Covid-19 Impact on RMG Sector and the Financial Stimulus Package

Trade Union Responses

Maheen Sultan, Md Shanawez Hassain, Mohammad Sirajul Islam, Kabita Chowdhury, Sayada Jannatun Naim, and Farah Huq

Background

The COVID-19 pandemic is wreaking havoc in the ready-made garments (RMG) sector of Bangladesh, and the factory workers are suffering the most. Data from the Bangladesh Garments Manufacturers and Exporters Association (BGMEA) shows that $3.18 billion worth of orders were cancelled from 1,150 factories from mid-March till 29 April 2020, affecting approximately 2.28 million workers. Trade unions (TUs) have been vocal about workers’ rights to wages and job security amidst the crisis. While some of the TUs asked for a shutdown...
of the factories at the beginning of the crisis, others have been collaborating with government agencies and industry associations to ensure that the factories remain open, and that the workers are ensured safe working conditions and protection of their jobs and wages. As a result of lobbying by both TUs and BGMEA alongside pressure from international fair-trade groups (in turn influenced by national TUs), many international brands have been reconsidering cancellations of orders.

On 25 March 2020, the Prime Minister of Bangladesh announced a fiscal stimulus of BDT 50 billion for export-oriented industries, primarily the RMG sector. It was the first stimulus package announced by the government to support the RMG workers who by then lost their jobs as a fall-out from order cancellations/deferrals, as well as the workers who were anticipated to be affected because of the unrest amongst the workers demanding the closure of factories amidst fears of contagion and payment of due wages.

The package is meant to protect workers by ensuring job security and regular wage payments, as well as the industry through the retention of trained workers and a smoother transition into a post-pandemic economy. The government is also using the package to stabilise the country’s economic development by safeguarding an industry that contributes to 83% of the country’s exports and employs approximately 4.1 million workers.

In the following weeks, various factories closed while others remained open. Workers left their workplaces during the general holidays declared in late March but tried to return during the first week of April and again during the last week of the month. Many factories have been continuing with retrenchments, layoffs, and delays in wage payments, leading to ongoing protests. From 27 April, factories have been gradually reopening, and the workers who left for their home districts are rushing back to the cities they work. The RMG industry through the retention of trained workers and a smoother transition into a post-pandemic economy. The package is meant to protect workers by ensuring job security and regular wage payments, as well as the industry through the retention of trained workers and a smoother transition into a post-pandemic economy. The government is also using the package to stabilise the country’s economic development by safeguarding an industry that contributes to 83% of the country’s exports and employs approximately 4.1 million workers.

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Research Objective and Methodology

As a part of Brac Institute of Governance and Development (BIGD)’s Rapid Research Response to COVID-19 initiative, a study was undertaken to understand the impact of the COVID-19 crisis on the RMG industry and the workers it employs through the lens of the TU leaders, and to identify the role of the TUs in negotiating the rights of the workers with different industry actors during the crisis. The study also examined the perspectives of TU leaders on the design and implementation of the financial stimulus package and its impact on the RMG workers.

In-depth qualitative interviews with 20 TU leaders were conducted for this study—10 female and 10 male members from plant-based unions and national federations of different political affiliations. In addition, secondary data, including the guidelines for the stimulus, payment of due wages. Many factories have been collaborating with government agencies and industry associations to ensure that the factories remain open, and that the workers are ensured safe working conditions and protection of their jobs and wages. As a result of lobbying by both TUs and BGMEA alongside pressure from international fair-trade groups (in turn influenced by national TUs), many international brands have been reconsidering cancellations of orders.

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Trade Union Leaders’ Assessment of the Role of Factory Owners and Their Associations in Dealing with Workers’ Welfare during the COVID-19 Crisis

In general, the interviewed TU leaders expressed their frustration with the response of factory owners and their associations towards workers’ welfare in the face of the pandemic. There was a noticeable gap between the trade unionists’ expectations from factory owners and the reality, especially surrounding the issue of factory closures. There was a general expectation that factories would be closed to minimise the health risks of the workers during the pandemic, but respondents stated that most owners were not committed to complying with the government declared ‘general holidays.’ Many feared that some owners had, in fact, taken advantage of the lack of clarity about who should give the instructions of closure. Another expectation of the TUs was that under those conditions of economic distress, owners would provide workers with some relief in the form of money or goods. To their disappointment, most did not; but the initiatives of a few owners were appreciated.

The trade unionists observed a lack of awareness among workers and a lack of responsible behaviour among factory owners, exposing the workers to health risks in factories with inadequate occupational safety and health (OSH) measures. They also pointed out that the health risk of the workers is exacerbated by frequently travelling between home and workplace and while demonstrating for wage payments. Consequently, they have been stigmatised by the people in their local communities as well as in their home districts.

Respondents identified job insecurity and financial suffering as a significant distress point for the workers, who barely had enough money to get by for a few days after factories closed abruptly without clearing March wages and, in many cases, older wage backlogs. This uncertainty was much worse for workers who did not have Mobile Financial Services (MFS) or bank accounts (as government and BGMEA stipulated the disbursement of wages through these mediums); these workers kept on wondering if and when they would receive their wages as promised by the stimulus package. Respondents noted that frequent, non-compliant layoffs and retrenchments, without legally-mandated pay or severance, added to the distress of the workers. Without any clear knowledge of when factories would reopen and if they would get their jobs back, many workers were pushed towards their homes in their local communities as well as in their home districts.

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poverty. Majority of the RMG workers have migrated to the cities, and are not considered as locals and thus, not eligible for government relief. The TU leaders identified the following groups as the most at risk of job loss—women, contractual workers, workers with less than one year of experience, and workers at non-compliant factories catering to non-brand buyers or working as subcontractors.

Naturally, many felt that the owners were acting in their own interests, prioritising profit and financial sustainability over workers’ safety and wellbeing. It made them question how effectively BGMEA and the Department of Inspection for Factories and Establishments (DIFE) were monitoring the factories. Many trade unionists also felt that the owners and associations were not willing to take any responsibility for workers, but wanted to pass on all obligations to the government. Some of the respondents questioned whether factories even needed the stimulus package, asking why they would not be able to pay wages for 2-3 months on their own, given that the sector had been functioning profitably for 40 years.

**Role of Trade Unions in Dealing with the COVID-19 Fall-out**

TUs played an active role in negotiating with owners, associations, and the government to ensure payment of workers’ wages and job security. The study found that the Garment Workers’ Trade Union Centre (GWTUC) was able to reclaim the jobs of 500 workers in Narayanganj, while some TUs had even been able to obtain guarantees in writing to ensure full payment before factory closure. One of the success stories highlighted the strength in unity—the Secretary, Gazipur District, Shadhin Bangla Garment Sramik Karmachari Federation (SBGSKF) mentioned that 4-5 unions had come together to deal with retrenchments in 15-20 factories in Gazipur, and had been successful. The trade union leaders raised their voices against industry actors, such as BGMEA, DIFE, Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), and the Ministry of Labour and Employment (MoL&E).

Furthermore, union leaders were active welfare advocates for the COVID-19 health and safety of RMG workers. They were spreading on-the-ground awareness about safe and hygienic practices, distributing hand sanitizers, gloves, and even providing food assistance until social distancing measures were enforced. After the lockdown, a few of them also tried digital activism, utilising technology to connect with and advise the workers.

TUs also supported DIFE by collecting information on the number of closed factories, layoffs or retrenchments, amount of due wages, and the number of infections among the workers. Some respondents also mentioned...
how they collaborated with the industry police and local government leaders to enforce lockdown measures and ensure wage payments.

Struggles of the Trade Unions in Responding to the COVID-19 Fall-out

The study found that the TUs are facing considerable difficulties in communicating, mobilising, and carrying out protests during the general lockdown. Many mentioned that they found restrictions to physical movements and meetings overwhelming, but others were able to find their way around by using phones, video conferencing calls, social media, IMO, etc., both to keep in touch with workers and to reach out to other stakeholders. Many federations and unions have continued releasing press releases, statements, and charters of demands. And many TU leaders have been present at government-level discussions, visible on TV, and quoted in the international press.

However, the media has been an important medium for the TUs, where they have been given a space to express their views through interviews or talk shows. This has allowed them to bring their voices to the national level to place their demands to government agencies, BGMEA, and BKMEA and demand accountability of both state and employers.

The Stimulus Package

The Bangladesh Bank Circular, dated 2 April 2020, stipulates that an interest-free loan will be given to employers for the sole purpose of payment of wages and benefits to workers for up to three months. After the eligible factories have successfully applied to the scheduled banks, the banks will directly disburse the wages to the workers through their MFS/bank accounts. For employers to access the stimulus package they must (i) export at least 80% of all manufactured products, requiring certificates from BGMEA/BKMEA; (ii) be active, requiring wages sheets confirming full wage-payment of workers for Dec 2019–Feb 2020; (iii) have established relationships with the banks of at least three months; (iv) ensure that all workers have MFS/bank accounts; and (v) authenticate the list of workers by submitting valid National ID cards or birth certificates. Additionally, while it is an interest-free loan, there is an applicable service charge of 2% payable to the bank. For repayment, a grace period of six months is granted while the full amount must be paid back within two years from the last date of disbursement.

Assessment of the Stimulus Package by the Trade Unions

Most TU leaders appreciated the stimulus package as a timely initiative that would reduce the distress of workers...
by lessening the uncertainties around wage payments and job securities, if administered properly.

However, a key question was raised about the **adequacy of the package** to fully fund wages/benefits for all workers in the sector. Given that the **RMG sector dispenses BDT 40 billion per month as wages, as stated by BGMEA**, 50 billion for three months is clearly far from what is needed. Using the estimate of the number of workers (4.1 million), this study estimates that the monthly payment of minimum wage alone would require almost BDT 33 billion per month; the current size of the stimulus package is only about 51% of the amount needed to pay the minimum wage for three months. It is still unclear how the shortfall will be addressed. Moreover, the minimum wage may not be sufficient to sustain families through the COVID-19 crisis; most of whom depend critically on their overtime wages.

The TU leaders are also concerned about how much will actually be paid to each worker. If workers are paid less than regular wage (for instance, using layoff principle that entails payment of 50% of the wage and housing allowance) in place of the regular wage, such amount will not be sufficient for workers to survive. However, the owners **proposed** paying 60% of wages to the laid-off workers or the workers in closed factories for April 2020 in a tripartite meeting among the State Minister for Labour and Employment, representatives from owners, and TUs held on 28 April 2020.

**As of 3 May 2020, the banks were cleared to disburse BDT 20 billion phased in three months to RMG workers of 643 employers. A further BDT 0.57 billion is waiting for approval from the Ministry of Finance (MoF). But there are about 4,000 RMG factories in the country, which means that a large majority of the workers are not likely to get any stimulus money, at least in the near future.**

However, it was also pointed out that **all the factories should not need a stimulus package**; there is a conviction among the respondents that many owners should be able to pay a couple of months’ wages on their own. One TU representative stated that “it is the mentality of owners, not their ability” that is stopping them from paying wages.

Given the inadequacy of the stimulus package to support all workers and the assumed ability of many factories to pay the wages with their own funding, there is a **lack of a needs-based principle** in implementing the package was also highlighted by the respondents. Currently, large companies who can afford to pay wages are eligible to apply alongside small factories who cannot afford to do so. In reality, members enlisted with associations and a large group of companies will likely have better access to any government opportunity.

Additionally, **TUs had no involvement or prior knowledge** of the stimulus package before its announcement.

**SUMMARY**

The inadequacy of the stimulus package to fully fund wages/benefits for all workers in the sector is widely recognized. The current package is only about 51% of what is needed to pay the minimum wage for three months. The minimum wage may not be sufficient to sustain families through the COVID-19 crisis; most of whom depend critically on their overtime wages.

The TU leaders are also concerned about how much will actually be paid to each worker. If workers are paid less than regular wage (for instance, using layoff principle that entails payment of 50% of the wage and housing allowance) in place of the regular wage, such amount will not be sufficient for workers to survive. However, the owners proposed paying 60% of wages to the laid-off workers or the workers in closed factories for April 2020 in a tripartite meeting among the State Minister for Labour and Employment, representatives from owners, and TUs held on 28 April 2020.

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Additionally, **TUs had no involvement or prior knowledge** of the stimulus package before its announcement.
There was also some consternation about the package acting as a loan, as opposed to a grant/subsidy. This creates a risk that RMG owners may choose to layoff/retnch their workers instead of applying for the loan. On 19 April, the Finance Ministry sent a directive to the Bangladesh Bank instructing that employers who have declared layoffs will not be eligible for benefits from the package. However, without clear government instructions to not layoff/retnch workers, confusion will remain about how to deal with workers already laid-off/retnched.

The study identified some potential loopholes and difficulties in implementation of the package. Though the package encompasses all workers, certain workers may be excluded from the stimulus package, namely contractual or probationary workers, who may not be included in the submitted list of regular workers, as they are usually excluded from lists submitted to DIFE.

Workers at small factories are also at risk of exclusion, as smaller factories may not (a) have established banking practices with banks, (b) be associated with BGMEA/BKMEA; and (c) be compliant with minimum wage rules and thereby, fearful of disclosing that fact. Additionally, smaller factories may be ineligible as they may be sub-contractors for big factories and thereby, not exporting the products directly.

While most TU interviewees were positive about the disbursement method, they expressed concern that the majority of workers did not have MFS/bank accounts. Various TU representatives raised potential issues in acquiring MFS/bank accounts, including technological and geographical barriers. BGMEA stated that 1.92 million workers (approximately half of the workers) had opened MFS accounts by 18 April 2020 in compliance with the stimulus package. Bangladesh Bank had extended the deadline to 26 April 2020 for the employers to ensure MFS accounts for the remaining workers. By 3 May 2020, approximately 3 million workers had opened MFS accounts, still leaving a large number of workers without MFS.

Many respondents mentioned that there is a substantial trust deficit among the workers and their representatives towards the employers. There was a felt need for transparency regarding receipt of the stimulus package, in order to cross-examine the status of wage-payment by those employers and ensure equitable and efficient implementation. It was widely felt that there was a lack of an oversight and monitoring mechanism.

Possibilities were raised that RMG owners may attempt to misuse the funds by (a) including factory staff, such as line supervisors or line chiefs, in the list; (b) overstating the number of workers; and (c) creating fake workers’ lists and MFS accounts.

TU representatives gave various reasons behind the workers’ distrust of employers, which included that RMG owners may view this as a source of low-interest
loan, not necessarily meant for the benefit for workers, or that owners may have exaggerated their losses even before the government-imposed lockdowns to demand subsidies, and to justify layoffs and non-payment of wages. A lack of confidence in RMG owners had been expressed because of the manifestation of their ‘anti-worker mindset’ in the past and the perceived government failure to prevent misappropriation and misuse of government incentives, including relief and rehabilitation programs.

Concerns were also raised regarding the exercise of political influence in the implementation of this package given the strong political association between the government and RMG owners.

**Recommendations**

**Short term**

*Ensure maximum inclusiveness of the government COVID-19 financial stimulus package for workers by targeting workers and factories who need it most.*

As presently designed, all factories will not be eligible under the stimulus package as it is meant for those which are directly exporting at least 80% of their products, with formal wage payment records and records of transactions with banks. As the package is providing loans, only companies with a good track record will be chosen. We recommend keeping this stimulus package for enterprises who fulfil eligibility criteria and obligations.

In order to ensure that no workers of the eligible factories are excluded due to any technical or procedural reasons and that the design of the stimulus package is adequate to cover all workers, the following is recommended:

- Implement the existing package on the principle of the greatest need i.e. giving preference to factories who are not able to finance their workers' payroll on their own;
- Conduct a rapid comprehensive assessment of wage supports needed through the engagement of MoL&E, DIFE, TUs, owners' associations, and the Ministry of Commerce (MoC);
- Assess applications made so far to the Bangladesh Bank to identify who is being left out—is it by choice or because of procedural issues—identify barriers and develop a remedial plan;
- Revise the stimulus package to improve inclusiveness and include workers engaged in forward- and backward-linkage enterprises; and
- Increase the size of the stimulus package on the basis of demand.

**Summary**

The government is providing financial relief to RMG owners, but concerns are raised about the inclusiveness of the package. A lack of confidence in RMG owners has been expressed due to past actions and government failure to prevent misuse of incentives.

**Suggested actions**

- Ensure maximum inclusiveness of the government COVID-19 financial stimulus package for workers by targeting workers and factories who need it most.
- Convey the stimulus package to improve inclusiveness and include workers engaged in forward- and backward-linkage enterprises; and
- Increase the size of the stimulus package on the basis of demand.

The government is providing financial relief to RMG owners, but concerns are raised about the inclusiveness of the package. A lack of confidence in RMG owners has been expressed due to past actions and government failure to prevent misuse of incentives.
Design and implement a livelihoods support programme for the RMG sector workers who will not be supported by the government Financial Stimulus Package for the export sector workers and who will have lost their jobs due to the COVID 19 fall out.

For workers, particularly in small, non-compliant, non-direct export factories, and non-members of BGMEA/BKMEA factories who are excluded from the stimulus package, we recommend bringing them under other government support programs such as Relief and Livelihoods Support Program. In order to ensure the inclusion of the workers outside the package under this program, the following is recommended:

- Prepare a rapid comprehensive list of workers for livelihood support through the engagement of MoL&E, local government bodies and trade unions;
- Conduct advocacy particularly by TUs for inclusion of workers under livelihood support and increasing government allocations to this program; and
- Introduce social monitoring of utilization of livelihood support.

Ensure speedy disbursement of stimulus packages and wages.

Intended impacts of stimulus may be diminished due to lengthy and flawed disbursement. In order to improve the efficiency of the stimulus management, the following is recommended:

- Revise operational guidelines to ensure prompt disbursement and inclusivity (principle of greatest need) through consultation with relevant stakeholders;
- Build a working partnership among key stakeholders namely, MoL&E, banks, representatives of owners, and TUs for the entire process.

Increase transparency to strengthen mutual trust between owners and workers.

TU leaders’ views on possible loopholes in the use of the stimulus reveals a severe trust deficit between owners and workers. To improve the credibility of implementation and to allow public scrutiny of the stimulus package, the following is recommended:

- Public disclosure of information (e.g. through fortnightly reports) regarding the number and identities of recipient factories and workers, and disbursements made by the Bangladesh Bank and other banks to MoL&E and trade associations; and

মজুরি সহায়তার প্রয়োজনীয়তার প্রত্যক্ষ পূর্ণাঙ্গ মূল্যায়ন পরিচালনা করা;
- বাংলাদেশ, বাংলাদেশ মজারুত আর্জন সংক্রান্ত যাতে অন্যান্য ও কার্যকর চোই করা যে এ প্রক্রিয়ায় বাহির হয় যাচ্ছে - এটি কি ইচ্ছাকৃত না প্রক্রিয়ার সমস্যার কারণে এবং বাধা থাকায় তা বাধা দাতায় উভয় নেয় করা;
- সম্মুখ ও পুরোনোক্রিয়া প্রতিক্রিয়াকে কর্মকর্তার সর্ব শ্রমিকের সাথে সাথে আর্জিত খাঁটি বাড়িতে প্রণোদনা প্যাকেজ পুনর্বির্ভাবনা করা; এবং
- প্রযোজনার আলোকে প্রণোদনার আকার বৃদ্ধি করা।

আধিকারিক প্রণোদনা প্যাকেজের আওতায় যেসব কার্যকর শ্রমিকের সহায়তার পাবে না এবং কোভিড-১৯র কারণে যেসব শ্রমিক ইতেমধ্যে চাকুরী হারিয়েছে তাদের জন্য জীবিকা সহায়তা কর্মসূচি প্রশিক্ষণ ও বাস্তবায়ন করা।

বিশেষকরে ছোট ছোট, বিবি-বিধান মনে না চলা, সরাসরি রাঙ্গা না করা ও তীক্ষিকামিত্র সহায়তার সমস্যার জন্য বিভিন্ন আখ্যায়িত সংক্রান্ত যোগাযোগের মাধ্যমে জীবিকা সহায়তার জন্য শ্রমিকসের একটি দ্রুত পূর্ণাঙ্গ তালিকা তৈরি করা;
- শ্রমিকদের জীবিকা সহায়তা কর্মসূচির অত্যন্ত জন্য এ কর্মসূচিতে সরকারি ব্যবস্থা বাড়িয়ে জেনে প্রচারণা চালানো বিশেষভাবে শ্রমিক সংগঠনগুলোর মাধ্যমে; এবং
- জীবিকা সহায়তার বাস্তবায়নের সামাজিক তদারকি চালু করা।

প্রণোদনা প্যাকেজ ও মজুরীর দ্রুত বিতরণ নিষিদ্ধ করা

দীর্ঘকালীন ও ক্রৃতপাল্প বিতরণে প্রণোদনা প্যাকেজের প্রত্যাহার প্রচার করে নেতৃত্ব পান। প্রণোদনা প্যাকেজের লক্ষণ ব্যবস্থাপনা নিষিদ্ধ করার লক্ষ্যে সুপরিশীলন হলো:  
- দ্রুত বিতরণ ও অন্তর্ভুক্তি নিষিদ্ধ করতে সংক্রান্ত অংশগ্রহণের সমস্যা পরামর্শ করে বাস্তবায়ন নিদর্শনিক পুনর্বির্ভাবনা করা; এবং
- পুরোনো প্রতিক্রিয়া প্রণোদনা প্রতিনিধিত্ব অংশগ্রহণ যেমন শ্রম ও কর্মঘটক ব্যবস্থায়, বাংলাদেশ, মলিক ও শ্রমিক সংগঠনগুলোর প্রতিনিধিদের সমস্যা একটা যৌথ অংশিতভাবে গড়ে তোলা।
A web portal may be set up by BGMEA to publicly provide information on wage disbursements by factories which would allow workers and TUs to ask for necessary information, if there are any disputes by uploading their relevant documents.

Enforce effective monitoring mechanisms for utilization of stimulus package and enforcement of COVID-19 safety measures.

The TU leaders unanimously demanded a mechanism of multi-stakeholder monitoring of the implementation of the stimulus package for increasing transparency, limiting misuse, addressing grievances and evaluating the effectiveness of the stimulus. The following is recommended in this relation:

- Activate the Tripartite Consultative Council (TCC) for the RMG sector (established in March 2017 with workers', employers', and government’s representation). It can facilitate coordination and decision-making during the present crisis by bringing together the relevant stakeholders;

- TCC to take on the temporary function of a crisis-period monitoring committee to supplement Bangladesh Bank procedures to ensure effective utilisation of the stimulus package (worker outreach, selection of factories, repayment of loans, etc.);

- Bangladesh Bank to put up the disbursements by factories on their website. The scheduled banks should report the factory wise disbursements by them every week. The DIFE and MoC should be tasked to monitor this and provide a weekly assessment on their websites; and

- Strengthen the capacity of DIFE to enforce laws and government decisions such as no unlawful retrenchment or lay-off of workers, implementation of COVID-19 safety measures etc. through regular pre-emptive visits of its inspectors to factories and prompt redressal of complaints/grievances raised by workers and TUs. DIFE would be accountable and answerable for the enforcement of these laws and regulations.¹

Institutional Strengthening of TU’s role in safeguarding workers’ rights.

- Reinforce relations between union membership and leadership by strengthening accountability mechanisms between them to enhance trust-building, thereby further enhancing the credibility and acceptance of the leadership;

¹At present, DIFE has 23 local offices and 60 inspection teams to monitor workers’ protection in various enterprises.
SUMMARY  BRIEF

- Strengthen solidarity and unity among TUs using the urgency of the present COVID-19 crisis to address the priority health and livelihood concerns of workers;
- Enhance TU role in monitoring and documentation of the implementation of various government provisions, such as the present financial stimulus package; and
- Develop the skills of TU members to use digital platforms to strengthen communications and outreach of TUs with workers and with each other.

Long-term

The dependency of the RMG sector on external support to afford workers’ wages and during this crisis has highlighted the need to institutionalise reforms to meet unpredictable shocks in future. In order to do so, the following is recommended:

- Development of workers’ database for all regular and probationary workers at all small, medium, and large factories, accessible by associations and government agencies;
- Review and reactivation of the Bangladesh Labour Welfare Foundation which was formed in 2010, in accordance with the Article 234 of the Labour Act, 2006 (Amended 2018), so that it can cater to the needs of workers in emergencies, such as the COVID-19 pandemic; and
- Establishment and maintenance of minimum standards for social protection following the International Labour Organization (ILO) standards, including unemployment, employment injury, and medical insurances. It should include all stakeholders and be a part of the National Social Security Strategy (NSSS).