greening of the industry.

Participants also hoped for regulation in order to create a level playing field. Some participants wanted to see a "green wall" of regulatory measures on the border of Europe. In particular, participants expressed a need to rein in ultra-fast fashion providers who disregard various sustainability requirements and market products directly to consumers. For example, it was suggested that companies offering products directly to the EU market should be required to have a license to operate, which would be contingent with them meeting certain sustainability criteria.



*The interviewees thought that they would have very few alternative employment opportunities available to them, if jobs in the garment and textile industry were significantly reduced.*

## 6. Summary

*“No transition can be successful without people and that is why the transition must have workers’ welfare at its heart.”*

*- A Bangladeshi trade union leader*

Addressing the burden that the clothing and textile industry currently places on the planet will require fundamental changes in the ways clothes and textiles are made and used. These changes may take many forms from increased circulation and near-shoring in the production to changes in consumption patterns that will reduce the need for newly-made clothing or textiles. Together with other developments such as increased automatization these changes are likely to fundamentally alter employment in the sector: some jobs will be relocated to other countries or continents, some jobs will require new skills and some jobs will be lost altogether.

The rapid change in the clothing and textile industry is not only driven by the market, or an indirect consequence of climate policy, as the EU's new textile strategy involves several reforms that force companies in the sector to change their operating model. For example, with the increase in requirements related to the quality and repairability of clothes, there will be less demand for cheaply produced fast fashion on the European market than before. The climate responsibility of companies is also being shaped by the corporate sustainability due diligence directive that is currently being negotiated and that is likely to require the largest companies to change their business models in line with the 1.5 degree climate goal. The requirements regarding corporate responsibility reporting have also become significantly stricter with the new sustainability reporting directive.

This shift poses an unprecedented challenge for countries like Bangladesh, where the national economy is highly dependent on the exports of clothing and textiles. The first wave of the COVID-19 pandemic in the spring 2020 was an acid test of resilience in the event of sudden changes in employment, and it exposed key vulnerabilities. As global demand crashed, many international clothing brands abruptly cancelled their orders and many factories were forced to close with their workers losing their jobs, either temporarily or permanently. As there was, and still is, no proper safety net in place for people losing their income, most people affected had to rely on their savings (if they had any), on loans (if they could get any), on support from friends and family, or quite often, on cutting down their consumption, for example by making changes to their diets.

For this report we conducted interviews with workers from three garment factories in Bangladesh. The purpose of these interviews was to hear about workers’ circumstances and vulnerabilities, which have an impact on their ability to adjust to the changes brought on by the upcoming transition to a low-carbon economy. While the worst effects

of the pandemic had already eased and the structural changes of the industry are not yet visible, the workers were already struggling with problems caused by the energy crisis and high inflation. This shows that their overall economical resilience is very low.

The concept of climate change was not that clear to the workers, but they were very familiar with its consequences. Some were themselves climate migrants who had had to relocate because the areas where they used to live were flooded repeatedly while other areas are facing drought with rivers also drying up. The impacts of climate change can be felt also in their current jobs in the garment industry as summers have gotten longer with scorching hot and humid weather.

The salaries in the industry are well below the living wage level, meaning workers cannot afford to put money aside for a rainy day. Almost without exception, workers who were interviewed for this report said they were struggling to make ends meet. Most of them said they cannot get loans from banks because they have no collateral. If and when the change begins to materialise, the workers have few alternative employment options. Many said that they would basically take any job they could get, but that realistically they could only find employment in the informal sector.

The need for fundamental changes in the industry has not yet led to action on a meaningful scale, and it is not seen as an immediate threat to the current situation. As the sector is currently booming after COVID-19, industry actors and stakeholders do not seem to be preparing for the ecological transition ahead. NGO representatives who were interviewed for this report were sceptical about any significant decrease in garment and textile sector jobs in Bangladesh due to a decrease in demand. At best, job losses based on decrease in demand were seen as a distant possibility. One of the main industry responses to the environmental issues in the sector in Bangladesh has so far been so-called “green factories”. However, requirements such as LEED certification alone seem insufficient to address the sector’s climate impacts.

The workshop discussions with Finnish companies procuring their products from countries like Bangladesh confirmed that while they have set goals to reduce their emissions, implementing these in the value chain is challenging and still in an early phase, which for its part explains why the pressure for the change is not yet visible in Bangladesh. According to the companies that participated in the workshop, cooperation between buying companies is needed to create leverage to effectively push for changes in production. Some companies said that they are looking for less emission-intensive options for production, which could be a warning sign that for individual factories – especially those who cannot report or reduce their emissions – the reductions in orders can materialise suddenly.

Lessons learned from the issues caused by the pandemic and insights from the recent interviews with the workers highlight the need for the upcoming transition to be well-planned and just. The measures the international clothing brands will have to under-

take to reduce their emissions may lead to a variety of changes in their operations and in their value chains. As companies plan these actions, they need to involve their suppliers and the workers of those suppliers in the process from the start. Trade unions must also be recognised as a relevant stakeholder in the process. This is the only way the transition can be just for the workers, giving them an early opportunity to plan their life choices well ahead.

## 7. Recommendations

### Clothing brands and retailers

- Companies must commit to the 1.5°C climate target and achieve net zero as quickly as possible by reducing emissions from their entire value chain. Making use of tools and initiatives such as the Science Based Targets initiative should be considered as the minimum required level for climate action. Ambitious emission reductions should be accompanied with a policy to offset emissions with high quality carbon credits in line with guidance such as one provided by the Nordic Dialogue<sup>203</sup>.
- In addition to their own climate action and targets, companies should promote the sector's general transition by participating in joint initiatives such as The Fashion Pact or the UN's Fashion Industry Charter for Climate Action. In Finland, climate cooperation between companies is promoted by the Hiilineutraali tekstiiliala 2035 commitment (A carbon neutral textile sector 2035), led by Finnish Textile & Fashion.
- The road towards net zero will usually require changes to the companies' strategies and business models. Companies must take the principles of a just transition into consideration when implementing these changes and planning emission cuts. This means assessing and addressing the human rights impacts of climate measures throughout their entire value chain. It also means engaging in open and extensive discussions with affected suppliers, workers and their representatives and other relevant stakeholders and involving them in the related planning processes. In the process of human rights due diligence, companies must also pay particular attention to those in a vulnerable position and groups in danger of marginalisation.
- When reporting on climate measures and targets companies should use indicators that bring to light impacts on workers and their communities with a special focus on vulnerable groups.

203 Nordic Dialogue, 2022, Harnessing voluntary carbon markets for climate ambition, <https://www.norden.org/en/publication/harnessing-voluntary-carbon-markets-climate-ambition> (viewed on December 13th, 2022)

- Where achieving climate targets requires a company to disengage from certain activity, it is important to provide sufficient notice to affected suppliers and stakeholders, including workers. When closing down production plants or when withdrawing from a certain business relationship, companies must identify, prevent, mitigate and remedy the adverse impacts of such disengagement. This includes taking into account the possible consequences for workers who may subsequently face sudden lay-offs.
- Companies must revise their purchasing practices to ensure they are not undermining their suppliers and affected groups, and the communities' resilience or increasing their vulnerability to climate impacts. They must pay the costs of sustainable production and also participate in the costs of “future-proofing” garment and textile production where appropriate. This means, for example, ensuring that workers in their supply chains are paid at least a living wage. This may also mean supporting their suppliers and other business partners, including financially, in switching to renewable energy sources. In some cases it may be necessary to complement lacking public social security schemes by establishing and contributing to private social security schemes.
- Companies should require that their suppliers recognise the right of the workers to form or join trade unions. Workers should also be allowed to take part in collective bargaining.
- When necessary, companies should also aim to exert political influence, so that politics would support emissions cuts and the strengthening of social security and other safety networks, which support those who will lose their jobs in the production infrastructure revolution. As a bare minimum, they should not resist policy measures aimed at mitigating climate change or supporting adaptation.

## Governments in the EU

- The governments must prepare for fundamental changes in the global economy as the patterns of production and consumption adapt to the global goals of limiting global warming to 1.5 degrees and stopping biodiversity loss. The preparedness should start with a thorough economy-wide analysis of vulnerable sectors that will change. The planning of this transition must be integrated to the highest level of decision making including national budgeting and responsibilities of key ministers or cabinet members.
- In order to reduce the environmental impacts caused by the clothing and textile sector, the public sector must promote a transition in the sector. For example, the measures listed in the EU textile strategy should be implemented without delay. In addition, pricing mechanisms such as consumption based carbon taxes or expansion



of carbon border adjustment mechanism (CBAM) should be looked into as ways to increase the consumer prices of unsustainable fast fashion items. CBAM can also incentivise the producing countries to price their own emissions.

- The more sustainable use of clothing and textiles and a circular economy should be promoted by looking into measures such as a lower VAT rate for repair services, favouring circular economy solutions in public procurements, bans on marketing of products that have negative impacts on the climate such as fast fashion and recognising and supporting models that enable recycling clothes and fibres within the textile industry.
- Corporate sustainability due diligence directive (CSDDD) currently being debated in the EU should be enacted. It should obligate companies to conduct climate due diligence, and to adopt and implement a plan to ensure that their business model and strategy are in line with the goal to limit the global warming to 1.5 degrees. Such a plan should include emission reduction targets for the short-, medium- and long-term and cover the entire value chain as well as scope 1, 2 and 3 emissions. The directive must include not only pre-emptive measures but also obligations to provide remedy, and also enable victims to take legal action and seek damages from parent and lead companies. The possibility for establishing an international fund from which victims of climate change can get compensation for damages should also be looked into.
- The governments in the Global North should strengthen their efforts in supporting climate action in the Global South. This support should include climate finance to mitigation efforts, adaptation as well as to cover the losses and damages caused by climate change.
- Development cooperation instruments should be used to support the just ecological transition. National tax authorities should be given more resources to support the tax authorities in developing countries. Developing countries could also be supported through capacity building in the design of tax policies that facilitate just transition. In addition, development policy investments that have become more important in countries like Finland could also be utilised to facilitate just transition through piloting and commercialising future-proof circular solutions in the areas that have been recognized as vulnerable for the transition.

## Governments in production countries such as Bangladesh

- The governments must prepare for fundamental changes in the global economy as the patterns of production and consumption adapt to the global goals of limiting global warming to 1.5 degrees and stopping biodiversity loss. Preparedness should start with a thorough economy-wide analysis of vulnerable sectors that will change. The planning of this transition must be integrated to the highest level of decision making including national budgeting and responsibilities of key ministers or cabinet members.
- Domestic social security schemes should be developed to support and facilitate the just transition of the workforce from disappearing jobs to new jobs that are decent. The resilience of the workforce can be strengthened by ensuring that the minimum wage is at least at the level of a living wage and adding resources into re-skilling and training.
- The role of domestic revenue mobilisation is crucial in funding social security schemes and other means of supporting a just transition. To ensure sufficient tax revenue collection, the governments in production countries should refrain from granting generous tax benefits, such as lower corporate income tax rates and tax holidays, to the garment and textile industry. Instead, the governments should ensure that a sufficient level of corporate income taxation is applied to all industries, and the funds collected are used to prepare for the transition.
- The role of trade unions should be recognised as a supporting structure in the upcoming change. Governments should ensure that workers have an unlimited right to unionise and that trade unions have a freedom to operate. The trade unions should also be recognised as stakeholders in domestic climate policy to support a just transition.
- To establish policies that support measures that help RMG factories to address their environmental impact in a way demanded by the buying companies. Required measures include adding rooftop solar power generation or other renewable power sources, improvements in energy efficiency, reductions in the use of chemicals or freshwater and construction of water treatment plants.

## Citizens

- Consumers must reduce the consumption of clothing and textiles, and especially give up the consumption of fast fashion. Instead of buying new items of clothing, maintenance and repair that supports long-term use of already existing clothes is of utmost importance. When needs arise, second hand and rental options should be favoured in place of purchasing new clothes.
- When acquiring clothing and textiles the public should pay attention to whether the environmental impacts of the product or service are openly and comprehensively reported. It is recommended that the public ask companies for information on environmental impacts also publicly, for example on social media.
- The citizens must require decision-makers to take swift action in drawing up and adopting human rights and environmental due diligence legislation in their countries.



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