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# #PayYourWorkers campaign

## COVID-19 wage assurance

Brand and retailers around the world responded to the COVID-19 pandemic by cancelling orders, delaying placement of new orders, or forcing discounts on goods already produced. This way they offloaded the main risks and costs of the crisis upon the people who are least able to pay this price, after having been paid poverty wages for years: the workers. That is why labour rights organisations and unions in the Clean Clothes Campaign network are urging apparel companies to publicly assure that all workers in their supply chain will be paid during this crisis. Brand and retailers can show their commitment to taking their responsibility towards the workers who enabled their past profits by publicly committing to this wage assurance:

# The wage assurance.

[Company X] hereby publicly assures that all apparel, textile, and footwear workers in our supply chain, who were paid to produce or handle goods at the onset of the COVID-19 crisis, regardless of employment status, will be paid their legally mandated or regular wages and benefits, whichever is higher. This includes wage arrears (back pay) and, where applicable, negotiated severance pay.

We will contribute funds of a sufficient amount to ensure that, when combined with other support provided to workers by employers, local governments, and international institutions, workers have income, equal or greater than, the amount they received prior to the crisis. In doing so, we provide immediate much-needed relief for workers, and we act upon our responsibility to prevent and mitigate adverse human rights impacts in our supply chains, and to provide for or cooperate in the remediation of harm.

Going forward, we will support stronger social protections for workers by committing to paying a price premium on future orders into a guarantee fund reserved for severance and outstanding wages in cases where employers in our supply chain have gone insolvent, or otherwise have terminated workers, through signing an enforceable agreement with garment worker unions, in line with ILO Recommendation 202, Convention 95 and Convention 76.

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## Frequently Asked Questions

### Should employers (factories) not just pay the wages and benefits?

Yes, they should and they are even legally obliged to do so. However, with orders being cancelled and payments delayed, many employers do not have the funds to pay their workers. In the buyers' market that the global garment industry represents, brands often function **as de facto employers**, dictating prices and circumstances. Many factories (several very rich factory groups excluded) have operated for years on minimal margins and have not built up buffers to now fall back on, while they have fronted the costs for orders now cancelled.

Brands and retailers have been the **primary profit-makers** in these supply chains. Many of the well known garment companies in the world have **billionaire owners**, including Inditex, Bestseller, C&A and Uniqlo. Brands also have a responsibility under the UN Guiding Principles on Business and Human Rights, and the OECD Due Diligence guidelines, to prevent and mitigate adverse human rights impacts in their supply chains, and to provide for or cooperation in the remediation of harm that they have caused or contributed to.

# Does the wage assurance cover workers who are in (partial) lockdown as well as those that have continued or returned to work?

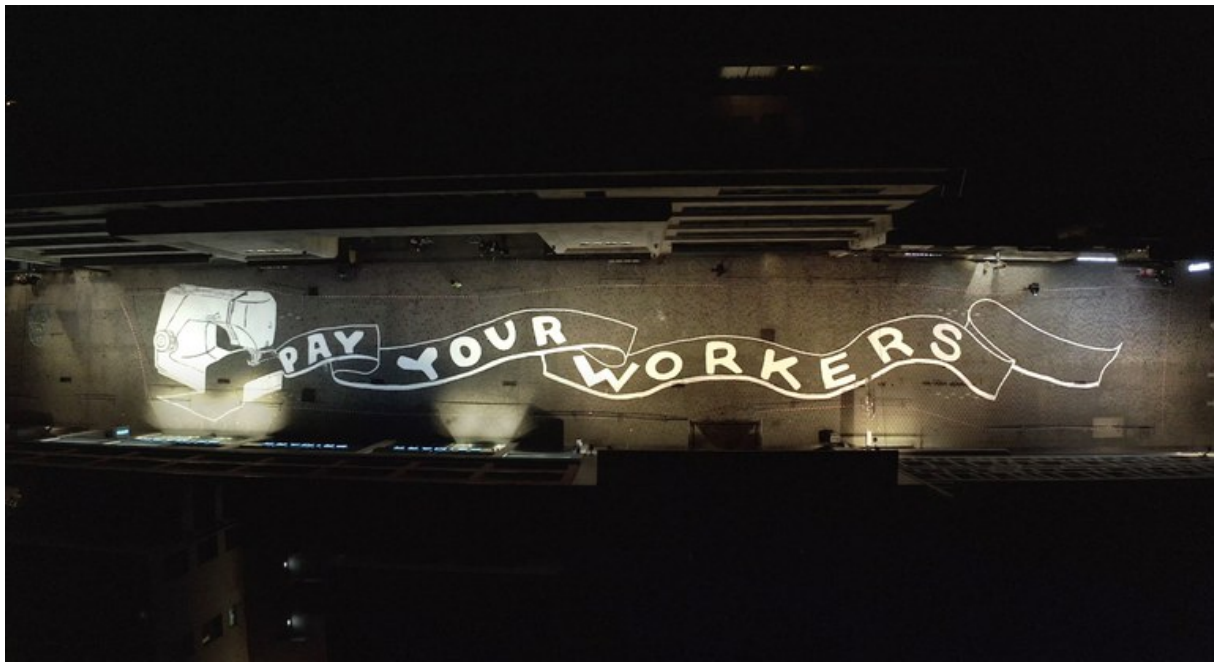
Per country a 'cut-off' point will need to be established, indicating for what period of the crisis wages need to be ensured by brands and retailers. This will depend on when government-imposed lockdowns have ended entirely. Within that period the wage assurance will cover all workers: those who continued to work and those that were sent home because of lockdowns, lack of orders or social distancing measures.

## What is the relation with the ILO Call to Action?

The wage assurance builds on the outcomes foreseen in the ILO Call to Action (<https://cleanclothes.org/news/2020/covid-19--a-global-approach-to-protecting-garment-workers-in-supply-chains>). Under that program, loans will be secured to enable employers to pay wages, and/or to enable governments to provide facilities that will enable employers to pay wages, or to pay income directly to workers. That is a good thing, but it is not the same as ensuring funds are used for the actual payment of wages, or ensuring that these are paid in full. The ILO Call to Action **does not set wage related targets**, nor does it provide an **enforcement mechanism or consequences** for signatory brands if workers in their supply chain **do not receive income support**.

All of the major brands have committed to this program, as have all of the major MSIs. The more successful the program is, the smaller the gap left outstanding, and the less brands will have to pay. As any large collective action program, it is moving slowly, and covering 8 countries for now. Meanwhile workers all around the world are getting progressively desperate and need to be assured that they will be paid what they are legally owed.





## How should the wage assurance be implemented?

The wage assurance that brands are urged to commit to is not prescriptive on the means by which workers' wages are paid, but aims to obtain public assurances for workers and hold brands accountable to their responsibilities to workers in their supply chains.

How brands will implement their wage assurance for workers in their supply chains will depend on the individual brands, their supply chain, and leverage in a particular country or factory. This will include, for example:

- Honouring all existing contracts with payment of the originally agreed amounts on the original schedule, while meeting demands from suppliers for extended production timelines;
- Identifying which suppliers have gaps outstanding, through payroll review (preferably in collaboration with other brands); confirming the percentage of workers brought back post-lockdown, and comparing their wages and benefits to that at the onset of the crisis. For workers not (yet) brought back, reviewing the records of payments made, and the measures taken thus far to compensate them.
- Supporting the establishment of emergency relief funds and financial support packages specifically for the garment sector through own contributions (such as the Supply-chain Relief Contribution promoted by Asia Floor Wage Alliance) and leveraging funds from international financial institutions and governments – as foreseen in the ILO Call to Action for the eight priority countries selected.
- Cooperating with employers to maintain workers' employment and wages, including the rehiring of previously dismissed workers and/or direct financial contributions to employers for immediate relief. Creating direct income support for workers who cannot be paid through an employer and are not eligible to sufficient support by national governments, and
- Setting up funds to enable additional remedial payments in the coming months to all workers that are not paid legally mandated remuneration (wages, severance, other terminal payments).



**GARMENT WORKERS AROUND THE WORLD  
ARE OWED BETWEEN 3.19 AND 5.79 BILLION  
USD BY OUR CONSERVATIVE ESTIMATES**

**UN(DER)PAID IN THE PANDEMIC**

(<https://cleanclothes.org/file-repository/underpaid-in-the-pandemic.pdf>)

## How can brands make sure all workers are paid what they are owed?

Brands should develop and support fair, inclusive, objective, and transparent processes for verifying eligibility for and disbursement of wage payments. The process should cover all workers whether **employed, furloughed, dismissed, or terminated**, and workers should be paid through wage slips that re-enforce the employment relationships. For factories that are re-opening pay-roll review combined with transparency will be critical. Brands are strongly encouraged to do this collectively, for example through:

- Identification of common suppliers and determination of lead brands to undertake joint investigations (for example through payroll review) to determine the amount of wages and benefits left outstanding.
- Setting up a means of sharing information between brands, and of taking collective action to improve liquidity, ensure finances are available, and to monitor whether these are used for actual wage payments.
- Determine a means for cost-sharing that can be applied across suppliers when workers are still not being paid.

## What does "wages and benefits" mean?

Wages include legally mandated payments such as holiday bonuses. Benefits include sickness, maternity, severance and unemployment benefits.

## Shouldn't brands and retailers rather make sure workers receive a living wage?

Yes, they should. But given the current very desperate circumstances of garment workers who are not even paid the poverty wages they were counting on, the first and foremost priority is to get workers their current regular wages and benefits, even though we know that these cover only about **one third** of what is needed to meet basic needs of themselves and their families. Currently many workers are getting reduced wages or nothing at all. Providing their legally owed wages and benefits to their workers immediately is the **minimum first step** brands should take to ensure workers can survive.

## What is meant by a “Guarantee Fund” ?

In addition to providing immediate income support for workers, the wage assurance also includes a commitment to negotiate an enforceable agreement to support stronger social protections for workers related to **unemployment and severance benefits**, in line with the relevant ILO conventions, through the establishment of a Severance Guarantee fund.

The purpose of the Severance Guarantee Fund is to pay severance and outstanding wages in cases where employers have gone **insolvent**, or otherwise have terminated workers and can't be compelled to pay. The Severance Guarantee Fund will also mitigate the devastating consequences of unemployment for workers in the future by financially supplementing or strengthening **government social protection programmes** for unemployment or severance benefits. Brands and retailers would contribute to both funding streams through a fee based on volume sourced from each country, and employer fees would be a percentage of their wage bill in each country. This should be part of a larger effort to establish more **sustainable and resilient** industries in the near future, consisting of supply-chains with better planning and pricing models, which includes a costing model that covers fair payment schedules, and financial space for **living wages, safe factories, and social benefits**.

Brands will be asked to pay a premium of 1.5% of annual FOB, with a special additional 1.5% fee assessed in the first year to account for the administrative set up and the devastating impacts of the pandemic and climate disruption. "The first year" is defined as the first year after the brand signs on to the Fund. Thus, even if a brand signs on after the initial year of the program, the additional 1.5% fee will still be assessed in the first year of the brand's participation in the Fund.

The 1.5% fee can be reduced if a brand sources from countries that establish credible and effective social protection programs covering unemployment and/or severance benefits, or if its suppliers sign on and contribute to the Fund. If all of a brand's suppliers sign on, or if the brand is exclusively sourcing from countries that have fully functioning social protection programmes, its fee will go to zero.

The agreement will include a trigger mechanism for implementation, which will be defined either by the number of brands that have signed on or by total amount of purchasing volume.





SEWING TEAM-13

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Apparel companies have consciously taken the risk to build profits on the ultimate low-cost system without social protection.

Now they will have to face the consequences by paying workers what they are due.

#PayYourWorkers



Nora Brønseth, FIVH



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