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# COVID-19 and the textile, clothing, leather and footwear industries

The world of work is facing a global health crisis unlike any other in the 100-year history of the International Labor Organization (ILO), which is spreading suffering, harming the world economy and destroying people's lives.

With increasing efforts to mitigate the effects on public health, the new disease caused by the coronavirus (COVID-19) has had a huge impact on all social and economic sectors, including the textile, clothing, leather and footwear industries. Quarantine measures, the closure of retail stores, disease and wage cuts are dampening consumer demand. At the same time, this highly globalized sector is also struggling with severe supply disruptions; as workers are told to stay at home, supply chains stop and factories close.

In addition to the health risks posed by the virus, the economic impact on industry has affected both business and the livelihoods of employers and workers. The closure of factories and shops around the world has jeopardized the viability of businesses and led to the temporary cessation or complete loss of jobs for workers. Small and medium enterprises (SMEs), a vital source of employment and growth in industry, are likely to suffer the most from this global crisis.

## 1. Impact of COVID-19

### Sales

The short-term impact of the COVID-19 crisis has been reflected in a sharp drop in sales of the industry's products, as more and more stores are forced to close due to government restrictions and consumers are instructed to stay at home. In the European Union, the textile and clothing sector is expected to face a potential 50% drop in sales by 2020.

Major brands were forced to close stores in a number of countries and subsequently faced a significant drop in global sales, a situation that is expected to continue to deteriorate in the coming weeks. For example:

- Adidas sales in China fell by 80% between January and February 2020, with the sportswear giant forecasting a \$ 1.13 billion drop in sales to China in the first quarter of 2020;
- Ralph Lauren warned that global sales could fall by up to \$ 70 million;
- Gap expects global sales to decline by about \$ 100 million in the first quarter;
- Inditex closed 3,785 stores in 39 markets - over 50% of its stores - with combined in-store and online sales down 24.1% in the first half of March 2020. Global stock markets have reacted sharply to the crisis amid a potential global recession. Almost all major brands, including Adidas, Gap, H&M and Inditex, have fallen in stock prices over the past month.

The extent to which online commerce can offset overall sales during the period of store closure remains to be seen. Merchants have introduced tactics such as free shipping and heavily discounted products to encourage consumers to shop online. However, while shopping online remains a viable option, rising unemployment, declining incomes and rising insecurity mean that buying new clothes may no longer be a priority for many consumers.

## Production

At the height of the epidemic in China, the shortage of raw materials was the main concern of clothing and footwear manufacturers, which led to disruptions in production around the world, especially in the producing countries in Southeast Asia.

As the epicenter of the pandemic shifted, first to Europe, then to the United States and the rest of the world, and the economic impact escalated, factories in many countries were forced to close. In Mexico, for example, raw material processing plants, which include textile production, have stopped production following a federal order to close all non-essential economic activities for at least a month. The sector employs over 2.1 million workers.

In China, as garment factories are slowly resuming operations, companies face challenges to increase production, such as higher costs and a continuing shortage of raw materials.

The Association of Garment Manufacturers and Exporters in Bangladesh (BGMEA) reports a number of cancellations of orders, even for garments that are already in production or completed, which has led to the closure of most of the factories affected. According to BGMEA, this represents a loss of revenue of about \$ 3 billion and affects about 2.17 million workers. These effects are felt throughout the supply chain. Cotton prices have reached their lowest levels since the 2008 financial crisis.

## Trade

While the supply of raw materials from China is improving, the decline in demand from large economies is emerging as a major constraint on trade. In Central America, Nicaragua predicted a full annual decline in exports, and Guatemala announced that its supplies would be delayed.

The medium-term impact of the pandemic will continue to be observed as major importing countries into key markets around the world emerge from the worst crisis. In the longer term, however, the pandemic could affect the composition of global textiles, clothing, leather and shoe supply and trade chains and increase re-production or close production.

## Conditions of employment and work

The decline in production and sales had a significant impact on workers, both in terms of employment and working conditions:

- Approximately 200 factories in Cambodia have shut down or reduced production and at least 5,000 workers have lost their jobs.
- In Myanmar, a lack of raw materials from China has led to the closure of at least 20 factories and the loss of 10,000 jobs. At the same time, the number of orders has fallen sharply.

- In Vietnam, approximately 440,000 to 880,000 workers may face reduced working hours or unemployment. In the worst case, that figure could rise to 1.3 million.
- In Bangladesh, nearly 2.17 million workers have been affected by the crisis, many of whom are facing unemployment as orders are canceled and production falls sharply. It is estimated that in these circumstances less than 20% of companies are able to continue to pay staff salaries for more than 30 days, and more than one million workers have already been fired or dismissed.

## **2. Responses from members and partners**

The seriousness of the COVID-19 crisis has necessitated a wave of emergency response from governments, employers and workers in the garment industry. These include measures to stimulate the economy and the demand for labor, support for jobs and incomes of enterprises and protection of workers in the workplace; reliance on collective bargaining and social dialogue to find solutions.

### **Governments**

Governments around the world are implementing economic responses to limit the economic impact of the COVID-19 pandemic. The International Monetary Fund (IMF) has so far compiled a list of policy responses for 192 economies.

In a statement issued on 26 March 2020, the governments of the Group of 20 (G20) committed themselves collectively to: protecting people's lives; to protect people's jobs and incomes; restore confidence, maintain financial stability, revitalize growth and recover faster; to minimize disruptions to trade

and global supply chains; to provide assistance to all countries in need; and to coordinate public health and financial measures.

The ILO has called on governments to extend the scope of social protection to all, and makes recommendations on measures to promote job retention, part-time work, paid leave and other subsidies to ensure that economies, markets labor and industries will become stronger, more flexible and more resilient when a pandemic occurs.

It is currently unclear how many of these macroeconomic policies and measures will have an impact on textiles, clothing, leather and footwear, in particular whether and how SMEs in supply chains will have access to financial assistance and whether major producer countries will be able to benefit from their application.

Some producer countries have offered direct support to the clothing sector: the Myanmar government has announced an initial stimulus package of 70 million dollars targeted at the clothing and tourism sectors, and the Bangladeshi government announced similar measures. However, given that many producer countries rely on export industries whose values far exceed the available economic stimulus packages, experts suggest that measures are unlikely to significantly mitigate the impact on employers or job losses in the industries. .

In Sri Lanka, factories in some regions have been temporarily closed under government directives, and workers are entitled to paid leave. Those who remain in operation must follow adequate health and safety measures set out in strict directives of the Government of Sri Lanka.

Similarly, the Cambodian government has issued instructions that temporarily suspended workers can receive 40% of their salary from the employer and another 20% from the government. It also suspended contributions to the

national social security fund for textile and clothing companies affected by a shortage of raw materials due to COVID-19.

## Employers

The International Organization of Employers (IOE) and the International Trade Union Confederation (ITUC) have issued a joint statement on COVID-19, calling for enhanced cooperation and coordination between all actors in the multilateral system and stressing the critical need for social dialogue to control the workplace virus. place and beyond. They called for urgent action to ensure business continuity, income security and solidarity to protect workers and SMEs. The statement recalled that coordination and coherence of policies were needed, to strengthen social protection measures to protect employment and strengthen incomes.

Employers' clothing and footwear organizations in the United States have called for temporary tariff concessions and increased access to capital and credit, to ensure the payment of wages affecting 4 million workers in the supply chain.

Many companies are shifting the production of clothing and textiles to the production of face masks and other personal protective equipment (PPE) 19.

Some major buyers have committed to pay for all orders that are already in production or completed. In Bangladesh, for example, H&M, Inditex, Kiabi, PVH (deferred payments), Target and VF have committed to payment. However, many other large buyers have not yet done so.

Several companies in this sector have concluded global framework agreements with IndustriALL and UNI Global Union, which provide an environment for cooperation in difficult times and can help pave the way for sustainable and inclusive recovery.

## Workers

As mentioned above, the ITUC issued a joint statement with the IOE on COVID-19.

IndustriALL Global Union, together with other global trade union federations, calls on workers' representatives to participate in the processes of identifying, preventing and mitigating threats to workers' health, rights and well-being, and to develop and implement national, sectoral and labor place answers. IndustriALL stressed the importance of protecting workers who continue to work (including safe and healthy working conditions (OSH), providing PPE, access to suppliers, safety representatives and OSH committees) and supporting workers whose jobs are reduced by providing guarantees for payment and providing access to social protection. IndustriALL contacted several brands to help mitigate the impact of the crisis on producers and workers.

The IndustriALL Global Union subsidiary, the South African Garment and Textile Workers' Union (SACTWU), campaigns to educate workers about the spread of COVID-19 in textile, tailoring, leather and footwear factories and other workplaces where the union organizes campaigns. . After South Africa entered a three-week period of isolation in late March, SACTWU reached an agreement with the National Council for Negotiations on Clothing to ensure full pay for 80,000 workers for six weeks.

The Myanmar Confederation of Trade Unions has reported on several tripartite meetings with governments and employers, which have resulted in several benefits provided to workers (such as provisions on workers' wages and sick leave) as well as employers (including measures such as tax breaks and low interest loans).

### **3. ILO tools and responses**

The ILO has proposed a four-step approach to tackling the impact of the pandemic: protecting workers in the workplace; business, job and income support; stimulating the economy and labor demand. This is based on a social dialogue to build trust between governments, businesses and workers to ensure their continued commitment to the necessary policy responses and measures in the workplace.

International labor standards are especially important in times of crisis. They provide specific guidance to governments, businesses and trade unions on the policy measures they need to take on issues such as safety and health at work, combating stigma and discrimination, working hours, protecting the wages of factory workers facing downtime, termination of employment, unemployment benefits and responsible business practices for buyers and producers.

The 2017 Recommendation on Employment and Decent Work for Peace and Sustainability (Nº 205) emphasizes the importance of social dialogue for crisis response and the vital role of employers' and workers' organizations in crisis response. Indeed, a climate of trust built through social dialogue and tripartism will be essential for the effective implementation of measures to tackle the pandemic and its impact.

The ILO has developed a number of tools and responses. They include:

- Guidelines for safety and health at work
- Answers in the field of social protection of the COVID-19 crisis around the world
- COVID-19: what role workers' organizations play
- Enterprise Survey Tool: Enterprise Needs Assessment Arising from COVID-19
- Employer's Guide to Workplace Management during COVID-19. 30

The ILO's Better Work program closely monitors the situation in its nine participating countries. It quickly changed its activities to provide support to workers, factories and brands to deal with emergencies and protect workers, as set out below.

- A crisis team has been set up to help adapt factory-level operations on key health and safety issues, coordinate information campaigns and train national partners, provide policy advice on factories and brands, and work with governments and international buyers. to determine the possibilities for protection of suppliers and their workers.
- Information sessions were organized in partnership with the World Health Organization on the Department of Occupational Safety and Health at the Ministry of Labor and Vocational Training of Cambodia and its inspectors, as well as on the Department of Labor of the Cambodian provinces.
- A working group was established in Bangladesh with the Association of Garment Manufacturers and Exporters (BGMEA), interested buyers and United Nations entities to support the production of Level 1 PPE to meet urgent needs and build capacity for future investments in the production of PPE of a higher level.
- Studies are being conducted in all factories in Ethiopia to determine the impact of Covid-19 on workers and businesses.
- In Indonesia, Better Work works with the government on an unemployment insurance scheme and on additional guidelines for the payment of wages to sick or infected workers or in the event of closure by the government. The ILO identifies ways to revitalize the textile, clothing, leather and footwear industries in a way that will lead to a more flexible and sustainable industry. This includes an analysis of the investments and sustainable industrial strategies needed to achieve cleaner production, environmental sustainability and decent work.

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