



NO RELIEF?

Why clothing brands must take responsibility for worker relief payments amidst the economic crisis in Sri Lanka

**Clean
Clothes
Campaign**



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Front page image: Solidarity kitchen organised by the Free Trade Zone & General Service Employees union during 2022

Since the spring of 2022, Sri Lanka has suffered a social, economic, and political crisis that has severely impacted the 350,000 Sri Lankan garment workers and their families, causing job losses, unemployment, underemployment, salary devaluation, lack of basic commodities, hunger, and dislocation. Sri Lanka is home to some of the world's largest garment manufacturers with major brands sourcing from Sri Lanka including Amazon, ASOS, Boohoo, Columbia, Gap, Hugo Boss, Levi Strauss, Lidl, Lululemon Athletica, Marks and Spencer, Nike, Next, Patagonia, PVH (Calvin Klein, Tommy Hilfiger), Ralph Lauren, Tesco, and Victoria's Secret.

Our organisations have for several years been closely following the consecutive crises unfolding in Sri Lanka which are affecting garment workers in particular: from the massive wage theft and sickness during the Covid pandemic to heavy floods in 2020-2021 to the current economic and political crisis since 2022. It is paramount that clothing brands, which have continued to make profits from the labour of the workers who lived through crisis after crisis, take responsibility to ensure workers survive and can stand up for their rights.

This brief was created by a coalition of unions and labour rights organisations within the Clean Clothes Campaign network, including the Clean Clothes Campaign International Office, the Free Trade Zones and General Service Employees Union, the International Union Educational League, Labour behind the Label, Maquila Solidarity Network, and War on Want.

Workers at the solidarity kitchen organised by Dabindu Collective during the crisis of 2022



The latest crisis

The economic-political crisis of the last months stems from a range of causes, including economic mismanagement by the political class, which took on immense and unsustainable debt that could not be repaid under normal circumstances and which caused a crisis under the pressure of the Covid-19 pandemic. This has caused catastrophic inflation and the loss of purchasing power and failure of public services including health services, education, and public transport. The currency was devalued overnight by 45%, inflation spiked to consumer price inflation of 73.7% in September 2022, with food inflation even reaching 85% in the same month. There was no fuel for transport or cooking, and the people could neither get to work nor feed their families. Workers were desperate for support to pay for basic commodities, which often were not available at all. This situation followed and exacerbated the destitution created by the pandemic: Clean Clothes Campaign estimates that, in the first three months of the pandemic garment workers in Sri Lanka lost a total of approximately 40% of their normal wages and one fifth of the 350,000 workers employed in the free trade zones lost their jobs. For the whole first year of the pandemic (March 2020-April 2021) Clean Clothes Campaign estimates that workers were not paid over 61.8 billion LKR (ca. 300 million USD at time of report) in owed wages and bonuses.¹

The economic and social crisis of 2022 led to a political crisis, and the president was forced to flee the country and then to resign. His replacement has responded to the crisis with repression, using the Prevention of Terrorism Act to arrest trade union leaders, civil society representatives and to shut-down protests. The government has not engaged with trade unions or civil society, but accepted a deal behind closed doors with the International Monetary Fund. As society awaits the announcement of the details of the IMF agreement, the crisis continues.

Union rally on labour day 2022

Garment workers pay the price

Garment workers are the economic backbone of the country, yet they pay the heaviest price for the current situation. The garment industry is Sri Lanka's principal export industry and source of foreign exchange, representing 52% of Sri Lanka's total export revenue in 2021-2,² and employs approximately 350,000 workers, many of whom are internal migrants and women, as well as the primary support of their families in the villages. Garment workers underpin an industry which was expected to contribute an estimated 6 billion USD export revenue to the country in 2022.³ Because of their contribution to the economy, the government ordered garment factories and their employees to keep working during pandemic era lockdowns, resulting in mass outbreaks of Covid-19 in the industry.

Before this year's crisis, wages in the industry were already at bare subsistence level (approximately 120-175 USD/25,000–35,000 LKR per month, including overtime and other incentives), despite the high value-added and quality production that has made Sri Lanka a prime source of profit for important global brands like NEXT, Nike, Victoria's Secret, Levi's, PVH (Calvin Klein and Tommy Hilfiger), Ralph Lauren, and Gap. After a 45% devaluation, monthly wages now (68–95 USD including overtime and incentives) are far below the level needed to sustain the workers and their families, especially given an inflation in food prices of up to 85%.



¹ Clean Clothes Campaign, Still Un(der)paid. How the garment industry failed to pay its workers during the pandemic (July 2021), <https://cleanclothes.org/file-repository/coc-still-underpaid-report-2021-web-def.pdf/view>, p. 49-51.

² <https://www.onlineclothingstudy.com/2022/08/sri-lankan-apparel-industry.html>.

³ <https://www.onlineclothingstudy.com/2022/08/sri-lankan-apparel-industry.html>. The estimate of 350,000 workers is below the estimate of 400,000 mentioned in the article, but is the informed estimate of the Free Trade Zones & General Service Workers Union.

In response, unions asked factories to institute an “Emergency Relief Allowance” (ERA) of 10,000 LKR (27 USD)⁴, and some did adjust salaries and paid some amount of relief allowance. However, many factories did not pay the full amount of this voluntary allowance to their workers or placed conditionalities on the payment that resulted in many workers being deemed ineligible. In the months since the Emergency Relief Allowance was instituted, we have surveyed the factories and found that factory orders from brands have declined, prices paid to factories by brands have not increased to reflect the devaluation, factories have cut back on hours, and most have ended or decreased payment of the Emergency Relief Allowance even though inflation remains staggeringly high.

The minimum wage for garment workers in Sri Lanka has remained the same since 2018, at 12,500 LKR (34.34 USD) plus 3500 LKR as a budgetary Relief Allowance. The Sri Lanka government encouraged an 2,000 LKR increase in wages as recommended by the Free Trade Zones Manufacturers Association, and most employers implemented that increase, some in January 2023. It appears from factory-level data collected by the Free Trade Zones & General Service Employees Union (FTZ & GSEU) that garment workers typically earn a “basic wage” between 16,000 LKR (44.07 USD) and 20,000 LKR (54.94 USD).

Factory-level data as provided by FTZ & GSEU show that the most common measures taken by factory managements in response to the crisis are:

- A Relief Allowance of 3,000 LKR (8.25 USD) per month. This was implemented by most employers in May or June 2022, in response to a trade union demand for an Emergency Relief Allowance of 10,000 LKR (27.47 USD).
- An Attendance Bonus Increase of LKR 500 (1.37 USD) per month, contingent on perfect attendance.
- A Dry Food Package valued at 3,500 LKR (9.61 USD). This was provided once a month for two months in some factories. In a few factories, a dry food package can be purchased by workers at a savings of approximately 2,000 LKR (5.50 USD).
- Transport from living areas to the factory in some cases.

The total of all these wage and benefit adjustments in response to the crisis would mean that a typical garment worker, in the best of cases, would receive a total of between 20,000 LKR (54.94 USD) and 23,500 LKR (64.56 USD) for a month of work (assuming perfect attendance), and for one or two months, a dry food package worth 3,500 LKR (9.61 USD).

This is clearly an inadequate response to the severe economic and social crisis faced by 350,000 Sri Lankan garment workers, the main producers of income for their very wealthy employers and of national income for the entire country and in the vast majority of cases does not come close to meeting the unions’ demand of paying workers a meaningful and unconditional Emergency Relief Allowance of at least 10,000 LKR on top of their wage and other bonuses to weather the crisis.

Unions under pressure

In this period of social crisis, trade unions have been a leading voice in organizing civil society to seek a dialogue with the government to alleviate the suffering of the people and propose steps for resolving the crisis. The failure of the government to respond and to engage with the trade unions and civil society has increased the importance of factory owners and brands taking responsibility for emergency measures, such as providing fuel, cooking oil, basic foodstuffs, etc. at affordable prices in the free trade zones, providing free transport and meals to workers, and to pay the full Emergency Relief Allowance of 10,000 LKR. In the absence of other help, unions have often provided much needed emergency support and food, far beyond what would be expected of them, but also far below the urgent need.

⁴ The Emergency Relief Allowance was proposed by unions as an emergency measure to deal with the drastic reduction in real earnings caused by the economic, political, and social crisis, the consequent reduction in hours of work, and dramatic increases in overall inflation severely affecting the livelihoods of hundreds of thousands of garment workers and their families. The ERA is not intended, nor is it anywhere near sufficient, to remedy the lost wages of the Covid-19 pandemic era or the decades of low-wage employment, far below the living wage standard. Exchange rates used are of February 2023 unless the number explicitly refers to a calculation at a different point in time.

At a time when workers require more protection and representation than ever before, unions play a critical role in safeguarding workers' rights. But despite playing a leading role in addressing the crisis, trade unions and other civil society actors, have been ignored by the new government. In fact, the response of the government has been to weaken labour protections significantly without so much as a consultation with the trade unions, which is required by Sri Lanka's constitution. Instead of promoting freedom of association and the right to collective bargaining, the Labour Ministry has sidelined trade unions publicly, and has not engaged or responded to trade union calls for dialogue on the crisis. The Sri Lankan government is ignoring its legal obligations on social dialogue and has failed to convene the tripartite National Labour Advisory Council, which is mandated to meet every month. Sri Lankan trade unions have filed a complaint against this omission at the ILO under Convention 144, after which one meeting was convened⁵; but since then, no further meetings have been convened. At the same time, many manufacturers have continued to suppress workers' union activities at factories, including by dismissing union activists. This comes on top of general increased repression in society. In July 2022, the Sri Lankan government authorised the use of whatever force is necessary to control protesters. The state of emergency has been renewed multiple times and scores of activists, including union leaders, have been arrested.

This is not new; workers in Sri Lanka have faced systematic violations of rights by employers for decades and Covid-19 created a useful pretext for even more union busting. During the pandemic employers failed to set up Covid-19 Bipartite Health Committees mandated by the decision of the Labour Ministerial Tripartite Task Force and unlawfully retaliated against workers who acted collectively to advocate for improved conditions. Yet the levels of union busting and the blatant disregard of unions in any official process are shocking even against the background of this earlier repression.

The FTZ & GSEU trade union, the largest trade union in the garment sector, has faced office break-ins, as well as the unprecedented refusal by the Trade Union Registrar to acknowledge the union's annual reports and statement that there are "issues" with the FTZ & GSEU's registration.

Garment brands need to act

Of the approximately 400 apparel production sites in Sri Lanka, employing approximately 350,000 workers, over one-half are owned by just ten companies. More striking is the fact that over one-quarter, approximately 110 production sites, are owned by just three firms, Brandix, MAS Holdings, and Hirdaramani.

Another measure of the concentration of the Sri Lanka garment industry is the fact that just 15 US and European brands occupy a majority of the 400 production sites, with the largest brand footprint, that of PVH (Tommy Hilfiger, Calvin Klein), including as many as 61 factories. The remaining 65 or so brands source from an average of less than three sites each.

As one might expect, the production for the largest brands is concentrated with the three largest supplier companies: PVH, Gap, Nike, Victoria's Secret, Target Corp., Columbia Sportswear, Amazon, and Patagonia largely produce their goods in the factories of Brandix, MAS Holdings, and Hirdaramani. Asos, Everlane, George, Marks & Spencer, Pentland, Ralph Lauren, and Next have distinct production networks, with Next being the only brand operating their own factory, as well as contracting with several others.

The consequence of the high degree of concentration of the Sri Lanka garment industry is tremendous power in the hands of a few brands and even fewer employers, and the high degree of responsibility of these very successful and wealthy corporations for the conditions of poverty and oppression in which the garment workers of Sri Lanka live and work.

⁵ ILO Convention 144 says in part: "Each Member of the International Labour Organisation which ratifies this Convention undertakes to operate procedures which ensure effective consultations, with respect to the matters concerning the activities of the International Labour Organisation set out in Article 5, paragraph 1, below, between representatives of the government, of employers and of workers."

In support of these efforts by trade unions to alleviate the suffering of the garment workers and their families, our organisations have engaged with the global clothing brands that are the largest producers in Sri Lanka garment factories. In July and again in September 2022, we wrote to the top brands sourcing from Sri Lanka, asking whether they are taking actions to ensure the survivability of workers producing their goods, and for information on their sourcing and pricing policies.

Unfortunately, we received only a few responses to our messages, and even the few responses we did receive were limited to general assurances and had little substantive content. In a few cases, the general assurances were accompanied by statements to the effect that sourcing levels and pricing policies were “confidential business information” that could not be shared.

We are of course disappointed (but not surprised) by the almost complete resistance to share information that would allow us to understand which brands (if any) are taking real, effective steps to alleviate the impact of Sri Lanka’s social crisis on the workers that make their goods and who produce the immense wealth shared by their owners and shareholders, while themselves living in poverty, on the edge of starvation.

We thus repeat our appeal to the global clothing brands to state publicly what they have done, and what they plan to do, to ensure that the workers in the factories where their goods are made receive an income that will enable them to survive the crisis, including the full Emergency Relief Allowance as demanded by the unions. Furthermore, they should ensure that workers in their supply chain enjoy the fundamental human rights guaranteed by international conventions and Sri Lankan law and act responsibly and transparently to assist the workers in this hour of need.

DEMANDS

We urge that brands sourcing from Sri Lanka support the highest possible standards in their supply chain which include:

- 1. Ensuring that their suppliers do not endorse or encourage a weakening of labour protections, in contravention of ILO standards; including proposals to increase the number of hours of overtime for female employees from 60 hours to 75 hours per month, the number of days of night work for female employees from 10 days to 15 days per month, and the abolition of Termination of Employment Special Act No. 45 of 1971 which assured workers’ protection from arbitrary termination.**
- 2. That brands ensure that existing terms and conditions conforming to ILO standards and involving stable pricing, contract terms, and working standards are kept, and working protections (including maximum working hours) are not reduced regardless of any possible rollback of labour rights in Sri Lanka.**
- 3. That brands and suppliers engage with the Sri Lanka authorities to ensure that workers involved in peaceful protests or freedom of association activities are protected against arbitrary detention and the imposition of sweeping powers for security forces.**
- 4. That brands ensure and where necessary provide financial support to their suppliers so that Emergency Relief Allowance payments of 10,000 LKR are applied to all workers in their supply chain.**

TIMELINE OF EVENTS AND EARLIER PUBLICATIONS

March 2020-October 2021: Height of the Covid pandemic (incl. May-June 2021: major floods)

- statements & publications

- [Un\(der\)paid in the pandemic](#). An estimate of what the garment industry owes its workers. August 2020
- [COVID-19 Pandemic: A Pretext to Roll Back Sri Lankan Garment Workers' Rights](#). March 2021
- [Sri Lankan garment workers need brands, factory owners and government to take responsibility for their plight](#). June 2021
- [Still Un\(der\)paid](#). How the garment industry failed to pay its workers during the pandemic. July 2021
- [Over 50 organisations call on brands, governments and employers in Bangladesh and Sri Lanka to keep workers safe](#). August 2021

December 2021: Union-employer agreement

- statements & publications

- [New union-employer agreement in Sri Lanka addresses key worker rights issues](#). December 2021

March 2022 – present: Severe economic and political crisis

- statements & publications

- [Statement on the closure of two Sri Lankan factories amid severe financial crisis](#). April 2022
- [Emergency relief needed for Sri Lanka's economic crisis](#). July 2022
- [Unions fight repression in Sri Lanka](#). October 2022



People standing in line for a solidarity kitchen organised by the Free Trade Zones & General Service Employees Union in 2022