Doomed Factories Raced to Fill Orders

BY SYED ZAIN AL-MAHOOD

DHAKA, Bangladesh—Factory owners accused of forcing staff back to work in a building shortly before it collapsed and killed about 400 people last week were under financial pressure because political unrest had scared off buyers, company executives said.

The companies lost orders to rival garment makers in other countries after protests in Bangladesh since February led to strikes and port blockades ahead of elections next year.

The $20-billion-a-year garment industry had lost $500 million in export orders due to the earlier turmoil, the Bangladesh Garment Manufacturers and Exporters Association said this month. Western buyers had shifted many of those orders to India, it said, warning that some of the three million jobs in the sector were at risk if instability continued.

Workers for all five factories in the building said in interviews they were urged by factory managers Wednesday morning to return to work at Rana Plaza, in Savar, a commercial hub north of Dhaka, despite warnings from engineers that an exterior crack on the building made it unsafe. It collapsed hours later.

Just before last week's disaster, two of the factories—Phantom Apparel Ltd. and Phantom Tex Ltd.—were rushing to complete an order from Spanish fast-fashion retailer Mango MNG Holding SL, said factory executives who survived the building collapse.

Those two factories, owned by Aminul Islam, a Dhaka-based businessman, and the other factories had been unable to fill orders due to the chaos, said the factory executives and trade association members. When Mr. Islam won a contract with Mango, he was eager to make it work, the executives said.

“The owner told us that the company had lost $121,000 worth of orders and that they were in a bind,” said one Phantom executive.

“Workers were told not to miss a single day of work since they were losing so much time due to political unrest.”

Mr. Islam and the owners of the other factories turned themselves in to police over the weekend after authorities ordered their arrest for criminal negligence. The building owner is also in police custody. The men in custody haven’t yet been charged. Lawyers for the men couldn’t be reached or declined to comment.

Sayed Shah Jamal, Phantom Apparel’s quality-assurance manager, was rescued from the wreckage, said of the work for the Mango contract, “The fabric had just come in and we were all working very hard to ship the order before the June deadline.”

Documents recovered from the factory site by labor activists and reviewed by The Wall Street Journal show one order for 35,000 units of boys’ polo shirts and girls’ leggings for Mango’s Autumn-Winter collection.

Phantom Apparel and Phantom Tex, with a total of 10 production lines between them with 60 seamstresses on each line, were rushing to complete the order, the executives said.

The factories, which also supplied clothes to other European retailers, had been audited by Mango executives in October to determine safety standards and work conditions, one factory executive said.

“The audit team found some problems and were due to arrive this month for a follow-up audit,” the executive said. “They canceled the visit due to general strikes in the country.”

Mango contradicted the Phantom executives, saying it was in talks with the factory to place a test order but that it hadn’t yet authorized it to do work and hadn’t yet begun an audit. On Monday, Mango stood by its earlier statements.

“Even so, notwithstanding the social audit, it would have been impossible to detect the structural defects of the collapsed building,” the company said.

Another factory in the building, New Wave Style Ltd., also had problems with delayed shipments and was facing onerous debt repayments, said Annisul Huq, a former president of the Bangladesh garment manufacturers’ association.

The factory, owned by Mahbubur Rahman Tapas and Bazlus Samad Adnan, decided to keep operations going after the warning from building engineers.

“They were under tremendous pressure to meet shipment deadlines,” Mr. Huq said.

New Wave couldn’t be reached for comment.

Documents recovered from the building site showed the factory received an order from Italy’s Benetton Group SPA through an Indian agent in August 2012. The order was for 45,000 sleeveless shirts and 27,000 full-arm shirts.

Benetton initially denied any connection to the factory. But on Monday, after labor groups found Benetton-labeled clothing and production documents in the rubble, the company acknowledged a “one-time, subcontracting order that was completed several weeks ago,” a Benetton spokeswoman said.

She said the company had removed the manufacturer from its supplier list after completing the one-time order “as we found that the manufacturer no longer met certain of our standards.”

Other companies that contracted work in the building included Canadian retailer Loblaw Cos. and Primark, a European budget fashion chain owned by Associated British Foods.

Both companies said Monday they would pay compensation to victims of the building collapse and urged other retailers to follow suit. Primark said payments will be made to injured garment workers, children who have lost parents and other family members of the deceased.

“We are fully aware of our responsibility,” Primark said. “We urge these other retailers to come forward and offer assistance.”

 Authorities said they detained building owner Sohel Rana on Sun-
day as he was allegedly attempting to flee to India. Authorities allege he built Rana Plaza without acquiring mandatory safety permits.

The death toll from the accident, after rising rapidly in recent days, reached about 400 people as of Monday.

Rescuers fear the toll could still rise as the salvage operation shifts from search and rescue to recovering corpses buried in the wreckage.

Tens of thousands of workers have gone on strike in recent days, clashing with police, ransacking garment factories and vandalizing cars. Police have responded with tear gas and rubber bullets.

—Shelly Banjo and Christina Passariello contributed to this article.
Factory Paychecks Trump Danger, Long Days for Bangladesh Women

By Gordon Fairclough

KUPDHON, Bangladesh—Five weeks after Mahinur Akhter was dragged, bloody and barely conscious, from the broken concrete of the collapsed Rana Plaza garment-factory building, the teenage girl was back in her hometown, trapped between duty and fear.

In the shade of her family’s mud-walled house, Ms. Akhter weighed the $90 to $100 a month she could earn as a seamstress against long hours, harsh supervisors and the terror she endured in the rubble.

“Many nights, I dream that I am still stuck in the debris,” she said. “I think I will always be afraid.”

But Ms. Akhter is under pressure to support her widowed mother and pay for her two younger brothers to attend school. The boys dropped out after their father, a night watchman at a saw mill, was killed last year in a traffic accident.

“Without my salary, I don’t know how my family could survive,” said Ms. Akhter, who put her age at 15 or 16. Even her mother isn’t exactly sure.

For millions of young women working on the front lines of Bangladesh’s industrial revolution, global demand for cheap garments provides a chance to lift their families from destitution.

Rapid expansion of the garment business has helped drive up income in a country that ranks among the world’s poorest nations. The number of Bangladeshis living in poverty has dropped by more than 25% since 2000, according to the World Bank. Growth in per-capita GDP averaged about 2.7%
a year in the 1990s, compared with about 4.4% annually in the 2000s.

Western shoppers take advantage of low-price, Bangladesh-made clothes that help fill racks at such giant retailers as Wal-Mart Stores Inc., Hennes & Mauritz AB's H&M and Inditex SA's Zara.

Still, the garment factories extract a personal toll. Workers say they can spend 12 or more hours a day at sewing machines. Many live far from family and home villages, in some cases giving up school to work.

Ms. Akhter was on the fourth floor of Rana Plaza, sewing buttons on shirts, when the walls buckled on April 24. A falling machine tore a strip of flesh from her leg and sheared off part of her right foot. Concrete chunks slammed her head and back, knocking her down.

She was rescued after eight hours and spent 20 days in a hospital. More than 1,100 people perished in the building collapse.

Labor-intensive industries such as garment-making have long served as the first rung on the income ladder, helping poorer countries develop more sophisticated economies and more affluent populations. Thailand and Sri Lanka, for instance, have used apparel manufacturing to fuel their ascents.

Continued growth in Bangladesh will depend on the efforts of Ms. Akhter and other workers, whose relatively low wages help give Bangladesh an international trading advantage, despite the country's rickety transportation system, power shortages and political instability.

Questions about workplace safety after the disaster have raised fears of a mass exodus by foreign garment buyers, which could derail Bangladesh's economic push. Annual per-capita output is about $820, compared with more than $6,000 in China and nearly $50,000 in the U.S.

"Bangladesh is a desperately poor country, and it still needs these jobs," said Salman Zaidi, economist in the World Bank's Dhaka office. "We need better safety, better treatment. But these are still better jobs than most of the other possibilities."

The burden falls disproportionately on the women of Bangladesh. Of the roughly 4 million people employed in garment manufacturing, more than 80% are women. Many are in their
late teens and early 20s, from impoverished rural communities, who work around the capital, Dhaka, or the second-largest city, Chittagong.

“I have to work,” said Ms. Akhter, a slightly built teen. “For women in Bangladesh, garments is the best choice.”

She had finished second grade when her parents, deep in debt, left Kuphaton. The village is in a low-lying area near the Bay of Bengal, where most families grow rice and fish for their food. More than half the residents of the district live below the nation’s poverty line.

The family moved to a traffic-choked industrial belt near Dhaka. Ms. Akhter’s father, Md. Adom Ali, worked as a security guard at a market. Her mother, Sufia Begum, stayed home, tending to the children: her brothers Imran Hassan, 10 years old, and Sohail Hossain, 8, and her sister, Sima Akhter, 6.

Money was tight, even after Mr. Ali got a better-paying job at the saw mill. Ms. Akhter recalled she had one set of clothes that she washed when she bathed. At about 12 years old, Ms. Akhter said, she got a job in a garment factory, trimming threads on finished clothes. She earned about $25 a month.

In Bangladesh, workers aged 14 to 18 are allowed nonhazardous jobs, with limited working hours. One of Ms. Akhter’s relatives said he helped get government certificates stating she was more than 20 years old. With her new papers, she landed a job as an assistant in one of the five factories in Rana Plaza, carrying pieces of garments to the production line. She closely watched the seamstresses to learn their craft.

“I didn’t want to be a helper my whole life,” she said. “I knew I had to get up the courage to try to be an operator.”

One day she persuaded a manager to let her sit at a sewing machine and try it. She was a natural, she said. Her starting salary as a seamstress was $45 a month. With overtime, she could make much more. “I was so happy when Mahinur got that job,” her mother said.

The work was hard. Most days, Ms. Akhter said, she would wake early, dress and eat a breakfast of rice and lentils, or sometimes fish. She walked 30 minutes to the factory and was ready to sew by 8 a.m. Supervisors pushed the seamstresses to work fast, she said. She was expected to stitch together pieces every 30 seconds. Ms. Akhter and other workers said they weren’t allowed to use the bathroom unless they met their production quotas.

When she later moved to garment finishing, Ms. Akhter said, she was expected to sew 10 buttons or more on a shirt in less than a minute, or in an hour attach buttons to the waistbands of 500 pairs of pants.

“I always had to concentrate very hard,” Ms. Akhter said. “I was always worried that if I made any mistakes, they would yell at me and hit me.”

Ms. Akhter and other workers at the two factories in Rana Plaza where she worked in recent years said male managers sometimes hit them and used abusive and profane language. She and others also said workers suffered sexual harassment.

Physical abuse, including hitting, took place on the factory floor and verbal abuse was common, said Sabiha Sultana Mukta, a compliance executive at the factory where Ms. Akhter worked when the building collapsed, Phantom Apparels Ltd. She said she had no direct knowledge of sexual harassment: “When the workers told me about abuses, I took it up with the production manager and line chiefs. I was told to mind my own business.”

Moazzem Hossain Khan, a lawyer who represents Aminul Islam, the owner of Phantom Apparels, said Mr. Islam was “unaware of any reports of verbal or physical abuse.”

Mr. Islam, along with the owners of the other factories in Rana Plaza and the building’s owner, are in police custody, as prosecutors investigate whether they had any connection with the accident, authorities said.

Mr. Khan said many people in Bangladesh lack birth records and can easily obtain papers saying they are old enough to work. “It is not the legal responsibility of factories to verify the validity of the age on a document,” he said.

Asked about sexual harassment, Mr. Khan said that the “style of dress” of some unmarried garment workers “sometimes influences their supervisors to harass them.” But, he said, it doesn’t happen often and complaints are investigated and perpetrators fired.

On occasion, the lawyer said, factories “must force people to work overtime” to deliver a shipment on time if national strikes disrupt production.

Ms. Akhter and the other operators said they usually worked until 9 p.m. or 10 p.m. Four or five times a month, she said, they would work until 3 a.m. or 6 a.m. to meet deadlines. She was expected to return by 8 a.m.

Her siblings were often asleep when she returned home, at the time a single room shared by six people. “At night, I was so exhausted,” she said. “My whole body ached.”

But the family’s finances had never been better. Ms. Akhter was bringing home about 7,000 taka, or about $90 a month, including overtime. Her father’s salary was 5,000 taka a month. They ate well. Ms. Akhter’s brothers enrolled in school. And the family got its first cellphone, which Ms. Akhter used to listen to Bengali movie music.

Last year, Mr. Ali was hit by a truck while crossing a street on his way home from work and died hours later. The medical bill cost the family $215, roughly twice the monthly income. They carried his remains back to their village.

With Ms. Akhter as the sole breadwinner, her mother and siblings returned to Kuphaton, where they could live free in her cousin’s house. Ms. Akhter kept about $25 a month, barely enough for expenses, and sent the rest of her pay home. “If I gave them any less, they wouldn’t have enough food,” she said. “I was always thinking about that. What I earned determined how much they could eat.”

The day before Rana Plaza collapsed, word spread about cracks in the walls of the third floor. Workers were sent home. The next morning, managers pushed employees to return to work, according to workers and labor activists.

At Phantom Apparels, where Ms. Akhter worked, supervisors “were pressing us to work. They said we needed to send a shipment,” Ms. Akhter said. Anyone who didn’t work would lose a month’s salary, she said.

In the days after the accident, Phantom managers told The Wall Street Journal that the factory was rushing to complete orders for a foreign buyer and was behind schedule because of general strikes called by political parties. Mr. Khan, the lawyer, said inspectors summoned by the owner of Rana Plaza declared the building safe. He said Mr. Islam, the owner of Phantom, “had no knowledge” workers had been ordered back to work.

Ms. Akhter had been stitching buttons on men’s shirts for almost an hour when the factory shuddered and the concrete walls and floors gave way, trapping workers in a tangle of debris. She heard people screaming. Using light from a cellphone, she saw two lifeless bodies. Then she lost consciousness.

Ms. Akhter’s cousin, Jahangir Alam, who lived nearby, rushed over. He called Ms. Akhter’s mother. They both feared Ms.
Akhter was dead.

“Mahinur’s dad died just nine months ago. If something happens to her, how will we survive?” her mother, Ms. Begum, recalled thinking. “I cried all day.” At 8 p.m., she learned her daughter had been rescued.

After her release from the hospital, Ms. Akhter returned to the two-room flat where she lived with her cousin Mr. Alam, his wife and two children. The densely populated neighborhood houses many garment workers. Goats and dogs rummage in heaps of trash that line muddy roads. There are open sewers.

Ms. Akhter’s room has a bare concrete floor and a fluorescent tube for lighting. One corner doubles as a rudimentary kitchen. The bathroom, shared with three families, is down the hall. She and a 13-year-old cousin sleep on a thin mattress, covered by a pink mosquito net.

“As soon as the pain gets better, I will go back to work,” Ms. Akhter said. “There really isn’t any other choice.” With her experience, she should easily find a seamstress job at one of the hundreds of nearby factories.

Before going back to work, she wanted to see her mother and siblings for the first time since the disaster. She was joined on the trip home by Mr. Alam, along with a reporter from the Journal, a translator and photographer. They traveled in a van rented by the paper.

Sitting on a platform bed in the front room of the family house, Ms. Akhter told her mother and brothers the story of the collapse. Her 6-year-old sister lives at a Muslim religious school in a nearby city. The boys, Imran and Sohail, listened wide-eyed, as Ms. Akhter recounted her ordeal. Her mother sobbed and prayed. “I was so scared she was dead,” Ms. Begum said.

The next day, Ms. Akhter watched her brothers play marbles in the muddy lane in front of the house. “I wish I could stay here,” she said. “People my age should be in school, not at work. But because my family is poor, I need to have a job.”

Her brothers said they would miss their sister when she returns to work. But, said Imran, “We want to go back to school. School is fun. Most of our friends go to school. But we can’t afford it right now.”

Imran said he hoped to one day be a doctor, once the dream of Ms. Akhter. Sohail said he wanted to be an army officer.

With Ms. Akhter out of work for more than a month, the family is getting by with help from Mr. Alam. “He can’t keep helping us for much longer,” said Ms. Begum. “He also has a family.”

The morning of her return to Dhaka, Sohail carried Ms. Akhter’s small suitcase on his head. Ms. Akhter and her mother followed behind, arm-in-arm. They said goodbye, surrounded by flooded rice fields. The broad waters of the Bishkali River shimmied in the distance.

“We need Mahinur to work,” Ms. Begum said. “The whole family is dependent on her. I fear for her safety. But she needs to go.”

As Ms. Akhter settled into her seat in the back of the van, her mother pulled her red-and-orange head scarf across her face to hide her tears. Ms. Akhter didn’t look back.

—Sean McLain and Syed Zain Al-Mahmood contributed to this article.
DHAKA, Bangladesh—On two floors of an olive green building with insufficient emergency exits and a too narrow fire escape, women in Saifur Rahman’s factory sew fleece sweatshirts for European shoppers.

Yet the global brands whose clothes he makes don’t always know about him, Mr. Rahman says. Often, he says, they believe their clothes were made at bigger factories—ones they have vetted for safety—located miles away.

Mr. Rahman gets the work because sometimes the original factories decide to subcontract it out. Maybe they have taken on too many orders, or fear missing a deadline.

Mr. Rahman acknowledges his factory doesn’t meet all safety standards. His cutting room, for example, has only one emergency exit where it should, by law, have two. His workers are also sitting too close together, according to Bangladeshi law, and an exterior escape staircase is several inches too narrow. During one recent visit, these steps were slippery with food scraps.

Mr. Rahman hopes to fix some of these things this year, he says.

Mr. Rahman’s factory is one of a spreading network of subcontractors who play a central role in the world’s garment trade. This is particularly true in Bangladesh, where Wal-Mart Stores Inc., H & M Hennes & Mauritz AB and Zara make some of their clothes.

Garment-trade veterans say the industry simply wouldn’t run without these subcontractors. As for Mr. Rahman—a former garment worker himself who saved up and opened his own plant four years ago—someday, he says, he intends to run a first-class facility.

“The workers, staff and owner will live there, eat there, do everything together,” Mr. Rahman says. He described his “dream” factory as having housing, an artificial lake and lots of parking, “It would be like a family.”

In recent months, he says, he has improved worker conditions. But until earlier this year, he says, he wasn’t even aware he was supposed to give his roughly 260 workers a certain number of sick days.

The spread of poorly regulated subcontractors is one of the main problems in a garment trade that has suffered deadly accidents. In April, the Rana Plaza factory complex in Bangladesh collapsed, burying more than one thousand people. Over the past eight months, factory fires have killed about 130 people.

Meantime, retailers sometimes have little idea where some of their clothes are made. Many retailers don’t maintain the manpower in Dhaka or other garment hubs to regularly check on factories that are supposed to be making their clothes.

“An order could be produced in 20 different units and it comes to one place for final inspection,” says Zulfiqar Ali, executive director at the Bangladesh office of U.K.-based Synergies Worldwide, a buying house that works with manufacturers to fill orders for retailers.

Retailers including Wal-Mart, Gap Inc., H&M, Inditex SA’s Zara and others say they have strict rules about subcontracting. For instance, manufacturers who deal directly with retailers typically sign a code of conduct that requires them to disclose subcontractors so that those factories can be inspected.

But people familiar with the industry say manufacturers that are running late often skip the disclosures to save time. Approving a factory for subcontracting generally happens after auditors can make unannounced
visits to manufacturers, but that can take several weeks to set up and complete.

Western brands have blamed unauthorized subcontracting in the past when their clothes were found in factories where disaster struck. After a fire in November in Bangladesh that killed more than 110 workers, Wal-Mart girls’ shorts were discovered in the charred ruins. Wal-Mart said its authorized manufacturer, which it later dismissed, had subcontracted without its knowledge.

Two months later, labels for brands sold by Spain’s Inditex, Zaras’s parent, were found at another Bangladesh factory fire. The company said the order had been subcontracted without permission.

At Rana Plaza, orders were being filled for some brands, such as French label Caméale, in the building without their permission, the companies say. Other retailers, including Italy’s Benetton SpA, say they had given permission for one-time subcontracting or trial use of factories in Rana Plaza.

When a Wall Street Journal reporter visited Mr. Rahman’s Texco Fashion Wear Ltd. factory in May and June, he was working on orders for several foreign retailers. His factory was making black fleece sweatshirts for German discounter KIK and men’s jersey shirts for the label Avant Première for Swiss department-store chain Manor AG.

Mr. Rahman, 47 years old, says two foreign orders in his factory came from larger factories that sought his help because of political and worker unrest that led to production delays. He said one of the orders came to him from a local buying agency, a firm that places retailers’ orders with manufacturers.

The buying agency confirmed working with Mr. Rahman, and an executive described him as “motivated,” saying he had requested an audit in order to improve his business.

One of the factories identified by Mr. Rahman as sending the business his way denied subcontracting to him. The second factory said an employee no longer with the firm had subcontracted a small project to Texco, on a “test basis,” without informing management.

KIK Textilien und Non-Food GmbH said Mr. Rahman’s factory wasn’t authorized to make its clothes and that it wasn’t aware its products were being made there. “This was an illegal subcontracting for which we have zero tolerance,” a spokeswoman said.

Michael Arretz of KIK said the company investigated and found that the original factory faced delays partly because labor strikes at a port had held up the needed fabric. KIK said it would fine the factory that sent the work to Texco €5,000 ($6,600).

Mr. Rahman said he believes retailers should be informed about the work sent to him. He said he also believes retailers’ local agents often know of the subcontracting but don’t tell the retailer for fear of losing future orders.

Manor AG, which is part of Maus Frères SA, owner of the Lacoste label, confirmed that its China sourcing office had placed a small order with Texco, via a Bangladesh agent, for its Avant Première label. It said it has since decided not to place new orders after efforts to improve standards at the factory fell short.

Those efforts included a February visit to the factory by its China-based sourcing office, and an independent audit in January. The audit showed “massive breaches of our code of conduct at Texco,” said Elle Steinbrecher of Manor. Manor’s sourcing office made a list of repairs and improvements for Texco to retain its business, she said.

But when the head of Manor’s sourcing office in China paid a second visit to the factory, in April, it found the improvements hadn’t been made, Ms. Steinbrecher said.

Mr. Rahman confirmed the visits and acknowledged he hadn’t made all the changes sought, such as creating the second cutting-room exit. He said he wanted to make the improvements but can’t add another exit until his landlord carries out paving work around the building.

Nor is Mr. Rahman able to provide more space between rows of machines, as he says Manor advised, because the rooms are too small. He says he can’t get more space unless another factory leaves the building.

Manor declined to say what changes it sought. A spokeswoman said the two sides disagree on what the safety violations are.

Putting a number on the subcontractors in Bangladesh and other garment-producing nations is tough. But executives, activists and retailers say use of unauthorized subcontractors is pervasive. As many as half of the roughly 5,000 factories in Bangladesh are subcontractors, local industry officials say.

Rubana Huq, managing director of the Mohammad Group, a large company that says it makes clothes for prominent global brands, estimated that just 2,000 of Bangladesh’s factories get export contracts. “The rest do subcontracting,” she said.

It is easy to see why subcontracting is common. If approved factories miss a shipping deadline, they may have to rush the shipment by airfreight, at their own expense, or give the buyer a 5% discount as a penalty.

Depending on the clothes, that is a stiff punishment. Garment buyers said profit margins for basic items hover around 3% to 4%, or about four cents for a plain T-shirt, though they can hit the double digits on more elaborate knit clothes.

Also, Mr. Rahman and others in the industry say some manufacturers intentionally overbook their factories. “The biggest factories take orders based on subcontracting capacity. They may have a two million capacity and they’ll take orders for four million,” said Habib Hirji, managing director of the Bangladesh office of Synergies Worldwide, a buying house.

Retailers say they are becoming stricter after Rana Plaza. Already many are conducting structural inspections of factories they use. A group of 70 mostly European retailers has pledged to sign a binding agreement through which they agree not to hire manufacturers whose factories don’t meet safety standards.

In July the group said it was recruiting a fire inspector. The accord proposes to make public the findings of safety inspections.

Many subcontractors may be unable to satisfy many new requirements, says Jonyal Abedin, a former garment worker who is now a middleman who helps factories source. Mr. Abedin, who has sent work to Mr. Rahman in the past, says that in a good month he subcontractors as many as 80,000 pieces of clothing, earning about one to two cents per piece.

He estimates that only about half the factories he works with will be able to meet stricter building safety standards. Structural improvements, in particular, are difficult and costly, he says.

Mr. Rahman says he hopes to make enough improvements to appeal to retailers directly, leaving behind the subcontracting work, which doesn’t pay as well. The eldest son of farmers, Mr. Rahman said he dreamed of opening his own business since his first job keeping attendance at a garment factory more than 20 years ago, when he earned 1,200 Bangladesh taka a month, or about $15. Eventually, he became a production supervisor.

In 2005, Mr. Rahman and three friends leased a factory in the building where he now operates. He and some new partners eventually took over the space. They spent three million taka, or about $40,000, half of which was Mr. Rahman’s, to get started.

In the early years, Mr. Rahman acknowledges he didn’t pay a lot of attention to worker-protection laws. His main concern was staying afloat.

But he says he wants to upgrade his place to more closely resemble the big factories he has worked at. He hired a compliance manager last year to look at safety and labor requirements and tell him what changes were needed.

In March, his compliance manager placed before him a hefty tome of Bangladeshi labor laws, listing things like the fact that workers are entitled to 14 sick days a year and 11 days to celebrate festivals, among other holidays.

That was news to Mr. Rahman. “I knew about giving Fridays off,” he says, referring to the Muslim religious day. “I didn’t know about all these other holidays.” He also hadn’t always been paying minimum wage, he said, and he had been paying overtime at the same rate as regular hours, not at a higher rate as stipulated.

Mr. Rahman says he has fixed many of these things. And a spot-check with some workers corroborated that. One female employee said that conditions at Mr. Rahman’s factory weren’t great when she first joined at the be-
beginning of the year. “Now, many things have changed,” she said.

Wages rose and overtime pay improved, she said. And recently she participated in a fire drill, the only one she remembers. “There’s a bell,” she said, “then we all have to go out.”

Another employee, who had begun working at the factory in April, said the workplace was better than her previous one because there was “no hitting.”

Of Mr. Rahman, she said, “He’s not a bad guy.” He is usually present, and “he has told us that if the line chief isn’t giving you days off, you come to me.”

In June, Mr. Rahman said he was reviewing wages again, noting that the raises he gave earlier this year had reduced employee turnover, a problem that plagues many firms. But he said the changes he has made this year—worker raises, hiring a doctor to be present once a week, and checking and refilling fire extinguishers every month—have already cost him 400,000 taka in extra monthly costs.

“I always keep this in my mind,” he says. “Today my business is doing well, tomorrow my business can fail.”

—Shelly Banjo, Syed Zain Al-Mahmood and Gordon Fairclough contributed to this article.
The Global Garment Trail: From Bangladesh to a Mall Near You

As foreign retailers embraced Bangladesh’s cheap and speedy garment-making prowess, Bazlus Samad Adnan sensed there was a moment to be seized. “There’s money in the air,” friends of the entrepreneur recall him saying. “You just need to know how to grab it.”

Mr. Adnan and a friend set up a small garment factory, New Wave Style, behind a slum outside Dhaka in 2006, just as foreign clothing giants swept into Bangladesh, enticed by rock-bottom labor costs. Within a few years, his company was doing work for top international brands, such as Italian retailer Benetton Group SpA.

By Syed Zain Al-Mahmood in Dhaka, Bangladesh, Christina Passariello in Milan and Preetika Rana in New Delhi

By then, New Wave Style had moved to the sixth and seventh floors of Rana Plaza, one of myriad factory buildings to sprout amid the nation’s once-in-a-generation economic flowering.

Today, Mr. Adnan is in jail and at least 500 people are dead after last month’s collapse of the eight-story Rana Plaza—one of the worst industrial accidents the world has seen. Bulldozers on Friday pushed at the rubble, uncovering more corpses.

Pressure is now mounting on some of the biggest purchasers from Bangladesh, including Swedish retailer Hennes & Mauritz AB and Wal-Mart Stores Inc. of the U.S., to scale back their exposure to the nation.

Benetton was one of New Wave Style’s latest customers. It was a relatively small client, but in March, just before the building collapse, New Wave Style had completed a Benetton order for 185,000 or so cotton shirts, according to numbers from Benetton and one of its Indian suppliers.
At first, the Italian company denied having any relationship at all with New Wave Style. That initial confusion exposes the complexities of a global supply chain in which retailers assemble sprawling networks of contractors and middlemen—Benetton, for instance, has 700 suppliers, an executive said—to sew their clothes and seek an edge over rivals. These vast networks give retailers flexibility for last-minute orders and lightning-fast turnaround, which are imperative in a fast-fashion era where the latest look can rocket from the runways of New York or Milan to the factories of Asia in no time. The tangled networks also make it difficult to assess blame when something goes wrong.

This account of Benetton’s dealings with New Wave Style in the months before the accident is based on interviews in Bangladesh, India and Italy, as well as from documents recovered by workers’ groups at the scene of the Rana Plaza collapse.

Mr. Adnan has been arrested and jailed on suspicion of criminal negligence, but not charged with wrongdoing. He couldn’t be reached for comment. His lawyer declined to comment. Surviving company officials declined to comment on Mr. Adnan’s arrest.

In an emailed statement, Benetton’s chief executive, Biagio Chiarello, said Benetton is working with the International Labor Organization to improve working conditions. “This is such a tragedy that no one in the industry should feel above it,” he said, adding that the company will make funds available to aid victims.

Separately, a senior Benetton executive said that company officials had made several unannounced visits in the eight months New Wave Style was doing work for them. Earlier this year, before the collapse, the executive said, Benetton had decided not to use the company further.

Bangladesh in a matter of years has become the world’s third-largest exporter of clothing, after China and Italy. Garment exports grew to $20 billion last year, 80% of Bangladesh’s total exports, and a quarter from 2010.

Workers’ representatives say the growth has come at the expense of safety. Some 800 garment-industry workers have perished in fires and other accidents in Bangladesh in the previous decade, excluding the latest disaster. More than 5,000 factories have sprung up in Bangladesh, many of them in buildings like Rana Plaza, whose owner allegedly flouted safety laws.

A preliminary report by a government inquiry committee found that Rana Plaza had been built on the site of a filled-in pond without proper precautions. The committee also said several large generators installed on upper floors caused vibrations that could have contributed to structural instability.

Local authorities have taken action in the wake of the tragedy. On Thursday, authorities suspended a mayor who allegedly allowed the construction of Rana Plaza without safety permits. Neither he nor his lawyer could be reached for comment.

Last week Rana Plaza’s owner, Sohel Rana, was arrested for allegedly constructing the factory without safety permits. The owners of New Wave and three other factories in the building were arrested on allegations that they had forced employees to return to work after an earlier evacuation due to a crack appearing on an exterior wall. None have been charged.

Mr. Rana and the other factory owners couldn’t be reached for comment. Lawyers for all the men declined to comment.

When foreign brands first started to pour into Bangladesh a decade ago, they opted for modern, low-cost factories on their own compounds. Many are located in Ashulia, a special economic zone northwest of the capital, Dhaka.

As business grew, those factories couldn’t always keep up. So they would instead subcontract out to a new breed of factories—smaller places, like New Wave Style.

Set up in 2006 by Mr. Adnan and his friend, Mahmudur Raman Tapash, their original factory got its start only after Mr. Adnan obtained a small sum from his father, a retired bureaucrat, as seed money, friends said. Bangladesh’s garment industry was taking off around that time after the phase-out of a system in which developed countries imposed quotas on garment exports from developing nations. Flashy cars, driven by garment-factory owners, began appearing on the streets of Dhaka, one of Asia’s poorest and most chaotic cities.

In 2009, Mr. Adnan’s company got a big break when a larger factory, which had a long-standing contract with Canadian retail giant Loblaw’s, was unable to fulfill an order. It handed the subcontract to New Wave, according to people involved in the deal.

The next year, New Wave Style expanded to a 40,000-square-foot space in Rana Plaza, located in Savar, a former agricultural area on Dhaka’s outskirts that was fast becoming a garment-industry boomtown. On its website, the factory said it could produce 6,000 items of clothing a day. It detailed safety precautions such as keeping 24 fire extinguishers and 11 smoke detectors on hand.

Rana Plaza was built in 2007 by Mr. Rana, a 37-year-old local businessman, as a multiuse building to accommodate factories as well as shops. Mr. Rana, who is in police custody, couldn’t be reached. His lawyer declined to comment.

He was known locally as an ally of Rafayet Ullah, the longtime mayor of Savar, according to several people with knowledge of the matter. The mayor signed permits for new factories in the area. In an interview before his suspension from office on Thursday, Mr. Ullah said the area was booming and he didn’t have time to seek mandatory safety clearances from a municipal body in Dhaka.

The year New Wave Style moved in to Rana Plaza, 2010, was a good one for Bangladesh’s garment industry. Exports totaled almost $16 billion, a threefold jump from a decade earlier. Retailers were attracted by entry-level wages of $40 per month, a quarter those of China’s. The environment has become tougher since then. Last year, the industry was convulsed by rolling garment-factory strikes after a labor...
leader who had been calling for higher wages was murdered. No one has been charged in the killing.

New Wave began to struggle. It missed shipments and repayments of debt taken out at 18% interest to pay for the move to Rana Plaza, according to interviews with bankers and members of the local garment-manufacturing association who know Mr. Adnan. The Benetton order, placed last September after the fabric had arrived from India, was viewed by the owners as a lifeline, according to New Wave officials who survived the collapse.

As for Benetton, the company has been fighting back stiff competition from so-called fast-fashion brands including H&M and Zara. H&M slashed costs, making its clothes more affordable than Benetton's, and a big part of that strategy was Bangladesh. H&M currently is the largest buyer from the country, followed by Wal-Mart, according to the Bangladesh Garment Manufacturers and Exporters Association.

Benetton's sales were stuck at 2 billion euros in 2011, unchanged from a decade earlier.

In May last year, on announcing disappointing earnings, Benetton said in a statement that it would “act with determination to achieve maximum efficiency of production processes and sourcing.”

Bangladesh was one place where Benetton could put that into action. On top of the low wages, the company benefited from an agreement by which Bangladesh, as one of the world's poorest countries, can export to the European Union without paying duty.

Benetton first produced clothes in Bangladesh about a decade ago. Today, a dozen factories in the country churn out 4% of the company's global garment production, up from 2% five years ago. Three years ago, Benetton opened an office in Dhaka.

Last summer, Benetton also turned to Shahi Exports Ltd., a large Indian garment firm that previously had used only their own factories in India to supply Benetton. “They asked us—for the first time—to manufacture the order out of Bangladesh,” said J.D. Giri, a vice president at Shahi. “Why Bangladesh? Because of duty-free access. It's highly cost-efficient.”

The senior executive at Benetton disputed that, saying that Shahi was unable to fulfill an order and that Shahi suggested subcontracting to Bangladesh.

Mr. Giri said the Bangladeshi factories that Shahi had used previously for subcontracting work not involving Benetton were busy. So employees scouted other locations, drawing up a list that included New Wave.

Last summer, Benetton employees from India and Hong Kong began an assessment to ensure New Wave had the capacity to fulfill an order and deliver it on time, according to the senior Benetton executive. Shahi carried out its own check, Mr. Giri said, which included ensuring compliance with labor laws and safety standards.

It is common in the industry for foreign retailers to order a separate, third-party safety audit of prospective manufacturers. The Benetton executive said the Italian company didn't order a third-party safety audit because it had placed only a first, small order with New Wave.

There is a database of factory audits that many retailers use. It contained the report of an earlier audit conducted by the Brussels-based Business Social Compliance Initiative on behalf of a retail client.

In March of last year, those auditors failed New Wave during an audit because items were missing from the first aid kit, a doctor or nurse wasn't on hand, and workers didn't have sufficient training on machine safety, according to Lorenz Berzau, BSCI managing director. Mr. Berzau, in an interview, said his audits aren't designed to investigate the structural soundness of factory buildings, only factory-floor issues.

In September, Benetton put through its first order with New Wave for 145,000 garments, according to documents reviewed by The Wall Street Journal. Shipments were late and sometimes incomplete, raising concerns about the factory's management, according to the person close to the situation.

In December, the shipment was delivered to Benetton logistics sites in Treviso as well as Shenzhen, China, before being sent to markets such as the U.S., Mexico and Russia, according to the documents.

Benetton then put in a second order in January for 40,000 pieces, according to the company. It was delivered at the end of March, just before the building collapse.

### Top 10 Clothing Exporters, 2005 vs. 2011

<table>
<thead>
<tr>
<th>Country</th>
<th>2005</th>
<th>2011</th>
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<tbody>
<tr>
<td>China</td>
<td>$74.2 billion</td>
<td>$153.8 billion</td>
</tr>
<tr>
<td>Italy</td>
<td>$18.7</td>
<td>$23.3</td>
</tr>
<tr>
<td>Germany</td>
<td>$12.4</td>
<td>$19.9</td>
</tr>
<tr>
<td>Turkey</td>
<td>$11.8</td>
<td>$19.6</td>
</tr>
<tr>
<td>India</td>
<td>$8.7</td>
<td>$14.4</td>
</tr>
<tr>
<td>France</td>
<td>$8.5</td>
<td>$13.9</td>
</tr>
<tr>
<td>Mexico</td>
<td>$7.3</td>
<td>$13.2</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>$6.9</td>
<td>$11.0</td>
</tr>
<tr>
<td>Belgium</td>
<td>$6.7</td>
<td>$9.2</td>
</tr>
<tr>
<td>U.S.</td>
<td>$5.0</td>
<td>$9.1</td>
</tr>
</tbody>
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*The most recent year available

Source: World Trade Organization
SAVAR, Bangladesh—When rescuers freed Marium Begum from the tangle of steel and concrete in which she had been trapped for 36 hours after last month's Bangladeshi garment factory collapse, she thought the worst was over.

Then doctors told the 30-year-old single mother of two children that to save her life, they would have to amputate her severely damaged right arm.

“How am I going to survive?” asked Ms. Begum, a veteran seamstress who was recently discharged from the hospital. “My relatives can’t support me indefinitely. I don’t know how I will be able to pay for my children’s schooling.”

Nearly a month after one of the world's worst industrial accidents—which claimed the lives of more than 1,100 people, most of them female garment workers—survivors with debilitating injuries are facing an uncertain future.

More than 1,800 people were hospitalized after the accident, with scores requiring intensive care. At Enam Medical College and Hospital, near the disaster site, doctors performed more than 300 major surgeries on the wounded, hospital officials said.

Compensation plans remain unclear. Most have received free treatment in hospitals, but rehabilitation can be lengthy and expensive—posing a major burden in Bangladesh, where the social safety net is weak and individuals must pay most medical costs. For the more than 30 people who officials said lost limbs, the road back to health and economic security is likely to be especially daunting. The disabled face discrimination and dimmed marriage prospects. They also face difficulty in finding work—especially in garment making, the one industry with a lot of jobs to offer in Bangladesh, despite its history of danger.

“It will be difficult for them in Bangladesh,” said Babul Akhter, president of the Bangladesh Garments and Industrial Workers Federation, a trade union. “If they
don’t get financial support, they may have to become beggars.”

After Ms. Begum recuperates, she plans to return to her family’s farm in southwestern Bangladesh. Working in a garment factory had seemed like the best route to escape rural poverty, said Ms. Begum, who worked for three years at New Wave Style Ltd., a company that documents and clothes recovered at the scene indicate made clothes for Primark of the U.K and Canada’s Loblaw, which makes brands carried by J.C. Penney of the U.S.

Now, she said, she feels the accident has condemned her to a future on the margins of society.

Md. Enamur Rahman, chairman of Enam, some Rana Plaza amputees are, said the hospital was committed to providing prosthetics and rehabilitation for amputees for free. Non-governmental organizations and philanthropists have offered help.

BRAC, a large development organization formerly known as the Bangladesh Rural Advancement Committee, is among the groups that have pledged to assist by providing prosthetics, access to financing and alternative skills training. One issue, however, said Babar Kabir, a BRAC senior director, is the low quality of artificial limbs now available in Bangladesh. “Our prosthetic limbs are still primitive,” he said.

The Clean Clothes Campaign, an advocacy group pushing for better working conditions in garment factories around the world, estimated the need for long-term compensation of at least $71 million for families of the dead as well as treatment and disability assistance for the injured.

Some retailers, including Primark and Loblaw, have promised to compensate injured employees and families of the dead from the factories manufacturing their brands. But specific details haven’t been made public.

Lying in Enam’s orthopedics ward for women is Pakhi Begum, who lost both legs. In her row are three other women who each lost a leg. Across the aisle are three who lost arms.

Pakhi Begum, 30, no relation to Marium Begum, said she and the other workers were reluctant to go into the factory the day of the collapse, after word spread the day before of serious cracks in the walls. “The general manager said not to worry, that engineers were working on it.”

She was sewing zippers into bluejeans when the electricity failed. Almost immediately after the building’s generators kicked in to restore power, the walls started to buckle, she said.

She managed to run only five steps before the body of a dead colleague and a falling pillar pinned her legs, trapping her. A friend nearby was stuck with a beam on her arm. Help first reached them more than 24 hours later. But rescuers were unable to move the heavy debris under which they were trapped. Pakhi Begum said she told them: “I have to survive. I have two daughters. Whatever you have to do, do it. But get me out.”

A surgeon was brought into the tiny cavern. First he removed the arm of Pakhi Begum’s friend and she was pulled to safety. The doctor returned to amputate Pakhi Begum’s legs, using local anesthesia. As he used a saw to cut through her right femur, she said, she screamed from pain.

As she recounted her ordeal, her husband, Jahangir Kabir, who worked in a different garment factory, fought back tears. Mr. Kabir said he didn’t plan to return to work in the sector. “After what happened to her, I can’t go back.”

The couple said they planned to take their two children and return to their hometown, southwest of Dhaka. Pakhi Begum said she hoped she would be able “to get artificial legs so I can walk again.” Even so, she said, “I will be very isolated, I think. I’m preparing myself, psychologically.”