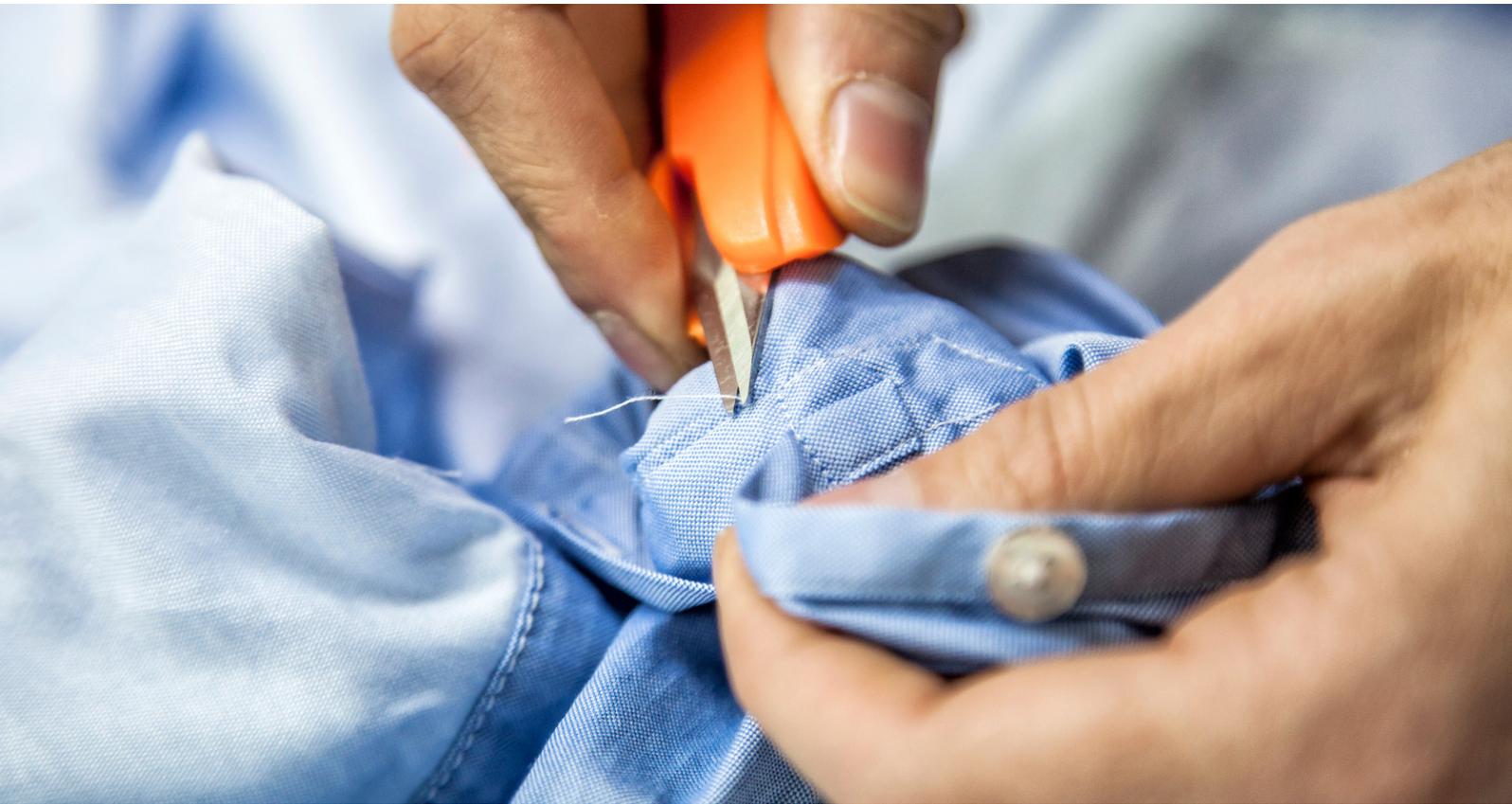


# Fashion Supply Chains, Modern Slavery and the COVID-19 Pandemic.

## Impacts, Empathy and Resilience



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# About the research

## **Impact of COVID-19 on management to eradicate modern slavery from global supply chains: A case study of Indian fashion supply chains.**

Modern slavery refers to “practices of forced labour, such as vestiges of slavery or slave-like practices, and various forms of debt bondage, as well as new forms of forced labour that have emerged in recent decades, such as human trafficking” (ILO, 2012, Pg 112). It typically targets people in economically deprived situations that leave them with no choice but to take any paid job.

The fashion industry has historically been exposed to ethical and modern slavery issues, with such issues highlighted in Indian fashion supply chains for international brands and retailers. These modern slavery issues pre-date the COVID-19 pandemic. Yet, how have economic and political responses to the pandemic in export markets, such as the UK, and in manufacturing countries, such as India, impacted workers and their vulnerabilities to modern slavery?

This report highlights the key findings of a Modern Slavery and Human Rights Policy and Evidence Centre (Modern Slavery PEC) research project, funded by the Arts and Humanities Research Council (AHRC). The project was funded through an open call for proposals to examine the impacts of the Covid-19 pandemic on modern slavery. The project explored the impact of the pandemic on the management of modern slavery risk in Indian fashion supply chains.

The project studied these impacts from the perspective of:

- UK fashion brands
- Multiple tiers of Indian fashion supply chains
- Key stakeholders (including NGOs, policymakers and industry representatives).

The research project considered the immediate impacts of the pandemic, the impacts associated with decisions taken by brands, policy makers, and other stakeholders as a response to the pandemic, and considered the longer-term impacts for the global fashion industry.

# Executive summary

The collective experiences of stakeholders in India and the UK were analysed and compared to identify how the pandemic and associated lockdowns impacted the industry, and how reactions to the pandemic by these stakeholders impacted the perception and management of modern slavery risks.

Against the backdrop of initial lockdowns instigated by national governments, fashion brands and suppliers were under significant financial pressure. Lockdowns had an immediate effect on sales of clothing and therefore, on brand turnover and profits, and ultimately their survival and employment for their workers. Existing and new orders were significantly curtailed, with a direct impact on the global supply chain. The pandemic was different to previous global crises in that it affected both brands and suppliers at the same time.

However, the impact of the pandemic on brands and suppliers was uneven. Brands only reliant on sales through physical stores suffered considerably more than online and omni-channel brands. Equally, suppliers at different tiers of the supply chain tended to see different impacts at different times. Garment makers were immediately impacted by the loss of orders, while other tiers had some insulation from some of the initial impacts of the pandemic. Actions taken by governments to enforce lockdowns further affected suppliers, with the resulting mass migration that occurred in India having a specific impact on the fashion industry due to its dependency on migrant labour.

The complexity of impacts associated with the pandemic amplified the existing risks rather than creating new forms of modern slavery. The loss of income and precarious financial situations for workers created heightened risks of bonded labour, poor pay, and human trafficking. Unpredictable demand was suspected of driving additional unauthorised subcontracting, with associated risks of unethical practices. Reductions to the capacity of Ethical Trade Teams within UK brands and fewer government labour inspections left workers exposed to exploitive behaviours across the supply chain.

However, those brands who had historically invested in ethical trading infrastructure and practices benefited from having existing communication channels and supplier knowledge. After the initial shock of the pandemic, these brands and their suppliers reported a greater mutual understanding and awareness of the impacts of the pandemic for each party. The shared experience of the pandemic fostered a new level of empathy, and, in turn, this improved communication, strengthened brand/supplier relationships, and created greater trust.

These changes were believed to enhance collaboration, improve flexibility, and create greater visibility between brands and their suppliers, in turn improving the resilience of these relationships. Over-time these changes may protect against further shocks and support ongoing governance to manage the risks of modern slavery across the supply chain. Long-term engagement with Section 54 of the Modern Slavery Act was identified as a positive factor that provided a foundation for these stronger, more resilient relationships.

Our research showed that compliance with section 54 of the Modern Slavery Act was only partially responsible for the development of improved brand and supplier relationships, and the resultant mitigation of some of the issues created by the pandemic. It was clear that awareness of the Modern Slavery Act within the supply chain had not improved since our original baseline research in 2017/18, which indicated that training and management of modern slavery issues needs to be improved and extended through the global supply chain.

# Methodology

We followed a five-step methodology to gather data and to conduct analysis to understand the impact of COVID-19 on the management of modern slavery. The methodology and analysis was underpinned by baseline pre-COVID-19 data gathered in 2017/19 across Indian fashion supply chains.

We returned to the same interviewees in the same Indian supply chains in 2020/21, and conducted additional interviews with other suppliers and stakeholders, to assess how the pandemic had changed modern slavery within the supply chain.

We re-visited UK fashion brands (buyers) and explored their actions and perceptions of the pandemic. Using a critical incident approach, we explored and compared the characteristics of the pandemic to two recent crises; the global financial crash (2008/9), and the Rana Plaza disaster (2013). The analysis, interpretation and project findings were then validated through industry and stakeholder roundtable events which also provided expert feedback.

## **1. Examining the impact of COVID-19 on Indian fashion supply chains and their relationships with international brands**

- We revisited the networks of suppliers in Southern India from Tier 1 (garment makers) to Tier 6 (cotton farms), with additional interviews with new suppliers to complete 41 interviews across the Indian fashion supply network.

## **2. Understanding external influences on Indian fashion supply chains**

- The perspective of brands and buyers was explored through comparative interviews with 15 high street and online only UK fashion brands.
- The broader contextual view of the impacts was explored with external stakeholders including NGOs, policymakers, and others (India: 11; UK: 9).

## **3. Examining changes in understanding of modern slavery and prioritisation of worker welfare**

- We analysed Indian supplier interviews gathered in 2020/21 and compared these to data we gathered from interviewees in the same and similar supply chains in 2017/19.

## **4. Understand the scale of impacts via critical incident analysis.**

- Participants were asked to reflect on their experiences of global financial crash and Rana Plaza to explore the scale and characteristics of the impacts created by the pandemic.

## **5. Testing our interpretations and assessing generalisability to the fashion industry and other sectors**

- Overarching themes and recommendations were first evaluated by the multi-disciplinary research team.
- We organised fashion industry round table events in India and the UK to test and gain feedback on our research findings and initial recommendations. The recommendations and feedback offered by industry were integrated into our subsequent reporting.
- Finally, we organised multi-industry round table workshops to test the extent to which our findings and recommendations could be applied to industries and sectors beyond fashion (particularly construction, consumer goods, and food), in addition to other sourcing regions.

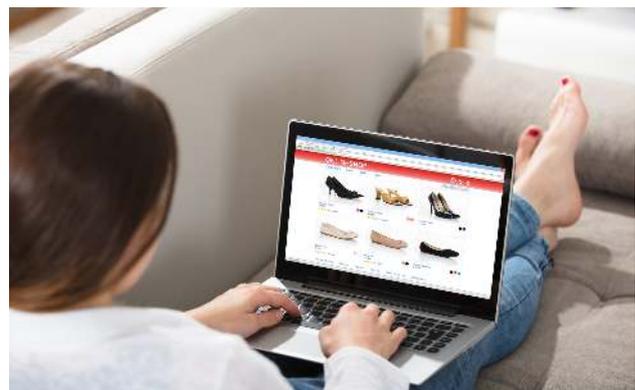
# The impact of the pandemic

On March 23rd 2020, the UK Prime Minister Boris Johnson announced the first pandemic lockdown in the UK, ordering people to “stay at home”. A day later, the Indian Prime Minister, Narendra Modi, instigated a countrywide lockdown for 21 days. These and similar lockdowns had significant impacts on societies and economies across the world, and prompted largescale changes in behaviour.

It became clear early in the pandemic that lockdowns impacted clothing and footwear industries more than many other sectors, with 68% of industry respondents reporting that their revenue had dropped to a significant or critical level (SEDEX, 2020). The pressure on UK brands and retailers was intense. After many years of severe price competition, the lockdowns had a disproportional impact on clothing sales and demand with restrictions on non-essential shopping, decimating footfall for clothing stores.

As a result of the forced closure of non-essential retail shops many fashion brands could not sell products and revisited contracts with suppliers. This became a major issue in the early stages of the COVID-19 crisis and led to widespread media criticism (McNamara, 2020). Early reports during the first lockdown suggested that 77% of suppliers had orders cancelled without receiving payment (Anner, 2020) and that this was felt across all stages of supply (that is from pre-production through to completed and ready to ship goods). This was a greater issue at the initial onset of the pandemic.

For Bangladeshi garment suppliers, it was estimated that close to US\$6 billion worth of orders had been either suspended or cancelled (WRC, 2020a). Not only did it appear that some brands were not paying for orders, but the lockdown also gave rise to unethical buying practices, such as changing prices after orders had been shipped and delayed payments (Anner, 2020). As a consequence of these corporate decisions, the pressure on fashion suppliers was more intense than ever before.



In spring 2020, UK clothing retail sales were down 68% compared to pre-COVID-19 restrictions. By the end of 2020, instore sales were still down by 22%, with only online clothing sales showing any growth (ONS, 2020a). Even with lifting some restrictions in August 2020, 85% of stores reported a reduction in footfall (ONS, 2020b), and this trend continued into October with 79% of stores reporting a further decrease (ONS, 2020a). The repercussions of the pandemic are still being felt in 2021. In the first six months of 2021 over 1,000 fashion stores have closed (BBC, 2021).

The implications for suppliers and their workers with demand for orders disappearing almost overnight were stark. Without orders and the guarantee of payment, suppliers struggled to provide paid work for their staff. Declines in demand across multiple countries removed the ability of suppliers to redirect their production to other markets, further impacting supply chain recovery (Quoreshi & Stone, 2019). For India, the government lockdown left daily wage earners and migrant workers with no livelihood opportunities, and this resulted in an exodus of migrant workers (Yadav & Priya, 2021).

The pandemic impacted both the demand side and supply side of the fashion industry simultaneously.

This contrasted strongly with past crises such as the Rana Plaza factory collapse or the financial crash of 2008/09, as these were considered disconnected experiences for buyers and their suppliers.



# The pandemic's impact has not been evenly felt

The scale and scope of the impacts of the pandemic were unevenly distributed across actors on both the demand and supply side of the industry. For the supply side the pandemic affected various tiers of the supply chain in different ways and at different times during the evolution of the pandemic. The research project identified six tiers that capture a generalised view of the supply chain for the fashion industry, starting with garment making and moving upstream to the material source of the cotton fibres:

- Tier 1: Garment Making or cut, make, trim (CMT): Suppliers in this tier tend to have direct contractual connections with the brand and supply finished goods. Garment making is a labour intensive, skilled process.
- Tier 2: Coloration: The process of adding colour to fabrics is completed by a process of dyeing using a range of chemicals and finishes via an industrial process that is often sub-contracted.
- Tier 3: Fabric Formation: Mills knit or weave yarns to form fabrics through a mainly mechanical process. Fabrics tend to form 60-70% of the overall cost of fashion garments.
- Tier 4: Spinning: Fibres are spun together to form yarns. Historically a labour intensive process, but with the introduction of new automated equipment, labour levels are very low.
- Tier 5: Ginning: The mechanical separation of the cotton seed from the cotton fibre and is the start of the manufacturing process for textiles and fashion goods.
- Tier 6: Cotton Cultivation: Cotton represents over 50% of the total fibre usage for clothing in the UK. This fibre is the basic raw material for the majority of the industry and India is one of the world's largest producers of cotton. Cotton cultivation in India is a very labour intense process.



As part of our project, we interviewed suppliers across the six tiers of the supply chain network and it was clear that tiers had different experiences of the pandemic, as well as experiencing temporal variations of these impacts.

Garment makers, due to their 'contractual' proximity to the demand side of the industry, felt the repercussions of demand side pandemic restrictions and the associated responses from brands more immediately than those suppliers further up the supply chain.

Our research found cancellations were cascaded by garment makers up stream to preceding tiers, however, there tended to be a lag to these cancellations. Order reductions ranged from -26% to -34% across all tiers (ITMF, 2020a; ITMF, 2020b). As some brands were demanding price cuts from garment makers, these demands were also cascaded up the supply chain as individual Tier 1 businesses attempted to insulate themselves from the impact of the pandemic. Upstream tiers tended to supply a range of garment makers, which in normal circumstances offered some insulation from the action of individual brands or garment makers. However, with the majority of global demand being curtailed, customer diversity for Tiers 2, 3, and 4 did not offer much risk protection from the impacts of COVID-19, hence the impact on turnover.



In India, lockdown induced internal mass migration of workers to return to their native homeland was of specific importance for suppliers, and ultimately for the demand side as the recovery developed. The migration of millions of workers had a disproportionate impact on fashion manufacturing, but mostly for Tier 1, which is characterised by labour-intensive production processes and a high dependency on migrant labour. Tiers further upstream, tend to be less dependent on labour and were less affected by the immediate impacts of worker migration. For example, cotton farming, being a rural industry and only dependent on migrant labour during the harvest period (Sept-Jan) was not initially impacted by the pandemic, but later in the pandemic, they struggled to access key agricultural commodities such as fertilisers and pesticides, creating issues of raw material supply.

As the pandemic developed, the scale and scope of impacts became unpredictable, and these impacts began to ripple up and down the supply chains and across the demand and supply sides of the industry. No better example of this can be seen than in the combined impacts of the mass-migration and the growth of online sales for UK brands, leading to a perverse and unpredicted consequence of new orders for specific product categories (e.g., loungewear) being placed with Indian suppliers during the early periods of the pandemic.



Online sales of clothing, particularly casual clothing, had been relatively strong for a number of brands. As online sales of clothing started to recover, and brands reinstated suspended orders and placed new orders. Tier 1 suppliers needed to generate turnover quickly and wanted to respond to these orders immediately but could only do this by getting workers to return to the factories quickly. However, the demand for workers was focussed only on those that had the skills aligned with the orders placed. Garment making is a skilled process

and different garment types require different sewing skills, as well as requiring different fabrics and materials (requiring corresponding skills to produce). The documented shift in demand for casual clothing created labour demand for a particular group of workers who had skills for casualwear production.

The combined pressure of garment makers needing workers with specific skills, and the desperation of many workers to return to paid employment had all the ingredients to increase the risks of modern slavery and exploitation. The skills requirement limited scope to fill labour gaps locally and increased the pressure to facilitate the transport of skilled workers back from rural areas to regions of production.

It can be argued, that in some cases, brands placing new orders did not alleviate modern slavery risks, but potentially increased the likelihood of workers being exposed to these risks as suppliers attempted to meet delivery timescales. Short delivery timescales, necessary to meet increased consumer demand, created pressures on the supply chain to deliver despite challenging conditions.

To avoid these unintended consequences a greater understanding of the supply chain dynamics and greater emphasis on communication and collaboration is needed between the demand and supply-side actors.

# Amplified Modern Slavery Risks

In 2017/19, thanks to funding from the British Academy, our research team investigated the management of modern slavery risk with a focus on Indian supply chains. The outputs of this 2017/19 project were used as the benchmark for the current project to assess changes in the modern slavery management for fashion supply chains. For an industry associated with a very wide range of modern slavery issues, the impact of COVID-19 on welfare, well-being and legal rights for millions of workers could be the most dramatic the industry has ever seen. There was a very strong expectation that workers in the fashion supply chain would be exposed to greater risks of modern slavery.

Our interviews with UK brands, Indian suppliers, and stakeholders in both countries, strongly suggested that conditions that could lead to a higher risk of modern slavery (e.g., abuse of vulnerability, restriction of movement, debt bondage, excessive overtime) had been amplified directly and indirectly by COVID-19.

Government enforced lockdowns and the return to home regions for migrant workers had direct consequences on workers and their ability to earn and access funds (SLD 2020). Internal migration was a significant issue for the textiles industry in particular as approximately 60-80% of workers within the Indian textiles industry are migrant workers, although this varies by cluster (e.g., higher proportion in the Southern cluster than NCR cluster). While indirect factors such as the impact of brand actions regarding contracts and delayed payments on the ability of factories to provide work also impacted workers' ability to access decent work.

The duration of the Indian lockdown left many textile workers, particularly those in Tier 1, in a precarious financial situation due to the extended period of unemployment and also the inflated costs of travel home when restrictions were first imposed. This financial situation exposed many workers to an increased likelihood of exploitation.

During the lockdown period, there was evidence to suggest growth in the informal sector, specifically unauthorised subcontracting of orders by factory managers. This may have been particularly prevalent as the UK and worldwide demand for clothing began to grow during the early summer of 2020. As already noted, the mass migration of workers resulted in labour shortages in the supply network, and many manufacturers had fallen into financial difficulties because of the pandemic.

Rather than turning down new orders from brands that they knew they could not fulfil, our interviewees suspected that suppliers engaged in greater use of unauthorised subcontracting to meet the orders and guarantee some sort of turnover.

The need for social distancing accentuated the difficulties in meeting production commitments and presented a risk of greater outsourcing by suppliers as one UK brand noted: "what we have also found is increased instances of factories' unauthorised subcontracting...you know, they are working with reduced capacities."

At the same time, with the very dire financial situation for UK brands and the introduction of the furlough scheme, many brands saw a significant reduction in the capacity of their Ethical Trading

teams. One NGO stated that, “we are in the middle of the worst human rights crisis of a life time and the teams that are there to deal with this are furlough and uncontactable.” Numerous interviews from suppliers and industry stakeholders reflected on how auditing and communications with ethical teams declined, as many of these teams were placed on furlough.

It was not just audits conducted by brands that were reduced, but governmental labour inspections also. Some UK brands were aware of the subcontracting issues, but either did not have the capacity or the remit to deal with this; if exploitation is happening within the informal sector, there were questions about how and who is responsible for monitoring and supporting those workers.

The mass migration within India also led to greater risks of human trafficking as laid-off workers sought employment or travel to their native regions.

Border closures, restricted travel and enforced factory closures created tension for both workers and factory owners. With little or no governmental support for workers through schemes such as furlough, the reality for textile workers was a desperate search to find any paid work in their native region, and for factory owners to fulfil whatever orders they could get. It also involved transporting workers from their native regions back to their migratory workplaces, with the risks of exploitation and harm associated with potential trafficking. It is important to note that this trafficking is internal migration within India.

There were also complicated examples of migrant workers remaining at their workplace and not travelling back to their native regions. However, it is not clear if workers were doing so under coercion from the factories, or if they were being forcefully held in a form of bonded labour, or if they were doing so through free will. With reports of some factories providing housing and food for workers who remained in the factory dormitories and even increased pay for those that did remain at the factories, there is some confusion as to the motivation for this situation.



In some interviews, there was a suggestion that factories were offering workers the opportunity to remain at the factory as this was considered a far safer option than risking the long journeys to their native homes, and the insecurity of no pay and food supply. It has also been suggested that some factories were providing this opportunity to their workers as a way of protecting their workers

from the problems created by the pandemic and the lockdown. The paternalistic motivation to keep workers safe was often associated with reduced freedom and autonomy.

There were some concerns raised by both UK and Indian interviewees regarding child labour. Although there was no direct evidence of increased levels of child labour, there was an argument that families under severe financial pressures as a result of the lockdown were more susceptible to child labour, particularly as schools were closed during the lockdown period leaving children unoccupied.

Although these examples are serious, they do not represent new forms of modern slavery. These are issues that have existed in fashion supply chains previously. However, the likelihood or scale of risk of these issues has been amplified by the pandemic and government and business reactions to the pandemic.

The only potential new aspect of modern slavery, or more precisely risk to worker safety was the COVID-19 virus itself. The requirements for social distancing, reduced staff occupancy within factories, and the need for isolation if infected, all have a direct impact on the capacity for factories to maximise their productivity and therefore turnover and profit.

There have been reports of workers being forced to work in unsafe COVID-19 environments and being pressured with threats to their job security to work in non-socially distanced environments or when they are showing symptoms of viral infection.

However, this could be argued to be an extension of the concept of unsafe working conditions rather than a specific new form of modern slavery.



# Joint experience and empathy

Interviews with participants from buyers and suppliers highlighted how different the pandemic was from previous global crises. The global financial crisis appeared to affect demand more than supply, while the Rana Plaza disaster had implications mainly for the supply side, directly in Bangladesh, indirectly felt within the Indian supply chains. The scale and characteristics of the pandemic impacts on buyers and suppliers appeared similar, creating a sense of a joint experience with one UK interviewee noting that “Rana Plaza was more distant [...] the pandemic has affected us so is easier to relate”.

Actors across the fashion industry appeared to have parallel experiences as the consequences of the pandemic and lockdowns developed in their regions. Loss of sales, reduced turnover, managing staff, and the uncertainty of when business would return were part of that joint experience. Although details varied, this sense of going through the same challenges developed a level of empathy that for many brand-supplier relationships had not existed before – even where brands had to cancel or postpone orders, there was an understanding on the supplier side as to the circumstances that had driven this decision making and vice versa when production problems emerged.

As one Indian supplier noted “companies [brands] were ready to understand as the issue was not with our company, it was the world people faced [due to the] pandemic”. Similarly, other Indian suppliers shared that “this is like an extraordinary condition right, [an] unnatural act. [The] pandemic is not a human act so we need to understand this” and that “no one’s business was affected separately, everyone lost [trade] and now everyone is trying to develop [their business again].” which provides a shared understanding and perspective.

We found brands and suppliers considered the pandemic a ‘joint experience’, they had all been affected by and were able to relate to. This was significant in two ways. First, technically, disruptions to supply usually have short recovery times, as once the supply chain recovers, there is still demand for outputs. In contrast, when there is a disruption to demand, recovery times are much longer (Tainton & Nakano, 2014). The joint disruption has thus severe and significant implications for recovery. Yet, for some brands and suppliers, it also created a level of empathy that supported a recovery from the initial shocks of the pandemic.

As the pandemic developed and the impact of lockdowns became more apparent, interviewees talked about how, as they dealt with their own issues, it created a sense of reflection about the challenges others were facing. For example, interviewees showed heightened compassion towards migrant workers and their vulnerability to exploitation.

Read about the impact of COVID-19 lockdowns on the fashion industry’s global supply chains in our report: <https://bitly.com/impactoflockdowns>

In addition, the sense of shared crisis and, to a degree, personal difficulties experienced by participants was repeatedly reported as helping drive a shared sense of understanding and acceptance of the reasons for difficult decisions being taken across the industry. Suppliers understood the need for brands to cut orders, and brands understood the need to support workers in the supply chain.

The role of brands' ethical trading teams during the pandemic was an important one that developed over time to reinforce the empathy between supply and demand, but also to strengthen relationships and improve communications between brands and suppliers.

Early in the pandemic, however, their work was initially undermined by the perceived urgency to make decisions during lockdowns. Many brands cancelled large numbers of orders with these decisions often being made at a corporate level without consultation with the ethical trading teams. In hindsight, many felt that if the ethical trading teams had been consulted, a more inclusive or nuanced response may have been found and some of the reactions to lockdowns moderated. Nonetheless, it is clear that orders would still have been cancelled or reduced due to reduced demand.

As the pandemic progressed, brands with strong ethical trading teams and who had, over many years, developed good communication channels with the suppliers at Tier 1 and beyond, began to develop stronger one-to-one relationships with suppliers. This was driven mainly by ethical trade teams who stayed in weekly contact with their supply base, exploring and understanding how the local responses to the pandemic were affecting suppliers and the surrounding infrastructures. For example, changes made to Indian labour laws at a national level affected working hours and pay. In some cases these changes weakened the minimum standards of brands' codes of conduct and would have typically resulted in audit failures to the code of conduct. By establishing open and trusted communications channels with suppliers as issues arose, it was possible to address them quickly. This was captured well by an Indian supplier's reflection:

“Brands actually supported us. They informed us regarding the disturbances faced and they asked us what other facilities or help we needed. And they mention that if there is any time delay, it's ok. And they told us about what they can do from their side and they asked us what can be done from our side as well. They supported us.”

Brands reported that suppliers would approach them to discuss problems and issues they faced locally much more frequently than had happened pre-pandemic. A UK stakeholder reflected “I definitely got a sense that they were really trying to speak to suppliers in April, May, June. And we were definitely getting told a lot more what they were discussing with suppliers.” This dialogue, and the trust that was generated was reflected in the way in which brands began to extend delivery times or offer flexibility regarding payments. Equally, suppliers were more understanding of brands and retailers' decisions not to place further orders due to their inability to sell clothes during lockdowns.

Interviews with suppliers also highlighted their gratitude to brands for sharing of COVID-19 health and safety information, which helped at a time when the level of local misinformation was extremely high.

# Resilience

The feeling of a joint experience that differentiated the pandemic from previous global shocks, and the development of mutual understanding of how the pandemic was impacting brands and suppliers created a deeper level of empathy. This was a particular finding for those brands who had historically engaged in ethical trading practices with their suppliers and continued to do so during the pandemic. This infrastructure provided the foundations for improved communication and collaboration that was reported as being important through interviews with brands, suppliers, and stakeholders in both the UK and India.

The historic commitment to ethical trading and supporting these principles as the repercussions of the pandemic rippled through the supply chain developed a level of resilience that was beneficial for both suppliers and brands, and ultimately workers. With millions of workers globally depending upon textiles supply chains it was vital that they remain functional, and therefore, supply chain resilience became an important factor in the management of modern slavery risks. Resilience is described as the ability to contain and recover from disruptions, and key characteristics for ensuring supply chain resilience is flexibility, collaboration and visibility (Juttner and Maklan, 2011).

Localised independent resilience was observed across both brands and suppliers. UK brands with food or homeware departments offset clothing losses through the sales of these essential products. One brand noted “If we didn't have food, I don't think we would be having this conversation because I don't think we would have had what we would have no money in the till.”

Brands developed their online presence more heavily to compensate for closed stores and many brands reduced their stock levels to reduce the risks of new lockdown restrictions. Interestingly fast fashion brands and their suppliers, with shorter lead times and lower order quantities, tended to be more flexible and therefore, resilient than traditional high street brands.

The smaller production runs, or “test and repeat” approach, reduces exposure posed by any single order. This is illustrated by a UK fast fashion stakeholder’s observation: “So our buying quantities are very small. Even if there is any impact, the impact is very little on us and on the supplier and our average order size is 270 garments [...] Yes, with the business model it has given us better resilience.”

Some of these fast fashion brands reported not having to cancel or delay any of their orders because of the pandemic – this was not universal across this part of the industry and some of the fiercest media criticism during the early stages of the COVID-19 pandemic were reserved for fast fashion brands who cancelled orders. This variation may be due to factors including the size of orders being placed (larger production runs) of the bigger brands, size of their online presence and ability to continue to sell delivered product.

The widespread impact of order cancellations was felt across pre-production through to ready to ship orders, with an Indian Garment Export House interviewee reflecting “One or two buyers cancelled their orders with us. Cancellation in the sense they said that they will take it back but after [a] certain period of time. They had postponed the deliveries. One or two buyers cancelled

their orders when it was in fabric stage. So, we utilized those fabrics for manufacturing for some other buyer. At garmenting stage, few had cancelled their orders.”

On the supply side, suppliers reported flexibility by manufacturing alternative textile products during the early stages of the pandemic, including pandemic specific products such as anti-viral fabrics and PPE. Although, due to the high demand and rapid growth within the PPE supply chains there were reports of labour exploitation as demand exceeded supply and relevant monitoring procedures were bypassed.

Beyond localised individual attempts to improve resilience, the strengthening of relationships and improved communication between brands and suppliers, created by the joint experience and empathy, was important for wider and long-lasting resilience. Improved two-way information flow between demand and supply increased visibility between brands and their suppliers, which facilitated greater flexibility for both parties; by working in collaboration, brands and suppliers worked in conjunction to navigate new, unpredicted issues that developed at either the demand or supply ends of the industry.

For example, as the impacts of lockdowns rippled through the supply chain, availability of raw materials was reduced, manufacturing capacity at spinners was affected and even the availability of containers to ship finished products was significantly reduced. Indian participants reported that increased openness and a higher level of trust instilled a confidence about the recovery. Those brands with good working relationships, built upon the foundations of strong ethical trading links, were able to negotiate solutions that were mutually beneficial for them and their suppliers, as the suppliers were a trusted part of the discussion. This highlighted the value of investing in ethical trade and supply chain transparency, resulting in having good systems in place, knowing where your product is being made, and measures in place to check it is actually being made there.

There has also been growth in membership for multistakeholder initiatives, and UK interviewees spoke of actively looking to increase their contacts across industry. The UK brands and their external stakeholders spoke of conversations between them that had become ‘more grown-up,’ with a greater focus on how to rectify issues caused by the pandemic. Overall, it appears there is an increase in conversations around issues involving modern slavery, and a renewed desire on how to collaborate to help combat the causes.

However, as brands and suppliers attempt to build increased resilience for their businesses, tension has grown as conflicting strategies are developed. Brands have found the closer working relationships with some suppliers, and the resultant collaboration and flexibility is beneficial, and are now looking to consolidate their supply base, by reducing the number of suppliers that they work with to create a deep but narrow supply chain. However, suppliers want to expand their networks, so they are not overly reliant on a single client. This may reflect that the levels of trust and openness felt by the suppliers is not embedded deeply enough to compensate for the risks of a narrower order book with a small number of brands.

# Implications for the Modern Slavery Act

There is a heightened risk of worker exploitation when unemployment rates rise in countries where textiles and garment manufacturing are based (ILO, 2020; Anti-slavery, 2020). During 2020, a survey of garment workers found that even though 60% were still employed at their pre-COVID-19 factory they had experienced a 21% monthly wage drop from March – August (WRC, 2020b). 75% reported having to borrow money or accumulate debt in order to pay for food, even though 43% of them were still employed (WRC, 2020b). This has the potential to contribute to debt bondage risks.

Evidence suggests there has been a reduction in factory audits as well as suppliers requesting delays to completing them as a result of the ongoing impacts of the pandemic (SEDEX, 2020). The ethical trading budgets of brands have also been reduced (Wright, 2020). Taken together, there are growing concerns for worker safety, recruitment practices and wider modern slavery risks.

While there is a generalised view of brands acting unethically by cancelling orders and leaving suppliers and their workers in a precarious financial situation during the COVID-19 pandemic, this does not reflect the full picture of how the industry responded. Crucially, this view often fails to reflect the precarious position many of these brands and their own workers were facing during the UK lockdowns and the constraints they had on the actions they could take.

Our research has identified evidence of poor practices, short-term decision making and mistakes that have been made by brands, and in some cases by suppliers during the pandemic. However, our multi-stakeholder research highlighted a level of resilience and recovery that can be associated with the long-term commitment to ethical trading practices and strategic and operational engagement with the Modern Slavery Act.

It appears that brands who had developed strong ethical trading infrastructures and had good communication foundations established with their suppliers tended to approach the pandemic in a more collaborative manner with their suppliers to find solutions to constantly changing landscapes in ways that were mutually beneficial. Those brands who positively engaged with Section 54 of the Modern Slavery Act and their responsibilities to their global supply chains, tended to understand the impacts of the pandemic better and therefore, had better tools to mitigate the impacts of the pandemic.

It is clear that even these more engaged brands made mistakes early in the pandemic, as limited supply chain visibility and the rapidity of issues overloaded their systems. It is also clear that the positive actions did not resolve all the issues for workers in the supply chain, and in most cases the responses were simply to reduce the negative impacts in the short term. Compared with the actions and approaches of brands without an ethical trading infrastructure, or limited engagement with the core principles of section 54 of the Modern Slavery Act, we argue that these brands are well-positioned to make a positive impact in the longer term. More engaged brands

had established ethical trade teams, invested in supplier communications and training, worked to map and understand their extended supply chains. Interviewees within the supply chain consistently referred to the importance of complying with ethical, social, and environmental standards, that had been specified within contractual terms. This reflects the power that embedding Environmental, Social and Governance standards within contractual relationships to communicate the importance of such issues.

Finally, a sobering finding from a comparison of responses from participants for this project with our baseline data from 2017/18.

There was no evidence of increased awareness of the Modern Slavery Act nor was there any indication of greater penetration of training to better manage modern slavery risk through the global supply chain.

The principles of the Act have not been cascaded across the supply chain and, therefore, the impact of the Act has been limited.



# Recommendations

Through observations made during our research and by feedback reported by the project participants, we can make the following recommendations:

## Brands Best Practice

**Resource dedicated ethical trading teams - view this as an investment to reduce risk and increase resilience rather than a function that is expendable when costs need to be managed down.**

The benefit for brands who have strong ethical trading teams that are integrated into key commercial decisions has meant they have been able to develop direct relationships with their supply base. This requires ethical trade teams to be viewed as a core to the buying process and it would benefit from senior leadership that can champion and represent the issues internally. This has resulted in issues being reported faster, allowing more time to respond, and improving the overall resilience to the impacts of the pandemic. It has allowed for two-way communication and the appreciation on both sides of the issues facing each brand and suppliers. This has reduced risks to both parties and lessened the impact of the pandemic on workers.

**Ethical trading teams should be integrated into commercial decision making structures.**

The implications of buying choices or contractual decisions on suppliers and workers must be considered as part of these decision making process – this would help to ensure that supplier intelligence is shared and alternative solutions are identified and presented as part of this process (for example, potential to negotiate delayed rather than cancelled orders). Many respondents understood the difficult choices that had to be made at the beginning of the pandemic. Yet, without consultation with the ethical trading teams the true impact on workers and to company reputation were not considered. Consultations led to a more empathetic engagement with suppliers.

**Capitalise on new technologies to strengthen worker voice to complement audit practices.**

This sentiment was expressed by both UK and Indian participants. Without understanding the issues facing workers within the supply chain, it was impossible to resolve them. Mechanisms to allow workers to reach out to highlight problems and issues to suppliers and brands is important – the pandemic spurred innovations in how to connect with workers while traditional in-person audits were difficult to carry out. There are encouraging reports that the use of new technologies improves connections with workers but more work is needed to understand the extent that these approaches can replace face-to-face activities. Virtual meetings and video calling provides an opportunity to augment face-to-face audits and to maintain open supplier relationships at low cost.

**Collaborate with other stakeholders and build upon the common understanding that the shared COVID-19 disruption has produced.**

Without collaboration, tackling the issues of modern slavery will be too great for any single stakeholder. Brands that have engaged in collaboration with other brands, their suppliers, and external stakeholders have benefitted from understanding what challenges others have faced, and what solutions had achieved the best outcomes. From our cross-industry roundtable it was also recommended that increased utilisation of cross-industry education and training is important.

## Government Policy

### **Mandate Engagement with Section 54 of the Modern Slavery Act.**

The consensus among participants is the lack of engagement with the Modern Slavery Act is strongly related to the lack of significant enforcement of the Act. The penalties included in the proposed Modern Slavery (Amendments) Bill (HL Bill 32) is a step in the right direction. However, the focus the veracity of the modern slavery statement and compliance with statement requirement may lead to simplified statements that can be more easily argued to be factually correct. This would reduce the potential information value of such statements.

### **Garment Adjudicator.**

Like the Groceries Code Adjudicator there was support for the calls made by the Environmental Audit Committee for a Garment Adjudicator (GA). The GA would be able to apply governance across the industry and develop a level playing field for brands which help enforce the requirements of the Modern Slavery Act. It could also allow for a centralisation of the auditing process, reducing the number of audits that suppliers must conduct for various brands and retailers.

### **International Labour Laws.**

Upholding labour laws that provide the framework for brands and suppliers is an important role for governments across the global fashion value chain. However, with the highly globalised nature of the fashion industry, closer collaboration and cooperation between governments under the leadership of the ILO and with support from the OECD (Guidelines on MNEs) is vital to supporting productive business relationships and protecting the human rights of workers in the extended supply chain.

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