

2021

REPORT

# STILL UN(DER) PAID

How the garment industry  
failed to pay its workers  
during the pandemic

Clean  
Clothes  
Campaign







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## CREDITS

**Authors:** Miriam Neale, Anne Bienias | **Acknowledgments:** Patrick Lee (CENTRAL, Cambodia), Khalid Mahmood (Labour Education Foundation, Pakistan), Anton Marcus (Free Trade Zones & General Services Employees Union, Sri Lanka), Chamila Thushari (Dabindu Collective, Sri Lanka), Dian Septi Trisnanti (FBLP, Indonesia), Sugianto (Serikat Pekerja Nasional (SPN), Indonesia), Kumar Ravishankar (SLD, India), Parvathi Madappa (Cividep, India), Viyakula Mary (SAVE, India), David Hachfeld (Public Eye, Switzerland), Liana Foxvog (Worker Rights Consortium, United States), Christie Miedema (CCC International Office, Netherlands) |

**Art Direction + Design by** Atomo Design.nl | **Chapter Images:** Unsplash: Vishal Banik, Marina Ermakova, Fleur, Varun Gaba, k15, Pina Messina, Kelly Sikkema, Annie Spratt **Contact** Clean Clothes Campaign, PO Box 11584 1001 GN Amsterdam The Netherlands, **Phone** + 31 20 4122785, **Fax** + 31 20 4122786, **E-mail** info@cleanclothes.org, **Website** www.cleanclothes.org © Clean Clothes Campaign (2021)

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**Contact us for questions regarding use of any materials:** info@cleanclothes.org



## CHAPTER ONE

# INTRODUCTION

In the first few months of the COVID-19 pandemic, Clean Clothes Campaign researched the impact of the pandemic on garment workers' wages. The first Un(der)paid in the Pandemic report estimated that around 40 to 60 million garment workers globally had lost between US\$3.2 and US\$5.8 billion between March and May 2020 alone.

This wage gap arose from several factors affecting garment manufacturers, including brands cancelling orders and withholding payments, raw material shortages, and national lockdowns in some garment producing countries.

Through the rest of 2020, the pandemic spread globally, more countries were affected and affected more acutely, and the global garment industry experienced unprecedented instability and uncertainty. More concrete data and surveys showing the impact of the pandemic started to emerge in the second half of 2020. It became clear that brands' responses to the pandemic, order cancellations and unilaterally imposed discounts, caused a catastrophic squeeze on manufacturers, with a loss for garment producers of US\$16.2 billion revenue from the US and the EU between April 2020 and June 2020.<sup>1</sup> This corresponds to a 49% drop in the value of garment imports to the US and 45% drop in the value of garment imports to the EU. A July-August 2020 survey of 75 suppliers in 15 countries found that buyers had taken advantage of the downturn to push prices down by 12% compared to the previous year and almost doubled payment terms to 77 days after shipment on average.<sup>2</sup> 56% of suppliers reported being forced to accept prices below the cost of production for some orders.

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1 PennState Center for Global Workers' Rights, "Unpaid Billions: Trade Data Show Apparel Order Volume and Prices Plummeted through June, Driven by Brands' Refusal to Pay for Goods They Asked Suppliers to Make", October 2020.

2 PennState Center for Global Workers' Rights, "Leveraging Desperation: Apparel Brands' Purchasing Practices during Covid-19", October 2020.

Since the first Un(der)paid report showed that workers wages were severely reduced during the pandemic, other studies have shown the devastating impact on workers and their families of this wage gap and insufficient social security. In a November 2020 survey of 400 garment workers across 9 countries, 77% of workers reported going hungry during the pandemic due to reduced income, and 75% reported accumulating debt to buy food.<sup>3</sup> The majority of these workers had received some government support but the high incidence of hunger shows how insufficient this support has been.

As the majority of garment workers are employed on informal terms and without social security registration, they are particularly vulnerable to layoffs and sudden wage cuts.<sup>4</sup> Compounding the underpayment of wages, several studies have found that workers have faced an increasingly hostile environment to organise collectively to demand their wages. In at least three countries in this report (Pakistan, Bangladesh and Myanmar), violence has been used against workers who protested over unpaid wages.<sup>5</sup> Other research shows how some garment factories have used the pandemic as a cover for mass dismissal of trade union members.<sup>6</sup>

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3 Worker Rights Consortium, "Hunger in the Apparel Supply Chain: Survey findings on workers' access to nutrition during Covid-19", November 2020.

4 [www.wiego.org/blog/why-brands-should-pay-compensation-informal-garment-workers-their-supply-chains](https://www.wiego.org/blog/why-brands-should-pay-compensation-informal-garment-workers-their-supply-chains) accessed 14 April 2021.

5 Business & Human Rights Resource Centre, "Wage Theft and Pandemic Profits: The right to a living wage for garment workers", March 2021.

6 Business & Human Rights Resource Centre, "Union busting and unfair dismissals: Garment workers during COVID-19", August 2020.

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*It became clear that brands' responses to the pandemic, order cancellations and unilaterally imposed discounts, caused a catastrophic squeeze on manufacturers.*

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Union activities have also been hampered by lockdown rules in many countries, for example in Bangladesh where union registrations have fallen because union meetings required to register a union could not be held due to lockdown rules.<sup>7</sup>

Declining income, skyrocketing debt, and deteriorating working conditions have increased garment workers' vulnerability to forced labour.<sup>8</sup>

Meanwhile, especially after the initial months of the pandemic, many apparel brands brought in lucrative profits<sup>9</sup>, even while workers in their supply chain struggled to meet their most basic needs.

## PURPOSE OF THIS REPORT

This report seeks to describe the specific ways in which garment workers' wages have been affected during the pandemic, which varies to some extent according to the specific conditions in each country. In addition, this report extrapolates from the available data to estimate the wage gap workers have suffered during the pandemic. The wage gap estimates shown on page 10 demonstrate the urgent need for buying companies to guarantee wages and severance for everyone working in the garment supply chain.

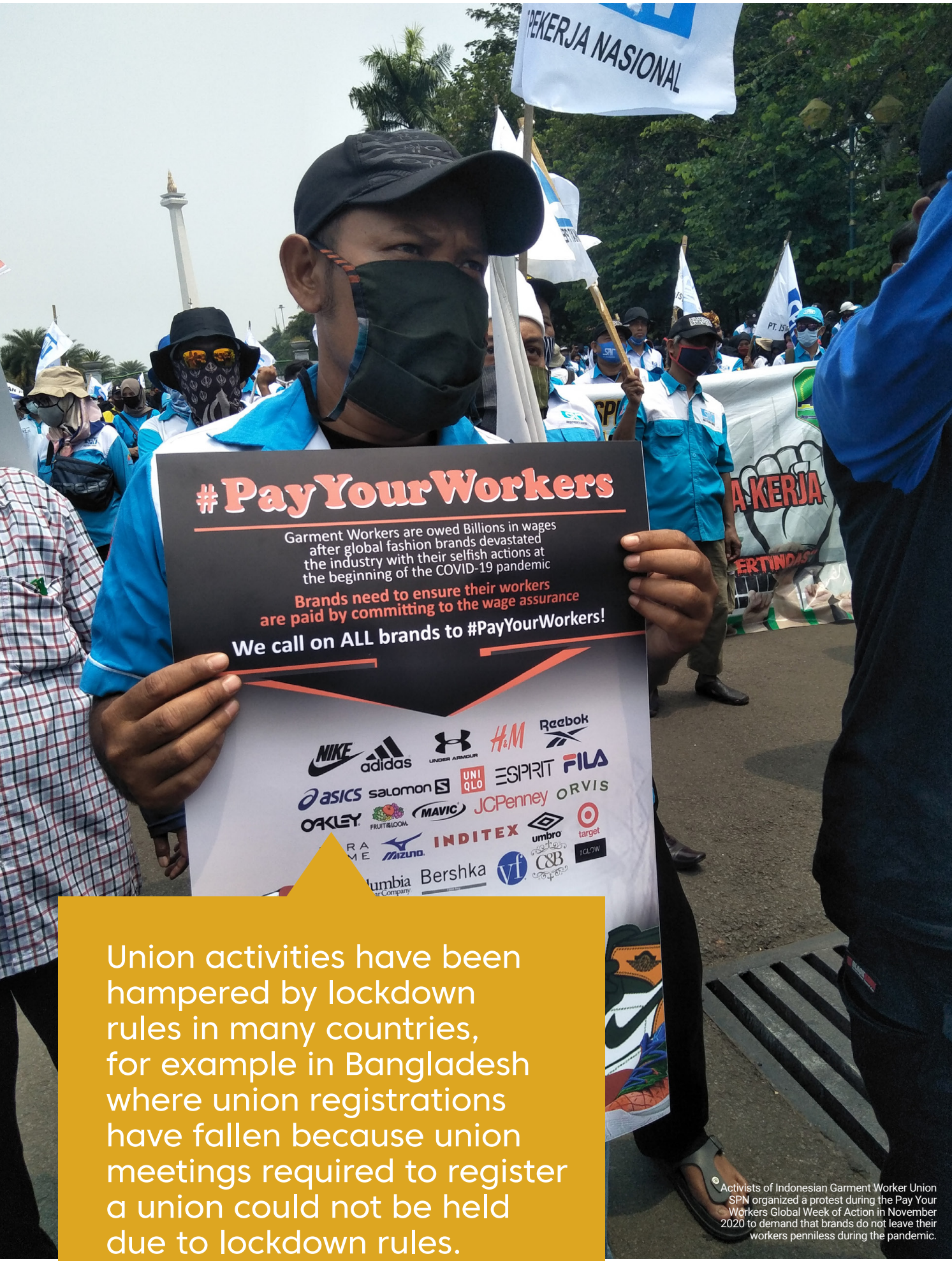
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<sup>7</sup> ILO brief, "The supply chain ripple effect: How COVID-19 is affecting garment workers and factories in Asia and the Pacific", October 2020.

<sup>8</sup> [https://www.workersrights.org/wp-content/uploads/2021/06/AHRC\\_CovidReport\\_AW.pdf](https://www.workersrights.org/wp-content/uploads/2021/06/AHRC_CovidReport_AW.pdf)

<sup>9</sup> <https://www.workersrights.org/wp-content/uploads/2021/04/Fired-Then-Robbed.pdf>, page 35, endnote 7.





# #PayYourWorkers

Garment Workers are owed Billions in wages after global fashion brands devastated the industry with their selfish actions at the beginning of the COVID-19 pandemic

**Brands need to ensure their workers are paid by committing to the wage assurance**

**We call on ALL brands to #PayYourWorkers!**

- NIKE
- adidas
- UNDER ARMOUR
- H&M
- Reebok
- asics
- salomon
- UNI QLO
- ESPRIT
- FILA
- OAKLEY
- FRUITBLOOD
- MAVIC
- JCPenney
- ORVIS
- INDITEX
- umbro
- target
- Bershka
- VI
- C&B
- IGLOW

Union activities have been hampered by lockdown rules in many countries, for example in Bangladesh where union registrations have fallen because union meetings required to register a union could not be held due to lockdown rules.

Activists of Indonesian Garment Worker Union SPN organized a protest during the Pay Your Workers Global Week of Action in November 2020 to demand that brands do not leave their workers penniless during the pandemic.





## CHAPTER TWO

# EXECUTIVE SUMMARY

Drawing on research focused on seven countries, this report presents Clean Clothes Campaign's latest projection of the economic toll of the Covid-19 pandemic on garment workers. Based on the estimated wage gaps in seven production countries, Clean Clothes Campaign estimates that garment workers lost 11.85 billion from March 2020 through March 2021.

CCC's Un(der)paid in the Pandemic report of August 2020<sup>10</sup> estimated that garment workers globally had lost between US\$3.2 and US\$5.8 billion between March and May 2020. Through the rest of 2020, the pandemic continued to spread globally, reaching new levels of severity in many garment producing countries and bringing business decisions and government measures that adversely affected workers in its wake. Brands' responses to the pandemic, in the form of massive order cancellations and unilaterally imposed discounts, continued to cause a catastrophic squeeze on manufacturers. This in turn had horrific impacts on workers. By autumn 2020, research showed that brands had taken advantage of their suppliers' desperation for orders to push prices paid to factories down by 12% compared to the previous year and almost doubled payment terms to 77 days after shipment on average.<sup>11</sup> Suppliers were forced to accept prices below the cost of production for some orders.

This report follows up on the August 2020 Un(der)paid in the Pandemic report and describes how garment workers' incomes in seven major Asian garment producing countries have been affected during the full first year of the pandemic, from

March 2020 through March 2021. It estimates from the available data for these countries the wage gap that garment workers have suffered during the pandemic. Based on these wage gap estimates, the report projects a global estimated wage gap of \$11.85 billion for the first 13 months of the pandemic. To remedy this massive shortfall in workers' income, apparel brands and retailers must guarantee wages and severance for everyone working in their garment supply chains by negotiating an enforceable agreement with unions as proposed by the PayYourWorkers – RespectLabourRights<sup>12</sup> campaign.

The data presented in the table below give an estimate for only the first year of the pandemic. Since March 2021, the third wave of the pandemic has hit several countries in this report, such as India, Cambodia, and Sri Lanka, with more force than any of the waves of the first year. In response, governments imposed new regional or nationwide lockdowns during the writing of this report because of high infection rates. It is very likely that these lockdowns will have seriously affected garment workers' income during those periods. This is only partially captured in this report, due to its scope and because at the beginning of the third wave reliable data on factory closures, dismissals, and payments was often

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<sup>10</sup> <https://cleanclothes.org/file-repository/underpaid-in-the-pandemic.pdf/view>

<sup>11</sup> PennState Center for Global Workers' Rights, "Leveraging Desperation: Apparel Brands' Purchasing Practices during Covid-19", October 2020.

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<sup>12</sup> <https://www.payyourworkers.org/>

*The pandemic has exacerbated several factors that were already of concern before the pandemic.*

unavailable.<sup>13</sup> It does demonstrate the importance of a structural solution and framework for addressing income and severance gaps caused by the pandemic as well as going forward.

The estimated wage gap is based on an assessment of the likely extent of underpayment of wages and additional income based on all available information. From evaluating statements from employers, industry and worker surveys, media reports on the impact of the pandemic on the garment industry, and reports of worker protests to demand unpaid wages, we make a series of assumptions in each country about the unpaid wages during furlough, withheld severance, and other instances of underpayment of wages in the wake

	WORKERS INCLUDED IN ESTIMATES	MONTHLY BASIC WAGE IN USD	ESTIMATED WAGE GAP	WAGE GAP PER WORKER IN USD	ESTIMATED JOB LOSSES
			MARCH 2020 - MAY 2021*		
Bangladesh	4,400,000	95	844,601,990	192	438,000
Cambodia	855,413	190	343,521,676	402	91,000
India	1,950,000	145	1,020,211,743	523	712,000
Indonesia	2,600,000	243	721,793,534	278	183,000
Myanmar	817,7000	157	422,747,757	517	80,000
Pakistan	2,200,000	104	404,766,744	184	0**
Sri Lanka	500,000	105	313,519,289	627	100,000
Global estimate (halved average) (extrapolated)***	50,000,000	200	11,850,183,234		

\* Ibid

\*\* In Pakistan, very few workers have contracts or registration and there is currently no reliable information on worker numbers, so the extent of job loss was not recorded or reported. In 2020, the Pakistani industry did not suffer as much from lost orders as other countries. In fact, the industry gained orders intended for other producing countries because Pakistan had a much lower COVID-19 infection rate and no lockdown. Lower production was mostly dealt with by having workers work fewer hours.

\*\*\* Similar to the 2020 Un(der)paid in the pandemic report, the data from the 7 researched countries were used to estimate a global figure. We used the same figures (50 million workers in the global garment, textile and footwear industries earning on average 200 USD per month). Assuming that the average wage gap in the 7 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 18.23% (=9.12%) to come to the estimated wage gap.

<sup>13</sup> April lockdowns were included in the estimates for Indonesia and Cambodia. The May lockdown is not included in the Cambodia estimate. For Bangladesh, Sri Lanka and Pakistan, there was no data on impacts after December 2020 but indications that the industry was more or less back to normal. Myanmar was researched up until January 2021, as the military coup happened on February 1st. India was researched up to March 2021.



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of the pandemic. The assumptions are explained throughout the report and may be open to revision in future reports if more thorough data becomes available.

These disturbing developments are not new to the industry. The pandemic has exacerbated several factors that were already of concern before the pandemic. Clean Clothes Campaign network organisations in all researched countries report that factories have used the pandemic as a cover to dismiss trade union members, thus undermining workers' ability to negotiate higher wages or protest against wage cuts. Several studies have found that workers have faced an increasingly hostile environment to organise collectively to demand their wages or necessary safety or hygienic measures. In at least three countries in this report (Pakistan, Bangladesh, and Myanmar), violence has been used against workers who protested over unpaid wages.<sup>14</sup> Union activities have also been hampered by lockdown rules in many countries. In Bangladesh union registrations have fallen because union meetings required to register a union could not be held due to lockdown rules.

Secondly, prior to the pandemic, workers relied on overtime to raise their wages closer to a level that meets their basic needs. Workers during the pandemic are struggling to make ends meet without overtime earnings, which emphasises the inadequacy of prevailing wages in the industry. Thirdly, many garment workers are engaged informally without employment contracts or access to social protection, mainly in India and Pakistan. These workers are particularly vulnerable to lay-offs and sudden wage cuts. Even where workers are formally employed and registered for social security, social security benefits are often inadequate. Access is limited for migrant workers on a regular basis. Even workers on official but temporary contracts mostly are not entitled to vital protection mechanisms such as severance pay in case of dismissal. Finally, CCC network organisations reported that many factories do not take sufficient hygiene and safety precautions to ensure workers can work without risking their health. A combination of these factors has forced workers to make impossible choices: continue working with a high risk of contracting the virus or stay home and risk going hungry and accumulating even more debts. In some cases dismissed workers were left so destitute that they were forced into dangerous or even illegal means of earning an income.

## WHAT NEEDS TO HAPPEN

Global brands, retailers and e-tailers remain responsible, under international standards and their own codes of conduct, for ensuring that workers employed in their supply chains are paid at least their legally mandated or regular wages – whichever is higher. Their argument of any brands that claim they are living up to this promise through their participation in the ILO Call to Action is a sham. They must take direct responsibility for the workers in their supply chains.

As both the ILO Call to Action and brands' course of action have failed to protect workers from facing even more hardships than they normally already do, a coalition of over 230 unions and civil society organisations, united in the PayYourWorkers – RespectLabourRights

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*Even workers on official but temporary contracts mostly are not entitled to vital protection mechanisms such as severance pay in case of dismissal.*

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<sup>14</sup> Business & Human Rights Resource Centre, "Wage Theft and Pandemic Profits: The right to a living wage for garment workers", March 2021.

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***As both the ILO Call to Action and brands' course of action have failed to protect workers from facing even more hardships than they normally already do.***

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Campaign<sup>15</sup>, are calling on brands to negotiate an enforceable agreement on wages, severance, and basic labour rights. This binding agreement, to be negotiated and signed by trade unions with brands, individual employers, or employer associations, will require signatory brands to ensure workers in their supply chains receive their regular wages during the period of the Covid-19 pandemic, in addition to ensuring payment of severance compensation for workers at factories that close or undertake a mass dismissal and respect basic labour rights. For the purpose of assuring workers' wages, brands will initially contribute a lump sum amount sufficient to cover the wage gap workers in their supply chains experience during the pandemic. On an annual basis, signatory companies will contribute a fee into a severance guarantee fund to ensure that the workers who produce their products are never again left without the severance pay they are owed when they are terminated in a mass dismissal or factory closure.

The binding agreement on wage assurance, severance guarantee fund, and basic labour rights should be part of a larger effort to establish a more sustainable and resilient industry in the near future, consisting of supply-chains with better planning and pricing models, which include costing models that cover fair payment schedules, and financial space for living wages, safe factories, and social benefits.

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<sup>15</sup> <https://www.payyourworkers.org/coalition>





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Bangladesh

Brands, retailers and e-tailers must take direct responsibility for the workers in their supply chains.





In addition to the underpayment of basic wages, we also estimate the loss of other payments which have had a significant impact on garment workers' income, in particular severance pay in case of job loss and festival bonuses.

## CHAPTER THREE

# METHODOLOGY

Desk research was conducted between April and June 2021 to collate data from studies and surveys of the impact of the pandemic on the garment sector in seven major garment-producing countries: Bangladesh, Cambodia, India, Indonesia, Myanmar, Pakistan, and Sri Lanka.

### SOURCES

In addition, traditional media and social media sources referenced in the Clean Clothes Campaign live blog were used to understand government policy, industry responses, and specific cases of un(der) payment of wages. The data were checked for accuracy by Clean Clothes Campaign partners in each country to establish whether the assumptions were realistic in the context.

### WAGE RATES AND COMPONENTS FOR CALCULATING THE WAGE GAP

In most cases, the national minimum wage is used as the basis for calculating the potential wage gap due to the pandemic. However, for Sri Lanka and Myanmar we use estimates of the actual average basic wage because the minimum wage is significantly lower than the prevailing wage garment workers receive. For Indonesia, the minimum wage varies considerably by province and so we use an average of these minimum wages. For Pakistan, we use the minimum wage for the calculations even though the prevailing wage, particularly for women, is reportedly below the legal minimum.

In addition to the underpayment of basic wages, we also estimate the loss of other payments which have had a significant impact on garment workers' income, in particular severance pay in case of job loss and festival bonuses.

### ASSUMPTIONS

As with the first Un(der)paid in the Pandemic report, the estimated wage gap is based on an assessment of the likely extent of underpayment of wages based on all available information. From evaluating statements from employers, industry and worker surveys, media reports on the impact of the pandemic on the garment industry, and reports of worker protests to demand unpaid wages, we make a series of assumptions in each country about the wages lost due to furlough, severance, and other instances of underpaid wages due to the pandemic.


The assumptions are explained throughout the report and may be open to revision in future if more thorough data becomes available.

It must be noted that governments of some of the researched countries (India, Cambodia) imposed new regional or nation-wide lockdowns during the writing of this report because of high infection rates. It is very likely that these lockdowns will have seriously affected garment workers' income during those periods. This is only partially captured in this report, as reliable data on factory closures, dismissals and payments was often unavailable.<sup>16</sup>

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<sup>16</sup> April lockdowns were included in the estimates for Indonesia and Cambodia. The May lockdown is not included in the Cambodia estimate. For Bangladesh, Sri Lanka and Pakistan, there was no data on impacts after December 2020 but indications that the industry was more or less back to normal. Myanmar was researched up until January 2021, as the military coup happened on February 1st. India was researched up to March 2021.





As destination markets entered third lockdowns, buyers continued to defer payments sometimes for more than 180 days.

## CHAPTER FOUR

# BANGLADESH

The Bangladesh garment industry has been impacted significantly by reduced demand and price reductions, as well as nationwide restrictions early on in the pandemic. At the end of March 2020, the government announced a 2-week general holiday to reduce the spread of COVID-19, which was later extended until the end of May.

Factories with international orders were soon permitted to re-open,<sup>17</sup> but order cancellations brought many factories to a standstill and the exporters association announced lost export orders worth US\$3.18 billion by the end of April 2020.

The government announced that furloughed workers should be paid 60% of their wages between April and July, which is \$57 based on the minimum wage of BDT8,000 (US\$95) in the garment sector.<sup>18</sup> Employers were not supposed to terminate any workers before the end of July. The government also announced a BDT50 billion (US\$590 million) stimulus package to support the industry and ensure job security and regular wage payments, with loans to employers at below-market rates to subsidise the wage payments during closures<sup>19</sup>. In February 2021, the government extended the repayment term of these loans by a further 6 months<sup>20</sup>.

A survey in October and November 2020 by Mapped in Bangladesh (MiB) found 78% of factories experienced April and May 2020 as the

most difficult months for their business.<sup>21</sup> 86% of factories reported that buyers were not supporting them during the pandemic and all factories reported accepting orders which did not cover production costs between April and September 2020. For 25% of factories, more than 30% of their orders were below production costs<sup>22</sup>.

Overall, garment exports were around 17% lower in the first 11 months of 2020, compared to the same period in 2019.<sup>23</sup> By February 2021, garment exports were 4% lower than February 2020, indicating the pandemic was still dampening demand but at a lesser rate than in 2020<sup>24</sup>. However, by March 2021, media reported orders 20% lower for the coming season as destination markets entered third lockdowns and buyers continued to defer payments sometimes for more than 180 days<sup>25</sup>. In April 2021, Bangladesh entered a lockdown to reduce the spread of COVID-19, although garment factories were again allowed to remain open.

17 <https://betterwork.org/portfolio/covid-timeline-in-bangladesh/>

18 <https://betterwork.org/portfolio/covid-timeline-in-bangladesh/>

19 ILO Research Brief - The supply chain ripple effect: How COVID-19 is affecting garment workers and factories in Asia and the Pacific. October 2020.

20 <https://bd.apparelresources.com/business-news/trade/rmg-stimulus-package-bdesh-pm-agrees-extend-moratorium/> accessed 16 April 2021.

21 Centre for Policy Dialogue (CPD) Presentation January 2021 <https://cpd.org.bd/wp-content/uploads/2021/01/Presentation-on-Vulnerabilities-Resilience-and-Recovery-in-the-RMG-Enterpsries-.pdf> accessed 14 April 2021.

22 CPD Presentation January 2021

23 <https://www.dhakatribune.com/business/2020/12/28/2020-was-possibly-the-worst-year-for-garment-exporters> accessed 7 June 2021.

24 <https://www.newagebd.net/article/131689/bangladesh-export-earnings-shrink-by-145pc-in-july-feb>

25 <https://www.thedailystar.net/business/news/rmg-orders-slump-2067993> accessed 14 April 2021.





*The Bangladesh garment industry has been impacted significantly by reduced demand and price reductions, as well as nationwide restrictions early on in the pandemic.*

## IMPACT ON WAGES

The first Un(der)Paid in the Pandemic report estimated a **wage gap of BDT 42,464,345,000 (US\$501 million) from March to May 2020**. This was a period when up to 89% of factories were temporarily closed<sup>26</sup>. A survey by Mapped in Bangladesh found 79% of factories open in June 2020, albeit with 92% of their usual workforce<sup>27</sup>. This suggests approximately 1.2 million workers were furloughed in June 2020. Data from an ILO Briefing Report indicates factories on average operating at a significantly reduced capacity of 57% of the workforce by July 2020,<sup>28</sup> which corresponds to 1.89 million workers being furloughed in July 2020. Furloughed workers were due 60% of their wages which is BDT 4,800 (US\$57) per month if based on the BDT8,000 (US\$95) minimum wage. Assuming the 60% was paid, we estimate **furloughed workers faced a wage gap in June and July 2020 of at least BDT 9.96 billion (US\$117 million)**.<sup>29</sup>

After July 2020, employers were officially allowed to terminate workers' employment contracts. We therefore assume that factories which had less orders from August 2020 onwards terminated workers employment contracts instead of keeping them on furlough.

## SEVERANCE PAY GAP FOR WORKERS WHO LOST THEIR JOBS

The Mapped in Bangladesh database shows 357,450 workers lost their jobs in the RMG factories mapped to date, which covers approximately 75% of factories estimated in the industry<sup>30</sup>. Applying this rate of job loss to the whole industry means as many as 476,600 workers could have lost their jobs due to the pandemic. A separate study by the Bangladesh Institute for Labour Studies (BILS) in September 2020 estimated around 400,000 garment workers may have lost their jobs due to contraction of the industry<sup>31</sup>. Taking the average from these two surveys, we estimate around 438,000 garment workers lost their jobs in 2020 i.e. a 10% reduction in the garment industry workforce from the pre-pandemic level of 4.4 million to around 4 million workers in the sector.

26 CPD Presentation January 2021

27 Mapped in Bangladesh, Rapid Survey Phase 2. Status of the Export Oriented RMG Factories in Bangladesh during Covid-19 Pandemic. July 2020.

28 ILO Research Brief October 2020. Page 10.

29 Calculation: 1,202,080 workers furloughed in June x US\$38 wage gap = US\$45,679,040 million. 1,892,000 workers furloughed in July x US\$38 wage gap = US\$ 71,896,000.

30 CPD Presentation January 2021

31 Bangladesh Institute of Labour Studies-BILS. The Impact of COVID-19 on Employment in Bangladesh: Pathway to an Inclusive and Sustainable Recovery. September 2020.



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The MiB October 2020 survey found that only 3.6% of factories paid the full severance owed to terminated workers and these were small and medium-sized factories. All large factories and 86% of medium-sized factories reported withholding legally owed compensation and allowances and paying only the salary owed.<sup>32</sup> Allowing for higher worker numbers in large factories, we estimate that 95% of workers dismissed during the pandemic were not paid their legally owed severance.

The Worker Rights Consortium (WRC) estimated the severance owed under Bangladesh law for a worker with 5 years' service is around BDT30,800 (US\$364) if formally retrenched.<sup>33</sup> Assuming all factories followed retrenchment procedures, we estimate **a severance pay gap of BDT12.8 billion (US\$151 million).**<sup>34</sup>

Numerous media reports throughout the pandemic indicate widespread non-payment or delayed payment of wages in the RMG industry.<sup>35</sup>

The Bangladesh Industrial Police reported 756 garment factories had not paid June 2020 wages and 177 factories had not paid July wages and Eid bonuses.<sup>36</sup> With an average of 790 workers per factory<sup>37</sup>, we estimate **737,000 workers lost withheld wages in June and July 2020 of BDT 6.29 billion (US\$74.2million).**<sup>38</sup>

In March 2021, the knitwear and textile manufacturers associations called for more financial support to deal with the pandemic and enable the industry to pay salaries and allowances and Eid bonuses.<sup>39</sup> Given that unit prices have been pushed down and most factories reported uncertainty in orders for the period up to April 2021<sup>40</sup>, this heightens concern that workers may not be paid their legally owed wages. Furthermore, factories themselves have reported that workers living costs have risen and it is important to increase wage rates.<sup>41</sup>

Considering the wage gap for furloughed workers in the 5 months up to July 2020, the amounts owed to workers who were terminated but not paid their legal entitlements, and the widespread non-payment of wages to employed workers during the pandemic, the **total estimated wage gap for workers in Bangladesh is BDT71.5 billion (US\$844 million).**

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*We estimate that 95% of workers dismissed during the pandemic were not paid their legally owed severance.*

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32 <https://cpd.org.bd/wp-content/uploads/2021/01/Presentation-on-Vulnerabilities-Resilience-and-Recovery-in-the-RMG-Enterprises-.pdf> accessed 14 April 2021.

33 Worker Rights Consortium (WRC), "Fired, then Robbed". April 2021.

34 Calculation: 95% x 438,000 (dismissed workers) x BDT30,800 (severance owed) = BDT 12,828,695,880.

35 Examples: <https://sarabangla.net/post/sb-532959/> 23 March 2021, Anowara Fashions & Legacy Fashion. 3500 workers had not received salary for February 2021. <https://mzamin.com/article.php?mzamin=267689> 29 March 2021, Odyssey Garment Factory. Thousands of workers protesting for 2 months unpaid wages from 2020 and 1 month pay for February 2021. <https://www.dhakatribune.com/bangladesh/2021/03/16/apparel-workers-police-clash-in-dhaka> 16 March 2021. Apparel Stitch Limited and Stitchwell Designs Ltd. Workers protesting 4 months arrears and sudden layoffs.

36 ILO brief October 2020. Page 12.

37 According to CPD, the average number of workers fell from 886 before the pandemic to 790 during the pandemic.

38 Based on minimum wage of \$US95 and typical Eid bonus of \$30.

39 <https://rmgbd.net/2021/03/%E0%A6%AA%E0%A7%8B%E0%A6%B6%E0%A6%BE%E0%A6%95%E0%A6%96%E0%A6%BE%E0%A6%A4%E0%A7%87-%E0%A6%86%E0%A6%B0%E0%A6%93-%E0%A7%AB-%E0%A6%B9%E0%A6%BE%E0%A6%9C%E0%A6%BE%E0%A6%B0-%E0%A6%95%E0%A7%8B%E0%A6%9F/> accessed 14 April 2021

40 CPD Presentation January 2021 – only 44% of factories reported certainty in orders from Nov 2020 to Apr 2021.

41 CPD Presentation January 2021



We estimate that the total wage gap for workers in Bangladesh is US\$844 million.







Workers and union representatives from the National Garment Workers Federation in Bangladesh protest against wage theft during the pandemic.





## CHAPTER FIVE

# CAMBODIA

In the first quarter of 2020, the garment industry suffered shortages of raw materials from China which caused some factories to suspend production. Raw material imports had largely resumed by the second quarter<sup>42</sup>. Thereafter, the most significant impact of the pandemic on the garment industry has been due to reduced demand and buyers taking advantage of this to renegotiate lower prices and stretch payment terms from 30 to 90 days<sup>43</sup>.

The Ministry of Commerce reported that garment and footwear exports were down approximately 11% in 2020 compared to 2019<sup>44</sup>. Throughout 2020, Cambodia had 362 recorded COVID-19 cases and no reported deaths. Cambodia therefore managed to avoid any outbreaks that would necessitate factory closures<sup>45</sup>. In March 2021, an increase to 2,233 recorded COVID-19 cases prompted a curfew in the capital, Phnom Penh, but workers were still allowed to travel to their workplaces<sup>46</sup>. However, in April 2021, the number of recorded cases increased sharply, prompting a stricter lockdown with closure of all but essential businesses in Phnom Penh, Takhmao City and other areas with garment factories. The Ministry of Labour issued regulations requiring employers to pay wages for the first 2 weeks of April but not requiring payment in the second 2 weeks.<sup>47</sup>

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42 Cambodia's Garment Sector in Transformation: External Shocks, Political Space and Supplier Consolidation", CNV International, 2021.  
43 *ibid*

44 Ministry of Commerce 2020 Annual Report. Clothing exports down 10.24%, footwear down 11.69% and travel goods down 10.58% on the previous year.

45 "Cambodia's Garment Sector in Transformation: External Shocks, Political Space and Supplier Consolidation", CNV International, 2021.

46 <https://www.phnompenhpost.com/national/phnom-penh-curfew-starts-today> accessed 7 April 2021

47 Reported by CCC partner.

## INDUSTRY OVERVIEW

In early 2020 the Ministry of Labour & Vocational Training reported a total of 1,209 garment factories with 855,413 workers (of whom 716,826 are women)<sup>48</sup>. 605 of these factories are registered with Garment Manufacturers Association in Cambodia (GMAC) and licensed to export. There are a number of other export factories as well as many unregistered, subcontractor factories.

The minimum wage in Cambodia was US\$190 in 2020 and increased to US\$192 in 2021.

## IMPACT ON WORKERS' WAGES

Despite the limited spread of COVID-19 in Cambodia in 2020, the drop in orders from Europe and the US necessitated some temporary factory suspensions. In the first 3 months of the crisis (February to April 2020), the government announced that suspended workers would be paid 60% of the minimum wage i.e. \$114 per month, with 40% paid by the employer and 20% by the government. Due to factory suspensions and not all workers receiving government support, the first Un(der)paid in the Pandemic report estimated the **loss of earnings for workers from March to May 2020 at \$123 million**.

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48 Reported by CCC partner.



*Despite the limited spread of COVID-19 in Cambodia in 2020, the drop in orders from Europe and the US necessitated some temporary factory suspensions.*

In April 2020, GMAC announced that employers were unable to pay their 40% contribution. From May 2020, the government reduced the amount workers would be paid if their factory was suspended for 21 days or more to \$70 per month, with the government obliged to pay \$40 and employers \$30. This amounts to a wage gap of US\$120 per month for each month that a worker's factory was suspended.

Cambodian labour rights organisation CENTRAL collated data from all government notifications regarding official factory suspensions and worker allowances from the end of May 2020 up to February 2021<sup>49</sup>. This shows that 395 garment and textile factories were temporarily suspended on average 3 times during that period. Based on the average factory size of 708 workers, we estimate 279,477 workers were affected by suspensions and faced a shortfall of US\$120 for each month of suspension. We therefore estimate **a wage gap for workers facing factory suspensions between June 2020 and February 2021 of approximately \$100 million**<sup>50</sup>.

At the end of April 2021, all factories in the lockdown areas were ordered to close. April wages were outstanding for all workers in these factories, which we estimate is half the total factory base.<sup>51</sup> Given the Ministry of Labour's regulation only required workers to be paid 50% of their wages in April 2021, we estimate **a wage gap from the lockdown in April 2021 of US\$41 million**.<sup>52</sup>

## PERMANENT FACTORY CLOSURES

In January 2021, a spokesperson for the Ministry of Labour indicated that 129 factories had permanently closed in 2020 causing around 71,000 workers to lose their jobs, of whom 57,794 are women<sup>53</sup>. Labour rights organisations warn that the actual number of job losses is much higher because many workers are on short-term contracts and have not had their contracts renewed.<sup>54</sup> Indeed, with an average workforce of 708 per factory, 129 factory closures equates to around 91,000 workers.

BHRRRC research of 4 Cambodian factories which closed during the pandemic found that workers' severance pay fell far short of the legally required levels<sup>55</sup>. Media reports also indicate workers have not received their severance entitlements following factory closures<sup>56</sup>. For example, in two cases of factory closures, the Coalition of Cambodian Apparel Workers

49 This data is on file with CCC.

50 Calculation: 279,477 workers x US\$120 wage shortfall x 3 months = US\$100,611,852.

51 Based on analysis of the Open Apparel Registry, just over half the factories listed are in lockdown areas.

52 Calculation: 427,707 workers (half of total workforce) x US\$192 (2021 monthly minimum wage) x 50% unpaid wages = US\$41,059,824.

53 'Cambodia's Garment Sector in Transformation: External Shocks, Political Space and Supplier Consolidation', CNV International, 2021.

54 <https://vodenglish.news/garment-export-dropped-9-percent-last-year-factories-association/>

55 BHRRRC, Wage theft and pandemic profits: the right to a living wage for garment workers. March 2021.

56 <https://cambojanews.com/no-relief-for-laid-off-workers-as-auction-of-seized-factory-equipment-delayed/> accessed 7 April 2021



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Democratic Union reports that 1226 workers are owed a total of US\$1.91 million severance pay (including final salaries, annual pay, compensation in lieu of notice, damages and seniority bonus)<sup>57</sup>. The Worker Rights Consortium has estimated the typical amount of severance owed to a dismissed garment worker in Cambodia is US\$1290 if dismissed with a valid reason<sup>58</sup>.

It is impossible to know the exact amount of un(der)paid severance owed to workers because there has been no large-scale research on this to date. We make an assumption of widespread underpayment because of 3 factors. Firstly, labour rights groups have had great difficulty in securing full payment in publicly reported cases. Secondly, given order cancellations and payment delays by buyers, we assume some factories closed down due to significant financial difficulties and therefore would have been unable to pay some or all of the severance owed without support from their buyers. Thirdly, labour rights groups have reported some factory owners absconding after closure, leaving workers with no recourse to demand their payments. Based on the above, we assume workers received only one third of their severance entitlements and calculate that **potentially US\$78 million in unpaid severance pay is owed to workers**<sup>59</sup>.



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*Labour rights organisations warn that the actual number of job losses is much higher because many workers are on short-term contracts and have not had their contracts renewed.*

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<sup>57</sup> <https://vodenglish.news/court-announces-asset-auction-at-factory-embroiled-in-yearlong-dispute/> accessed 7 April 2021

<sup>58</sup> Worker Rights Consortium, "Fired, Then Robbed: Fashion brands' complicity in wage theft during Covid-19", April 2021. The WRC estimate of severance is the total amount owed to a worker with 5 years of service and includes the legally required pay per year of service, pay in lieu of notice, unused vacation and bonuses.

<sup>59</sup> Calculation: 91,000 workers dismissed x US\$1,290 typical severance owed x two thirds = US\$78,260,000.

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*Central's research also notes that even when factories are operating as usual, workers still face underpayment of wages.*

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Considering the estimated wage gaps from both temporary factory suspensions and permanent factory closures without adequate severance pay, we estimate a **possible loss to Cambodia's garment workers from March 2020 to April 2021 of US\$343,5 million.**

This amounts to **US\$402 for each worker** which is more than two months' salary at the minimum wage.

## OUTLOOK FOR WORKERS' WAGES

A significant reduction in factory suspensions by January 2021 indicated the Cambodian garment industry was rebounding from the pandemic. However, the sharp rise in COVID-19 cases as this report was finalised in late April 2021 raised fresh concerns of wage gaps due to another lockdown.

Furthermore, Central's research also notes that even when factories are operating as usual, workers still face underpayment of wages. Before the pandemic, more than 2/3 of garment workers were employed on illegal short-term contracts, denying them the bonuses, seniority indemnity and maternity pay they are entitled to<sup>60</sup>. In 2020, the government announced that employers may delay payments of employee's senior indemnity pay until 2022<sup>61</sup>. The minimum wage was raised by just \$2 to \$192 in January 2021, far below the estimated living wage of \$294 per person<sup>62</sup>. Widespread media reports emphasise a sharp decline in working conditions and union freedoms in Cambodia during 2020<sup>63</sup>. In December, 67 civil society organisations issued a joint statement calling for the government to respect fundamental freedoms, following a year of repression including arbitrary detention of human rights defenders<sup>64</sup>. In this context, workers face considerable obstacles in trying to secure their legal wage entitlements and right to bargain collectively.

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<sup>60</sup> <https://cambojanews.com/garment-workers-block-phnom-penh-road-and-call-for-bonuses/> accessed 6 April 2021

<sup>61</sup> <https://cambodianess.com/article/labor-rights-group-warns-of-more-workers-strikes-if-factory-owners-fail-to-address-indemnity-pays> accessed 6 April 2021

<sup>62</sup> Living wage estimate for Cambodia in 2020 by Asia Floor Wage Alliance is \$588 for a family and \$294 for an individual. <https://asia.floorwage.org/our-work/#tab-id-3>

<sup>63</sup> <https://news.trust.org/item/20201217230357-ufwbe/> accessed 7 April 2021

<sup>64</sup> <https://cambodianess.com/article/no-cause-for-celebrations-in-cambodia-on-human-rights-day> accessed 7 April 2021



សម្ព័ន្ធសហវ័តប្រជាធិបតេយ្យក្រុមការកាតដេរកម្ពុជា  
 Coalition of Cambodian Apparel Workers Democratic Union  
 ផ្ទះលេខ២.៣០ ផ្លូវលេខ២៦៣ ភូមិក្រោកជ្រៃ សង្កាត់បឹងទំពូន ខណ្ឌមានជ័យ រាជធានីភ្នំពេញ  
 Tel: 066 888 2163 / 012 998 906 / 012 709 509 / 085 617 788  
 Email: c.cawdu@online.com.kh, Website: www.cawdu.org



Widespread media reports emphasise a sharp decline in working conditions and union freedoms in Cambodia during 2020.

Union representatives from the Coalition of Cambodian Apparel Workers' Democratic Union are calling upon major buyers in Cambodia to ensure workers are paid their wages during the pandemic.





## CHAPTER SIX

# INDIA

India's garment industry has been one of the most affected by the pandemic due to a combination of significant drops in international demand, exploitative purchasing practices, and strict national lockdowns to curb the rapid spread of COVID-19 which affected the whole economy.

## IMPACT OF THE PANDEMIC ON THE GARMENT INDUSTRY

India's garment industry has been one of the most affected by the pandemic due to a combination of significant drops in international demand, exploitative purchasing practices, and strict national lockdowns to curb the rapid spread of COVID-19 which affected the whole economy.

India had a first nationwide lockdown from 23 March 2020 to the end of May 2020. The government initially ordered employers to pay wages during the lockdown but a Supreme Court decision in mid-May held that claims could not be brought against employers for non-payment of wages.<sup>65</sup> Whilst the first lockdown was nationwide, thereafter lockdowns were targeted and large urban areas were mostly classified as red zones.<sup>66</sup>

Garments exports in 2020 were 25% lower than in 2019.<sup>67</sup> The drop in exports was highest in April, May and June 2020, reaching almost 80% drop from the previous year and amounting to lost value of US\$734

million.<sup>68</sup> By the last quarter of 2020, the garment industry was approaching 2019 export levels.

In a survey of purchasing practices in August 2020, Indian suppliers reported forced discounts, a drop in order volumes, payment delays and threats of cancellation if goods were not shipped immediately upon reopening after the lockdown.<sup>69</sup>

In the first quarter of 2021, the garment industry reported growth from pre-pandemic levels.<sup>70</sup> However, in March 2021, surging COVID-19 rates prompted a second nationwide lockdown to curb the spread of the virus and growth in factory production levels started to tail off.<sup>71</sup>

By May 2021, the rise in COVID-19 cases across India had a significant impact on economic activity and led to raw material shortages and a slowdown in factory production.<sup>72</sup> Furthermore, garment buyers started cancelling orders with Indian factories and switching production to other countries.<sup>73</sup> A sharp rise in COVID-19 cases led to a strict lockdown in

65 <https://www.businesstoday.in/current/economy-politics/supreme-court-quashes-mha-order-to-pay-full-salaries-during-coronavirus-lockdown/story/404256.html> accessed 9 June 2021.

66 LSE CEP, 'City of dreams no more: The impact of Covid-19 on urban workers in India', September 2020.

67 <https://www.aepcindia.com/export-statistics>

68 PennState Center for Global Workers' Rights, 'Unpaid Billions: Trade Data Show Apparel Order Volume and Prices Plummeted through June, Driven by Brands' Refusal to Pay for Goods They Asked Suppliers to Make', October 2020. p

69 PennState Center for Global Workers' Rights, 'Leveraging Desperation', October 2020. p7.

70 <http://www.tea-india.org/news-board/16347-covid-spike-crumplestiruppur-s-textile-industry-29th-may-2021>

71 <https://thewire.in/economy/indias-factory-activity-lowest-in-seven-months-due-to-renewed-covid-19-lockdowns> accessed 10 June 2021.

72 <https://thewire.in/economy/manufacturing-activity-growth-lowest-since-july-2020-demand-fell-covid-19-pmi> accessed 3 June 2021.

73 RMG Bangladesh article, 'India's garment sector in the face of the epidemic disaster', 31 May 2021.



*India's garment industry has been one of the most affected by the pandemic due to a combination of significant drops in international demand, exploitative purchasing practices, and strict national lockdowns to curb the rapid spread of COVID-19 which affected the whole economy.*

Tirupur in May 2021 and factories were closed for at least 3 weeks.<sup>74</sup> Exporters were concerned that they would face cancellations and penalties for the production delay.

## INDUSTRY OVERVIEW: WORKFORCE AND WAGES

India's garment export industry is concentrated in three regional hubs: Delhi (New Capital Region), Bangalore (Karnataka state) and Tirupur (Tamil Nadu state), where this research focuses. Bangalore has around 500,000 garment workers in around 1200 factories.<sup>75</sup> Tirupur has around 600,000 garment workers, of whom half are migrant workers.<sup>76</sup> Delhi and the surrounding National Capital Region has around 850,000 garment workers.

Before the pandemic, garment workers in Delhi earned around INR 11,000 per month although the living wage was estimated at INR 29,323 per month.<sup>77</sup> In Bangalore we assume a similar wage rate as Delhi. In Tamil Nadu, the minimum wage for apprentices is around INR 8,390 per month but the living wage is estimated at INR 23,000 per month.<sup>78</sup>

## IMPACT OF THE PANDEMIC ON WAGES

Due to non-payment of wages during the first lockdown and a reduced workforce when factories reopened in May 2020, the Un(der)paid report estimated that garment workers in these three regions **faced a wage gap from March to May 2020 of at least INR 19.65 billion (US\$259.72 million).**

# AFTER THE LOCKDOWN: JOB LOSSES & SEVERANCE PAY GAPS

## BANGALORE, KARNATAKA

Media reported that 40% of Karnataka's garment workers lost their jobs after the first lockdown.<sup>79</sup> This corresponds to 200,000 of Bangalore's 500,000 pre-pandemic garment workforce. Many factories stopped providing transport to workers from outlying villages and closed day-care facilities, leaving many women unable to return to work.<sup>80</sup> By November, the Karnataka Garment Workers Union reported withheld wages and lack of compensation for workers who lost their jobs still as the top concerns of workers.<sup>81</sup>

A study of garment workers from 25 factories in Bangalore found that 85% of workers who lost their jobs had faced forced resignation by their employer to avoid payment of closure or

74 <http://www.tea-india.org/news-board/16347-covid-spike-crumples-tiruppur-s-textile-industry-29th-may-2021>

75 <http://cividep.org/garment/>

76 <https://www.financialexpress.com/economy/export-hubs-urge-migrant-workers-not-to-leave/2235571/> accessed 10 June 2021.

77 SLD, "Garment Workers in India's Lockdown Semi-starvation and De-humanization Lead to Exodus", June 2020.

78 SOMO, "Spinning around workers' rights", May 2021. p61.

79 <https://www.thehindu.com/news/cities/bangalore/estimated-40-of-garment-workers-in-karnataka-have-lost-jobs-unions/article31926772.ece> accessed 10 June 2021.

80 <https://clb.org.hk/content/bangalore-garment-workers-fight-basic-rights-production-resumes-after-lockdown> accessed 15 June 2020.

81 <https://clb.org.hk/content/bangalore-garment-workers-fight-basic-rights-production-resumes-after-lockdown> accessed 15 June 2020.

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retrenchment compensation.<sup>82</sup> According to case law cited in the study, forced resignation should be considered termination of service by the employer and therefore give rise to full compensation. Most workers surveyed seemed only to receive their salary, pro-rata bonus and accrued annual leave, although the calculation of payments to workers who resigned was not always clear. Closure or retrenchment compensation includes pay in lieu of notice (1 month for factories under 100 workers and 3 months for factories over 100 workers) and 15 days' wages for every year of continuous service. We estimate around 90% of garment workers are employed in factories with more than 100 workers.<sup>83</sup> The survey found that 60% of workers had less than 5 years continuous service (3 years on average) and 40% of workers had more than 5 years continuous service (8 years on average). On this basis, the average compensation owed to workers earning INR11,000 per month would be INR 62,700 (US\$829).<sup>84</sup> As 85% of workers surveyed faced forced resignation, we estimate **a severance pay gap for Bangalore's 200,000 garment workers who lost their jobs of INR 10.7 billion (US\$140.9 million).**<sup>85</sup>

## DELHI, NEW CAPITAL REGION

There were reports that around 250 factories closed in Noida during the pandemic<sup>86</sup> and around 20% of jobs were lost in 2020.<sup>87</sup> This would amount to approximately 212,000 garment workers losing their jobs in the Delhi region. Assuming garment factories in Delhi also practiced forced resignation, which the Garment & Allied Textile Workers Union describes as a prevalent unfair labour practice in the industry<sup>88</sup>, we estimate **a severance pay gap for Delhi's 212,000 garment workers who lost their jobs of INR 11.3 billion (US\$149 million).**<sup>89</sup>

## TIRUPUR, TAMIL NADU

In Tamil Nadu, a survey of workers from 29 spinning mills indicated that around 50% of workers were dismissed after the first lockdown.<sup>90</sup> In August 2020, the Tirupur garment industry was operating at only 30% capacity.<sup>91</sup> By September 2020, the exporters association reported capacity of 50%.<sup>92</sup> A general rate of 50% job losses is therefore feasible and mean potentially 300,000 workers in the Tirupur garment industry lost their jobs after the lockdown.

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82 General Allied Textile & Garment Workers Union & Alternative Law Forum, "Forced Resignations, Stealthy Closures A study of losses faced by garment workers in Bengaluru during the COVID-19 pandemic", March 2021.

83 The available data shows 77% of the workforce are employed in factories with more than 400 workers: General Allied Textile & Garment Workers Union & Alternative Law Forum, "Forced Resignations, Stealthy Closures A study of losses faced by garment workers in Bengaluru during the COVID-19 pandemic", March 2021.

84 Calculations on file with CCC.

85 Calculation: 200,000 (jobs lost) x 85% (forced resignation) x INR 62,700 (severance owed) = INR 10,659,000,000 (US\$140,883,231).

86 <https://timesofindia.indiatimes.com/city/noida/in-city-of-apparel-warehouses-are-empty/articleshow/81696149.cms> accessed 10 June 2021.

87 <https://www.hindustantimes.com/cities/noida-news/rise-in-prices-of-raw-materials-hits-noida-s-garment-sector-101619115771415.html> accessed 10 June 2021.

88 General Allied Textile & Garment Workers Union & Alternative Law Forum, "Forced Resignations, Stealthy Closures A study of losses faced by garment workers in Bengaluru during the COVID-19 pandemic", March 2021.

89 Calculation: 212,000 (jobs lost) x 85% (forced resignation) x INR 62,700 (severance owed) = INR11,298,540,000 (US\$149,336,224).

90 SOMO, "Spinning around workers' rights", May 2021.

91 <https://www.financialexpress.com/opinion/triple-crises-economy-covid-china-have-exposed-indias-weaknesses-writes-p-chidambaram/2049292/> accessed 15 June 2021.

92 <https://www.just-style.com/analysis/worker-shortages-continue-to-weigh-on-india-clothing-sector>

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*Many factories stopped providing transport to workers from outlying villages and closed day-care facilities, leaving many women unable to return to work.*



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*When factories reopened after the first nationwide lockdown, they operated at around 50% capacity due to several factors, including observance of social distancing rules and order cancellations.*

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From a survey of workers in spinning mills, only 3% (1 mill out of 29 mills investigated) were paid any compensation when dismissed and the amount paid was INR 6,000 (US\$79). Considering most workers who lost jobs were migrants who had left the state during lockdown, they would not have been able to demand their right to compensation for dismissal. A severance pay gap of 97% is therefore not unrealistic. We estimate the average amount of compensation for retrenchment or closure based on the same assumptions of factory size and continuity of service as described above, albeit with the minimum wage of INR 8,390 in Tamil Nadu. This amounts to average compensation for dismissal of INR 47,823 (US\$632) for Tamil garment workers, not including outstanding wages, annual leave, and bonuses. Assuming 300,000 workers lost their jobs in Tirupur's garment industry after lockdown and did not receive retrenchment compensation, this amounts to a **severance pay gap for 300,000 workers of INR 14.3 billion (US\$189.6 million)**.<sup>93</sup>

## WAGE GAPS FOR WORKERS STILL EMPLOYED

A 3-month study of migrant workers' livelihoods in late 2020 suggested that workers' wages during the pandemic were directly tied to the order levels garment factories received.<sup>94</sup> Another survey found 68% of garment workers were paid lower wages than before the lockdown and garment workers were the worst affected by wage cuts compared to other sectors.<sup>95</sup> The following wage gap estimates take the job losses mentioned above into account and consider the impact on the workers who continued to be employed in the industry.

### DELHI AND NEW CAPITAL REGION

When factories reopened after the first nationwide lockdown, they operated at around 50% capacity due to several factors, including observance of social distancing rules and order cancellations.<sup>96</sup> As factories had laid off around 20% of the workforce, this suggests around 30% less work for the remaining employees in June 2020. According to CCC partner reports, factories gradually increased their capacity until the second lockdown was introduced in March 2021. Media reported the Delhi industry at 60% capacity in October 2020.<sup>97</sup>

A 3-month study conducted before the second lockdown found that garment workers' incomes were lower than before pandemic because of lower demand for garment exports and only reached 89% of the pre-pandemic level before the second lockdown occurred.<sup>98</sup> Based on the above indications of the industry's capacity, we assume total wages for the garment workers in Delhi who kept their jobs (638,000 workers) gradually increased from 70% in June, to 80% in October and reached 89% in March 2021. This left an **estimated wage gap from June 2020 – March 2021 of INR15.6 billion (US\$205.9 million)**.<sup>99</sup>

93 Calculation: 300,000 (jobs lost) x INR47,823 (severance owed) = INR 14,346,900,000 (US\$189,627,322).

94 <https://thewire.in/labour/migrant-workers-in-delhis-kapashera-have-been-left-to-fend-for-themselves> accessed 10 June 2021.

95 "Saajha Manch: A Survey on the post-Lockdown Working Conditions of Industrial Sector Workers" October 2020.

96 Information from CCC partner in Delhi.

97 Sourcing Journal, "Closer Look: Asian Factories Struggle to Rebound Amid Crisis", 15 October 2020.

98 <https://thewire.in/labour/migrant-workers-in-delhis-kapashera-have-been-left-to-fend-for-themselves> accessed 10 June 2021.

99 Calculation: Wage gaps of 30% June-September 2020, 20% October-January 2021, 11% February-March 2021. Multiply these wage gap percentages by INR11,000 (average wage) x 638,000 (garment workers still employed in Delhi region) = INR 15,581,149,492 (US\$205,940,771).

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## BANGALORE, KARNATAKA

As 40% of garment workers lost their jobs, we assume 60% returned to work i.e. 360,000. We assume a similar level of reduced industry capacity as shown in Delhi, leaving a reduction in work of 10% for the remaining workforce in June to September 2020. Thereafter, industry capacity likely picked up again, thereby providing similar wages to the remaining workers as before the pandemic.

This leaves an **estimated wage gap for Bangalore garment workers from June 2020 to September 2020 of INR 1.58 billion (US\$ 20.9 million).**<sup>100</sup>

## TIRUPUR, TAMIL NADU

In Tamil Nadu, spinning mills were still closed in June 2020 and some remained closed in July.<sup>101</sup> When mills reopened, workers reported that the workforce had been reduced by around 50% because of reduced demand, input shortages, and labour shortages because migrant workers had returned to their home states during the lockdown.<sup>102</sup> For the 50% who returned to work, daily wages had fallen from an average of INR 250 per day to INR 185 per day, despite working hours increasing to 14 hours a day.<sup>103</sup> Workers reported the working week falling from 6 or 7 days before the pandemic to around 3 days a week. This indicates that monthly wages fell from around INR6000 to INR2220 leaving a monthly wage gap of INR3780 for mill workers.<sup>104</sup> In August, media reported the Tirupur garment industry still only operating at 30% capacity.<sup>105</sup> Assuming workers received no wages when mills remained shut in June 2020 and that workers faced a wage gap of INR3780 in July and August 2020, this amounts to a **wage gap for the reduced workforce (300,000 workers) from June to August 2020 of INR4.1 billion (US\$53.7 million).**<sup>106</sup>

By September, the Tirupur exporters association reported that the industry was at 50% capacity and that a shortage of workers meant factories could not take on as many orders.<sup>107</sup> Some manufacturers reported paying for workers' travel to bring them back to the state. By October, media reported around 90% of factories in Tirupur operating.<sup>108</sup> We therefore assume that from September onwards workers who were available in Tirupur worked full time and did not face a wage gap.

**The total estimated wage and severance pay gap from March 2020 to March 2021 for the 1,950,000 garment workers employed before the pandemic in these three regions is INR 77 billion (US\$1 billion).**

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100 Calculation: Wage gap of 10% June-September 2020x INR11,000 (average wage) x 360,000 (garment workers still employed in Bangalore region) = INR 1,584,000,000 (US\$20,936,208).

101 SOMO, "Spinning around workers rights", May 2021. P68.

102 <https://www.livemint.com/companies/news/msme-hubs-in-s-india-struggle-to-restart-biz-11598578438445.html> accessed 14 June 2021.

103 SOMO, "Spinning around workers rights", May 2021. P69.

104 Calculation: Pre-pandemic monthly wage INR250 x 24 working days = INR6000. Pandemic wage INR185 x 12 working days = INR2220. Wage gap = INR6000 – INR 2220 = INR 3780.

105 <https://www.financialexpress.com/opinion/triple-crises-economy-covid-china-have-exposed-indias-weaknesses-writes-p-chidambaram/2049292/> accessed 14 June 2021.

106 Calculation: INR6000 (wage gap June) + INR3780 (wage gap July) + INR3780 (wage gap August) x 300,000 workers = INR 4,068,000,000 (US\$53,767,988).

107 [https://www.just-style.com/analysis/worker-shortages-continue-to-weigh-on-india-clothing-sector\\_id139485.aspx?utm\\_source=daily-html&utm\\_medium=email&utm\\_campaign=07-09-2020&utm\\_term=142054&utm\\_content=633453](https://www.just-style.com/analysis/worker-shortages-continue-to-weigh-on-india-clothing-sector_id139485.aspx?utm_source=daily-html&utm_medium=email&utm_campaign=07-09-2020&utm_term=142054&utm_content=633453)

108 Sourcing Journal, "Closer Look: Asian Factories Struggle to Rebound Amid Crisis", 15 October 2020.

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*For the 50% who returned to work, daily wages had fallen from an average of INR 250 per day to INR 185 per day, despite working hours increasing to 14 hours a day.*

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*Some factories have used the pandemic as a cover to dismiss trade union members, thus undermining workers ability to negotiate higher wages.*

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## OUTLOOK FOR WORKERS' WAGES

In the immediate future, the second nationwide lockdown of March 2021 raises serious concerns that workers will have faced sudden loss of income as occurred in the 2020 lockdown. Non-payment of wages in the second lockdown would be even more catastrophic for workers and their families given the significant debt burden workers had to take on to survive the first year of pandemic.

In addition, the pandemic has exacerbated several factors of concern regarding garment workers' wages. Firstly, some factories have used the pandemic as a cover to dismiss trade union members, thus undermining workers ability to negotiate higher wages.<sup>109</sup> Secondly, prior to the pandemic, workers relied on overtime to raise their wages closer to a level that meets their basic needs. Workers during the pandemic have struggled to make ends meet without overtime earnings, which emphasises the inadequacy of prevailing wages in the industry. Thirdly, many garment workers are engaged informally with no employment contract and even where workers are formally employed and registered for social security, social security benefits are inadequate and registration for inter-state migrant workers is as yet not up and running.<sup>110</sup> This makes garment workers particularly vulnerable to layoffs without compensation or government support. Lastly, changes to the labour laws in 2020 mean labour protections have been rolled back.<sup>111</sup>

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<sup>109</sup> For example, Chelsea Mills dismissed 8 trade union members soon after the first lockdown. Following a public protest and labour law claim, 6 workers were reinstated, but the case demonstrates hostility towards trade unions.

<sup>110</sup> <https://www.newsclick.in/protect-workers-second-wave-make-labour-registration-priority> accessed 10 June 2021.

<sup>111</sup> <https://clb.org.hk/content/bangalore-garment-workers-fight-basic-rights-production-resumes-after-lockdown> accessed 15 June 2021.



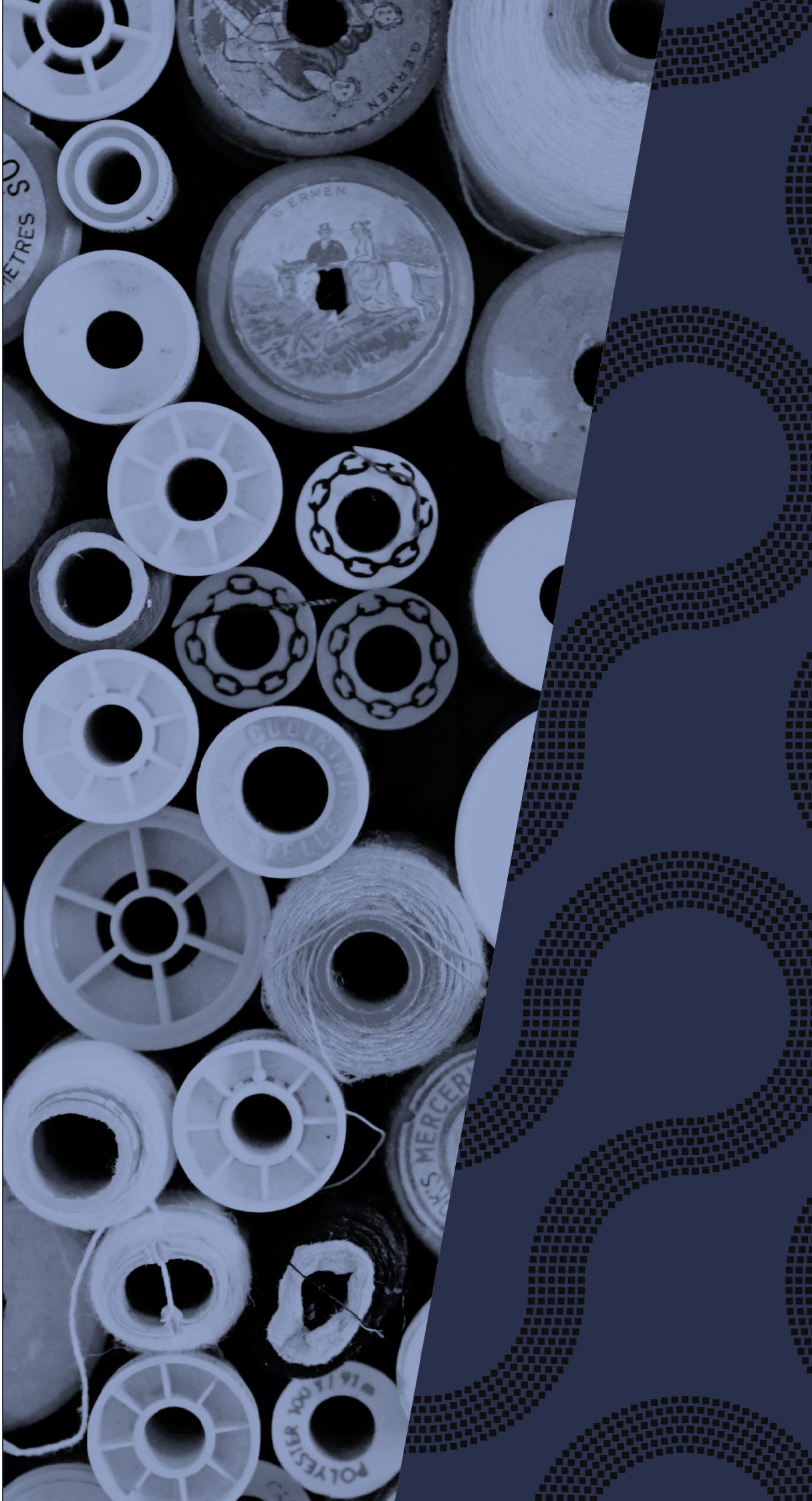


Image: Shutterstock/Papar

Workers during the pandemic have struggled to make ends meet without overtime earnings, which emphasises the inadequacy of prevailing wages in the industry.

A garment factory worker in Kolkata, India, who normally makes undergarments, displaying face masks made in response to the pandemic.





## CHAPTER SEVEN

# INDONESIA

The pandemic has impacted the Indonesian garment industry by both supply challenges and reduced demand from buying countries. In 2020 there was no lockdown in Indonesia but social distancing measures were introduced across the country.

Factories could continue production if they had a permit from the Industry Ministry and maintained public health protocols.<sup>112</sup> The protocols included physical distancing between workers which meant firms had to reduce the workforce and this also affected production capacity<sup>113</sup>.

Monthly garment exports in 2020 dropped by 15% compared to 2019 (from US\$764 million to US\$642 million per month). At the time of writing, average monthly garment exports are predicted to fall further to US\$599 million in the first half of 2021<sup>114</sup>.

A large-scale survey has shown the most common response of garment factories in Indonesia to the pandemic was to temporarily reduce the workforce, fire temporary staff, and cut wages.<sup>115</sup>

There have been government and donor efforts to offset the economic hardship due to the pandemic. In January and April 2021, the government disbursed support for low income families<sup>116</sup> and in

October 2020 the German government announced US\$14.5 million to support an ILO programme specifically for garment workers.<sup>117</sup>

## IMPACT ON WAGES

The monthly minimum wage in Indonesia differs by region, ranging between IDR 2,704,000 (US\$191) to IDR 4,200,000 (US\$296) in 2020<sup>118</sup>. A living wage is estimated at IDR 7,249,086 (US\$510).<sup>119</sup> The wage gap estimates below are based on an average minimum wage of IDR 3,452,000 (US\$243).

The first Un(der)paid in the Pandemic report found 2,600,000 workers in the Indonesian garment sector and **estimated a wage gap from March to May 2020 of US\$405 million.**

## FURLOUGHING WORKERS WITHOUT PAY

Data from Better Work Indonesia indicates an average of 1.5% of the workforce was furloughed without pay or with reduced pay each month up to

112 <https://www.thejakartapost.com/news/2020/11/05/only-half-of-manufacturers-comply-with-covid-19-reporting-requirement.html>

113 <https://www.eastasiaforum.org/2020/08/10/indonesias-garment-industry-in-crisis/> accessed 11 May 2021.

114 <https://www.fibre2fashion.com/news/international-textiles-trade-news/indonesian-apparel-fabric-exports-expected-to-decline-273501-newsdetails.htm> accessed 3 May 2021.

115 ILO Brief: The supply chain ripple effect: How Covid-19 is affecting garment workers and factories in Asia and the Pacific. October 2020. P10.

116 <https://www.thejakartapost.com/news/2021/04/19/govt-disburses-448m-in-second-round-of-cash-aid.html> accessed 3 May 2021.

117 <https://www.devdiscourse.com/article/headlines/1203282-germany-provides-145million-to-ilos-programme-to-help-garment-sector-workers>

118 <https://www.business-humanrights.org/en/from-us/covid-19-action-tracker/indonesia/> accessed 13 May 2021.

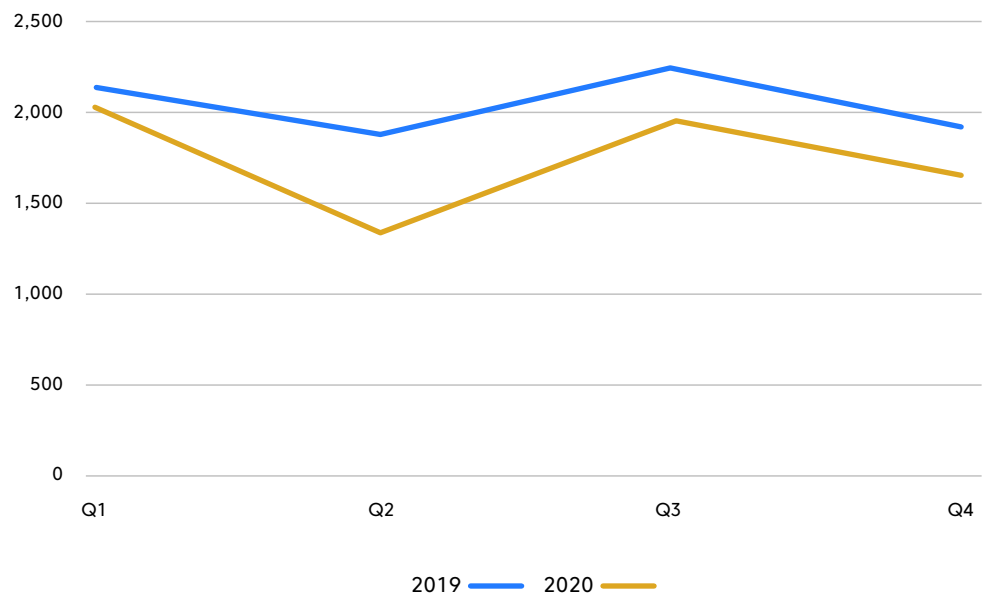
119 <https://asia.floorwage.org/our-work/#tab-id-3> accessed 13 May 2021.





*The pandemic has impacted the Indonesian garment industry by both supply challenges and reduced demand from buying countries.*

INDONESIA'S GARMENT EXPORTS 2019 AND 2020



April 2021<sup>120</sup>. Better Work factories make up around 16% of the total industry<sup>121</sup>. Extrapolating from this sample, we **estimate a wage gap for furloughed workers from June 2020 to April 2021 of IDR 1.029 trillion (US\$ 72.5 million)**.<sup>122</sup>

## WITHHOLDING ANNUAL BONUS

On 12 April 2021, the government notified employers that they must pay the Eid-Al-Fitr festival bonus (one month's salary) at least 7 days before Eid. The government notice allowed for employers to negotiate with trade unions if they are unable to pay the full bonus and report the agreement reached to the Local Manpower Office. In this case, employers must provide their financial report to the trade union and government as evidence that they cannot pay the bonus. However, trade unions report widespread under-payment of the bonus without a negotiated agreement, and it was common for workers to be paid IDR 1.8 million instead of IDR 4.2 million in April. We estimate half of workers were only paid half their bonus, **amounting to a wage gap in April 2021 of INR 2.3625 trillion (US\$166.5 million)**<sup>123</sup>.

120 <https://betterwork.org/2020/04/07/factory-stoppage-temporary-closure-or-having-decrease-in-operations-in-indonesia/> accessed 13 May 2021.

121 Better Work factories employ 385,580 workers, approx. 16% of the industry's post-pandemic 2.43 million workers. <https://betterwork.org/where-we-work/indonesia/>

122 Calculation: 0.75% (furloughed no pay) x 2.43m (workforce) x IDR 3,452,000 (monthly wage) x 11 (months) = IDR692,039,700,000.

0.73% (furloughed reduced pay) x 2.43m workforce x IDR 1,762,000 (half wages) x 11 (months) = IDR336,792,654,000. Total: IDR1.02883trillion.

123 Calculation: half the workforce (2,250,000 / 2) x half the bonus owed (4,200 / 2) = INR 2.3625 trillion.

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## JOB LOSSES AND SEVERANCE OWED

A WageIndicator survey of 1242 garment factories with 2,354,346 workers showed 40,959 permanent workers and 125,550 temporary workers were fired since March 2020.<sup>124</sup> The survey found only 26% of factories paid wages in full when workers were dismissed, 15% did not pay workers, 15% paid less than half the wages owed, and 28% paid more than half the wages owed. From these responses we estimate an average compliance rate of wage and severance payment following dismissal of 51%<sup>125</sup>.

Temporary workers are not entitled to any severance pay, only the wages owed up to the end of the contract.<sup>126</sup> Permanent workers are entitled to severance pay which has been estimated by Worker Rights Consortium as US\$1,448 for 5 years' service (if terminated after October 2020) or US\$2,896 (if terminated before October 2020).<sup>127</sup> Converting to Indonesian Rupiahs and assuming around half of workers were terminated before the severance obligations were reduced by the new Omnibus Law, we estimate typical severance pay owed to a permanent worker of IDR 30.8 million.

The WageIndicator survey covered 90% of the garment workforce and so we **estimate that around 183,000 workers lost their jobs and faced unpaid wage and severance of IDR 913.9 billion (US\$ 64.4 million)**<sup>128</sup>.

Considering the wages lost due to furlough, unpaid bonuses and unpaid severance for dismissed workers, we **estimate a total wage gap from March 2020 – April 2021 of IDR10.7 trillion (US\$721.7 million)**.

## OUTLOOK FOR WORKERS' WAGES

There are serious concerns that a new Omnibus Law on Job Creation, introduced in November 2020, creates the conditions for modern slavery in the country. The Law removes the sectoral minimum wage, phases out severance pay, and has an outsourcing provision that could keep workers as indefinite contract workers with no job security<sup>129</sup>. The implication is that the pandemic will have an even worse impact on workers under this new law as they face greater risk of wage cuts and layoffs without compensation.

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*The pandemic will have an even worse impact on workers under this new law as they face greater risk of wage cuts and layoffs without compensation.*

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124 WageIndicator 2021 - DecentWorkCheck.org - Garment - Indonesia - Data Visual: Covid-19 Impact. <https://decentworkcheck.org/company-overviews/garment-factories-in-indonesia/garment-indonesia-data-visuals-covid-19-impact>. Accessed 13 May 2021.

125 Calculation: (26% x 100% of wages) + (28% x 75% of wages)+(15% x 25% of wages)+(15% x 0% of wages)=average 51% wage payment rate.

126 [https://betterwork.org/wp-content/uploads/2020/10/Retrenchment-Guidelines\\_ENG.pdf](https://betterwork.org/wp-content/uploads/2020/10/Retrenchment-Guidelines_ENG.pdf) p13.

127 Worker Rights Consortium, Fired then Robbed. April 2021. p7.

128 Calculation: 138,105 (temporary workers) x IDR 3,452,000 (average minimum wage) x 49% payment rate = IDR 233 billion. 45,505 permanent workers x IDR 30.8 million (typical severance) x 49% payment rate = IDR 680 billion.

129 <http://www.industrial-union.org/unions-file-constitutional-challenge-against-omnibus-law-calling-it-modern-slavery>







## CHAPTER EIGHT

# MYANMAR

The Myanmar garment industry has been seriously affected by the pandemic, with factory closures during two nationwide lockdowns, supply chain disruptions, order cancellations, and a significant drop in orders.

The industry relies on imports for 90% of its raw materials and faced raw material shortages early in the pandemic.<sup>130</sup>

Factories were ordered to close in April 2020 to contain the virus.<sup>131</sup> Factories were again ordered to close on 24 September 2020 for 2 weeks, which was later extended to 1 month, and then only allowed to reopen if they met health and safety requirements.<sup>132</sup> By January 2021, Myanmar was still suffering the second COVID-19 wave which resulted in extensive lockdowns and supply chain disruptions.<sup>133</sup>

In July 2020, the Myanmar Garment Manufacturers Association (MGMA) reported a 50% drop in orders.<sup>134</sup> By September 2020, the orders were reportedly 20-25% lower than in 2019.

Manufacturers continued to face raw material shortages, labour shortages due to lockdowns and restrictions, and a drop in new orders up to December 2020.<sup>135</sup>

130 <https://www.fibre2fashion.com/news/apparel-clothing-policy-news/2020-factory-closures-export-losses-in-southeast-asia-271558-newsdetails.htm>

131 <https://www.mmmtimes.com/news/insiders-urge-govt-expand-garment-making-value-chain-exports-decline-myanmar.html> accessed 25 May 2021.

132 <https://www.frontiermyanmar.net/en/i-often-thought-about-hurting-myself-factory-workers-suffer-through-shutdown/> accessed 25 May 2021.

133 <https://www.mmmtimes.com/news/imf-approves-second-emergency-financial-aid-myanmar.html>

134 <https://www.irrawaddy.com/news/burma/myanmars-garment-sector-facing-implosion-orders-slump-covid-19.html> accessed 25 May 2021.

135 <https://www.mmmtimes.com/news/manufacturing-new-orders-fall-amid-covid-19-restrictions-ih-s-markit.html>

These impacts are seen in the significant drop in garment exports between April and June 2020 to US\$790 million, a 23% drop compared to US\$1.03 billion in the same period in 2019.<sup>136</sup> Whilst garment exports rebounded between July and September 2020 to the same levels as 2019, they fell between October and December 2020 to US\$905 million, a 25% drop compared to US\$1.2 billion in 2019.

## GOVERNMENT SUPPORT

Under the national Covid-19 Economic Response Plan (CERP), the government disbursed MMK 568.64 billion (US\$417 million) in cash payments to families with irregular income in July, August, September & November 2020.<sup>137</sup> The amount per family was MMK 20,000 (US\$14) if not in lockdown and MMK 40,000 (US\$28) if in a lockdown area.<sup>138</sup> However, there were problems targeting cash transfers accurately and the low amount only had a moderate impact on severe poverty during the lockdowns.<sup>139</sup> There were hundreds of thousands of complaints that households had not received the cash payment.<sup>140</sup>

136 <https://data.aseanstats.org/trade-quarterly>. Accessed 11 May 2021.

137 <https://www.mmmtimes.com/news/myanmar-govt-responds-protests-over-cash-subsidies.html> accessed 25 May 2021.

138 <https://elevenmyanmar.com/news/4th-wave-of-covid-cash-assistance-in-yangon-region-begins> accessed 19 May 2021

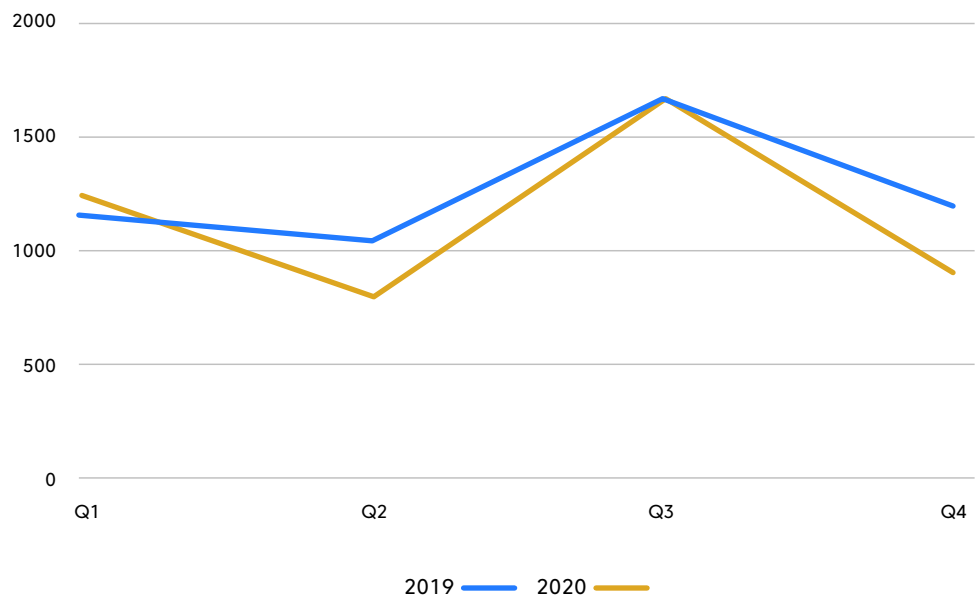
139 IFPRI, Poverty, food insecurity, and social protection during COVID-19 in Myanmar. November 2020, p1.

140 <https://www.frontiermyanmar.net/en/were-really-struggling-desperate-families-seek-covid-cash-handout/>



*Around half the garment factories closed since the coup and many brands stopped placing orders.*

MYANMAR'S GARMENT EXPORTS 2019 AND 2020, US\$m



## EU FUND FOR GARMENT WORKERS

The EU-funded SMART Textile & Garments project set up the EU Myan Ku Fund to provide direct payments to garment workers who were furloughed or laid off. By January 2021 the fund had disbursed MMK 8.1 billion (US\$5.8 million) to an estimated 60,000 garment workers.<sup>141</sup> This support equates to a total payment of around MMK 135,000 per person (US\$95).

## MILITARY COUP

The democratically elected government of Myanmar was overthrown on 1 February 2021 by a military coup. Pro-democracy protests against the military coup were met with violent crackdowns and by April 2021 almost 800 civilians had been killed and 4,961 detained.<sup>142</sup> Trade union leaders and labour rights activists have been targeted by the military through intimidation, threats or arrests. Since the coup, many labour leaders had to work underground for their safety. In March 2021, the Confederation of Trade Unions in Myanmar called for the international community to impose comprehensive economic sanctions on Myanmar, despite the adverse effect on workers' livelihoods, because they considered it necessary to bring down the military junta.<sup>143</sup> By May 2021, hundreds of thousands of workers had been

<sup>141</sup> <https://mailchi.mp/myanmargarments/eu-myan-ku-fund-extension-announcement> [https://smartmyanmar.org/sites/smartmyanmar.org/files/publication\\_docs/myan\\_ku\\_factsheet\\_2021\\_0.pdf](https://smartmyanmar.org/sites/smartmyanmar.org/files/publication_docs/myan_ku_factsheet_2021_0.pdf)

<sup>142</sup> <https://t.co/CLTIJ3F8Qh>

<sup>143</sup> <https://www.business-humanrights.org/en/latest-news/myanmar-confederation-of-trade-unions-calls-for-comprehensive-international-sanctions-against-military-junta/>

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striking against the military dictatorship for 3 months since the coup, including many garment workers.<sup>144</sup> Around half the garment factories closed since the coup and many brands stopped placing orders.<sup>145</sup> However, at the end of May 2021, H&M, Primark and Bestseller announced intentions to resume business in Myanmar.<sup>146</sup>

Given the lack of information and difficulty in assessing the situation for workers since the coup, this report focuses on the impact of the pandemic on workers' wages from March 2020 to January 2021.

## OVERVIEW OF THE INDUSTRY AND WAGES

The 2018 Labour Force Survey estimated the garment industry employed 817,700 people, 91% of whom are women.<sup>147</sup> Around 75% of garment workers are employed informally in unregistered enterprises.<sup>148</sup>

The 2018 minimum wage was MMK 4,800 per day (US\$3.61), equating to around MMK 144,000 per month (US\$108). The minimum wage is not enough to live on and all workers rely heavily on bonuses and overtime payments to get by. A worker survey in 2020 found an earnings range of MMK 190,000 - 315,000 MMK per month and the majority earning between MMK 200,000 - 240,000 per month.<sup>149</sup> This report assumes the average basic wage is MMK 220,000 per month (US\$157).

## WAGE GAP FOR FURLOUGHED WORKERS

The first Un(der)paid report explained how cancelled orders, raw material shortages, and a lockdown in April led to an estimated **wage gap from March to May 2020 of MMK 90.22 billion (US\$ 62.26 million)**.

In June 2020 there was a first wave of Covid-19 in Myanmar. After the national lockdown, only factories meeting health and safety requirements were allowed to open. In addition, by mid-July 2020 the industry reported a 50% drop in orders for the coming season and therefore many factories reduced their workforces and paying salaries would become a problem.<sup>150</sup> The EU SMART project's Myan Ku Fund supported 60,000 garment workers with little or no work. Assuming the EU SMART project works predominantly with the larger, registered factories, we estimate a total of around 100,000 workers will have been furloughed between June-August. This equates to an **estimated wage gap from June to August 2020 of MMK 66 billion (US\$47 million)**.<sup>151</sup>

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*Given the lack of information and difficulty in assessing the situation for workers since the coup, this report focuses on the impact of the pandemic on workers' wages from March 2020 to January 2021.*

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144 Tweet on 1st May 2021: <https://twitter.com/AndrewTSaks/status/1388379530214006784>

145 <https://www.ecotextile.com/2021042027668/materials-production-news/garment-industry-badly-hit-by-myanmar-coup.html>

146 <https://www.business-humanrights.org/en/latest-news/primark-resumes-placing-orders-in-myanmar/> accessed 26 May 2021.

147 Labour Force Survey 2018, available on [www.ilo.org](http://www.ilo.org) Accessed April 2020.

148 ILO, "Impact of Covid-19 on Employment and Labour Market in Myanmar", July 2020.

149 SOMO research, July 2020. <https://www.somo.nl/towards-a-new-normal/>

150 <https://www.irrawaddy.com/news/burma/myanmars-garment-sector-facing-implosion-orders-slump-covid-19.html>. Accessed 25 May 2021.

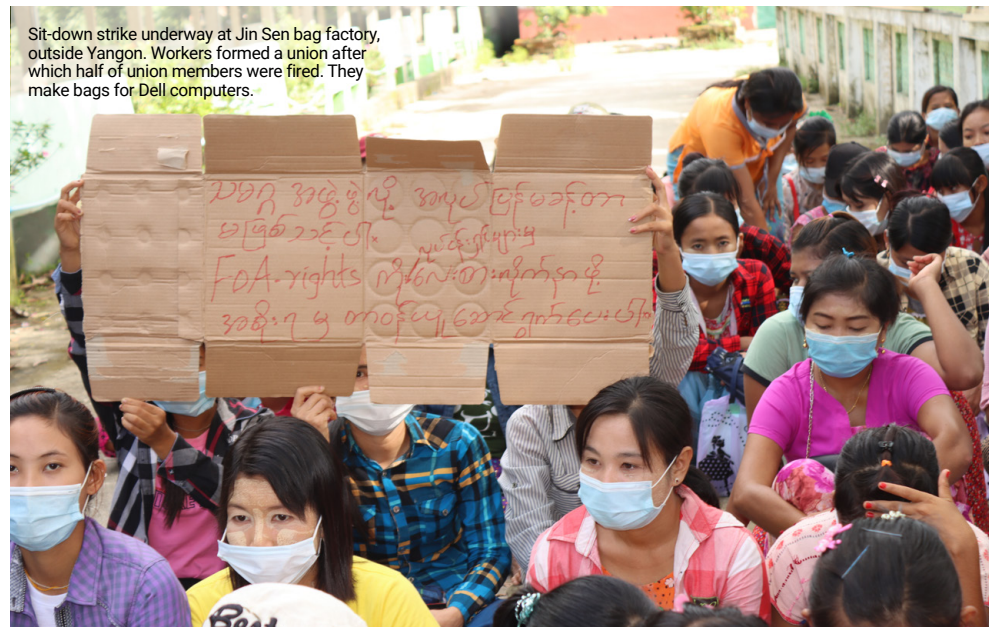
151 Calculation: 81,770 workers (10% of pre-pandemic workforce) x MMK 660,000 (3 months' basic wage) = MMK 53,968,200,000 (US\$38,439,332).



*We assume that furloughed workers lost 50% of their September wages as a result of interest on loans and non-payment by factories.*

On 24 September 2020 the government ordered all factories in Yangon to close due to a second COVID-19 wave and around 1 month later most garment factories in Yangon were allowed to reopen.<sup>152</sup> Data from the Open Apparel Registry suggests around 86% of garment export factories are in Yangon.<sup>153</sup> We therefore assume that at least 86% of the workforce was furloughed for 1 month from September to October, affecting around 703,000 workers. The order to close came before workers had received September wages and in mid-October garment factories stated that they would not pay workers until they receive government instructions.<sup>154</sup> Workers reported having to borrow from moneylenders at high interest to pay their rent.<sup>155</sup> We assume that furloughed workers lost 50% of their September wages as a result of interest on loans and non-payment by factories. We therefore estimate **a wage gap due to delayed and underpaid wages in September 2020 of MMK77.4 billion (US\$55 million).**<sup>156</sup>

During the mandatory factory closure from 24 September, the government committed to pay registered workers 40% of their salaries (MMK 88,000 based on the average basic wage) and unregistered workers a payment of MMK 30,000.<sup>157</sup> We therefore estimate **a wage gap due to one month furlough from 24 September to 22 October 2020 of MMK 123 billion (US\$87 million).**<sup>158</sup>



152 <https://www.mmmtimes.com/news/mohs-allows-factory-workers-stay-home-townships-resume-work.html>

153 Open Apparel Registry, Myanmar factory list downloaded April 2020. 203 out of 235 factories are in Yangon.

154 <https://www.mmmtimes.com/news/no-pay-yangon-factory-workers-until-govt-instructions-are-released.html> accessed 25 May 2021.

155 <https://www.frontiermyanmar.net/en/i-often-thought-about-hurting-myself-factory-workers-suffer-through-shutdown/> accessed 25 May 2021.

156 Calculation: 703,222 workers (86% of total workforce) x MMK 110,000 (50% of basic wage) = MMK 77,354,420,000.

157 <https://www.mmmtimes.com/news/myanmar-govt-subsidise-employee-salaries-during-stay-home-period.html>

158 Calculations: 25% (registered workforce) x 703,222 (furloughed workers) x MMK 132,000 (wage gap of basic wage minus 40% government payment) = MMK 23,206,326,000. 75% (unregistered workforce) x 703,222 (furloughed workers) x MMK 190,000 (wage gap of MMK220,000 - 30,000 government payment) = MMK 100,209,135,000.

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A survey of enterprises in October 2020 indicated that the second COVID-19 wave had a greater economic impact than the first wave.<sup>159</sup> An industry representative stated that around 500 garment factories were seriously affected by the pandemic and that those which reopened were only employing between a third and a half of their usual workforce due to covid-19 restrictions.<sup>160</sup> We therefore assume around 400,000 garment workers remained furloughed after the second lockdown eased. Given that exports were significantly reduced in the last quarter of 2020, we assume the number of workers furloughed remained the same up to January 2021. If the government continued to pay registered and unregistered furloughed workers as announced in September, we estimate the **wage gap from November 2020 to January 2021 of MMK 210.6 billion (US\$150 million).**<sup>161</sup>

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*A survey of enterprises in October 2020 indicated that the second COVID-19 wave had a greater economic impact than the first wave.*

## SEVERANCE PAY GAP FOR WORKERS WHO LOST THEIR JOBS

According to the EU SMART project, approximately 60,000 garment workers lost their jobs during the pandemic.<sup>162</sup> According to the Employment Minister, at least 65,000 factory workers (not only garments sector) in Yangon lost their jobs due to the pandemic but trade unions estimate 100,000 job losses because not all factories which closed were registered with the government.<sup>163</sup> The Minister reported most factory closures were in the garment sector. We therefore estimate 80,000 garment workers lost their jobs due to the pandemic.

Both the garment exporters association and trade unions have reported concerns for workers being made redundant, factory owners leaving the country, and workers not being paid.<sup>164</sup> The Clean Clothes Campaign network and the Confederation of Trade Unions in Myanmar (CTUM) also reported factories using the pandemic as an excuse to lay off workers, especially unionised workers, and reported some factories closing without paying workers their owed wages and severance and then reopening a factory under a new name.<sup>165</sup> From 6 publicly

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<sup>159</sup> <https://www.irrawaddy.com/specials/myanmar-covid-19/covid-19-taking-huge-toll-myanmar-manufacturing-service-sectors-world-bank-says.html>

<sup>160</sup> <https://www.mmtimes.com/news/insiders-urge-govt-expand-garment-making-value-chain-exports-decline-myanmar.html> accessed 25 May 2021.

<sup>161</sup> Calculation: 25% (registered workforce) x 400,000 (furloughed workers) x MMK 132,000 (wage gap of basic wage minus 40% government payment) x 3 months = MMK 39,600,000,000. 75% (unregistered workforce) x 400,000 (furloughed workers) x MMK 190,000 (wage gap of MMK220,000 - 30,000 government payment) x 3 months = MMK 171,000,000,000.

<sup>162</sup> <https://mailchi.mp/myanmargarments/eu-myan-ku-fund-extension-announcement>

<sup>163</sup> <https://www.myanmar-now.org/en/news/more-than-65000-factory-workers-in-yangon-have-lost-jobs-amid-pandemic-says-regional-minister>

<sup>164</sup> <https://www.irrawaddy.com/news/burma/myanmars-garment-sector-facing-implosion-orders-slump-covid-19.html> accessed 25 May 2021.

<sup>165</sup> CCC live blog 8 January 2021. <https://cleanclothes.org/news/2021/january-2021-covid19-blog> <https://cleanclothes.org/news/2020/union-busting-in-myanmar-under-guise-of-covid-19> and <https://www.frontiermyanmar.net/en/factory-workers-suffer-blame-and-pain-in-myanmars-covid-19-response/> accessed 25 May 2021.

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*At the time of writing, wage conditions for garment workers in Myanmar could not be assessed due to communication restrictions and repression under the military regime.*

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reported cases of factories dismissing workers without paying severance, one factory paid the full severance after a public campaign, two paid around half the severance, and three did not pay any severance.<sup>166</sup> Given widespread acknowledgment of unpaid severance in the industry, we assume these are typical cases, and therefore the average compliance with severance payments is around 33%. The Worker Rights Consortium (WRC) estimated a typical amount of severance owed to a garment worker with 5 years' service would be around US\$438.<sup>167</sup> The wage gap due to unpaid severance for 80,000 workers who permanently lost jobs during the pandemic is estimated at **MMK 32.9 billion (US\$23.5 million)**.<sup>168</sup>

The cumulation of factory closures, workforce reductions, and dismissals without due compensation, and taking into account the EU Myan Ku Fund and government payments, leads to an **estimated total wage gap from March 2020 to January 2021 of MMK 592 billion (US\$423 million)**.

## OUTLOOK FOR WORKERS' WAGES

At the time of writing, wage conditions for garment workers in Myanmar could not be assessed due to communication restrictions and repression under the military regime. Nevertheless, certain issues prior to the coup were cause for concern about the future of workers' wages. Firstly, the minimum wage review was postponed due to the pandemic, despite a survey in 2020 showing that MMK7,800 per day (US\$5.87) is needed to cover the basic needs of a worker.<sup>169</sup> Secondly, the high number of garment workers dismissed or temporarily underemployed without adequate income support has left some garment workers destitute, with reports of some women forced into sex work, which is illegal Myanmar and therefore particularly dangerous.<sup>170</sup> Lastly, whilst trade union federations had some success in securing reinstatements and compensation for dismissed workers during the pandemic,<sup>171</sup> trade union leaders reported in December 2020 that garment factories had used the pandemic as an excuse for mass dismissal of union members.<sup>172</sup> Furthermore, trade unionists alleged bias in the Labour Arbitration Council, which decided 95% of collective dispute cases in favour of employers.<sup>173</sup> In March 2021, the military regime declared several labour rights organisations unlawful, prohibiting them from continuing their work in the defence of workers. This hostile environment for trade unions further weakens prospects for workers to resolve underpayment of wages.

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166 Six factories: Young Clothing <https://www.business-humanrights.org/en/latest-news/myanmar-garment-workers-protest-over-compensation-owed-by-young-clothing-after-factory-closure/>; Hong Yun [https://www.mmtimes.com/news/garment-factory-pays-workers-k200m-shut-down.html#\\_X\\_SbxS0fcYA.twitter](https://www.mmtimes.com/news/garment-factory-pays-workers-k200m-shut-down.html#_X_SbxS0fcYA.twitter); Su Xin (Myanmar): <https://elevenmyanmar.com/news/workers-angered-by-auction-of-garment-factory-for-ks27m>; Power Fashion 1: <https://elevenmyanmar.com/news/over-600-sacked-garment-factory-workers-demand-compensation>; Euro Gate: <https://elevenmyanmar.com/news/over-700-garment-factory-workers-struggling-for-livelihood#.X00HTgVuU08.twitter>; World Jin: <https://elevenmyanmar.com/news/world-jin-garment-factory-workers-in-financial-woes-as-the-owner-fled>

167 WRC, Fired, then Robbed. 2021. p7.

168 Calculation: 80,000 workers x US\$ 438 (typical severance) x 67% unpaid = US\$23,476,800 (MMK 32,961,047,246).

169 <https://sourcingjournal.com/topics/labor/myanmar-union-apparel-factories-garment-workers-coronavirus-wages-sourcing-250512/>

170 <https://www.theguardian.com/global-development/2020/oct/22/i-have-to-do-this-myanmar-garment-workers-forced-into-sex-work-by-covid> accessed 25 May 2021.

171 <http://www.industrial-union.org/union-successfully-fights-mass-dismissals-in-myanmar> accessed 30 May 2021.

172 <https://sourcingjournal.com/topics/labor/myanmar-union-apparel-factories-garment-workers-coronavirus-wages-sourcing-250512/>

173 <https://www.clb.org.hk/content/myanmar-workers-protest-union-busting-efforts-garment-industry>



Worker protests in Yangon, Myanmar, prior to the military coup in February 2021.



Trade union leaders reported in December 2020 that garment factories had used the pandemic as an excuse for mass dismissal of union members.





Every month from March 2020 to February 2021, apparel exports were below the level of the previous year.

## CHAPTER NINE

# SRI LANKA

The Sri Lankan garment industry has been affected by lower orders throughout the pandemic and a national lockdown early in the pandemic. The government instituted a 1-month national lockdown from end of March to end April 2020 to prevent spread of the virus. Factories were permitted to reopen at the end of April, albeit with limited staff.

In early May 2020, a tripartite taskforce led by the Ministry of Labour reached an agreement which required employers not to terminate workers' employment during the pandemic and to pay 50% of workers' basic wages, or at least LKR 14,500, if workers are furloughed<sup>174</sup>. This agreement was later extended to October 2020 and then to March 2021<sup>175</sup>. The agreement requires employers to seek authorisation from the Department of Labour prior to furloughing workers employees.

In 2020, Sri Lanka's garment industry exported goods worth US\$ 3.938 billion, a drop of 24% compared to the 2019 export value of US\$5.205 billion<sup>176</sup>. Every month from March 2020 to February 2021, apparel exports were below the level of the previous year (see graph below) due to reduced orders during the pandemic.

Before the pandemic, the apparel exporters association reported 500,000 workers in the industry.<sup>177</sup> However, by April 2020, the association reported 400,000 direct employees in the industry.<sup>178</sup> Whilst the minimum wage in

2020 and 2021 was only 15,500 LKR (US\$80) per month for garment workers, basic wages were higher. Machine operators make up around two thirds of the workforce and usually have a basic wage of LKR 20,000 to LKR 24,000, whilst less skilled garment factory workers usually have a basic wage of around LKR 17,000 per month<sup>179</sup>. We therefore estimate the average garment worker wage is LKR 20,630. The industry is dominated by three companies which employ around half of the country's garment workers: MAS Holdings; Brandix; and Hirdaramani Apparel.

## IMPACT ON WORKERS' WAGES

The first Un(der)paid in the Pandemic report estimated that non-payment of wages during the lockdown and the gradual reopening of factories created a **wage gap from March to May 2020 of LKR 4.64 billion (US\$24 million)**.

Non-payment and underpayment of wages has continued since then due to job losses without due compensation, ongoing use of the furlough scheme, and withheld bonus payments.

174 CCC brief "COVID-19 Pandemic: A Pretext to Roll Back Sri Lankan Garment Workers' Rights", March 2021. Available: [https://cleanclothes.org/file-repository/sri\\_lanka\\_brief\\_march\\_2021.pdf](https://cleanclothes.org/file-repository/sri_lanka_brief_march_2021.pdf)

175 CCC Sri Lanka brief March 2021.

176 <https://www.srilankabusiness.com/apparel/about/export-performance.html> accessed 29 April 2021

177 Reported by CCC partner.

178 <https://economynext.com/sri-lanka-apparel-industry-appeals-for-re-opening-salary-support-over-coronavirus-crisis-64784/> accessed 17 May 2021.

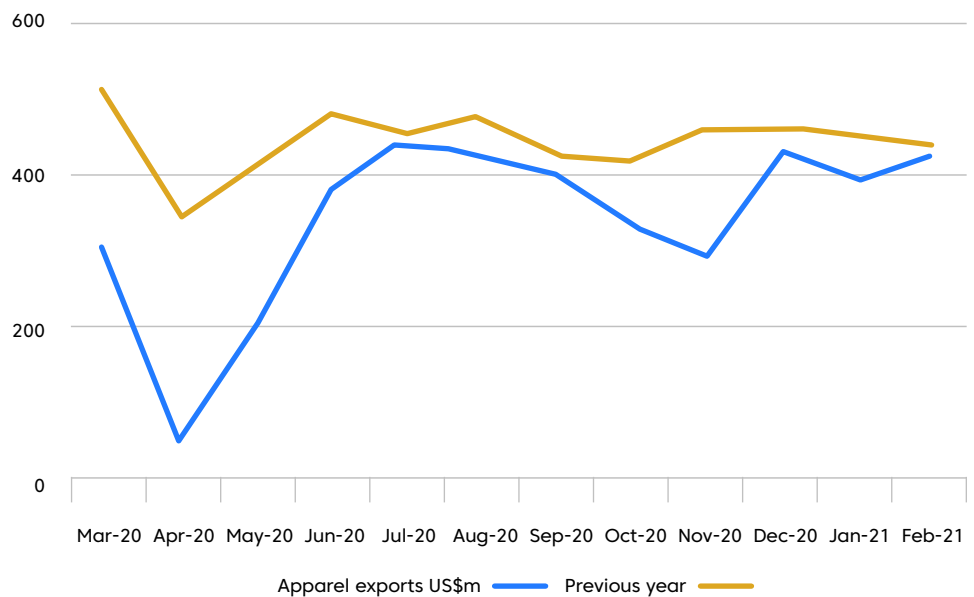
179 Information from garment sector trade union.





*The Sri Lankan garment industry has been affected by lower orders throughout the pandemic and a national lockdown early in the pandemic.*

SRI LANKA APPAREL EXPORTS MONTHLY COMPARISON



## JOB LOSSES WITHOUT DUE COMPENSATION

By September 2020, the Sri Lanka Apparel Exporters Association estimated that up to 100,000 garment workers would have lost their jobs during the pandemic.<sup>180</sup> According to CCC partners, employers discouraged migrant workers from returning after the lockdown, for example by not providing transport and meals, and cutting incentive and overtime payments, without which workers cannot earn enough to warrant returning from their homes to the factory. This created a situation in which factories could reduce their workforce without officially terminating workers' employment contracts. If their contract is terminated, a worker is entitled to two and a half months' salary for each of the first 5 years of service and 2 months' salary for each year thereafter. We have reviewed the severance payments due to almost 500 workers in a factory that closed in 2020 and found the average severance entitlement was LKR 383,500<sup>181</sup>. Given that the industry claimed difficulty in paying wages during the pandemic and the exceptional circumstances in which migrant workers had returned to their homes, we assume most workers who lost their jobs have not been paid compensation. We therefore estimate a **potential wage gap due to unpaid severance during the pandemic of LKR 38.35 billion (US\$ 194.7 million)**.<sup>182</sup>

<sup>180</sup> <https://www.fibre2fashion.com/interviews/face2face/srilanka-apparel-exporters-association/rehan-lakhany/12597-1/> accessed 7 June 2021.

<sup>181</sup> Actual case of compensation calculated for 497 workers with average salary of LKR 25,273 and average service of 6.5 years.

<sup>182</sup> Calculation: LKR 383,500 (Indicative compensation due) x 100,000 jobs lost = LKR 38.35 billion.

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## WAGES LOST DUE TO FURLOUGH ARRANGEMENTS

After the April 2020 lockdown, the tripartite agreement allowed for factories to deploy 50% of the workforce and rotate staff every 2 weeks to avoid job losses. The furlough wage rate was half the basic salary, or a minimum of LKR 14,500 per month. When furloughed for half the month, workers would therefore earn 75% of their basic pay (full pay for time worked, and half pay for the time furloughed). CCC partners indicate that most factories were still rotating workers 50% of the time in June 2020 and therefore most workers faced a wage gap of 25% of their basic pay. In July and August, exports were rebounding but many factories were still operating at lower capacity, so we estimate 10% of workers still working on rotation in these months. From September 2020 onwards, CCC partners report that almost all workers were working full-time, albeit with lower income due to reduced overtime. We estimate the **wage gap due to furlough in June, July and August 2020 as LKR 4.332 billion (US\$16.5 million)**<sup>183</sup>.

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*The wage paid to workers in quarantine has varied significantly by factory, with some receiving minimum wage and others not receiving any sick pay.*

## WITHHELD BONUS PAYMENTS

CCC partners and media reports indicate that most factories did not pay the bonus due in April and December 2020<sup>184</sup>. The bonus was reportedly paid by most factories in April 2021. A bonus payment is not required by law but is usually part of the employment benefits package factories offer and constitutes around 1 month's pay. Based on an assumption that all factories withheld the bonus in April 2020 and 50% withheld the bonus in December 2020, we estimate the **wage gap due to unpaid bonuses in 2020 was LKR 14.441 billion (US\$73.3 million)**.<sup>185</sup>

The combined impact of lost wages during the first lockdown, job losses without due severance, continued furlough arrangements from June to August 2020, and unpaid bonuses in 2020 leads to an **estimated wage gap for Sri Lanka's garment workers from March 2020 to April 2021 of LKR 61.763 billion (US\$313.5 million)**.

## OUTLOOK FOR WORKERS

As of mid-May 2021, hundreds of cases of COVID-19 amongst garment workers in the Katunayake Free Trade Zone have been reported.<sup>186</sup> Quarantine centres are full and therefore workers have had to self-isolate. According to CCC partners, the wage paid to workers in quarantine has varied significantly by factory, with some receiving minimum wage and others not receiving any sick pay. There is therefore serious concern that the third wave of the virus will leave many workers without sufficient income but data is not yet available on the number of cases and so this wage gap is not yet possible to estimate.

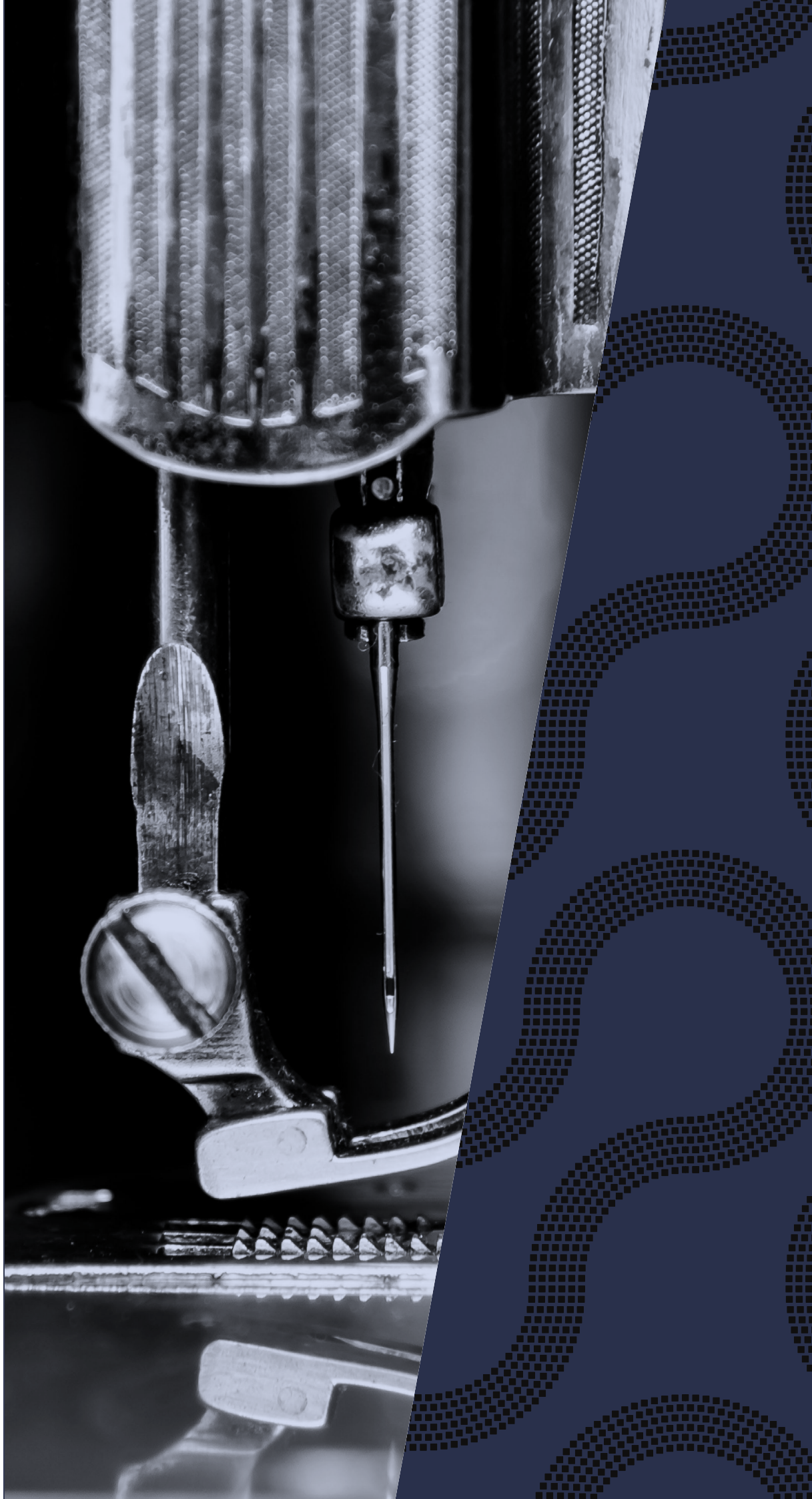
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<sup>183</sup> Calculation: 2 months x 400,000 workers x LKR 20,630 average wage x 0.25 wage gap = LKR 4.126 billion. 1-month x 40,000 workers x LKR 20,630 average wage x 0.25 wage gap = LKR 206 million.

<sup>184</sup> CCC Sri Lanka brief March 2021. Page 15.

<sup>185</sup> Calculation: (April 2020) 500,000 workers x average bonus LKR 20,630 = LKR 10,315,000,000. (Dec 2020) 200,000 workers x average bonus LKR 20,630 = LKR 4,126,000,000.

<sup>186</sup> <https://www.ucanews.com/news/sri-lankan-garment-workers-seek-urgent-government-help/92484>





## CHAPTER TEN

# PAKISTAN

The impact of the pandemic was felt most significantly in the first half of 2020, and thereafter Pakistan's garment export industry rebounded more successfully than other countries. The government introduced a one-month lockdown from 23 March 2020 in which assistance to workers was not comprehensively received.

After the lockdown, an estimated 40% of factories remained closed or reopened with reduced capacity and lower wages. In June 2020, export orders began to rebound (see chart below) but factories supplying the domestic market remained at low capacity.<sup>187</sup> In July 2020, export orders had fully recovered beyond 2019 levels and domestic production also improved as markets reopened in advance of the Eid festival. In August 2020 there was a 9% fall in garment exports compared to the previous year but for the rest of 2020, garment exports grew month on month compared to the previous year. This is in part due to buyers diverting orders away from other garment producing countries to Pakistan because of lifted COVID-19 restrictions<sup>188</sup>. However, despite this export growth, there were reports of international buyers withholding payments which caused cashflow problems in the industry<sup>189</sup>.

## INDUSTRY OVERVIEW

According to the 2018 labour force survey, there were 2.65 million workers in Pakistan's apparel industry, of whom 45% were women and 55% were men<sup>190</sup>. In addition, there are an estimated

1,7 million homeworkers in the apparel industry<sup>191</sup>, approximately 80% of whom are women<sup>192</sup>.

The minimum wage is 17,500 PKR (approx. US\$114) for unskilled and young workers<sup>193</sup>. We therefore estimate an approximate monthly wage bill for factory workers in the garment industry as PKR 46,375 billion (US\$289,23 million)<sup>194</sup>.

## IMPACT ON WORKERS' WAGES

An estimated 85% of garment factory workers do not have employment contracts and are not registered with the social security institutions<sup>195</sup>. These workers have piece rate contracts and no job security or income guarantee which means they are vulnerable to sudden layoffs without compensation. When factories experienced lower than normal orders, piece rate workers were highly likely to face a corresponding drop in income.

187 Interview with LEF, 26 April 2021. Notes on file with CCC.

188 <https://www.dawn.com/news/1600798/time-to-walk-on-a-different-path> accessed 20 April 2021.

189 <https://www.brecorder.com/news/40028883/global-outbreak-of-covid-19-prgmea-urges-sbp-to-stop-sending-show-cause-notice-to-exporters> accessed 22 April 2021.

190 ILOStat [https://www.ilo.org/shinyapps/bulkexplorer3/?lang=en&segment=indicator&id=EMP\\_TEMP\\_SEX\\_EC2\\_NB\\_A](https://www.ilo.org/shinyapps/bulkexplorer3/?lang=en&segment=indicator&id=EMP_TEMP_SEX_EC2_NB_A)

191 WIEGO Statistical Brief: Homebased Workers in Pakistan. October 2020.

192 HRW Report "No Room to Bargain", 2019

193 Labour Education Foundation & Asia Monitor Resource Centre: Non-implementation of Labour Laws: Socio-Economic Impacts on Female Garment Workers in Punjab. May 2020.

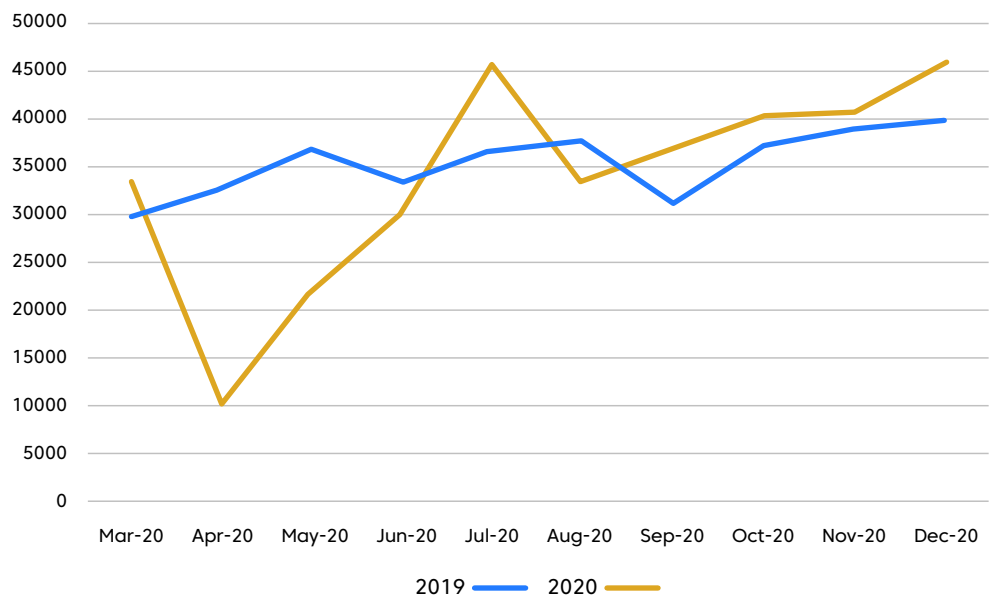
194 Calculation: 2,65 million workers in garment factories x monthly minimum wage PKR 17,500.

195 Clean Clothes Campaign, Un(der)paid in the Pandemic. September 2020.



*The impact of the pandemic was felt most significantly in the first half of 2020, and thereafter Pakistan's garment export industry rebounded more successfully than other countries.*

MONTHLY GARMENT EXPORTS 2019 AND 2020 (PKR MILLIONS)



Due to the lockdown and sudden order cancellations, the first Un(der)paid report estimated **a wage gap for Pakistan's garment workers in March, April and May 2020 of PKR 51.5 billion (US\$320.9 million).**

Due to reduced exports and lower domestic production in June 2020 we estimate around 20% lower factory production and corresponding drop in wages paid. Exports rebounded in July but dropped 9% below 2019 levels again in August 2020. We therefore estimate wage gaps of PKR 9.3 billion (US\$57.9 million) in June 2020 and PKR 4.2 billion (US\$26 million) in August 2020<sup>196</sup>. This amounts to **a combined wage gap from June 2020 and August 2020 of PKR 13.4 billion (US\$83.9 million).**

Thereafter, garment exports grew for the rest of the year, and we therefore assume no further pandemic-related wage gap for garment workers in the export sector up to March 2021.

The **total estimated wage gap up to March 2021 is PKR 64.9 billion (US\$404.7 million).**

<sup>196</sup> Calculation: Estimated total monthly wage bill PKR 46.375 billion x 20% (June 2020) + PKR 46.375 billion x 9% (August 2020) = PKR 13,448,750,000.

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## OUTLOOK FOR WORKERS' WAGES

In April 2021, COVID rates were increasing in Pakistan which raised concern of another possible lockdown. There are three features of the Pakistan apparel industry which significantly increase workers' vulnerability to income loss due to the pandemic. Firstly, the high number of homebased workers who contribute to the industry have, until recently, not been granted any employment rights. Sindh Province passed the Home-Based Workers Act in 2018 to grant employment rights to its 3 million informal workers. Worker registration in this new scheme was delayed due to the pandemic and workers were only able to register from 1 December 2020, and therefore were not eligible for emergency cash payments during the first lockdown<sup>197</sup>. If there is a second lockdown, at least homeworkers in Sindh province which have been able to register will be eligible for emergency relief, although homeworkers in other provinces will not.

Secondly, the contract system means workers have no job or income protection in case factories face reduced orders or another lockdown.

Thirdly, there is widespread underpayment of wages in the industry, which means workers face extreme economic hardship in normal times, and therefore have no savings to fall back on in case of job loss or wage reductions. Pre-pandemic research found the average monthly wage for female garment factory workers was between 8,000 PKR and 10,000 PKR, which is only half of the legal minimum wage of 17,500 PKR and far below a basic living wage of 35,000 PKR<sup>198</sup>. Male workers' wages ranged between 15,000 PKR and 20,000 PKR.

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*When factories experienced lower than normal orders, piece rate workers were highly likely to face a corresponding drop in income.*

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<sup>197</sup> <https://www.theguardian.com/global-development/2020/dec/01/moving-mountains-how-pakistans-invisible-women-won-workers-rights> accessed 21 April 2021.

<sup>198</sup> Labour Education Foundation & Asia Monitor Resource Centre. Non-implementation of Labour Laws: Socio-Economic Impacts on Female Garment Workers in Punjab. May 2020.





## CHAPTER ELEVEN

# CONCLUSION

This report aimed to describe and contextualise the specific ways in which garment workers' income has been dramatically affected during the COVID-19 pandemic. The devastating effect on workers' wages clearly continued after the publication of the August 2020 Un(der)paid in the Pandemic report.

Through the rest of 2020, the pandemic continued to spread globally: more countries were affected, often more acutely, and the global garment industry experienced unprecedented instability and uncertainty. The country chapters in this report show this varies to some extent depending on the specific conditions in each country. The report extrapolates from the available data to estimate the wage gap workers have suffered during the pandemic, to reach estimated

wage gaps for each of the researched countries. Similar to the previous report, the country estimates were then used to formulate a projected global wage gap. Based on research done on seven countries, the global estimated wage gap for the period from March 2020 through March 2021 is US\$11.85 billion. In other words, it is estimated that the garment industry owes its workers almost US\$12 billion for those 13 months of pandemic.

	WORKERS INCLUDED IN ESTIMATES	MONTHLY BASIC WAGE IN USD	ESTIMATED WAGE GAP	WAGE GAP PER WORKER IN USD	ESTIMATED JOB LOSSES
			MARCH 2020 - MAY 2021*		
Bangladesh	4,400,000	95	844,601,990	192	438,000
Cambodia	855,413	190	343,521,676	402	91,000
India	1,950,000	145	1,020,211,743	523	712,000
Indonesia	2,600,000	243	721,793,534	278	183,000
Myanmar	817,7000	157	422,747,757	517	80,000
Pakistan	2,200,000	104	404,766,744	184	0**
Sri Lanka	500,000	105	313,519,289	627	100,000
Global estimate (halved average) (extrapolated)***	50,000,000	200	11,850,183,234		

\* Ibid

\*\* In Pakistan, very few workers have contracts or registration and there is currently no reliable information on worker numbers, so the extent of job loss was not recorded or reported. In 2020, the Pakistani industry did not suffer as much from lost orders as other countries. In fact, the industry gained orders intended for other producing countries because Pakistan had a much lower COVID-19 infection rate and no lockdown. Lower production was mostly dealt with by having workers work fewer hours.

\*\*\* Similar to the 2020 Un(der)paid in the pandemic report, the data from the 7 researched countries were used to estimate a global figure. We used the same figures (50 million workers in the global garment, textile and footwear industries earning on average 200 USD per month). Assuming that the average wage gap in the 7 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 18.23% (=9.12%) to come to the estimated wage gap.

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*The unpredictability of the pandemic has laid bare the fragility of the sector and its collective inability to take care of its workers when they need it the most.*

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These wage gaps were caused by the various ways in which brands attempted to restrain impacts of the pandemic on their own profits, such as canceling orders, withholding or deferring payments to as much as 180 days, limiting order placements and unilaterally imposing discounts. It soon became clear that brands' behaviour caused a horrific squeeze on manufacturers, and with that on workers. Other factors that contributed to these wage gaps are raw material shortages and national lockdowns that caused factories to temporarily close without sufficient measures to ensure workers continued to be paid. Non-payment of wages in second or even third lockdowns put workers and their families in an even more vulnerable position than in the first lockdown, as many workers had already accumulated debts to survive the first wave of the pandemic. The unpredictability of the pandemic has laid bare the fragility of the sector and its collective inability to take care of its workers when they need it the most.

The pandemic has exacerbated several factors that were already of concern pre-pandemic. CCC network organisations in all researched countries report that factories use the pandemic as a cover to dismiss trade union members, thus undermining workers' ability to negotiate higher wages or protest against wage cuts. Secondly, prior to the pandemic, workers relied on overtime to raise their wages closer to a level that meets their basic needs. Workers during the pandemic are struggling to make ends meet without overtime earnings, which emphasises the inadequacy of prevailing wages in the industry. Thirdly, many garment workers are engaged informally without employment contracts or access to social protection. Even where workers are formally employed and registered for social security, social security benefits are often inadequate. Regularly, access will be limited for migrant workers. Even workers on official but temporary contracts mostly are not entitled to vital protection mechanisms such as severance pay in case of dismissal. Finally, CCC network organisations report that many factories do not take sufficient hygiene and safety precautions to ensure workers can work without risking their health. A combination of these factors has often led workers to have to make impossible choices: continue working with a high risk of contracting the virus or stay home and risk going hungry and accumulating even more debts. In some cases dismissed workers were left so destitute that they were forced into dangerous or even illegal means of earning an income.

## WHAT NEEDS TO HAPPEN

The ILO Call to Action that was set up last year to mitigate the effects of the pandemic on garment workers in the short-term has failed to deliver on that commitment. Very few workers, in only a handful of countries, have received any money as a result of it; and there is no evidence that any of those funds originated from the participating brands.<sup>199</sup> Brands, retailers, and manufacturers have a joint responsibility to ensure, among their most basic obligations, that the workers who produce their goods are paid regular wages, receive compensation when their employment ends, and can exercise basic labour rights, namely freedom of association and the effective right to collective bargaining. Fulfilling these basic obligations requires a collaborative process involving the efforts of all parties, including brands, retailers, and manufacturers on the one hand, and workers, their trade union organizations, and their civil society allies on the other.

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<sup>199</sup> [https://www.ilo.org/global/topics/coronavirus/WCMS\\_797428/lang-en/index.htm](https://www.ilo.org/global/topics/coronavirus/WCMS_797428/lang-en/index.htm)



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As a lack of social protections, the ILO Call to Action, and brands' own course of action have failed to protect garment workers from facing severe hardships, a coalition of 230 unions and civil society organisations launched the PayYourWorkers – RespectLabourRights Campaign<sup>200</sup> to call on apparel companies to negotiate an enforceable supply chain agreement. This binding agreement will require signatory brands to ensure workers in their supply chains receive their regular wages during the period of the Covid-19 pandemic, in addition to ensuring payment of severance compensation for workers at factories that close or undertake a mass dismissal and respect basic labour rights. For the purpose of assuring workers' wages, brands will initially contribute a lump sum amount sufficient to cover the wage gap workers in their supply chains experience during the pandemic. On an annual basis, signatory companies will contribute a fee into a severance guarantee fund to ensure that the workers who produce their products are never again left without the severance pay they are owed when they are terminated in a mass dismissal or factory closure.

The binding agreement on wage assurance, severance guarantee fund, and basic labour rights should be part of a larger effort to establish a more sustainable and resilient industry in the near future, consisting of supply-chains with better planning and pricing models, which include costing models that cover fair payment schedules, and financial space for living wages, safe factories, and social benefits.

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*On an annual basis, signatory companies will contribute a fee into a severance guarantee fund to ensure that the workers who produce their products are never again left without the severance pay they are owed when they are terminated in a mass dismissal or factory closure.*

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200 <https://www.payyourworkers.org/coalition>



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