



BRAC
INSTITUTE OF
GOVERNANCE &
DEVELOPMENT

Research Update

RAPID RESEARCH RESPONSE TO COVID-19 ■ SERIES: GENDER 02 ■ 22 APRIL 2020



RESEARCHER

IFFAT JAHAN ANTARA
RESEARCH ASSOCIATE

Brac Institute of Governance
and Development

Brac University



COVID-19 Crisis Impact on RMG wages and employment and Role of Trade Unions

Introduction

The effect of the COVID-19 pandemic on the world economy and consequently on the apparel sector in Bangladesh is devastating. Data from Bangladesh Garments Manufacturers and Exporters Association (BGMEA) shows that [\\$3.16 billion worth of orders were cancelled from 1140 factories](#) from mid-March till 16 April 2020, affecting approximately 2.26 million workers, leading to many [workers being sent home without pay](#). According to the Economic Times, by 25 March 2020 [almost 1 million workers had lost their jobs](#).

Brac Institute of Governance and Development (BIGD) has undertaken a media tracking exercise to understand the impact of the COVID-19 crisis on the readymade garments industry and the 4.1 million workers it employs, majority of whom are women. The study attempts to identify the roles of different actors including trade unions and workers' rights activists as they navigate the crisis, while dealing with international buyers, RMG owners, and the Government of Bangladesh (GoB).

Key Findings

1. Closing of factories and job losses started in early March 2020 due to order cancellations triggered by the Corona outbreak in other countries
2. Lack of consensus regarding factory closures within trade unions and RMG owners with some unions and owners wanting to keep factories open and other wanting to close, and between these actors and the Government, causing uncertainty, confusion, and worry amongst workers
3. Wage payments delayed due to backlog in payments by employers and lack of banking facilities and mobile wallets for workers
4. Job security under the layoff provisions is insufficient for workers' livelihoods security as workers will receive half of the basic wage for the first 45 days, followed by a quarter of the basic wages with any subsequent extensions
5. National trade unions are influencing international unions and fair trade bodies, putting pressure on international buyers

Discussion of Findings

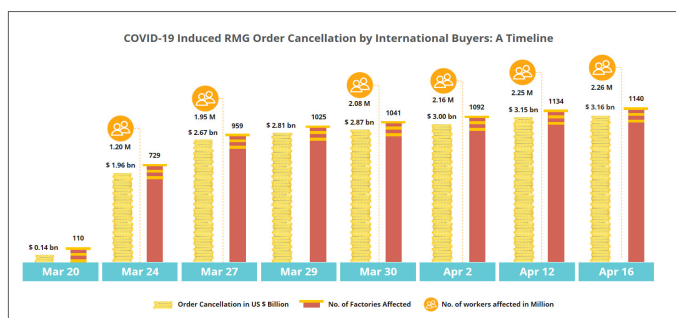
Cancellation of orders by international buyers leading to factory closures and lay-offs

In mid-March, despite rising concerns that countries like Italy would cancel or defer buying orders, Commerce Minister Tipu Munshi said [no situation had arisen yet](#) that would warrant factory closures. However, soon afterwards the Guardian reported that many [factories were closing due to shortage of raw materials](#) and declining orders from western clothing brands. It estimated that thousands of workers were likely to fall into poverty as they lose jobs.

In response, the BGMEA president, Dr. Rubana Huq in a [video message](#) urged buyers not to cancel any orders or shipments; she also [wrote to the German government](#). Following this, she wrote to more than forty (40) brands requesting them not to cancel work orders until July, where she mentioned that the suppliers (that is, RMG owners) [assured that buyers could pay 90 days later](#) as long as the shipments were accepted. BGMEA also began to publish regular updates of order cancellations on its website, naming the brands and value of cancellations.

The number of cancellations continued to increase, and as of 20 April stands at a total of [\\$3.17 billion from 1144 factories](#), potentially affecting 2.27 million workers. The tracking of order-cancellations and its media coverage made this issue visible to both national and international actors, and pressured international buyers to reconsider their positions.

The following figure is based on figures provided in the BGMEA website



A lack of consensus within Trade Unions and RMG owners, and among these actors and GoB, causing uncertainty, confusion, and worry amongst workers

Recognizing the health risks for workers, the Bangladesh Garment Sramik Sanghati (BGSS), a workers' rights network, demanded [closure of all factories with full wage](#) on 20 March 2020. In a joint statement they said that the 4 million garments factory workers had no access to proper water, sanitation, and hygiene facilities in the workplace. In response the Ministry of Labour and Employment (MoLE) held a tripartite meeting with factory owners and union leaders on 22 March where [union leaders agreed to keep factories open](#) with proper health and safety measures. Right after this, another [meeting was held with more than 70 TUs](#) including Sramik Karmachari Oikya Parishad (SKOP) and Garment Sramik Odhikar Andolon (GSOA); SKOP was also in favour of keeping factories open with appropriate health and safety measures, and requested for full wages if shut down was necessary. In this meeting, all union leaders including SKOP and Garment Sramik Odhikar Andolon demanded access to [protective measures from the virus in industrial zones](#). On the other hand, Taslima Akhter, on behalf of GSOA, demanded a [14 day shut-down with full monthly payment and transportation wages](#).

At the same day, (23 March 2020) the GoB declared a general holiday (from 26 March to 4 April, later extending to 14 April, and then again to 25 April). [Even then BGMEA members could not agree on closures](#); because of this confusion the association was not able to take a united stand. On a late night show of a satellite news channel, the BGMEA president that BGMEA could not take the decision to shut down all factories (“গার্মেন্টস বন্ধের সিদ্ধান্ত আমরা দিতে পারি না”) as it depends on individual owners. In response to this, trade unions staged protests demanding the closing of factories, which was broadcasted on social media through [union leaders' social media posts](#), social media posts of news channels, and through [talk shows](#) where the BGMEA president was constantly being questioned.

After PM's announcement of a BDT 5000 crore stimulus package for payment of RMG sector salaries, the [BGMEA president urged all factory owners to shut down](#) factories till 4 April 2020, excluding those which were producing PPE. However it was already reported that [some factories had closed in accordance to Section 12 and 16 of Bangladesh Labour Act \(BLA\)](#), according to which they would pay workers half the salary and house rent while maintaining their contracts. DIFE also [ordered that only factories that were producing PPE could remain open](#).

After the initial announcement of public holiday by the GOB, many workers had left for their villages. However, fearing job loss, many [started coming back on 4 April](#) by walking hundreds of miles as they believed that factories would be opened from 5 April. BGMEA restated that they did not have the authority to close the factories and they were [waiting for notice from DIFE about factory closure](#). In fact [some of the factory owners had already resumed production](#).

Massive criticism from civil society and union leaders in the media after this incident resulted in the [extension of closure till 11 April](#) by BGMEA and BKMEA, [only to extend again till 14 April](#). Transparency International Bangladesh (TIB) [protested the factory owners' decisions](#) that led to the plight of garment workers. [Taslima Akhter demanded specific and distinct declaration](#) of factory closure with full payment and ensuring no job loss. BGMEA president also explained to Ekattor news that members (factories) were facing [internal pressure to keep production running](#) to satisfy buyers and pay salaries

On 10 April, BGMEA and BKMEA announced in a joint statement that the [RMG factories would remain closed until 25 April](#). The statement added, 'If any factory office remains open to disburse wages and other payments during the period, the factory authorities will have to inform the respective trade bodies and industrial police about this'. On 17 April, BGMEA announced that [factories would reopen only after the coronavirus situation improves](#).

Till date, the trade unions, BGMEA and the GoB have not been able to come to an agreement on the best course of action in this regard, resulting in frequent changes and continuing uncertainty for workers.

Wage payments delayed due to backlog in payments by employers and lack of banking facilities and digital wallets for workers

On 25 March 2020 the BGMEA president on a video message [assured workers that they would receive their monthly salary on time](#). She requested all garment workers not to worry as the Prime Minister of Bangladesh would not let workers go hungry.

The trade union leaders had demanded full wages from the very beginning. The BGSS and [Gonosanghati Andolon \(গনসংহতি আন্দোলন\)](#) jointly [demanded shut down of factories with full payment and distribution of ration](#) among the workers in their respective social media pages. Kalpana Akhter of Bangladesh Center for Workers Solidarity stressed that [without wages workers would be left without food](#) and medicine.

In response to this crisis, the GoB announced a [bailout/stimulus package of BDT 5,000 crore for export-oriented](#) industries to pay wages and allowances of the workers. The Ministry of Finance provided [guidelines for disbursement of the stimulus package](#) whereby factories would be given loans at 2% interest and salaries would be disbursed to workers directly through bank transfers and mobile banking.

Additionally, many workers have not received salary for several months. Trade union activists started protesting both on social and print media. TU leader Nazma Akter claimed that [as of 6 April 2020, workers had neither received March wages and other allowances](#), nor were informed of any specific date for payment (with the exception of a few factories), and urged [global unions and coalitions to request](#) GoB, BGMEA and brands to clear payments. [Workers have been demanding due wages of March 2020 and in some cases even three months' due wages](#).

In public, the Government has been supportive of the workers' demands. Commerce Minister Tipu Munshi [urged factory owners to pay salaries for the month of March by April 16](#). 'You (owners) can't fire any workers even though the factories are closed due to the COVID-19 pandemic in the country,' he stated. Primark announced that it was creating a [fund to help pay the wages](#) of the millions of garment workers in Bangladesh. The protest for wages is still ongoing and the media has [daily stories](#) of the [protest](#).

In response to several protests, the [State minister for Labour Monnujan Sufian had issued a statement](#) on 13 April, saying that legal action would be taken against the factory owners who did not pay the workers' wages by 16 April. Additionally, The Department of Inspection for Factories and Establishment (DIFE) issued a notice on 15 April that [if the wages were not paid by the 16th](#), alongside legal action, the licences of the concerned factories would not be renewed in the next financial year; previously it said it was [negotiating with factory owners](#) about lay-offs.

On 17 April BGMEA responded that only 13% member factories (registered under BGMEA) had not paid wages while [industrial police data said 26.58% factories had not paid wages](#). Further, BGMEA informed that [wages of 95.89% workers \(under BGMEA registered factories\) had been cleared](#) as of 18 April. Paying the workers poses another health and safety challenge, as [76% factories pay wages in cash](#), while only 13% factories have digital salary disbursement facilities.

Job security does not give livelihoods security as wages under layoff provisions are insufficient for workers' needs

While the Trade Unions and workers have been demanding full payment of arrears as well as wages during the closure, the Government and the owners are planning to close the factories under the lay-off provisions of the labour law, whereby their contracts are preserved but salaries are reduced. On 14 April, Taslima Akhter, President of BGSS presented a [6-points demand to BGMEA and BKMEA](#) from seven (7) TUs on social media. The demands included – (i) 3 months' leave with full wages, (ii) no layoff or no loss of job, (iii) access to COVID-19 tests for workers and publishing the identity of COVID-positive workers, (iv) no forcing of workers to work in PPE producing factories, (v) provision of rations to workers, and (vi) creation of emergency health care fund for workers.

However BGMEA requested MoLE to [declare lay off to for all factories](#) including those who did not declare closure under any section of BLA, and also those who closed under section 12 and 16 of BLA.

In response to BGMEA's request of lay off, BGSS gave a statement on 16 April [demanding full wage as lay-off payments would decrease over time](#) especially if the lockdown extends beyond 25 April. Garment Workers' Trade Union Centre (GTUC) leader Joly Talukdar [warned of labour unrest](#) if the GoB does not take any required measures against factory layoffs during the coronavirus outbreak.

National trade unions are influencing international unions and fair-trade bodies, putting pressure on international buyers

It is becoming clear that lay off salaries will not be enough to ensure the basic needs of the workers, as their basic wages are barely enough to cover their expenses. Therefore, although the provision of lay-off salary is in accordance to the Labour Law, in reality it does not meet the livelihood needs of the workers.

As a result of both trade union and BGMEA's lobbying and pressure from international fair-trade groups [in turn influenced by national trade unions], many international brands reconsidered cancellations of orders. UK-based fair-trade watchdog [Tradecraft Exchange asked fashion brands and retailers to honour their contracts](#) as they continued to cancel those or stop payments to suppliers from "poorer countries" including Bangladesh over the COVID-19 outbreak. [Tradecraft quoted Najma Akter](#), "They [workers] need hope, and brands must make sure that money is paid to the workers". In [Asia Review](#) Nazma Akter said, "Workers don't have food if they don't have money". Another media news reported that [many activists were calling on brands](#) to honour orders already placed, to pay the workers. Moreover [the Guardian](#) and [Associated Press quoted Kalpona Akter](#) of Bangladesh Center for Workers Solidarity, when she stated that the global brands and owners might lose their share of profit, but the workers would be left without food and medicine. Union leader Babul Akter [asked industry owners](#)

[to pay wages and stop lay-offs](#), as reported by Clean Clothes Campaign on 18 April. Moreover, media reports naming and shaming brands and revealing their cancellation amounts, also put them under pressure to rethink their role as buyers.

Brands started to respond to international pressure by the end of March. First, [H&M declared that they would take shipment of goods already produced](#) or in production without renegotiating prices but would not place any new orders until further notice. [5 more brands joined H&M](#) and provided assurances about not cancelling their orders.

Few [more retailers have agreed to take delivery](#) of goods made under the current work orders. Matalan said it was [looking for ways to repurpose or postpone, rather than cancel](#), while others were working to honour existing orders and ensure full payment of invoices.

Recommendations

- Clear and unambiguous decisions and instructions should be taken about factory closure and opening, with adequate health and safety measures established for workers in open factories

- Factories must ensure digital payroll, and workers should be able to receive payments through MFS/bank accounts
- Implementation of the stimulus package should be monitored with a joint committee including trade unions
- Calculation of wages payable to workers under lay-off should be sufficient to ensure that workers' basic needs are covered

Methodology

We followed national news and social media mostly but also keep regular track of international media and analysis. If there were several news on the same date they were compiled and segregated according to issues. All the related news are stored both online and offline (in pdf format).

[Brac Institute of Governance and Development \(BIGD\)](#), Brac University is a globally-recognized centre of excellence in rigorous research on policy and development interventions, with the aim of bringing together academics and practitioners to raise critical questions on development, providing lessons on good practices, and advocating for pro-poor policies.

[The Institute of Development Studies \(IDS\)](#) is a global research and learning organisation for equitable and sustainable change, based at the University of Sussex.

[Economic and Social Research Council \(ESRC\)](#) is a part of UK Research and Innovation (UKRI), UK's largest organisation for funding independent, high quality research on economic and social issues.

[Rapid Research Response to COVID-19](#) aims to generate rapid and actionable research-based insights to policy and program actors, on the socioeconomic impact the COVID-19 pandemic on our lives, focusing on the poor and vulnerable population of Bangladesh.



BRAC
INSTITUTE OF
GOVERNANCE &
DEVELOPMENT



Brac Institute of Governance and Development
Brac University

SK Centre, GP, JA-4 (TB Gate)
Mohakhali, Dhaka 1212, Bangladesh

T: +88 02 5881 0306, 5881 0320, 5881 0326
E: info@bigd.bracu.ac.bd



BIGDBRACUniversity



bigd.bracu.ac.bd