

# COVID-19: impact on brands and workers in garment supply chains

## INTRODUCTION

The COVID-19 outbreak has an enormous impact on garment brands and their supply chains. This is an extraordinary situation that affects us all. While brands and retailers are closing shops and are struggling to keep their businesses afloat, on the other end of the supply chain, workers — the vast majority women — are being subjected to massive layoffs. Immediate survival is now on everybody's mind, but for long-term survival, the interdependence of all supply chain actors and the mutual interest of maintaining partnerships between brands and factories remain key.

Fair Wear sees it as its role, during this crisis as well as in general, to support its member brands in upholding their responsibility towards the garment workers in their supply chains. It is clear that the scale and scope of the COVID-19 outbreak and its consequences reach beyond the power of individual garment brands and retailers. Economic support measures taken by European governments should take into account the dire human rights situation created by the outbreak. And at the same time, factory closures and mass layoffs show more poignantly than ever before the urgency of production country governments providing better social security and safety nets for workers.

Fair Wear is working closely with other Multi-Stakeholder Initiatives, Trade Unions and industry organisations to call on governments to support the industry and its workers through this crisis. We are also closely following our member brands: the issues they are facing, the ways they are trying to mitigate the risks to workers, and the questions they have about the situation. With our teams in garment producing countries, we are monitoring the local situation and looking for the most effective measures brands and factories can take to support workers through this crisis.

The guidelines in this document outline what we believe to be the biggest risks from a workers'-rights perspective, based on analysis and input from stakeholders. Fair Wear's role and expertise is in taking garment workers as a starting point and elaborating on what *should happen* to mitigate risks. Fair Wear recognises that there is a gender-differential impact of COVID-19, which is taken into account in our response strategies at the brand, country and international levels.

We will provide guidance for responsible human rights due diligence practices, the kind of measures members can take to de-escalate the situation; how we can support them; and, ultimately, how we will assess their performance during this crisis.

As we will continue to follow the developments and learn about the best ways to support workers through this crisis, we will publish the most recent information [on our website](#) as well as our member hub (accessible to Fair Wear members only).

## **WORKERS AND FACTORIES: WHAT ARE THE RISKS AND WHAT DO THEY NEED?**

Most garment workers face a double threat – to their lives and livelihoods. On the one hand, they must protect themselves from contracting the virus; on the other hand, they need to work in the factories to feed themselves and their families. Factories are faced with both government measures and behaviour of customers that negatively impact them. This can lead to factories making quick and drastic decisions which have a huge impact on worker lives. Now more than ever, social dialogue is of utmost importance. Workers need to be informed, consulted and kept aware in regard to the impact on their own terms and conditions of employment and as to the steps they can take for their own protection and contribution to the containment of the virus.

The majority of garment workers are women, often young and migrant, working under temporary contracts or in the informal work sector; they are concentrated in low-pay, low power positions and underrepresented in unions. Due to the norms around community caregiving, women do more unpaid labour, including childcare, home care and elder care. They are also often the ones to take care of the sick, both in the family and in the community. During COVID-19, this put them at a particular risk, not only for their immediate health but also for their long-term financial situation. Without social services that adequately financially reimburse or recognise this unpaid labour, women will be hit particularly hard.

***For workers, one of the biggest impacts of the pandemic is on their wages.***

- In many garment producing countries, factories are forced to (temporarily) stop production: because they are forced to do so by their governments, because workers are quarantined, or because they lose orders due to problems further down the supply chain (e.g. shops closing, limits on transportation). During such stoppages, many workers are without income.
- Even if local governments require employers to pay workers regular wages during work stoppage, workers might not get what they are legally owed. For example, most garment workers in China and Eastern Europe are paid by piece-rate. They may not receive any pay since there was no work.

***Sudden termination, lack of severance pay, inadequate social security, and health insurance***

- Many factories face bankruptcy. Governments may not have measures in place to help them. Workers will thus not get their dues and may not even be given notice. In China, there have also been cases in which a factory did not go bankrupt, but workers were still fired because the employers could not pay wages during work stoppage. The factories may eventually hire them back, but the workers will have lost their wages and severance pay. Temporary workers without proper contracts, which are predominantly women, are especially at risk. They will be the first ones told to stop working. In cases where workers are not fired, they may be forced to take unpaid or annual leave.
- Many workers are not covered under social security or health insurance. If they contract COVID-19, they will not have enough money to pay for treatment. Many manufacturing countries do not have the healthcare infrastructure needed to deal with a pandemic of this scale, and workers lack access to basic medical care. When there is no paid sick leave or pay during quarantine, there can be an increased risk. If an infected worker goes to work, he/she will infect others; if he/she does not go to work, he/she will suffer financially.
- Some workers access their health care through their employer. Losing their jobs or stopping work may end their access to health care. This is especially dangerous for those workers who rely on factory nurses to provide their healthcare. During a pandemic, workers may lose access to services deemed 'non-essential' such as sexual and reproductive healthcare and maternity care.

- It is foreseeable that we will be in a global recession for some time because of COVID-19. Women, many of whom left the labour force during COVID-19, may find it difficult to re-enter. Previous crises have shown that, financially, men recover much quicker than women. COVID-19 will not only increase women's care burdens but will have a longer-term effect on women's economic empowerment.

***Besides the risk of losing income, workers also face a higher risk of unsafe workplaces and a huge risk of infection as they work at labour-intensive factories.***

- Many factories do not have a good ventilation system. Workstations are usually very close to one another. There is sometimes a lack of facilities for workers to wash their hands frequently. Even if the factory has proper handwashing facilities, there is no guarantee they will let workers take time to wash their hands. Where workers are paid on piece rate, they may not want to take the necessary hand-washing breaks.
- Many garment factories provide face masks against dust – as they should. These will not always block the corona virus but may give a false sense of security that increases the risk of infection.
- As COVID-19 is a respiratory illness, workers living and working in highly polluted areas, and who lack access to clean water and soap, are at an increased risk for contracting the virus.
- Often workers use crowded forms of transportation in order to travel to and from work. Factories that remain open should take this into account.
- If the government does not pay for the testing and most workers do not have health insurance or paid sick leave, a worker with mild flu-like symptoms must go to work. This worsens the worker's condition, while also increasing the risk of spreading infection.
- Many schools and daycares are closed, and families are without childcare. This puts workers in a position where they are faced with the choice of who stays home to watch the children. This predominately falls to women, which has financial effects for them, but also has a risk factor for the other partner who now might have to work extra hours or take on increasingly precarious work in order to continue supporting the family. This situation is especially difficult for single parents, which are mostly women, who have no support with childcare, and yet must still work in order to provide for the family. Without resources, they may be compelled to put themselves or their family in dangerous situations.
- Piling up of material or goods that have a delay in shipment, create a severe fire safety risk.

***While excessive overtime may be unlikely, it can still be a risk (especially in China) as the situation improves.***

- In countries where factories remain open but workers with flu-like symptoms are not allowed to work, or where workers are still looking after children or sick relatives, the limited capacity of the reduced workforce may lead to excessive overtime.
- Due to the massive shutdown of Chinese factories, the supply of raw material can fluctuate. The CMT factories might not be able to make their production plans properly. As a result of this and potential work stoppage, urgent excessive overtime can occur.
- At a later stage, when factories can open, excessive overtime is very likely to happen. The factories might have to catch up for working days lost during the restriction period.

***Risk of violence and harassment against women and men in the world of work***

- Workplace violence and harassment, especially against female garment workers, is prevalent in garment factories. Research has demonstrated that the combination of low wages and excessive overtime increases incidences of violence and harassment. During COVID-19, and in the period after, these risk factors will be particularly prevalent, as workers recover from the economic loss and cope with fluctuates in work that can lead to excessive overtime and disruptions in regular income.
- Additionally, during pandemics, the stress that many workers face at home and in the factory, particularly when experiencing economic insecurity, leads to an increase in incidences of intimate partner violence. Likewise, workplace stress is also related to higher levels of workplace harassment and assault, especially verbal harassment and sexual harassment. This is most often worse for those who are in the most vulnerable positions – women, migrants, younger workers, gender non-conforming, ethnic minorities. Moreover, in some countries, workers are stranded in hostels, which heightens their risk to violence and harassment.
- The power imbalances between the predominantly male managerial and supervisory staff and the female garment workers are exacerbated by a situation where workers fear losing their jobs; this can create the potential for *quid pro quo* sexual harassment. These vulnerable workers may feel unable to refuse unwanted sexual advances to protect their job or to ensure they are given hours/paid for the hours they worked.

- Migrant workers travelling home, or mass layoffs of factory workers, can create an environment where workers are travelling long distances (in some cases by foot). In other crises, migrant women in particular, have experienced an increase in sexual violence when on the move.
- Workers who lose their jobs suddenly and without pay, will be at-risk for extreme forms of exploitation including human trafficking, scam recruitment offers, and sexual exploitation.

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*Fair Wear will publish [country sheets on the website](#) with country specific information on government policies, legislation regarding the protection of workers, and local initiatives that support and protect workers.*

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## **MITIGATION/REMEDATION – THE IDEAL SITUATION**

The following section details what ideally should happen to protect workers' rights. In many production countries, workers and suppliers operate with little margin, no social safety net, restrictions on freedom of association, and/or lack of supportive government measures. With every measure brands take in their supply chain in response to the COVID-19 outbreak, they should consider the consequences, including the gendered impact, such measure will have on the workers in the garment factories and knowing that both the brand and the suppliers are faced with severe consequences, should together look for solutions in a collaborative way.

### ***Stoppage, reduced production, wages and severance pay***

Workers' wages should be paid their full regular wage during work stoppages. Piece rate workers must be paid the wage according to the standard stipulated in the labour contract. Factories need to follow existing legal regulations. In the absence of legal requirements or financial support from the government, brands, local NGOs and unions should work together with suppliers to provide support to workers. Where needed, Fair Wear can facilitate such collaboration.

Factories should engage in dialogue with trade unions or worker representatives, to discuss jointly and consult on the measures that need to be taken to ensure safe workplaces, safe transport to work, or to ensure continued payment of wages of workers. While women have often been underrepresented in unions, it is important to ensure that their voices be included in these discussions. If workers are fired, they should receive legal compensation. When a factory must close or sudden bankruptcy occurs, all workers should receive legal dues, such as wages, benefits and severance pay.

### ***Health and safety and paid leaves***

If a factory remains open, the employers should take extra measures to ensure safe forms of travel to and from work, ventilation, adequate spacing between workstations, hygienic work floors and toilets, appropriate hand-washing facilities, breaks and facemasks. Information should be provided on how to prevent infection; worker representatives and trade unions should be collaborated with to help ensure all workers receive and understand this key information. When workers contract COVID-19, employers should provide paid sick leave according to legal requirements. Workers who have been at risk or present with symptoms should be requested to stay home on paid leave in order to prevent further spreading the virus. Recognising the burden that mostly falls on women, financial support could be given to parents caring for children or sick family members, especially single parents. To address concerns of violence and harassment at this time, suppliers can distribute contact details for local women's organisations that provide support for victims of violence. The right to a workplace free from violence and harassment should be reiterated.

### ***Address questions from workers and involve trade unions in information and decision making***

Suppliers should provide a mechanism to address questions from workers and involve them in decision making. Workers must have access to a trade union or worker representation to collectively respond to measures or to raise issues. Employers have a responsibility to inform workers of relevant information concerning COVID-19. In case of (temporary) shutdown or significant changes to company policies, measures and working practices must be negotiated with worker representatives. Social dialogue is a key tool to be used during this time to ensure that both the interests of workers and companies are heard and addressed. It is in the interest of both parties to ensure workers remain safe and healthy and that companies do not close.

### ***Support and due diligence from brands***

To support the above and in the spirit of partnerships and collaboration, brands should not make decisions that significantly impact the businesses and workers in their supply chain without proper discussion and negotiation with their suppliers, and ensuring consultation with the relevant trade unions and worker representatives takes place. They should initiate a dialogue with their supplier and worker representatives to discuss and negotiate interventions, the mutual impact of any changes that are made, but above all also the solutions that can be elaborated together.

## WHAT DO WE EXPECT FROM MEMBERS?

We understand our member brands are facing extremely difficult times and are doing everything they can to keep your business afloat. This unprecedented situation will impact on consumers, brand and retail employees, sales, factories, the lives of factory workers and any efforts to improve working conditions. Despite these challenging circumstances, Fair Wear still expects members to conduct human rights due diligence as much as possible. Responsible purchasing practices and maintaining a good dialogue are needed now more than ever. Brand responses and policies should include a gender analysis to identify the differing risks and impacts on workers in low power positions.

Below are a first set of guidelines. Fair Wear will continue to update its policies as the situation develops.

### *We recommend members:*

- Investigate and stay updated on the local situations in the production countries. Work even more closely with other brands and local stakeholders to collect all relevant documentation. Pay close attention to the risks and concerns being flagged by local trade unions. See Fair Wear's country-specific information [on the website](#).
- Ask suppliers how they have applied the local government's requirements. What were the local requirements? How is the factory implementing these, or how have they? What are the difficulties or challenges? How can the brands help?
- If forced to make unusual sourcing decisions during this period, always take the potential effect on workers' lives into account and discuss possible solutions with the supplier.
- Continue to make responsible purchasing practices and support suppliers as much as possible in this crisis. Good communication with suppliers and customers is essential.
- Anticipate changes or delays in production and be flexible about delivery dates, payment terms, and financial liability.
- Do not cancel orders that are (almost) ready to be shipped, that are already in production or for which fabric is already bought and/or cut.
- In collaboration with suppliers, consider the following measures where possible: Prioritise orders based on real demand. Accept extended lead times and push back sales meetings to



allow for later delivery. Investigate whether slowing down capacity and spreading orders over a longer period is an option. Or whether some orders can be split or prioritised over others.

- This situation should not automatically lead to postponement of scheduled payments. We understand the predicament of ensuring payment of brand staff's salaries, but also investigate how to avoid affecting suppliers. See the below section on how we collaborate to influence both local and European governments in consultation with employers' associations and our union partners.
- If you need to shift production, you can reduce risks by shifting production to existing suppliers that have already been part of your monitoring system.
- Do not terminate the business relationship with your supplier. If all other options are exhausted, discuss scenarios and solutions with your supplier and consider a responsible exit strategy.
- Ensure factories treat affected workers or workers in quarantine at least according to local laws and guidelines. See the specific country sheets on [Fair Wear's website](#).
- If a factory is forced to close or is struggling to pay its workers, assess whether it is possible to support your supplier financially to help pay wages, especially if you take up a high percentage of their production capacity or if you own the factory. It is important that brands share the responsibility of ensuring that wages already earned by workers are paid and that arrangements are made to provide support for workers during shut-down periods.
- Collaborate with other brands, trade unions and local partners. Ideas have been floating around to set up a collective fund to support workers as they navigate the impact of COVID-19. Fair Wear will engage with other organisations to keep informed of such initiatives and liaise with its member brands on possibilities for mutual support, as well as support from governments and other (intra-governmental) institutions.
- Make sure workers can access the Fair Wear complaints helpline. If the factory remains open, you can ask the factory to take a photo of the worker information sheet poster for confirmation. Whenever possible, distribute worker information cards. Brands should continue to reiterate to suppliers what their expectations are when it comes to upholding the rights of workers and make it clear that they will continue to support workers' rights.
- Suggest factories provide workers with contact information for local civil society organisations that can help them with additional concerns they may be facing at this time. Examples include:

support for victims of domestic violence and sexual assault, sexual and reproductive healthcare, food packages or medical supplies.

- Monitor and try to prevent other risks: as the outbreak in some countries eases, there is a risk of other issues, such as excessive overtime, discrimination against recovered workers, discrimination when hiring (on seniority or gender), and union busting. Members should communicate with factories regularly.

## **HOW DOES FAIR WEAR SUPPORT MEMBERS?**

Many brands and factories will need support. With supply chains under pressure, Fair Wear will continue to work with its member brands and other industry platforms as well as civil society to find collective solutions – while also calling on (EU) governments to extend any support measures to businesses to include the negative impacts in supply chains. Through all this, it is crucial that brands continue to consider the position of workers in their supply chains and communicate about the issues they come across and the solutions they find.

We summarise here the ways in which Fair Wear is offering support to its members. We value our members' feedback and will organise regular moments of contact during which we would appreciate any thoughts on further ways we can support the industry in protecting its workers.

### ***Sharing expertise, relevant information and facilitating an exchange:***

Given the unclear and fluctuating situation, with a lot of uncertainty on how long the COVID-19 crisis will continue to paralyse the whole supply chain, we aim to provide the most recent information from our headquarters in Europe and directly from production countries. We would like to facilitate an exchange between members on how you are responding to this crisis. For those who are channelling the tension surrounding COVID-19 into interesting thoughts and/or solutions to support garment workers, please let us know. We would be happy to share your ideas among our member community. We will facilitate positive dialogue with NGOs, Trade Unions and other relevant stakeholders.

### ***Influencing in production countries***

The abovementioned guidelines form the starting point for our lobby and advocacy strategy in production countries. Together with our local teams and partners we work to influence authorities on responding to country-specific needs that will help garment workers during – and following – the pandemic. All economic and labour policies developed by governments during this time should involve

the consultation of social partners. Fair Wear's role is to facilitate dialogue and collaboration with local unions, employers' associations and labour NGOs in a combined effort to reduce the negative impact on garment factories and its workers. Where we lack a local presence, we will share observations with our strategic partners FNV and CNV or with other relevant organisations, such as ETI, FLA, and CCC, to make stories heard from workers and across the supply chain.

### *Influencing in European countries*

The COVID-19 crisis has impacts far beyond the influence of individual actors in the garment industry. All links in the supply chain will need to show solidarity in order to survive these unprecedented challenges. Together with other responsible business conduct platforms, we aim to create a framework based on unity and solidarity on how to address this crisis responsibly and ensure aligned action.

However, the garment industry is unlikely to face all challenges by itself. Therefore, we want to call upon national governments and multilateral institutions to support our industry. This includes the industry in their jurisdiction, but also the supply chain actors and workers in producing countries in case the national government is not able to support.

First steps to call upon our governments are made at the moment together with our key stakeholders. Within our strategic partnership, the lobby and advocacy group is working on bringing together Dutch employers' associations InRetail and Modint, the trade unions, and the AGT to create a united message. The initial thought is to lobby for funds to support companies in keeping their commitments in the supply chain. The group is also scoping out possibilities to inform the Ministry and Dutch MPs on the situation in the garment supply chain and ask them to make funds available to create a safety net for supply chain actors and their workers.

To better understand the situation in Germany, we are contacting key stakeholders in the German market and considering a tailored approach to organise federal support (in collaboration with the PST, our national stakeholders and member brands). BMZ has started initial talks with stakeholders on a crisis fund for emergency relief as well as structural support for systemic improvement in production countries.

### *Collaborating with other organisations in the sector*

We are in close contact with other responsible business conduct platforms to align on what can reasonably be expected from garment brands in these times. In doing so, we hope to create a framework for the industry on how to address this crisis responsibly and ensure our respective member brands take aligned action.

### *How do we continue to support members with our regular activities?*

Due to travel and meeting bans in many countries, Fair Wear has postponed and cancelled most audits and scheduled WEP training for March and April. This limits our ability to stay on top of problems, which means it is even more important for brands to communicate actively with their suppliers. In addition, brands should make extra effort to communicate with local trade unions or the worker representatives at their factories to ensure that they find out about key issues affecting the workers. In the countries where we have local teams we will reach out to stakeholders and members for information. As soon as the situation improves, we will identify high-risk factories and recommend members to audit these. We will increase the number of WEP basic training sessions and use these to inform workers about their rights.

During the outbreak, we will:

- Increase our complaints-handling capacity. In most cases it will not be possible (or wise) to send a team to factories to investigate complaints, but we will still collect information and consult workers and their representatives where possible;
- Explore opportunities to work with local stakeholders, to collect information on workers' situations; and
- Explore opportunities to work with international organisations to find other ways to listen to workers' needs.

After the outbreak, we will:

- Investigate complaints whenever possible;
- Increase audit capacity as much as possible;
- Provide members with a remediation guide on government requirements; and

- Provide more remediation support to members, either with our own team or by referring members to other organisations.

## HOW DO WE ASSESS MEMBER PERFORMANCE?

*How might COVID-19 impact your due diligence, monitoring and remediation efforts with relation to the Brand Performance Check?*

- Travel restrictions prevent you from visiting your suppliers;
- Audits or training may have been cancelled or postponed;
- Ad hoc sourcing decisions may be required, for instance moving to a different factory without being able to conduct proper due diligence.
- Significant impact on your company's financial situation may lead to reduced capacity and resources to implement Fair Wear requirements, particularly ongoing efforts to support remediation.

### *Evaluating the year 2020*

Considering the above, there may be a significant change in the scoring of several performance check indicators. Fair Wear will consider this 'force majeure' and will be flexible in the scoring. For now, we will apply the force majeure status to:

- **Indicator 2.5:** Percentage of production volume that was visited in the previous financial year. If the member can demonstrate they were unable to travel to the at-risk areas defined by the WHO, those shares of production volumes will not be deducted from the total percentages. Overall travel bans enforced by members' respective governments will also be taken into account.
- **Monitoring threshold:** if audits had to be cancelled or postponed due to the pandemic, this may result in a failure to achieve the required monitoring threshold. If this leads to placement in a lower category, we will use our discretionary power (as described in the Performance Check Guide) to keep the brand in question in the category they would have been in.
- Many other indicators, such as the ones on leverage, long-term business relationships, human rights due diligence and overtime will likely also be affected. We will still portray the actual scoring since the Brand Performance Check must reflect reality. However, if this results in an overall score that is lower than the required benchmarking threshold, we will carefully consider

the overall actions the member has taken and how they have been impacted themselves to determine the appropriate category.

We will be making decisions as the situation develops. Please keep an eye out on the 'corona-dossier' on the Member Hub and the country specific information on [Fair Wear's website](#). We wish you, your colleagues and your business partners all the best in handling this crisis.