

► ILO Sectoral Brief

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COVID-19 and the textiles, clothing, leather and footwear industries

The world of work is facing a global health crisis unlike any in the 100-year history of the International Labour Organization (ILO) – one that is spreading human suffering, damaging the global economy and disrupting people's lives.

As efforts to mitigate the public health emergency intensify, the novel Coronavirus disease (COVID-19) has had an immense impact on all social and economic sectors, including the textiles, clothing, leather and footwear (TCLF) industries. Quarantine measures, closure of retail stores, illness, and salary reductions have suppressed consumer demand.¹ At the same time, this highly globalized sector is also struggling with severe supply-side disruption; as workers are told to stay at home, supply chains grind to a halt and factories close.

In addition to the health risks posed by the virus, the economic impact on the industries has affected the business and livelihoods of employers and workers alike. Factory and retail closures around the world have threatened the viability of enterprises and led to workers being suspended or losing their jobs altogether. Small and medium-sized enterprises (SME), a vital source of employment and growth in the industry, are likely to suffer the greatest impact of this global crisis.



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Garment factory in Viet Nam.

1 . Just-Style. "Timeline: Timeline – How coronavirus is impacting the global apparel industry".

► 1. The impact of COVID-19

Sales

The short-term impact of the COVID-19 crisis has been reflected in a sharp drop in TCLF product sales, as more and more shops are forced to close due to government restrictions, and as consumers are instructed to stay at home. In the European Union, the textile and apparel sector is forecast to face a potential 50 per cent drop in sales for 2020.²

Major brands have been forced to close stores in several countries and have subsequently already faced substantial drops in sales worldwide, a situation which is expected to continue to worsen over coming weeks. For instance:

- Adidas sales in China fell by 80 per cent between January and February 2020, with the sportswear giant forecasting a sales drop for China of US\$ 1.13 billion for the first quarter of 2020;³
- Ralph Lauren warned that global sales could drop by as much as US\$ 70 million;⁴
- Gap expects to experience a first quarter global sales hit of around US\$ 100 million;⁵ and
- Inditex has closed 3,785 stores in 39 markets – over 50 per cent of its stores – with combined store and online sales falling by 24.1 per cent in the first half of March 2020.⁶

Global stock markets have reacted strongly to the crisis in the face of a potential global recession. Almost all major brands, including Adidas, Gap, H&M and Inditex have suffered dwindling stock prices over the past month.

The extent to which online retail can compensate in terms of overall sales during the period of store closures is yet to be seen. Retailers have employed tactics such as free shipping and heavily discounted products to

encourage consumers to shop online. Nevertheless, while online shopping remains a viable option, rising unemployment, falling incomes and growing uncertainty mean that purchasing new clothing may no longer be priority for many consumers.

Production

At the peak of the outbreak in China, shortages of raw materials and inputs were the primary concern for garment and footwear producers, causing disruption to manufacturing across the world, and particularly in TCLF-producing countries in South-East Asia.

As the epicentre of the pandemic has shifted, first to Europe, then to the United States and the rest of the world, and the economic impact has escalated, factories in many countries have been forced to close. In Mexico, for instance, the maquila industries, which include textile manufacturing, halted 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.⁷

In China, while garment factories are slowly resuming operations, companies are facing challenges to ramping up production, such as higher costs and continuing shortfalls of raw materials.

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) has reported a series of order cancellations, even for garments already in production or completed, which has caused the majority of affected factories to shut down operations.⁸ According to BGMEA, this amounts to lost revenue of around US\$ 3 billion and affects some 2.17 million workers.⁹

2 Just Style. "Europe's textile & apparel sector facing 50% drop in sales".

3 Portland Business Journal. "Adidas reports 80 percent short-term sales drop in China due to coronavirus".

4 Economic Times. "Ralph Lauren: 4Q sales hit of up to \$70M from coronavirus".

5 Just-Style. "Gap expects coronavirus to hurt Q1 sales by \$100m", 13 March 2020.

6 Financial Times. "Zara owner to write off nearly €300m of inventory", 18 March 2020.

7 [Mexico 2020 Population Census](#).

8 Anner, M. 2020. "Abandoned? The impact of Covid-19 on workers and businesses at the bottom of global garment supply chains", (Penn State Center for Global Workers' Rights).

9 [Bangladesh Garment Manufacturers and Exporters Association](#). Impact of COVID-19.

These effects have been felt throughout the supply chain. Cotton prices have hit their lowest since the 2008 financial crisis.¹⁰

Trade

While supply of inputs from China is improving, the decrease in demand from major economies has emerged as the major limiting factor for trade. In Central America, Nicaragua has forecasted a full-year of export decline, and Guatemala has announced that its shipments will face delays.

The medium-term impact of the pandemic will remain to be seen as major importing countries in key markets across the world emerge from the worst of the crisis. In the longer-term, however, the pandemic could affect the composition of global textile, clothing, leather and footwear supply chains and trade, and accelerate the re- or nearshoring of production.

Employment and working conditions

Falling production and sales have had a significant knock-on effect on workers, both in terms of employment and working conditions:

- An estimated 200 factories in Cambodia have either suspended 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.¹¹ At the same time, the number of orders has plummeted.¹²
- In Viet Nam, an estimated 440,000 to 880,000 workers could face reduced hours or unemployment. In the worst-case scenario, this figure could increase to as many as 1.3 million.¹³
- In Bangladesh, as many as 2.17 million workers have been affected by the crisis, with many facing unemployment as orders are cancelled and production declines steeply. It is estimated that less than 20 per cent of firms are able to continue paying staff wages for more than 30 days under these circumstances, and over a million workers have already been dismissed or furloughed (Box 1).

Box 1: When orders disappear, workers suffer

When orders are cancelled, the risk of non-payment of wages and overtime increases for workers. According to a survey of employers in Bangladesh:

- 72.4 per cent of furloughed workers have been sent home without pay; and
- 80.4 per cent of dismissed workers have not received severance pay.

Source: Anner, M. Abandoned? The impact of Covid-19 on workers and businesses at the bottom of global garment supply chains (Penn State Center for Global Workers' Rights, 2020).

Non-payment of wages and the closure of factories is especially difficult for workers in countries with very weak social protection systems.

¹⁰ Friedman, A. 2020. "Cotton prices wilt below 50 cents a pound as demand", in Sourcing Journal (25 March 2020).

¹¹ Just-Style. "Workers in Cambodia and Myanmar feel coronavirus fall-out", 13 March 2020.

¹² Myanmar Times. "More woes for Myanmar garment industry as EU cancels orders".

¹³ Clean Clothes Campaign. [How the Coronavirus influences garment workers in supply chains.](#)

▶ 2. Responses by constituents and partners

The severity of the COVID-19 crisis has necessitated a wave of emergency responses from governments, employers and workers in the TCLF industries. These include measures to stimulate the economy and labour demand, support enterprises jobs and incomes, and protect workers in the workplace; relying on collective bargaining and social dialogue for solutions.

Governments

- ▶ Governments worldwide are implementing economic responses to limit the economic impact of the COVID-19 pandemic. The International Monetary Fund (IMF) has compiled a list of policy responses in 192 economies to date.¹⁴
- ▶ In a statement issued on 26 March 2020, the governments of the Group of 20 (G20) committed collectively to: protect lives; safeguard people's jobs and incomes; restore confidence, preserve financial stability, revive growth and recover stronger; minimize disruptions to trade and global supply chains; provide help to all countries in need of assistance; and coordinate on public health and financial measures.
- ▶ The ILO has urged governments to extend social protection to all and is advising on measures to promote employment retention, short-time work, paid leave and other subsidies to ensure that the economies, labour markets and industries will become stronger, more resilient and more sustainable when the pandemic resides.
- ▶ It is currently unclear how many of these macroeconomic policies and measures will impact textiles, clothing, leather and footwear, and particularly whether and how SMEs in the supply chains will be able to access financial assistance, and whether major producing countries will be able to benefit from their implementation.
- ▶ Some producing countries have offered direct support for the garment sector: the Government of Myanmar unveiled an initial US\$ 70 million stimulus package targeting the garment and tourism sectors and the Government of Bangladesh has unveiled similar measures. Nevertheless, given that many producing countries rely on the industries for exports, the values of which far exceed the economic stimulus packages available, experts suggest the measures are unlikely to significantly cushion the blow to employers or the loss of employment in the industries.¹⁵
- ▶ In Sri Lanka, factories in some regions have temporarily shut down under government directives, with workers entitled to paid leave. Those remaining operational must follow adequate health and safety measures set out in stringent directives from the Sri Lankan Government.
- ▶ Similarly, the government of Cambodia issued an instruction that suspended workers can receive 40 per cent of their salary from their employer and an additional 20 per cent from the government. It also suspended National Social Security Fund contributions for garment and textile factories affected by a shortage of raw materials due to COVID-19.¹⁶

Employers

- ▶ The International Organisation of Employers (IOE) and the International Trade Union Confederation (ITUC) published a Joint Statement on COVID-19, requesting enhanced cooperation and coordination among all actors in the multilateral system and underlining the critical need for social dialogue to control the virus in the workplace and beyond. They called for urgent action to ensure business continuity, income security, and solidarity to protect workers and SMEs. The statement recalled that policy coordination and coherence are of required

¹⁴ [International Monetary Fund. 2020. Policy responses to COVID-19.](#)

¹⁵ Just-Style. "[Myanmar Covid-19 fund unlikely to cushion garment jobs](#)"

¹⁶ [Better Work](#)

to enhance social protection measures to protect employment and strengthen income.¹⁷

- ▶ Apparel and footwear employers' organizations in the United States have asked for temporary tariff relief and increased access to capital and credit to ensure payment of salaries affecting 4 million workers in the supply chain.¹⁸
- ▶ Many companies are repurposing garment and textiles production for the production of face masks and other personal protective equipment (PPE).¹⁹
- ▶ Some major buyers have committed to paying for all orders already in production or completed. In Bangladesh, for example, H&M, Inditex, Kiabi, PVH (with deferred payments), Target and VF have committed to payment. Many other major buyers, however, have still not done so.²⁰
- ▶ Several enterprises in this sector have concluded global framework agreements with IndustriALL and UNI Global Union, which provide a context for cooperation during difficult times and can help pave the way to sustainable and inclusive recovery.

several brands to help mitigate the impact of the crisis on manufacturers and workers.²³

- ▶ IndustriALL Global Union affiliate, the Southern African Clothing and Textile Workers Union (SACTWU), is carrying out campaigns to educate workers about the spread of COVID-19 in the textile, garment, leather and shoe factories, and other workplaces where the union organizes. As South Africa entered a three-week period of lockdown at the end of March, SACTWU reached an agreement with the National Bargaining Council for the clothing manufacturing industry, to guarantee six weeks' full pay for 80,000 workers.
- ▶ The Confederation of Trade Unions of Myanmar has reported several tripartite meetings with governments and employers resulting in several benefits granted to workers (such as provisions for workers' wages and sick leave entitlements) as well as to employers (including measures such as tax relief and low interest loans).

Workers

- ▶ As mentioned above, the ITUC issued a joint statement with the IOE on COVID-19.²¹
- ▶ IndustriALL Global Union, together with other global union federations, is calling for workers' representatives to be involved in processes to identify, prevent and mitigate threats to workers health, rights and welfare, and to develop and implement national, sectoral and workplace responses.²² IndustriALL have stressed the importance of protecting workers who continue to work (including occupational safety and health (OSH), provision of PPE, access of suppliers, safety representatives and OSH committees) and supporting workers whose workplaces have closed, by providing pay guarantees and ensuring access to social protection. IndustriALL has reached out to

17 https://www.ituc-csi.org/IMG/pdf/20200323_joint_ioe-ituc_statement_on_covid-19.pdf

18 Just-Style. "US apparel & footwear firms urge support for virus impact", 23 March 2020.

19 CNN. [Fashion industry answers the call for masks and personal protective equipment to fight Covid-19.](#)

20 M. Anner: *Abandoned? The Impact of Covid-19 on Workers and Businesses at the Bottom of Global Garment Supply Chains*, (Penn Stats Center for Global Workers' Rights, 2020).

21 https://www.ituc-csi.org/IMG/pdf/20200323_joint_ioe-ituc_statement_on_covid-19.pdf

22 IndustriALL Global Union. "COVID-19: Urgent Economic Stimulus and Workplace Measures Required".

23 IndustriALL Global Union. "South African textile union wins full pay guarantee during coronavirus lockdown"

► 3. ILO tools and responses

The ILO has proposed a four-pronged approach to addressing the impact of the pandemic: protecting workers in the workplace; supporting business, jobs and incomes; and stimulating the economy and labour demand. This is underpinned by social dialogue to build trust between governments, businesses and workers, to ensure their continued commitment to the necessary policy responses and workplace measures.

International labour standards are especially crucial in times of crisis. They contain specific guidance for governments, businesses and trade unions on policy measures to adopt on matters such as occupational safety and health, combating stigmatization and discrimination, hours of work, wage protection for workers in factories facing production suspensions, termination of employment, unemployment benefits, and responsible business practices for buyers and manufacturers.

The Employment and Decent Work for Peace and Resilience Recommendation, 2017 (No. 205) emphasizes the importance of social dialogue in responding to crisis situations and the vital role of employers' and workers' organizations in crisis response.²⁴ Indeed, a climate of trust built through social dialogue and tripartism will be essential for the effective implementation of measures to address the pandemic and its impacts.

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

- Occupational Safety and Health Tips for Workplaces²⁵
- Social Protection Responses to the COVID-19 crisis around the world²⁶
- COVID-19: what role for workers' organizations²⁷
- COVID-19 Employers and business membership organizations
- The six-step COVID-19 business continuity plan²⁸

- Enterprise survey tool: Assessing the needs of enterprises resulting from COVID-19²⁹
- An employer's guide on managing your workplace during COVID-19.³⁰

The ILO–International Finance Corporation Better Work programme is monitoring the situation closely in its nine participating countries.³¹ It has shifted its operations quickly to provide workers, factories and brands support in addressing the emergency and protecting workers, as outlined below.

- A crisis team has been established to assist in adapting factory-level operations on crucial health and safety issues, coordinating information campaigns and training for national partners, providing policy advice for factories and brands, and working with governments and international buyers to identify opportunities to protect suppliers and their workers.
- In partnership with the World Health Organization, information sessions have been organized for the Cambodian Ministry of Labour and Vocational Training's Department of Occupational Safety and Health and its inspectors, and for the Provincial Department of Labour in Cambodia.
- A task force was created in Bangladesh with the BGMEA, interested buyers and United Nations entities to support the production of level 1 PPE to address the urgent needs and build capacity for future investments in higher-level PPE production.
- Surveys are being carried out in all factories in Ethiopia to understand the impact of Covid-19 on workers and business.
- In Indonesia, Better Work is working with the Government on an unemployment insurance scheme, and on further guidance on wage payments for sick or infected workers or in case of government closures.

²⁴ [The Employment and Decent Work for Peace and Resilience Recommendation, 2017 \(No. 205\)](#). See paras. 7(k), 24 and 25.

²⁵ See https://www.ilo.org/global/about-the-ilo/multimedia/video/institutional-videos/WCMS_740609/lang--en/index.htm

²⁶ <https://www.social-protection.org/gimi/ShowWiki.action?id=3417>

²⁷ https://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---actrav/documents/publication/wcms_739546.pdf

²⁸ https://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---act_emp/documents/publication/wcms_740375.pdf

²⁹ https://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---act_emp/documents/publication/wcms_740215.pdf

³⁰ https://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---act_emp/documents/publication/wcms_740212.pdf

³¹ <https://betterwork.org/1-better-work-response-to-covid19/-1585282545725-2f310604-e8bf>

Finally, the ILO is identifying ways for the textile, clothing, leather and footwear industries to recover in ways that will bring about a more resilient and sustainable industry. This includes an analysis of the investments and sustainable industrial strategies that are needed to advance cleaner production, environmental sustainability and decent work.

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