



**FAIR &
SUSTAINABLE
TEXTILES**

EUROPEAN CIVIL SOCIETY STRATEGY

COVID-19 crisis: impacts on textile, garment, leather and footwear sector.

The urgency of a EU comprehensive strategy to mitigate the effect on a high-risk value chain

As the EU and the entire world face an unprecedented health and economic crisis, the textiles, garments, leather and footwear supply-chain is particularly hard hit. On the one hand, two major production hubs (China and Italy) have been severely affected by the virus, causing significant disruption on the supply side. On the other, a collapse of demand has, in turn, led to brands and retailers breaking contracts, cancelling orders, delaying shipments and asking for discounts from suppliers. As brands cancel their orders, the consequences are being disproportionately felt by the most vulnerable in the supply chain, namely the workers and farmers. Although the negative impact is widespread, contract labourers, home based workers, migrants, daily wage workers and piece rate workers are especially at risk. Order cancellations lead to immediate loss of current and future wages, which is dramatic for workers, farmers and the families they support since social protection coverage is absent or limited in most production countries. These economic shocks are further aggravated by the major public health crisis and resulting government-mandated lockdowns in many producer countries.

While the scale and the impacts of the COVID-19 crisis may not have been foreseen, it does further bring to light the fragility and the power imbalances of the textile, garment, leather and footwear (TGLF) value chain. Once the COVID-19 crisis has been overcome and these supply chains need to be rebuilt, we must ensure that these become more resilient and equitable. Although the Shadow European Strategy for Sustainable Textile, Garments, Leather and Footwear was formulated before the COVID-19 crisis, it contains the necessary tools for a more robust and fair TGLF sector.

Impacts of COVID-19 crisis on TGLF value chains

The crisis has led to a collapse in the global demand for clothing. During this moment of extremely low demand, a number of brands and retailers are taking advantage of the power imbalance they hold over suppliers and workers in the global garment industry by cancelling orders for goods (including those already in production or produced), delaying payment terms, not paying all their orders or demanding discounts¹. These companies include EU-based brands such as C&A, Primark and Bestseller². These egregious and unfair practices have devastating consequences for workers worldwide who are living hand to mouth and

¹ https://read.oecd-ilibrary.org/view/?ref=129_129619-6upr496iui&title=COVID-19-and-Responsible-Business-Conduct, <https://traidcraftexchange.org/s/Principles-for-a-supply-chain-bailout-package-during-COVID-19-pandemic.pdf>

² <https://www.workersrights.org/issues/covid-19/tracker/#AboutTracker>. Last accessed on 23rd of April 2020.

find their employers unable to pay them adequately. They also lead to unnecessary waste, given that fabric has been bought, cut and sometimes even sewn only to never appear in stores. Reports from garment producing countries in South and South-East Asia, as well as EU producers such as Romania, Bulgaria and Poland, indicate that brands are demanding discounts of up to 30% from their suppliers³. In Bangladesh, 80% of the surveyed suppliers said that they were unable to provide severance pay when order cancellation resulted in workers dismissals⁴.

This kind of behaviour by brands and other buyers gives them an unfair competitive advantage over those brands who do honour their contracts. Furthermore, it undercuts companies in the clothing and shoe sector who are going above and beyond by putting in place responsible business practices. It also leads to perverse effects in the value chain, and severely inhibits the ability of suppliers to respect the rights of their workers.

The consequences of COVID-19 crisis reverberate along the entire value chain, including the used textile management and ability of re-use operators to run their activities. Social enterprises active in re-use have been proving their resilience in the time of crisis. Many of them maintain the textile collection where possible despite the difficulties and modify their activities in order to directly help with the relief response, such as through material donations to people in need or sewing face masks. However, the next few months will be decisive for their survival due to deepening social and economic problems.

Clear and strong communication of accurate information to consumers will be necessary to support the second-hand market and respond to expected concerns about health, linked to re-using textiles. Consumers need to be reassured and encouraged to keep forming circular consumption habits and re-use rather than turning to more wasteful alternatives.

The current situation also risks causing delays in adopting policy measures and further exacerbating many of the negative impacts mentioned in the Civil Society Shadow Strategy, which proves the urgency of the EU taking action.

Overcoming this crisis

The way forward requires maintaining the EU Green Deal and Circular Economy as political priority and making a comprehensive change in TGLF value chains. This change will not only lead us towards a fairer and more sustainable textile sector, but also a more resilient one, which is better equipped to overcome challenges in the future. The comprehensive approach, combining both, legislative, regulatory and other non-legislative action will mitigate the risk of abuses of power by some actors in the value chain.

Building strong and resilient partnerships with the manufacturing and raw material producing countries, both within and outside the EU, needs to be part of the EU global response. Responding to the current crisis and building renewed and sustainable TGLF value chains in producing countries will require the EU to continue its engagement in meaningful policy dialogue with all stakeholders and international cooperation⁵.

³ <https://asia.floorwage.org/wp-content/uploads/2020/04/The-Emperor-Has-No-Clothes-Final1.pdf>

⁴ <https://www.workersrights.org/wp-content/uploads/2020/03/Abandoned-Penn-State-WRC-Report-March-27-2020-1.pdf>

⁵ https://eeas.europa.eu/delegations/myanmar-burma/77355/covid-19-rapid-response-eu-creates-%E2%82%AC5-million-emergency-fund-myanmar-garment-workers_en

The reliance on voluntary codes and guidelines to push for changes in business behavior needs to make way for regulatory and binding frameworks to balance some of the power asymmetries within the sector. This crisis evidences that in the absence of these frameworks, some companies are ignoring their responsibilities towards their suppliers and workers. EU regulatory actions on transparency of the supply-chain, binding human rights due diligence legislation and unfair trading practices is now more relevant than ever.

At this time of crisis, we call for European commitment to building strong, fair and sustainable supply-chains. Measures and support packages that will be put forward by the European Union, the Member States and its financial bodies should put the respect of human rights, governance and the environment at their core. The current crisis should be taken as evidence of the need for an ambitious Green Deal. We cannot return to business as usual, and the policies resulting from the Green Deal and the Circular economy action plan must mark a decisive move in a new direction.

The Civil Society proposal for a European Strategy for Sustainable Textile, Garments, Leather and Footwear has the ambition to deliver a guidance to the EU, not only to overcome this crisis, but also to establish the basis for a fairer, more sustainable and more resilient sector, capable of overcoming this and future global crises.