

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 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 & 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. We will provide guidance for responsible human rights due diligence practices, the kind of measures you can

take to de-escalate the situation; how we can support you; and, ultimately, how we will assess your 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.

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 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.

Besides the risk of losing income, workers also face 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.
- 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.
- Since many schools are closed, parents would find it difficult to get to work. If one parent must stay home to take care of the children, the other might have to work extra hours (if he or she can) to support the family. Single parents would experience the biggest difficulties.

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, 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.

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.

MITIGATION/REMEDICATION – 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 such measure will have on the workers in the garment factories.

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, brands, local NGOs and unions should work together with suppliers to provide support to workers. Where needed, Fair Wear can facilitate such collaboration. 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 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. When workers contract the coronavirus, 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. Financial support could be given to parents caring for children, especially single parents.

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

Suppliers should provide a mechanism to address questions from workers. 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 the Coronavirus. In case of (temporary) shutdown or significant changes to company policies, measures and working practices must be negotiated with worker representatives.

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. They should initiate a dialogue with their supplier to discuss and negotiate interventions and the mutual impact of any changes that are made.

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 are needed now more than ever.

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. 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.
- 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 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.
- 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, 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. 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. 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;
- 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

26 March 2020



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.