

RESPONSIBLE EXIT, MASS DISMISSAL AND FACTORY CLOSURE: HOW TO ENSURE WORKERS GET PAID?

GUIDANCE FOR BRANDS ON PAY YOUR WORKERS - RESPECT LABOUR RIGHTS AGREEMENT

November 2025

**Clean
Clothes
Campaign**



There is now an alternative solution in the form of a sector-wide, cost-advantageous mechanism that is also oriented towards building the needed country-based social security. This proposal enables brands to implement a robust, responsible exit policy that can handle crises. During the COVID pandemic, a broad coalition of 285 trade unions and workers' rights organisations from around the world came together to design a proposal to ensure that workers receive their severance payments after a factory closure or mass dismissal.⁴ The resulting Pay Your Workers - Respect Labour Rights (PYW-RLR) Agreement offers a bridging solution, creating a Global Severance Guarantee Fund with a grievance mechanism until state-backed social security is functioning well, while also creating a structure that alleviates brands from the hassle of having to deal with every single factory where workers lose their jobs on a mass scale.

This new proposal is based on relevant ILO Conventions and the International Accord on Health and Safety, which was groundbreaking at the time and, within a very short period, created safe factories across Bangladesh. Similarly, the PYW-RLR Agreement promises to address widespread market inefficiencies by ensuring swift and fair severance payments while allocating responsibility more efficiently along the supply chain. The proposal includes a grievance mechanism on freedom of association and other core labour rights, which is essential for workers to receive severance pay. Without the right to organise, workers cannot raise the issue of severance theft properly. And without a functioning mechanism to address the obstruction of freedom of association, workers cannot enforce their right to receive severance pay.

Brands are called upon to sign the PYW-RLR Agreement. Corporate early adopters will help shape the agreement. Brands that want to be part of this solution can contact the Union Committee, which represents and negotiates on behalf of the 36 garment unions from production countries that support the PYW-RLR Agreement. With the first brand to come to the table, the Union Committee looks forward to collaboratively drafting the details of this new mechanism, designed to overcome one of the key current challenges in the sector, as exposed so painfully during the COVID pandemic.

⁴ More information about the proposal and the campaign can be found here: <https://www.payyourworkers.org/coalition>

WHY THIS AGREEMENT?

A key lesson from the COVID pandemic was that brands lack adequate measures to ensure workers receive their severance payments if the supplier cannot be compelled to pay. In 2021, the Worker Rights Consortium (WRC) estimated the severance owed under Bangladesh law for a worker with five years' service to be around 364 USD if formally retrenched. Assuming all factories followed retrenchment procedures, the Clean Clothes Campaign estimated a severance pay gap of 151 million USD for Bangladesh alone.⁵ Research on file with the Clean Clothes Campaign from July 2021 suggests that garment workers in Cambodia, Bangladesh, India, Indonesia, Myanmar and Sri Lanka together were owed 986 million USD in unpaid severance from March 2020 to March 2021.⁶ More than five years after their factories closed, the Pay Your Workers - Respect Labour Rights campaign is supporting workers in Cambodia, Thailand, El Salvador and Sri Lanka who are still waiting for their severance pay.⁷ Even before the pandemic, though, severance payments were frequently omitted. According to the ILO's Better Work program, 28 percent of member factories in Vietnam and Bangladesh were not compliant with severance requirements in 2019.⁸

With the ongoing climate emergencies around the world and an increasingly unstable global economy (for example, the sudden announcement of tariff increases and/or uncertainty about their implementation), a structural solution is needed. The increase in US tariffs has already led to factory closures and mass job losses in Myanmar and India.⁹ Regarding the impact of global warming, research by Cornell University has shown that garment hubs are located in areas that are bound to face floods and heat waves.¹⁰ It is thus predictable that supply chains will be affected in the near future.

⁵ Still Un(der)paid: How the garment industry failed to pay its workers during the pandemic, Clean Clothes Campaign, 2021, available at: <https://cleanclothes.org/file-repository/ccc-still-underpaid-report-2021-web-def.pdf/view> p.19.

'Organisations representing workers concerned' refers to free, independent and democratic organisations that represent homeworkers, self-employed but structurally dependent workers or other labourers formally hindered from registering as a trade union. In this roadmap, these organisations are not always explicitly mentioned but sometimes subsumed under trade unions.

⁶ This is a conservative estimate on the basis of the calculations used in: Still Un(der)paid: How the garment industry failed to pay its workers during the pandemic, Clean Clothes Campaign, 2021, available at: <https://cleanclothes.org/file-repository/ccc-still-underpaid-report-2021-web-def.pdf/view>; see also Olivier de Schutter, Special Rapporteur on extreme poverty and human rights "Looking back to look ahead: A rights-based approach to social protection in the post-COVID-19 economic recovery" 11 September 2020, page 10.

⁷ For details of specific cases, see <https://www.payyourworkers.org/>

⁸ Jason Judd, Sarosh Kuruvilla and J. Lowell Jackson (2022) Security for Apparel Workers: Alternative Models, NCP Working Paper No. 3, April 2022, p.7, available at <https://www.ilr.cornell.edu/sites/default/files-d8/2022-05/NCP%20IndustriALL%20Severance%20042222.pdf>.

⁹ The US tariffs have already led to factory closures, for example, in Myanmar, as reported by the Business and Human Rights Resource Centre, „Myanmar: Factories forced to shut down leading to job losses for workers as a consequence of US tariffs,“ 1 October 2025, available at: <https://www.business-humanrights.org/en/latest-news/myanmar-factories-forced-to-close-leading-to-job-losses-for-workers-as-a-consequence-of-us-tariffs/>. Similarly, the Tiruppur garment industry in India reports mass layoffs and factory closures since the US tariffs are in force, New Indian Express, „Tariff effect: Tiruppur sees factory closures, layoffs“, 28 September 2025, <https://www.newindianexpress.com/business/2025/Sep/28/tariff-effect-tiruppur-sees-factory-closures-layoffs>. Other reports from India speak from factory closures in other places and even about a humanitarian crisis in Tamil Nadu as migrant workers are going home after mass layoffs, Business and Human Rights Resource Centre, „India: US tariff triggers 'humanitarian crisis' in Tamil Nadu, as thousands of migrant workers return home amid mass job losses,“ 19 September 2025, available at: <https://www.business-humanrights.org/en/latest-news/india-us-tariff-triggers-humanitarian-crisis-in-tamil-nadu-as-thousands-of-migrant-workers-return-home-amid-mass-job-losses-wpftc/>.

¹⁰ Jason Judd, Angus Bauer, Sarosh Kuruvilla and Stephanie Williams (2023) HIGHER GROUND? Report 1: Fashion's Climate Breakdown and its Effect for Workers, ILR Global Labor Institute & Schrodgers, 13 September 2023.

The researchers' analysis clearly shows that without climate adaptation measures, the growth path for brands and the economies of production countries is stunted by job, income, and productivity losses. Investments now in adequate climate adaptation measures that support social protection for workers will benefit brands, investors and governments in the long run.¹¹ The effects on assets are serious according to the researchers: "Taken together, projected earnings foregone under the non-adaptive 'high heat and flooding' scenario between 2025 and 2030 are 65.89 billion USD in 2030. That represents a 22 percent fall-off in export earnings against the 'climate-adaptive' scenario. [...] The projected 2050 figures are much higher."¹²

With reason, the report was co-authored by global investment manager Schroders. This company, which manages assets in clothing brands, supported, among other things, its geo-mapping to assess the risks of climate change projections for the locations of garment factories in production hubs. Their stake in this research project is real and based on their own financial calculations.

Examples of the risk of heat stress for garment hubs

Country	Decrease in export earnings in high-heatstress scenario in 2030 ¹³	Decrease in export earnings in the high-heat stress scenario in 2050	Access to government-backed unemployment benefits? ¹⁴	Legal obligation to pay severance?
Bangladesh	-21.85%	-68.40%	No	Yes (30 - 45 days per year of service)
Cambodia	-18.85%	-66.31%	No	Yes (15 days full wages per year of service)
Pakistan	-30.92%	-80.50%	No	Yes (1 mo. full wages per year of service)
Vietnam	-21.09%	-65.62%	Yes ¹⁵	Yes (15 days wages plus one mo./ yr of service)

¹¹ See Table 2 with financial projections, p.7 Executive Summary in: Jason Judd, Angus Bauer, Sarosh Kuruvilla and Stephanie Williams (2023) HIGHER GROUND? Report 1: Fashion's Climate Breakdown and its Effect for Workers, ILR Global Labor Institute & Schroders, 13 September 2023.

¹² Jason Judd, Angus Bauer, Sarosh Kuruvilla and Stephanie Williams (2023) HIGHER GROUND? Report 1: Fashion's Climate Breakdown and its Effect for Workers, ILR Global Labor Institute & Schroders, 13 September 2023, p.8.

¹³ Table 4. Heat-related changes in export earnings (nominal USD, billions) in climate-adaptive and high-heat-stress scenarios, by country, for 2030 and 2050, in: Jason Judd, Angus Bauer, Sarosh Kuruvilla and Stephanie Williams (2023) HIGHER GROUND? Report 1: Fashion's Climate Breakdown and its Effect for Workers, ILR Global Labor Institute & Schroders, 13 September 2023, p.15.

¹⁰ Jason Judd, Angus Bauer, Sarosh Kuruvilla and Stephanie Williams (2023) HIGHER GROUND? Report 1: Fashion's Climate Breakdown and its Effect for Workers, ILR Global Labor Institute & Schroders, 13 September 2023.

¹⁴ Table 1: Unemployment and Severance Provisions by Country in: Jason Judd, Sarosh Kuruvilla and J. Lowell Jackson (2022) Security for Apparel Workers: Alternative Models, NCP Working Paper No. 3, April 2022, p.6.

¹⁵ 60% mo. wage, 3 - 12 months.

DETAILS OF THE AGREEMENT

Currently, whenever workers are dismissed on a large scale and the supplier fails to fulfil their duty to issue severance payments, the workers only stand a chance of receiving their legally owed money if they organise themselves, together with trade unions and possibly international support, and engage in a campaign. When workers are unable to pressure the factory owner successfully, the campaign may target the brands that purchased from the factory. Even if brands ultimately decide to pay severance to workers, this means workers receive their money only much later and may have lived in poverty for a significant period. It is an inefficient process which puts an added burden on workers and often leads to negative publicity for the brands involved.

Instead of addressing instances of severance theft on a case-by-case basis, the PYW-RLR Agreement offers a feasible sector-wide solution. A global guarantee fund can serve as an immediate resource to solve acute cases, while non-paying suppliers can still be held liable for the actual payment. A guarantee fund is the standard for ensuring severance payments in most European countries and is also explicitly prescribed by the International Labour Organisation (ILO C173). Sector collaboration has been highly successful in the International Accord on Health and Safety, tackling supply chain challenges that go beyond individual brands. The Accord made the garment industry in Bangladesh safer, contributing to the growth and competitiveness of the Ready-Made Garment sector. For brands, the Accord has proven to be an effective and efficient due diligence measure.

The Fund

Upon signing, this legally binding, enforceable agreement between brands, employers, and unions establishes a global Severance Guarantee Fund (SGF) and a grievance mechanism to investigate violations of freedom of association and other core labour rights.¹⁶ The Agreement proposes that workers who were employed in the supply chain of a signatory brand or employer will be eligible to file a claim if they are denied severance when their factory closes or are fired in a mass dismissal. The Fund will also provide financial support to improve social protection systems at the national level, and set up dedicated accounts for this purpose, which can be accessed by national committees including government, employers, unions, and civil society representatives.

Suppliers

The PYW-RLR Agreement explicitly also allows and encourages suppliers to sign on. As employers of workers who lose their jobs, suppliers are legally obligated to pay severance. The Agreement specifically acknowledges this responsibility, and when a brand's suppliers sign on, the brand's premium will decrease. Brands will be asked to pay a premium of 0.5% of annual FOB. The fee can be reduced if a brand sources from countries that establish

¹⁶ The proposal for the SGF Agreement follows the successful example of the seafarers and their effective International Bargaining Forum which is an industry-wide framework governing labor practices on vessels that is specific and binding, covers multiple countries and is global in scope, includes industry funding for independent enforcement and work welfare, and has a governance structure rooted in collective bargaining. Jason Judd, Sarosh Kuruvilla and J. Lowell Jackson (2022) *Security for Apparel Workers: Alternative Models*, NCP Working Paper No. 3, April 2022, p.22.

credible and effective social protection programmes 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 with fully functioning social protection programmes, its fee will be close to zero (there will always be administrative costs).

Includes a grievance mechanism

The PYW-RLR Agreement will include a mechanism to identify, investigate and remedy non-compliance and worker grievances in cases of failure of payment and in cases of anti-union retaliation or harassment, gender-based violence and harassment, and occupational health and safety violations. Factory closures tend to occur, especially in those factories where workers are organising and demanding compliance with workers' rights. Therefore, a mechanism to protect freedom of association is crucial to accompany any solution for severance theft. The Agreement will be enforced through a dispute-resolution mechanism, under which union signatories can ultimately take company signatories to court if they fail to uphold the Agreement. In addition, an escalation protocol determines that brands will ultimately have to cease sourcing from employers who fail to uphold the agreement.¹⁸

International standards compliant

The PYW-RLR Agreement is in line with international labour standards, such as ILO Recommendation 202, Convention 95, and Convention 76. Adopting the agreement as part of a company's due diligence strategy ensures alignment with global labour standards, reducing the risk of non-compliance. The Agreement also allows brands to fulfil their responsibilities under the OECD Guidelines, specifically the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector. According to the Common Framework for Responsible Purchasing Practices, in section 2.12 on "responsible exit strategy", brands have specific responsibilities to ensure that negative impacts on the factory and its workers are avoided. The framework explicitly mentions that brands should ensure that severance payments are made: "When a business relationship is terminated by the purchasing company, they follow a responsible exit strategy that takes into account and mitigates negative impacts on the supplier and its workers. This complies with national laws, international standards, and Collective Bargaining Agreements, including a commitment to make severance payments to workers in the case of dismissals. The purchasing company provides timely communication and reasons supporting the exit decision."

No brand needs to start this initiative alone. Once the first brands sign on, the Agreement will include a commencement clause specifying the date on which it will take effect. This can be defined either by the number of brands that have signed on or by the total amount of purchasing volume.

¹⁵ 60% mo. wage, 3 - 12 months.

¹⁶ The proposal for the SGF Agreement follows the successful example of the seafarers and their effective International Bargaining Forum which is an industry-wide framework governing labor practices on vessels that is specific and binding, covers multiple countries and is global in scope, includes industry funding for independent enforcement and work welfare, and has a governance structure rooted in collective bargaining. Jason Judd, Sarosh Kuruvilla and J. Lowell Jackson (2022) *Security for Apparel Workers: Alternative Models*, NCP Working Paper No. 3, April 2022, p.22.

ADVANTAGES OF THE AGREEMENT FOR BRANDS

Legally binding agreements between brands, suppliers and trade unions deliver results for workers and are also good for business. An example of a similar, very successful initiative is the International Accord for Health and Safety in the Textile and Garment Industry, a legally binding agreement between global trade unions and more than 280 garment brands and retailers to make textile and garment factories safe. Identifying and redressing severance theft on a case-by-case basis can be resource-intensive, time-consuming, and often reactive, rather than proactive.²⁰ Participating in the PYW-RLR Agreement is more cost-effective for several reasons:

- **Economies of scale:** The PYW-RLR Agreement allows brands to address multiple wage and severance theft cases collectively, leveraging economies of scale. This reduces the costs and resources associated with managing individual cases, such as legal fees, administrative expenses, and time spent on negotiations.
- **Consistency and predictability:** It provides a clear and consistent set of guidelines for all parties involved, making it easier to anticipate and resolve issues. This results in a predictable, streamlined process that saves time and resources for brands and stakeholders.
- **Proactive approach:** The PYW-RLR Agreement encourages brands to take a proactive stance on wage and severance theft, allowing them to identify and address issues before they escalate into costly disputes. This reduces the likelihood of brand damage, negative publicity, and the need for expensive crisis management.
- **Learning and improvement:** A standardised approach to wage and severance theft enables brands to learn from past experiences and apply best practices across their supply chains. This can lead to more efficient and effective interventions and continuous improvement in addressing wage and severance theft issues, ultimately lowering costs.
- **Risk mitigation:** The PYW-RLR Agreement helps brands mitigate risks associated with non-compliance, legal disputes, and reputational damage. By reducing the likelihood of these costly outcomes, the Agreement saves brands both time and money.
- **Collaboration and shared responsibility:** The Agreement promotes collaboration among brands, suppliers, and other stakeholders, fostering a sense of shared responsibility. This can lead to more effective solutions and cost-sharing, reducing the burden on individual brands and making the process of identifying, preventing, and redressing wage and severance theft more cost-effective overall. This is particularly true because there are usually multiple brands sourcing from a single employer.
- **Due diligence:** As supply chain due diligence regulations become more common, particularly in Europe, signing the Severance Guarantee Fund Agreement can help companies fulfil their obligations under these laws, mitigating legal risks such as fines, penalties, and exclusion from public contracts.

¹⁵ 60% mo. wage, 3 - 12 months.

¹⁶ The proposal for the SGF Agreement follows the successful example of the seafarers and their effective International Bargaining Forum which is an industry-wide framework governing labor practices on vessels that is specific and binding, covers multiple countries and is global in scope, includes industry funding for independent enforcement and work welfare, and has a governance structure rooted in collective bargaining. Jason Judd, Sarosh Kuruvilla and J. Lowell Jackson (2022) *Security for Apparel Workers: Alternative Models*, NCP Working Paper No. 3, April 2022, p.22.

DUE DILIGENCE

The PYW-RLR Agreement provides brands with an advantage in fulfilling their due diligence obligations by leveraging existing instruments, such as the Corporate Sustainability Reporting Directive and Environmental, Social and Governance (ESG) requirements. In several European countries, such as France, Germany and Norway, human rights and environmental due diligence is now required by law. Already now, brands can be held liable for non-compliance with the German Supply Chain Act, the French Vigilance Law, and the Norwegian Transparency Act. Due diligence is about to become mandatory for many more businesses in Europe with the upcoming Corporate Sustainability Due Diligence Directive (CSDDD).

Brands and retailers with cases of severance theft in their supply chains now face several legal risks, particularly in jurisdictions where due diligence laws have been enacted or are under consideration. Some of these legal risks include fines and penalties, exclusion from public contracts, civil liability, and regulatory action. These risks highlight the importance of companies conducting thorough due diligence to identify, prevent, and remediate wage and severance theft in their supply chains, thereby mitigating potential legal and reputational consequences.

For example, the ruling of the Amsterdam District Court of 22 March 2023 shows that companies have a duty of care when a supplier closes the factory and workers lose their jobs. In this case, a manufacturer that supplied clothing to G-Star via a factory in Vietnam held G-Star liable for abruptly terminating its orders. As a result of this termination, the factory had to be closed almost immediately, and hundreds of Vietnamese employees were out on the street. The judge ruled that G-Star was not free to terminate the supply agreement so suddenly and explicitly took into account that G-Star had promoted acting in accordance with the principles of Corporate Social Responsibility (CSR) towards both its contracting parties and the public. This ruling shows that large clothing companies have a duty of care and that brands can be held responsible for compliance with their own CSR policy.

By signing the PYW-RLR Agreement, companies commit to ensuring all workers in their supply chain receive their legally mandated severance pay. This proactive approach helps identify and mitigate risks, which is an essential aspect of all due diligence regulations, while also improving transparency regarding their efforts. This can be integrated into their human rights due diligence reporting, showcasing their compliance with regulations and commitment to responsible business practices.

FREQUENTLY ASKED QUESTIONS

Note: this proposal addresses the urgent problem of workers who become jobless in a crisis and, despite being entitled to a severance payment, end up in poverty due to the lack of enforcement of workers' rights. The PYW-RLR Agreement can and will not solve every problem in garment supply chains. As with any new initiative, many questions are about the end implementation problems that will need to be addressed along the way. If there is a better sector-wide and structural solution that can be swiftly implemented to prevent and remedy the failure to pay severance, the union committee is happy to discuss it.

- **Isn't the ILO Call to Action dealing with this issue?**

An evaluation of the ILO Call to Action identified a lack of funding and the absence of an obligation for parties to contribute. It did not deliver on its ambition.²¹

- **Why have brands so far been reluctant to sign on to this initiative?**

When the COVID pandemic hit, there was no proposal on the table to address the widespread theft of severance payments after factory closures and mass dismissals. Unions spent the first months of the pandemic assessing the crisis and drafting the proposal for a Severance Guarantee Fund combined with a grievance mechanism to counter union harassment. Once, there was a proposal to approach brands. In July 2021, most brands had already signed up for the ILO Call to Action and cited it to explain their refusal to engage with the PYW-RLR Agreement. The ILO Call to Action has, unfortunately, failed to deliver. While the PYW Campaign was unable to pitch the proposal during the height of the pandemic, the Agreement is a much-needed answer to a key industry problem that is bound to rear its ugly head again when economic or climate crises hit. The next crises are already here. This time, the proposal is ready and, if implemented, can save workers and their families from going hungry after a layoff.

- **Isn't it better to focus on the prevention of factory closure?**

The PYW-RLR Agreement is preventative because the dominance of brands in the supply chain gives them the ability to cancel orders, as happened during the pandemic and is happening again with the increase in US tariffs. The Agreement proposes a sector-wide level playing field, with a structural solution to prevent competition that violates workers' rights.

²¹ Judd, Kuruvilla and Lowell Jackson, Security for Apparel Workers: Alternative Models, NCP Working Paper No. 3, April 2022, p.19.

- **Should the effort not go into building adequate state-backed social security rather than into mounting a new institution?**

The PYW-RLR Agreement allocates part of the funding to support exactly that. The proposal is a bridging solution towards state-backed social security. Funding and the right economic incentives are needed for state-backed social security to become a reality. The mechanisms in the proposed PYW-RLR Agreement ensure the right incentives are in place, as the fees for brands will go to zero when they source from countries with fully operational social security systems. This relieves production countries from the Catch-22 in which they are now to attract brands as low-wage countries, while at the same time attempting to build up a good social security system.

- **How exactly will the PYW-RLR Agreement support the building of local social security systems?**

The Agreement will provide financial support to improve social protection systems at the national level and establish dedicated accounts for this purpose, which can be accessed by national committees, including government, employers, unions, and civil society representatives.

- **Does this initiative foster free riding, with some brands paying while others get off the hook?**

Similar concerns were alive regarding the Bangladesh Accord. Despite this, for garment brands, the Accord has proven to be an effective and efficient due diligence measure.

- **How does this proposal relate to demands for a living wage?**

Many brands are committed to ensuring living wages throughout their supply chains. Unfortunately, similar claims are lacking regarding social security and severance pay. Clearly, though, both are equally crucial for the socioeconomic security of workers and their dependents. Living wage and social protection are both aspects of income security and an adequate standard of living.

- **Who will manage the Fund, and where is the money administered?**

According to the proposal, workers can apply for severance pay by submitting a claim to a specialised agency responsible for the claims process and the administration of the Fund. The details of an adequate setup for this agency will need to be developed in coordination with governments, the ILO, and experts from, for example, the World Bank or the International Monetary Fund. The Steering Board for the Severance Guarantee Fund will oversee this agency.

- **Can a brand not just insure against this risk of a supplier's failure to pay severance?**

Using private insurance schemes may seem like a viable alternative to address some of the issues related to severance theft. However, no insurance company would issue such insurance, as the risks would be prohibitively high and therefore premiums would be prohibitively high. There is no country in the world that works solely with a private insurance system to secure severance payments against the risk of factory closures. Instead, countries regularly work with a guarantee fund, as suggested by the unions and as explicitly prescribed by the International Labour Organisation (ILO C173).

A guarantee fund is available if a bankrupt company's assets are insufficient to meet workers' claims. In countries that combine a guarantee fund with an insurance system, these are usually public social insurance schemes and/or public-private partnerships, in which the institute or agency that houses the guarantee fund may contract with private insurance companies, but the ultimate responsibility (and risk) rests with the government. In Germany and Romania, funding for this facility is solely collected through employer premiums. In other countries, such as the Netherlands, employees and the government also contribute to this facility.

- **Can brands set up their own internal systems to address instances of severance theft?**

The COVID pandemic has shown that, in practice, there are no well-functioning brand policies in place to adequately respond when a supplier cannot be compelled to pay. Many cases take years to get resolved - if they are resolved at all - while workers wait for the payment that they are entitled to. The time between the actual job loss and the possible payment at a later date also means that not all workers can be found and thus never receive their payment. By supporting the Severance Guarantee Fund Agreement, a portion of the funds will go to country initiatives to establish the necessary legislation and infrastructure to ensure that, in the future, suppliers can be compelled to pay, thereby making the fund a bridging solution towards adequate country-based social protection.

- **Is this really such a big issue for workers that it needs the setup of a separate global fund?**

Severance payments are often the only savings most garment workers have. This means it offers them a real chance to start a new business or find an alternative source of income that can get them out of poverty in the long term. The garment unions from production countries have continued to emphasise their commitment to the Severance Guarantee Fund Agreement long after the COVID pandemic and insist that it is a much-needed instrument to secure workers' income when it is most needed.

- **How will the grievance mechanism relate to other existing agreements, such as the Accord and the gender-based violence agreements in Lesotho, India and Indonesia?**

If grievances are filed that relate to covered factories and covered topics under any of the above agreements, collaboration will be sought (of course, with the complainant's consent) to ensure synergy and maximise the chances of a remedy in line with the relevant UNGP criteria (e.g., principle 31). Public disclosure of findings and corrective actions, as is standard under the Accord agreements, is key here to ensure that investigations under any grievance mechanism can build on the work of others. Similarly, complainants who file grievances under this agreement that are out of scope will be referred to the grievance mechanisms under these other agreements where relevant.

- **Why are the brands asked to support this proposal, and are the factory employers off the hook?**

The draft Agreement explicitly also allows and encourages suppliers to sign on. As the employers of the workers who lose their jobs, they bear the legal responsibility to pay severance. The Agreement specifically acknowledges this responsibility, and when a brand's suppliers sign on, the brand's premium will decrease. Thus, brands are called upon to ensure that their suppliers become a part of the PYW-RLR Agreement as well.

- **How will this work in practice alongside the Employment Injury Initiative in Bangladesh or the social protection programmes in Indonesia or other local initiatives?**

This proposal addresses the urgent problem of workers who become jobless in a crisis and, despite being entitled to a severance payment, end up in poverty due to the lack of enforcement of workers' rights. Any alignment and collaboration issues with other initiatives will be resolved during the implementation phase.

- **Will this proposal work if the situation in every country is different?**

Yes, the proposal will solve cases that, until now, have required significant organisation and campaigning power from workers and unions to address. Case-by-case negotiation is not in workers' interests and, in the end, does not benefit brands either, as it entails reputational risks and is time-consuming.

- **Why would one brand have to support this initiative without sector support?**

The goal is for this to be a sector-wide Agreement with significant support, just like the International Accord on Health and Safety. The draft agreement includes a commencement clause that allows commencement to depend on the number of brands signing on, the volume of buying, or any other metric negotiated.

- **What can brands do to support this initiative?**

Brands can support the PYW-RLR Agreement by publicly expressing their support for the initiative and demonstrating their commitment to this structural solution to a widespread problem in the sector.

More information:

<https://www.payyourworkers.org/>

Jason Judd, Sarosh Kuruvilla and Lowell Jackson, *Security for Apparel Workers: Alternative Models*, NCP Working Paper No. 3, April 2022, available at:

<https://www.ilr.cornell.edu/sites/default/files-d8/2022-05/NCP%20IndustriALL%20Severance%20042222.pdf>

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<https://www.ilr.cornell.edu/global-labor-institute/higher-ground-fashions-climate-breakdown>

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Model Agreement for Freedom of Association and Collective Bargaining Protection and Grievances, available at: <https://cleanclothes.org/file-repository/model-agreement-for-freedom-of-association-and-collective-bargaining-protection-and-grievances.pdf/view>