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TAKA 5000 CRORE NOVEL CORONA FINANCIAL STIMULUS PACKAGE FOR EXPORT-ORIENTED INDUSTRIES:

RMG TRADE UNION RESPONSES

RAPID STUDY

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ABBREVIATIONS

BGMEA	Bangladesh Garments Manufacturers and Exporters Association
BKMEA	Bangladesh Knitwear Manufacturers and Exporters Association
DIFE	Department of Inspection for Factories and Establishment
EUI	Economist Intelligence Unit
ILO	International Labour Organization
MFS	Mobile Financial Services
MoC	Ministry of Commerce
MoLE	Ministry of Labour and Employment
NID	National Identity Card
NSSS	National Social Security Strategy
OHS	Operational Health and Safety
RMG	Readymade Garment
RRR	Rapid Research Response
TCC	Tripartite Consultative Council
TU	Trade Union

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1. INTRODUCTION

On 25 March 2020 the Prime Minister of Bangladesh announced a financial stimulus package of BDT 5,000 crore (BDT 50 billion) for export-oriented industries to fight the impact of COVID-19 on the national economy. The declaration of this package at the onset of the lockdown in Bangladesh shows the government's priority in safeguarding the manufacturing sector, particularly the Ready-Made Garments (RMG) industry.

The RMG sector has been hit hard with \$3.18 billion worth of orders being cancelled from 1,150 factories from mid-March till 29 April 2020, affecting approximately 2.28 million workers as a result (Bangladesh Garments Manufacturers' and Exporters' Association [BGMEA], 2020). 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 working with government agencies and industry associations to ensure that the factories remain open, and that the workers are ensured of safe working conditions and protection of their jobs and wages. As a result of lobbying by both TUs and the Bangladesh Garments and Manufacturers Exporters Association (BGMEA), along with pressure from international fair-trade groups (in turn influenced by national TUs), many international brands have reconsidered cancellations of orders (The Business Standard, 30 March 2020). The Economist Intelligence Unit (EIU) has projected a steep decline in the next year's GDP growth to less than 4% ('Bangladesh's Growth to Fall', 2020). Therefore the business community welcomed the announcement of the stimulus package as a timely and much needed measure.

The package was 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 sought to stabilise the country's economic development by safeguarding an industry that contributes to 83% of the country's exports and employs 4.1 million workers (Rubana Huq, as cited in The New York Times, 31 March 2020). The research aimed to assess the objectives, design and execution of the stimulus- through the lens of trade unions - in order to identify the effectiveness of the stimulus in addressing workers' needs during this crisis.

1.1 RESEARCH OBJECTIVES AND METHODOLOGY

As a part of Brac Institute of Governance and Development (BIGD)'s [Rapid Research Response \(RRR\) to COVID-19](#) initiative, a study was undertaken to understand the impact of the COVID-19 crisis on the RMG industry and the 4.1 million 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 crisis¹. 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, the findings of which this report focuses on.

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, was collected from research reports, newspapers, and other printed and digital sources. The findings were presented and validated through a Webinar titled, 'COVID-19 Impact on the RMG Sector and the Financial Stimulus Package: Trade Union Responses' on 7 May 2020².

During this unforeseen national crisis of the COVID-19, research can provide useful and credible insights to policymakers as well as practitioners on how to control the pandemic effectively while minimizing its socioeconomic impact. The research needs to happen fast because the situation is fast-evolving and it is an escalating crisis. That is why BIGD has embarked on the Rapid Research Response (RRR) to COVID-19 with a special focus on the lives and livelihoods of the poor and vulnerable people, following principles of rapidity, robustness and reliability.

¹ Please see Report titled 'COVID-19 Crisis Implications for the RMG Sector: Trade Union Perspectives', 2020. *BRAC Institute of Governance and Development*.

² The webinar titled 'COVID-19 Impact on the RMG Sector and the Financial Stimulus Package: Trade Union Responses', on 5 May 2020, included speakers from trade unions, an Executive Director from the Bangladesh Bank; a Director, Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA); and a Director, Department of Inspection of Factories and Establishments (DIFE)

This report is divided into four parts. Section 2 will describe and analyse the provisions or the stimulus package and its implementation guidelines, with a particular focus on bottlenecks created by these norms/guidelines. Section 3 will present the perspectives of the trade unions on the design and implementation of the stimulus. And finally section 4 will present conclusions and put forward recommendations for immediate and long-term implementation.

As stated, the study broadly dealt with two broad objectives: the impact of COVID-19 on RMG workers and the role of TUs to address the impacts, and stimulus management. The findings of COVID-19 impact and TU's role is documented in a separate report titled "COVID-19 Crisis Implication for the RMG sector: Trade Union Responses". Summary of this report is presented in Box I.

BOX 1

SUMMARY OF REPORT 'COVID-19 CRISIS IMPLICATION FOR THE RMG SECTOR: TRADE UNION RESPONSES'

Trade unions played an active role in negotiating with employers, associations, and the government to ensure payment of workers' salaries and job security as well as welfare-awareness advocates for the RMG workers, spreading on-ground and digital awareness about safety and hygiene practices. TUs also collected information on the number of closed factories, laid-off or retrenched workers, due wages and how many workers were affected by coronavirus, supporting the work of Department of Inspection for Factories and Establishment (DIFE). However, they faced considerable difficulties in communicating, mobilising and carrying out protests during a lockdown situation. The media was an important ally in raising their voices to the national level, to place their demands before, and demand accountability of, both state and employers.

There was a noticeable gap between the trade unionists' expectations from factory owners – which was that factories would stay closed while safeguarding jobs and provision of financial relief or goods in the face of this pandemic – and reality. Employers' inaction in providing workers their due wages; on time, and the lay-offs/retrenchment carried out against the directive of the government and BGMEA was particularly criticised. Other issues highlighted included:

- i. Higher risk of exposure to COVID-19 due to inadequate Operational Health and Safety (OHS) measures at work, lack of social distancing at home and frequent travel to work;
- ii. Risk of impoverishment of workers worsened by frequent, non-compliant layoffs and retrenchments, and lack of any clear knowledge of when factories re-opening or job security and without any safety nets
- iii. Workers suffering from psychological stress due to the financial hardships and uncertainty as well as being stigmatized as high risk carriers of the infection.

These findings are further elaborated in the sister research report titled 'COVID-19 Crisis Implication for the RMG sector: Trade Union Responses'.

2. ANALYSIS OF THE STIMULUS PACKAGE

The performance of the RMG sector is critical for an economy like Bangladesh's since the apparel sector contributes 83% of the country's exports and employs close to 4.1 million people. Due to the outbreak of COVID-19, the RMG sector had been seriously affected with disruptions on both the import and export sides. Import of raw materials and machineries had stopped while exports were being negatively affected due to the disruptions in backward and forward supply chains resulting in cancellations of orders, etc.

This section will review the Bangladesh Bank guidelines and news media portals to analyse the eligibility criteria, application process and approval, and wage disbursement mechanisms involved. It provides the framework against which the TU leaders' views will be presented.

The Stimulus Package

After the announcement on 25 March 2020, the Bangladesh Bank published a Circular (BRPD Circular No. 07, dated 2 April 2020) with details of the stimulus package. The Circular stipulates that the package would function as an interest-free loan to the export-orientated employers for the sole objective of payment of wages and benefits to workers for the three months of April, May and June 2020. This objective is strengthened by the modality of disbursement, which puts the onus on the scheduled banks to collect and verify information regarding workers from the employers, requisition the loan from Bangladesh Bank and then disburse the amounts directly to the workers to their bank or Mobile Financial Service (MFS) accounts. If workers do not have a bank/MFS account, then the employers have been made responsible for ensuring that those workers acquire either one. The Circular also has provisions limiting bureaucratic requirements for opening bank accounts in the cases of workers.

The deadline for establishments to submit their loan applications to the respective banks had been set on 20 April 2020. The Bangladesh Bank would then sanction the loan in three phases, providing one-third of the loan to the banks for disbursement by the end of each month.

In order to qualify for the loan, the employers will need to show that they are:

- (a) Active, requiring salary sheets confirming full payment of wages of workers from December 2019 till February 2020; and
- (b) Export-orientated, showing that 80% of their manufactured products must be exported and they will require a certificate from BGMEA/Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) to that effect.

Furthermore, they have to authenticate the worker-lists by submitting valid National ID cards (or birth certificates) for banks to verify workers. And finally, establishments must have at least a banking relationship of three months with the bank through which they are applying for the loan; although the loan could be applied through multiple banks.

In terms of repayment, while it is an interest-free loan, there is an applicable service charge of 2% payable to the bank(s). Additionally, while a grace period of six months is granted regarding repayment, it must be fully paid back within two years from the last date of disbursement.

The Bangladesh Bank also issued a Circular Letter (BRPD Circular Letter No 14, dated 8 April 2020) which clarified that workers, and not officers, are the beneficiaries of the package, so as to ensure that only the targeted workers would be paid through the stimulus. The definition of 'workers' under the Bangladesh Labour Act (BLA) 2006 excludes any person employed in a managerial or administrative capacity³.

Clarifications and Implementation Issues

One of the conditions that posed a difficulty in implementation was the provision of salary payment by bank account or MFS accounts, which most

³As per Section 2 (LXV) of the Bangladesh Labour Act 2006 (translated), 'worker' means any person including an apprentice employed in any establishment or industry, either directly or through a contractor, to do any skilled, unskilled, manual, technical, trade promotional or clerical work for hire or reward, whether the terms of employment be expressed or implied, but does not include a person employed mainly in a managerial or administrative capacity.

workers did not have. A BGMEA survey done in April 2020 found that only 9% of garment factories pay wages through MFS, and 4% through banks, while 76% pay cash - a serious roadblock in the proposed disbursement model (The Daily Star, 12 April 2020). However after the announcement of the stimulus package BGMEA/BKMEA along with the trade unions started a drive to increase the opening of MFS accounts by workers and BGMEA has stated that approximately 1.92 million workers have opened MFS by 18 April (Moazzem, 2020), which covers half the workforce. The Bangladesh Bank had extended the deadline for employers to ensure MFS for employees to 26 April ("Garment factories now have until April 26", 2020). As on 3 May, 2020, The Daily Star reported that approximately three million workers had opened MFS accounts, still leaving a shortfall of more than a million workers (The Daily Star, 3 May 2020).

With the increasing number of lay-offs in the sector, it was unclear whether the package would be utilized for payment of full wages or the lower lay-off wages. However, on 19 April 2020, the Finance Ministry sent a directive to the Bangladesh Bank that establishments who have declared lay-offs will not be eligible for benefits from the package (The Business Standard, 20 April 2020). Alongside, the Government of Bangladesh along with other industrial lobbyists had made a plea to RMG factories to not lay-off workers (The Financial Express, 12 April 2020).

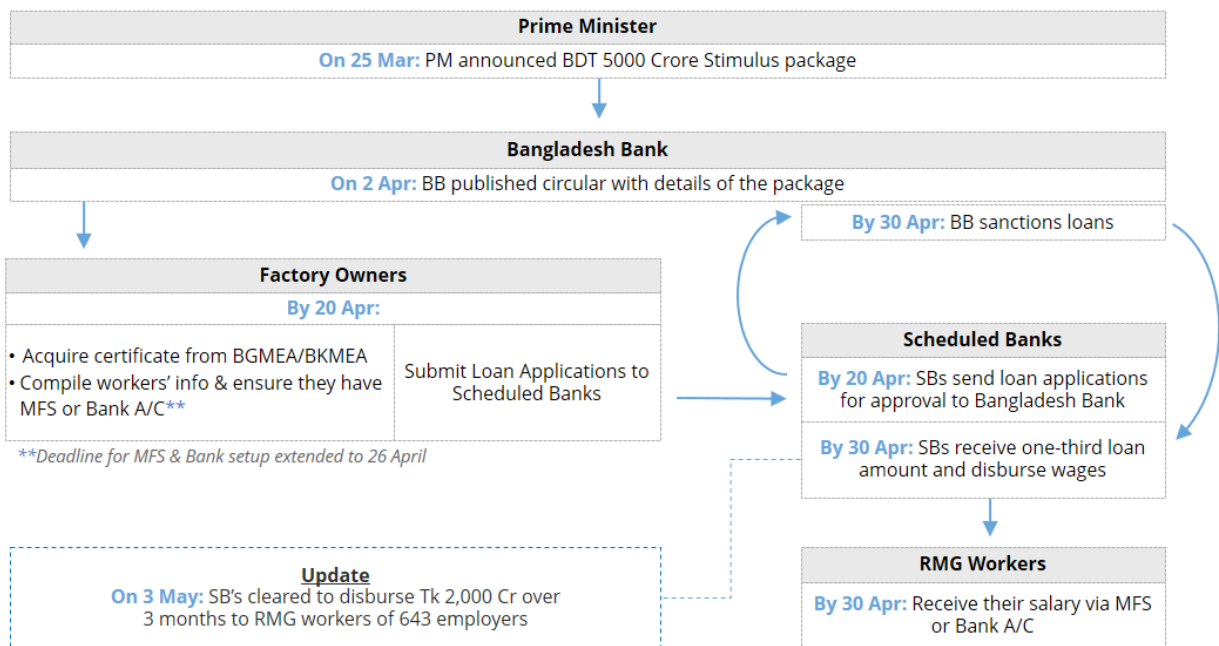
While this has been a very timely clarification, it is still uncertain whether RMG businesses will have the incentive to take a loan given the lost revenue streams from order cancellations and factory closures or instead choose to pay the lay-off wages (which is half of the basic wage for the first 45 days, followed by a quarter of the basic wages with any subsequent extensions) or even retrench workers. The Financial Express reported on 6 April 2020 that despite the announcement of the stimulus package, some factories have hung retrenchment notices targeting workers with less than a year of employment (The Financial Express, 6 April 2020).

Another important aspect of this package is that the full responsibility of fund disbursement and management will be on the commercial banks. For this, banks can ask only 2% as service charge, which may create an extra burden on the shoulder of already weak commercial banks of the country and many may not be interested to take this burden (The Financial Express, 22 May 2020).

By 3 May 2020, relevant banks were cleared to disburse BDT 20 billion to workers of 643 businesses, phased over three months (The Daily Star, 3 May 2020). A further BDT 0.57 billion was waiting for approval from the Ministry of Finance (MoF). But as there are approximately 4,000 RMG factories in the country, this means that a large majority of the factories and their workers are not likely to be paid from the stimulus package, at least in the near future.

Furthermore, outstanding due wages for workers remains an issue that may limit certain employers' access to the package. As stated above, only factories with up-to-date salary disbursement up to March 2020 would be eligible. The Daily Star reported on 19 April that protests for wages are ongoing even as BGMEA claims that 91% of its member factories have paid wages, while DIFE claims that 370 factories, with 158,091 workers, have failed to meet the 16 April deadline (Daily Star, 19 April 2020). And finally according to the current rules, large export oriented factories with strong track records will get priority and many smaller ones will not be eligible to apply. For example one condition states that in order to be eligible, factories must export at least 80% of their products. However, many small factories work as sub-contracting factories i.e. they do not export goods directly rather they produce the goods for big factories. These factories will be ruled out from claiming the stimulus. Figure 1 below presents a flow chart for the stimulus package.

Flowchart for Stimulus Package



= Prime Minister | BB = Bangladesh Bank | SB = Scheduled Bank

3. UTILIZATION OF THE STIMULUS PACKAGE AS VIEWED BY TRADE UNIONS

3.1 TU LEADERS' ASSESSMENT OF STIMULUS IN SECURING WORKERS' WELFARE

A win-win stimulus for both workers and employers

Trade Union leaders interviewed were positive about the stimulus package, with one TU representative stating that this “this bailout is more than expected”. It was appreciated as a timely initiative for workers’ benefits that would lessen uncertainty in relation to workers’ wage payments. It was also considered to be beneficial for employers as it supports them in paying wages without incurring additional costs in addition to losses due to order cancellations, shipment delays, and deferred payments. If this package were not declared, employers would have to pay workers’ wages on their own, said a TU leader.

However, certain concerns were raised about the stimulus package’s adequacy in supporting all RMG

workers, the necessity of government support at such early stages of the crisis and its capacity in ensuring all workers’ welfare.

Adequacy of the stimulus

Many TU leaders were not optimistic that the stimulus package would be adequate to cover the wages of 4.1 million RMG workers’ wages and benefits for three months⁴. By multiplying the total number of workers (4.1m) with BDT 8000 (government fixed minimum wage), the payable workers’ wages for a month amounts to BDT 32.8 million, and for three months it totals BDT 98.4 million. As such, this stimulus supports approximately 51% of the official target of three months’ wage coverage for all RMG workers. Additionally, the payments would be higher because the stimulus includes benefits, such as annual increments, housing allowances and other benefits. The President of BGMEA stated that, “The RMG sector pays Tk. 4,000 crore as salary every

⁴Approximately 3.6-4.3 million workers were engaged in the RMG sector (Moazzem and Radia, 2018)

month” (“Industries, workers welcome stimulus package”, 2020). However, a TU representative suggested that this shortfall could be addressed if employers also spent a percentage of their profits made prior to this crisis alongside the stimulus.

Concerns were also raised regarding the actual amount that would be paid to every worker. A fear was that workers may be paid less than their regular wage (for instance, if paid their lay-off wages it would entail half-wages and housing allowance), which will not be sufficient for workers to survive. As observation by a TU leader was that workers cannot afford a decent life even with the current minimum wage. After paying rent, utility bills and sending a portion of wages to extended family members, they barely have money for another 10 days, forcing them to live on credit for the remainder period. Irregular, delayed, and half payment of wages makes their lives more difficult, with a leader highlighting the importance of overtime while calculating the monthly salary.

Was the bailout necessary?

Both plant-level and national-level TU leaders questioned the necessity of such a stimulus for RMG employers to pay workers’ wage at such early stages of the crisis, with one female TU leader categorically stating:

‘I think it is the mentality of owners, not their ability to pay workers’ wages. The sector has so developed based on workers’ hard labour over the four decades and hence the owners amassed so much wealth. They are not capable to pay workers’ wages for two months during this crisis – this is unbelievable.’

There was a general feeling that RMG employers are not so vulnerable that they needed to ask for a stimulus package from the government and that it is their “habit” to plead for government privilege by highlighting losses in any crisis; such as previously during the Rana Plaza industrial accident seven years ago and on this occasion.

The fact that the stimulus is not designed on the principle of greatest need was also identified as a key concern. The General Secretary of TU Federation observed that large factory owners can afford paying wages from their own accounts, which may not be possible for small factory owners. It is more likely that members enlisted with associations and large group of companies will have better access to any government opportunity, including the stimulus, compared to smaller factory owners and non-members of associations.

Support for workers’ wages at employers’ discretion

Workers’ representatives cautioned that the effectiveness of the declared package for workers’ welfare would ultimately depend on whether the money reaches the workers. There were concerns raised about the stimulus being provided in the form of a loan, rather than a subsidy, as it puts the utilization of the stimulus at the employers’ discretion. Therefore, it is discretionary whether employers will choose to take a loan or rather lay-off/retrench its workers after doing its own cost-benefit analysis.

A district-level TU activist stated that while both workers and employers were happy with the initial announcement of this stimulus thinking it to be subsidies; however, when the employers realized this stimulus was in the form of a loan, their happiness diminished. Another activist further added that they did not feel confident about workers getting wages because of the discretionary nature of the stimulus, as employers will decide whether or not they will utilize the package. A Federation leader, as such, felt that it was the ‘role of owners’ that was most critical for ensuring workers’ welfare through the stimulus, including their roles in preparing workers’ list and collecting account numbers from workers for submission to banks.

At what rate would workers be paid?

To address concerns regarding laid-off workers or workers of closed factories, employers proposed to pay 60% of wages to these workers for April 2020 in a tri-partite meeting, held on 28 April 2020, with the State Minister for Labour and Employment, and representatives from employers and trade unions (Jugantor, 28 April 2020). A respondent confided that although it was opposed by the unions, they were not in a position to veto this decision as the TU’s role was weaker than the employers and which is why they agreed to 60-65% of wages and have asked workers to accept this decision. However, it is still not clear how and what amount the workers that have been laid off and/or will not be working in the re-opened factories will be paid for the months of May, June or beyond.

3.2 POSSIBLE LOOPHOLES IN IMPLEMENTATION OF BAILOUT

A number of potential loopholes that could affect the rolling out of the stimulus package was identified by the trade unionists interviewed as well as by the review of the guidelines (section 2). These are discussed below.

Categories of workers and factories that may be left out

The objective of the package is stated as being to “counter the negative impacts of the novel Corona Virus on the export sector” by providing financial support for wage

payments. However in the structure of the workforce in the RMG sector, full time formal workers constitute only part of the workforce. Contractual or probationary workers were identified by respondent as a key group that may be left out. Factories hire workers every month who remain on probation for three months before they become regular, and are not included in the monthly worker lists submitted to the Government and associations (e.g. BGMEA, BKMEA).

Small factories without proper banking transactions, or established relationships with banks, or not registered and/or not affiliated with trade bodies (such as BGMEA, BKMEA, etc.)⁵ will not be getting benefits from this stimulus. Additionally, many small-scale factories have not implemented the minimum wages yet, and may not apply for the stimulus to prevent disclosure of their unlawful wage payments. Employers' access to the stimulus also requires being non-bankrupt and due to this condition, workers at bankrupt factories will be ineligible.

Difficulties in opening accounts through banks and mobile financial system (MFS)

A few federation leaders stated that the majority of workers do not have MFS or bank accounts. In the past, large factory employers opened workers' accounts for wage transfer on their own initiative, but in most cases, workers were given wages in cash. A few TU activists also reported on workers' lack of understanding about banking and MFS systems in addition to the various problems in getting these accounts open in the current situation. For example, non-android cell users need to physically visit mobile banking agents for opening accounts due to technical reasons. MFS agents generally run this service side-by-side other retail businesses which are currently closed due to government shut-down. An alternative option is to open accounts through banks, which is more difficult than MFS. Problems in opening bank accounts include (a) collection of documents including a request letter from factory, (b) distance of bank branches from workers' current residence, (c) reduced transaction hours of banks (2.5 hours instead of the usual 6 hours) and (d) complete closure of branches in lockdown areas (UNB, 2020). A TU leader expressed fear that the limited scope of opening accounts through workers' own initiatives may lead them to seek support from outsiders who may then deceive the workers.

However, a different opinion was forwarded by a TU activist who felt that now-a-days all workers have cell phones and most of them have National Identity (NID) Card as well. Therefore those who use android sets can open mobile accounts without external help.

⁵ Nearly half a million workers are engaged in enterprises which do not have membership with either BGMEA or BKMEA (Moazzem and Radia, 2018).

Pros and cons of different wage transfer methods

Both national-level and plant-level unionists considered transfer of wages to workers directly through banks as a better alternative to paying wages by employers. They observed that this method of transfer would limit any potential misuse of the stimulus. However, there were contrasting opinions about transfer through bank or MFS. On the one hand, several TU leaders there expressed a lack of trust in mobile banking and claimed there were reports of embezzlement in MFS transactions. On the other hand, others preferred transfers through MFS because procedures to open MFS accounts are easier.

Lack of transparency about receipt of stimulus by employers

A few TU leaders expressed concerns regarding the lack of transparency/information regarding both the applications for and receipt of the stimulus, stating that it will be more difficult to track non-payment of wages to many workers. Such information would help TU leaders cross-examine the status of wage payment by factory employers who have successfully applied for the stimulus. The lack of transparency regarding the applications for, and receipt of, the stimulus contributes to mistrust between the different parties.

Possibility of using stimulus package funding for other purposes besides wages

Concerns were raised regarding the possibility that factory owners would misuse the funding provided under the stimulus. As per guidelines, factory owners are to submit list of workers with names and account numbers to banks. Potential avenues of misuse identified by a number of TU activists include (a) while preparing workers' list, factory owners may include factory staff (such as line supervisor, line chief, store in-charge etc.) on the list; (b) overstate the number of workers; or (c) divert the stimulus money by creating fake workers' lists and fake MFS accounts. A unionist also mentioned that factories that are no longer in operation but are BGMEA members may also claim funding on false premises with support from other members⁶.

⁶ Dr Mohd Habibur Rahman, Executive Director of the Bangladesh Bank, attended the webinar, titled 'COVID-19 Impact on the RMG Sector and the Financial Stimulus Package: Trade Union Responses', on 5 May, 2020 hosted by BIGD. He addressed the issue of possible misuse of the stimulus, stating that this was a primary concern in the design of the stimulus which is why the eligibility criteria excluded inactive factories, or factories that don't have export lines open, or those that have shut down. It was also the reason behind the disbursement of wages being made directly to the bank. Regarding lack of information available on the applications of stimulus and successful disbursements he mentioned that the Bangladesh Bank website has all the necessary circulars and directives uploaded and it is capable of disclosing how much has been issued to which banks for disbursement.

Various reasons could be identified behind the TU leaders' doubts about mismanagement or misuse of the stimulus. First, a TU leader observed that there may be a temptation for employers to view this stimulus as a low interest loan (of 2% compared to normal rates⁷), rather than stimulus for workers' benefits. Second, TU leaders expressed a lack of confidence in employers' generosity because of the latter's "anti-worker mind set" in the past and government failure to prevent misuse of government welfare programs for the disadvantaged. An Assistant Secretary of a national federation stated,

'During my 15-16 years of working in 8/9 factories, I have seen that owners don't keep their word. They give less than dues to workers and the latter accept it because of job security. In most cases, the entire family is dependent on a worker's income. Importance of job to workers has been reflected when workers came to Dhaka by long walk (from Mymensingh) to join factories on 5 April 2020.'

Third, a national level TU leader questioned the intention behind employers' exaggeration of losses even before the government-imposed lock-down. Another unionist echoed this concern, referring to his career in various factories, and stating that employers generally exaggerate losses and underreport profits, where workers are blamed for losses.

Finally, the close political association between RMG employers and the government was another reason for mistrust. An activist stated that there are more than 50 garments owners-turned MPs, and that with such political leverage, the employers always secure interests from government facilities such as budgets. Some TU leaders questioned how the implementation of this stimulus can be immune from such political influence? For example, although the guidelines require checking workers' wage payment sheet of last three months (December 2019 – February 2020), how will workers know that the said verification has been done?

Countering the misuse

To check misuse of the stimulus, many TU leaders suggested that the Ministry of Finance should verify the workers' names, IDs, and account details. More specifically, such tampering could be checked by cross-examining the workers' list submitted for the stimulus against the monthly workers' list submitted by employers to the Department of Inspection for Factories and Establishments (DIFE), Ministry of Labour and employment (MoL&E). Also, the MoL&E could be assigned for the task of monitoring of bank transfer, suggested some TU leaders. Another TU leader mentioned that employers also have a stake in timely payment of workers' wages since non-payment leads to worker unrest and work disruption. They further added that government should form a monitoring cell/committee with representatives from different sectors

⁷ Usual rates may vary between 9-16.5% lending rate for term loan and 6.75-7% for export loans (Bangladesh Bank, n.d.)

including the government (e.g. MoL&E, Bangladesh Bank), the employers' community, local and global Trade Unions, civil society, and NGOs. They were of the opinion that the responsibility to identify genuine factories and to ensure benefits reach real workers lies primarily with the government. Concerned government agencies can seek out TU leaders and also talk to randomly selected workers to prevent any embezzlement.

A national level TU leader provided an example of how trade unions were able to ensure proper utilization of funds received from donors after the Rana Plaza incident by having the funds directly transferred to affected workers' families:

'After the Post Rana Plaza industrial accident in April 2013, funds came from various donors for supporting affected workers and their families. The financial benefits was directly transferred to affected workers' or their family members' bank accounts and TU leaders supported this process.'

3.3 ROLE OF TU IN DECLARATION & IMPLEMENTATION OF STIMULUS PACKAGE

TU's role in the stimulus announcement

Trade unions did not play any explicit role behind the formulation and declaration of the stimulus package. A few TU leaders mentioned that they first knew of the package from the news. However, a few pro-ruling party TU activist praised the package as a proactive initiative of the government (specifically mentioning the Prime Minister). Other TU leaders referred to an indirect role of trade unions behind this stimulus, stating that the unions were putting pressure on employers to pay wages and not to lay off workers during the crisis, while employers and associations were also raising issues of order cancellation and shipment failures affecting their ability to pay workers, and the consequent protests against non-payment of wages. In response to such indirect pressures from TU and employers, the government may have felt necessity of such a stimulus supporting both workers and employers.

TU's role in stimulus implementation

As in the case of the announcement of the stimulus, our respondents mentioned that no formal role had been kept for TUs in the implementation of the stimulus package. However, several TU leaders felt that they should be involved to ensure better utilization of the package, particularly in the monitoring of the stimulus implementation focusing on who are getting wages (or not) and how the wages are being received. For effective monitoring of stimulus implementation, a TU leader emphasized the collective work of all federations through a common platform. A respondent said:

We will monitor the complete process and we will report malpractice to DIFE and central forum of trade unions. Since MoL&E have responsibility to ensure workers' wage, we will feed the ministry and its concerned department (DIFE) with our monitoring findings to look into misuse of stimulus.

At first instance almost all stakeholders (employers, associations, trade union leaders etc.) praised the government initiative for its positive impact for the RMG sector. However, as events unfolded a mixed picture emerged from the different parties involved. Some clearly expressed pessimism about success of this plan and stated that employers were highlighting loss 'just to get government favour' and they may utilize this stimulus for 'making money further'. So, there were mixed expectations among TU leaders about the impact of stimulus package. Further analysis revealed that the motivations and interests of the associations and owners were reasons for suspicion

by the trade unions. The strong political association between the government and RMG owners was identified by the TU leaders as the main means the owners may use to secure their own interests from the declared package. Also, there was a worry that employers who were not practicing labour law properly would not disclose workers' information fully. Out of fear of exposure of their unlawful activities they might deprive the workers of getting the advantage of the stimulus package.

The trade union leaders emphasized that to ensure positive results from the declared package it is necessary to negotiate between motivations and interests of different stakeholders involved. They emphasized that the owners' role is critical in this regard. Starting from the preparation of the correct list to handing over the wages following the guidelines of government depends on the goodwill of the employers in many ways.

4. CONCLUSION AND RECOMMENDATIONS

The RMG sector is an important lifeline for the country's socio-economic stability because of its size of its workforce, volume of export earnings and its contribution to the graduation of poor households from poverty, and also to women's economic empowerment. This importance was reflected by the fact that this was the first stimulus package declared by the Prime Minister in the backdrop of the COVID-19 fallout. Various stakeholders particularly trade union leaders assessed this bailout very positively for workers' benefits and lightening employers' burden during this uncertain period.

The government may have given priority to this stimulus because in the long run, the stimulus will not only ensure economic development of the country in post COVID-19 period by stabilizing an important foreign-exchange earning sector, but will also help in countering negative social consequences related to labour unrest. Another possible reason is that the package will play an important role in upholding the image of the country at an international level by looking after the RMG-sector workers; retaining trained workers; safeguarding an important export/ foreign exchange earning sector and ensuring the economy can restart more easily after COVID.

Nonetheless, critical analysis of the stimulus package raises two fundamental questions related to inclusiveness, transparency and accountability : (i) Are all RMG factories going to get the benefit equally and on what basis?; and (ii) Is it going to serve the purpose of employers and workers equally or is one party going to be benefited more?

This study highlighted certain issues that need to be addressed in order to ensure true efficacy of the stimulus.

Firstly, the limited size of the stimulus compared to the size of the sector shows that it will not be adequate to cover all eligible RMG factories. Secondly, workers, particularly in small, non-compliant, non-direct export factories, and non-members of BGMEA/BKMEA factories will be excluded from the stimulus package, but will need livelihoods support. Thirdly, another vulnerability for workers is that the utilization of the stimulus is at the discretion of the RMG employers, which has resulted in continued retrenchments/lay-offs even after the announcement of the stimulus, and led to only a portion of BGMEA-associated RMG employers to apply for the stimulus leaving many workers potentially vulnerable.

The study has highlighted a substantial trust deficit between RMG employers and workers, with TU leaders stating that owners were acting in their own interests - prioritising profit over workers' safety and wellbeing, and also raising concerns about potential misuse of the stimulus by RMG employers. This mistrust is exacerbated by the political association between the government and RMG employers, which may have led to the latter having an influence on policy decisions, such as the stimulus. The lack of transparency and information in applications for, and receipt of, stimulus to RMG employers is contributing to this mistrust. In line with this, TU leaders have also raised the need for an oversight and monitoring mechanism that will allow stakeholders to monitor and ensure equitable and efficient implementation.

Furthermore, as was the case in many previous occasions, it is likely that the declared stimulus package will be politically influenced and at the end will mostly serve interests of the employers. According to the guidelines, borrowers will need to have an established bank-client relationship. There is a possibility that this package may

create new wilful defaulters. Much of the Non-Performing Loans (NPLs) in the banking sector is due to the habitual defaulters who are powerful, politically connected and given leeway by policymakers (The Daily Star, 9 April 2020).

Another important aspect of this package is that the full responsibility of fund disbursement and management will be on the commercial banks. For this, banks can ask only 2% as service charge, which may create an extra burden on the shoulder of already weak commercial banks of the country and many may not be interested to take this burden. Similarly, some factories may find following the Section 20 of Bangladesh Labour Act-2016 allowing lay-off workers more suitable than taking repayable interest bearing loans.

Finally the desired outcomes from the Financial Stimulus depends on addressing the scale of the need and ensuring proper implementation of the bailout. The following recommendations are made— short-term and long-term – for consideration of relevant stakeholders particularly, government policy makers, employers’ and workers’ representatives.

4.1 RECOMMENDATIONS FOR IMMEDIATE CONSIDERATION

The stated measures are recommended for immediate consideration in order to establish a model of good governance in stimulus design and implementation. Such good practices from the RMG Novel Coronavirus Stimulus can be replicated in other such financial stimulus packages.

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 records of formal wage payment and transactions with banks. As the package is providing loans, only companies with a good track records will be chosen. We recommend **keeping this stimulus package for enterprises which 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, employers’ 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.

Design and implement a livelihood 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 Programme. In order to ensure the inclusion of the workers outside the package under this programme, 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; and
- Build a working partnership among key stakeholders namely, MoL&E, banks, representatives of employers, and TUs for the entire process.

Increase transparency to strengthen mutual trust between employers and workers.

TU leaders' views on possible loopholes in the use of the stimulus reveals a severe trust deficit between employers 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
- 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

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.⁸

4.2 LONG-TERM REFORMS

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).

⁸ At present, DIFE has 23 local offices and 60 inspection teams to monitor workers' protection in various enterprises.

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