



THE RISE OF FAST FASHION

A SYSTEMS ANALYSIS

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Photo Credit: Rahul Talukder

Introduction

On April 24, 2013, the Rana Plaza, located in the Savar export-processing zone (EPZ) in Dhaka, Bangladesh, collapsed, claiming the lives of over 1,129 garment workers and injuring 2,515 more. Many were killed immediately as the death toll was estimated at 134 people. However, this number slowly grew to an incomprehensible figure as many workers were trapped beyond the reach of rescue. Despite building inspections on April 23 revealing serious structural issues, the owner of the Plaza, Sohel Rana, ordered employees to return to work the following day. Many U.S. and E.U. retailers' tags and documents were unearthed in the rubble (Julfikar Ali Manik And, 2013). The global garment trade industry is a paradoxical system leading to the lifting of national economies without fair remuneration or due safety measures for the workers on which the trade relies. Concurrently, consumer countries enjoy dwindling apparel prices, leading to increasingly rapacious demand for Fast Fashion apparel and Ready-Made Garments (RMGs or non-tailored clothing pieces). Fast Fashion is deliberately hyper-consumptive, leading consumers to buy more for less and at exorbitant rapidity--never having to face the true cost of RMGs.

The segmentation of this system from consumer to retailer, and retailer to supplier, dissociates consumers from these costs, and dissociates retailers from any responsibility

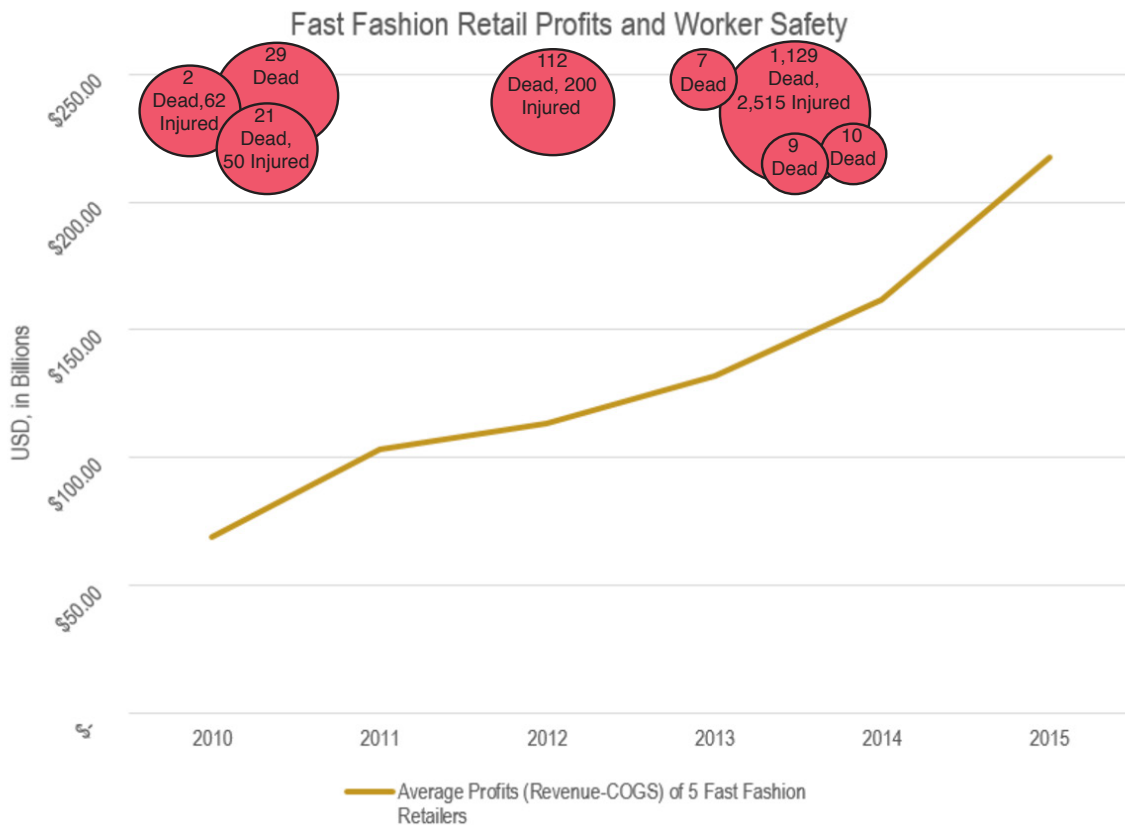
to remedy unethical supply chain practices. Retailers incessantly post profits regardless of industry disasters or lack of social compliance in factories. Trends show Fast Fashion retail profits growing steadily, despite horrific incidents like the Rana Plaza collapse. By 2013, the Bangladesh garment sector touted being an \$18 billion-a-year industry (Davidson, 2013), and in the wake of these industry disasters, numerous companies revealed ignorance of their supply chains (Hobbes, 2015).

Historically, if safety and labor standards begin to rise in a country, international retailers move on to the next country with the lowest cost production of RMGs. The phenomenon of the "race to the bottom" is what has led to Bangladesh's success in the garment industry. Today, Bangladeshi RMG employees are among the lowest paid in the world for this type of work (Ramesh Kurpad & Kurpad, 2014). And, with 4 million workers in the industry and 5,400 factories--the most of any RMG-exporting country--Bangladesh is the second largest exporter of apparel next to China (Uddin, 2014). Compared to China, Bangladesh boasts low wage rates and high production capacity, making Bangladesh the last stop on the "race to the bottom" for companies seeking to produce more for less in the Fast Fashion industry. The World Bank estimates that Bangladesh's comparative advantage, or strength in RMG production, could lead the industry to grow to \$42 billion dollars by 2020 ("Bangladesh Development Update," 2013). However, these rising profits are finally coming into check with growing consumer awareness of worker safety concerns. The collective initiative to address non-compliance of safety standards and the follow-through of implementing change will be critical to the continued success of Bangladesh's garment industry.



Photo Credit: Rahul Talukder

Fast Fashion Industry profits have grown dramatically in the last 30 years by utilizing a low price/high volume business model with Bangladesh being a key supplier as the second largest exporter in the world for these garments. Why has the global success of the Fast Fashion Industry put the lives of Bangladeshi garment workers at risk?



Graph A: Data: ("MarketWatch - Stock Market Quotes, Business News, Financial News," n.d.) ("Timeline: Deadly factory accidents in Bangladesh - CBCNews.ca," n.d.) and ("9 Dead and 50 Wounded in Garment Factory Tragedy Bangladesh," 2013)w

A Brief History

Bangladesh: ‘Basket-case’ to Global Trade Destination

Before Bangladesh broke into garment manufacturing, the country was considered one of the poorest in the world. Henry Kissinger’s State Department labeled Bangladesh an “international basket-case” (Sachs, 2005, 10). Abundant low-cost labor due to high unemployment, and the lack of viable employment for women outside of their domestic work made Bangladesh eager to implement policies to attract private investment in order to grow their garment industry (Ullah, 2015).

The 1970s and 1980s ushered in greater global economic integration, and the increasing application of free trade policies, promoting export-oriented growth of a specific or ‘comparative advantage’ industry. Newly Industrialized Countries (NICs), in Southeast Asia, also known as the Asian Tigers, were the first to build their economies around the export of ready-made garments. Their success threatened developed country markets and led to the establishment of the Multi-fiber Agreement in 1974, which specifically regulated textile and clothing trade between developing and developed countries (Ullah, 2015, p.2). Import quotas under the MFA, however, were not imposed on Bangladeshi exports until 1985 (“End of MFA Quotas,” 2005, p. 17). The unintended consequence of this policy was the first of many steps in the global “race to the bottom” for companies seeking the cheapest manufacturing of goods. The “Tigers,” subject to rigid MFA quotas in U.S. markets, looked for alternative ways to export ready-made garments (RMGs). They did this by “quota-hopping” to developing countries with low wages who were unrestrained by the MFA. In 1977, the South Korean company, Daewoo, was the first business to “quota-hop,” by forging a joint-venture corporation with Bangladeshi-owned Desh Garments Ltd. (Commonwealth, 2004).

Neo-Liberalization: ‘Growth is Good’

Domestic policy changes in the 1980s drove a drastic increase in export-oriented production factories owned by domestic and foreign firms in Bangladesh. The first export-processing zone (EPZ) was established at the port of Chittagong, Bangladesh’s second largest city. In 1981, Bangladesh denationalized state-controlled industries, starting with the privatization of 300 garment firms (Commonwealth, 2004). One year later, former Lieutenant General, Hossain Mohammad Ershad, came to power in a military coup, and introduced the New Industrial Policy (NIP), which continued the process of privatization and attracting foreign direct investment (Commonwealth, 2004). By 1985 there were 632 ex-



Photo Credit: Justin Mott

port-oriented garment firms in operation, marking the beginning of the RMG sector boom. In 1990, a political and social revolt ousted the military regime of Hossain Mohammad Ershad, leading to the formation of a parliamentary democracy. Soon after, Bangladesh’s foreign investment ceiling was dissolved, resulting in a flood of foreign investment to the RMG sector (Commonwealth, 2004).

After years of trade liberalization or “Neo-liberalization,” the World Bank identified the RMG sector as the “fulcrum on which rests” poverty reduction in Bangladesh (“End of MFA Quota,” 2005, p. 2). Bangladesh continued to push for “pro-poor growth” by seeking to expand their Gross Domestic Product (GDP) through reliance on their strong comparative

advantage in garment manufacturing (“End of MFA Quota,” 2005, p. 2). No longer an “international basket-case,” Bangladesh lowered their poverty rate from 70% to 40%, and the average Bangladeshi went from living on \$1 a day to \$5 a day (Davidson, 2013).



Photo Credit: Savra Kanti Das

Comparative Advantage to Economic Dependence

Preferential trade treatment with the European Union and United States has allowed Bangladesh to grow their comparative advantage and emerge as a leader in the RMG industry. The Tariff Relief Assistance for Developing Economies Act of 2009 granted Less Developed Countries (LDCs) tariff-free access to the U.S. apparel market (Hirokawa, 2014), and the E.U.’s 2001 “Everything but Arms” policy granted LDCs quota and duty free access to their apparel market (“End of MFA Quotas,” 2005, p. 17). Furthermore, the E.U.’s decision to reduce the number of countries enjoying the privileges of this policy from 176 to 89 helped Bangladesh to amass industry dominance (World Bank, 2013, p.33). The E.U. also amended their terms for ‘Rules of Origin’ in 2011, by allowing up to 70% of materials originating outside of Bangladesh, in an exported garment. Previously, Bangladesh could only include up to 49% non-originating materials (Uddin, 2014, p. 29).

Millions of Bangladeshis rely directly or indirectly on the garment industry for their livelihoods. The RMG sector is the largest employer in manufacturing, and second largest industry employer next to agriculture in the country

(“End of MFA Quotas,” 2005). Fast Fashion apparel makes up 80% of the country’s \$24 billion in annual exports--an astounding 15% share of GDP (Hirokawa, 2014). Furthermore, around 10% of Parliament seats are occupied by factory owners, including Sohel Rana, the owner who forced workers to return to work at the Rana Plaza despite safety concerns that led to the building collapse (Davidson, 2013). The representation of factory owners in Parliament also bleeds into the Bangladesh Garment Manufacturers and Export Association (BGMEA), where it is said that “members control the engine of the national economy” and seem “more like a government ministry” than a private trade association (Yardley, 2013). In fact, 60 percent of parliament’s 300 members are involved in the industry in varying degrees (Yardley, 2013). Bangladesh’s comparative advantage of clothing manufacturing has led to immense growth of the apparel industry and as a result, has perpetuated high dependence on the sector.



Photo Credit: Justin Mott

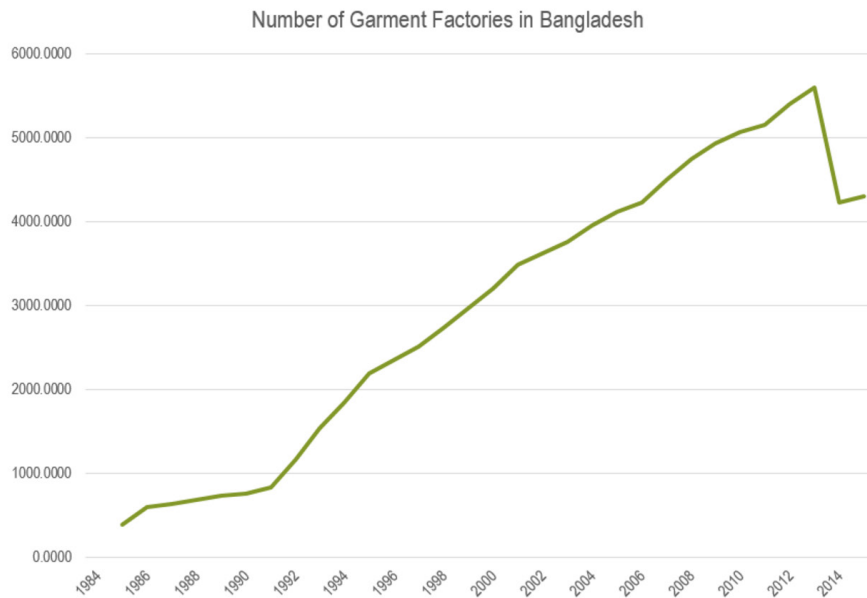


Photo Credit: Justin Mott

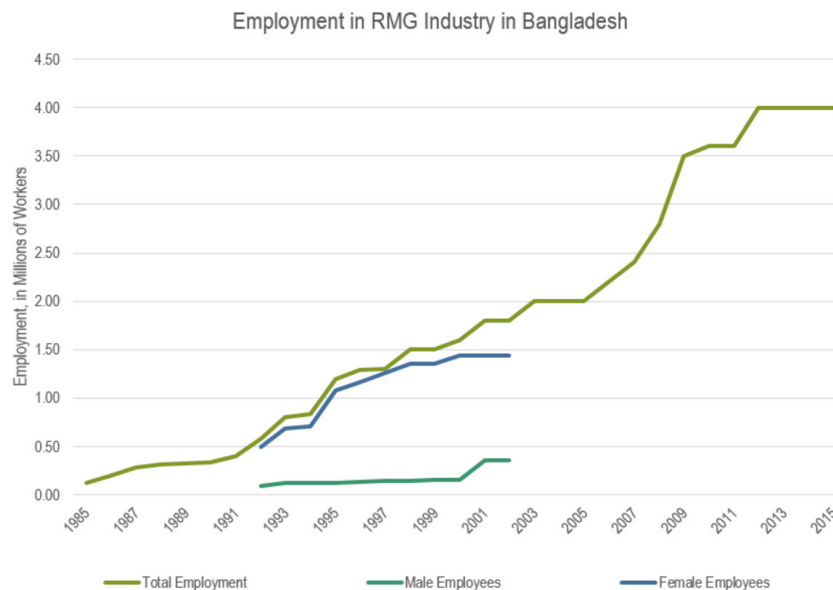
Today's Trends and Impacts

As described, the ready-made garment (RMG) industry in Bangladesh exploded over the last several decades. From 1985 to 2013, the number of garment factories increased 15-fold and the number of workers in the

industry increased a little over 35 times (BGMEA, 2015)--see Graphs B and C. Despite this growth, and the country's reliance on the RMG industry, garment factory workers face increasingly unsafe working conditions.



Graph B: The number of garment factories in Bangladesh has dramatically increased over the past three decades, with a sharp decrease in 2013. This could be due to the string of factory disasters and subsequent protocols which mandated factory inspections and remediation. Data: (BGMEA, 2015).



Graph C: Employment in the RMG sector in Bangladesh has been increasing, with the majority of workers being female. Data: (BGMEA, 2015).

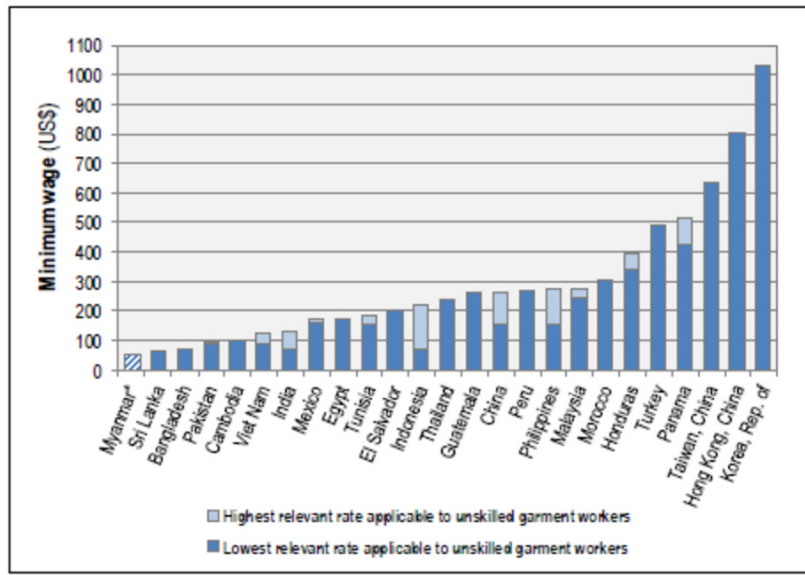
“Bangladesh’s comparative advantage in RMG manufacturing due to its low minimum wage, has led to it’s reputation as the number one hotspot for apparel manufacturing over the next five years”

Working Conditions, Wages and Unions

Due to increased Fast Fashion sales in Bangladesh, employees in the RMG industry are often forced to work an inordinate number of hours to meet factory production targets, or risk losing their jobs (Ramesh Kurpad & Kurpad, 2014)). In fact, long work hours and layoffs were the top two unrest factors in a 2013 survey of 244 workers from the Savar and Gazipur district (Ahmed, Shaheen, Raihan, & Nazrul, 2013). Recently, workers have unionized in attempts to address their concerns about working conditions. However, it is common for the Bangladeshi government to suppress the bargaining power of unions, which were banned until 2004 (Ramesh Kurpad & Kurpad, 2014). In fact, until recently, factory owners had the power to veto worker participation in a union (International Labour Office. Sectoral Activities Dept, 2014). Although the number of unions filed through the government has proliferated since 2012, the number--around 100--barely makes a dent in an industry with over 4 million workers (“Despite Reforms, Bangladesh Workers Still Face Problems”, 2014, p. 38). Further, workers’ ability to collectively bargain through unions has been degraded with the widespread repression of unionization through the use of violence, harassment, imprisonment and blacklists (“Bangladesh Fact-Finding Delegation”, 2015, p. 14). Given that 80% of RMG factory workers are women, unions may have trouble gaining traction within Bangladesh’s traditional society. The women of the RMG industry, overseen by male managers, face sexual harassment, and many are barred from taking their legally-mandated 100-day maternity leave with most being fired when they leave work to give birth (Ramesh Kurpad & Kurpad, 2014) (Srivastava & Devnath, 2013, p. 44).

In addition to job insecurity and harassment, Bangladeshi RMG employees are among the lowest paid of garment-sector workers in the world, despite a recent doubling of the minimum wage (Ramesh Kurpad & Kurpad, 2014), see Graph D. This new minimum wage—equivalent to \$38.57 (Mok, 2015, p. 29)—is not instituted by all factories; and when it is, it is often coupled with higher production targets, in some instances two times higher (“Despite Reforms, Bangladesh Workers Still Face Problems”, 2014, p. 39). Unfortunately, the reality is such that any increase in the minimum wage is unrealistic as long as multinational corporations (MNCs) refuse to pay factories more for garments (“Despite Reforms, Bangladesh Workers Still Face Problems”, 2014, p. 40). Bangladesh’s comparative advantage in RMG manufacturing due to its low minimum wage has led to predictions that the country will remain as the number one hotspot for apparel manufacturing over the next five years (Berg, Hedrich, Kempf, & Tochtermann, 2011, p. 6). This advantage is improved by the fact that garment factories are located in close proximity to one another and therefore are easy to inspect. Further, Bangladeshi factory owners are known for their hospitable nature and their relatively strong grasp of English compared to competitor countries (Ramesh Kurpad & Kurpad, 2014).

Despite these advantages, Bangladesh has a disadvantage in productivity compared to neighboring countries like India (Mok, 2015, p. 30). However, improving productivity may prove to be challenging as the country suffers from electricity issues (Berg et al., 2011, p. 12), making reliance on automated machinery unrealistic. Thus, garment factory owners and workers are forced to produce more for the same price, and now with an increased labor cost.



* Temporary rate for industrial zones, currently under review. Source: ILO compilation based on national sources. ILO Regional Office for Asia and the Pacific/Regional Economic and Social Analysis Unit, 10 Feb. 2014.

Graph D: (International Labour Office. Sectoral Activities Dept, 2014)

The Subcontracting System

A consequence of a complex globalized supply chain is that it is difficult and time consuming for corporations to manage. To effectively and quickly coordinate production of millions of garments across multiple countries, many Fast Fashion retailers hire intermediate brokers, called mega suppliers, who organize complicated production schedules by finding factories, negotiating contracts, and acting as a global human resources department (Cipriani, 2015). Fast Fashion production requires “rapid commodification” of each new design. mega suppliers specialize in taking a design from sketch to stores before the design goes out of style by dividing the order up amongst thousands of different factories that they neither own nor operate (Hobbess, 2015). The world’s largest mega-supplier, South Korean firm Li & Fung, has yearly revenues of \$19.2 billion and contracts with supplier factories in 40 countries (Hobbess, 2015). Fast Fashion retailers also work with mega suppliers because production price drops with larger production orders. In some cases, Fast Fashion retailers contract directly with factories which, again, are not owned or operated by the retailers. Factories

that receive orders from a retailer directly or through a mega-supplier are considered Tier 1 factories. Tier 1 factories compete with each other for contracts by offering retailers the lowest prices possible. The first way they are able to lower production costs is through the process of subcontracting, which refers to the practice of passing on orders from factory to factory. Subcontracting is viewed by many Tier 1 factories as an “important strategic decision when they are overwhelmed by the large scale supply orders from the lead buyers” (Samim Al-Azad, Al-Azad, JoongHo, & Zhan, 2015). Tier 1 facilities in Bangladesh typically producing 10,000 pieces per month have reportedly accepted orders from retailers to produce ten times beyond their capacity (Hobbess, 2015). The second way Tier 1 factories reduce price to buyers is through limiting the number of workers they retain as regular employees. This practice helps Tier 1 factories stay competitive in light of shorter production timelines and falling prices. It also necessitates the use of subcontracting to smaller factories referred to as Tier 2 factories (International Labour Office. Sectoral Activities Dept, 2014). Facing a similar lack of manufacturing capacity to satisfy the large scale orders of Tier 1 factories, Tier 2

factories sub-contract to smaller Tier 3 factories. The subcontracting process continues to Tier 4 factories and beyond into informal and home workspaces (Samim Al-Azad et al., 2015).

Bangladesh's two most deadly factory disasters, the 2013 Rana Plaza factory collapse and the 2012 Tazreen Fire that killed 117 people and injured 200 more, occurred in factories producing Tier 4 subcontracted work. While most public outrage after the Tazreen fire was directed at Walmart whose orders made up 60% of the clothing in the factory, Walmart never placed an order with the Tazreen factory. Over a year before the fire, Walmart inspections had deemed the factory unsafe and, by the time of the fire, had banned its suppliers from using it (Hobbes, 2015). This made little difference as the need for manufacturing capacity



Photo Credit: Justin Mott

prompted multiple rounds of subcontracting that obscured the supply chain and led to the deaths of hundreds of workers. Each factory subcontracted their order without telling the previous factory, let alone Walmart. Other MNCs whose clothes were being produced at Tazreen were also not aware or had “explicitly banned the factory as a supplier” (Hobbes, 2015). Due to this separation between retailer and supplier, retailers involved in the Tazreen fire disaster have argued they are not obligated to compensate victims (Hobbes, 2015).

A key unintended consequence of sourcing through mega suppliers and the

frequent practice of subcontracting is the obscurement of dangerous factory and working conditions in the supply chain. Meanwhile, the layers of subcontractors push the price of production down and increase the power of mega suppliers who can attract more MNC buyers by delivering lower prices (Cipriani, 2015). The American consumer, unaware of the root causes of low Fast Fashion prices, happily benefit from the high availability of low-cost garments (Cipriani, 2015).

Factory and Worker Safety



Photo Credit: Suvra Kanti Das

“The early results of a survey done by a team of engineers from the Bangladesh University of Engineering and Technology (BUET) found that currently 60% of the buildings were vulnerable.”

Given stagnant worker wages, long work hours and the growing number of deadly factory disasters, it is apparent that Bangladeshi garment workers are forced to pay the price for our increasingly insatiable demand for cheap clothes. Between 2005 and 2013, there were eight factory disasters which resulted in over 1300 deaths and over 2800 injuries (“Timeline: Deadly factory accidents in Bangladesh - CBCNews.ca,” n.d.); and since the Tazreen factory fire in

2012, there have been at least 40 fatal factory incidents (“Fashion Industry’s ‘moral Imperative’”, 2013, p. 7). These fatal incidents include the 2013 Rana Plaza factory collapse, considered the deadliest garment-factory accident in history (“DEATH TOLL STILL RISING,” 2013) as well as the world’s deadliest accidental structural failure (“Bangladesh building collapse death toll passes 500 - BBC News,” n.d.). The immediate trigger for the Rana Plaza collapse appears to have been vibrations caused by generators, which provided electricity during frequent power cuts, illustrating how the demand for production has outpaced Bangladesh’s infrastructure development.

The factories in buildings not intended for industrial purposes, both in Dhaka and Bangladesh’s second city of Chittagong, are of most concern. Many were set up without any regulatory oversight in the early years of the garment industry boom. Even after the tragedy of Rana Plaza, building safety issues persist. The early results of a survey done by a team of engineers from the Bangladesh University of Engineering and Technology (BUET) found that currently 60% of the buildings were vulnerable (Burke, 2013).

In the wake of these tragedies, more attention was paid to factory safety hazards. It was found that in almost every case, fires which resulted in loss of life occurred in factories which had been approved for operation by corporate inspectors within a few weeks or months of the incident (Appelbaum & Lichtenstein, 2014). The growing awareness of factory safety conditions drove an international demand for increased retailer supply chain accountability and improved factory safety, causing several international and national mandates to be put into effect.



Photo Credit: SK Hasan Ali

The Response

On July 25, 2013 the Bangladeshi government, in partnership with representatives of employee and worker organizations, and with support from the International Labor Organization (ILO), signed the National Tripartite Plan of Action on Fire Safety and Structural Integrity, also known as the National Action Plan. The Plan mandates RMG factory building structural integrity and fire safety inspections, occupational safety and health and workers’ rights trainings for both workers and management, and a strengthening of labor inspections (International Labour Office. Sectoral Activities Dept, 2014).

In addition to supporting the National Action Plan, the ILO launched the Improving Working Conditions in the Ready-Made Garment Sector Program (International Labour Office. Sectoral Activities Dept, 2014). Similar to the National Action Plan, it sets out to improve working conditions for garment factory workers by addressing safety hazards through fire and building safety inspections, providing health and safety training for workers, supervisors and managers, and helping to strengthen labor inspections (International Labour Office. Sectoral Activities Dept, 2014). These two plans are currently the main legislative and regulatory efforts to enforce and improve existing systems around factory and labor inspections. After the Rana Plaza factory collapse, two key protocols from the business sector emerged: the Accord on Fire and Building Safety and the Alliance for Bangladesh Worker Safety, both established in 2013 in the wake of the Rana



Photo Credit: Suvra Kanti Das

Plaza Collapse and Tazreen Fashion Factory Fire to bring more accountability to the RMG sector.

The Accord is a legally-binding, five-year agreement which mandates independent factory inspections, public disclosure of factories, funding for factory remediation, democratically elected health and safety committees, and extensive training programs for worker empowerment (“Bangladesh Fact-Finding Delegation”, 2015, p. 12). The agreement was formed by a coalition of labor rights advocates including: Bangladeshi trade unions, UNI Global Union, IndustriALL Global Union, Workers Rights Consortium, Maquila Solidarity Network, International Labor Rights Forum, and Clean Clothes Campaign (“Evaluation of H&M”, 2015, p.1); and currently has over 200 signatories (“Evaluation of H&M”, 2015, p.2). It has partnered with the ILO to ensure that its mandates, as well as those of the National Action Plan, are implemented (“Accord”, 2013, p. 1). The agreement strives to empower worker representatives by forming a steering committee comprised equally of union and retail representatives (Appelbaum & Lichtenstein, 2014).

The Accord requires retailers to make a multi-year commitment to supplier factories in order to encourage long-term sourcing relationships and improve job security for factory managers and garment workers (Appelbaum & Lichtenstein, 2014). Signatory companies are also required to negotiate appropriate terms with their suppliers that will ensure they are able to maintain safe workplaces (“Evaluation of H&M”, 2015, p.3). Further, they must

help fund factory remediation relative to the annual volume of their garment production in Bangladesh, although funding is not to exceed \$500,000 (“Accord”, 2013, p. 6).

Unfortunately, as a fact-finding delegation concluded at the International Labor Rights Forum in Dhaka, the work of the Accord will not be finished within the five-year timeframe, and thus needs to be extended (“Bangladesh Fact-Finding Delegation”, 2015, p. 14). In the 1,500 factories inspected by the Accord--keeping in mind that there are over 4,000 factories in the country--there are a multitude of fire, electrical and building code violations (“Bangladesh Fact-Finding Delegation”, 2015, p. 14) including a lack of automated fire alarm systems, an absence of fire-protected exits and fire doors, unsound electrical wiring, and degraded structural elements such as weak columns (“Accord Updates Inspection Report”, 2014, p. 21).

In response to the above, The Alliance was formed by several large Western brands seeking to avoid the legal accountability and transparency mandated by the Accord. It was formed independent of Bangladeshi labor organizations and fails to mandate worker involvement in addressing health and safety standards (“Bangladesh Fact-Finding Delegation”, 2015, p. 12). Further, it does not require its member companies to cover the cost of factory repairs (Appelbaum & Lichtenstein, 2014). In an industry with an estimated \$3 billion of remediation needed (“Bangladesh Accord And Alliance: Playing Nice”, 2015, p. 29), an almost doubled minimum wage, and pressure for lower manufacturing costs, this begs the question: who is going to pay for the needed repairs in factories of Alliance signatory suppliers?

Even for the Accord, the mechanisms by which factory remediations are enforced remain unclear, particularly with the complicated web of subcontracted factories. A report published this fall, discussed in more detail below, concluded that H&M, an Accord signatory and the largest apparel buyer in Bangladesh, is far behind schedule in remediation of factory safety hazards (“Evaluation of H&M”, 2015, p.2-5).

These repairs range from creating adequate emergency exits with fire-rated doors and enclosure stairwells, to removing all locking doors (“Evaluation of H&M”, 2015, p.7). It remains to be seen how many other manufacturers are behind schedule in dealing with factory hazards, keeping the lives of garment factory workers at risk while Fast Fashion retailers continue to fuel hyper-consumption at unprecedented rates.



Photo Credit: Unknown

Hyper-Consumption

“Fast Fashion, igniting and fueling an insatiable desire to consume, is an archetype of modern capitalism which is slowly choking the health of the earth and putting the poorest people of society at the most risk.”

The mental model of ‘more for less’ drives consumer behavior in many expenditure groups. In apparel, this mentality has allowed for the Fast Fashion movement to be wildly successful. The availability of a never-ending number of top designer-inspired styles at remarkably cheap prices has turned shopping into a sport for consumers, especially young shoppers searching for deals at top Fast Fashion retailers such as H&M, Zara and Forever 21. In fact, research has found that shopping habits not only reflect mental models but have a direct neurological impact, proving that shopping can be a powerfully pleasurable addiction fueled by constant enticements in our modern world. Studies have shown that

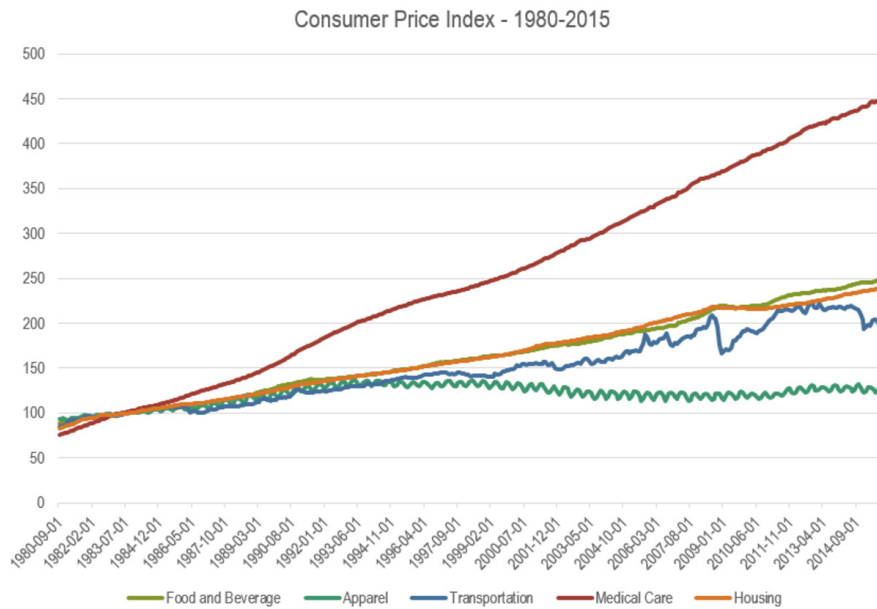
the brain experiences a “hedonic competition between the immediate pleasure of acquisition and an equally immediate pain of paying” while shopping. When an excellent deal is found, a perpetual promise in Fast Fashion, the brain’s decision-weighting medial prefrontal cortex and pain-processing insula elicit waves of shopping bliss (Bain, 2015).

Clothing as an overall percentage of discretionary spending has remained relatively stagnant over time compared to the price of other goods, which has been steadily increasing-- see Graph E. At the same time, Americans purchase 400 percent more clothing today than they did 20 years ago. The Fast Fashion phenomenon has allowed consumers to live into the dream of “more for less” (Ross 2015).

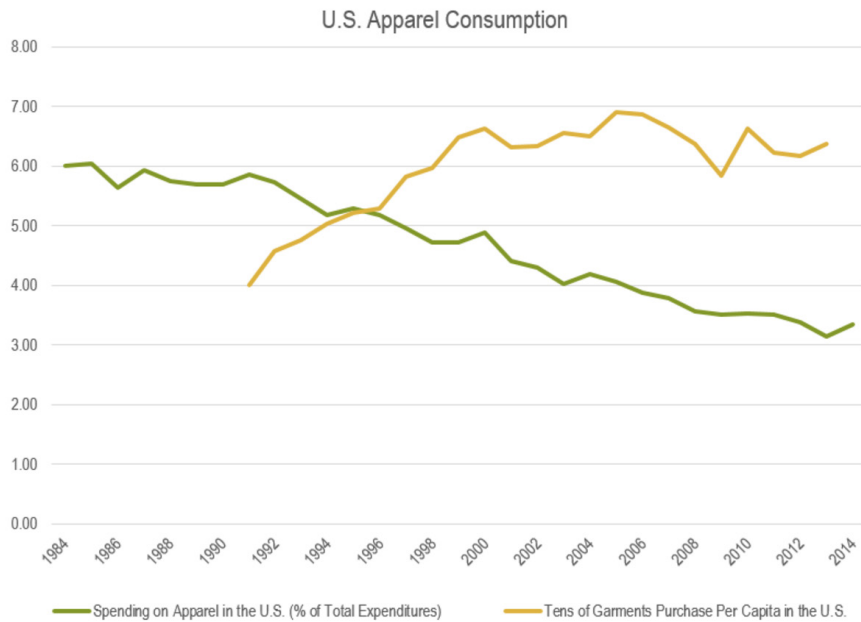


Photo Credit: Ron Pruitt

Hyper-consumption is a phenomenon defined as the “consumption of goods for non-functional purposes” (Stirgy, J. 2001). The significant pressure to consume goods exerted by a modern, capitalist society, is now an integral attribute of the apparel industry (Städler, Raphael 2011) and shapes consumer identity. Apparel brands have brilliantly marketed ideal lifestyles; the beauty and fame of models gracing TV and magazine ads entice the consumer rather than the appeal of the product itself. Teenagers, with an intense desire to be socially accepted by their peer groups, spend the most money on clothing in comparison to other expenditure groups, despite their limited disposable income (Peterson, 2014). They have been taught by society that material possessions are what matter and Fast Fashion retailers have capitalized on this idea as Nike, American



Graph E: The price of apparel items in the U.S. has remained relatively stagnant over time, compared to the price of other goods which has been steadily increasing. Data: ("Federal Reserve Economic Data - FRED - St. Louis Fed," n.d.).



Graph F: Despite the amount spent on apparel making up less of total expenditures of the U.S. consumer over time, the number of garments purchased per capita each year has increased. We are now able to buy more for far less. Data: ("CE Multiyear Tables," n.d.) and (American Apparel & Footwear Association, 2015)

Apparel and Forever 21 rein as brand favorites (Peterson, 2014). For adults, shopping is often coined as “retail therapy” and is utilized as a coping mechanism for stress by nearly one in three Americans (Gregoire, 2013). However, according to the American Psychology Association, money was the top cause of stress in 2015 (“APA Survey Shows Money Stress Weighing on Americans’ Health Nationwide,” n.d.). The low price of Fast Fashion has made it easier for consumers of all income levels to consume more which, in turn, has led to perpetuating debt cycles. Fast Fashion has found the sweet spot between an insatiable desire to hyper-consume and rising wealth inequality.

Fast Fashion retailers have experienced wild financial success due to a strategy rooted in planned obsolescence. As shown above, the inventory turnover ratio which, for Fast Fashion retailers represents replacing sold out styles with new looks rather than replenishing the old, is just under double the apparel industry’s average. The ability to closely match supply and demand due to low lead times has enabled Fast Fashion brands to reduce markdowns and realize strong gross margins with up to 28% higher profits than traditional retailers (“Fast Fashion Industry Growth | Apparel Supply Chain | CIT,” n.d.).

Retailers respond to the latest fashions at lightning speed, and suppliers mass-produce clothing with low-quality materials so that items wear out in a short period of time. Consumers are constantly lured into stores with blowout sales, the ‘buy more for less’ message ingrained in every display and sales associate strategy. While there were once 2-4 seasons per year, the Fast Fashion industry now charms consumers with 52 new micro-seasons per year to chase (Whitehead, 2014), leaving consumers worried items won’t be available again if they should return another day. Prices are then strategically set at levels which drive impulse buying, with items priced high enough to maximize profit margins yet low enough so people do not hesitate to purchase a piece they may wear once or not at all.

This reinforcing feedback loop results in Americans ending up with closets full of clothing they don’t want or need, driving them to throw away over 80 pounds of textiles per year. Apparel waste adds over 11 million pounds of non-biodegradable clothing to our landfills and releases toxic methane, a harmful greenhouse gas, which takes over 200 years to decompose (Ross 2015) . Fast Fashion, igniting and fueling an insatiable desire to consume, is an archetype of modern capitalism which is slowly choking the health of the earth and putting the poorest people of society at the most risk.

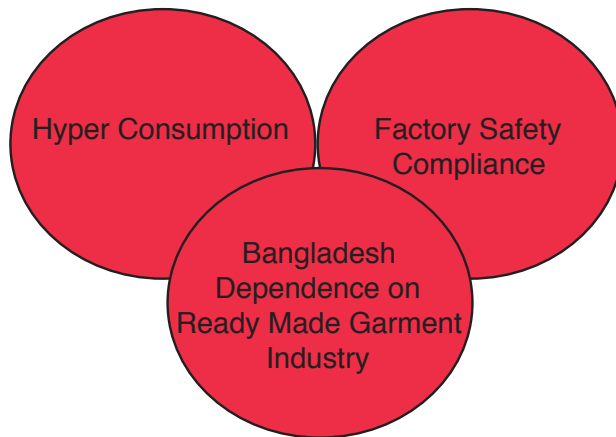
Comparison of Fast Fashion and Traditional Retailer Performance

Classification	Average for Fast Fashion Companies	US Apparel Industry Average
Product Shelf Life Cycle (by week)	4	16
Inventory Turnover Ratio (times per year)	8.4	4.6
Percentage of Full-Price Sales	80%	50%
Operating Profit Rate	19.5%	9%

- Note: 1) The fast fashion companies included in this data analysis are Inditex, H&M and Esprit
 2) The inventory turnover ratio is defined as the cost of goods sold divided by average inventory and used as an index to tell the number of times inventory is sold in a time period such as a year (as of 2010 for the fast fashion companies; 2009 for the US; and 2008 for Korea).

Source: Samsung Economic Research Institute on the basis of interviews with fashion businesses, each company’s Annual Reports, and Thomson Research.

The System



System Boundaries

Our system analysis is concerned with the Fast Fashion retail industry as defined by low price/high volume production and consumption. Its rise in the last 30 years is heralded by the five most profitable Fast Fashion retailers worldwide: H&M, Zara, Gap, Uniqlo, and Victoria's Secret. 'The Rise of Fast Fashion' is a hyper-charged case study of globalized supply chains, high volume production, short production lead times, low prices, and dangerous working conditions. As Fast Fashion system dynamics are distinct from the dynamics of traditional and designer fashion retailers, we have limited our analysis to Fast Fashion consumption by U.S. consumers, Bangladesh's dependence on this industry, and the safety of ready-made garment (RMG) production in this country, the world's second largest exporter of Fast Fashion apparel.

Bangladesh and Production Safety

We chose to investigate Bangladesh's ready-made garment industry as a case study in order to delve deeper into the system dynamics at play in the Fast Fashion industry. Despite their economic development in the last 30 years, due to their comparative advantage in garment production, Bangladesh still struggles to ensure the safety of workers within the industry. Bangladesh has the unfortunate distinction of being home to two of the deadliest

garment-industry disasters in world history.

We focus on worker safety as a result of the structural soundness of factories and fire safety although there are many other facets of worker safety that deserve exploration at a future time including production targets, number of hours worked, protective safety equipment, and workplace harassment and violence. We limited the investigation of factory safety to formal factories due to limited data on worker safety at home or makeshift workplaces. As Bangladesh's government only recently removed its ban on unions in 2013, we did not have enough data to explore the role of unions in the system.

Finally, we chose not to center wages as a primary focus of worker well-being for two reasons: First, there is much debate about what a "fair wage" means across countries with different standards of living. Second, we did not want to equate wages with well-being. This investigation is concerned with exploring the dynamics that continue to put garment workers' lives at risk in Bangladesh.

U.S. Consumption

More than half the world's clothing retail is concentrated in North America and Europe (International Labour Office. Sectoral Activities Dept, 2014). Due to the concentration of research studying U.S. hyper-consumptive behavior, our analysis focuses mostly on the U.S. consumer. Further study could compare consumer behavior and/or retail sourcing behavior for the U.S. vs. the EU. Another area for future analysis could be the growing consumer demand for Fast Fashion clothing in developing countries where more people are entering the middle class.

Variables

Bangladesh Dependence on Ready Made Garment (RMG) Industry

International Demand for Bangladeshi-Made RMG- amount of international demand for Fast Fashion apparel

Growth of Bangladesh RMG Industry- amount of RMG produced in Bangladesh measured by the growth of the number of factories and number of employees in the sector

RMG Percentage of Total Exports- total RMG exports from Bangladesh as a percentage of total exported goods

Diversification of Industry- number of different goods exported from Bangladesh

Reliance on Import of Raw Materials- amount of reliance the Bangladeshi RMG industry has on raw materials imported from other countries

Financial Dependence on RMG Sector- amount of financial dependence the country of Bangladesh has on profits from the RMG sector

Number of Hours Worked per Employee per Day at 1st and 2nd Tier Factories- number of hours worked per day by Bangladeshi factory employees at 1st and 2nd tier factories

Wages Paid per Garment- amount of wages paid per garment produced by a Bangladeshi factory worker

Number of Workers Leaving Other Sectors for RMG Industry- number of Bangladeshi workers entering the RMG workforce from other sectors

Abundant Cheap Labor- amount of low-paid, low-skilled Bangladeshi workers

Bangladesh Comparative Advantage- amount of advantage Bangladesh has over other countries in regards to the amount of cheap labor available to work in the RMG sector

Preferential Trade Access for Bangladesh as LDC to U.S. & EU- Less Developed Countries receive duty free and quota free access to U.S. and EU markets through WTO's 'Generalized System of Preferences'

Hyper Consumption

of Fashion Seasons- # of times per year new products enter the market

Perceived Obsolescence- frequency consumers discard and replace items

Fast Fashion Marketing- amount of Fast Fashion marketing dollars invested by Fast Fashion retailers

Time Spent Shopping as 'Retail Therapy'- amount of time spent shopping to make oneself feel happier

Avg. Number of Garments Purchased per Consumer in U.S./EU- number of ready-made garments (Fast Fashion apparel) purchased per U.S./EU consumer per year

Amount of Consumer Debt- amount of debt held by the average U.S./EU consumer

Level of Stress- level of daily stress experienced by the average U.S./EU consumer

Average RMG Price to Consumer- average price for a ready-made garment (Fast Fashion

apparel) paid by a consumer

Fast Fashion Retail Profits- amount of yearly profit earned by Fast Fashion retailers such as H&M, Forever 21 and Zara

Manufacturing Cost- average price paid by retailers for a ready-made garment

Factory Safety Compliance

of Factories Meeting Safety Standards- number of Bangladeshi factories meeting safety standards established by international organizations and MCNs

Worker Safety- number of workers employed in Bangladesh RMG factories which are free of safety hazards

Number of Safety Audit Standards Factories Must Meet- number of safety standards established by international organizations and MCNs which are required to be abided by

Number of MNCs sourcing from Bangladesh- number of MNCs sourcing ready-made garments from Bangladesh

Manufacturing Capacity Needed for Individual Factory to Produce Orders- number of garments Tier 1 factory is able to produce before contracting with a subcontracted manufacturer

Reliance on Subcontracted Factories- amount of business sent to subcontracted factories to fulfill orders

Number of Traceable Factories in MNC Supply Chain- number of factories visible and tracked by MCNs

Factory Safety Compliance Transparency- amount of access to clear, searchable data via factory inspection reports and other data sources in order to assess factory remediation and delays and trace supply chains relationships between supplier, factories and subcontractors

Number of Factory Disasters- number of disasters occurring at Bangladeshi RMG factories

Publicity of Disasters- amount of media coverage received by Bangladeshi factory disasters

Public Perception of Positive Industry Changes- number of people who believe significant change around factory and worker safety has occurred in the Bangladeshi RMG industry

Public Campaigns for Ethical Labor Practices within Supply Chain- number of public demands for ethical labor practices (worker safety) within the RMG supply chain

States Changes to MNC Sourcing Behavior- stated changes vs. actual changes as it is often difficult to determine if real changes have been made via inspections due to resource constraints

Length of Time Disaster Stays in Media- length of time media covers factory disasters which have occurred in Bangladeshi factories

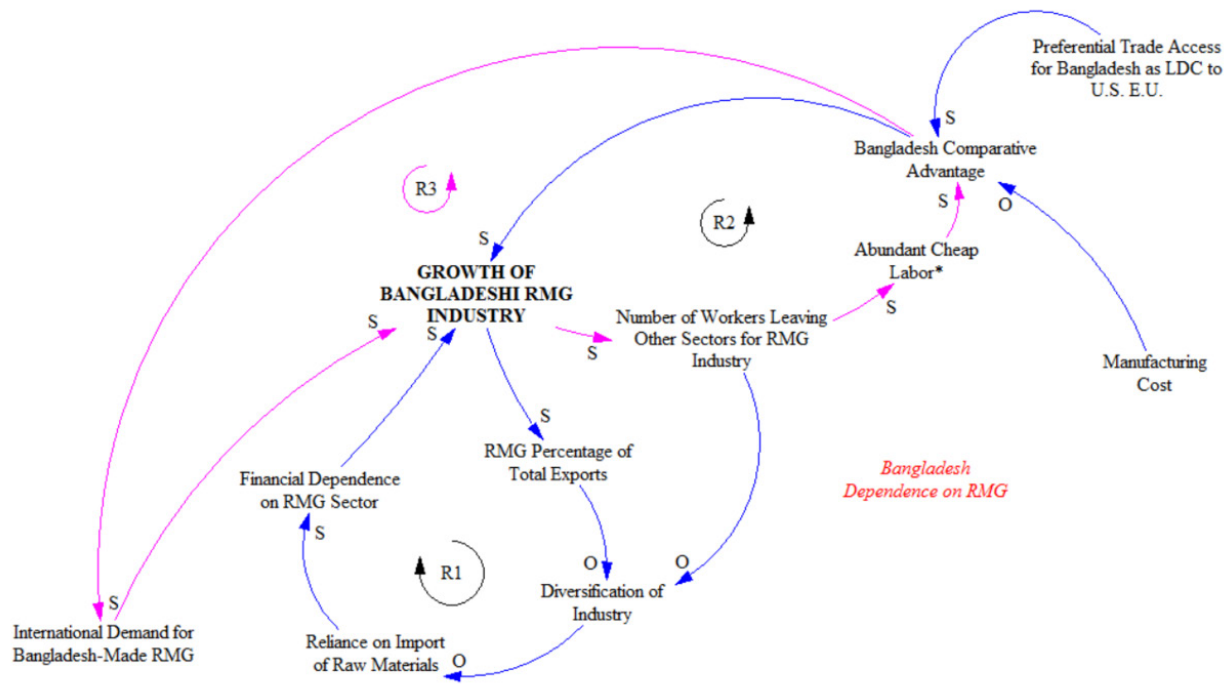
MNC Supply Chain Accountability- amount pressure felt by MNCs to invest in resources which ensure ethical supply chain practices

Strength of International Safety Mandates- amount of ability international safety mandates have to actually resolve safety hazards in Bangladeshi factories

Factory Remediation- number of factories in full compliance with international safety mandates

Amount of MNC Financial Commitment to Ethical Labor Standards- amount of financial investment by MNCs to support the development and adherence to ethical labor standards in

Bangladesh Dependence on RMG Loop



Three key loops perpetuate the growth of the ready-made garment industry in Bangladesh. First, preferential trade status with the U.S. and E.U., as well as the high number of Bangladeshis seeking employment in the RMG sector, contribute to the development of the country's comparative advantage to produce garments for export. Their abundant cheap labor force is fed by a multitude of women entering the formal economy for the first time, and the flow of workers out of the agricultural sector during a period of high rural to urban migration. This reinforcing loop causes, and is embedded in, another strong reinforcing loop highlighting the country's comparative advantage in garment production, which leads to increased international demand from buyers and continued growth of the industry.

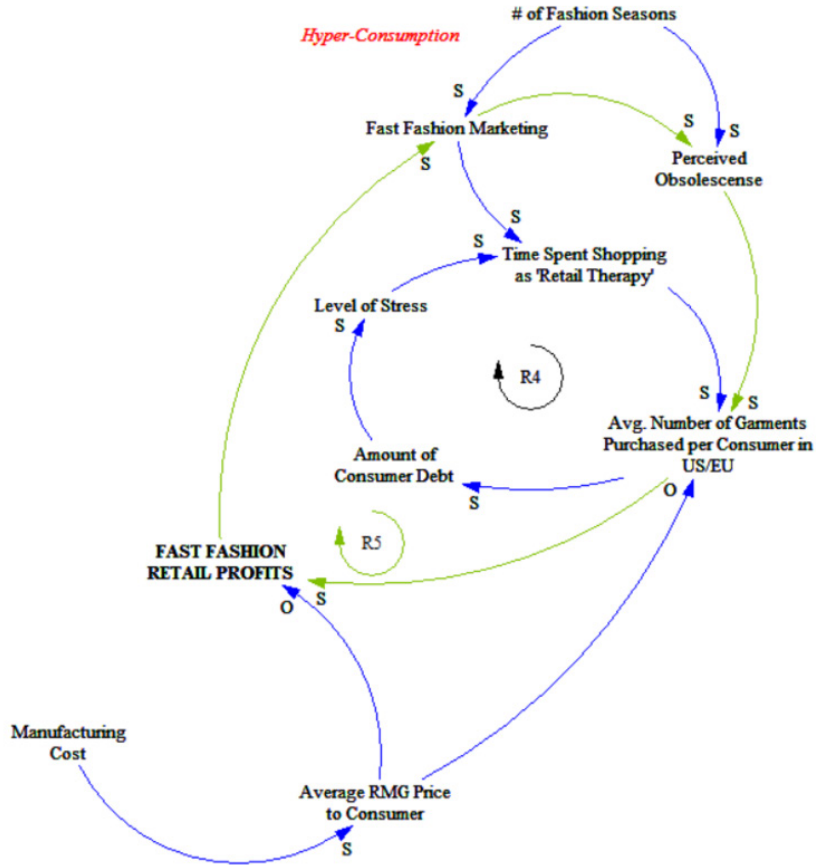
While the growth of an industry seems to be a positive development, in Bangladesh's case it is a bit more complicated. As the industry grows, so does the total RMG percentage of Bangladesh's exports. As the percentage of exports grows, the country's industries become

less diverse, resulting in reliance on imported raw materials. In order to pay for raw materials, Bangladesh must financially depend on the RMG sector, which in turn leads to a powerful reinforcing feedback loop to more growth of the RMG industry. Similarly, low manufacturing costs lead to an even greater increase of Bangladesh's comparative advantage and concomitant growth of the industry.



Photo Credit: Mohammad Ponir Hossain

Hyper-Consumption Loop



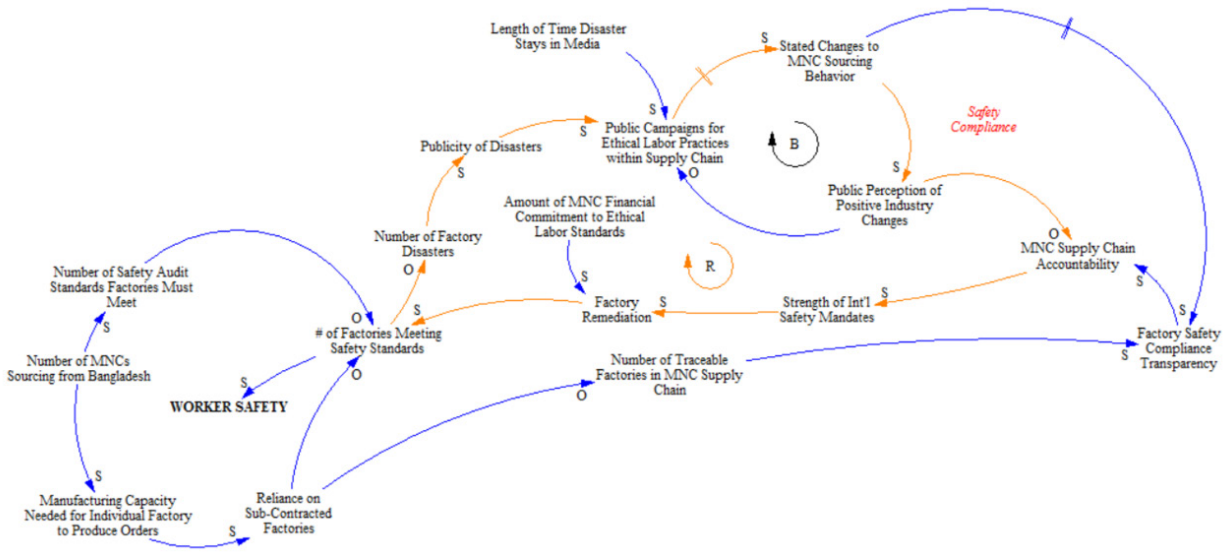
The invention of multiple fashion seasons driven by the mass marketing efforts of Fast Fashion retailers has driven consumers to continuously perceive obsolescence in the apparel industry. This has perpetuated a trend of hyper-consumption with the average number of garments purchased per year growing as prices decline. Fast Fashion marketing and accessibility has also driven consumers to utilize shopping as a cheap form of entertainment and therapy as they find 'comfort buys' to ignite pleasure sensors in the brain. Consumers are enticed to shop at a higher frequency than ever before which drives a relentless, reinforcing cycle of debt and stress as people try to fund their efforts to continuously stay "on trend".

Hyper-consumption is the perfect fuel for Fast Fashion retail profit growth. However, to promote hyper-consumption and stay ahead of competition, retailers must sell apparel at the lowest price point possible which, in turn, increases their profits as a higher volume of goods is sold. Although higher profits should allow for higher manufacturing costs, Fast Fashion retailers aim to keep manufacturing costs extremely low to ensure a competitive pricing structure.



Photo Credit: Andrew Kelly

Safety Compliance Loop



There are two key loops inhibiting factory and worker safety in the RMG industry in Bangladesh, both of which degrade supply chain accountability. The first is related to public perception of industry changes. As the number of factory disasters increases, so does the publicity of the disasters and thus the number of public campaigns for ethical labor practices within the supply chain due to growing public awareness. The public campaigns, which represent public awareness, are limited by the news cycle--as the media moves to different topics, awareness of factory safety issues decreases. These public campaigns are also trapped in a balancing feedback loop: as the number of public campaigns increases, so do the stated changes to MNC sourcing behavior. It's important to make a distinction between actual changes and stated changes--due to the lack of transparent information in the system, MNCs are able to state they are making changes without actually doing so. As the number of stated changes increases, so does the public perception of positive industry changes, which lessens the perceived need for public campaigns and thus the number of public campaigns decreases.

This balancing feedback loop directly impacts the second loop around MNC supply chain accountability. As the public perception of positive industry changes increases--and thus decreases the scrutiny applied to MNC supply chains--MNC supply chain accountability decreases. On the other hand, as stated changes to MNC sourcing behavior increase, factory safety compliance transparency increases as well, though with a heavy delay. The more statements MNCs make, the more researchers and NGOs will look into their actual behavior, increasing information transparency. However, this information transparency is degraded by the subcontractor system, which operates in the shadows. As the number of MNCs sourcing from Bangladesh increases, the manufacturing capacity needed for individual factories to produce orders also increases, which creates even more reliance on subcontracted factories. As the reliance on subcontracted factories grows, the number of traceable factories in the MNC supply chain decreases, limiting factory safety compliance transparency. This information transparency has a same effect on MNC supply chain accountability--if information transparency goes up, so does accountability; if it does down, accountability goes down. The drivers of information transparency are

crucial, because in the international arena where enforceable legal mandates are often absent, the strongest influencer of accountability is access to information. The failure of the Accord and the Alliance to adequately address factory safety is a great example of this dynamic. A lack of available, transparent information has degraded the influence of public campaigns for worker safety by enabling the flow of inaccurate statements and information, ultimately weakening accountability. MNC supply chain accountability bolsters the strength of international safety protocols, which mandate and confirm factory remediation. As factory

remediation increases--which is limited by the funds available for safety hazard resolution as represented by MNC financial commitment to ethical labor standards--the number of factories meeting safety standards goes up, which decreases the likelihood for factory disasters and improves worker safety. Unfortunately, the number of factories meeting safety standards is limited by the number of safety audit standards factories must meet, which is in part simply influenced by the number of MNCs sourcing from the country.



Photo Credit: Rahul Talukder



Photo Credit: Rahul Talukder

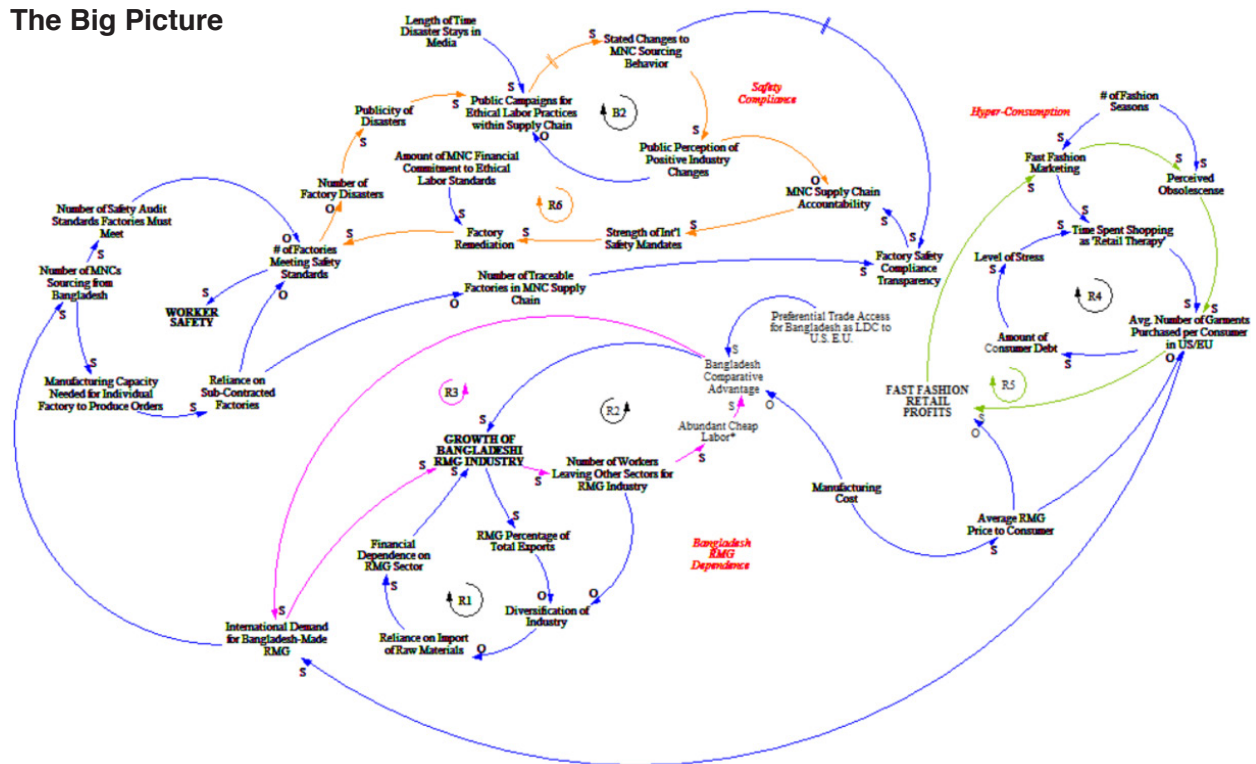


Photo Credit: Rahul Talukder



Photo Credit: Rahul Talukder

The Big Picture



Complicated dynamics are at play in this system. Therefore, it is important to understand the nuances of the causal relationships and the influence of feedback loops as much as possible before any levers of change are pulled. This is a system made up almost entirely of reinforcing feedback loops. The strong balancing feedback loop serves to diminish supply chain accountability. Thus, the system is stuck in a reinforcing cycle of Bangladesh's dependence on the ready-made garment sector, growth of the Fast Fashion industry and degradation of worker safety.

The growth of the RMG industry in Bangladesh is enmeshed in three reinforcing feedback loops. First, the financial dependence loop (R1); second, the abundant cheap labor loop (R2); and third, the international demand loop (R3). These loops feed and reinforce each other, leading to an ever-increasing dependence on and growth of the RMG industry in Bangladesh.

The international demand that necessitates Bangladesh's dependence on the RMG sector is driven by hyper-consumption in the Global North, fueled by the Fast Fashion industry's hunger for profits. Low manufacturing

costs and low garment prices to consumers serve as the basis for Fast Fashion retailers' immense profits, imbuing seemingly limitless sales. Two positive feedback loops are reinforcing these profits. First, the retail therapy loop (R4); second, the perceived obsolescence loop (R5). Together, these dynamics ensure the growth of the Fast Fashion industry.

The Global North's increasing demand for Fast Fashion--precipitated by hyper-consumption and Bangladesh's comparative advantage in manufacturing RMGs--has helped to spawn the degradation of supply chain accountability and worker safety in Bangladesh. Crucially, the factory remediation loop (R6), stuck in a cycle of decreasing factory safety, is magnified by the public perception loop (B2). It is further amplified by degradation of supply chain transparency that has come out of the massive international demand for Bangladesh-made RMG and subsequent reliance on subcontracting.

When looking at it as a whole it is evident that no one operates outside of this system. Actors throughout the global supply chain are all culpable for the risk at which we demand Bangladeshi garment workers put their lives.

Stakeholder Analysis Matrix

Key Stakeholder	Description/Example	Key Concerns/Interests	Level Impacted	Level of Influence
Bangladeshi Factory Workers	Workers in RMG factories in Bangladesh	Factory safety, number of hours in a work day, wages, job security	High	Low/Med
Factory Owners	Bangladeshi factory owners managing RMG production	High profit margins (low internal costs, high sales volume)	High	Med/High
Tier 1 Factory Suppliers	Factories with a direct contract with a retailer or mega supplier	Main priority to attract International Buyers and Fashion House Orders (mega suppliers)	Med/High	Med/High
Tier 2, Tier 3, Tier 4 Factories Suppliers	Factory-to factory contracts to assist in fulfilling orders	Staying in business by taking production orders from higher-tiered suppliers	Medium	Low
Mega-suppliers	A company that specializes in filling production orders from large retailers, seeking out suppliers that can fulfill orders quickly and cheaply without developing a loyalty.	Profit, continued relationships with MNCs	Low	High
Fast Fashion Retailers	Retailers selling Fast Fashion clothing (H&M, Zara, Forever 21)	Low RMG prices from Bangladeshi factories, high volume sales, frequent media exposure	High	High
Consumers	Consumers in the U.S. purchasing Fast Fashion retail	Low retail prices, latest styles, acceptance by society	High	Medium
Advertisers	Running and pushing the advertisement campaigns of the Fast Fashion brands	Profit, keeping the Fast Fashion bands producing more at a lower cost to boost ad needs	Med/High	Med/High
Bangladeshi Government	Parliamentary representatives	Win favor of MNCs, grow economy	Medium	Medium
BGMEA	Bangladesh Garment Manufacturers and Exporters Association	Many members serve on Parliament or News Media and are motivated to control the national economy	High	High
Trade Unions	Worker organized unions	Bolster the needs of the garment workers - factory safety, number of hours in a work day, wages, job security	Low	Low
Independent Monitoring Organizations / NGOs	Organizations such as the Workers' Rights Consortium, Polaris Project, and Verité	Worker safety and wellbeing, holding MNCs accountable	Low	Medium
ILO	The ILO has been a key player in the creation of international mandates around factory worker safety. It not only created it's own program to address safety hazards, but is also involved in the National Action Plan and the Accord.	Worker safety and the remediation of factory safety hazards	Low	Medium

Leverage Points

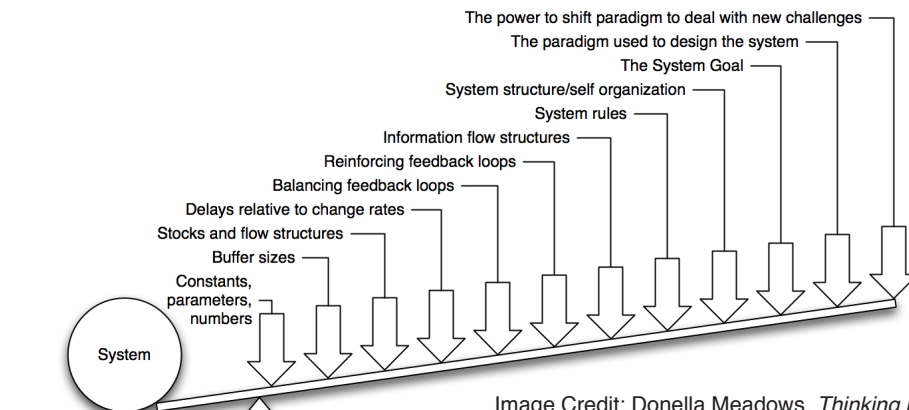


Image Credit: Donella Meadows, *Thinking in Systems: A Primer*

Leverage Point #1: Increase Information Transparency to Improve MNC Accountability

Meadows' Leverage Point #6: The structure of information flows (who does and does not have access to information)

As the system operates today, the lack of supply chain accountability allows MNCs to do business as usual. They are able to state changes are being made without actually changing their behavior. The biggest issue for increasing MNC accountability is addressing the opaque information flows around factory inspections, remediation, and MNC supply chains. Both the Accord and the Alliance make their reports publicly available on their websites, but both databases fail to improve true information transparency because of inadequate organization and database functionalities. Currently, the factory inspection reports on both sites are organized by dates and reports are housed under individual factories. There is no way to discern which MNCs source from each factory, and one would have to go into each individual report to see: a) if the factory passed the inspection, b) if needed remediation was completed, and c) any updates to the original inspection report. Essentially, there are no searchable ways to track the number of failed inspections, the number of safety hazards at each individual factory, the cost of remediation at each factory, whether or not remediation has been completed, if remediation is delayed and

if so for how long, the risks inherent in delaying remediation, which MNCs source from the factory, if the factory subcontracts work out to other factories, and if so to whom. This makes it challenging for the public to discern what is really going on in the system of factory inspections and remediations.

To transform this opaque flow of information, we need to address how factory inspection reports are disseminated to the public--by third parties and MNCs--by creating a searchable database, which compiles inspection data from all parties. Third party reporting entities like the Alliance and the Accord need to increase collaboration. If not by converging and forming a larger, stronger organization--as opposed to diluting results/analysis--they need to improve inter-agency communication in order to avoid double reporting. Regardless of their willingness to work in collaboration, it is possible for other parties to consolidate their information in one database and address gaps in information.

The benefit of creating a searchable database which consolidates all factory inspection reports is that the public will be able to easily confirm MNC behavior, and will therefore increase MNC supply chain accountability. With a collaborative effort in inspecting factories, more financial resources can go to actual remediation as opposed to assessment. Note, the Social and Labor Convergence Project by the Sustainable Apparel Coalition is already working to standardize a methodology for

these assessments (“World’s Leading Apparel Brands”, 2015). Further, improvements in third party reporting and greater accessibility to data will help bring the subcontracting system out of the shadows--the NYU Stern Center for Business and Human Rights is a leader in this effort. Companies that are abiding by international agreements such as the Accord and the Alliance have the opportunity to increase positive brand image and profits by participating in these changes.

There are a couple of challenges to addressing the current information flows around safety compliance. The first challenge is that subcontractors are part of an underground system of suppliers that do not currently exist on a map. As such, much work needs to be put into mapping out this system and tracing the supply chain dynamics from MNC to subcontracted factories. The second challenge is in addressing the possible consequences of manufacturing flight should safety compliance information become more transparent. Current Accord and Alliance signatories who are not honoring the agreements they signed are benefitting from the current opaque information flows--they are able to make their immense profits through business as usual without any accountability for their supply chains or adequate investment in factory remediation. As such, it is likely that making the inspection data more transparent would threaten their current modes of operation. Unfortunately, there may be backlash against the RMG sector in Bangladesh if factory inspection report data is consolidated and culminated into a searchable database with supply chain mapping functionalities. As awareness of safety issues increases, manufacturing may simply flee Bangladesh in search of countries with fewer regulations and less scrutiny (Ahamed, n.d.).



Photo Credit: Suvra Kanti Das

Leverage Point #2: Strengthening Factory Contracts and Employee Bargaining Power
Meadows’ Leverage Point #5: The rules of the system (such as incentives, punishments, constraints).

Scott Nova, the Executive Director of the Worker’s Rights Consortium, says that real change will require 1) ending the practice of short-term contracts and 2) radically altering the way brands compensate both suppliers and workers. These two aspects of this leverage point are simple, yet highly impactful. Longer contracts would encourage suppliers to invest in the costs of ethical labor and environmental practices without the insecurity of order volatility. Although manufacturers are responsible for safety upgrades they don’t typically have the capital because they are paid on a per job basis. Due to the lack of contracts, manufacturers fear losing business, resulting in the use of and increasing reliance on unregulated sub-contractors to meet rising production targets. Manufacturers need higher paying, long term contracts with factories in order to properly support investment in safety and wages.

In addition, the RMG Industry suffers from a lack of social compliance. Many RMG employees have no formal employment contracts. Workers live in fear of sudden termination, and are therefore unable to negotiate on their behalf. While there is a minimum wage, it is rarely adhered to, and wages are paid irregularly. For the most part, there are no standard hours. Workers have a production target to fill each day, and are often forced to stay after hours and work without pay in order to meet these goals.

Despite being a female dominated industry, gender inequality is prominent in the RMG sector. Women are consistently paid less than their male counterparts, and sexual harassment in the workplace is commonplace. Further, child labor is still rampant in Bangladesh. While outlawed in the mid 90’s, this merely pushed child labor underground to less regulated subcontractor facilities, where safety and wage standards are rarely met. While

there are organizations like the International Labor Organization (ILO) and several Bangladeshi government organizations that monitor employee rights, they have proven to be inconsequential. Similarly, worker unions are disempowered by factory attempts to squash organization, and the subsequent fear of termination if caught participating in union activity.

In summary, RMG factories would benefit from long-term contracts from international buyers. This would in turn create higher commitment to social compliance in these factories and garment employees would benefit from the trickle-down of more reliable orders. It is important to note that this leverage point requires buy in from all influencing parties. The government would need to regulate binding agreements for the safety and wellbeing of RMG employees and retailers would need to be willing to bear some of the cost of safety improvements rather than pay lip-service in response to industry disasters. Consumers would also need to be willing to absorb some of these costs. Suppliers must pass the benefit of longer term contracts with buyers to their employees through safer working conditions or this leverage point will fail to have an impact. Finally, this leverage point gives Bangladesh the opportunity to take the first step to the “Rise to the Top” for global garment manufacturing.



Photo Credit: Everlane

Leverage Point #3: Worker Co-Ops and Direct to Consumer Online Retail

Meadow's Leverage Point #3: The power to add, change, evolve, or self-organize system structure

“Making it in the fashion business isn’t easy. There’s a whole lot to get right and for millions of fashion professionals there are two huge challenges. First, how do you grow a profitable company in a market that’s globalising, fast-paced, and increasingly competitive? Second, how do you do this in a sustainable way with respect to the people behind the products and to the environment?” -MySource

An important leverage point is to interrupt mega suppliers’ business model which is deliberately organized to keep Fast Fashion retailers separated from factories (Hobbes, 2015). The consequence of mega suppliers’ profit-seeking actions is that garment workers’ lives are regularly and routinely placed at risk through the invisibility of the supply chain. In most cases, Tier 2-4 factories don’t have the production capacity required by fashion retailers’ “sourcing criteria” to place orders with them directly or the relationships with foreign buyers to accept orders directly. Ironically, many Tier 1 facilities lack manufacturing capacity as well and as a result rely heavily on subcontracting to fill orders. To address this, Fast Fashion retailers could amend their sourcing criteria to allow direct contracting with smaller factories. However, this rarely occurs as mega-suppliers typically control this process.

To improve the retailer to factory relationship, MySource, an online fashion forum, has been created to connect retailers directly with garment factories. The factories listed in MySource’s database are rated based on safety and sustainability standards; making these factors their competitive advantage rather than low wages. Influenced by the Rana Plaza factory disaster, MySource started by linking factories in Bangladesh and has grown to a network of over 200,000 retail buyers and suppliers.

Connections

Get matched to the right people and companies to do business with, and message them directly.

Mysource will use an advanced matching algorithm that means users are connected to others who are best suited to their needs and will help them to do business better. The right connections, at the right time, right to your desktop.

Users are incentivised to provide more detail about themselves and what they're looking for in order for the best quality connections to be made.

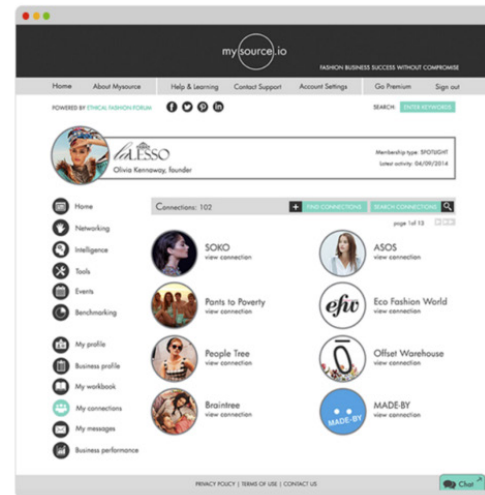


Image Credit: www.mysource.io

An important part of the RMG industry in Bangladesh is that 95% of production factories are owned and operated by Bangladeshis (Hirokawa, 2014). However, the predominant institutions holding Fast Fashion retailers accountable, the Alliance and the Accord, were formed without involving Bangladeshi labor organizations or Bangladeshi garment workers. Establishing worker-owned garment cooperatives is an opportunity to put garment workers in the driver's seat of change and reduce income inequality. As the system currently operates, the majority of capital leaves Bangladesh and flows into the hands of Global North retailers and foreign owned mega suppliers. Because of the flow of capital out of the country, Bangladesh is stuck in the least profit accumulating part of supply chain with little opportunity to diversify their economy or move to different phases of the garment manufacturing. Self-organization and skills already exist amongst Bangladeshi owners, managers, and sewers. A co-op structure would allow capital to be re-invested into the business allowing manufacturers to grow beyond the cutting and sewing phases and into designing, photographing, web-developing, marketing and other facets of the fashion industry. By returning profits to workers, co-ops have historically closed gaps of wealth inequality (Kelly, 2013)

A cooperative structure would also allow

workers to prioritize their own safety, decide feasible production timelines, and decide which international buyers they are willing to work with. Workers could also advocate for practical necessities such a childcare or protective equipment.

A worker-owned coop might still face challenges competing with the multi-million dollar marketing budgets of Fast Fashion retailers. A direct supplier-to-consumer website could capitalize on the lack of Fast Fashion brand loyalty, while still offering the relatively low prices consumers are accustomed to. In a direct-to-buyer co-op model, factories and workers could reap the profits typically pocketed by mega suppliers and retailers. In order for this strategy to be successful, it would behoove outside organizations or individuals attempting the co-op model in Bangladesh to educate themselves on Bangladeshi culture, business practices and current skillsets/training requirements.



Photo Credit: Everlane

Leverage Point #4: Increase Consumer Awareness

Meadows' Leverage Point #2: The mindset or paradigm out of which the system arises — its goals, structure, rules, delays, parameters

In order to drive positive change in the Fast Fashion industry, the “more for less” mentality must disappear to ensure that the people manufacturing our clothing are safe and treated fairly. The Fast Fashion industry is crowded by Fast Fashion retailers with brilliant marketing schemes which convince consumers they will never see a better deal. Price and style dominate the sales pitch and, in turn, consumer preferences. Social and environmental ethics are rarely disclosed. As a result, consumers are not aware of the impact Fast Fashion manufacturing and consumption has on factory workers and the environment and rarely consider these factors when they shop. This paradigm shift requires pressure on the Fast Fashion marketing variable. If retailers shifted their marketing campaigns from “what’s hot now” to stories about the people who are making the clothing, consumers could personally connect to the suppliers in a way that parallels how consumers connect with farmers through local and slow food campaigns.

Further, responsible brands can market the negative impacts of Fast Fashion, educating consumers about the social and environmental consequences their habits perpetuate.

An example of an effort to shift this paradigm is the brand Zady. Zady prides itself as a brand that is setting “The New Standard” as a leader in the Slow Fashion movement, marketing quality over quantity and exposing the destructive nature of hyper-consumption and Fast Fashion. Zady tells the story of each brand it sells, connecting consumers to the brand’s stories, values, designers and manufacturers. As apparel is a price sensitive industry, retailers choosing to sell higher-priced, quality clothing may have trouble obtaining enough sales to remain profitable. Further, low-income consumers trying to shift from cheaper apparel may find themselves in similar levels of debt as the price of one high-quality piece likely equates to the price of several low-quality pieces. Finally, a shift in consumer demand for Fast Fashion may reduce business for low-cost Bangladeshi factories as Slow Fashion brands may choose more localized markets to reduce shipping costs and improve oversight over quality, leaving Bangladeshi factory workers without jobs and threatening the provision of funds for factory safety remediations.

g and returns, every day.

ZADY

WOMEN'S WEAR | MEN'S WEAR | BEAUTY + GROOMING | HOME | JEWELRY | **GIFT SHOP** | SALE | CHRONICLE | THE

Fast Fashion is Fast Food.

EMPTY CALORIES THAT MAKE US FEEL FULL.

FACTORIES FULL OF MISTREATED WORKERS

RIVERS FULL OF TOXIC CHEMICALS

CLOSETS FULL OF DISPOSABLE WEARS

LANDFILLS FULL OF YESTERDAY'S GARMENTS

Process matters. Quality matters. Honesty matters.

YOU'RE DAMN RIGHT IT'S A CALL TO ACTION.

Image Credit: www.zady.com

Business Players: Opportunities and Threats

Everlane

Everlane is an online retailer focused on introducing “radical transparency” to consumers. Everlane highlights the importance of knowing a product’s manufacturing journey and true costs, information rarely disclosed in this industry. This company is working hard to influence leverage point #4- shifting the paradigm- by bringing awareness to consumers so that they can make conscious choices when buying apparel.

“We constantly challenge the status quo. Nothing is worse than complacency, and as a brand our culture is to dissect every single decision we make at every level of the company. We know our customers are also rule breakers and questioners, so we hope this philosophy is palpable in the products and choices we make. And by all means, challenge us too.” - Everlane

Awareness and transparency starts with Everlane’s commitment to developing strong personal relationships with the factories they source from, a hands-on approach to ensure a factory’s integrity. They then tell the story of each factory they partner with, including how they found the factory, the material or product sourced and the owner’s story. They enrich this story with a beautiful series of photographs to visually depict a product’s journey and the human faces behind the manufactured pieces. This journey reminds the consumer of our relationship with the people who produce the clothing we wear, and the livelihoods we are supporting when each garment is purchased. In addition, Everlane is committed to disclosing the true cost of each product manufactured as they believe consumers have the right to know what their products cost to make. Their price mark-up is also disclosed and is compared to a traditional brick and mortar retailer, highlighting the savings they incur as an online-only retail business.

Threats to Everlane include the large Fast Fashion retailers who remain focused on

a “race to the bottom” for manufacturing costs. Obtaining space in mainstream marketing channels will be crucial for companies such as Everlane in order to expose consumers to what truly happens behind the scenes in apparel manufacturing and encourage a shift in buying habits toward more socially and environmentally responsible choices. As an opportunity for the greater good, there is potential for Everlane’s unique strategy to cause a ripple effect in consumer demand for radical transparency from other brands. However, Everlane may be threatened by larger, more established retailers who adopt their strategy and will likely be able to sell product at a lower price point due to stronger factory negotiating power. The key challenge for smaller transparent brands such as Everlane will be to devise a way to increase access to their ethically supplied goods through affordable prices without allowing “race to the bottom” supply pricing.



Photo Credit: Nick Shore

H&M

H&M is the most profitable Fast Fashion retailer in the world (“Fast Fashion: Out-of-the-Box Thinking in the Apparel Industry,” 2011) and the largest single buyer of goods from Bangladesh. In 2013, the year of the Rana Plaza factory collapse, H&M had worldwide revenues of \$128.56 billion. In 2014, despite thousands of workers lives lost and worldwide attention to the disaster, H&M’s revenues grew to \$151.42 billion (“H&M Hennes & Mauritz AB Series B,” 2015).



Photo Credit: Imaginechina

H&M Supplier Relationships in Bangladesh

After the Rana Plaza disaster, H&M was the first signatory to The Accord on Fire and Building Safety, making a public commitment to worker and factory safety in Bangladesh. Two and half years later, a September 2015 Evaluation conducted by a coalition of stakeholders including the International Labor Rights Forum and Worker Rights Consortium analyzed 32 of H&M’s “Gold” and “Platinum” suppliers and found none are currently meeting building and safety standards mandated by The Accord. “The safety inspections... uncovered a total of 518 violations of structural safety requirements, 836 fire safety violations and 650 electrical safety violations, all requiring correction” (“Evaluation of H&M Compliance with Corrective Action Plans for Strategic Suppliers in Bangladesh | International Labor Rights Forum,” 2015)

	“Gold” or “Platinum” rated factories	Not rated (likely Tier 2+ factories)
Number of H&M Supplier Factories in Bangladesh	56	173
Percentage of H&M’s production in Bangladesh	60%	40%

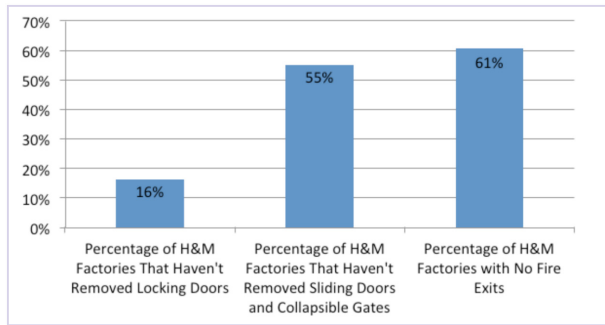
Note: “Gold” and “Platinum” are ratings designated by H&M

Source: (“Evaluation of H&M Compliance with Corrective Action Plans for Strategic Suppliers in Bangladesh | International Labor Rights Forum,” 2015.)



Photo Credit: Unknown

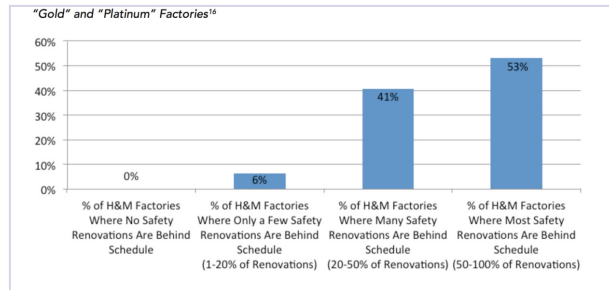
Percentage of H&M “Gold” and “Platinum” Factories That Lack Specific Fire Safety Renovations



Source: (“Evaluation of H&M Compliance with Corrective Action Plans for Strategic Suppliers in Bangladesh | International Labor Rights Forum,” 2015)

“The analysis shows that H&M is dramatically behind schedule in correcting the dangers identified by The Accord’s inspectors, thereby putting tens of thousands of workers’ lives at risk. Even more disturbing, these negative results derive from an analysis focused exclusively on H&M’s ‘Platinum’ and ‘Gold’ suppliers, the specific contracted factories that H&M has deemed the best performers in its supply chain on labor and environmental issues” (“Evaluation of H&M Compliance with Corrective Action Plans for Strategic Suppliers in Bangladesh | International Labor Rights Forum,” 2015). With thousands of violations found at H&M’s premiere factories, the study calls into concern worker and building safety in virtually all of the factories that produce garments for H&M in Bangladesh and perhaps most critically, factories not considered “Gold” or “Platinum” (likely Tier 2+) where 40% of the retailer’s garments are produced.

Safety Renovation Delays at H&M “Gold” and “Platinum” Factories



Source: (“Evaluation of H&M Compliance with Corrective Action Plans for Strategic Suppliers in Bangladesh | International Labor Rights Forum,”)

Additionally, It is unclear whether H&M has provided any financial assistance to factories in Bangladesh that are willing to renovate, but cannot afford to on their own. This is due to the fact that the Accord does not monitor funds provided for remediation by individual corporations. “H&M’s actions on renovation financing will remain opaque, unless H&M itself chooses to disclose them” (“Analysis: H&M’s Response to Report on Safety at Bangladesh Supplier Factories | International Labor Rights Forum,” 2015). The Evaluation reports Bangladeshi factories are still experiencing significant problems obtaining financing for remediation from Accord signatories as of September 2015.

Instead of responding to the Evaluation’s stark findings directly or disclosing their financial contributions to improve factory safety, H&M published a “Sustainability Update” on their corporate website claiming that they are only “producing in factories that meet The Accord requirements for operation” (“Fire and building safety in Bangladesh,” 2015). The International Labor Rights Forum et al responded to H&M’s “Sustainability Update” with an Analysis paper containing a point by point rebuttal of H&M’s recent claims. On the issue of producing in line with Accord requirements, The International Labor Rights Forum et al

Analysis states:

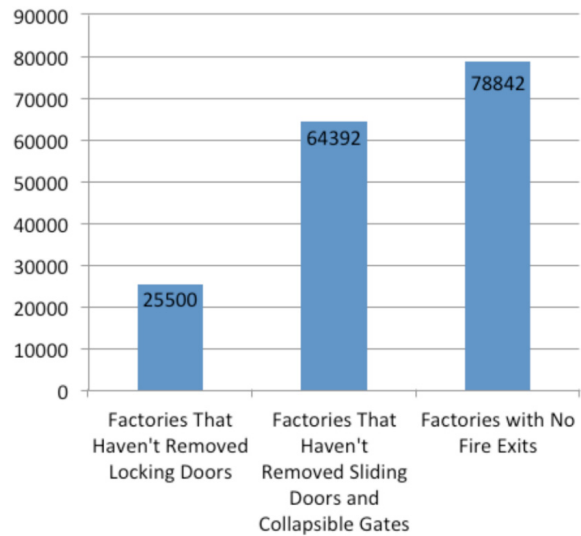
“According to the Accord’s published reports, there is not a single H&M supplier factory in Bangladesh that meets the building safety standards of the Accord. H&M is well aware of the contents of the Accord standard. H&M is equally well aware that none of its supplier factories, at this juncture, are in full compliance with this standard (a fact the company itself acknowledges elsewhere in the same statement in which this claim appears). H&M is further aware that most of its supplier factories have failed to meet deadlines established by the Accord for completing the renovations needed to come into compliance. H&M therefore must not mean, in making the statement above, that its suppliers meet Accord building safety requirements -- though this is what most people who see the statement will understand it to mean.” (“Analysis: H&M’s Response to Report on Safety at Bangladesh Supplier Factories | International Labor Rights Forum,” 2015).

While technically adhering to the requirements of The Accord, the Evaluation and subsequent Analysis rebuttal demonstrate that H&M has done little to advance worker and factory safety in Bangladesh while claiming just the opposite. It is possible for H&M to make misleading statements such as their recent “Sustainability Update” because the Accord does not mandate financial disclosure of remediation by retailers nor has any way to enforce H&M’s participation in addressing safety violations.



Photo Credit: Justin Mott

Number of Workers Endangered at H&M “Gold” and “Platinum” Factories That Lack Specific Fire Safety Renovations



Source: (“Evaluation of H&M Compliance with Corrective Action Plans for Strategic Suppliers in Bangladesh | International Labor Rights Forum,” 2015)

Despite H&M’s and the garment industry’s first hand involvement in the Rana Plaza tragedy caused by unaddressed safety violations, H&M has not recommended that a single factory be closed for remediation or halted any orders from contracted factories failing to meet safety standards found by The International Labor Rights Forum’s 2015 Evaluation. H&M’s inaction on the issue of fire doors alone, currently threatens the lives of over 78,000 Bangladeshi garment workers, 20 times the number of workers who were killed or injured at Rana Plaza (“Evaluation of H&M Compliance with Corrective Action Plans for Strategic Suppliers in Bangladesh | International Labor Rights Forum,” 2015).

The report concludes with this urgent call to action: “H&M’s success depends on its ability to move hundreds of millions of units of product around the world, swiftly and efficiently, and the company prides itself on its accomplishments in this regard. In Bangladesh, it employs more than 600 staff to handle the logistics of production, including the movement of goods. How plausible is it that H&M is

incapable of getting a few thousand fire doors into Bangladesh in the space of two and a half years?” (“Analysis: H&M’s Response to Report on Safety at Bangladesh Supplier Factories | International Labor Rights Forum,” 2015).

H&M has the opportunity, resources, and market share to make a significant impact in the garment industry in Bangladesh. What remains to be seen is if H&M has the will to actually implement the changes they have agreed to and provide financial resources to Bangladeshi factories desperately in need of repair. H&M could differentiate itself as a global leader on the issue of worker safety just as they have in the environmental sector as a part of the RE100 Pledge to move towards 100% renewable energy. If H&M fails to take on this responsibility, they face further scrutiny by Accord Signatories, labor organizations, and the public. H&M’s response to the September 2015 report demonstrates an attempt to deflect attention and continue with their old model of operations in Bangladesh. However, H&M may not be able to escape this round of public scrutiny.

A widespread boycott of H&M poses a major risk for the Fast Fashion retailer. H&M’s clothing is not differentiable from other fast fashion brands. Consumers are not brand loyal to H&M; rather, they are attracted to low prices and changing fashion trends. Meanwhile, H&M has gained prominence as a household name that could become synonymous with unsafe working conditions and factory disasters just as Nike’s brand was associated with “sweatshops” in the 1990s. It is an urgent business and moral imperative that H&M take swift action and accountability for their role in protecting garment workers’ safety without being spurred by the loss of a single additional life or another tragedy on the scale of Rana Plaza.

Key Quotes from the International Labor Rights Forum et al’s 2015 Evaluation and Analysis Reports

The International Labor Rights Forum and other stakeholders conclude that despite H&M’s claims to the contrary, the retailer has failed to follow through on their commitments to address critical fire safety hazards as mandated as a signatory of the Accord in strikingly irresponsible ways.

Concerning the Removal of Locking Doors

“H&M has no way of knowing whether exit doors in its supplier factories are being locked during the workday, since it does not have inspectors in the factories on most days. This is why the Accord requires that lockable doors be removed entirely and replaced by doors that can always be opened from the inside. This is the only way to know for sure that reckless factory managers are not locking doors, as has been a common practice in Bangladesh”

Concerning Fire Exits

“H&M’s claim that all of its supplier factories have emergency exits is an outright falsehood[...].” As H&M admits, more than two years after it signed the Bangladesh Accord, ‘some’ (actually, most) of its supplier factories still lack proper fire doors, and therefore do not have fire exits.”

Concerning Stairwell Enclosures

“Any factory where a lack of stairwell enclosure and fire doors has been identified, but where these hazards remain uncorrected, is effectively a death trap”

Quotes from (“Analysis: H&M’s Response to Report on Safety at Bangladesh Supplier Factories | International Labor Rights Forum,” 2015) and (“Evaluation of H&M Compliance with Corrective Action Plans for Strategic Suppliers in Bangladesh | International Labor Rights Forum,” 2015).

Conclusion

Lives of garment workers all around the world are put at risk to meet the demand of Fast Fashion retailers and consumers. Mindless hyper-consumption of ready-made garments is one of the wicked problems society will have to face if we are to bring value to every segment of the global supply chain. With the garment death toll rising due to lack of safety compliance from MNCs, factory owners and the government, global awareness of horrific disasters and human rights violations in the garment industry is mounting. One could hope that the dominant Fast Fashion mental model of “more for less,” perpetuated by retailers like H&M, is weakening as retailers are forced to become more transparent and that it is only a matter of time before ethical supply chain leaders such as Everlane are strong influencers in this industry.

Similarly, the global community will be forced to revise the prevailing mental model of “growth is good” that has led factories in countries like Bangladesh to aggressively strive to meet production targets for international buyers at all costs. The pressure of this system dynamic rests on the shoulders of garment workers, resulting in intentional negligence that leads to events like the collapse of the Rana Plaza and numerous factory fires.

Countless initiatives spearheaded by international agencies, corporations, the Bangladeshi government and the International Labor Organization (ILO) attempt to prevent another Rana Plaza. However, the numerous protocols simply serve to cloud the issues of safety compliance without adequately addressing key issues within the system such as information transparency.

Surprisingly, the Bangladeshi government, known for lax regulations, charged 41 complicit individuals, including government officials and owners of the Rana Plaza, with murder (Manik & Najjar, 2015). Sohel Rana, referred to as “the most reviled man of Bangladesh,” is facing the death penalty (Manik & Najjar, 2015). His conviction would serve as partial justice for the victims killed and injured on April 24, 2013. “Directly or indirectly, international brands are...interlinked with men like Mr. Rana,” (Manik & Najjar, 2015) reverberating complicity to higher segments of the supply chain. With ever-increasing awareness and a demand for global supply chain ethics, the key actors in this system have two choices: continue business as usual and drive the system toward collapse, or set out as leaders in a new age of apparel manufacturing; an age in which a worker can seek a better life without putting their life at risk for a t-shirt.



Photo Credit: Suvra Kanti Das



Photo Credit: Suvra Kanti Das

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