Impact of Covid-19 on Decent Work

Wage Digitization Digest-2nd Edition

The Wage Digitization Digest is a monthly desk-based intelligence report produced by Synergos that sources from English-language media spanning a monthly timeframe specified in the digest. The report covers the impact on workers during Covid-19, in garment, coffee, and tea industries; with a focus on digital wages, gender equity, and worker wellbeing across Bangladesh, Cambodia, Ethiopia, India, Indonesia, Pakistan, and Vietnam. This month's research covers news sources from June 1 – June 14, 2020.

Macro Global Trends

- 1. Global economic impact of COVID-19: World Bank expects the global economy to shrink by 5.2% this year due to the pandemic. Developed countries is expected to shrink by 7% and developing countries by 2.5%. Countries relying on trade, tourism, and commodity export have been hit the hardest. (World Bank)
- 2. Labor violation concerns: According to the International Trade Union Confederation (ITUC)'s Global Rights Index, labor rights violations have hit a seven-year high as a rising number of governments have prevented workers from forming unions, striking and collectively bargaining, and firing union workers. In the Index, which ranked 144 nations on the degree of respect for workers' rights, Bangladesh, Brazil, Colombia, Egypt and Honduras were rated as the 'worst countries. Major brands, including Zara, are investigating reports of mass sackings of union workers in their supply chains. (Reuters)
- 3. Impact on value chains: Some factories are being re-purposed for PPE production in Bangladesh, Ethiopia, Indonesia. The risk for contracting COVID-19 has increased due to the lack adequate safety measures. A major decrease in demand (30%+) for work orders are resulting in factory closures and major layoffs as factories are operating at less than 55% capacity. Agriculture and tea production have continued throughout the pandemic with limited precautions and protections for workers.
- 4. Widespread worker unrest: Limited protection of vulnerable workers, massive layoffs, and lack of wage assistance has led to widespread worker protests. In Pakistan and Indonesia, factory management and police have been preventing, firing, and arresting protestors.
- 5. Wage digitization trends: Increase in wage digital payments, particularly for Eid bonuses and overtime payments in Bangladesh. Rapid digitization during COVID-19 has contributed to greater dissatisfaction and gender disparity in the transition and comfort level using DFS, especially due to the lack of financial literacy training. (Garment Worker Diaries)

Macro Country Trends

Bangladesh: In Bangladesh, there continues to be a significant increase in the use of digital wages for Eid bonuses and overtime payments. However, women who have digitized post-COVID have reported lower satisfaction -- 78% reported positive feelings towards digitization pre-COVID versus 56% post-COVID. The garment sector has taken a huge hit of \$5B and at least 30% reduction in work orders. For garment factories that remain open, COVID-19 numbers continue to increase at a rapid rate due to poor safety measures. Government wage assistance is only reaching a fraction of workers (14.8% of sample received full wages in April), resulting in worker unrest and protests.

Ethiopia: With philanthropic support from MasterCard Foundation, factories in Ethiopia are being repurposed to manufacture PPE. Unions are voicing concerns over inadequate adherence to health and safety standards in factories. The World Health Organization has put out a call for mobile payment providers to digitize health worker payments.

India: India has experienced macro-economic shifts in the labor market as migrant workers return home, resulting in a shortage of workers in certain states like Uttar Pradesh while states of Bengaluru and Karnataka are facing massive layoffs. Many workers never received their wage assistance from employers due to Central Government confirming payment receipt via proof of invoice from the employer instead of actual receipt that the payments were made to workers. Minimal worker protections against COVID-19 in Assam tea fields and wage assistance for out of work factory workers has led to widespread worker protests.

Indonesia: The Indonesian government has prioritized reskilling workers for new labor market demands, however, the impact to-date is unclear given that the economy has yet to reopen. Better work factories are repositioning to produce PPE. The total numbers of workers affected by the situation is more than 128,000. Workers have been prevented by police from protesting in front of factories and textile mills in demand of salaries, bonuses, and severance pay.

Mass Leave		Swap Day		Stoppage with "No Work No Pay"		Stoppage with "Reduced Wage"		Temporary closure (official notice of temporary closure with indication of possible permanent closure)		Permanent Closure		Termination of Permanent Workers		Termination of non permanent contracts (PKWT): PKWT is not extended or terminated before the end period		Impact on Annual Festive Bonus (THR) Payment		Impact on Regular Wage Payment (Delay Payment/Instalmen t, etc)	
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1	1046	0	0	1	800	1	400	0	0	0	0	0	0	0	0	2	1446	2	1446
16	25962	5	1215	18	25212	13	21087	7	6851	0	0	1	1740	21	5371	40	36431	12	17498
5	7171	0	0	9	7367	13	33471	0	0	0	0	1	935	6	1441	23	22428	6	14107

Source: Better Work garment factories and workers impacted by COVID-19 crisis, BetterWork

Pakistan: In Pakistan, there are heightened demands for worker rights as the export-oriented industries experience huge hits (30% decrease); workers, particularly low-income women working from home for factors, are left without jobs nor pay. A current ban on the production of surgical masks and likely PPE has restricted the industry from capturing demand for PPE. Reports from Clean Clothes Campaign network shares that multiple factories have been laying off workers and firing and arresting those attempting to protest. A potential reason for the lack of data coverage is that a lot of workers are not registered for social protections nor are in unions.

Additional Recommended Readings

- 1. Government decides to suspend relief distribution, Newage Bangladesh
- 2. Gender Differences in the Wage Digitization Experience: Immersion and Use, <u>Garment Worker</u> <u>Diaries</u>
- 3. Cost of 14-day quarantine: Rs 14,000. Income since he returned to Varanasi village: Zero, Scroll
- 4. The case of home-based workers, <u>The News PK</u>
- 5. Workers' rights seen crumbling as coronavirus threatens further setbacks, <u>Reuters</u>

High-Level Country Insights

Bangladesh

In Bangladesh, there continues to be a significant increase in the use of digital wages for Eid bonuses and overtime payments. However, women who have digitized post-COVID have reported lower satisfaction -- 78% reported positive feelings towards digitization pre-COVID versus 56% post-COVID.

The garment sector has taken a huge hit of \$5B and at least 30% reduction in work orders. For garment factories that remain open, COVID-19 numbers continue to increase at a rapid rate due to poor safety measures. Government wage assistance is only reaching a fraction of workers (14.8% of sample received full wages in April), resulting in worker unrest and protests.

Labor Concerns (for migrant workers): Transnational rights bodies fear the repatriation of Bangladesh migrant workers without compensation, requesting the placement of safeguards to have records of employment, hours worked, and payroll. While the Bangladesh government as requested countries to pay Bangladeshi migrant workers six months of salary after job dismissal, many migrant workers are facing debt bondage, unpaid leave, and reduced wages (<u>The Daily Star)</u>.

Digital Payments: Garment Worker Diaries surveyed 1,294 workers (three quarters being women) employed in 390 factories in Bangladesh to get a landscape of Eid bonuses, overtime, and mode of payment. Overall, the survey found that Eid bonuses looked similar to 2019, with 61% in 2020 compared to 60% 2019 **receiving an Eid bonus and 46% in 2020 compared to 14% in 2019 receiving their bonuses digitally**. Overtime payments are still largely paid in cash, however 2020 saw an increase in digital payments of overtime. Among all respondents receiving an overtime payment in May 2019 and May 2020, **3% received a digital payment in May 2019 and 35% received a digital payment in May 2020** (Garment Worker Diaries).

While COVID-19 has led to rapid digitization of the RMG sector in Bangladesh, gender disparity and quality of the transition is noticeable amongst respondents digitized before and after COVID-19. Out of 894 workers paid digitally, over three quarters are women. 41% of respondents were digitized before COVID-19, 59% were digitized after. Of those respondents who were digitized before COVID-19, 78% report positive feelings towards digitization; Of those respondents who were digitized after COVID-19, 56% report positive feelings towards digitization. The gap between women and men reporting that they like wage digitization is wide, however, with 62% of women reporting positive feelings towards it and 77% of men reporting the same. Majority of women who felt negative about the transition cited financial literacy challenges (Garment Worker Diaries).

Economy & Global Buyers: BGMEA has continuously warned the irrevocable economic damage on the garment industry in Bangladesh, **citing a possible loss of \$5 billion and 30% reduction of work orders** overall by the end of the fiscal year. In the past few months, inflow of new work orders has dropped 45% from 454 orders during the same period last year to 172 during March-May 2020, with nearly 62% of orders shrinking in comparison to last year (<u>The Daily Star, Sourcing Journal, Dhaka Tribune</u>). The latest information from BGMEA states that 1,150 factories have lost export orders worth \$3.18 billion (982 million pieces) (<u>Better Work)</u>.

The Bangladesh Finance Ministry is offering higher export incentives in FY2021 as an attempt to create a faster recovery for the industry (<u>The Business Post</u>). Meanwhile, lawyers representing multiple factory owners have been filing legal action against global buyers such as Transformco (the parent company of Sears Holding) to settle millions of dollars in outstanding work order payments to suppliers in Bangladesh (<u>Sourcing Journal</u>).

Worker Protection: Since garment factories have reopened in May, Bangladesh garment workers have been testing COVID-positive at a rapid rate, with 264 garment workers testing positive as of June 5th. Some argue that the data is missing hundreds of positives due to the lack of testing. The government has now set up several labs to provide testing to garment workers across Chandra, Tongi and Narayanganj (<u>The Daily Star</u>). Labor rights bodies and political parties have begun expressing concerns and disapproval at the immense number of job cuts in the garment sector, condemning BGMEA president's announcement of layoffs due to 99% of factories running only at 55% capacity (<u>New Age Business BD</u>).



Source: Newage Bangladesh

Job Loss & Worker Unrest: Across the Bangladesh workforce, nearly 36M people have lost their jobs in two months, 59.6M people moving into a different class tier, 25.5M becoming extremely poor. 61M people are still working in the job market, 17M being very rich and unaffected. Highest job losses are in service, agriculture, and industry sectors (Dhaka Tribune). BGMEA reports that 2.28 million workers have been affected (Better Work). Experts predict 1M garment workers in Bangladesh may be out of a job by Dec 2020. So far, worker rights groups state the number of lost jobs at 70,000 while the gov't dept of inspection of factories and establishments only reports 18,000 (Asia News). A total of 21,331 workers, mostly from the garment sector, have lost their jobs after Eid-ul-Fitr. Out of the total terminated workers, 16,853 are from 86 factories of the BGMEA, 2,298 from 16 factories listed with the BKMEA and 258 from four mills under BTMA. Labor leaders have warned that the number of workers who lost their jobs after Eid is actually much higher than the official data shows as there are hundreds of industrial units that fall out of the jurisdiction of industrial police. Unions are demanding lawful compensation for the retrenched workers and alleged that the wages of May still remained unpaid in a significant number of factories (Newage Bangladesh). Hundreds of workers have protested in front of multiple factory gates over the course of June due to broken promises of paid wages and abrupt and unethical firing, taking IDs from workers and locking the gates as their firing notice (Newage Bangladesh, RMG BD, South Asia Newsline, Daily Sun, Dhaka Tribune).

Gendered Effects of COVID-19: Women working in garment across many supplier countries are facing unemployment & greater risks of mental health, maternal health, and household concerns. Major layoffs & movement restrictions placed by the head of the household has restricted women from coming back to work. Better Work is accommodating to free online courses, resources, and a digital training platform on safety, health, digital wage payments etc. for their beneficiaries (Better Work). 11k women suffered domestic violence during countrywide lockdown from April to May according to a recent survey by Manusher Jonno Foundation. Of them, 3,589 specified being abused over financial matters. The survey showed 4,160 incidences of 1st time violence during lockdown against women and children. There was also an increase in sexual harassment, rape, and child marriage (<u>The Daily Star</u>).

Wage Assistance: The Centre for Policy Dialogue (CPD) stated that the government's stimulus package for export-oriented sectors hardly benefitted the country's garment workers, as there were irregularities in wage payment and retrenchment. 85.5% of total interviewed workers reported that they received full payment for March; Only 14.8% of respondents reported receiving full payment in April, while about 27.3% received 50% or less of their gross wages (Dhaka Tribune). The government has decided to suspend the countrywide relief distribution program providing TK 2,500 in mobile banking to each of 500,000 hardcore poor families out of the database of 1.25M poor families due to the COVID-19 outbreak. Many informal sector workers living in Dhaka told New Age on Wednesday that they did not get any government relief and were spending measurable days for they had been jobless since March (Newage Bangladesh).

Ethiopia

With philanthropic support, factories in Ethiopia are being repurposed to manufacture PPE; unions voiced concerns over inadequate adherence to health and safety standards.

Wage Assistance/Philanthropy: Mastercard Foundation is supporting 11 SMEs in Ethiopia to repurpose factories into manufacturing PPE. Committing 3.2M USD, the six month program will support the repurposing of operations and equipment, ensuring the jobs of at least 1,060 employees (majority being young women) (<u>Market Watch).</u>

Worker Protection: IndustriALL reports that the Industrial Federation of Textile Leather Garment Workers Trade Union (IFTLGWTU) is carrying out COVID-19 awareness campaigns aimed at its members in garment and textile factories. The update further reports that the Confederation of Ethiopian Trade Unions signed a COVID-19 workplace response protocol with the government and employers in March, which outlines how factories should respond to the pandemic. Unions have expressed concern by the slow pace at which some factories are adhering to health and safety standards (<u>IndustriALL)</u>.

Digital Payments: Limited data is available, however, there seems to be movement on increasing access to DFS in Ethiopia. WHO is requesting contractors to help support the creation of mobile money payment services for health workers (<u>World Health Organization</u>).

India

India has experienced macro-economic shifts in the labor market as migrant workers return home, resulting in a shortage of workers in certain states like Uttar Pradesh while states of Bengaluru and Karnataka are facing massive layoffs. Minimal worker protections against COVID-19 in Assam tea fields and wage assistance for out of work factory workers has led to widespread worker protests. Economy, Value Chain: Industries across western and southern India are facing a shortage of employees to restart work due to a large majority of their workforce being migrant laborers. At the beginning of the shutdown, more than 9M deserted the industrial towns to return home (Asia Times). In Uttar Pradesh (UP), Garment manufacturers have sent a letter to the state government requesting 200,000 garment workers due restart operations. The UP state government stated that they hold a list of returned migrant workers that they can provide to manufacturers to contact workers directly (The Times of India). Experts predict that the COVID-19 crisis will change India's labor force dynamics, as migrant workers return home and more people are forced to accept informal jobs and lower wages. Urbanization will continue to slow down, leading to a further drop in urban workers. Data shows that a little over a tenth of the urban workforce has already migrated back, and, in previous days, media has reported that many do not intend to return to urban areas (Bloomberg). Data from the Clothing Manufacturers Association of India (CMAI) shows an 84% drop in export orders compared to last year. Only 22% of the garment factories resumed operations by end of May, 40% of which are engaged in the manufacture of current essential products like Masks and PPE products and that factories are now operating at an average of 25% of their capacity (LiveMint).



Source: The News Minute

Worker Unrest, Job loss & Insecurity: Thousands of workers, mostly women, have been protesting at four large factories supplying to Western globally buyers due to entire workforce layoffs without warning over the past few weeks. The few media accounts signal the likelihood of a much larger percentage of garment workers suddenly unemployed in the last two weeks across Bengaluru and Karnataka, states with large garment operations. Workers are also reporting missing or half paid salaries since the end of March, such as the Gokaldas Exports factory in Srirangapatna, that produces for H&M, and the Cotton Plaza India Pvt Ltd, in Tiruppur (The New Indian Express, The New Indian Express, Asia Floor Wage Alliance, NewsClick). Unions are protesting these sudden layoffs as a labor violation of section 25(m) of the Industrial Disputes Act. Indian unions are intensifying their struggle against Modi government's failure to protect workers' interests during the COVID-19 lockdown and its aggressive attacks on workers' rights. Together, they are demanding a cash transfer of Rs. 7500 (US\$ 99,5) to all households below the income tax level for April, May and June, wages for workers at medium, small and micro enterprises paid for the same months, universal food distribution to all working people for at least six months, and safe transportation for migrant workers (IndustriALL). Reports also reveal the Central government passing off invoices generated by the employment officials on the ground as evidence for payments made on time, even though the actual bank transfers haven't reached the workers. By doing so, the government has concealed the extent of delayed payments and avoided the possibility of having to pay unemployment allowances (Scroll).

(Lack of) Wage Assistance: The Indian government via the Supreme Court has rules that no coercive actions shall take place against private companies who have failed to pay employees full wages during the lockdown, deciding that these settlements should be facilitated by state governments between employers and employees (Telegraph India). A survey conducted by ALF and Garments Mahila Karmikara Munnade last month on garment workers in Karnataka during the lockdown reveals that workers received no wages in April and that only a few received half their wages in May. 96% of respondents said that they got no food, rations, advance payment of wages or loans from their employers (AlternativeLawForum).



Source: Open Global Rights

India Tea: The Assam tea industry has used its precarious financial situation to allow for poor labor conditions, full days of work during COVID-19 and little to no worker protections from COVID-19. Fully operational since April 10, about 700,000 workers are engaged in the tea industry in Assam, 60% being women primarily engaged in leaf plucking. Pluckers earn an illegally low daily wage of 167 rupees (USD \$2.20) a day. These workers are cited at high risk for COVID due to prevalent malnutrition and anemia found among women working at the tea plantations. Workers do not have access to healthcare facilities and normal operations at plantations already lead to very high health risks that many do not believe there are adequate precautions during COVID-19. State governments have now also suspended a majority of labor laws, further threatening tea worker protections. Tea producing companies utilize financial crises as reasons for poor labor conditions. During COVID-19, many tea workers have not been paid their wages for several months since April 10 while expectations remain to work at full capacity (<u>Open Global Rights</u>).

Indonesia

The Indonesian government has prioritized reskilling workers for new labor market demands, however, the impact to-date is unclear given that the economy has yet to reopen. Better work factories are repositioning to produce PPE.

Worker Unrest, Job Loss, & Insecurity: More than 111 export-oriented garment factories enrolled in Better Work are under a stoppage or temporary closure due to the PSBB orders or cancelled or suspended orders from buyers. Factories in DKI Jakarta, Banten, West Java, Central Java and Jogjakarta provinces are affected. The total numbers of workers affected by the situation is more than 128,000 (Better Work). Workers have been prevented by police from protesting in front of factories and textile mills in demand of salaries, bonuses, and severance pay. According to the National Development Planning Minister, wage losses from mid-March in the entire manufacturing sector have reached Rp 40 trillion (Suara).

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Source: Better Work garment factories and workers impacted by COVID-19 crisis, BetterWork

With a budget of \$1.4B USD, the government introduced the pre-employed card in mid-April to help 5.6M people learn new skills online with the intention of reskilling them for available jobs in the economy. The govt incentivizes people to take the training with monthly aid of 600,000 Rp once the recipient completes the course. While a majority of respondents found the training effective, experts on labor issues fear that the program won't success in securing jobs because the labor market has yet to recover. (The Jakarta Post).

Economy, Value Chains: The government is seeking to reopen as the economy is expected to shrink by 2.8% without a second wave of COVID-19, and 3.9% with a second wave. Despite the grim outlook, next year looks promising and the GDP is expected to grow 2.6-5.2 % next year (The Jakarta Post). The Indonesian textile industry is now producing more than double the number of surgical masks and other PPE than last month, but there are quality concerns. The new effort to produce PPE helped both factories to sustain operations with a decrease demand in garment products and meet the govt's increasing need for PPE (The Jakarta Post). 14 Better Work factories have adapted production lines since March to produce personal protective equipment for prevention and handling of COVID-19, including non-medical face masks and medical gowns. More factories are expected to similarly adapt production upon the approval from the Ministry of Industry (Better Work).

Pakistan

In Pakistan, there are heightened demands for worker rights as the export-oriented industries experience huge hits (30% decrease); workers, particularly low-income women working from home for factors, are left without jobs nor pay. A current ban on the production of surgical masks and likely PPE has restricted the industry from capturing demand for PPE.

Worker Protection: The Joint Action Committee for People's Rights (JCA) is demanding that the government ensure universal social security systems for workers from both formal and informal sectors as well as a federal and provincial governments shift in their priorities to spend more on health and universal social security in the next financial year's budget, and that wages of workers be announced on fair wage basis and not on minimum wage standards amongst other labor concerns (<u>Joint Action</u> <u>Committee for People's Rights</u>).

Economy, Value Chain: Pakistan's economy is registering a negative growth for the first time in 68 years (<u>The Express Tribune</u>). The export-oriented industry of Sialkot, including the apparel sector, fears that exports will suffer a 30% drop, that will affect hundreds of thousands of jobs. With this drop, thousands of SMEs may close in the next few months, affecting hundreds and thousands of jobs (<u>The Nation</u>). There is also a current ban in Pakistan on the production of "surgical masks" and likely PPE. Unions (IAF and

PRGMEA) have urged the government to lift the ban on the production of "surgical masks" so the industry can capture demanding market share (<u>UrduPoint</u>).



Source: <u>EcoTextile</u>

Worker Unrest, Job Loss & Insecurity: While there seems to be a lack of media reporting on the overall numbers of garment worker layoffs, reports from Clean Clothes Campaign network shares that multiple factories have been laying off workers and firing and arresting those attempting to protest. A potential reason for the lack of data coverage is that a lot of workers are not registered for social protections nor are in unions. For example, the Denim Clothing company, one of the biggest exporters in the textile and garment sector, which produces for H&M and C&A, has now filed cases against more than 800 workers. Out of 70,000 workers in different units of Denim Clothing, 90% of workers are not registered under the social security and pension scheme, there is no union and more than 60% of workers are under third party contractor system. The company has laid off 15,000 workers to avoid payment of Eid bonuses, which goes against the government's ordinance. Apart from the 15,000 workers, another 28,000 workers didn't receive their Eid bonus (CCC Network).

Gender Disparity: The lockdown has disproportionately affected Pakistan's small-wage earners, particularly women workers in the informal sector that support garment factories in production. 74% of Pakistan's informal economy is majority women working invisibly as home workers, domestic workers, contract workers in factories, and labor in rural economy. During the lockdown, some enterprises continued to operate secretly and preferred male workers. Women working for the garment factories from home have been receiving no work and income for multiple months. There is no social protection for these workers nor unemployment fund they can apply to (<u>The News PK</u>).

About the Digest

This digest is produced by the Advisory arm of <u>Synergos</u>, which provides strategic counsel, research, and insights for socially minded organizations. If you would like to be added to the mailing list, please contact <u>advisory@synergos.org</u>. All information is public and can be forwarded.

This digest is commissioned by the Bill & Melinda Gates Foundation as a component of ongoing dialogue on the importance of wage digitization to accelerate financial inclusion and promote women's economic empowerment. You can learn more about responsible wage digitization by visiting: <u>BSR HERProject</u>, <u>Better than Cash Alliance (BtCA)</u>, and Microfinance Opportunities (MFO).

