



# Lessons of a pandemic: what is needed to support garment workers and strengthen social protection systems

This note has been prepared by The Clean Clothes Campaign and does not necessarily reflect the views of the OECD.

## Objectives of the session

- Highlight how the lack of adequate protection has exacerbated the impacts of the crisis on garment workers' livelihoods.
- Understand what the OECD Due Diligence guidance recommends on how companies should engage responsibly in high-risk countries and the implications for their due diligence in countries with weakened social protection systems.
- Discuss the role different stakeholders can take in the strengthening of social protection systems. What is the role of brands and their pricing models in fostering this change?

## Background

### What is the context?

Since the onset of the pandemic, millions of garment workers around the world have not received their regular wages or have lost their jobs. These wage losses are the result of reduced levels of orders as well as order cancellations by apparel brands, unpaid leave, and state-sanctioned wage cuts. The livelihoods of millions of workers are at risk as they are forced into debt and unable to cover basic living costs such as food<sup>1</sup>.

<sup>1</sup> A. Kelly (2020), "Garment workers going hungry as fallout from cancelled orders takes toll – report", The Guardian, <https://www.theguardian.com/global-development/2020/dec/03/garment-workers-going-hungry-as-fallout-from-cancelled-orders-takes-toll-report>

The Clean Clothes Campaign network estimated that across South and Southeast Asia, garment workers have received 38% less than their regular income<sup>2</sup>. Extrapolating these findings to the global garment industry, a conservative guess of wages lost by garment workers worldwide, excluding China, for the months of March, April, and May 2020 would amount to between 3.19 and 5.79 billion USD. The ILO reported that thousands of supplier factories closed, either temporarily or permanently with widespread worker lay-offs and dismissals. Factories that have since reopened also saw reductions in their workforce capacity, with the typical worker losing at least two to four weeks of work with only three in five workers being called back to the factory. Among those still employed in the second quarter of 2020, declines in earnings and delays in wage payments were also common<sup>3</sup>. Female workers are disproportionately affected due to pre-existing workload inequalities and distribution of earnings.<sup>4</sup>

Overall, an estimated 10% (around 3.5 million) of textile, garment, footwear and leather workers have already lost their employment since the beginning of the pandemic. A further 35% reduction in the workforce is likely if current trends continue. A quarter of suppliers fear losing their business altogether.<sup>5</sup> The majority of affected workers are employed in countries with weak social protection systems. In these countries, workers may be unable to obtain unemployment benefits, legally mandated severance payments, or to reclaim wages owed.

While States have the responsibility of fulfilling ILO conventions on social protection and developing social protection systems, 69% of the global population is not covered, or only partially covered, by social security and even before the pandemic only 22% of unemployed people received unemployment cash benefits<sup>6</sup>. Legal requirements on unemployment relief or severance allowance in garment-producing countries such as Bangladesh, Cambodia or Sri Lanka for instance are either inexistent, very limited or very poorly enforced. Within this context, the pandemic exposed the weaknesses of these systems that are structurally under-funded. The fragmentation of most apparel supply chains means that apparel brands are not located in the countries where their production workforce is based. Garment-producing countries face difficulties in financing national social protection systems to support workers and businesses.

According to the *OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear sector*, companies should adequately scope and assess country risk factors in their sourcing practices. This includes on social security provisions, the extent to which wages can meet the basic needs of workers and their families, and whether there are effective collective bargaining, wage setting and enforcement mechanisms<sup>7</sup>. Where they are not in place, companies sourcing from those countries will need to consider carefully how to protect workers, and put in place

<sup>2</sup> Clean Clothes Campaign (2020), “*Report Un(der)paid in the pandemic: An estimate of what the garment industry owes its workers*”, <https://cleanclothes.org/file-repository/underpaid-in-the-pandemic.pdf/view>

<sup>3</sup> ILO, Better Work, ILR School, (2020), “*The supply chain ripple effect: How COVID-19 is affecting garment workers and factories in Asia and the Pacific*”, Research Brief, ILO Brief [https://www.ilo.org/wcmsp5/groups/public/---asia/--ro-bangkok/documents/briefingnote/wcms\\_758626.pdf](https://www.ilo.org/wcmsp5/groups/public/---asia/--ro-bangkok/documents/briefingnote/wcms_758626.pdf)

<sup>4</sup> idem

<sup>5</sup> M. Anner, (2020), “*Leveraging desperation: Apparel Brand Purchasing Practices during Covid-19*”, Research Report, Center for Global Workers Rights in association with the Worker Rights Consortium, <https://www.workersrights.org/wp-content/uploads/2020/10/Leveraging-Desperation.pdf>

<sup>6</sup> M. Bachelet, O. De Schutter and G. Ryder (2020), “*Universal social protection floors are a joint responsibility*”, ILO Joint Op-Ed, News, [https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS\\_759106/lang--en/index.htm](https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_759106/lang--en/index.htm)

<sup>7</sup> OECD (2011), *OECD Guidelines for Multinational Enterprises*, V.4b, OECD Publishing, <http://dx.doi.org/10.1787/9789264115415-en>

enhanced assessment, prevention, mitigation and remediation measures. These can take the form (including through collaboration) of capacity building measures, technical guidance, support to the strengthening of social benefits systems, or compensations. Assessing and preventing any contribution to harm through irresponsible price negotiations and purchasing practices is particularly important. Companies should also ensure due process for disengagement<sup>8</sup>.

## What have been the different responses?

All actors in the garment sector agree on the devastating impact the pandemic has had on the livelihoods of millions of workers. While there is consensus that workers need additional support, several perspectives exist on the ways different actors can provide support. One common point between approaches in the response has been the coordination of efforts.

From the onset of the pandemic, several garment-producing countries implemented financial support schemes for workers who were going through reduced employment and wage losses. Governments' response to the pandemic included paid furloughs, cash transfers and family support. In Pakistan, the government created an emergency fund, and established a tripartite process involving trade unions and local labour rights organisations to gather complaints about non-payment of wages. In South Africa, textile workers were able to negotiate a collective bargaining agreement allowing paid time off<sup>9</sup>, demonstrating the importance of meaningful involvement of all stakeholders in eliciting a timely and targeted government response. However, a major limitation of these responses is that they are temporary, short-term fixes, covering lockdowns or a national period until expected economic recovery, and do not address the underlying systemic vulnerabilities<sup>10</sup>. Further, their piecemeal coverage means many garment workers are not protected and lack other support. Most countries do not have longer-term and sustainable social protection systems that would create more resilience for workers and businesses. In some cases, schemes were complemented with financial support from financial donors such as the EU or Germany. In a formal communication in April on the "Global EU response to COVID-19"<sup>11</sup>, the EU further committed to supporting social protection measures in partner countries<sup>12</sup>.

Amongst responses, the *Global Call to Action in the Garment Industry* launched by trade unions, brands and manufacturers<sup>13</sup> committed to protect garment workers' incomes, health and employment, as well as engaging on developing sustainable systems of social protection for a more just and resilient garment industry, with a view to establish over time the responsibilities of all parties to contribute towards sustainable systems. A group of Multi-Stakeholder Initiatives echo

<sup>8</sup> OECD (2017) Forum session note on responsible disengagement, <https://mneguidelines.oecd.org/global-forum/2017-GFRBC-Session-Note-Responsible-Disengagement.pdf>

<sup>9</sup> A. Kashyap (2020), "Protecting garment workers during COVID-19 crisis", Human Rights Watch, <https://www.hrw.org/news/2020/04/22/protecting-garment-workers-during-covid-19-crisis>

<sup>10</sup> Transparency International Bangladesh (2020), "RMG Sector in Covid-19 Crisis: Governance challenges and way forward", [https://www.ti-bangladesh.org/beta3/images/2020/report/RMG/RMG\\_Study\\_ES\\_Eng.pdf](https://www.ti-bangladesh.org/beta3/images/2020/report/RMG/RMG_Study_ES_Eng.pdf), estimates that 42% of apparel workers were deprived of the government support scheme.

<sup>11</sup> European Commission (2020), "Joint Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the regions", Communication on the Global EU response to COVID-19, JOIN/2020/11 <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52020JC0011>

<sup>12</sup> For instance, the EU will make EUR 93 million available towards income support for workers in the read-make garment and export sector, paving the way for a social security system for workers in Bangladesh.

<sup>13</sup> ILO (2020), *Organizations endorsing the Call to Action in the Garment Industry*, [https://www.ilo.org/global/topics/coronavirus/sectoral/WCMS\\_744285/lang--en/index.htm](https://www.ilo.org/global/topics/coronavirus/sectoral/WCMS_744285/lang--en/index.htm)

this call as they call for governments and multilateral institutions to establish and maintain strong protection floors<sup>14</sup>. The Clean Clothes Campaign network is calling brands to commit to the Wage Assurance to fill the wage gap and set up a Severance Guarantee Fund, calling for the latter to be established under the form of a binding agreement with brands to support social protection for workers in line with the relevant ILO Conventions.

## What progress has been made?

In its October 2020 update on progresses at the national level<sup>15</sup>, the International Working Group that leads the Call to Action implementation, reports primarily on engagement of bilateral donors. While some companies have taken action to reduce impact on suppliers, honouring existent contractual agreements, providing compensation and further alleviating pressure via cooperation (in overall cost reduction efforts, payment of raw materials, prepayments of orders), limited action has been taken in general by brands and retailers to limit the deleterious effects of COVID-19 on their supply chains, and to support the development of social protection schemes. While some brands agreed to disburse the payments they owe suppliers following orders cancellation at the onset of the pandemic, negative behaviours continue to be reported. Recent research shows ongoing harmful purchasing practices of brands<sup>16</sup> demanding price cuts and delaying payments despite the devastating impact such conditions have on workers' livelihoods.

There has also been business-backed collaborative responses, such as the joint framework negotiated in Myanmar between brands sourcing from Myanmar, suppliers and national and global trade unions which have established a brand-employer-trade union dialogue to work towards protecting factories and workers from the worst impacts of the COVID-19 pandemic. Among other objectives, the joint framework aims to support the development of social protection in the garment and footwear industry<sup>17</sup>. For international trade unions, social protection represents the basis for global stability in a COVID-19 world<sup>18</sup>. In order to fund the development of national systems of social protection, trade unions highlight the role of development assistance and international financial institutions, as well as corporation taxes.

## What are the remaining challenges/gaps?

As the impact of the crisis continues, workers continue to experience an average 21% drop in wages since the beginning of the year, leading many to being unable to cover basic living costs<sup>19</sup>. Current business models and supply chain structures have exacerbated the impact of the crisis on

<sup>14</sup> Group of multistakeholder initiatives (2020), "Responding Responsibly to the COVID-19 crisis: Joint priorities for the garment sector", <https://api.fairwear.org/wp-content/uploads/2020/04/Responding-responsibly-to-the-COVID-19-crisis-2.pdf>

<sup>15</sup> ILO (2020), "Call to action progresses at the national level (October 2020)", Sectoral impact, responses and recommendations, [https://www.ilo.org/global/topics/coronavirus/sectoral/WCMS\\_758610/lang--en/index.htm](https://www.ilo.org/global/topics/coronavirus/sectoral/WCMS_758610/lang--en/index.htm)

<sup>16</sup> M. Anner, (2020), "Leveraging desperation: Apparel Brand Purchasing Practices during Covid-19", Research Report, Center for Global Workers Rights in association with the Worker Rights Consortium, <https://www.workersrights.org/wp-content/uploads/2020/10/Leveraging-Desperation.pdf>

<sup>17</sup> ACT on living wages (2020), "Myanmar during the COVID-19 crisis: Joint action between global brands, trade unions and ACT brand suppliers", [https://actonlivingwages.com/covid19\\_joint\\_action/](https://actonlivingwages.com/covid19_joint_action/)

<sup>18</sup> International Trade Union Confederation (2020), « ITUC Campaign brief – A global social protection fund is possible », [https://www.ituc-csi.org/IMG/pdf/ituc\\_campaign\\_brief\\_-\\_a\\_global\\_social\\_protection\\_fund\\_en.pdf](https://www.ituc-csi.org/IMG/pdf/ituc_campaign_brief_-_a_global_social_protection_fund_en.pdf)

<sup>19</sup> A. Kelly (2020), "Garment workers going hungry as fallout from cancelled orders takes toll – report", The Guardian, <https://www.theguardian.com/global-development/2020/dec/03/garment-workers-going-hungry-as-fallout-from-cancelled-orders-takes-toll-report>

garment workers. Instability and insecurity in the supply chain has grown as few buffers or margins are available and countries lack robust social protection systems.

While the crisis has refocused energies on an issue that had long stagnated, multi-level industry and policy responses are required to address the gaps in the long term meaningfully. The issue of the development, strengthening and long-term funding of social protection schemes in garment-producing countries remain central. All actors need to come together and contribute to support countries in creating robust social protection floors, to build greater resilience and a more effective ability to recover, and provide necessary protection for workers to withstand current and future global challenges to the sector.

## Discussion questions

- How did garment-producing countries support workers during the crisis (direct cash-support, unemployment scheme)? What were the limitations of such public schemes? How are social protection systems covering unemployment and termination benefits developed and implemented in garment-producing countries? What are the obstacles?
- In high-risk countries for social security provision, how can businesses take adequate steps to mitigate risks and negative impact in times of crisis? What questions should they be asking, and what prevention and mitigation actions can they take as part of their due diligence?
- What is needed in light of the COVID-19 pandemic to build resilience in the sector and protect worker livelihoods in face of future pandemics or other shocks?
- How can multi-stakeholder collaboration enhance social protection schemes and support action to preserve jobs? What are the roles and responsibilities of the different actors? If setting up international mechanisms or binding agreements supporting social protection, how should they be financed, implemented and governed?

## For more information

- Clean Clothes Campaign, COVID-19 wage assurance, [Link](#)
- Workers' Rights Consortium, *Leveraging desperation: Apparel brands' purchasing practices during COVID-19*, October 16 2020, [Link](#) ; *Hunger in the Apparel supply chain: survey findings on workers' access to nutrition during COVID-19*, November 2020, [Link](#)
- Joint Call for Action, COVID-19: Action in the global garment industry, April 22 2020, [Link](#)

### About the partner

### About Clean Clothes Campaign



Clean Clothes Campaign is a global network dedicated to improving working conditions and empowering workers in the global garment and sportswear industries. It aims to educate and mobilise consumers, lobby companies and governments, and offer direct solidarity support to workers as they fight for their rights and demand better working conditions.

In respect to the COVID-19 crisis, the Clean Clothes Campaign network is calling for a *Severance Guarantee Fund* to be established under the form of a binding agreement and governed by brands/retailers, employers, and worker representatives. The purpose of the Severance Guarantee Fund is to pay severance and outstanding wages in cases where employers have gone insolvent, or otherwise have terminated workers and can't be compelled to pay. The Severance Guarantee Fund will also mitigate the devastating consequences of unemployment for workers in the future by financially supplementing or strengthening government social protection programs for unemployment or severance benefits.

The Severance Guarantee Fund should be part of a larger effort to establish more sustainable and resilient industries in the near future, consisting of supply chains with better planning and pricing models, which includes a costing model that covers fair payment schedules, and financial space for living wages, safe factories, and social benefits.