

RESEARCH BRIEF



PennState
**Center for
Global Workers'
Rights (CGWR)**

Update/Response

March 14, 2016

STATEMENT REGARDING THE STERN CENTER'S FAILURE TO RESPOND TO MISTAKES AND EMPIRICAL INACCURACIES IN THEIR DECEMBER 2015 REPORT ON THE BANGLADESH GARMENT INDUSTRY

In December 2015, the Stern Center for Business and Human Rights at New York University disseminated a report entitled, "Beyond the Tip of the Iceberg: Bangladesh's Forgotten Apparel Workers." In February 2016, we posted a critical analysis of Stern's methods and findings at the Center for Global Workers' Rights (CGWR) at Penn State University. In this document, "The Bulk of the Iceberg: A Critique of the Stern Center's Report on Worker Safety in Bangladesh," we demonstrated that the Stern study overstated the number of registered factories and formal sector workers in Bangladesh's garment industry, and understated the number of workers covered by the Accord and Alliance factory safety programs.

In a public letter addressed to us several days after our study's release, Stern dismissed our critique and reaffirmed their Report's conclusions. In a subsequent letter, a set of scholars asked the Stern researchers, Sarah Labowitz and Dorothee Baumann-Pauly, to respond in a more substantive way to the concerns raised in the CGWR critique. Specifically, Profs. Fine, Bartley, Evans, Luce, McCartin, and Tilly asked Stern to evaluate the validity of five specific criticisms of their research, and if appropriate, to issue a correction or retraction of their earlier claims. Having read the reply of Ms. Labowitz and Dr. Baumann-Pauly to Prof. Fine et al., we must express our disappointment that Stern has chosen neither to acknowledge the mistakes that were made, nor to reckon with the implications of these errors for their assessment of the status of worker safety in the Bangladesh garment industry. Below, we restate each of the five questions that Ms. Labowitz and Dr. Baumann-Pauly were asked to address, as well as the reply, if any, provided in their letter.

Q1: "Did you make an error in data entry (or spreadsheet operation) that resulted in 335,000 workers erroneously being added to your calculation of total industry employment?"

A1: Stern's letter to Prof. Fine et al. contains no explicit reference to the 335,000 figure, which we documented on p. 8/Figure 3 of our report. However, the authors note that, "The Penn State critique identifies potential errors in employment data entry in four factories out of 7,100" (p. 2).

Surely, the Stern authors are aware that the relevant point is not how many factories are affected by their error, but what the magnitude of the error is. While these four factories represent a small share of the 7,100 in the database, they make up an enormous share of the 'missing' workers Stern claims to have found: *this error added 335,000 workers to Stern's employment total, or more than 1/4 of the difference between Stern's estimated employment total of 5.1 million and the 3.85 million garment workers that is the average of prevailing estimates of garment workers according to Bangladeshi sources.*

It is also misleading to describe these as “potential” errors. The employment entries recorded in Stern’s database for these four factories were between 60,000 and 120,000 workers—figures which are an order of magnitude greater than the employment totals in Bangladesh’s largest garment factories. Moreover, in the course of looking into this error, we discovered that none of these four factories are still in operation. Of course, beyond being certain that these factories never employed the number of workers recorded in Stern’s database, we cannot make any claims about their status in October/November 2014, when Stern collected its data. It is entirely possible that one or more were in operation at that time. However, we would note that in three of the four cases, factories with very similar names, and possibly with the same owners, are operating at different locations, and these factories were also included in the factory database that Stern compiled. This information not only confirms our claim that Stern’s employment estimate is inflated by a minimum of 335,000 workers; it also suggests there are major problems with the validity of the database (we return to this point below).

Q2: Did you erroneously classify hundreds of Accord and Alliance factories as *not* being covered by these programs, undercounting by several hundred thousand the workers covered by them?

A2: Stern’s letter to Prof. Fine et al. states that “The Penn State critique includes a table that asserts that our analysis missed 300 Accord factories. The Accord and Alliance factory lists in our analysis (October/November 2014) included 1,852 factories. As of February 2016, they included 1,856 factories. Our analysis is consistent with the Accord and Alliance’s own reporting” (p. 4).

Stern’s claim about the size of the Accord and Alliance supplier lists in Fall 2014 and February 2016 is true, but irrelevant: Not all of the factories that appeared on the Accord and Alliance supplier lists in October/November 2014 were correctly designated as such in Stern’s factory database. We wrote, “The Stern researchers identified a total of 1,900 factories that were covered by the Accord and/or Alliance inspection programs. This number excludes more than 300 factories that were supplying Accord and/or Alliance brands at the time of Stern’s analysis” (p. 10). To state this more precisely, although the text of the Stern report cites the 1,900 supplier figure, in the factory database that is the foundation for the Report’s empirical claims, Stern misclassified 325 factories. *This error resulted in an undercounting of approximately 450,000 workers covered by the Accord and Alliance.*

Q3: Does your factory database, as a result of incomplete de-duplication, contain a substantial number of duplicate entries, arising from such problems as the use, on various factory lists, of different punctuation and spacing in factory names?

A3: Stern’s reply to Prof. Fine et al. acknowledges that, “Our initial scraping of the five factory lists resulted in a dataset of more than 11,000 factory records. We struggled with how to address duplication across lists and experimented with a number of methodologies. Initially, we attempted to use machine-based coding to identify and eliminate duplicates, but the data proved too complex. We determined that human judgment would be required to reliably identify duplicates and recruited a team of Stern MBAs to carry out the de-duplication during summer 2015. We trained them according to a consistent methodology, which is described in the “Beyond the Tip of the Iceberg” report. It is not clear what methodology the Penn State and Colorado researchers applied in making

assertions about the quality of our de-duplication efforts, including how they made judgments about issues such as factory groups, where multiple factories with similar names conduct different production activities at similar addresses” (p. 3).

Stern’s claim here is that some duplicates may remain in the factory database despite researchers’ best efforts to clean and de-duplicate the data. We agree that ascertaining legitimate duplicates among factories with similar names or in the same ownership group requires attention to detail. However, we did not find it particularly onerous or difficult to identify a substantial number of duplicate entries, including those included in our report. The methodology we used was the find and replace function in Excel to remove periods, commas and spaces. This allowed us to identify multiple entries for factories whose names were recorded with slight variations in punctuation (e.g., A B G Sweaters and ABG Sweaters).

Moreover, in their letter Ms. Labowitz and Dr. Baumann-Pauly cite an ongoing study as support for their methodology: “BRAC University Business School in Dhaka conducted a very similar exercise, which resulted in a cleaned up factory list of approximately the same size (we understand that their list contains about 8,000 records)” (p. 3). Stern may be unaware that during a recent briefing with stakeholders in Dhaka, the BRAC researchers expressed skepticism about the use of industry association lists as a reliable source of factory data. Though the BRAC team did draw on several different source lists to create a factory database, our understanding is that this was a preliminary phase in an ongoing research project, which calls for extensive field research to validate the legitimacy of the compiled list.

Q4: Did your surveyors locate only 37% of the factories on your list and does this not indeed constitute strong support for the conclusion that it contains many faulty entries – enough to undermine your claim of thousands more formal garment factories than previously recognized?

A4: None.

Stern’s letter to Prof. Fine et al. does not dispute this statistic, or its relevance to our claim about the unreliability of the factory database. The fact that surveyors were able to find such a small percentage of factories provides support for our claim that the database contains a great number of faulty entries.

Q5: Finally, when compiling your database, why did you use the BGMEA and BKMEA trade association lists of factories when you knew that they had been compiled over many years and included factories that “do not physically exist or exist in name only”...as well as many factories that have since shut down?

A5: In the response to Prof. Fine et al., Stern addresses this point by saying, “The Penn State critique advances the theory that many factories that appear on the trade associations’ lists are out of operation, and therefore these lists should be excluded from the dataset. Our research points to other alternatives. The BGMEA and BKMEA (the two trade associations) factory lists contain important information about *official subcontractors*. Official subcontractors are an important player. These factories are members of the trade associations, but do not export directly (they are not on the “UD” list of exporters). They have some measure of oversight because the trade

associations track orders between official subcontractors and direct exporters. BGMEA authorizes this kind of subcontracting through an “interbond transfer license,” which we examined in our 2014 report, “Business as Usual is Not an Option: Supply Chains and Sourcing after Rana Plaza.”...How should scholars account for official subcontractors if the trade association data is excluded?” (p. 2).

While it is true that the trade associations have data regarding which factories are direct exporters and which are official subcontractors, Stern did not have access to this data. Therefore, it is thus unclear how these observations about official subcontractors bear on the question of why Stern used the outdated BGMEA and BKMEA lists. Elsewhere in their letter, Ms. Labowitz and Dr. Baumann-Pauly acknowledge that there are fundamental problems with the factory database that they compiled: “[w]e did not edit the data that we scraped from the five source lists, but did combine records in the process of de-duplication. As we created the comprehensive dataset, we made a judgment that we would not seek to correct even obvious errors in data entry (such as the inclusion of the factories in Rana Plaza). Recognizing the limits of our own knowledge and capacity to verify each of the 7,100 entries, we decided to present the data as-is” (p. 2).

We find this a rather remarkable reflection. On the one hand, the Stern researchers were aware that the source lists were so flawed as to include glaringly “obvious errors” such as the inclusion of the five factories destroyed in Rana Plaza. Yet, they made the decision to go ahead and use this problematic data anyway as the basis for a set of sweeping empirical claims about the number of registered factories, the number of workers they employ, and the extent of coverage provided by the Accord and Alliance. Crucially, Stern’s press release summarizing the Report’s conclusions contains no caveats or cautions about the data limitations that Stern now acknowledges.

By way of concluding, we want to articulate as clearly as possible the larger issue at stake. Stern authored and widely circulated a piece of research that directly addresses major policy debates with enormous consequences for Bangladeshi workers. Specifically, the Stern Report claims that there are more than 7,000 formal sector garment factories in Bangladesh; that these factories employ 5.1 million workers; and that three million workers are not covered by the Accord or Alliance. On the basis of these findings, Ms. Labowitz and Dr. Baumann-Pauly conclude that “existing solutions to address poor working conditions in the apparel supply chain do not hold up,” and that what is needed is not an expansion or strengthening of these efforts, but rather a fundamentally new and different approach.

When we expressed our concerns about the accuracy of the empirical findings underlying Stern’s dramatic policy conclusions, the authors did not explain why our criticisms were incorrect or irrelevant, but neither did they retract or correct their conclusions. This pattern continues in Stern’s recent reply to Prof. Fine et al. Instead of engaging the criticisms of their work in a meaningful way, the authors of the Stern Report prefer to redirect the conversation. And to be sure, they do pose a number of good questions: why aren’t factories getting fixed more quickly, what should be done to ensure safe conditions in subcontracting factories, etc. These are valid points that merit study and discussion (though here, too, we find it odd that Stern does not discuss the policies and practices of the Accord and Alliance vis-a-vis subcontracting). But any conversation about the path forward in Bangladesh has to start with an accurate assessment of the existing safety programs. Our position is that Stern has misrepresented the extent of the coverage provided by the Accord and Alliance. If we are wrong, Stern should explain why. If we are right, Stern should acknowledge its error.