

2020

REPORT

# UN(DER) PAID IN THE PANDEMIC

An estimate of what the  
garment industry owes  
its workers

Clean  
Clothes  
Campaign





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## CREDITS

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Image Kristof Vadino

## CHAPTER ONE

# INTRODUCTION

Beginning in January 2020, the Covid-19 pandemic has had direct and catastrophic consequences for garment workers around the world. The industry saw three, cumulative waves of acute devastation over the course of the following months.

First, in January, when the transportation of raw materials from China to other garment producing countries was suspended, many factories were forced to close temporarily. The next wave hit as the pandemic spread to Europe and the United States (US). In response to a sudden drop in consumer demand for apparel, brands cancelled and refused to pay for shipments of completed and in production orders<sup>1</sup>. As a result, factories were forced to close and dismiss workers en masse<sup>2</sup>. Each time factories were forced to close, workers were often sent home without notice or pay from their employers. For example, in Bangladesh, 72.4% of furloughed and 80.4% of dismissed workers were sent home unpaid in March 2020<sup>3</sup>. The third wave of devastation continues, as the virus itself spreads in garment producing countries. At the time of writing this report, many factories remain closed and millions of workers remain unpaid.

The impact from the loss of regular pay for millions of garment workers is compounded by the fact that most workers only earn poverty wages. In India, for

example, the average wage of a garment worker is less than three times the amount she and her family need to live with dignity<sup>4</sup>. As a result of the industry's low wages, workers are unable to accumulate savings and are often in debt<sup>5</sup>. In spite of this widely recognised reality, brands have failed to take meaningful action to improve the industry's poverty wages, much less ensure a living wage, while they profit unfettered.

Moreover, most garment production is carried out in countries where social protections and unemployment benefits are the weakest in the world. While many garment producing countries have some form of legal protections for workers who lose their jobs, they are widely accepted to be inadequate to meet even the basic needs of a worker and their family<sup>6</sup>. Moreover, millions of garment workers are employed *informally* or on a contract basis which, in many cases, means that they have no access to social benefits<sup>7</sup>, leaving them especially vulnerable to the economic ravages of the pandemic.

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

2 Scott Nova & Ineke Zeldenrust, Worker Rights Consortium, *Who will bail out the workers that make our clothes?*, March 2020, <https://www.workersrights.org/wp-content/uploads/2020/03/Who-Will-Bail-Out-the-Workers-March-2020.pdf>.

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

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4 Anna Bryher, Clean Clothes Campaign, *Tailored Wages 2019*, June 2019, <https://cleanclothes.org/file-repository/tailoredwages-fp.pdf/view>; Clean Clothes Campaign, *Fashion Checker*, <https://fashionchecker.org>.

5 Scott Nova & Ineke Zeldenrust, Worker Rights Consortium, *Who will bail out the workers that make our clothes?*, March 2020, <https://www.workersrights.org/wp-content/uploads/2020/03/Who-Will-Bail-Out-the-Workers-March-2020.pdf>.

6 Asia Development Bank, *Establishing Social Protection for Women Garment Workers in Bangladesh*, October 2009, <https://www.adb.org/sites/default/files/publication/28585/ban-proj-brief-women-garment-workers.pdf>.

7 Scott Nova & Ineke Zeldenrust, Worker Rights Consortium, *Who will bail out the workers that make our clothes?*, March 2020, <https://www.workersrights.org/wp-content/uploads/2020/03/Who-Will-Bail-Out-the-Workers-March-2020.pdf>.

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## Cambodia postponed the payment of workers' biannual indemnity pay in June.

Faced with the economic downturn caused by the pandemic, some governments provided direct financial support to garment workers or established legal decrees preventing factories from terminating their employees. Other governments however announced less favourable policies for workers. For example, Cambodia postponed the payment of workers' biannual indemnity pay in June and did not require employers to provide workers with legally mandated compensation and notice before closing their factories<sup>8</sup>. In Bangladesh, the government required factories to pay only less than three quarters of workers' wages during the month of April<sup>9</sup>. In Turkey, the government permitted some factories to pay for workers' wages directly from their unemployment funds, limiting workers' claims to these funds in the future<sup>10</sup>.

The purpose of this report is to demonstrate the breadth of the lost wage ("wage gap") workers currently – *and will continue to* – face. The wage gap, although based on only rough estimates, indicates the amount of funding that is needed to make workers whole. The final section of this report calls on global brands and retailers to make a wage assurance to workers in order to fill the devastating wage gap.



Workers protest in Dhaka, Bangladesh, in May 2020 to demand payment of their due wages and Eid festival bonus.

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8 Kann Vicheika, VOA Khmer, *Workers Decry Labour Ministry's Move to Postpone Indemnity Payments*, 3 June 2020, <https://www.voacambodia.com/a/workers-decry-labor-ministry-s-move-to-postpone-indemnity-payments-5447157.html?nocache=1;%20>  
<https://www.phnompenhpost.com/national/businesses-shut-amid-covid-exempted-payments>.

9 Refayet Ullah Mirdha, *The Daily Star*, *Closed Factories: Pay workers 60pc of gross salary for April*, 30 April 2020, <https://www.thedailystar.net/frontpage/news/closed-factories-pay-workers-60pc-gross-salary-april-1898152>; Ibrahim Hossain Ovi, *Dhaka Tribune*, *Absentee apparel workers salary increased to 65%*, 4 May 2020, <https://www.dhakatribune.com/business/2020/05/04/apparel-workers-to-receive-65-wages-for-april>.

10 Fair Wear, *Covid-19 Impact and Responses: Turkey*, 21 June 2020, <https://www.fairwear.org/covid-19-dossier/worker-engagement-and-monitoring/country-specific-guidance/turkey/>

	WORKERS INCLUDED IN ESTIMATES	AVERAGE MONTHLY WAGE IN USD	ESTIMATED AVERAGE WAGE GAP IN %	ESTIMATED WAGE GAP MARCH-MAY 2020
			MARCH-MAY	IN USD (MILLION)
Bangladesh	4,400,000	113	<b>29.5%</b>	501.62 M
Cambodia	650,000	190	<b>33.0%</b>	122.17 M
India (NCR)	850,000	123	<b>56.9%</b>	178.24 M
India (Tirupur)	800,000	106	<b>54.8%</b>	138.98 M
India (Bangalore)	500,000	121	<b>34.5%</b>	62.40 M
Indonesia	2,600,000	131	<b>39.8%</b>	405.59 M
Myanmar	700,000	93	<b>32.6%</b>	63.33 M
Pakistan	2,200,000	104	<b>46.6%</b>	320.88 M
Sri Lanka (FTZ)	275,000	80	<b>40.8%</b>	27.19 M
<b>Global estimate for garment and footwear sector (halved average) (extrapolated)</b>	<b>50,000,000</b>	<b>200</b>	<b>19.3%</b>	<b>5,787.84 M</b>
<b>Global estimate for export apparel only (China excluded) (extrapolated)</b>	<b>13,800.00</b>	<b>200</b>	<b>38.6%</b>	<b>3,194.89 M</b>

*In Bangladesh, the government required factories to pay only less than three quarters of workers' wages during the month of April.*



Extrapolating the data studied in this chapter, we estimate that garment workers around the world are owed in between 3.19 and 5.78 billion USD in wages for just the first three months of the pandemic.



## CHAPTER TWO

# THE WAGE GAP

This chapter presents a set of rough estimates, to get a first grasp of the magnitude of wage losses suffered by workers during the pandemic's first months. We invite governments, international organisations, researchers, and industry associations to research and publish more data to get a better overview of the wage gap to be remediated.

### A. METHODOLOGY

The sheer scope and evolving nature of the current crisis has made the collection of firm facts and figures related to factory closures, reduction of workforces, and payment of wages and other forms of compensation virtually impossible. In the absence of comprehensive, primary-source data, the calculations for this report are based on estimates by Clean Clothes Campaign (CCC) network organisations, news sources, government institutions, and other industry experts.

The calculations of workers' wages, unless otherwise noted, are based on the minimum monthly wage for the garment sector in each country surveyed. Importantly however, many workers earn, on average, more than their country's minimum wage when including regular overtime hours, bonuses, and other allowances. Therefore, because the wage gaps in this report are calculated based on workers' *minimum* wage, the amount of wages lost during the pandemic relative to what workers usually earn is undoubtedly more than what is represented in this report.

Given the scale and ongoing nature of the crisis, this report does not claim to represent the wage gap for every worker employed by the garment industry. For example, this report does not include all home-based, informal, or subcontracted workers. Although the precarious nature of these workers' employment makes them even

more vulnerable to the economic consequences of the crisis, they are indeed underrepresented in this report.

This report provides an estimate for the wage gap of 13 million workers in seven countries for three months; the underlying calculations and sources for which are explained in each section. The following information and assumptions were used to calculate the wage gap in each country:

- Where the number of laid off workers was missing but we could identify a number of closed factories, we applied the average workforce per factory to estimate how many workers were affected;
- Where available, we used reported numbers of factory closures and assumed other factories remained in operation. Where no figures were available, we consulted local experts and estimated the share of closed factories. In cases of reported reduced capacity or output, we assumed and estimated a reduction of workforce and income in consequence of fewer working hours;
- Where we know of government support funding or other means of funding to substitute the lack of income of workers, we took that into account;

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*Our calculations represent the wage gap for March, April, and May 2020. However, as many workers did not return to work or regular working hours, the wage gap continued to grow after these three months.*

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- In India we focused on the three main garment hubs in the country: Delhi, Tirupur, and Bangalore. The majority of garments for exports are produced in these regions and our network organisations are located in those areas; and
  - Where different sources reported different plausible figures, we went with the lower figure or with the average estimate.

Our calculations represent the wage gap for March, April, and May 2020. However, as many workers did not return to work or regular working hours, the wage gap continued to grow after these three months. The wage gap estimated in this report is therefore not an accurate representation of the *total* wages lost since the pandemic began.

Based on the wage gaps in these seven countries, the CCC has attempted to estimate the wage gap for the garment industry more broadly. In order to estimate the total global wage gap for the same three months (March, April, and May 2020) we developed two global scenarios. The first scenario focuses on the 50 million workers in global garment, textiles and footwear industries, who earn on average 200 USD per month. Assuming that the average wage gap in the seven researched countries cannot be applied globally, as there are strong indications of the availability of more government support in other countries, we apply only half the average percentage of 38.6% to come to the estimated wage gap. The second scenario only focuses on workers in the apparel exporting sector, with a workforce of 20 million workers<sup>11</sup>. It assumes that the average wage gap of 38.6% can be used on a global level, if excluding China where it is likely that workers can rely on more government support<sup>12</sup>. This leaves 13.2 million workers, who earn on average 200 USD per month and have experienced a 38.6% wage gap. The first scenario leads to an estimated global wage gap of 5.78 billion USD for the first three months of the pandemic. The second scenario arrives at the figure of 3.19 billion USD of wage losses.

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## B. COUNTRIES



### BANGLADESH

In Bangladesh, before the pandemic hit, according to industry figures, roughly 4.4 million workers were employed in 4,500 ready made garment (RMG) factories across the country<sup>11</sup>. The minimum wage for the garment industry is 8,000 BDT (94 USD), but general estimates indicate that workers, on average, take home 9,580 BDT (112 USD) at the end of the month. This brings the combined monthly wage of all workers to 42.15 billion BDT (approximately 496 million USD).

Unlike the garment industries in countries like China, Cambodia, and Myanmar, Bangladesh remained largely unaffected by the Covid-19 pandemic in February and factories remained open as brand orders continued. There were, however, disruptions to the arrival of raw material from abroad<sup>12</sup>.

Things changed rapidly in March, however, when brands started cancelling orders at a high pace. Already by 23 March, reportedly 1.5 billion USD of orders had been cancelled<sup>13</sup>. In March, 150 factories closed at least temporarily<sup>14</sup>. We estimate in total 147 thousand workers did not receive any wages, while the remaining 4.2 million got only 8,622 BDT (101 USD) on average. In consequence, the wage gap at the end of the month would already be 5.48 billion BDT (64,5 million USD). To prevent the spread of Covid-19, the Bangladesh government introduced a shutdown for ten days, declaring a public holiday from 26 March until 4 April. The shutdown was repeatedly extended until 16 May. Initially, lack of clarity existed about whether garment factories were to close as well<sup>15</sup>, a situation which was repeated around the moment of potential reopening of factories and caused a lot of insecurity and hardship for workers travelling back and forth to their villages in absence of public transport<sup>16</sup>.

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*Things changed rapidly in March when brands started cancelling orders at a high pace. Already by 23 March, reportedly 1.5 billion USD of orders had been cancelled.*

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11 This is an estimate of amount of garment workers in the export oriented apparel sector of the Worker Rights Consortium.

12 Fair Wear Foundation, Covid-19 Impact and responses: China. <https://www.fairwear.org/covid-19-dossier/worker-engagement-and-monitoring/country-specific-guidance/china>.

12 Rejaul Karim Byron and Md Fazlur Rahman, *The Daily Star*, *Coronavirus can't tame Bangladesh's growth momentum*, 28 February 2020, <https://www.thedailystar.net/business/news/coronavirus-cant-tame-bangladeshs-growth-momentum-1873864>

13 Arun Devnath, Bloomberg, *European Retailers Scrap \$1.5 Billion of Bangladesh Orders*, 23 March 2020, <https://www.bloomberg.com/news/articles/2020-03-23/europe-retailers-cancel-1-billion-of-bangladesh-garment-orders>.

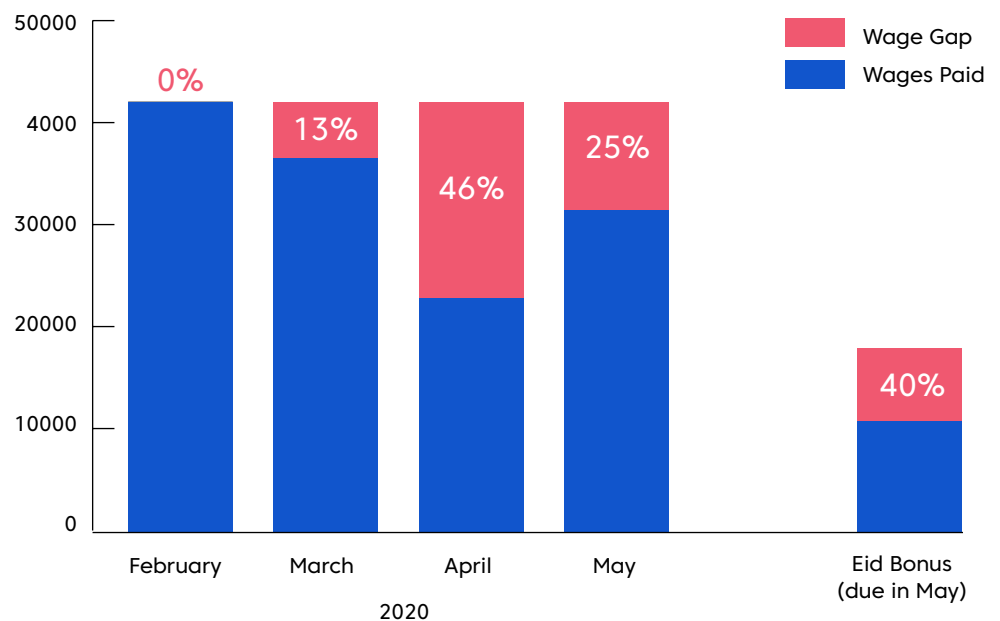
14 Sumon Mahmud, Bdnnews24.com, *Unpaid workers regret not being entitled to aid as 609 BGMEA factories miss deadline*, 17 April 2020, <https://bdnews24.com/business/2020/04/17/unpaid-workers-regret-not-being-entitled-to-aid-as-609-bgmea-factories-miss-deadline>.

15 Refayet Ullah Mirdha, *The Daily Star*, *Factories can run but must ensure safety of workers*, 28 March 2020, <https://www.thedailystar.net/frontpage/news/factories-can-run-but-must-ensure-safety-workers-1886866>.

16 Naimul Karim, Thomson Reuters Foundation, *Thousands of Bangladeshi garment workers ordered home as factories stay closed*, 5 April 2020, <https://www.reuters.com/article/us-health-coronavirus-bangladesh-workers/thousands-of-bangladeshi-garment-workers-ordered-home-as-factories-stay-closed-idUSKBN21N0QU>; Ilias Ahmed, Bdnnews24.com, *With job on the line, hundreds of Bangladesh workers walk over 100km to RMG factories*, 4 April 2020, <https://bdnews24.com/bangladesh/2020/04/04/with-job-on-the-line-hundreds-of-bangladesh-workers-walk-over-100km-to-rmg-factories>.

*Most likely workers in closed factories received no wages, workers in factories under lockdown generally received 65%, and workers in factories without government support received nothing.*

BANGLADESH, WAGE GAP OF GARMENT WORKERS (IN BDT)



On 25 March, the government announced a stimulus package of 500 billion BDT (5.9 billion USD) for export-oriented sectors, including the RMG industry. Businesses can apply for funds from the package at 2% interest. Money from the package can only be used to pay workers' salaries for up to three months. Management must provide salary sheets, workers' lists, and workers' account details to banks, so that salaries for April can be directly disbursed into a worker's bank account or mobile financial service account<sup>17</sup>. Factories announcing layoffs amid the coronavirus outbreak will not have access to the government's financial package<sup>18</sup>. To qualify for the stimulus package, factories must have exported 80% of products in recent years. This means many small and medium-sized enterprises that worked as subcontractors for big factories have been unable to qualify for funding and, as a result, are unable to pay their workers<sup>19</sup>. The government introduced further stimulus packages on 5 April, with 2.3 billion USD set aside to provide working capital for small and medium enterprises<sup>20</sup>. However these loans did not come with conditions of ensuring workers' wages were paid.

17 Fair Wear Foundation, *Covid-19: Country-specific guidance*, <https://www.fairwear.org/covid-19-dossier/worker-engagement-and-monitoring/country-specific-guidance>.

18 New Age, *No stimulation for factories making layoffs*, 20 April 2020, <https://www.newagebd.net/article/104752/laid-off-factories-not-to-get-stimulus-package-support>.

19 Shehab Sumon, Arab News, *Thousands of Bangladeshi factory workers left without salary on Eid*, 26 May 2020, <https://www.arabnews.com/node/1680011/world>.

20 International Labour Organization, *COVID-19 and the world of work: Country policy responses*, <https://www.ilo.org/global/topics/coronavirus/country-responses/lang-en/index.htm>.

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Under influence of the combination of the lockdown and cancelled orders, the wage situation for workers escalated in April. An astonishing 580 factories closed<sup>21</sup>, while 2,203 factories remained in lockdown<sup>22</sup>. 119 factories were in lockdown without access to government support, leading to dire consequences to the workers of these factories<sup>23</sup>. 1,598 factories continued operations through most of the month<sup>24</sup>. Despite the extension of the national lockdown into May, most garment factories started to reopen from 26 April on with a reduced number of workers. Under government regulations, workers affected by the lockdown in April were to receive 60% of their wages — later increased to 65%; those who worked the full month to receive full wages; and workers who resumed work after 26 April to get 65% wage for 25 days and full wage for the remaining five days. This was to be paid by the factory owner<sup>25</sup>. This means that most likely workers in closed factories received no wages, workers in factories under lockdown generally received 65%, and workers in factories without government support received nothing. Workers who continued to go to the factory often also did not receive full wages, due to cancelled orders, which by now had risen to 3 billion USD<sup>26</sup>. As a result, we estimate employers could, on average, only afford to pay 90% of normal wages. These wages were generally received with considerable delay<sup>27</sup>. Following these assumptions we conclude in April a total of 22.86 billion BDT (269,12 million USD) in salaries was paid, 226.95 million USD less than two months earlier.

In May, we estimate that half of the 580 closed factories as well as factories that were in lockdown during March and April reopened again<sup>28</sup> and more went back to work<sup>29</sup>. We estimate the number of factories in operation through May was 4,210, employing around 4,116,444 workers. Interview-based wage data reported by Microfinance Opportunities show wage payments increased substantially in May; therefore we assume workers working in May received 80% of their average wages. As a result, the wage gap decreased in May, according to our estimates to 10.6 billion BDT (124.75 million USD). In May, Eid bonuses were due, which all factories are obliged to pay<sup>30</sup>, but a substantial share of workers reported not to have received their Eid bonus<sup>31</sup>. We assume only 80% of workers received this bonus and not

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*In sum, we estimate the wage gap for the months of March to May including (Eid bonus) was around 501 million USD.*

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21 New Age, *47pc RMG workers in Bangladesh have no income now: survey*, 18 April 2020, <https://www.newagebd.net/article/104630/47pc-rmg-workers-in-bangladesh-have-no-income-now-survey>.

22 Ershad Kamol, New Age, *RMG owners, workers form monitoring committee*, 9 May 2020, <https://www.newagebd.net/article/106066/rmg-owners-workers-form-monitoring-committee>.

23 Shehab Sumon, Arab News, *Thousands of Bangladeshi factory workers left without salary on Eid*, 26 May 2020, <https://www.arabnews.com/node/1680011/world>.

24 This number is calculated from the assumption that there are 4,500 factories and 580+2,203+119 factories were closed or in lockdown.

25 Fair Labor Association, *Country-specific updates on provisions for workers in response to the covid-19 pandemic*, 18 June 2020, <https://www.fairlabor.org/blog/entry/country-specific-updates-provisions-workers-response-covid-19-pandemic>; Ershad Kamol, New Age, *RMG owners, workers form monitoring committee*, 9 May 2020, <https://www.newagebd.net/article/106066/rmg-owners-workers-form-monitoring-committee>.

26 Tara Donaldson, Sourcing Journal, *VIDEO: COVID-19 Costs Bangladesh Factories \$10B, BGMEA Press Says*, 10 April 2020, <https://sourcingjournal.com/topics/sourcing/bgmea-president-rubana-huq-video-on-the-ground-bangladesh-factories-204755/>.

27 Monira Munni, The Financial Express, *Workers of nearly 1100 industrial units unlikely to get wages, bonus*, 18 May 2020, <https://thefinancialexpress.com.bd/national/workers-of-nearly-1100-industrial-units-unlikely-to-get-wages-bonus-158977484>.

28 Hannah Ellis-Petersen & Redwan Ahmed, The Guardian, *Bangladesh garment factories reopen despite coronavirus threat to workers*, 11 May 2020, <https://www.theguardian.com/global-development/2020/may/11/bangladesh-garment-factories-reopen-despite-coronavirus-threat-to-worker>.

29 Daniela Ortega, Garment Worker Diaries, *Massive Shift to Digital Wage Payments in the RMG Sector in Bangladesh*, May 2020, <https://workerdiaries.org/massive-shift-to-digital-wages-payments-in-the-rmg-sector-and-other-updates-from-bangladesh>.

30 Faysal Atik, Bdnews24.com, *Bangladesh clothing factories fail to pay workers before Eid, hundreds shut*, 24 May 2020, <https://bdnews24.com/business/2020/05/24/bangladesh-clothing-factories-fail-to-pay-workers-before-eid-hundreds-shut>.

31 Daniela Ortega, Garment Worker Diaries, *Eid Bonuses and Overtime in the COVID-19 Pandemic: Cash Payments Persist*, May 2020, <https://workerdiaries.org/eid-bonuses-and-overtime-in-the-covid-19-pandemic-cash-payments-persist/>.

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*One in every five households in Cambodia is dependent on a job in the garment industry.*

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in full but, on average, roughly 80% of the bonus. This adds an estimated 85.15 million USD to the wage gap for this month.

In sum, we estimate the wage gap for the months of March to May including (Eid bonus) was around 501 million USD.

Major buyers from Bangladesh are Next and H&M (over 150 facilities); C&A and Primark (100-120 facilities); Inditex (Zara), Matalan, Esprit, Bestseller (Vero Moda), Marks & Spencer, and Asda (80-100 facilities); Varner, Debenhams, and Gap, all source from over 50 facilities<sup>32</sup>. Walmart (owner of Asda) and Decathlon, although transparent about their supply chain, are thought to be among leading non-transparent brands with considerable sourcing from the country<sup>33</sup>.



## CAMBODIA

The Cambodian cut make trim (CMT) sector employs between 650,000 and 800,000 workers<sup>34</sup>. The Garment Manufacturers Association in Cambodia (GMAC) has 605 licensed exporting facilities<sup>35</sup>. Beyond these facilities, garments are also being made by home-based workers and in factories without an export license. Such informal employment is estimated to make up around 10% of the workforce. Garment and footwear are Cambodia's primary export products to the European Union (EU) and US markets. Cambodia's garment and footwear exports were worth 7.83 billion USD in 2018<sup>36</sup>. One in every five households in Cambodia is dependent on a job in the industry. Every month the garment sector workforce makes at least a total of 123.5 million USD which includes a monthly housing/travel allowance<sup>37</sup>.

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<sup>32</sup> Open Apparel Registry, <https://openapparel.org/>.

<sup>33</sup> Walmart was a leading force behind and member of the Alliance for Bangladeshi Worker Safety <http://www.bangladeshworkersafety.org/>; Decathlon has a sourcing office in Bangladesh: <http://sustainability.decathlon.com/action-areas/responsibility-in-production/maintaining-long-term-relationships/>.

<sup>34</sup> Ate Hoekstra, Deutsche Welle, *Coronavirus brings trouble to Cambodia's garment industry*, 29 April 2020, <https://www.dw.com/en/coronavirus-brings-trouble-to-cambodias-garment-industry/a-53284224>;

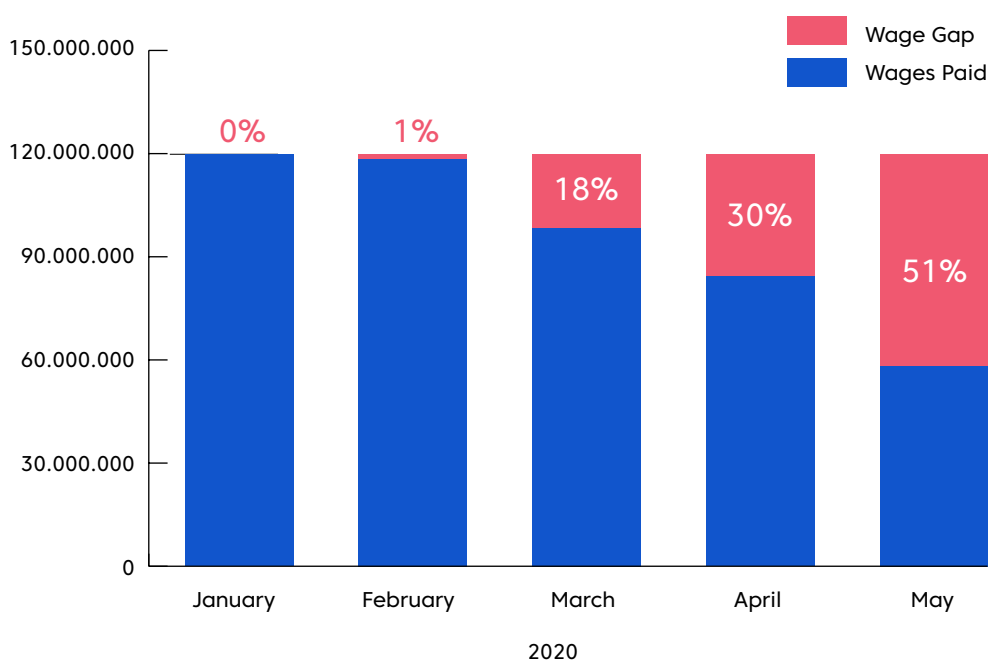
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<sup>35</sup> Garment Manufacturers Association in Cambodia, *Members Directory*, [https://www.gmac-cambodia.org/our\\_member](https://www.gmac-cambodia.org/our_member).

<sup>36</sup> Sheng Lu, FASH455 Global Apparel & Textile Trade and Sourcing, *How will EU Trade Curb Affect Cambodia's Apparel Industry?*, 18 June 2020, <https://shenglufashion.com/2020/06/18/how-will-eu-trade-curb-affect-cambodias-apparel-industry/>.

<sup>37</sup> 650,000 workers \* \$190 per month.

CAMBODIA, WAGE GAP OF GARMENT WORKERS (IN USD)



The total amount of wages paid in March was 22.1 million USD less than in January.

The Covid-19 crisis hit the country financially as early as February, when the CMT sector started to face shortages in raw material normally coming from China, and some factories had to suspend operations because of that. GMAC reported that 15,000 workers were suspended from their jobs in February<sup>38</sup>. Unions and non-governmental organisations (NGO) reported that most of these workers were paid half of their normal salary (95 USD). Although the signs were clear, the Cambodian government responded slowly. Only in March, when at least 53<sup>39</sup> factories had already suspended operations, did the government announce that suspended garment workers would receive 60% of their wages: 40% from their employer and an additional 20% from the government<sup>40</sup>. The workers employed at those 53 factories, approximately 34,000, were thus entitled to 60% of the minimum wage, 114 USD. However, many workers reported they only received the 40% owed by the employer and not the additional 20% owed by the government. We estimate that 75% of the 34,000 workers received only 76 USD instead of 114 USD. We assume that an additional 10,000 workers lost their job permanently in March and did not receive any wages. The total amount of wages paid in March was 22.1 million USD less than in January.<sup>41</sup>

38 Alastair McCready, Open Development Mekong, *As COVID-19 hits global economy, Cambodian workers face layoffs*, 27 March 2020, <https://opendevelopmentmekong.net/news/as-covid-19-hits-global-economy-cambodian-workers-face-layoffs>  
 39 Nem Sopheakpanha, VOA Cambodia, *Hit by Factory Closures, Vendors Struggle as Garment Workers Stay Home*, 24 March 2020, <https://www.voacambodia.com/a/hit-by-factory-closures-vendors-struggle-as-garment-workers-stay-home/5342781.html>.  
 40 Ouch Sony, VOD, *Garment Industry, Union Seek Help as Exports Slide Amid Covid-19*, 10 July 2020, <https://vodenglish.news/garment-industry-union-seek-help-as-exports-slide-amid-covid-19/>.  
 41 Lowest estimated total wages paid in January: \$123.5 million. Estimated wages paid in March: 75% of laid off workers (25,000 workers) receive \$76, 25% of laid off workers (8500 workers) receive \$114, 25,000 workers laid off in February and March receive \$0 and 576,000 workers receive 90% of the minimum wage (\$171).  
 \$123,500,000 - \$1,938,000 - \$969,000 - \$102,771,000 = \$17,822,000.

In India, many migrant workers were left without income when their factories closed at the start of the lockdown. They were forced to walk to the only form of social protection available to them: their home villages and families.







Migrant workers walk on the highway on their journey back home during the lockdown in India, May 2020.

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*Despite initial efforts by the national government to require employers to continue paying workers' wages in full throughout the duration of the lockdown, the large majority of garment workers received far less than their regular wages or no payment at all during this time.*

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In April, the situation worsened. 130 factories had now suspended work, affecting roughly 100,000 workers<sup>42</sup>. We estimate that 25% of these workers received the 114 USD they were entitled to; the other 75% only received 76 USD. 15,726 workers were forced to quarantine for 14 days without pay<sup>43</sup>, while their factories remained open. These workers only received half of what workers who worked the full month received. We assume workers who worked the full month received 90% of their normal salary (171 USD), which means that the workers who were forced to quarantine received only 85.50 USD. The total amount of wages paid in April was 36.61 million USD less than in January<sup>44</sup>. 256 factories were closed in May, employing roughly 150,000 workers<sup>45</sup>. The total amount of wages paid in May was 63.46 million USD less than in January<sup>46</sup>. Considering that one out of five households depends on a wage earned in this industry, the impact of non-payment of wages should not be taken mildly. In three months time the wage gap in Cambodia has risen to 123.59 million USD.

Major brands sourcing from Cambodia include Gap, Next, and C&A (over 50 facilities), Bestseller, Marks & Spencer, H&M, VF Corporation, Target, and adidas (20 or more facilities). Non-transparent brands with a considerable presence in the country include Walmart, Decathlon, and Carrefour<sup>47</sup>.

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42 Patrick Lee, Globe, *Government support for workers during Covid-19 insufficient*, 1 May 2020, <https://www.business-humanrights.org/en/cambodia-labour-rights-expert-says-govts-support-for-workers-during-covid-19-pandemic-crisis-is-insufficient-and-brands-should-honour-their-contracts>.

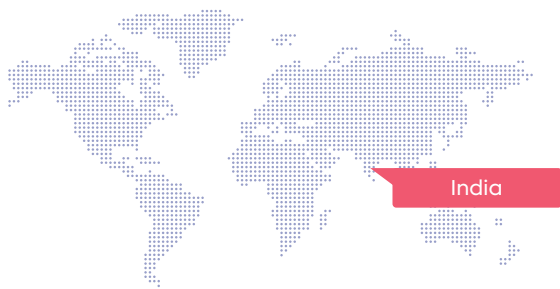
43 Davin Sen, Khmer Times, *Mandatory quarantine to help prevent coronavirus spread*, 17 April 2020, <https://www.business-humanrights.org/en/cambodia-authorities-set-to-quarantine-about-15000-garment-workers-to-prevent-covid-19-spread-once-they-return-to-work-after-khmer-new-year-celebrations>.

44 25,000 workers receive \$114, 75,000 workers receive \$76, 450,274 workers receive \$171 and 15,726 workers receive \$85.50. 35,000 workers have lost jobs permanently and receive \$0.

45 Business & Human Rights Resource Centre, *Southeast Asia sees factory shutdowns and massive lay-offs due to Covid-19 outbreak*, <https://www.business-humanrights.org/en/southeast-asia-sees-factory-shutdowns-and-massive-lay-offs-due-to-covid-19-outbreak-0>.

46 75,000 workers receive \$114, 75,000 workers receive \$76, 316,000 workers receive \$171. 35,000 workers have lost their jobs permanently and receive \$0.

47 Walmart has a sourcing office in country, according to linkedin: <https://www.linkedin.com/in/jocelyn-tran-92449369/?originalSubdomain=vn> (accessed 19th June 2020); Decathlon have a production office in Cambodia, as mentioned on their corporate website <http://sustainability.decathlon.com/action-areas/responsibility-in-production/maintaining-long-term-relationships/> (accessed 19th June 2020), Carrefour advertised a country Manager position linkedin <https://www.linkedin.com/in/amit-sharma-23097115/> (accessed 18th June 2020) and Pentland advertised a QA Manager position in Cambodia: <https://www.linkedin.com/in/anh-tran-937327a6/> (accessed 18th June 2020).



## INDIA

Conservative estimates indicate that 2.1 million workers are employed in CMT export-oriented garment factories in India. Notably, this number does *not* include homeworkers, workers engaged in other sections of the export-oriented supply chain, or India's large domestic garment industry. Estimates suggest that this number could be few as 12 million<sup>48</sup> or as high as 45 million<sup>49</sup>. India's export-oriented garment industry lost 2.86 billion USD as a result of the coronavirus pandemic. The pandemic forced a nation-wide lockdown from 24 March to 31 May, during which the large majority of factories throughout the country remained closed. Despite initial efforts by the national government to require employers to continue paying workers' wages in full throughout the duration of the lockdown<sup>50</sup>, the large majority of garment workers received far less than their regular wages or no payment at all during this time.

Export-oriented garment production in India is predominantly carried out in three regional hubs of the country: Tirupur, Bangalore, and Delhi. Each region formally employs over 500,000 workers in CMT factories<sup>51</sup>, while the Delhi region, along with the areas under the national capital region (NCR), employs about 850,000 workers. Based on the regions' *minimum* wages, rough estimates indicate that for the lockdown period of 24 March to 3 May: workers in Bangalore did not receive, on average, 50% of their regular wages or 3.16 billion INR (41.76 million USD); workers in NCR, on average, also did not receive any of their wages, a total loss of 10.4 billion INR (137.45 million USD) in regular wages; and workers in Tirupur, who did not receive *any* wages during the month of April, lost 8.87 billion INR (117.25 million USD) of regular wages.

When the lockdown was eased in May and factories began to reopen, only 40% to 60% of the industry's workforce was able to return to work, either because public transportation remained suspended or because factories were not reopening at full capacity. Therefore, estimates suggest that, for the month of May, workers lost wages equal to: 2.74 billion INR

*When the lockdown was eased in May and factories began to reopen, only 40% to 60% of the industry's workforce was able to return to work, either because public transportation remained suspended or because factories were not reopening at full capacity.*

48 Anuradha Nagaraj, Thomson Reuters Foundation, *India's 'hidden' home garment workers feared losing out on coronavirus aid*, 7 April 2020, <https://in.reuters.com/article/health-coronavirus-india-garment/indias-hidden-home-garment-workers-feared-losing-out-on-coronavirus-aid-idINL4N2BU29I>.

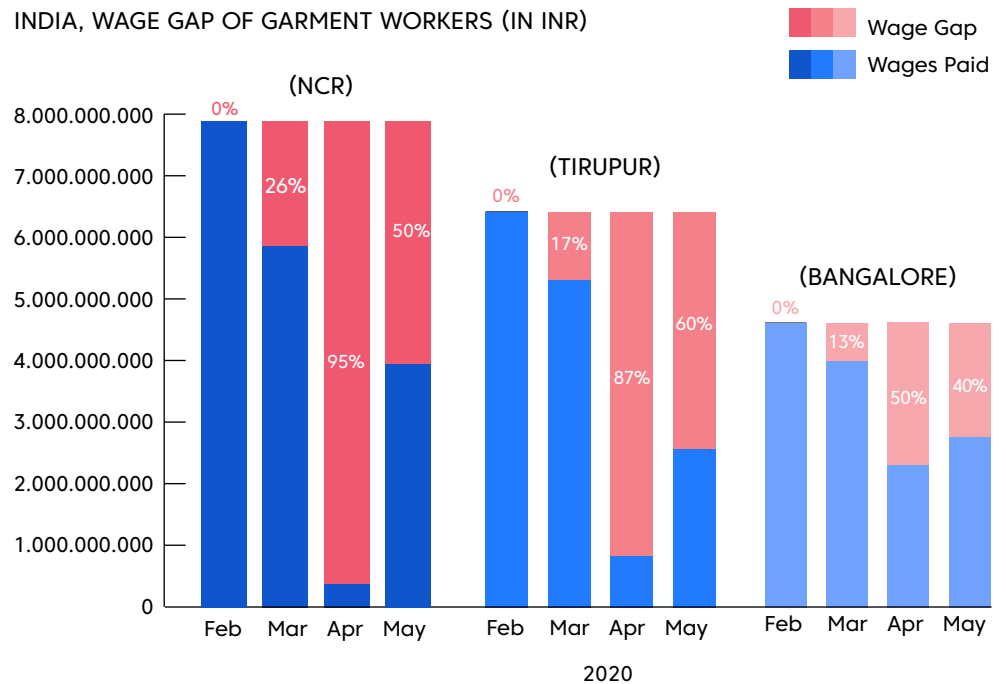
49 Invest India, *Textiles & Apparel*, <https://www.investindia.gov.in/sector/textiles-apparel>

50 Somesh Jha, Business Standard, *Govt withdraws order on compulsory wage payment by firms during lockdown*, 19 May 2020, [https://www.business-standard.com/article/economy-policy/govt-withdraws-order-on-compulsory-wage-payment-by-firms-during-lockdown-120051800793\\_1.html](https://www.business-standard.com/article/economy-policy/govt-withdraws-order-on-compulsory-wage-payment-by-firms-during-lockdown-120051800793_1.html).

51 Mohan Mani, Babu Mathew & Dithi Bhattacharya, Institute of Public Policy, National Law School of India University, *Critiquing the Statutory Minimum Wage: A case of the export garment sector in India*, May 2018, <https://mpp.nls.ac.in/wp-content/uploads/2019/02/Paper-5-Critiquing-the-Minimum-Wage.pdf>.

Although employers are required to negotiate with trade unions and worker representatives the terms of furloughs and layoffs, in reality the majority of factories proceeded to furlough or terminate workers without agreement with the unions.

INDIA, WAGE GAP OF GARMENT WORKERS (IN INR)



(36.19 million USD) in Bangalore; 2.56 billion INR (33.84 million USD) in Tirupur; and 3.95 billion (52.25 million USD) in NCR. In total, very modest estimates suggest that the 1.85 million workers formally employed in the export-oriented CMT garment sector in India lost at least 19.65 billion INR (259.72 million USD) in wages between March and May 2020.

Major brands sourcing from India include: Asos (over 200 facilities); Next (over 150 facilities); H&M, Gap, Primark, Debenhams, and Esprit (100-150); Arcadia, Bestseller, Asda, Matalan, C&A, Tesco, Marks & Spencer, Levi's, Benetton, and Shop Direct (50-100)<sup>52</sup>. Non-transparent brands with sourcing or production offices in India include Walmart, Decathlon, and Urban Outfitters<sup>53</sup>.

<sup>52</sup> Open Apparel Registry, <https://openapparel.org/>.

<sup>53</sup> Walmart, India, <https://corporate.walmart.com/our-story/our-business/international/walmart-india>; Decathlon, Responsibility in production: Maintaining long-term relationships, <http://sustainability.decathlon.com/action-areas/responsibility-in-production/maintaining-long-term-relationships/>;

Urban Outfitters have a sourcing office in India, as mentioned in their Corporate Report list of subsidiaries - "URBN India Sourcing & Design Solutions Limited". link?



## INDONESIA

Indonesia has a significant domestic and export market in the garment industry and employs an estimated 2.6 million workers<sup>54</sup>. The wages of the garment workers is often the minimum wage, which varies widely from from 1.57 million IDR (102.47 USD) to 4.26 million IDR (278.05 USD) per month<sup>55</sup>. A study in 2016 found that the average garment wage was around 20% above the lowest wages<sup>56</sup>, so for this report, we use 2 million IDR (130.54 USD) as the average wage.

Initially, many exporting factories were forced to stop or reduce production due to a shortage of raw materials, inability to ship finished goods, and cancellation of orders<sup>57</sup>. Then the introduction on 10 April of large-scale social restrictions known as “PSBB”<sup>58</sup> in various regions meant many factories were forced to close as workers were required to remain at home<sup>59</sup>. As the country began to reopen in June, the industry faced only a few new orders.

Directives from local governments on factory closure and reduction of working hours have been described as “fragmented and unclear”<sup>60</sup>, and, although employers are required to negotiate with trade unions and worker representatives the terms of furloughs and layoffs, in reality according to prominent labour rights observers, the majority of factories proceeded to furlough or terminate<sup>61</sup> <sup>62</sup> workers without agreement with the unions. Of the factories monitored by the ILO Better Work programme, more than 40% of the furloughs were unpaid with the remaining at “reduced pay”<sup>63</sup>. Information provided by unions show that “reduced pay” mostly is lower than half of their workers' regular wage.

54 Rina Anggraeni, SINDONews.com, Industri Tekstil PHK 2,1 Juta Pekerja Dampak Corona, 27 April 2020, <https://ekbis.sindonews.com/read/9191/34/industri-tekstil-phk-21-juta-pekerja-dampak-corona-1587985467>.

55 Trio Hamdani, detikFinance, Daftar Lengkap Kenaikan UMP 2020 di 34 Provinsi, 17 October 2019, <https://finance.detik.com/berita-ekonomi-bisnis/d-4749752/daftar-lengkap-kenaikan-ump-2020-di-34-provinsi>.

56 WageIndicator Foundation, Wages in Context in the Garment Industry in Asia: The Case of Indonesia, April 2016, <https://wageindicator.org/documents/publicationslist/publications-2016/wages-in-context-in-the-garment-industry-in-asia-the-case-of-indonesia>.

57 Fair Labor Association, Country-specific updates on provisions for workers in response to the covid-19 pandemic, 18 June 2020,

<https://www.fairlabor.org/blog/entry/country-specific-updates-provisions-workers-response-covid-19-pandemic>;

58 Worker Rights Consortium, Responsibilities of supplier factories and brands to workers suspended or terminated due to the covid-19 pandemic, April 2020, <https://www.workersrights.org/wp-content/uploads/2020/04/Brand-Factory-Responsibilities.pdf>.

59 Better Work, Indonesia Updates, <https://betterwork.org/2020/04/15/indonesia-updates/>.

60 Fair Wear Foundation, Covid-19 impact and responses: Indonesia, <https://www.fairwear.org/covid-19-dossier/worker-engagement-and-monitoring/country-specific-guidance/indonesia>.

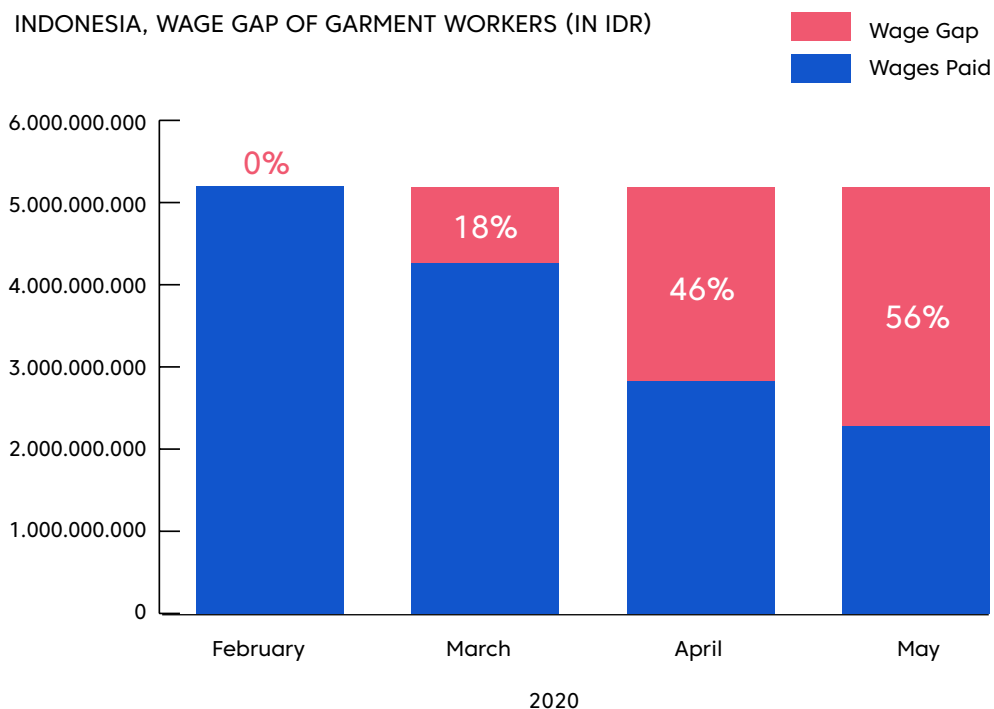
61 Fair Wear Foundation, Covid-19 impact and responses: Indonesia, <https://www.fairwear.org/covid-19-dossier/worker-engagement-and-monitoring/country-specific-guidance/indonesia>.

62 International Labour Organization, COVID-19 and the world of work: Country policy responses, <https://www.ilo.org/global/topics/coronavirus/country-responses/lang-en/index.htm#ID>.

63 Better Work, Factory stoppage, temporary closure or having decrease in operations in Indonesia, <https://betterwork.org/2020/04/07/factory-stoppage-temporary-closure-or-having-decrease-in-operations-in-indonesia/>.

*Beginning in March, Indonesian manufacturers began furloughing workers, and, by the end of April, according to the Indonesian Textile Association, 2.1 million workers in the textile and garment industry were affected.*

For the months March to May we estimate that 6.21 trillion IDR (405,325,979.18 USD) is owed in wages.



Beginning in March, Indonesian manufacturers began furloughing workers, and, by the end of April, according to the Indonesian Textile Association, 2.1 million workers in the textile and garment industry were affected, a figure that remained unchanged in June<sup>64</sup>. Based on information provided by unions, furloughs often alternate, with half the workforce furloughed and the other half working.

As the number of furloughs increased gradually over the first two months, we estimate that 10% or 260,000 workers were furloughed beginning in March, and this number increased to 50% or 1.3 million workers in April and 80% or 2.1 million workers in both May and June. Furthermore, at least 40% of the furloughed workers received no wages, and the remaining 60% received, at most, half their wages.

This would mean that 936 billion IDR (61,092,611.36 USD) in outstanding wages are owed; in April, a total amount of 2.37 trillion IDR (154,689,624.91 USD) in outstanding wages are owed; and in May, a total of 2.91 trillion IDR (189,935,362.23 USD) in outstanding wages are owed. For the months March to May we estimate that 6.21 trillion IDR (405,325,979.18 USD) is owed in wages.

The number could even be higher, given that workers in high wage regions have been furloughed without pay at a higher rate than workers in lower wage regions.

64 Rina Anggraeni, SINDOnews.com, *Industri Tekstil PHK 2, 1 Juta Pekerja Dampak Corona*, 27 April 2020, <https://ekbis.sindonews.com/read/9191/34/industri-tekstil-phk-2-1-juta-pekerja-dampak-corona-1587985467>.

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Furthermore, the period coincided with the mandatory payment of a religious holiday allowance, which is equal to one month of workers' salary. If employers are struggling, they are instructed to enter dialogue with trade unions or worker representatives on how to pay the bonus, for example in two installments.

The government has introduced the Kartu Pra Kerja scheme (pre-employment card) to help laid off workers and informal workers. This scheme provides a total of 3.5 million IDR (228.44 USD) per person over a four month period. However, the pre-employment card scheme has been marred by inefficiency and corruption. As a result, by June 2020, although 434,000 people had already completed the training, only 361,000 had received 600,000 IDR (39.16 USD) each, or just 7% of the median minimum wage of a garment worker, up to that time.

Major brands sourcing from Indonesia include Gap (over 100 facilities); adidas and H&M (50-100); Nike and Target (over 30). Decathlon has a sourcing office in the country<sup>65</sup>.



## MYANMAR

Estimates indicate that, before the pandemic, the garment industry in Myanmar employed 700,000 workers in roughly 680 factories<sup>66</sup>. Based on an average wage of 130,000 MMK (93 USD) – slightly above minimum wage – workers' combined monthly wage before the pandemic was 91 billion MMK (65 million USD) per month.

In February, as the pandemic began to impact the transport of raw materials from China to garment producing countries, including Myanmar, some factories began terminating workers<sup>67</sup>. We estimate that approximately 10,000 workers in Myanmar lost their jobs as a result. Accordingly, total wages paid in February would add up to only 89.7 billion MMK (63.89 million USD), which is 1.3 billion MMK (942.71 million USD) less than pre-Covid-19.

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*In February, as the pandemic began to impact the transport of raw materials from China to garment producing countries, including Myanmar, some factories began terminating workers.*

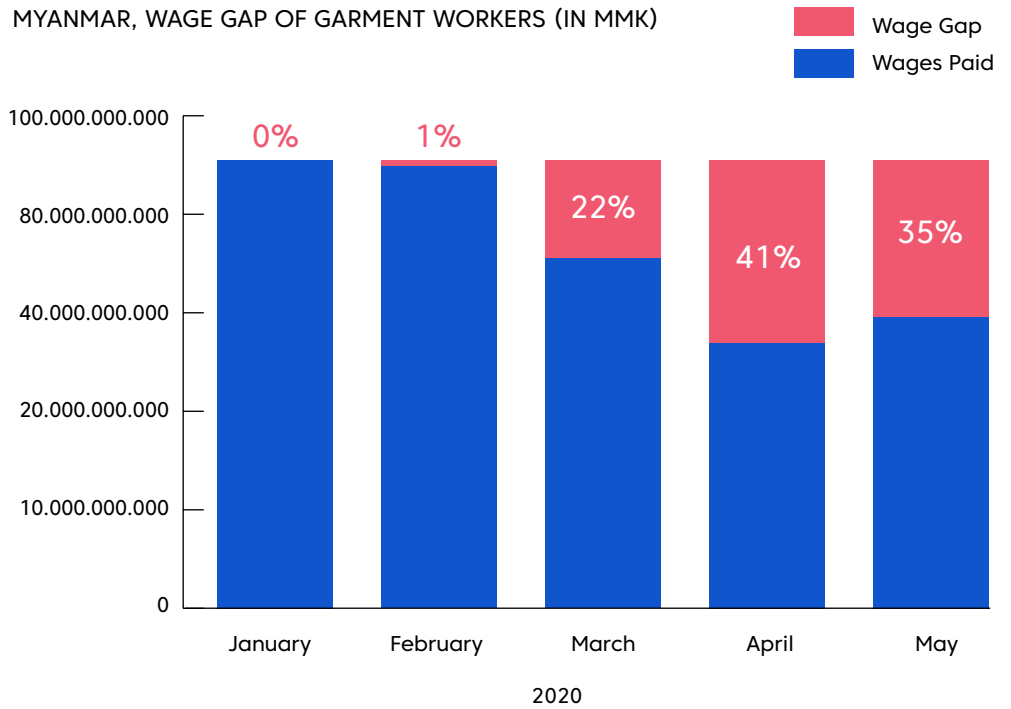
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<sup>65</sup> Decathlon, *Responsibility in production: Maintaining long-term relationships*, [sustainability.decathlon.com/action-areas/responsibility-in-production/maintaining-long-term-relationships](https://sustainability.decathlon.com/action-areas/responsibility-in-production/maintaining-long-term-relationships).

<sup>66</sup> SMART Textile & Garments, *Footwear & Apparel Industry Overview*, <https://www.smartmyanmar.org/en/footwear-apparel-industry-overview>

<sup>67</sup> Min Wathon, Myanmar Times, *Workers say Yangon garment factories using virus outbreak to dodge disputes*, 2 March 2020, <https://www.mmtimes.com/news/workers-say-factories-using-virus-outbreak-dodge-disputes.html>

166 thousand workers might have lost their jobs since the beginning of the crisis.



Beginning in March, brands began cancelling orders from garment factories in Myanmar<sup>68</sup>. While the government had not yet issued a lockdown in Myanmar, by the end of the month, 50 factories were closed as a result of the loss of brand orders<sup>69</sup>. Of the 50 factories that closed, 15 have yet to reopen. We estimate that the remaining factories have terminated approximately 10% of their workforces, meaning that only 607,103 workers have received their salaries, and most probably due to financial constraints and reduced capacities. We estimate that workers received roughly 90% of their normal wages. According to these estimates, total wages paid in that month are calculated at 71.03 billion MMK (50.59 million USD), a difference of 19.97 billion MMK (14.22 million USD) as compared to normal payment.

Workers lost even more of their regular income in April when, according to media reports, more than 120 factories closed<sup>70</sup>, of which we estimate 60 factories closed permanently. The government required the open factories to nonetheless close between 20 and 30 April<sup>71</sup> and only to reopen after they were deemed safe by government inspectors. We estimate the amount paid to workers

68 Chan Mye Htwe, The Myanmar Times, *More woes for Myanmar garment industry as EU cancels orders*, 29 March 2020, <https://www.mmtimes.com/news/more-woes-myanmar-garment-industry-eu-cancels-orders.html>  
69 Htoo Thant, The Myanmar Times, *4000 workers in Myanmar unemployed over shutdown, workforce reduction*, 15 March 2020, <https://www.mmtimes.com/news/4000-workers-myanmar-unemployed-over-shutdown-workforce-reduction.html>  
The Irrawaddy, *Factories Should not use COVID-19 as an Excuse to Sack Staff*, 21 March 2020, <https://www.irrawaddy.com/deline/factories-not-use-covid-19-excuse-sack-staff.html>  
70 Yuichi Nitta, Nikkei Asian Review, *Suu Kyi bets on coronavirus stimulus with little room for error*, 13 April 2020, <https://asia.nikkei.com/Politics/Suu-Kyi-bets-on-coronavirus-stimulus-with-little-room-for-error2>  
71 The Republic of the Union of Myanmar Ministry of Information, *Factory inspections for complying with health guidelines begin 20 April before permission to open*, 20 April 2020, <https://www.moi.gov.mm/moi:eng/?q=announcement/20/04/2020/id-21424>



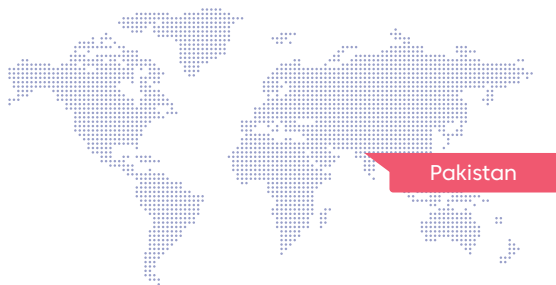
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still employed in April was 75% of their normal wage. Total wages paid that month are 53.85 billion MMK (38.36 billion USD). Thus about 552 thousand workers received 75% of their normal wage. The wage gap therefore grew to 37.15 billion MMK (26.46 million USD).

In May many factories remained closed<sup>72</sup>. We estimate an additional 20 factories closed permanently, leaving the total number of factories in operation at 585, employing approximately 534 thousand workers. This means 166 thousand workers might have lost their jobs since the beginning of the crisis. The wage gap for this month decreased a bit because of an EU programme put in place to support Burmese workers<sup>73</sup>. We estimate total wages paid that month are 95% of the normal wage for those still with a job, bringing the total to 59.20 billion MMK (42.17 million USD). The wage gap was reduced compared to April: 31.8 billion MMK (22.65 million USD).

According to our estimates, the total wage gap between March and May is roughly equal to 90.22 billion MMK (64.26 million USD).

Major brands sourcing from Myanmar include C&A, Next, H&M, and Bestseller (over 30 facilities). Non-transparent brands sourcing from Myanmar include Inditex, Li & Fung, and Carrefour<sup>74</sup>.



## PAKISTAN

Approximately 4.25 million people work in Pakistan's garment, textiles, footwear, and leather manufacturing industries, of whom an estimated 2.2 million work in the garment sector<sup>75</sup>. By 23 March, garment factories were closed as part of a nationwide lockdown and most remained closed for a month.

The government instructed employers to not lay off workers during the lockdown, but only the provincial order in Sindh was legally mandated, although even that was disputed by employer

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72. Thu Thu Aung, Ruma Paul & Poppy McPherson, Thomson Reuters Foundation, 'All my dreams are shattered': coronavirus crushes Asia's garment industry, 19 May 2020, <https://in.reuters.com/article/health-coronavirus-garment/all-my-dreams-are-shattered-coronavirus-crushes-asias-garment-industry-idINKBN22V1U0>.

73. European Union External Action, COVID-19 rapid response: EU creates €5 million emergency fund for Myanmar garment workers, 8 April 2020, [https://eeas.europa.eu/delegations/myanmar-burma/77355/covid-19-rapid-response-eu-creates-€5-million-emergency-fund-myanmar-garment-workers\\_en](https://eeas.europa.eu/delegations/myanmar-burma/77355/covid-19-rapid-response-eu-creates-€5-million-emergency-fund-myanmar-garment-workers_en).

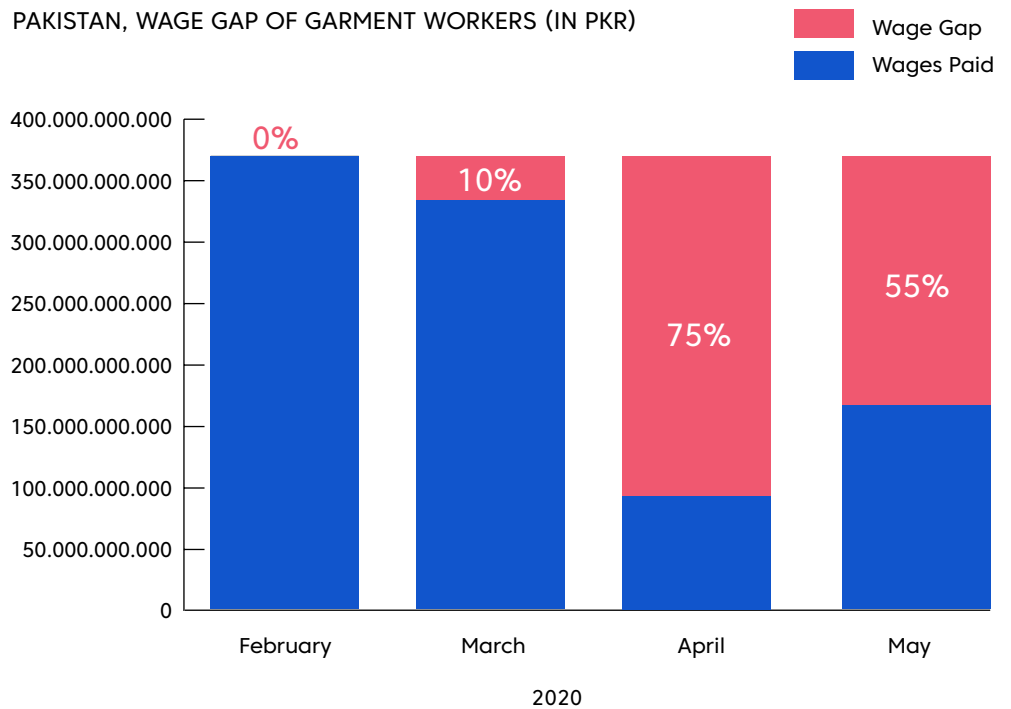
74. SMART Myanmar, 2019 Myanmar Buyers' Forum (draft agenda), [https://www.smartmyanmar.org/files/uploads/2019\\_mm\\_buyers\\_forum\\_final\\_agenda.pdf](https://www.smartmyanmar.org/files/uploads/2019_mm_buyers_forum_final_agenda.pdf).

75. People's Dispatch, Lockdown due to COVID-19 hits garment and textile sector in Pakistan, 6 April 2020, <https://peoplesdispatch.org/2020/04/06/lockdown-due-to-covid-19-hits-garment-and-textile-sector-in-pakistan/>.

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*By the end of March, one union estimated that half a million garment and textile workers had already been dismissed.*

The total amount of wages lost in Pakistan over the course of March, April, and May is an estimated 51.5 billion PKR (320.88 million USD).



federations<sup>76</sup>. By the end of March, one union estimated that half a million garment and textile workers had already been dismissed<sup>77</sup>. A mid-April study by Mazdoor Akath estimated that over one million textile and garment workers would lose their jobs in Pakistan<sup>78</sup>, although it is still too soon to tell.

Both the Sindh and Punjab provincial governments ordered that workers' salaries should be paid in full during the closures, but factory owners argued in court that they could not pay their workers<sup>79</sup>. In the end, very few workers received their full salaries during the temporary closures<sup>80</sup>, even after many employers received reduced interest loans ostensibly to help with this<sup>81</sup>. An estimated 85% of garment workers in Pakistan lack formal employment contracts, and their employers have failed to register them with social security institutions, making it harder for them to successfully demand income owed to them. Local labour leaders reported that even after factories reopened, most paid workers at a reduced rate<sup>82</sup>.

76 Zafar Ahmed Khan, The Friday Times, *Millions face insecurity as lockdowns continue*, 1 May 2020, <https://www.thefridaytimes.com/millions-face-insecurity-as-lockdowns-continue/>.

77 Daily Times, *Poor workers left in the lurch by multi-billionaire industrialists*, 14 April 2020, <https://dailytimes.com.pk/595186/poor-workers-left-in-the-lurch-by-multi-billionaire-industrialists/>.

78 Hassan Naqvi, Pakistan Today, *Over 1 million textile workers set to lose jobs amid Covid-19 fallout*, 18 April 2020, <https://profit.pakistantoday.com.pk/2020/04/18/over-1-million-textile-workers-set-to-lose-jobs-amid-covid-19-fallout/>.

79 Pakistan Today, *Can't pay workers during lockdown, textile industry owners tell court*, 4 May 2020, <https://www.pakistantoday.com.pk/2020/05/04/cant-pay-workers-lockdown-textile-industry-owners-tell-court/>.

80 According to reports by Labour Education Foundation.

81 Dawn, *Call for implementation of Covid-19 relief ordinance*, 22 May 2020, <https://www.dawn.com/news/1558778>; Dawn, *SBP offers more incentives for businesses to avoid layoffs*, 23 April 2020, <https://www.dawn.com/news/1551545>.

82 This is likely due to a reduction in overtime as a result of declining orders from brands.

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In March the industry in Pakistan was not very affected by the pandemic yet. We estimate a reduction of 5% in the workforce and a slight reduction, also of 5%, in wages paid. This would mean a wage gap of 10% compared to the previous month, a total of 3.59 billion PKR (22.39 million USD).

The government's first announcement of assistance for workers who had lost their jobs was in the amount of 3,000 PKR (19 USD), falling far short of minimum wage<sup>83</sup>, which it later expanded to 12,000 PKR (75 USD) per month for three months. One organisation reported that, due to the programme's eligibility restrictions, only half of the laid off workers whom they had helped apply to the programme were approved. In this context, if we assume that, on average, 75% of garment workers did not receive any income during a one-month period, then that amounts to a wage gap of 27.64 billion PKR (172.21 million USD) in Pakistan's garment industry during the period of temporary closures, mostly in April<sup>84</sup>.

In May, things got slightly better as factories reopened slowly. We estimate that the total workforce had shrunk by 40% as compared to pre-pandemic figures and that workers who were still, or again, employed at that time received about 75% of their normal wages. This means that in May the wage gap was still 20.27 billion PKR (126.29 million USD). The total amount of wages lost in Pakistan over the course of March, April, and May is an estimated 51.5 billion PKR (320.88 million USD).

Major brands sourcing from Pakistan include H&M, Shop Direct, Bestseller, Matalan, Primark, C&A, Next, Levi's, New Look, and Zeeman (20-30 facilities). Non-transparent brands with considerable production in Pakistan probably include Walmart, IKEA, Decathlon, JCPenney, El Corte Ingles, Li & Fung, Otto Group, and Kaufland<sup>85</sup>.

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*Because workers did not receive any wages for the days they were in lockdown, the wage gap in March was already 1.42 billion LKR (7.36 million USD).*

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83 Daily Times, *Poor workers left in the lurch by multi-billionaire industrialists*, 14 April 2020, <https://dailytimes.com.pk/595186/poor-workers-left-in-the-lurch-by-multi-billionaire-industrialists/>.

84 (2,200,000 million workers x 0.75) x Rs. 16,750/month (assuming that half the industry's workers are in Sindh, which has a minimum wage of Rs. 17,000 and half are in Punjab, which has a minimum wage of Rs. 16,500). Some factories were closed for longer than one month, but others opened early, so we assume a one month closure on average.

85 Clean Clothes Campaign, International Labor Rights Forum, Labour Education Foundation, National Trade Union Federation & Pakistan Institute of Labour Education and Research, *Pakistan's Garment Workers Need a Safety Accord*, September 2019, <https://cleanclothes.org/file-repository/pakistan-safety-report.pdf/view>; Decathlon, *Responsibility in production: Maintaining long-term relationships*, [sustainability.decathlon.com/action-areas/responsability-in-production/maintaining-long-term-relationships/](https://sustainability.decathlon.com/action-areas/responsability-in-production/maintaining-long-term-relationships/); The Express Tribune, *El Corte to establish offices in Pakistan*, 22 August 2011, <https://tribune.com.pk/story/237209/el-corte-to-establish-offices-in-pakistan>; IDH The Sustainable Trade Initiative, *Mapping Study: Providing Additional Insights and Roadmap for the Buyers' Forum*, 28 April 2015, <https://www.idhsustainabletrade.com/uploaded/2016/06/PBF-Mapping-Study-2015-1.pdf>; Abdul Bari, LinkedIn, *Abdul Bari*, <https://www.linkedin.com/in/abdul-bari-780571/>; Faisal Chhipa, LinkedIn, *Faisal Chhipa*, <https://www.linkedin.com/in/faisal-chhipa-986a00103/>; Zeeshan Rana, LinkedIn, *Zeeshan Rana*, <https://www.linkedin.com/in/zeeshan-rana-929a9449/?originalSubdomain=pk>; Syed Shujaat Ahmed, LinkedIn, *Syed Shujaat Ahmed*, <https://www.linkedin.com/in/syed-shujaat-ahmed-5a8621a/>;

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*Because so many workers could not return to work after the lockdown and because the ones who could had not worked the first 19 days of the month, we estimate the total wage gap for April to be 3.45 billion LKR (17.87 million USD).*



## SRI LANKA

On 20 March 2020, the government of Sri Lanka responded to the threat of Covid-19 by declaring a country-wide curfew, which required the closure of all factories and offices in the country, except those providing essential services<sup>86</sup>. The curfew severely impacted the Sri Lankan garment industry, which directly employs 275,000 workers in free trade zones, the majority of whom are migrant women from rural areas<sup>87</sup>. Although the government committed a monthly relief payment of 5,000 LKR (26 USD) to those impacted by the curfew, many garment workers did not receive the allowance, as they were prevented by their employers from returning to their home communities before the curfew went into effect<sup>88</sup>.

In the first 19 days of March, workers worked their normal hours and supposedly received their normal wages. Because workers did not receive any wages for the days they were in lockdown, the wage gap in March was already 1.42 billion LKR (7.36 million USD). Following an announcement by the government at the end of April, garment factories were permitted to restart production with a limited number of employees<sup>89</sup>. To facilitate this, the president of Sri Lanka stated that he would provide support for private businesses that are unable to pay their employees' wages<sup>90</sup>. A survey of the Sri Lanka Apparel Exporters Association (SLAEA) confirmed that manufacturers did not have the means to pay workers' salaries for the six months following March<sup>91</sup>. No information on the implementation of this programme has been publicised, however, and it is unclear whether any assistance was given. Moreover, the chairman of the SLAEA argued that a government loan would not be helpful, as the industry had no output and would be unable to repay<sup>92</sup>. Because so many workers could not return to work after the lockdown and because the ones who could had not worked the first 19 days of the month, we estimate the total wage gap for April to be 3.45 billion LKR (17.87 million USD).

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86 Rajendra Wijesinghe, Praja Lanka, *Sri Lankan garment workers face difficulties during and after Covid-19 curfew*, 3 June 2020, [praja.lk/economy/sri-lankan-garment-workers-face-difficulties-during-and-after-covid-19-curfew/](https://praja.lk/economy/sri-lankan-garment-workers-face-difficulties-during-and-after-covid-19-curfew/).

87 Rajendra Wijesinghe, Praja Lanka, *Sri Lankan garment workers face difficulties during and after Covid-19 curfew*, 3 June 2020, [praja.lk/economy/sri-lankan-garment-workers-face-difficulties-during-and-after-covid-19-curfew/](https://praja.lk/economy/sri-lankan-garment-workers-face-difficulties-during-and-after-covid-19-curfew/).

88 Rajendra Wijesinghe, Praja Lanka, *Sri Lankan garment workers face difficulties during and after Covid-19 curfew*, 3 June 2020, [praja.lk/economy/sri-lankan-garment-workers-face-difficulties-during-and-after-covid-19-curfew/](https://praja.lk/economy/sri-lankan-garment-workers-face-difficulties-during-and-after-covid-19-curfew/).

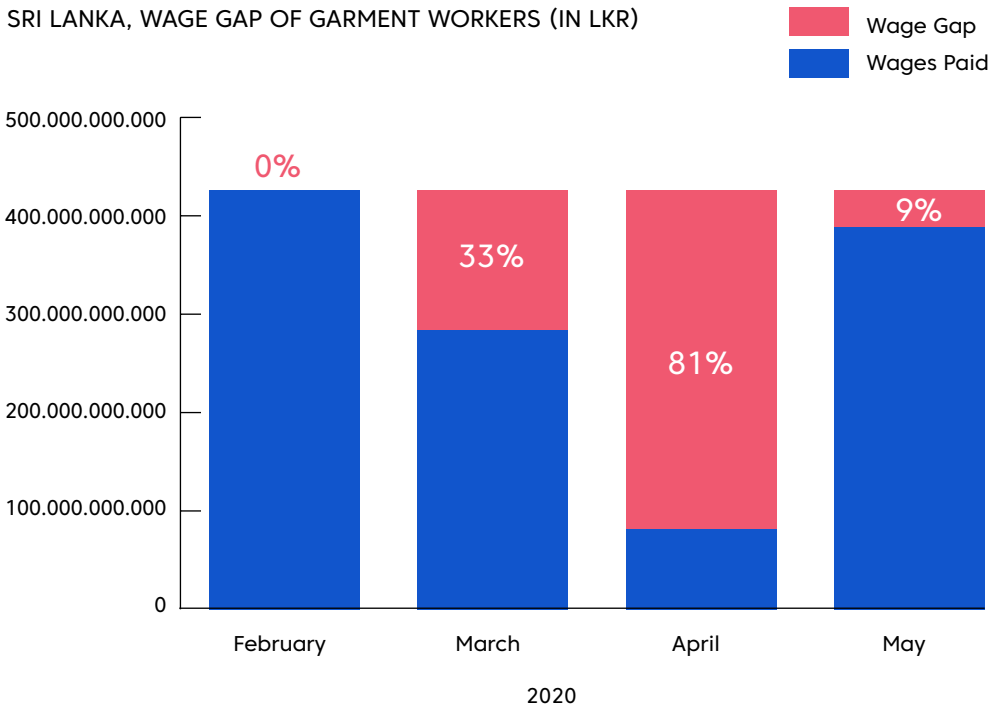
89 CCC Comment 20th April 2020, Clean Clothes Campaign, *Live-blog: How the Coronavirus affects garment workers in supply chains*, <https://cleanclothes.org/news/2020/live-blog-on-how-the-coronavirus-influences-workers-in-supply-chains>.

90 News.lk, *Many material, financial assistance for those affected by the Coronavirus*, 1 April 2020, <https://www.news.lk/news/political-current-affairs/item/29919-many-material-financial-assistance-for-those-affected-by-the-coronavirus>.

91 Chamila Samarakkodi, EconomyNext, *As Coronavirus tears Sri Lanka's apparel sector apart, an Insider calls for help*, 16 April 2020, <https://economynext.com/as-coronavirus-tears-sri-lankas-apparel-sector-apart-an-insider-calls-for-help-66176/>.

92 Sunimalee Dias, The Sunday Times, *Apparel industry to lay off 30% workforce*, 5 April 2020, <https://www.pressreader.com/sri-lanka/sunday-times-sri-lanka/20200405/281483573493138>.

SRI LANKA, WAGE GAP OF GARMENT WORKERS (IN LKR)



Overall we estimate that in the months March, April, and May workers have lost a total of roughly 40% of their normal wages, a total of 4.64 billion LKR (24.05 million USD) despite the government programme.

On 5 May, a tripartite task force composed of unions, employers, and government officials reached an agreement regarding wage payment, which the Ministerial Cabinet endorsed on 14 May<sup>93</sup>. Under the agreement, employers must pay both employees who are not called for work, in order to adhere to the government restrictions to maintain social distancing, and called workers on a rotational basis and to pay 50% of their basic salary, or 14,500 LKR up to their full salary<sup>94</sup>. In addition, workers are to receive Employees’ Provident Fund and Employees’ Trust Fund contributions<sup>95</sup>. The scheme was designed to ensure a minimum monthly salary of 14,500 LKR (75 USD) and to encourage employers to keep workers on payroll.

This agreement only applied to the months of May and June and did not address the lack of funds available to pay March or April wages<sup>96</sup>. Given that the 14,500 LKR (75 USD) guaranteed by the government for May and June is 1,000 LKR less than the minimum wage of 15,500 LKR (80 USD), at a minimum each garment worker not employed in those two months had an income 6% less than usual<sup>97</sup>. According to a survey conducted by Sri Lanka’s Department

93 IndustriALL Global Union, *Tripartite agreement to protect Sri Lankan workers*, 25 May 2020, <https://www.industrialunion.org/tripartite-agreement-to-protect-sri-lankan-workers>.

94 Charindra Chandrasena, *The Morning*, *Employers to start prorating salaries immediately*, 10 May 2020, <https://www.themorning.lk/employers-to-start-prorating-salaries-immediately/>.

95 IndustriALL Global Union, *Tripartite agreement to protect Sri Lankan workers*, 25 May 2020, <https://www.industrialunion.org/tripartite-agreement-to-protect-sri-lankan-workers>.

96 IndustriALL Global Union, *Tripartite agreement to protect Sri Lankan workers*, 25 May 2020, <https://www.industrialunion.org/tripartite-agreement-to-protect-sri-lankan-workers>.

97 1,000 LKR divided by Rs. 15,500

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*Overall we estimate that in the months March, April, and May workers have lost a total of roughly 40% of their normal wages, a total of 4.64 billion LKR (24.05 million USD) despite the government programme.*

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of Labour, 32% of employers in the garment industry were unable to pay workers their salaries in May and June<sup>98</sup>. This means that 88,000 workers should have received the government assistance of 14,500 LKR (75 USD) and approximately 88 million LKR (456 thousand USD) in wages were lost during each month. The government also reported that by May, 70% of the garment workforce had returned to their job. Considering that 55.68% of factories reported under-capacity production, it is possible to deduce that approximately 107,200 workers were making a prorated amount of their normal monthly salaries, the exact amount of which is impossible to calculate with available data.

Overall we estimate that in the months March, April, and May workers have lost a total of roughly 40% of their normal wages, a total of 4.64 billion LKR (24.05 million USD) despite the government programme.

Major brands sourcing from Sri Lanka include Next (over 75 facilities); PVH, Gap, Asda, Tesco, Marks & Spencer, Benetton, adidas, and VF Corporation (30-50). Non-transparent brands sourcing from Sri Lanka include Abercrombie & Fitch, American Eagle Outfitters, JC Penney, Kohl's, and Ralph Lauren<sup>99</sup>.



Image: Unions in many countries, as here in Pakistan, provided relief to workers during lockdown as they weren't paid their due wages.

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98 A. Wimalaweera, Department of Labour, Sri Lanka, Covid 19 & Beyond – The impact on the Labour Market of Sri Lanka, May 2020, [www.labourdept.gov.lk/images/PDF\\_upload/notices/survey%20report%202020.pdf](http://www.labourdept.gov.lk/images/PDF_upload/notices/survey%20report%202020.pdf).

99 Sri Lanka Apparel Exporters Association, *Major Customers*, <https://www.srilanka-apparel.com/major-customers>

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## EL SALVADOR

In early 2020, prior to the onset of the Covid-19 pandemic, El Salvador's employer's association reported a total of 80,000 workers in the country's garment and textile sector. The minimum wage in El Salvador for workers in this industry is 299.30 USD per month, though many garment workers earn slightly above the minimum wage from factory production bonuses.

The Salvadoran government enacted an Emergency Decree on 14 March, which required a full lock down for all citizens including non-essential businesses. The country's garment and textile factories were closed, though an exception was made for garment factories producing masks and other medical equipment. Factories producing non-essential goods were required to remain closed until 16 June.

While Salvadoran law allows for an employer to suspend operations without providing pay or health benefits to workers, the Emergency Decree prohibited employers from firing workers or reducing pay during the lockdown. However, few if any employers strictly complied with this governmental mandate, which was subsequently declared unconstitutional by the Salvadoran Supreme Court. Some of the larger factories provided half salary during the suspension and others paid two weeks' salary. However, a significant number of garment workers have not received any wages from mid-March to the present date. As of July 2020, worker organizations reported that at least 71,000 garment sector workers had been suspended from their positions. Based on this estimate, workers have been deprived of an estimated 8.4 millionn USD in wages since the onset of the pandemic.<sup>100</sup>

In early April, the government made emergency funds available to many citizens of El Salvador, but garment sector workers were excluded from this one-time economic benefit. The government then provided a food basket to families affected by the pandemic. While it was initially announced as an ongoing benefit, to date families have only received one such food package.

International manufacturers that employ workers directly include Fruit of the Loom and Hanesbrands. These two brands employ approximately 25% of all garment and textile workers in the country. Other important apparel brands sourcing from El Salvador include Under Armour, Kontoor Brands, VF Corporation (North Face), Nike, adidas, Gap, Levi's, Target, PVH, and Dick's Sporting Goods.

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100 Drawing from the estimate provided by worker organizations, the calculation is based on (71,000 suspended workers) x (\$299.30 monthly minimum wage) x (four months from the onset of the pandemic to the publication of this report). For a precise figure, adjustments would need to be made for the partial payment of wages by some factories and by the fact that some garment workers also earn production bonuses, which would raise the amount that they would have earned during the four month period, although not significantly.

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*In early April, the government made emergency funds available to many citizens of El Salvador, but garment sector workers were excluded from this one-time economic benefit.*

*We would presume that in production countries that were not included in this report, the 38.6% wage gap could count as a rough indication of the local situation.*

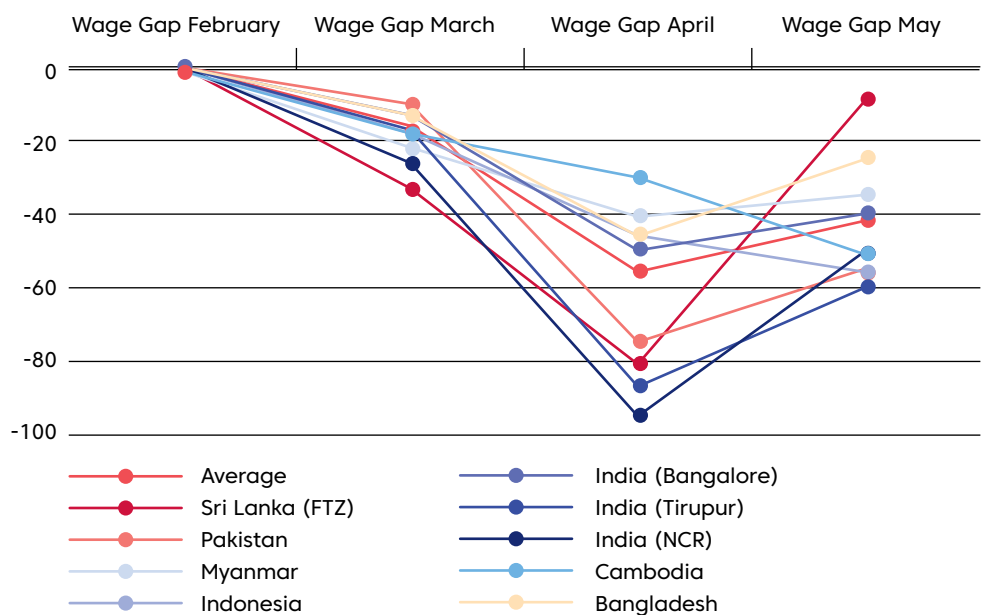
## C. WAGE GAPS AT A GLANCE

In this section we estimated how much workers in each of the seven production countries are owed in outstanding wages. The table below summarises our findings and shows the March to May wage gap. In these seven countries, between March and May, 12.98 million workers were deprived of a total amount of 1.82 billion USD of unpaid wages.

But the pandemic did not just hit workers in these seven countries. Detailed data on other countries is lacking, and there are substantial differences in the extent to which workers were affected and government intervention. In consequence, we have chosen a conservative scenario by assuming that on the global scale, the average wage gap was smaller than for the average workers in the seven country sample. While the weighted average wage gap in the seven countries was 38.6%, for the global calculation used half of this percentage. This leads us to the conclusion that the estimated 50 million workers employed in the global textile, apparel and footwear industry were confronted with an astonishing wage loss totalling to 5.79 Billion USD for the months March to May 2020.

A substantial share of this amount is linked to the apparel exporting production, which the WRC estimates represents a workforce of 13.8 million (if excluding China because of more extensive government support). Extrapolating from the weighted average of the seven countries researched, we estimate that a total wage gap of 3.19 Billion USD spreads in the export-oriented apparel industry.


WAGE GAP DEVELOPMENT IN RESEARCHED COUNTRIES/REGIONS, IN %





	WORKERS INCLUDED IN ESTIMATES	AVERAGE MONTHLY WAGE IN USD	ESTIMATED AVERAGE WAGE GAP IN %				ESTIMATED WAGE GAP MARCH-MAY 2020	
			March	April	May	March-May	in USD (million)	in LCU (million)
Bangladesh	4,400,000	113	13%	46%	25%	<b>29.5%</b>	501.62 M	42,612.40 M
Cambodia	650,000	190	18%	30%	51%	<b>33.0%</b>	122.17 M	122.17 M
India (NCR)	850,000	123	26%	95%	50%	<b>56.9%</b>	178.24 M	13,484.11 M
India (Tirupur)	800,000	106	17%	87%	60%	<b>54.8%</b>	138.98 M	10,513.79 M
India (Bangalore)	500,000	121	13%	50%	40%	<b>34.5%</b>	62.40 M	4,720.95 M
Indonesia	2,600,000	131	18%	46%	56%	<b>39.8%</b>	405.59 M	6,214,000.26 M
Myanmar	700,000	93	22%	41%	35%	<b>32.6%</b>	63.33 M	88,916.96 M
Pakistan	2,200,000	104	10%	75%	55%	<b>46.6%</b>	320.88 M	51,497.88 M
Sri Lanka (FTZ)	275,000	80	33%	81%	9%	<b>40.8%</b>	27.19 M	5,246.76 M
<b>Global estimate for garment and footwear sector (halved average) (extrapolated)</b>	<b>50,000,000</b>	<b>200</b>				<b>19.3%</b>	<b>5,787.84 M</b>	
<b>Global estimate for export apparel only (China excluded) (extrapolated)</b>	<b>13,800.00</b>	<b>200</b>				<b>38.6%</b>	<b>3,194.89 M</b>	

The countries we researched showed similar developments: April was worse than March in all countries, and May was slightly better in almost all countries, except for Cambodia and Indonesia, where the pandemic seemed to have gotten worse every following month.



Labour rights organisations and unions urge apparel companies to publicly assure that all apparel, textile, and footwear workers in their supply chain who were employed at the onset of the Covid-19 crisis will receive their legally mandated wages and benefits.

## CHAPTER THREE

# WHAT NEEDS TO HAPPEN?

To make workers, who had already been living on poverty wages before the pandemic, whole for the billions in outstanding pay owed to them swift action is needed. They need assurance by the actors at the top of the supply chain that this gap will be filled.

Global brands, retailers and e-tailers (from here on called “brands”)<sup>101</sup> are responsible, under international standards and their own codes of conduct for ensuring that workers employed in their supply chain are paid their legally mandated or regular wages, whichever is higher<sup>102</sup>. While the direct employers are legally obligated to pay workers’ wages, it is the brands that dictate how profits are made and distributed along their supply chains. Brands choose to base their supply chains in countries with low wages and weak social protections. As workers, unions, and civil society groups have long argued, global supply chains are defined by an acute power imbalance between brands at the top of supply chains and workers employed in factories. Brands’ economic power allows them to dictate how profits are made and distributed along their supply chains, including the ever-smaller share available for suppliers to pay their workers decent wages, ensure safe and healthy working conditions, or provide workers with legally mandated benefits upon termination. Brands also have chosen to turn a blind eye to the lack of social security mechanisms, such as unemployment insurance schemes or guarantee

funds, that could cover wage payments in time of lockdown or crisis. Moreover, brands are obliged under the United Nations Guiding Principles for Business and Human Rights, and the OECD Due Diligence Guidelines, to prevent and mitigate adverse human rights impacts at their suppliers, and to provide for or cooperation in the remediation of harm that they have caused or contributed to. The shortfall in workers’ wages therefore rests on the shoulders of the brands.

## A. APRIL 2020 CALL TO ACTION

In April 2020 over 120 brands, manufacturers, and worker organisations, among others,<sup>103</sup> endorsed the Covid-19 Action Plan for the Garment Industry (“Call to Action”) to engage with financial institutions, governments, and other donors to support garment manufacturers during the economic disruption of the pandemic and to protect garment workers’ income, health, and employment<sup>104</sup>. While the Call to Action, which was facilitated by the International Labour Organization (ILO), was a positive first step

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101 We recognize the growth and increasing power of transnational manufacturing TNCs, which in some cases surpasses the power of individual brands. These are still few though.

102 Clean Clothes Campaign, *COVID-19 Demands in defense of Garment Workers in Global Supply Chains*, 9 April 2020, <https://cleanclothes.org/news/2020/covid-19-short-term-demands-in-defense-of-garment-workers-in-global-supply-chains>.

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103 International Labour Organization, *Organizations endorsing the Call to Action in the garment industry*, [https://www.ilo.org/global/topics/coronavirus/sectoral/WCMS\\_744285/lang-en/index.htm](https://www.ilo.org/global/topics/coronavirus/sectoral/WCMS_744285/lang-en/index.htm).

104 International Labour Organization, *COVID-19: Action in the Global Garment Industry*, [https://www.ilo.org/global/topics/coronavirus/sectoral/WCMS\\_742343/lang-en/index.htm](https://www.ilo.org/global/topics/coronavirus/sectoral/WCMS_742343/lang-en/index.htm).

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*Garment workers desperately need assurance: they are the weakest and most vulnerable group in the supply chain, and yet they are the ones presently footing the bill.*

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towards addressing the economic crisis for garment workers, it is not a comprehensive solution to providing workers with the wages they lost due to the crisis. Moreover, the Call to Action does not set targets, nor does it provide an enforcement mechanism or consequences for signatory brands if workers in their supply chain do not receive income support.

## **B. WAGE ASSURANCE<sup>105</sup>**

In an effort to build upon the outcomes foreseen in the Call to Action, labour rights organisations and unions have launched a campaign calling on apparel companies to publicly assure that all apparel, textile, and footwear workers in their supply chain who were employed at the onset of the Covid-19 crisis will receive their legally mandated or regular wages and benefits, including back pay or severance pay if applicable<sup>106</sup>. Since June 2020, organisations in the CCC network contacted around 100 apparel companies with these demands directly.

This wage assurance that brands are urged to commit to is not prescriptive on the means by which workers' wages are paid but aims to obtain public assurances for workers and hold brands accountable to their responsibilities to workers in their supply chains. How brands will implement their wage assurance for workers in their supply chains will depend on the individual brands, their supply chain, and leverage in a particular country or factory. This will include, for example:

- Honouring all existing contracts with payment of the originally agreed amounts on the original schedule, while meeting demands from suppliers for extended production timelines;
- Identifying which suppliers have gaps outstanding, through payroll review (preferably in collaboration with other brands); confirming the percentage of workers brought back post-lockdown, and comparing their wages and benefits to that at the onset of the crisis. For workers not (yet) brought back, reviewing the records of payments made, and the measures taken thus far to compensate them.
- Supporting the establishment of emergency relief funds and financial support packages specifically for the garment sector through own contributions (such as the Supply-chain Relief Contribution promoted by Asia Floor Wage Alliance<sup>107</sup> by leveraging funds from international financial institutions and governments – as foreseen in the ILO Call to Action for the eight priority countries selected);

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<sup>105</sup> Clean Clothes Campaign, *COVID-19 wage assurance*, <https://cleanclothes.org/campaigns/covid-19/covid-19-wage-assurance>

<sup>106</sup> Clean Clothes Campaign, *Garment workers need apparel companies' assurance that they will be paid during this crisis*, 1 June 2020, <https://cleanclothes.org/news/2020/garment-workers-need-apparel-companies-assurance-that-they-will-be-paid-during-this-crisis>

<sup>107</sup> Asia Floor Wage Alliance, *Brands' Responsibility in COVID-19 Humanitarian Crisis: Contribute to Garment Workers' Relief*, April 2020, <https://asia.floorwage.org/wp-content/uploads/2020/04/Brand-SRC-for-Garment-Workers-Impacted-by-COVID-19.pdf>

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- Cooperating with employers to maintain workers' employment and wages, including the rehiring of previously dismissed workers and/or direct financial contributions to employers for immediate relief;
  - Creating direct income support for workers who cannot be paid through an employer and are not eligible to sufficient support by national governments: and
  - Setting up funds to enable additional remedial payments in the coming months to all workers that are not paid legally mandated remuneration (wages, severance, other terminal payments).

In addition to providing immediate income support for workers, the wage assurance also includes a commitment to negotiate an enforceable agreement to support stronger social protections for workers through the establishment of a global guarantee fund. The purpose of a global guarantee fund is to mitigate the devastating consequences of unemployment for workers in the future by financially supplementing or strengthening government social security programs. The guarantee fund will also reserve monies for payments of severance and outstanding wages in cases where employers have gone insolvent, or otherwise have terminated workers. Brands would contribute to both funding streams through an indefinite price premium on future orders. This should be part of a larger effort to establish more sustainable and resilient industries in the near future, consisting of supply-chains with better planning and pricing models, which includes a costing model that covers fair payment schedules, and financial space for living wages, safe factories, and social benefits.

Brands have mistakenly cited their endorsement of the Call to Action as a reason not to publicly commit to the wage assurance. Of course, the more success the ILO Call to Action will have in mobilising funds, the easier it will be to close the wage gap, and the less burdensome the wage assurance will be on the individual brands. However, while under the Call to Action loans will be secured to enable employers to pay wages, and to enable governments to provide income support to workers, it is not designed to assure workers that those funds will actually reach them. Garment workers desperately need assurance: they are the weakest and most vulnerable group in the supply chain, and yet they are the ones presently footing the bill. While the industry as a whole is facing economic challenges, workers are facing personal poverty and destitution long before the brands or employers feel significant hardship. Worker organizations around the world will continue to monitor the payment of legally due wages to workers and press brands to commit to a wage assurance until workers are made whole for the wages they lost<sup>108</sup>.

The current crisis shines a light on a deeply flawed supply chain model that is rooted in the concentration of corporate power at the expense of workers. The severity of this crisis could have been averted if living wages had been paid, and social protection mechanisms had been implemented. The only way to reverse the catastrophic loss to workers' livelihoods and prevent a crisis like this from ever happening again is for brands to take immediate and lasting action.

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*The severity of this crisis could have been averted if living wages had been paid, and social protection mechanisms had been implemented.*

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<sup>108</sup> More information about brands' profits in the past and ability to pay can be found on: Clean Clothes Campaign, Fashion Checker, June 2020, <https://fashionchecker.org/>.

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*The only way to reverse the catastrophic loss to workers' livelihoods and prevent a crisis like this from ever happening again is for brands to take immediate and lasting action.*

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## THE WAGE ASSURANCE

[Company X] hereby publicly assures that all apparel, textile, and footwear workers in our supply chain, who were paid to produce or handle goods at the onset of the COVID-19 crisis, regardless of employment status, will be paid their legally mandated or regular wages and benefits, whichever is higher. This includes wage arrears (back pay) and, where applicable, negotiated severance pay.

We will contribute funds of a sufficient amount to ensure that, when combined with other support provided to workers by employers, local governments, and international institutions, workers have income, equal or greater than, the amount they received prior to the crisis. In doing so, we provide immediate much-needed relief for workers, and we act upon our responsibility to prevent and mitigate adverse human rights impacts in our supply chains, and to provide for or cooperate in the remediation of harm.

Going forward, we will support stronger social protections for workers by committing to paying a price premium on future orders into a guarantee fund reserved for severance and outstanding wages in cases where employers in our supply chain have gone insolvent, or otherwise have terminated workers, through signing an enforceable agreement with garment worker unions, in line with ILO Recommendation 202, Convention 95 and Convention 76.





"The only way to reverse the catastrophic loss to workers' livelihoods and prevent such a crisis from ever happening again is for brands to take immediate and lasting action."

Garments workers in Dhaka, Bangladesh, block a road in protest during the lockdown, April 2020.



[www.cleanclothes.org](http://www.cleanclothes.org)