



## ► Policy Brief

March 2022

# Protecting garment workers affected by COVID 19: Applying social security standards to the adequacy of benefits

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### Key points

- ▶ The international social security standards developed by the ILO's tripartite constituents, have established the principles and minimum benchmarks for ensuring that social security benefits are adequate and fit for purpose.
- ▶ Adequate benefit levels in response to a shock, should ensure a decent living for workers and their families to cope with the crisis but also provide essential support for a sustainable and inclusive economic recovery from the crisis.
- ▶ During the COVID-19 response, although benefit levels were higher overall than during routine programs, setting benefit levels, especially in low- and middle-income countries, required a trade-off between coverage and adequacy due to the inherent limitations of development cooperation funding and domestic resources in response to a crisis.
- ▶ While adequacy depends on project objectives, the trade-offs to set the levels of emergency benefits need to be carefully discussed among the social partners, with due regard to the principles and minimum benchmarks established in international social security standards.

## Adequacy of benefits in international social security standards<sup>1</sup>

The international social security standards developed by the ILO's tripartite constituents, notably the Social Protection Floors Recommendation, 2012 (No. 202) and the Social Security (Minimum Standards) Convention, 1952 (No. 102), established the principles and minimum benchmarks for ensuring that social security benefits are adequate and fit for purpose.

ILO standards foresee that, at the very least, each country should establish a national social protection floor that can guarantee at least basic income security and essential healthcare throughout the life cycle with reference to national circumstances.

With regard to essential healthcare, adequacy would only be ensured whenever the healthcare system is available, accessible, acceptable and of quality. This also means that persons in need of healthcare should not face hardship or an increased risk of poverty due to the costs of accessing essential healthcare. With regard to adequacy in securing basic income security, a national threshold should be determined in relation to the monetary value of the set of goods and services considered necessary to secure life in dignity. Recommendation No. 202 refers to nationally defined poverty lines or minimum income thresholds as possible benchmarks for ensuring that the level of income is sufficient to prevent poverty, vulnerability and social exclusion (Para. 8(b)). In other words, critical factors will influence the adequacy of benefits, including the accessibility and affordability of essential goods and services, such as healthcare, food, clothing, housing, transport and so on.

For persons protected by law under social insurance mechanisms, benefits should represent a predictable percentage of their reference earnings in order to allow them to maintain their standard of living during the contingency. In this regard, Convention No. 102 prescribes the minimum replacement rates that must be attained by cash benefits, which should allow protected persons to receive at least 40, 45 or 50 per cent of the reference wage.

The need for adequate benefits should also be accompanied by the need for people to anticipate, as best as possible, their future. This is especially necessary for certain benefits, such as old-age benefits. Predictability is also secured when the level and duration of benefits are defined by law, when the financing is sound and

sustainable and when the levels of benefits are reviewed through transparent and pre-established procedures to ensure they are fit for purpose, including in response to changes in the cost of living or inflation. The latter is of course especially important for long-term benefits (old-age, invalidity and survivors' benefits). In general, the processes of setting and reviewing benefit levels should meet the requirements of transparency and accountability set out in Paragraph 3(j) of Recommendation No. 202.

Finally, the importance of inclusive and effective social dialogue in ensuring the adequacy of benefits is also recognized in Recommendation No. 202 (Paragraph 8(d)). In this regard, the Committee of Experts on the Application of Conventions and Recommendations (CEACR) has emphasized that any benchmark used for the setting of minimum levels of income security should be established through tripartite participation, including representatives of employers and workers and in consultation with other representative organizations of persons concerned, in accordance with Recommendation No. 202.

As such, the adequacy of social security benefits is a dynamic concept. Objective factors (such as the capacity of benefits to sustain the basic needs of beneficiaries throughout the needed duration or the percentage they represent of beneficiaries' previous earnings) coexist alongside more subjective ones (such as beneficiaries' perception of the extent to which their benefits – including job-retention schemes such as wage subsidies or unemployment insurance – are sufficient, given their contribution to economic and social progress in previous years, and have the capacity to sustain their living standards).

With regard to the levels of guarantees within national social protection floors, the CEACR has observed that although using the monetary value of a set of necessary goods and services as a benchmark may be pertinent, including in emergency contexts, poverty lines are often found not to provide adequate benchmarks, since some countries have set national poverty lines that are below the levels required for a life in dignity.

In practice, the CEACR reported that governments apply various methods at the national level to determine the levels of minimum acceptable living standards or national poverty lines and income (and assets) thresholds that give entitlement to various income- or means-tested benefits, as well as the minimum benefit levels provided by various contributory or non-contributory schemes.

<sup>1</sup> This section is based on ILO, [Universal Social Protection for Human Dignity, Social Justice and Sustainable Development: General Survey concerning the Social Protection Floors Recommendation, 2012 \(No. 202\)](#), ILC.108 III/B, 2019.



Better adequacy in an emergency context refers to higher levels of benefits by either increasing the amount and/or duration of an existing scheme, also referred to in the shock responsive social protection literature as vertical expansion.

### Principles for adequacy of benefits set out in Recommendation No. 202

The adequacy and predictability of benefits represent 1 of 18 principles enshrined in Recommendation No. 202, which provides in particular (Para. 8):

When defining the basic social security guarantees, Members should give due consideration to the following:

- (a) persons in need of healthcare should not face hardship and an increased risk of poverty due to the financial consequences of accessing essential healthcare. Free prenatal and postnatal medical care for the most vulnerable should also be considered;
- (b) basic income security should allow life in dignity. Nationally defined minimum levels of income may correspond to the monetary value of a set of necessary goods and services, national poverty lines, income thresholds for social assistance or other comparable thresholds established by national law or practice, and may take into account regional differences;
- (c) the levels of basic social security guarantees should be regularly reviewed through a transparent procedure that is established by national laws, regulations or practice, as appropriate; and
- (d) in regard to the establishment and review of the levels of these guarantees, tripartite participation with representative organizations of employers and workers, as well as consultation with other relevant and representative organizations of persons concerned, should be ensured.

### Adequacy of benefits in Convention No. 102

Convention No. 102 sets out a core set of principles, including the general responsibility of the State for the due provision of benefits and proper administration of institutions and services concerned, with a view to ensuring the principles of adequacy and predictability of benefits (Arts 16, 22, 24, 28, 33, 42, 44, 50, 56, 62 and 65–67).

The Convention also specifies that the rate of long-term benefits (old-age, employment injury, invalidity and survivors' benefits) shall be reviewed following substantial changes in the general level of earnings where these result from substantial changes in the cost of living (Arts 65–66).

► **Box 1. Examples of national mechanisms for setting benefit levels in development contexts, as extracted from the 2019 General Survey on Recommendation No. 202**

**Poverty lines related to median income (para. 246)**

A relative poverty line – a certain proportion of the median income – has been set in Germany, and is used to monitor the social situation. Amounts of social benefits are related to the poverty line, as determined for each individual, and are needs-based. The costs are estimated of basic needs grouped into 12 different categories, ranging from food, clothing, housing and energy, to culture, entertainment, education and health. The level of standard benefit rates differs according to whether beneficiaries live alone or with a partner, and also the age of the beneficiary. The level of the standard rate for basic needs is based on the actual expenditure of households in the lower-income range. It has to be recalculated every five years, and is adjusted according to a combined inflation and wage index. The actual level of the benefit corresponds to the difference between the standard rate required to secure subsistence and the resources already available to the beneficiary or his/her household.

**Minimum subsistence level based on the cost of needs (paras 247–248)**

In Ukraine, the statutory minimum subsistence levels for different types of households and individuals are used as benchmarks below which aggregate social benefits should not fall. The value of the statutory minimum subsistence level is periodically reviewed and adjusted, and many social benefits and income thresholds are directly linked by law to that value, which is also used as one of the officially regulated poverty lines. However, other benchmarks are also used, such as the actual (estimated) subsistence minimum, which is based on the annually adjusted value of the basket of goods and services defined as necessary. The monetary value of this basket has

been higher than that of the statutory minimum subsistence level for several years.

A poverty benchmark has also been established in Cabo Verde on the basis of consumer spending, with surveys being used to measure the standard of living and the level of expenditure on goods and services. Extreme poverty is considered to be when the level of well-being of an individual is lower than the poverty line.

In South Africa, three poverty lines measure different degrees of poverty: the food poverty line, the lower-bound poverty line and the upper-bound poverty line. The food poverty line is the South African rand value below which individuals are unable to purchase or consume enough food to supply them with the minimum per capita per day energy requirements for adequate health. The lower-bound poverty line and upper-bound poverty line are derived using the food poverty line as a base, but also include a non-food component.

**The absolute poverty line (paras 250–251)**

The National Confederation of Workers of Burkina notes that poverty is measured taking into account the indigence level in Burkina Faso, where people living on less than US\$1 a day are considered to be poor, as are those who cannot afford at least one meal a day.

According to the New Zealand Council of Trade Unions, there are limited benchmarks in New Zealand to assess the adequacy of social security guarantees. There is no minimum poverty threshold in the country, nor is a situation of need defined by national laws and regulations, although the Government is developing a policy in this respect.

## Adequacy of social security benefits provided in response to the COVID-19 pandemic

The worldwide COVID-19 pandemic has affected global and regional supply chains across the world. There have been significant disruptions linked to the barriers of lockdown and the cancellation of orders. One study of the initial labour market impacts of the pandemic<sup>2</sup> indicated, for instance, that 62 per cent of workers reported income loss, while 34 per cent stopped work and 20 per cent of wage workers reported lack of payment. In total, there were unprecedented global employment losses in 2020 of 114 million jobs relative to 2019.<sup>3</sup> In relative terms, employment losses were higher for women (5.0 per cent) than for men and for young workers (8.7 per cent) than for older workers.<sup>4</sup> Global labour income (before taking into account income support measures) in 2020 is estimated to have declined by 8.3 per cent, which amounts to US\$3.7 trillion or 4.4 per cent of global gross domestic product (GDP).

Under the COVID-19 pandemic response, social protection has been one of the main instruments for stabilizing the economy, including through social assistance, social insurance and active labour market interventions such as job-retention and income-support schemes. According to the ILO Social Protection Monitor Dashboard<sup>5</sup>, by April 2021 a total of 386 income-support or job-protection schemes or interventions had been implemented in 134 countries to safeguard jobs and ensure the payment of wages.

Wage-subsidy, income-support and job-retention schemes have been among the main policy tools used by countries to contain the employment and social fallout of the COVID-19 crisis. Inspired by the shared objectives common to social protection and employment policies (see box 1), these measures seek to provide income security through collectively financed modalities to redress a temporary

suspension of earnings due to the crisis, while at the same time preventing the disruption of the employment relationship.<sup>6</sup>

### COVID-19 pandemic responses had varying benefit levels and durations

The ILO's [World Social Protection Data Dashboards](#) show that, as part of the global response in 2021 to the COVID-19 pandemic, 122 measures increased overall benefit levels, while 119 measures increased the duration of benefits compared with pre-COVID-19 pandemic levels, reflecting the greater needs faced by countries as a result of the pandemic.

Recent research by Blofield et al.<sup>7</sup> examines data in Latin America from April 2020 to March 2021 and shows that the adequacy of emergency responses varied widely as the crisis unfolded in different countries. While in Mexico, Ecuador and Costa Rica, benefit amounts remained unchanged throughout the pandemic, they increased substantially in countries such as Brazil and Colombia during the early stages but declined to pre-COVID-19 levels soon afterwards. On the other hand, in Argentina, Bolivia (Plurinational State of) and Chile, transfer amounts eventually stabilized at a higher level than in 2020, while in countries such as Peru and Uruguay, transfer amounts increased substantially and have not (yet) declined to their pre-COVID-19 levels.

Although benefit levels were higher overall, both globally and as showcased by the ILO–German Federal Ministry of Economic Cooperation and Development (BMZ) project described below, setting benefit levels, especially in low- and middle-income countries, required a trade-off between coverage and adequacy due to the inherent limitations of development cooperation funding in response to a crisis. While adequacy depends on project objectives, the trade-offs to set the levels of emergency cash benefits need to be carefully discussed among the social partners, with due regard to the principles and

<sup>2</sup> Melanie Khamis et al., [The Early Labor Market Impacts of COVID-19 in Developing Countries: Evidence from High-Frequency Phone Surveys](#), Jobs Working Paper No. 58 (World Bank, 2020).

<sup>3</sup> Khamis et al.

<sup>4</sup> ILO, [“ILO Monitor: COVID-19 and the World of Work, Seventh Edition. Updated Estimates and Analysis”](#), 25 January 2021.

<sup>5</sup> ILO, “ILO Monitor: COVID-19 and the World of Work”.

<sup>6</sup> ILO, [“Unemployment Protection in the COVID-19 Crisis: Country Responses and Policy Considerations”](#), Social Protection Spotlight, 14 September 2020.

<sup>7</sup> Merike Blofield, et al., [Breadth and Sufficiency of Cash Transfers Responses in Ten Latin American Countries during the First 12 Months of the COVID-19 Pandemic](#), Working Paper 114 (CEQ, September 2021).

minimum benchmarks established in international social security standards.

### ILO-BMZ project “Protecting garment workers: Occupational safety, health and income support, in response to the COVID-19 pandemic”

The ILO-BMZ project “Protecting garment workers: Occupational safety, health and income support in response to the COVID-19 pandemic” was launched in October 2020 to support constituents in the garment and textile supply chain in selected countries<sup>8</sup> through public and private sector collaboration, with two main objectives:

(a) to strengthen occupational safety and health (OSH) protection measures in order to ensure that employers, workers and their families are protected from the direct

and indirect health risks of COVID-19, and that workplaces are not negatively impacted by further outbreaks due to poor management of OSH hazards; and

(b) to cushion enterprises against immediate employment and income losses, compensate workers for the loss of income due to the COVID-19 pandemic by providing wage subsidies and other cash transfers, and facilitate “back to normality” by maintaining employment relationships.

Table 1 summarizes the different benefit levels and project designs retained in the five countries that have had transfer components<sup>9</sup> and how they compare to the monthly minimum wage<sup>10</sup> in the respective countries, as well as to the minimum expenditure basket (MEB) established<sup>11</sup> at the national or subnational levels.

► Table 1. ILO-BMZ project benefit level in target countries

Country	Type of project	Benefit level of project (in US\$ equivalent)	Monthly minimum wage (ready-made garment industry)	Benefit level as percentage of monthly minimum wage	National poverty line per capita/mth	Reference MEB <sup>12</sup>
<b>Bangladesh</b>	Income support for job retention disbursed to factories	Tk3,000 (c. US\$35) one payment	Tk8,000 (c. US\$95) for grade 7 workers	37.5%	Tk5,672.72 <sup>13</sup> (2015)	Tk4,500 <sup>14</sup>
<b>Lao People's Democratic Republic</b>	Income support disbursed directly to workers	900,000 total (KN450,000 per month for two months)	KN1,100,000 (c. US\$124) (2018)	Approx. 40%	KN301,660 (2013)	KN2,754,013 (c. US\$276) <sup>15</sup>
<b>Indonesia</b>	Round 1: wage subsidy disbursed to factories Round 2: income support for unemployed workers	Round 1: Rp15,000 (c. US\$1) per worker per day (50% of daily minimum wage) multiplied by the number of furloughed workers from Better Work Indonesia factories  Round 2: One-month salary compensation fund, at about 50% of median minimum wage (c. US\$83.5) for workers who lost their jobs 20 March–21 May	Set at the provincial level: between Rp1,742,000 (US\$123) in central Java <sup>16</sup> and Rp4,200,000 (US\$307) in Jakarta (2020)	50% of daily minimum wage (round 1)  50% of median minimum wage (round 2)	Rp425,250	Set to minimum wage
<b>Cambodia</b>	Labour activation (cash for training) disbursed directly to workers	CR367,060 (US\$90) lump sum	CR774,900 (c. US\$190 per month) (2020 sectoral minimum wage)	47%	CR236 550 (c. US\$58)	CR163,138 (c. US\$40 <sup>17</sup> )
<b>Ethiopia</b>	Income support for job retention disbursed directly to workers	Gross basic salary per month for 5 months	Br1,205.10 (approx. US\$26 <sup>18</sup> )	100%	Br7,184 (2016) (c. US\$157)	Br7,545 (c. US\$188) <sup>19</sup>

<sup>8</sup> Bangladesh, Cambodia, Ethiopia, Indonesia and the Lao People's Democratic Republic.

<sup>9</sup> Two countries — Viet Nam and Madagascar — only have an OSH component and are therefore not relevant to the current learning document.

<sup>10</sup> In the cases of Ethiopia or Cambodia, which do not have a national minimum wage, a comparison is made to the minimum wage practiced in the sector.

<sup>11</sup> By either the Government or the Cash Working Group.

<sup>12</sup> These numbers are meant as reference points; MEBs are by design localized (cost of expenditure package in local markets) and should be adjusted for time and location for price changes and inflation.

<sup>13</sup> National poverty line based on two adults/one earner; a higher monthly wage of US\$1,955.93 per person is used for the Dhaka urban area, where there is a high concentration of garment manufacturing facilities.

The benefit level in each of the countries was established through a combination of **(a)** assessing adequacy as compared with minimum wage; and **(b)** a trade-off between adequacy and coverage, given that the needs by far exceed the available project budget in each country, especially in countries such as Bangladesh, Cambodia and Ethiopia, where the garment and textile sector was particularly hard hit and represents a large cohort of low-wage workers.

While the benefit level in all countries was closely set at near or above 45<sup>20</sup> per cent of the industry minimum wage of an unskilled manual labourer or equivalent, in alignment with social security standards, the extent to which the project was able to help workers meet their basic needs and maintain a decent standard of living and/or prevent further lay-offs and furlough should be thoroughly analysed given the limited duration of the benefit (one to three months).

## Adequacy of cash-based interventions in humanitarian contexts

The benefit levels of social transfers are based on the objectives they aim to achieve, whether income replacement, job retention, reintegration into the labour force or – in the case of humanitarian assistance – helping households and individuals to meet their basic needs and preventing them from sliding into poverty or resorting to negative coping mechanisms.

While the approaches to setting up the benefit level in social assistance interventions in humanitarian contexts generally consider an average basket of goods and services to meet the needs of individuals and households, their thresholds may differ.

Unlike for social assistance, where the humanitarian benefit level is usually higher than the regular and predictable social transfer addressing chronic needs (due to the higher needs triggered by the shock), most social insurance schemes aim to replace a certain percentage of the beneficiaries' previous income, which would allow them to maintain a minimum acceptable standard of living in relation to their previous income.

Ensuring a decent living for workers and their families is important, not only during the crisis but also to provide essential support for a sustainable and inclusive economic recovery from the crisis. For the most vulnerable workers, this is set at the minimum wage, where there is one, or at the level of the monetary value of a set of necessary goods and services.

When set at adequate levels, minimum wages ensure a decent living for workers in normal times; strengthen incentives to work; and reduce in-work poverty and wage inequality. Adequate minimum wage protection in the event of a shock sustains domestic demand, potentially increases the revenue of employers and offsets higher labour costs.

Social security benefits in the event of a covariate shock – in this case the COVID-19 pandemic – therefore have the double objective of providing a benefit level both to meet basic needs and also to maintain workers' standards of living in the event of a partial or total loss of earned income as a percentage of the minimum wage.

### ► Box 2. Linkages to other projects

With a budget of €14.5 million (approximately US\$17.6 million) funded by the Government of Germany (represented by the BMZ), the project drew on another initiative of the BMZ and the Federal Ministry of Labour and Social Affairs during the meeting of the Vision Zero Fund Steering Committee, held in March 2020.

The project also supports the practical implementation of **COVID-19: Action in the Global Garment Industry**, which encourages organizations endorsing the **Action** to protect garment workers' income, health and employment; support employers to survive during the COVID-19 crisis; and work together to establish sustainable systems of social protection for a more just and resilient garment industry.

<sup>14</sup> Cash Package for COVID-19 Response Operational Guidelines – Cash Working Group Bangladesh.

<sup>15</sup> In April 2020, the Lao People's Democratic Republic Cash Working Group developed cash and voucher assistance guidelines and an MEB for the country, with support from the World Food Programme; this MEB is defined as what a household requires to meet its essential needs, on a regular or seasonal basis, and its average cost, which is useful in helping to identify cash transfer values to beneficiaries

<sup>16</sup> The minimum wage in West Java is Rp1,810,000. Most of the factories in the Better Work Indonesia garment sector that are eligible for the wage subsidy project are located in West Java and Central Java, while the rest are located in greater Jakarta and Banten. The latter's minimum wage is Rp2,460,000.

► **Table 2. Approaches, factors to consider and examples of utilization to calculate the benefit level of humanitarian cash interventions**

Approach/ methodology	Factors to consider	Examples of utilization
<b>Household economy approach (HEA)</b>	Provides detailed information on household income – income, savings, livelihood assets, food and non- food consumption patterns, access, poverty and wealth. Allows adapting the amount of transfers to individual households or groups of households with similar livelihoods (pastoralists, artisans, etc.).	Prolonged and slow-onset crisis during which there is access to affected populations
<b>Value of a food basket that allows for 2,100 to 2,400 kcal per person per day based on consumer price index of the country</b>	Considers the price of a standard local market food basket. Adaptation of the country's consumer price index to the new context. Allows adjustment of the amount, according to real market prices in different areas.	Natural disasters, displaced or refugee populations
<b>Amount based on survival MEB (SMEB) (average monthly value)</b>	Collects data on the prices and availability of a range of basic food items and essential non-food items (hygiene products, school supplies, transport, communication, heating, etc.). Items selected based on what is generally available, sold and used by the average household.	Prolonged crisis
<b>Value of a humanitarian sectoral package at the local market</b>	Individual sectoral identification of relevant elements to meet sectoral needs. Identification of an ideal package based on local prices.	Agricultural sector, displaced or refugee populations, post-disaster shelter sector, etc.
<b>Benefit amount of existing government-led social assistance programmes</b>	Value based on the amount provided by the government and/or donors implementing social assistance programmes. The amount of these payments is calculated against development goals. The benefit amount is often lower than the spending needs of households due to a new crisis, but can increase their resilience in the short term and prevent decapitalization of household assets.	Prolonged and slow-onset crisis (drought, economic shock, COVID-19 pandemic-related socio-economic shocks)

► **Box 3. Examples of approaches to calculate the benefit level of multipurpose cash-based interventions in humanitarian contexts**

The adequacy of benefits in humanitarian multipurpose cash transfer interventions can be calculated based on different methodologies, but are most often based on an MEB, which is defined by the Cash Learning Partnership as “a monetary threshold, broadly defined as what a household requires to meet basic or essential needs, and the overall cost. It covers those essential items and services that households procure through markets (e.g. are monetarized) and are accessible

in adequate quality through local markets and services.” MEBs are established, usually by cash working groups, for operational purposes in order to help set transfer values for cash-based interventions or to measure vulnerabilities against or trace the cost of living over time. An adequate MEB is therefore one that meets a household’s basic or essential needs.



## ▶ Bangladesh case study

Photo: Marcel Crozet / ILO

### **ILO-BMZ country experience: Adequacy of benefits and coverage tradeoffs of the income-support response in Bangladesh**

The garment sector in Bangladesh employs 4 million workers in approximately 4,000 factories, representing the second-largest ready-made garment producer after China. Of these workers, 55 per cent are female. An estimated 20 million people are directly or indirectly dependent on the livelihoods of ready-made garment workers and the sector contributes more than 11 per cent of the country's GDP.

Given those numbers, the extent of coverage of the BMZ-ILO project with the budget allocated to the country's employment retention through income support channelled through factories<sup>21</sup> could only cover less than 100,000 workers at best, depending on the benefit levels and duration set by the project's constituents. The tripartite dialogue led to agreement on prioritizing small and medium-sized factories – initially factories with 200 to 500 workers – and (funds permitting) factories with 500 to 1,000 workers that are members of the two biggest business associations: the Bangladesh Garment Manufacturers and Exporters Association and the Bangladesh Knitwear Manufacturers and Exporters Association. After verification of their respective databases, these proved to account for at least 1,500 factories, which would amount on average to 660,000 workers. The first set of eligibility criteria based on the size of factories would have required over ten times the available budget and was therefore deemed too large to allow for the provision of an adequate benefit level for those most in need.

This prompted the project to refine its eligibility criteria, while adhering to the social security principles of non-discrimination, transparency and social dialogue and participation.

It should be noted that a study conducted by the Centre for Policy Dialogue (CPD) in Bangladesh<sup>22</sup> in October and

November 2020 found that 94.9 per cent of factories in Bangladesh reported that they had experienced major financial challenges due to the COVID-19 pandemic, regardless of their size.<sup>23</sup>

On 25 March 2020, the Government of Bangladesh announced a stimulus package of Tk50 billion (approximately US\$588 million) for the export-oriented sector to tackle the impact of the COVID-19 pandemic. The stimulus package initially aimed for factories to use this support (in the form of loans) to pay the wages of their workers. A second package was later announced to serve as working capital. Due to continued losses in profits and disruptions within the garment and textile value chain, employers' associations negotiated the option of using the second package to cover workers' salaries, provided that they committed – albeit in a non-binding way – not to lay off their workers.

Due to operational considerations, only factories that were members of the two largest ready-made garment business associations – the Bangladesh Garment Manufacturers and Exporters Association and the Bangladesh Knitwear Manufacturers and Exporters Association – were eligible for the government stimulus package; of these, the CPD study reported that only 40 per cent of small factories actually applied for the stimulus package, as opposed to 90 per cent of larger factories. Interestingly, 15 per cent of non-member factories had applied for the loan, even though they were not eligible, suggesting the significant industry need for support.

Based on the latter, the tripartite ILO-BMZ project committee<sup>24</sup> agreed to refine the eligibility criteria to cover only factories with less than 500 workers, given that they were deemed to have more vulnerable financial positions and that very few had actually benefited from the government stimulus package.

Additional eligibility criteria included factories that had experienced economic hardship,<sup>25</sup> as well as those that adhered to the general terms and conditions set by the tripartite committee, including for reporting, financial transparency and so on.

Based on these criteria – and a decision by the tripartite committee to expand coverage to as many vulnerable workers as possible instead of expanding the duration of coverage to a smaller group – it was decided that one payment of Tk3,000 (c. US\$35), representing 37.5 per cent of the sector’s basic minimum wage, would be allocated per worker, covering up to 90,000 workers for one month, with the commitment that factory owners would retain the workers at their own cost in the month following the transfer. All workers<sup>26</sup>, irrespective of their categories, were eligible. The Tk3,000 benefit level, however, was supplementary to the minimum wage required by law to be paid to workers.

Although the benefit level itself was below both the 45 per cent level prescribed by Convention No. 102 and the Tk4,500 level identified as part of the MEB by the Cash Working Group in Bangladesh for cash-based interventions in response to the COVID-19 pandemic, it is expected that employed workers will be able to maintain at least 100 per cent of their minimum wage (Tk8,000) – excluding the additional BMZ support – while workers who have been laid off will be eligible to access the European Union–Kreditanstalt für Wiederaufbau project geared towards unemployed workers in response to the COVID-19 pandemic, with a target of reaching 1 million unemployed and destitute workers over the next two years.

## Conclusion

The provision of adequate social security benefits plays a key role in mitigating the impacts of the crisis and supporting economic recovery, while securing a life in health and dignity for beneficiaries and their families.

The ILO’s [Global Wage Report 2020–21](#) concluded, counterintuitively, that global wages have increased as a result of the COVID-19 shock — a largely artificial reflection of the substantial job losses among lower-paid workers.

By contrast, in countries in which strong job-retention measures were introduced or extended to preserve

employment, surges in unemployment have been moderated, so that the effects of the crisis may have been more apparent in a downward pressure on wages rather than in massive job losses.

The current crisis and the impacts of the different COVID-19-related waves on the economy and labour market in general — and on the textile and garment sector in particular — have highlighted the need for a set of policies that combine:

- (a) progressively achieved comprehensive social security coverage of all workers;
- (b) with regard to unemployment in particular, consideration of the progressive establishment of insurance schemes that cover not only full unemployment but also cases of loss of earnings due to partial unemployment (temporary reduction in normal or statutory hours of work or temporary suspension of work, without any break in employment relationships); and
- (c) adequate revisions of minimum wages.

Such policies would ensure that all workers, including low-paid workers and their families, are able to maintain an adequate standard of living and withstand the short-term impacts of shocks, without having to resort to negative coping mechanisms that might irreversibly impact their welfare and that of their families.

The ILO is well positioned to assist Member States with all three policy approaches and the resulting programmes and operations, as these interventions are enshrined in international standards, notably Convention No. 102, Recommendation No. 202 and the Employment Promotion and Protection against Unemployment Convention, 1988 (No. 168). Such approaches help to ensure that short-term interventions, as well as the longer-term development and sustainability of nationally owned social security systems, follow a rights-based approach and are aligned with the principles enshrined in international social security standards, including the adequacy and predictability of benefits.

<sup>17</sup> The Government of Cambodia set up an emergency relief programme geared towards garment and textile sector workers that paid US\$40 per worker for one month.

<sup>18</sup> Entry-level workers earn on average US\$26 per month and are the world’s lowest-paid workers. There is, however, no national minimum wage. A minimum wage exists only for public sector workers, at about Br420 c.US\$22).

<sup>19</sup> Ethiopia Cash Working Group, MEB for Somali region, June 2020.

<sup>20</sup> This refers to the minimum replacement rate with regard to unemployment, which is 45 per cent, based on the benchmark provided by Article 66 for flat-rate benefits looking at the wage of an unskilled manual labourer or equivalent. However, this benchmark is not clearly articulated in Recommendation No. 202 for workers who have not had a suspension of earnings and who have continued working.

<sup>21</sup> Approximately US\$2.98 million.

<sup>22</sup> CPD, “[Vulnerability, Resilience and Recovery in the RMG sector in view of COVID Pandemic: Findings from the Enterprise Survey](#)”, January 2021.

<sup>23</sup> Small factories (up to 500 workers); medium-sized factories (501 to 2,000 workers); and large factories (2,000 workers and above).

<sup>24</sup> The tripartite committee was chaired by the Ministry of Labour and Employment. Members included employers’ representatives (Bangladesh Employers Federation; Bangladesh Garments Manufacturers and Exporters Association; and Bangladesh Knitwear Manufacturers and Exporters Association) and workers’ representatives (National Coordination Committee for Workers Education; IndustryALL Bangladesh Council; and Bangladesh National Worker’s League).

<sup>25</sup> Based on percentage reductions in revenue, worker orders or profits, or factories with delayed payments of invoices between March and November 2020.

<sup>26</sup> According to the 2006 Bangladesh Labour Act, as amended, a worker is any person, including an apprentice, employed in any establishment or industry to do any skilled, unskilled, manual, technical, trade promotional or clerical work for hire or reward, whether the terms of employment are expressed or implied, but does not include a person employed mainly in a managerial, administrative (or supervisory) capacity.



Photo: Marcel Crozet / ILO

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