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THE EMPEROR HAS NO CLOTHES

GARMENT SUPPLY CHAINS IN THE TIME OF
PANDEMIC

Issue - I

INTRODUCTION



The COVID-19 pandemic is ravaging lives and livelihoods around the world – causing unprecedented socio-economic crises, massive displacement arising due to job losses, and at the same time, exposing the vulnerabilities of a highly globalised economy. As of April 9th, India has reported 5734 cases of COVID-19 while Indonesia has recorded 2956 cases, Sri Lanka 189 cases, and Cambodia 118 cases.

Broadly, there have been two kinds of responses to the pandemic in Asia, with respect to the status of production/manufacturing in the economy:

1. Total shutdown – This involves a complete halt of production activities, with the state declaring national lockdown in the case of India and a complete curfew in the case of Sri Lanka.
2. Partial shutdown – This involves a state where factories remain functional, but with restrictions like bans on religious gatherings, concerts, casinos and cinema theatres in Cambodia as well as quarantining specific territories like in Indonesia.

This distinction in state responses has differential impacts across countries as well as regions, generating country-specific issues when it comes to the workers in supply chains. These decisions by states depend on political factors like the nature of the state as well as economic factors, including the role played by export-oriented industries like the textile and apparel industry. The fear that a total economic shutdown would lead to collapse of the domestic economy is also a key factor that has forced countries like Cambodia and Indonesia to adopt a partial shutdown.

TRENDS IN TEXTILE INDUSTRY

The pandemic that arose in China then spread to Europe and North America and is now fast spreading in major textile and apparel production countries in Asia, has distinct impacts on different nodes of global supply chains. In the initial phase of the pandemic, the slow-down of Chinese supply of raw materials had adversely affected production in Indonesia, Cambodia and Sri Lanka. India was relatively less affected by this factor, due to its comparatively large domestic economy; and reports from the first week of March indicated that India was planning to step up its textile and apparel production to meet the expected rise in demand. However, India's abrupt announcement of a national lockdown for 21 days from March 25, 2020 led to a complete halt in production activity, adversely affecting internal supply chains. The latest reports indicate that production would fall significantly in the current quarter, with the effects continuing over upcoming months leading to a negative impact on employment.¹

Recent trends indicate a revival of supply of raw materials from China, but the lack of demand from buyers has led to more uncertainty. Suppliers in Cambodia and Bangladesh have urged brands and retailers to honour the purchasing contracts as well as obligations to pay for goods that are already produced or are currently in production. Textile industry associations in India have demanded that the government devise spe-

cific packages including financial support to address the industry's woes.²

While a few international buyers have committed to paying for the orders that have been produced or are being produced, several brands have cancelled orders without any assurance of payment which has imposed disproportionate burden on suppliers. Some brands have invoked Force Majeure clause, which does not specify pandemics as a reason for failure to pay and more importantly applies to the party with the most relevant contractual obligation, which would be the suppliers and not the buyers.³

Recent reports from India, Bangladesh as well as Sri Lanka reveal that brands are demanding discounts of up to 30% from the suppliers, which is unreasonable as profits that have been appropriated when sales were high had never really proportionately benefited suppliers or workers in the production countries. Moreover, current sales cannot be used as a reason to re-negotiate prices of garments that are to be shipped at present or in the near future. However, it is also uncertain as to when there will be a revival of consumer demand (and sales) due to the economic impact of the pandemic. This uncertainty significantly affects the fortunes of small-scale enterprises that operate on wafer-thin margins with low working capital, raising questions about their viability in the short to medium terms.

While the government is expected to step in, economic packages that are announced, for example in India and Cambodia are grossly inadequate when compared to the unprecedented impact of the pandemic on livelihoods. Moreover, there is a lack of clarity and attention to detail in the policy roadmaps, which leads to haphazard implementation with unintended consequences. This is very much due to the state's commitment to

fiscal fundamentalism, which Indonesia has been willing to abandon by removing the fiscal deficit targets by announcing two economic packages. However, these measures are still considered inadequate to stop mass layoffs of workers. The brunt of this volatility is thus borne disproportionately by the workers, who have not been paid a living wage even during normal times.

WAGES AND SOCIAL SECURITY

Garment workers' wages are poverty-level wages under normal circumstances and in times of a general economic crisis, the situation rapidly deteriorates in the absence of any institutional support. While governments in India, Sri Lanka and Cambodia have issued directives to pay compensation to workers in the case of factory closures, this is mostly applicable to regular workers and not short-term contract or piece rate workers who form a sizable majority of the workforce in the textile and apparel industry. The immediate strategy of firms to cope with uncertainty is to cut down costs of production especially labour costs – either through reduction in wages or through layoffs. Based on existing evidence, there are six mechanisms that can be identified by which workers earnings are affected, thereby inducing uncertainty –

1. Non-payment of wages for the lockdown period;
2. Delay in payment of wages by 10-20 days;
3. Replacement of wages with short term loans advanced by labour contractors/employers that are to be repaid with or without interest;
4. Non-payment of wages for work completed;

5. Layoffs without severance pay;
6. Partial payment of wages with government support

In industrial centres in India -- Gurgaon, Tirupur, Surat and Ahmedabad - workers have not been paid full wages for the last month, which is contrary to government directives. Additionally, workers in small factories in these regions have been informed there will be delays in wage payment by around 10-20 days. In the case of contract workers in Ludhiana, Gurgaon and Ahmedabad, most of whom are migrants – many have been abandoned by their labour contractors and have not even received wages for the days they worked in March. Also, in Gurgaon, some labour contractors/employers have refused to pay workers their wages for the lockdown period but have instead offered them loans – which workers will have to repay once they start working again.

In Sri Lanka, garment workers who were supposed to be paid on March 10th have received wages, while those who were supposed to be paid on March 25th and 30th have not received any wages. The Sri Lankan apparel industry is likely to lay off at least 30 percent of its workers including permanent staff even

as they receive global orders to manufacture face masks and surgical gowns.⁴

Both Indonesia and Cambodia have reported mass termination of thousands of workers. As of April 1st, at least 91 garment factories in Cambodia have suspended work with 61,500 workers affected,⁵ and in Indonesia 2008 companies have laid off 16,065 workers due to the Covid-19 crisis.⁶ There have been instances of protests against wage cuts and layoffs also – for example, workers in PT Bintang Inti Karya, East Java protested against the unilateral decision of the company to provide only half the wages for the upcoming three months, after which the government has now agreed to pay the remaining half. There was also a large protest at PT Hair Star Indonesia, a wig manufacturer that tried to unilaterally lay off workers when they refused to accept the wages below the minimum wage that the company was offering.

In the case of Cambodia, the government announced that garment workers that are affected by this crisis would receive 60% of the minimum wage, which would amount to \$114 per month, but as per the latest report, workers are set to receive only a flat payment of \$70 per month – which is roughly 37% of the minimum wage. This can also depress the rural economy due to a decline in remittances that are sent home by the workers. The lack of enforcement or the sheer absence of adequate social security mechanisms means that the workers may lose severance pay as well as bonuses and other compensation that they are eligible to, during times of crisis. It needs to be noted that most of these provisions are unavailable for migrants who work on a contractual basis in small scale enterprises as well as home-based industries and are the most affected in global supply chains. This is why migration as a phenomenon as well as the condition of migrant workers, demands the most urgent intervention to mitigate the socioeconomic crisis that the pandemic has triggered.

THE EXODUS OF MIGRANT WORKERS

The migrant workers who are affected due to suspension of economic activity or retrenchment have attempted to go back to their homes, triggering an exodus that has been unprecedented in recent times. This is largely reverse migration due to push factors, predominantly associated with absence of work, greater exposure to risk as well as increased cost of living in urban/industrial areas; as well as pull factors associated with cultural reasons (approaching of Easter, Ramadan, and the Khmer New Year), and a general sense of security associated with going back to their families in difficult times. Three types of migration streams can be noticed currently – intra-regional (within a particular state in a country), inter-regional (between states in a country) and international (between countries).

a. Intra-regional migration, from industrial districts to poorer, non-industrial districts within a state in a country. Two cases highlight the differential impact of state policy on workers. In Jharkhand workers were able to go back to their home districts using available transportation when the lockdown happened in India; while in Gujarat, migrants had to walk en-masse from the southern region (where industries are concentrated) to the northern region (source of migrants). This happened because of weak implementation of the lockdown in Gujarat as some enterprises continued production despite orders to shut down, and by the time the state directive was enforced public/private transportation was unavailable.

b. Inter-regional mass migration, most notably between states in a country, highlights the importance of government policy in addressing such issues.

In Indonesia more than 100,000 migrant workers have moved from West Java (Indonesia's most populous province) to their native places, despite being urged by the government not to return home. The government is yet to develop a concrete strategy to address the exodus of migrants, despite a spike in the number of COVID-19 cases. In Sri Lanka, garment workers in Katunayaka Free Trade Zone (FTZ) and Biyagama FTZ where more than 10,000 migrants work and live, were assisted by the Sri Lankan government under pressure from unions and NGOs to return to their homes. Ground reports indicate that workers were screened, registered with the police and had to self-quarantine once they reached home. While there were some

delays in providing immediate aid to the workers, the Sri Lankan government did a better job compared to the Indian government in handling the situation.

India experienced large-scale displacement that has received much media attention. The crisis broke after the important Holi festival in North India which normally leaves workers, who earn poverty-level wages, with depleted savings, not to mention debts. Migrant workers left industrial hubs like Ahmedabad, Surat, Gurgaon and Noida to return to their homes in Bihar, Madhya Pradesh, Rajasthan, Uttar Pradesh and Orissa. In North India, the absence of transportation forced workers to walk hundreds of kilometres that highlight the callousness and indifference of the government to the plight of the working poor. Some migrant workers, for instance, who work in the textile industry in Ludhiana who were enroute to their homes in various districts in Uttar Pradesh and Bihar got stranded mid-way in Saharanpur and were forced into shelter homes where they are given only one meal per day and have no access to clean sanitation facilities.

At least 22 migrants have died in India while trying to walk back home during the lockdown. A group of workers in Bareilly, Uttar Pradesh have had to face utmost classist discrimination as they were 'sanitised' using hoses, the clips of which had triggered outrage in social media. Those workers who have managed to reach their destination, for example, in Bihar have had to face ostracism from the residents – they are not allowed to enter their villages or are being handed over to the police and are not allowed to access public water system. In

another case from Uttar Pradesh, a Dalit migrant man who was in quarantine in a village school hung himself from a tree after he was beaten up and humiliated by a police officer for being seen publicly trying to obtain food, which was not available in the quarantine facility. Such instances from India once again reveal the deep fissures within society based on centuries of caste, class and gender-based discrimination.

c. International migration, most notably can be assessed by the plight of Cambodian migrants in Thailand's garment industry. Thousands of workers have returned from Thailand to Cambodia as production has slowed down in Thailand and ground reports reveal that they are

extremely concerned about finding work again. This stream of migration includes both legal as well as undocumented migrants, with the latter being at a greater risk of exploitation due to their uncertain legal status.

Cambodians who are still in Thailand are financially vulnerable due to higher living costs in the city and also because they are not eligible for state sponsored social security schemes. They prefer to stay back because of fear of contracting the virus during crowded bus journeys while crossing the border, aversion to being quarantined in poor conditions in their home country, as well as the relative unpreparedness of their native places to handle the crisis in the event of an outbreak.



HEALTHCARE

The working poor are exposed to major risks of contracting the virus at all stages from their residences to factories including the transit time of transportation. In hostels/homes, garment workers are crammed into closed spaces where a single room is shared by 5-10 individuals with no access

to clean sanitation facilities, placing the workers at a huge risk.

In Bengaluru, ground reports reveal that some workers in hostels are surviving on one meal a day, as food is not arranged for them regularly and they are not allowed to

leave the hostels. In Tamil Nadu, workers engaged in producing masks for hospitals, continue to work in close proximity within factories which raises major concerns about the potential transmission of virus. Inadequate sanitation facilities in workers' hostels and factories increase the risk of exposure as well as transmission of the virus even when there is a single case of infection. In Bengaluru, workers rose up in protest against this general callousness and indifference of the management and brands to their safety and health. While they were guaranteed paid leave due to the protest, they have not yet received their salaries for the lockdown period.

In Cambodia and Indonesia, where garment workers continue to work, the transportation facilities are overcrowded, thus violating norms of social distancing. In Indonesia, in factories where production continues, temperature screening is done – which is not quite effective as carriers of the virus can be asymptomatic for an average period of two weeks.

It is imperative to remember that this is a logical continuation of past years of indifference that traded occupational safety and well-being of workers for short-term gains in spite of unions' repeated demands for more humane conditions. The above-mentioned instances make it clear that social distancing is a privilege, as the vast majority are much more concerned about the known fear of hunger and loss of employment than the unknown fears of a pandemic. This forces them to work, despite concerns of contracting the virus.

Two additional significant points also need to be noted in this context. Firstly, workers, especially from migrant households have not been able to access proper treatment for existing health conditions due to the strain on healthcare resources as well as instances of local discrimination. For example, accessing maternal healthcare has become a huge concern among the migrant working poor in India, with ground reports from Gujarat revealing that a migrant pregnant woman had to pay exorbitant amounts while availing services from a private facility because public healthcare was not accessible.

Secondly, in case of an outbreak of Covid-19, the workers may be forced to incur catastrophic health-related expenditure that can further push them to poverty and deeper debts. With little to no savings, an increase in health expenditure can lead to absolute deprivation for many working-class families – which would be compounded in the event of poor health of family members as well as a general decline of employment generation. This reflects a structural issue with the systematic underfunding of public healthcare by governments around the world due to an ideological commitment to neoliberal economics that demands austerity. This puts the working poor in an extremely precarious situation, and in the case of contracting the virus, they would have to tackle the twin crises related to health as well as livelihoods. Reports also indicate that there is a spike in cases of domestic violence which disproportionately affect women from marginalised backgrounds, who have little to no access to formal mechanisms for raising these issues.

CONCLUDING REMARKS

The coronavirus pandemic has triggered an unprecedented socioeconomic crisis - where there is a crisis of both demand and supply which can trigger a downward spiral, in which workers in global supply chains are the some of the worst affected. There is no clear consensus as to when there will be a revival of growth, which puts the working poor in a state of utmost uncertainty. This report tried to look at the major ways in which this has played out at the local level in four major textile and apparel production countries in Asia. Special emphasis was laid on the impact of the pandemic and institutional responses in four dimensions, viz. wage disbursement, social security, migration and healthcare.

In a system that puts profits over people, wages are the first to be cut, and social security for the working poor decimated. Public healthcare is grossly underfunded and inadequate. Migrant workers suffer among the most vulnerable, underpaid and excluded sections of the workforce. In this scenario it is important to raise two points.

Firstly, the government that is expected to step in during such a time does not do so due to its commitment to fiscal fundamentalism that has restricted its spending capacity even under normal times, let alone in the midst of such a crisis. An abandonment of neoliberal economics by adopting progressive taxation policies, wealth redistribution, massive stimulus packages aimed at safeguarding livelihoods as well as employment opportunities, extensively revamping the public healthcare system and protecting the freedom to associate is the way forward for government action.

Secondly, it is imperative to note that inter-brand competition in the fast fashion industry has pushed down wages with little to no protection for the working class in developing countries. The race to produce more has been a race to the bottom for the working poor, with local suppliers increasingly relying on contractual workers who live and work in increasingly precarious conditions. It is an ethical as well as economic responsibility of the brands to step in and devise mechanisms to safeguard those who produce their profits from such unforeseen vulnerabilities. A major step forward in this direction would be to encourage collective bargaining through unionisation as well as strengthen the solidarity within the labour movement.

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