

Fact Sheet:

# Garment workers left wearing the cost of COVID-19



COVID-19 is having devastating impacts on communities across the world, as the virus drives a public health pandemic, economic crisis and widespread starvation. The World Bank is now predicting that an additional 143–163 million people will be pushed into extreme poverty by 2021.

Garment workers are some of the worst impacted by COVID-19. Despite many Australian and international fashion brands continuing to make large profits during the pandemic, garment workers in countries like Bangladesh and Cambodia are being left to wear the costs of this crisis as widespread job losses and wage cuts push them further into poverty.

With the health and economic impacts of COVID-19 worsening as the pandemic endures, fashion brands must ensure that workers rights are upheld across their supply chains and that the women that make their clothes receive the wages and benefits they are owed.

## Fashion brands put profit over workers' rights in COVID-19 response

The global fashion industry has taken a hit during the pandemic as fashion brands the world over have been impacted by store closures and the economic downturn. Yet, surging online fashion sales, which increased by 29 percent in Australia in 2020,<sup>1</sup> and access to government supports like Australia's JobKeeper initiative has meant that many Australian and international brands have continued to make large profits during the pandemic.

Despite these strong economic returns, many brands have responded to COVID-19 by cancelling orders, delaying payments to factories, and requesting retroactive discounts. This pushes the costs of the pandemic down the supply chain, to factories in low-income countries and then onto garment workers. Research by the Clean Clothes Campaign found that between March and May 2020, South and Southeast Asian garment workers received an average of 38 percent less than their regular income, with lost wages estimated to be between US\$3.19 and US\$ 5.79 billion.<sup>2</sup>

1. NAB (2021) NAB Online Retail Sales Index: December 2020, <https://business.nab.com.au/wp-content/uploads/2021/02/NAB-Online-Retail-Sales-Index-December-2020.pdf>

2. Clean Clothes Campaign (2020) Un(der)paid in the pandemic: An estimate of what the garment industry owes its workers, <https://cleanclothes.org/file-repository/underpaid-in-the-pandemic.pdf/view>

THE GLOBAL FASHION INDUSTRY IS HIT BY COVID-19 LOCKDOWNS

MANY FASHION BRANDS RESPOND TO COVID-19 BY CANCELLING ORDERS AND DELAYING PAYMENTS

MANY FASHION BRANDS CONTINUE TO TURN A PROFIT WHILE GARMENT WORKERS ARE PUSHED FURTHER INTO POVERTY

**COVID-19**  
Garment workers face worsening financial security, poverty and working conditions as fashion brands push the costs of the crisis down the supply chain

FACTORIES ARE FORCED TO CLOSE OR LAY-OFF WORKERS

GARMENT WORKERS FACE JOB LOSSES AND SALARY CUTS AND MANY ARE LEFT STRUGGLING TO FEED THEIR FAMILIES

## Nike

**Over 1,200 garment workers have been protesting over unpaid wages and benefits from Violet Apparel after the factory suspended its workers in May 2020, before suddenly announcing it would close permanently on 1 July.**

Nike claims it ended its relationship with Violet Apparel in 2016. However, there is strong evidence that Violet Apparel had been producing Nike garments as a subcontractor for its sister factory Olive Apparel for many years. Nike also has a longstanding and ongoing partnership with Ramatex Group, which owns both factories.

Nike's Code of Conduct requires that suppliers "provided legally mandated benefits, including holidays and leaves, and statutory severance when employment ends."<sup>3</sup> A Nike statement from 10 March 2021 stated that the "Ramatex Group has addressed the situation independently and engaged in an arbitration process which resulted in a binding decision, which they have acted upon."<sup>4</sup>

However, the Cambodian Alliance of Trade Unions has confirmed that Cambodia's Arbitration Council refused to consider the workers' demand for compensation in lieu of prior notice, and therefore did not make a decision on this case.

Nike recorded US\$1.4 billion in profit in just the third quarter of 2020-21. Impacted workers from the Violet Apparel factory are owed approximately US\$ 343,000 in wages and severance pay. Nike has both the responsibility and capacity to ensure the workers making their clothes receive the wages and benefits they are owed.

3. Nike (2020) Nike Code of Conduct, [https://purpose-cms-preprod01.s3.amazonaws.com/wp-content/uploads/2021/02/23072112/Nike\\_2021\\_Code\\_of\\_Conduct.FINAL\\_.pdf](https://purpose-cms-preprod01.s3.amazonaws.com/wp-content/uploads/2021/02/23072112/Nike_2021_Code_of_Conduct.FINAL_.pdf)

4. Nike statement on Violet Apparel 10 March 2021, [https://media.business-humanrights.org/media/documents/Nike\\_Response\\_-\\_BHRRC\\_-\\_3.10.21.pdf](https://media.business-humanrights.org/media/documents/Nike_Response_-_BHRRC_-_3.10.21.pdf)





## Severance theft is leaving garment workers out in the cold

Garment workers are bearing the brunt of COVID-19 job losses. To make matters worse, many workers that have been laid off have not received their legally mandated severance pay. This has left workers without an income and with no money to tide them over until they find alternative employment.

In Bangladesh and Cambodia, as well as many other garment producing countries, garment workers are legally entitled to receive severance payments when their employment is terminated. These payments are particularly important because unemployment benefits are limited in many of these countries.<sup>5</sup>

The Worker Rights Consortium has conducted research into garment workers' access to severance payments in 400 factories that either closed or terminated at least 50 garment workers since March 2020.

The research found that 37,637 workers from 31 factories are owed approximately US\$39.8 million in legally mandated compensation.<sup>6</sup> Evidence indicates that an additional 210 factories could also have outstanding severance claims. However, further documentation is required to verify these claims. The Worker Rights Consortium estimates that across these 400 factories a total of 160,000 workers could have lost up to US \$171.5 million in severance theft.<sup>7</sup>

WORKER RIGHTS  
CONSORTIUM  
ESTIMATES ACROSS



**400**  
FACTORIES

A TOTAL OF



**160,000**  
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COULD HAVE  
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**\$171.5**  
MILLION IN  
SEVERANCE THEFT

5. ILO (1996–2020) World Social Protection Data Dashboards, <https://www.social-protection.org/gimi/WSPDB.action?id=13>

6. Worker Rights Consortium (2021) Fired, then Robbed: Fashion brands' complicity in wage theft during Covid-19, p. 14, <https://www.workersrights.org/research-report/fired-then-robbed-fashion-brands-complicity-in-wage-theft-during-covid-19/>

7. Ibid, pp. 1–2.



## Women workers pushed further into poverty and hunger

Garment workers were already living in poverty before the pandemic began, because the wages they received were between 2–5 times below what is needed to cover the basic living costs for themselves and their families.<sup>8</sup> Now, job losses, salary cuts and severance theft in the wake of the pandemic have left workers struggling to put food on the table.

A recent survey by the Worker Rights Consortium across 158 factories and nine countries found that hunger has increased during the pandemic. 77% of garment workers reported that they, or a member of their household, have gone hungry since the beginning of the pandemic. 80% of garment workers with dependent children said they were forced to skip meals or reduce the amount or quality of food they eat in order to feed their children.<sup>9</sup>



## Fashion brands must stand with garment workers

All workers deserve to be paid a fair wage and have access to compensation if they lose their jobs! Yet, despite continuing to make huge profits during the pandemic, many fashion brands are abandoning the women making their clothes. As a result, garment workers and their families are being pushed to the brink.

ActionAid is calling on all Australian and international brands to support all garment workers in their supply chains through this crisis by committing to:

- Pay for all orders during the pandemic so that garment workers are paid the wages they are owed.
- Pay 10 cents more per garment into a crisis fund so garment workers have access to wages and benefits, including severance pay.
- Protect workers' right to organise and bargain collectively.

8. Oxfam Australia (2019) Made in Poverty: The true price of fashion, <https://whatshemakes.oxfam.org.au/wp-content/uploads/2019/02/Made-in-Poverty-the-True-Price-of-Fashion.-Oxfam-Australia.pdf>

9. Worker Rights Consortium (2020), Hunger in the Apparel Supply Chain, <https://www.workersrights.org/wp-content/uploads/2020/11/Hunger-in-the-Apparel-Supply-Chain.pdf>