

Mapping Bangladesh's tanning and leather industries

Summary, October 2015

Introduction

This briefing presents the results of field and desk research conducted by the Centre for Research on Multinational Corporations (SOMO) and Capacity Building Support Group (CBSG) into the leather sector in Bangladesh. This research has been commissioned by Mondiaal FNV and the Bangladesh Labour Welfare Foundation (BLF).

BLF is working with associated unions to organise and support workers in the tanning and leather industries in Bangladesh, and develop campaign, advocacy and engagement strategies to improve working conditions in the sector. As pressure from international brands and buyers can help improve working conditions in Bangladesh, it is important to understand the supply chain links.

To this end, the objective of this study is to provide insight into the supply chain links between Bangladesh's tanning and leather industries, and export markets. A second objective is to provide information about the working conditions in the Hazaribagh-based tanneries and leather workshops.

The Bangladesh tanning and leather industries

While Bangladesh's leather industry is small compared to the country's garment industry (which offers employment to some 4 million workers), the Government of Bangladesh has identified the leather industry as being of key importance to the Bangladeshi economy in terms of growth and export potential. In Bangladesh this industry consists of two sub-sectors, namely tanning and production of leather goods, including footwear. Bangladeshi tanneries and leather workshops produce a full range of leather, from wet blue to finished leather, and leather products ranging from bags and belts to shoes. The majority of the sector's production takes place in and around Dhaka, most notably in Hazaribagh.

Over the past decade the export value of Bangladeshi leather and leather goods has grown significantly. Compared to ten years ago, the production of leather and related products has grown by about 50 per cent and the country now has an approximately 2-3 per cent market share of global leather production.¹ This growth potential presents opportunities, as well as challenges related to the labour conditions of workers in the country's tanning and leather industries.

Leather exports from Bangladesh

On average, 0.25 million tons of raw hide is processed into leather and leather goods every year in Bangladesh.² Although domestic hides and skins account for 90 per cent of the raw material used for these leather products, Bangladesh also imports hides and skins to process.³ Around 50 per cent of the leather processed in Bangladesh is exported, mainly in the form of semi-finished leather. The

¹ Bangladesh Board of Investment, "Leather and leather goods," no date, <<http://www.boi.gov.bd/index.php/potential-sector/leather-and-leather-goods>> (27 July 2015).

² Ernst & Young, "Sustainability in the leather supply chain – Research for MVO Nederland, December 2013, <<http://www.mvonderland.nl/publicatie/sustainability-leather-supply-chain>> (27 July 2015).

³ Business Promotion Council website, "An abridged overview of Bangladesh Leather Sector," no date, <http://bpc.org.bd/lsbpc_bridge_overview.php>

remaining 50 per cent is used for the production of shoes and leather goods.⁴ Export of finished leather and footwear and leather goods is estimated at 50.14 million square feet per year.⁵

Over the past decade the value of leather exports has grown by an average US\$ 41 million.⁶ With a total export value of US\$ 883 million in the financial year 2013-2014, leather and leather products amounted to 2.4 per cent of total export income and an estimated 1 per cent of GDP.⁷ The two most significant types of leather being exported from Bangladesh are cow (60 per cent) and goat (10 per cent) skin leather.⁸ The export value of leather goods has more than doubled over the past decade, totalling US\$ 249 million in 2014-2015.⁹ The export revenue generated by the leather footwear sector in Bangladesh totalled US\$ 483 million in 2014-2015.¹⁰

The leather supply chain

Agents and buying houses play an important role in the export of leather and leather products, but tanneries sometimes also have direct relations with foreign leather goods manufacturers. The main export destinations for leather are Hong Kong, China, Italy, Korea, Taiwan, Japan, Vietnam and Spain. In these countries the leather from Bangladesh is used for the production of belts, wallets, bags, purses, shoes, jackets and so on. Some of these leather goods manufacturers (such as White Industry from Korea) are supplying well-known international brands.

Leather goods are mainly exported to China, Belgium, Germany and the United States. And with 50 per cent of leather footwear production going to the EU, Europe is the biggest destination for footwear exports from Bangladesh, followed by Japan and the United States.¹¹ The research team identified several specific supply chain links, but the general lack of transparency in the industry makes it difficult to uncover relationships between brands, retailers and producers of leather in Bangladesh.

The research revealed that companies sourcing leather footwear from Bangladesh include Timberland, Decathlon, Hugo Boss and Deichmann. Deichmann, parent company of amongst others Dutch shoe retailer van Haren, sources footwear from Apex Footwear Limited, one of Bangladesh's biggest tanners and footwear producers. Apex further confirms it also supplies brands as, J.C. Penney and Macy's,¹² Although Deichmann confirms it sources leather footwear from Apex, the leather used for its products does not originate from Bangladesh, but is imported from South America and Australia at its wet blue stage.¹³ Similarly, Decathlon and Hugo Boss confirm sourcing shoes made of leather or with leather detailing from Bangladesh, but indicate the leather used for its products is not sourced from Bangladesh.¹⁴ Also, H&M produces shoes in Bangladesh, but only made from polyurethane (fake leather). H&M indicated they have a ban on leather from Bangladesh due to

4 The European Union's INSPIRED Program for Bangladesh, "Technical Report Leather Sector", January 2013
<http://euinspired.org.bd/docs/grant_scheme/INSPIRED%20-%20Leather%20Sector%20Report%20-%20Jan%202013.pdf> (27 July 2015).

5 Business Promotion Council website, "An abridged overview of Bangladesh Leather Sector," no date,
<http://bpc.org.bd/lsbpc_bridge_overview.php>

6 Ernst & Young, "Sustainability in the leather supply chain – Research for MVO Nederland, December 2013
<<http://www.mvonderland.nl/publicatie/sustainability-leather-supply-chain>> (27 July 2015).

7 Central Bank of Bangladesh, "Commodity-wise export receipts," no date.
<https://www.bb.org.bd/econdata/export/exp_rcpt_comodity.php> (27 July 2015).

8 Central Bank of Bangladesh, "Commodity-wise export receipts", no date
<https://www.bb.org.bd/econdata/export/exp_rcpt_comodity.php> (27 July 2015).

9 Export Promotion Bureau, Statistics Product-wise, July 2012 – June 2015
<<http://www.epb.gov.bd/index.php/home/productexportdata>> (27 July 2015).

10 Export Promotion Bureau, Statistics Product-wise, July 2012 – June 2015
<<http://www.epb.gov.bd/index.php/home/productexportdata>> (27 July 2015).

11 Export Promotion Bureau, Statistics Product-wise, July 2012 – June 2015
<<http://www.epb.gov.bd/index.php/home/productexportdata>> (27 July 2015).

12 Response to review request, email sent by Apex Footwear Limited, 23 July 2015.

13 Interview with Andreas Tepest, Deichmann, 16 July 2015.

14 Response to review request, email sent by Decathlon, 17 July 2015 and Hugo Boss, 24 July 2015

poor tanning processes in the country. The company does not buy any leather or leather products from Bangladesh.¹⁵

Working conditions in the leather industry in Hazaribagh

Some 50,000 people work in footwear production with another 10,000 engaged in the production of other leather goods. Furthermore, around 15,000 (predominantly male) employees work in the tanning industry. The research reveals that there are **under-age workers** in the workforce. The youngest worker interviewed was 11 when she started working for a Hazaribagh tanner. In total, 22 per cent of the interviewed workers were younger than 18 at the start of their employment and seven per cent of the interviewed workers were younger than 14 when they started working for their current employer. In addition, workers at one tannery and at one workshop indicated that several of their colleagues were younger than 14 years old. Among the interviewed workers, the percentage of underage girls is slightly higher than the percentage of underage boys.

A major concern for workers in tanneries and leather workshops, as uncovered by this research, is the **precariousness of their employment**. Although most of the tannery workers have a long-standing working history with their employers, only 20% of the tannery workers interviewed signed a contract with their employers and of the other interviewees 16% had no proof of their employment whatsoever. Moreover, 45% of the leather workers had no proof of employment and only one leather worker indicated she signed a contract with her employer, however, without receiving a copy of that contract. In addition, none of the leather workers and most tannery workers did not receive pay slips.

Furthermore, tannery and leather workers in Hazaribagh work extremely long hours. Most workers perform overtime, ranging from three to 30 overtime hours a week. Consequently working weeks of more than 60 hours are commonplace. In the most extreme cases, working weeks added up to 78 hours.

Wages, which are paid in cash on a monthly basis, are far **below the living wage** for Bangladesh (the Asia Floor Wage campaign calculated that a living wage would be BDT 25,687¹⁶) and also do not meet the minimum tannery worker wage of BDT 11,000, for which the Tannery Workers' Union strives. According to workers themselves, their earnings are largely insufficient to provide for their basic needs. A salary increase is therefore the most important issue in need of improvement of the interviewed workers. The regular monthly wages reported by interviewees ranged from BDT 4,300 (US\$ 55.30) to BDT 15,000 (US\$ 192.90) for tannery workers and BDT 4,000 (US\$ 51.44) to BDT 10,500 (US\$ 135.03) for leather workers.¹⁷ Overtime rates per hour ranged from BDT 20 (US\$ 0.26) to BDT 46 (US\$ 0.59) for tannery workers and BDT 17 (US\$ 0.22) to BDT 44 (US\$ 0.57) for leather workers.

Occupational health and safety issues are of major concern for workers, but not all workers are aware of the health risks they face. Tannery workers describe their workplaces as hot, smelly, unhygienic and – in some cases – insufficiently lit. Less than 20% of the workers indicated that their employers provided them with protective gear and even less said they had received training on occupational health and safety issues, despite the fact they have to work with chemicals that may pose risks to health. Leather workers do also not receive proper protective gear and training on occupational health and safety issues. Additionally, nearly half of the interviewed tannery workers and 20% of interviewed leather workers testified that they had experienced work-related illnesses or injuries.

¹⁵ Response to review request, email sent by H&M, 13 July 2015.

¹⁶ Asia Floor Wage website, "Asia Floor Wage – what is it and why do we need one?", no date < <http://asia.floorwage.org/what> > (30 October 2015).

¹⁷ When converting Bangladesh Taka to US Dollars the currency rate of 23 June 2015 was used. The currency rate of 23 June 2015 was 1 BDT = 0.0128603 US\$.

Right to organise

There are four active trade unions in Bangladesh's tanning industry and almost all tannery workers interviewed were members of one of them – mostly of the Tannery Workers' Union, the biggest and most active union in Hazaribagh. Because of the small sizes of the tanneries (in terms of number of workers) it is not possible to organise at plant level. Unlike in the garment industry, in the leather industry temporary workers can become member of a trade union. The research reveals that while the unionisation level in the tanning industry is quite high, there is no dedicated union for leather workers, and the workers in the Hazaribagh leather workshops are largely unaware of the benefits of joining a trade union and are generally not organised in unions.

In the tanning sector there is a sectoral collective bargaining agreement between TWU and the two owners' associations (BTA and BLLGFEA). It is renewed every two years when TWU presents a charter agreement and negotiates with the owners' association. If bilateral negotiations fail, they engage in a tri-partite negotiation that includes the government. Although TWU has a good position because it represents a large group of workers, the owners' associations have shown to be much more powerful.

Relocation to Savar

For years there have been plans to relocate tanneries from Hazaribagh to a new site in Savar, Dhaka, ten kilometres further North. The relocation is deemed necessary to solve the current pollution of the Buriganga river caused by effluent from Hazaribagh's high number of tanneries. The new site would include a modern effluent plant to address current adverse environmental impacts. Although the construction of new tanneries offers opportunities for improved workplaces, the fact that there are currently no plans to build social facilities such as houses, schools, medical facilities and mosques means that relocation will negatively impact workers' and their families' lives.

Although the relocation of tanneries to Savar has been delayed for many years, it seems inevitable that in the end the relocation will take place. It is of the utmost importance that both the government and the employers fulfil their duties and responsibilities towards the workers. In addition, tanning industry trade unions must make sure they have permission, access and accommodation in order to be able to conduct their work at the new site.

Addressing workers' issues in the Bangladesh tanning and leather industries

In line with the UN Guiding Principles on Business and Human Rights, the Bangladesh government, governments of countries at the buying end of the supply chain and corporate actors all have distinct roles and responsibilities to address workers' issues. The Bangladesh government should in the first place ensure that the rights of workers are protected in accordance with international norms and standards – through appropriate policies, regulation and adjudication, including, as a first step, ratifying all relevant ILO Conventions. The Bangladesh government could further play a constructive and facilitating role towards bringing together corporate and non-governmental stakeholders in order to discuss and resolve on-going labour issues in the Bangladesh tanning and leather industries. One of the current pressing issues is the relocation to Savar. The Bangladesh government should ensure that facilities for workers are built at the new site, which offers opportunities for improved working and living conditions which is urgently needed.

Governments of countries at the buying end of the supply chain also have a role to play in the protection of workers' rights. These governments should develop regulations that oblige companies to be transparent about their supply chain and report about their due diligence procedures. They should further take measures to ensure that companies domiciled in their territory/jurisdiction respect human rights throughout their supply chains, introduce legislation that holds these companies accountable for human rights violations throughout their supply chains and facilitate access to remedy for workers whose rights have been abused. These governments could further raise concerns on labour rights

violations in bilateral contacts with the Bangladesh Government and support efforts by the Bangladesh government to address those.

Corporate responsibility to respect workers' rights

Brands, retailers and manufacturers should identify, prevent and mitigate risks and negative impacts of their own activities and of companies in their supply chain. This means that companies need to proactively **map their entire supply chains** and look into the human rights risks of their activities, including their supply chain and business relations, and develop strategies to address these risks. Due diligence requires that business enterprises have policies and processes in place through which they can both know and show that they respect human rights in practice. Consequently, social auditing, monitoring and corrective actions should not be limited to the end-manufacturing units, but need to be extended up the supply chain. This includes second and further tier suppliers, subcontracted units, down to the informal sector. This includes, for example, tanning units in their supply chains. Moreover, **transparency** about first- and further-tier suppliers and any monitoring and improvement processes, is an important prerequisite for enabling different actors along the supply chain to address labour rights violations and improve working conditions. Brands and retailers should share information about first- and further-tier suppliers. Workers that are adversely affected by corporate activities, as well as local trade unions, need to know information about buyers to push claims for redress or compensation in cases where workers come away empty-handed when calling upon their employer. Currently, such supply chain information is not available. A handful of brands (including H&M and Timberland) disclose supplier list. However, this information is limited to the first tier and does thus not include tanning units.

This research revealed that wages in the tanning and leather industry are not sufficient for workers to meet their basic needs. Manufacturers should pay a **living wage**. A living wage is a wage paid for a standard working week meeting the basic needs of workers and their families and to provide some discretionary income. Basic needs include costs like housing (with basic facilities including electricity), nutrition, clothing, healthcare, education, drinking water, childcare, transport, and savings. Buying companies should develop a pricing policy that takes the social and environmental quality of sourced products into account and that enables suppliers along the supply chain to pay fair wages to their employees. It is furthermore important to protect and respect the right of workers to form and join trade unions and to bargain collectively. **Independent trade unions** should be able to play their designated roles. These enabling rights permit workers to defend their rights, voice grievances and negotiate wages, as well as improving employment conditions. (Buying) companies should support and facilitate the training of management, workers and workers' representatives (both separately and jointly) in freedom of association, collective bargaining, labour-management relations, child labour, etc. Such training should be delivered by trade unions or credible labour rights organisations. In addition, grievance procedures should be put in place. Companies should ensure the establishment of genuine and credible **grievance mechanisms** at both buyer and supplier level.