



International
Labour
Organization

Decent Work in
Garment Supply
Chains Asia

▶ What next for Asian garment production after COVID-19?

The perspectives of industry stakeholders



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Executive summary

Garment manufacturers in Asia, the industry's largest global hub for production, have been severely impacted by the COVID-19 pandemic. Many have been forced to shut down operations either temporarily or permanently, and this has left millions of garment workers, the majority of whom are women, unemployed, furloughed or facing reduced hours and income.

Although longstanding to the sector, the pandemic gave acute exposure to the fragility and structural inequities of the garment supply chain, something that has led those in the industry to once again question its future viability. Already, debates are emerging about how production dynamics and practices will have to transform to survive in the post-pandemic era.

To explore the nature of these changes and examine the implications for production systems and practices in Asia, the ILO conducted a qualitative study in July 2020 with a group of 16 industry experts. The results provide an early and tentative picture of industry sentiment on key questions related to the future of Asian garment production, including the role of technology, buyer-supplier relationships, and the impact on workers.

Being based on a small group, the study is indicative rather than definitive, and more empirical validation will be required in the future to build a more authoritative picture of the trends and dynamics identified. Nonetheless, it provides an important outlook from a constituency that knows the industry well and will be front and centre of the decisions shaping its future in the post-COVID era.

Industry experts agree that the COVID-19 pandemic will continue to shape garment production in Asia well into 2021 and beyond. However, with a complex structure and vast array of stakeholders involved at various parts of the supply chain, it is difficult to envisage a single fate or future for the industry as a whole. More likely, therefore, the sector will evolve in multiple, sometimes competing and contradictory, ways in the coming years.

According to participating experts, Asia will continue to dominate global garment production also in the future. As buyers look to mitigate risks and adjust sourcing strategies as a result of the pandemic, some buyers will prioritize working with more professionalized manufacturers with more advanced operations, while others may double down on cost prerogatives. Both types of manufacturers are found in Asia, where they are highly competitive.

The study also indicates that COVID-19 may precipitate a growing divide between Asian garment manufacturers. On the one hand, larger and more professionalized manufacturers will sustain or scale-up factory upgrading and technological investments, allowing them to be more selective when picking customers. On the other hand, some factories may be incentivized toward a renewed 'race to the bottom' to attract buyers that are looking to reduce costs to offset financial losses incurred during the pandemic. The increasing gulf between manufacturers could have implications on the future structure of Asian garment production.

The pandemic will likely accelerate the uptake and adoption of technology in the sector, especially of digital and analytical tools, thus enabling faster and more efficient production among already more professionalized manufacturers. After an initial deterioration in social and environmental standards due to enterprise level financial constraints, some of the experts predict a new and more forceful phase of industry collaboration to improve longer term industry sustainability.

Study participants agreed that garment workers in Asia will likely see increased precariousness and competition for jobs in the shorter term, with a possible deterioration in working conditions where social compliance investments are downgraded. Technological upgrading and increased competition for jobs may also cause women to be crowded out in the longer term, which is particularly concerning given the role the industry has played in generating millions of formal jobs for women across Asia in the last three decades. Governments and social partners together with other industry stakeholder have an important role in mitigating the impact on garment workers.

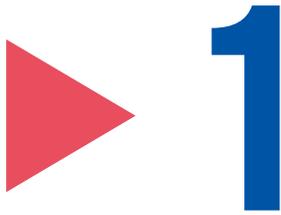
In the longer term, the pandemic may result in an expansion of social protection measures in a number of Asian countries, as governments invest in new social contracts to boost economic resilience and protect working people from future shocks. If combined with a renewed focus on social and environmental sustainability in the sector, this could have a transformative impact on the future of work in garment manufacturing, leading to greater resilience both for businesses and workers across the region.

Abbreviations

AI	Artificial Intelligence
BGMEA	Bangladesh Garment Manufacturers and Exporters Association
CMT	Cut-Make-Trim
CSR	Corporate Social Responsibility
ETI	Ethical Trading Initiative
FOB	Free on Board
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GTF	Garments, Textiles and Footwear
ILO	International Labour Organization
IMF	International Monetary Fund
OSH	Occupational Safety and Health
PPE	Personal Protective Equipment
SAC	Sustainable Apparel Coalition
UNCTAD	United Nations Conference on Trade and Development
WHO	World Health Organization







Introduction

The garment industry is facing its latest and potentially worst crisis ever with the COVID-19 pandemic. Since the World Health Organization (WHO) declared the spread of the novel coronavirus as a pandemic in March 2020, infection numbers have continued to rise globally.¹ To slow the spread of the coronavirus, many countries have resorted to drastic measures. Prolonged lockdowns and uncertainty affected, and continue to affect, both the supply- and demand-sides of the economy. On the supply-side, global manufacturing plunged as the supply of inputs were disrupted due to the closing of factories and borders. On the demand side, consumers deferred or stopped consumption due to uncertainty and job losses.² The result have been a severe global economic slowdown. The International Monetary Fund (IMF) predicts that 2020 will be the worst economic downturn since the Great Depression.³

The garment sector has been disproportionately hit by the pandemic.⁴ Lockdowns and uncertainty led to a decrease of 60 to 70 per cent in apparel sales from April to May.⁵ For 2020, estimates predict a 27 to 30 per cent decline in revenues for the industry.⁶

For Asia's garment manufacturers, challenges on the supply-side have eased during the second quarter of 2020. With many factories in the region highly dependent on raw materials produced in China, the suspension of production in Chinese textile factories in January 2020 initially disrupted supply lines and created raw material shortages downstream in garment producing countries.⁷ For example, over 90 per cent of manufacturers in Bangladesh reported delays in raw material shipments from China in early 2020.⁸

However, garment manufacturers across the region are still facing severe demand-side difficulties. The financial distress of buyers has led to many cancelled and suspended orders for garment manufacturers across Asia.⁹ Citing the COVID-19 pandemic, some buyers invoked force majeure clauses in their contracts and delayed or cancelled payments and orders, especially during the early stages of the pandemic, which was followed by a public outcry by garment associations, workers, consumers and NGOs.¹⁰ Other buyers have committed to pay for completed orders or orders in production and to support their suppliers.¹¹ As a result of this massive drop in demand, many garment manufacturers are fighting for survival and have been forced to shut down operations temporarily or permanently.

1 WHO, 2020a.

2 ILO, 2020a; ILO, 2020b.

3 IMF, 2020.

4 ILO, 2020b.

5 BCG, SAC & Higg Co., 2020.

6 BOF & McKinsey, 2020.

7 BCG, SAC & Higg Co., 2020; ILO, 2020a.

8 Anner, 2020.

9 BCG, SAC & Higg Co., 2020; ILO, 2020c.

10 Leitheiser et al., 2020.

11 Reuters, 2020a; Reuters, 2020b.

Garment workers are being highly affected by the pandemic.¹² Millions of garment workers, the majority of whom are women, have had to reduce work hours or have been furloughed or dismissed. In Bangladesh, for instance, 2.28 million workers have had their jobs affected by the pandemic.¹³ For many workers who depend on their income from the garment sector to meet their daily needs and support their families, a reduction of working hours much less the loss of a job is an economic and social disaster. Women and migrant workers, many of whom send remittances to families in rural areas, are particularly vulnerable to the negative consequences of the pandemic.

 I think there's a consensus that there is a desire for more resilience in global supply chains.

▶ David Kucera, Senior Economist, ILO

While it is not yet clear to what extent COVID-19 will impact the Asian garment industry in the long term, it is already being debated how the crisis will affect garment production in the region. The fragility of garment supply chains has led many to suggest that the industry will look different post-COVID-19. Some have proposed that the pandemic could accelerate already existing production trends such as automation and nearshoring, while others have suggested that it could provoke a range of other shifts, including on-demand production, the end-to-end digitization of garment supply chains and industry consolidation.¹⁴ Such changes would have far-reaching impacts on Asian garment manufacturers as well as its women and men workers.

This report aims to derive an early outlook from the perspective of a group of industry stakeholders on how the COVID-19 pandemic will affect garment production systems and practices and how this in turn will impact Asian garment manufacturers as well as their women and men workers. To respond to these questions, a qualitative study was conducted from June to July 2020, with a group of 16 industry experts to collect data using a four-step approach.

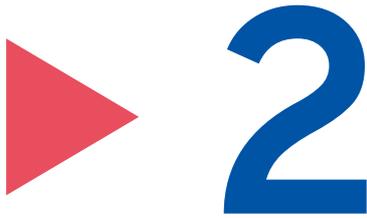
The report is organized into five sections. Following this introduction, the second section of this report will outline the applied methodology. The third section will provide an overview of the Asian garment manufacturing industry before the COVID-19 outbreak. The fourth section will present and discuss the results of the conducted study. Lastly, the fifth section will summarize the conclusions of the study.

¹² ILO, 2020c.

¹³ BGMEA, 2020.

¹⁴ BCG, SAC & Higg Co., 2020; BOF & McKinsey, 2020; Forbes, 2020; Sourcing Journal, 2020.





Methodology

This study followed a qualitative, four-step research methodology to explore the possible long-term impacts on production systems and processes in the garment industry post-COVID-19. For the purpose of the study, 16 garment industry experts were invited to provide their insights. While the 16 industry experts know the industry well and represent key stakeholders' groups, the study does not claim their views to be representative of all experts and stakeholders. Table 1 depicts the distribution of experts to organizational types. A full list of participating industry experts can be found in Appendix 1.

► **Table 1. Distribution of participating experts across different types of organization.**

Type of Organization	Number
Academia	3
Buyer (i.e. brand, retailer)	3
Consultancy	1
International organization	1
Employer's organization	1
Manufacturer	2
Multi-stakeholder initiative	2
Non-governmental organization	1
Trade union	2

During the first step of the research process, a desk literature review was conducted to map out the conditions as well as ongoing transformations in the garment industry before the COVID-19 outbreak. In the second step, participants completed a survey which was then used to narrow down the scope of the research and to identify a set of broader topics that participants suggested would be most impacted by COVID-19. The survey was structured around five key areas, determined via the literature review to be so called 'influencers' that impacted the sector prior to the COVID-19 outbreak. The five areas were in turn broken down into a number of subtopics.

► **Table 2. Influencers and subtopics.**

Influencers	Subtopic
Technological advances	Automation & robotics
	Digitalization (internet of things, AI, blockchains)
	Rise of e-commerce & omnichannel retail
A new globalized world	Uncertain geopolitical and trade climate
	Rise of middle class in Asia
	New low-cost sourcing destinations beyond Asia
	Industrial upgrading and improved manufacturing capacities in Asian countries
	Climate change
Supplier-buyer relationships	Vertical integration
	Consolidation of suppliers / shortening of supply chains
	Stronger partnerships & intensified collaboration, knowledge transfer
	Nearshoring / onshoring
	Transactional supplier-buyer relationships
	Downward price pressure
	Shorter lead times
	Rise of tier 1 manufacturers
Sustainability & compliance	Cleaner production and environmental sustainability
	Labour practices and working conditions
	Gender equality
Management of factories	Manufacturing methods
	Human resource management
	Professional development and training of workforce
	Management practices

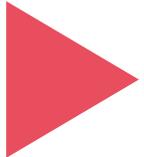
In the third step, semi-structured interviews were conducted and recorded with all participants to create an in-depth understanding of their views. The topics for the semi-structured interviews were derived from the initial survey results. The interviews were then transcribed, coded and analysed through a framework analysis.¹⁵

In the fourth and last step, two roundtable discussions were held with invited experts. At these occasions, experts were confronted with preliminary findings derived from the data collection process. Experts were asked to validate the preliminary findings as well as raise any diverging views and point out potential gaps or missing information. The ultimate objective of the roundtable discussion was to arrive at a consensus on how COVID-19 will transform production systems and practices in the garment industry and its implications for Asian factories and its workers. In that sense, the data collection process can be said to have been inspired by that of the Delphi study.¹⁶

¹⁵ Srivastava & Thomson, 2009.

¹⁶ Helmer-Hirschberg, 1967.





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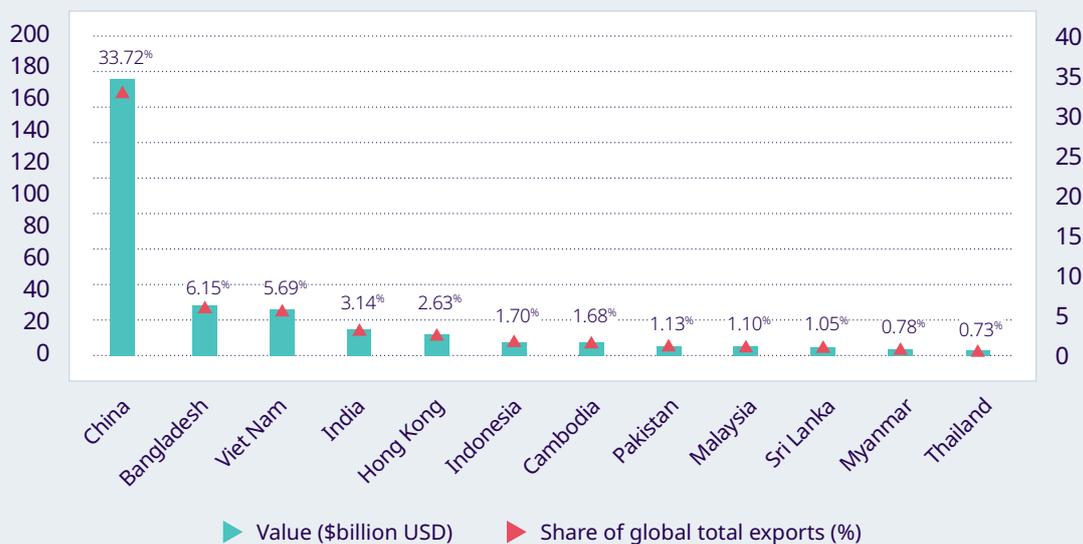
The Asian garment industry pre-COVID-19

3.1 The world's hub for garment production

With seven of the world's top ten garment exporting countries, Asia is the garment industry's hub for production. According to data from the United Nations Conference on Trade and Development (UNCTAD), in 2018 Asian countries exported \$341 billion worth of garments, accounting for approximately 64.7 per cent of global exports. The People's Republic of China is still the undisputed dominant player in garment exports, producing approximately 33.7 per cent of global garment exports. However, neighbouring countries, including the People's Republic of Bangladesh, the world's second largest garment exporter with US\$ 32.3 billion in exports in 2018, and the Socialist Republic of Viet Nam, the third largest exporter with US\$ 30.0 billion in export in 2018, are increasingly gaining market shares. Indeed, while China's share of total global garment exports has dropped slightly from its peak of approximately 37.3 per cent in 2014, Bangladesh and Viet Nam have seen an increase in exports of approximately 35.0 and 74.7 per cent respectively during the same time period.

▶ Figure 1.

Total export values of the top Asian garment-exporting countries (US\$ billions) and percentage of total global garment exports in Asia in 2018.



▶ Source: Author's own estimates from the United Nations Conference on Trade and Development: UNCTADstat Database, Standard International Trade Classification (SITC) Rev. 4 group 84. <https://unctad.org/en/Pages/Statistics.aspx/> [accessed 10 Aug. 2020].

► The dominant player: China

With the joining of the World Trade Organization and as trade regulations in the industry eased in the early 2000s, China fully emerged as a competitive and integrated garment producing country and was able to increase its garment exports significantly. Low labour costs, full-package production systems, fast production, shipment to key export markets as well as the ability to produce on economies of scale, gave China a comparative advantage over other garment producing countries, whose key comparative advantage was primarily lower wages that enabled an inexpensive assembly process.¹⁷ Today, China is still the dominant player in garment production, accounting for about 33.7 per cent of global exports. However, from 1995 to 2014, Chinese garment exports went from roughly 30 to 15 per cent of the country's total merchandise exports, indicating that the sector's importance for the country has decreased as other sectors have grown over time.¹⁸ Rising labour costs and a focus on upgrading the Chinese economy to focus on more advanced industries and higher-value added goods, has led the garment industry to continue to also expand in neighbouring Asian countries, often with the assistance of Chinese investors.

Today, the Asian garment industry is highly important in terms of providing employment opportunities for workers in the region and has helped lift millions of workers out of monetary poverty. Furthermore, it is one of the sectors in which a large share of women can find formal sector employment. Constituting a steppingstone on the industrial ladder, it has been incremental for the socio-economic development of many Asian garment-exporting countries.

Asia's prominent role when it comes to garment production is the result of several contributing factors, including close proximity to raw materials, a large supply of low-cost labour and international trade agreements as well as quota systems.

The latter has been important in terms of enabling production to take hold or grow in least developed countries like Bangladesh, the Kingdom of Cambodia and the Republic of the Union of Myanmar (mostly by specializing in the final assembly stages of garment production).¹⁹

Garment producing countries in Asia have pursued different growth strategies. While some countries in the region have successfully upgraded their garment sectors to produce and export higher value-added garments, others have continued to produce low-cost garments.²⁰ Apart from countries in East Asia, such as China and the Republic of Korea, countries that have upgraded their sectors include the Democratic Socialist Republic of Sri Lanka, Malaysia and the Kingdom of Thailand. These countries all have capacity to produce more advanced items and to undertake further value-added activities across the garment value chain. Factories in these countries are typically organized to perform an integrated and higher value-added form of exporting referred to as full-package supply or free on board (FOB). This entails focusing on more value-added activities, such as purchasing materials, providing production services, and finishing and packaging for delivery to the buyer.

Other countries, such as Bangladesh, Cambodia and Pakistan have continued to primarily focus on producing low-cost garments. This has proven to be a successful garment exporting strategy - if indicated in terms of value of exports. For example, between 2012 and 2017, Cambodia and Bangladesh increased their garment exports on an average annual basis of 18 per cent and 13 per cent respectively. Today, the countries are some of the largest actors globally when it comes to garment production.²¹ The factories operating in these countries focus primarily on the assembly stage, also known as Cut-Make-Trim (CMT).

17 ILO, 2005.

18 ILO, 2016a.

19 ILO, 2005.

20 However, it is worth noting that Asian countries often have garment sectors constituting of factories with varying capacity, and that boundaries in the garment supply chains are fluid.

21 ILO, 2017b.

Today, the garment industry in most emerging Asian countries is positioned at the CMT level, and CMT factories employ the majority of the workforce. Competition amongst CMT factories is particularly high as they are typically the entry point to the garment value chain and hold low barriers to entry. These factories are often less professionalized, tend to have decent work deficits and lower levels of productivity.²² However, it is important to note that the garment manufacturing landscape in Asia today is highly diverse. Manufacturers in the first tier of garment supply chains are increasingly large, professionalized and internationally competitive operations and have been referred to as the 'rising power manufacturers'.²³ Some of these firms are transnational conglomerates, with production units in different sourcing destinations in Asia and beyond and are capable of performing a variety of different functions and high value-added activities.

3.2 Decent work challenges

While Asian garment production is important in providing employment opportunities, the industry is characterized by systemic constraints that contribute to unsustainable processes and practices within factories. Increasingly shortened lead times and downward pressure in terms of costs have contributed to persistent decent work deficits and negative environmental impact in the industry.

For example, occupational safety and health (OSH) related issues and unsafe workplaces have resulted in fires and building collapses. Repetitive movements, poor machine safety, improper handling of chemicals and exposure to steam and hot fluids are additional health hazards.²⁴ Further, minimum wages remain low, and despite most workers in the garments, textiles and footwear (GTF) sector in Asia working an average (mean) of close to 50 hours per week, wages are often insufficient for workers to provide for their families.²⁵ This contributes to excessive overtime and long working hours, which are common throughout the industry.

Not every country in the region has adopted legal protection for the rights to collective bargaining and freedom of association, and even in those that have, implementation of legal instruments remains inconsistent and union membership remains low.²⁶ Other factors that influence the effectiveness of unions include competition between enterprise unions, anti-union sentiment, and gender stereotypes.

Female garment workers face additional challenges as they are often subject to discrimination. For example, women workers throughout the sector consistently earn lower wages than men. Furthermore, women typically work at the shop floor, while men are more often employed in more highly-paid technical and managerial positions.²⁷ Despite accounting for the majority of the workforce, women's voice, representation and leadership in management, unions and employers' organizations throughout the sector remains limited. Female workers are also more likely to encounter gender-based violence and sexual harassment and face discrimination and other barriers related to maternity benefits and care obligations.²⁸

3.3 A transforming industry

Before the COVID-19 outbreak, both actual and anticipated transformations in the garment industry have led to a debate about Asia's role in the future of the garment sector. For example, uncertainty in the global trade landscape, technological advances, and increased focus on environmental and social sustainability are all considerations for garment manufacturers that also have to keep up with the demand for increasing speed and flexibility in the industry. The following section will present a few of the so-called influencers that were more or less present in the garment industry prior to COVID-19 and which have been suggested to shape and transform present as well future garment production.

Emergence of a new globalized world

22 Merk, 2014.

23 Merk, 2014.

24 ILO, 2017b.

25 ILO, 2018.

26 ILO, 2017c.

27 Naeem & Woodruff, 2015.

28 Better Work, 2019.

While globalization has underpinned the current model of garment production for several decades, a new era of globalization has emerged in recent years. This new era has been characterized by more uncertainty in the geopolitical and trade climate with new rising actors and ongoing shifts in the global order.²⁹ The features of this new globalized world is impacting trade patterns, including the future role of China in global manufacturing.

The expansion of consumer markets in Asia, where the middle class is projected to rise to 3.5 billion people by 2030, is predicted to drive up demand for garments in the region.³⁰ This could increase the presence of regional supply chains as garment manufacturers start producing for their own domestic or regional markets rather than Western markets.³¹ Furthermore, buyers may increasingly feel impeded from investing heavily in any reshoring attempts, as they want production to remain close to high-growth consumer markets in Asia.

Technological advances

Technology has changed the garment industry in terms of giving rise to e-commerce and omnichannel retail channels.³² In order to respond to this development, garment factories has needed to become increasingly agile and capable of producing smaller orders. On the other hand, the presence of new online platforms that enable factories to access buyers directly is also giving factories enhanced outreach and communication capabilities.

Digitalization, and the increased usage of artificial intelligence (AI) and blockchain technology, have the potential to change how supply chains are managed as well as how and where production takes place.³³ For instance, digitalization of factory operations could help optimize various processes, including spreading, cutting, bundling, sewing, pressing and packaging. If widely adopted across the supply chain, these technologies would require garment factories to be able to respond to this increasingly virtual model of operating, communicating and engaging within the supply chain process through digital means.

The importance of technology adoption in garment manufacturing has been highlighted as a key element for garment producers to increase their efficiency and value addition. Automation could increase efficiency and decrease lead times. If adopted to a larger extent by factories in Asia, these technologies would have far-reaching implications for the current, highly worker-dependent model of production.³⁴ However, views diverge on how likely it is for technological advancements to disrupt and fundamentally change the way garment production is conducted. Indeed, technologies available to the industry require high initial investments and the Asian garment industry has been slow in adopting new technology and innovation, partly due to low wages causing less incentives to do so, but also due also to technical impediments and financing gaps.³⁵

Transforming buyer - supplier relationships

In what has been called the 'quintessential buyer-driven industry', garment manufacturers must be able to respond to the changing demands and priorities of buyers in order to remain competitive in a highly crowded market. For a long time, labour costs were a deciding factor for buyers in their sourcing decisions. However, other factors have grown in importance over time (even while price remains a significant factor). For instance, as the growth of fast fashion has required shorter and more responsive product cycles (and more of them), factories have been pressured to shorten lead times and increase efficiency and flexibility to remain competitive. In addition, growing consumer activism and awareness of the industry's social and environmental footprint has created a greater role for social and environmental compliance and corporate social responsibility (CSR) considerations in buyer sourcing decisions. Manufacturers must be able to respond to these new developments while still remaining competitive from a cost perspective.

29 ILO, 2019a; BOF & McKinsey, 2019.

30 Kharas, 2017.

31 ILO, 2019a.

32 BOF & McKinsey, 2019.

33 ILO, 2019.

34 ILO, 2016a.

35 Kucera & Mattos, 2020.

The garment industry has seen a polarization in terms of how buyers engage with their suppliers in order to optimize their supply chain. At one end of the spectrum are so called 'transactional' or 'arms-length relationships', often coordinated by vendors or intermediaries. These garment supply chains are characterized by complexity and fragmentation, with a large number of suppliers scattered in different supplier countries.³⁶ On the other end, there is a rising trend of vertically integrating and consolidating supply chains. As a response to e.g. speed to market and increasing concerns over sustainability issues, some buyers have aimed to reduce the number of suppliers to have better oversight of the entire chain. This model enables them to build closer partnerships with their tier 1 suppliers and to intensify collaboration, which enables knowledge transfer and the building of capacities of Asian factories over time.³⁷ This approach is more common among buyers that rapidly supply markets with new products or those that produce higher value-added products.

Increasing focus on sustainability

As consumers, non-profit organizations, development actors and governments become more aware of the persistent decent work deficits and negative environmental impact of the garment industry they are increasingly putting pressure on both buyers and garment manufacturers to ensure more sustainable production processes and better labour practices.³⁸ Today, multi-stakeholder initiatives in the garment industry, such as Better Buying, the Ethical Trading Initiative (ETI) and the Sustainable Apparel Coalition (SAC), enable representatives from different parts of the garment supply chain to work together towards a more sustainable industry.

For this reason, environmental issues, such as carbon emissions, energy and resource consumption, and waste management, are gaining importance for factories and brands alike, alongside labour practices. This is especially the case for strategic supplier factories, while of less of importance for subcontracting factories or those supplying to less prominent buyers or brands, which are less exposed to external pressure.

Adoption of modern management concepts

The garment industry still relies heavily on labour-intensive methods. The lack of a skilled workforce, poor management practices and outdated machinery are factors that contribute to low levels of productivity in the industry.³⁹ Furthermore, thin profit margins, high turnover rates and precarious demand have created a reluctance to invest in upskilling of the workforce and/or new machinery. As production becomes more costly due to increases in many countries of minimum wages and costs of compliance, investing in building capacity will become increasingly more important for manufacturers.

However, in recent years the sector has seen an emergence of large and more professionalized manufacturing conglomerates, often with production units in several countries in the region and elsewhere, that play an important role in the organization of garment production.⁴⁰ These manufacturers perform multiple supply chain functions (e.g. design, sourcing and production), and have adopted modern management concepts to improve efficiency as well as compliance. This group of manufacturers has the potential to make a significant difference in improving the performance of the industry as a whole if they increase their market shares or put pressure on subcontracting factories to upgrade.

36 BOF & McKinsey, 2019.

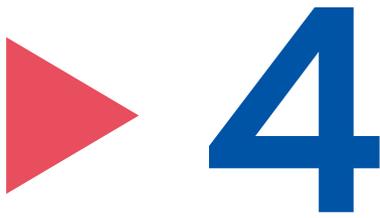
37 ILO, 2017b.

38 ILO, 2019a.

39 ILO, 2016b.

40 Merk, 2014.





COVID-19 and the Asian garment industry

The following section reflects the key findings of the conducted study. The findings should be considered initial forecasts, based on the insights of a small number of experts, and would need more validation to be considered conclusive in the future. While the section is aiming to summarize the general consensus reached by the 16 participating experts, not all experts agreed on each topic, so the aim is also to highlight those areas where there were some diverging opinions.

The results of the conducted study suggest that the COVID-19 pandemic will continue to have a significant impact on the garment industry. In the survey experts agreed that COVID-19 will change garment production systems and processes either a little, 27 per cent, or very much, 73 per cent, while no expert indicated that industry will remain the same after COVID-19.

According to participating experts, the pandemic has further highlighted the vulnerability of garment supply chains to external demand and supply shocks and has put a spotlight on the fragile structural dynamics of the industry, forcing stakeholders to reflect about its future. While some of the short-term impacts have been realized already, the study suggests that COVID-19 will continue to disrupt and change the industry in the longer term. This will occur by accelerating some of the transformations visible to the industry before the COVID-19 outbreak, as outlined in the previous section, but also by enabling movement towards new developments.

4.1 Impact on production systems and practices

There remains little doubt among participating experts that Asia will remain the pre-eminent global production hub post-COVID-19. Trends of nearshoring or onshoring may not be affected by COVID-19, though production shifts within the region may occur. While nearshoring and onshoring have grown in importance for some buyers in recent years, primarily in order to accommodate the needs of fast fashion or to relocate production of smaller volumes and customized products, study participants largely agreed that COVID-19 may not change ongoing trends in this regard - as has been suggested in the media during the pandemic. Asia is still a strategic production location due to its scale of operations, proximity to raw materials, developed infrastructure and supply chain linkages, and productive skills and know-how. These are all factors that are difficult to immediately replicate in other sourcing destinations such as Africa or Latin America while remaining cost competitive. In addition, Asia's fast growing middle class, which is expected to rise to 3.5 billion people by 2030, is a strong incentive to keep production in the region close to this potentially huge consumer market.⁴¹ While experts suggested that some buyers, primarily those serving U.S. or European markets, might attempt to relocate production closer to their key markets to mitigate risk, in the longer term, production will likely remain in Asia due to its competitive advantages and the growing local market. Furthermore, the extent to which moving production closer to the U.S. and European markets that will occur may be limited by investment costs associated with automation technology.

41 Kharas, 2017.

▶ In a crisis we all tend to retreat to the known. If you retreat back to your own home country you don't have to deal with foreign currency fluctuations, political uncertainties or the complexities of travel in the age of the pandemic. But the reality is that we are a lot more globalized and a lot more interdependent than we think we are. So the reality is that the quality of life that we enjoy is only possible with globalized supply chains.

▶ Edwin Keh, CEO, Hong Kong Research Institute of Textiles and Apparel

However, while production may stay in the region, shifts could occur between countries as buyers adjust their sourcing strategies. Some study participants suggested that risk will become an increasingly important factor when deciding on sourcing destinations. For instance, a government's ability to manage future crises might influence where buyers decide to source post-COVID-19. This also includes potential shifts in global governance related to regulation of global supply chains (e.g. mandatory human rights due diligence). Furthermore, COVID-19 could accelerate the rising demand for more professionalized production as some buyers want to mitigate risk and ensure a more reliable supply chain. For this reason, there may be less focus on wages for some buyers and more emphasis on manufacturers' production capabilities and efficiencies. In this regard, buyers may increasingly source from countries where manufacturers have been able to develop more capabilities, such as China, India or Indonesia. Conversely, it was proposed that buyers pursuing cheaper production due to the economic recession arising from the COVID-19 pandemic may be more likely to change country locations based on prices, however remain in Asia which still is highly competitive in terms of prices, particularly in countries such as Bangladesh, Cambodia or Myanmar.

▶ I'm more sceptical (about the acceleration of reshoring) myself because I've looked at the technology challenges. I don't see that this crisis leads to a major shift of production back towards Europe.

▶ David Kucera, Senior Economist, International Labour Organization

COVID-19 could accelerate the garment industry's adoption of technology and enable faster and more efficient production. The pace of garment production has accelerated rapidly in recent years, and our study findings suggests that the COVID-19 pandemic will enable this trend among buyers as well as larger and more professionalized manufacturers, which are also more financially stable, by encouraging earlier investment in and adoption of time-saving technology, especially in digital and analytical tools. This will in turn help streamline inefficiencies in the existing production processes and move certain actors towards a more efficient and time-saving production model. While companies had already, to some extent, begun investing in digital tools such as improved data analytics and demand forecasting prior to COVID-19, the relatively sudden onset of the crisis has forced both buyers and manufacturers to more quickly advance their plans to digitalize in order to be able to better respond to a rapidly changing consumer market. However, in the short run, a few experts suggested that investments in technology could be delayed for the majority of enterprises as a result of economic uncertainty, financial hardship and price pressures facing all actors as a result of the pandemic.

▶ I believe the production system will be more flexible in the future and more reliable on things like manufacturing excellence, industrial 4.0, virtual sampling, virtual auditing and virtual inspection. This will impact the layout of the production and also the resources, for example how we will allocate our workers resources in the factories.

▶ Catherine Chiu, General Manager, Corporate Quality & Sustainability, Crystal group

Experts indicated that investments in data will likely increase, as COVID-19 has highlighted the need for more control and precise information about the production process. Challenges related to forecasting practices and the lack of digital tools to manage the supply chain have been highlighted in other studies prior to the COVID-19 outbreak, and cited as a top goal for buyers that want to reduce time to market.⁴² Data can significantly speed up the garment supply chain by more quickly providing accurate information about for example available materials across different tiers and by tracking the production process on a more granular level. In addition, limited international travel has led to the increased usage of technology-based solutions which might be here to stay, such as virtual sampling and 3-D product design tools, which significantly reduce time-to-market as well as costs and wastage. Furthermore, this situation could lead to more flexibility, transparency and sustainability.

▶ You will have artificial intelligence that will help to determine what materials are available and where they are located in the supply chain. So what you can promise is based much more on solid figures about what is available at the Tier 3 yarn level or the Tier 2 fabric level. That enables you to say “yes I have everything I need or I can get everything I need in a week - so I can take that order and deliver those 10,000 pieces you want”. In the past it was very hard to get that information. It wasn’t common. The data revolution is changing that, but it also requires more sophistication. So what that means is that suppliers must invest in data systems and people that understand them, and that will not be cheap.

▶ Duncan Scott, Senior Vice President Strategic Sourcing & Quality, New Balance

On the manufacturing side, study participants were largely sceptical that COVID-19 would result in increased investments in automation. While previous studies have indicated that some (mostly larger) manufacturers are investing in automation to increase efficiency, flexibility and environmental sustainability, obstacles such as high costs and lack of financing, technical limitations and lack of workers with appropriate skills have limited investments in automation in the garment manufacturing industry so far.⁴³ Study findings support this continued development, where in the long-run, a few well-positioned large and more professionalized manufacturers are likely to continue to invest in automation and digitalization in order to mitigate risks, respond to buyer demands and reduce costs, whereas a large group of factories will not.⁴⁴

42 Berg et al., 2020b.

43 Mattos et al., 2020.

44 This will be discussed further in the following section.

▶ I don't really think that COVID-19 is slowing down this trend (technological advances). It is already happening. I think most do invest (in technology) because of the consideration of costs. After COVID-19, maybe suppliers will also do this from a risk perspective. It's not just about quality, it's also risk. So you can introduce more technology and replace humans as it may increase the chance of getting new contracts. To me, technology is also about risk mitigation.

▶ Liang Xiaohui, Deputy Director & Chief Researcher, Office for Social Responsibility of China National Textile and Apparel Council (CNTAC)

▶ I don't think so simply because the brands and retailers have not shown an interest in paying for garments in a way that allows the investment in technology to be made. So even the Chinese suppliers that are perfectly capable and have been making some investment in technology in the past, they see they're really limited because of the pressure on prices. I don't know that the pressure on price is going to be any less after COVID-19. It might be more because all companies now are trying to find a way to make money again.

▶ Achyuta Adhvaryu, Associate Professor of Business Economics and Public Policy, University of Michigan

During COVID-19, consumers and buyers have increasingly shifted to online modes of purchasing, fueling significant growth in ecommerce. As of mid-April 2020, e-commerce orders showed a 129 per cent year-over-year growth in North America alone.⁴⁵ While e-commerce has grown substantially in recent years, COVID-19 has accelerated its level of adoption and importance. McKinsey & Co. indicated in May of this year that they expect an increase of 20 to 40 per cent in the online share of fashion and apparel in Europe and North America during the next 6 to 12 months.⁴⁶ The increased importance of e-commerce will impact buyers and retailers, who will have to adapt to omnichannel marketing and selling platforms at a greater rate. Furthermore, the decreased importance of storefronts may lead to an increased number of e-tailers, potentially creating more direct-to-consumer opportunities for suppliers in Asia and possibly shifting the level of dependence that suppliers have on brands.

▶ Thanks to the pandemic everything goes virtual now. I think it's also one of the ways for factories to restructure or transform after or even during the pandemic. It's a very effective way to reduce costs, especially related to marketing and to bring factories closer to the brands and to the end users.

▶ Thai Quynh Mai Dung, General Director of International Department, Vietnam General Confederation of Labour (VGCL)

⁴⁵ Columbus, 2020.

⁴⁶ Gonzalo et al., 2020.

When it comes to sustainability in the industry, participating experts expect a rise of violations of labour rights in the immediate aftermath of the COVID-19 pandemic. However, more coordinated and forceful collaboration could possibly improve the performance of the industry over time. In the shorter-term, the pandemic is likely to result in an increase in unsustainable practices and violations of labour rights. The economic turmoil caused by the pandemic has already resulted in cancelled orders, few new orders and increased price pressure. For example, as of July 2020 only 35 per cent of the production capacity of garment manufacturers in Bangladesh has been booked from July to December this year.⁴⁷ Low demand in combination with less resources being spent on compliance-focused programmes from both financially constrained buyers as well as governments concerned about the loss of jobs and economic recession, could lead to less accountability for social and environmental standards and result in increased instances of poor practices in the short-term.

 In the short term I think suppliers are doing what they have to do to survive. You know as best as they can. So it's possible there will be more non-compliance, especially related to wages and proper retrenchment.

▶ Marsha Dickson, President and Co-Founder, Better Buying

In the longer-term, some experts indicated that the COVID-19 pandemic could have positive impacts on the industry. It was proposed that the pandemic would create positive change by increasing scrutiny of industry practices and by demonstrating that forceful action to address major issues is possible. Furthermore, some experts forecasted that COVID-19 will further highlight the benefits of sustainable practices also from a business perspective. A few experts remained sceptical in terms of whether this will happen or not.

Some of the participating experts suggested that the industry indeed will increasingly have to consider sustainability due to growing external pressure on buyers and governments to take responsibility for the social and environmental impact of the industry. Already, this has become visible through several initiatives launched since the COVID-19 outbreak, including an industry-wide Call to Action announced by the ILO.⁴⁸

It was also proposed that more responsible buyers will do better during and after COVID-19 as they will be able to maintain collaboration and good communication with suppliers and improve or maintain their reputation among suppliers and consumers. Consumers may also increasingly prioritize sustainability or make certain lifestyle changes, such as maintaining the trend of buying less clothing in a post-COVID-19 world.

Furthermore, COVID-19 has re-highlighted the fragile structure of the garment industry and the need for change. For example, stronger partnerships between buyers and suppliers and investments in technology, which would enable more transparency, could contribute to a more sustainable sector over time. In addition, the complexity and lack of transparency in supply chains has left gaps in both public and private regulation throughout the garment sector.⁴⁹ As COVID-19 has made visible the possibility of governments and other industry actors to swiftly act to address major issues, according to some study participants, it is possible that COVID-19 could result in more forceful and coordinated action to address issues surrounding for example purchasing practices and sustainability.

47 Dhaka Tribune, 2020.

48 For instance, the industry Call to Action, made up of brands, manufacturers, workers organizations and others, aims to develop systems to ensure the survival of employers and to support workers' income, health and employment during the COVID-19 crisis. More information available at: https://www.ilo.org/global/topics/coronavirus/sectoral/WCMS_742343/lang-en/index.htm

49 ILO, 2017b.

It's not that these issues haven't been raised and discussed in the past, or that you haven't had organizations working on them for a very long time. But the situation has never been so extreme and these dynamics have not had such a massive impact all at once. Due to the effects of the current crisis, people are placing greater emphasis and scrutiny on how things have been set up and the implications. This widespread breakdown across the industry has illuminated how fragile the system really was.

▶ Amina Razvi, Executive Director, Sustainable Apparel Coalition (SAC)

In terms of environmental sustainability, the garment and textile industry is one of the largest polluters and contributors to greenhouse gas emissions globally.⁵⁰ Not only is this a growing concern among European and North American consumer markets, but concerns about the impacts of climate change in both Southeast and South Asia, two regions considered to be highly vulnerable, are also growing in importance to governments. According to some participating experts, COVID-19 presents industry stakeholders an opportunity to reflect on and increasingly consider how the potential for changing weather patterns and extreme weather events, which impact production, as well as potential legal and economic costs, may grow.

We could see a much greater focus on a just transition and the environmental sustainability of the industry which might require very significant changes for suppliers in terms of how their business functions and how production happens.

▶ Joe Sutcliffe, Senior Dignified Work Advisor, Care

4.2 Impact on factories

A number of experts believe that COVID-19 will result in a consolidation of manufacturers in the Asian garment industry. Some factories, especially small and medium sized enterprises with less financial capital and liquidity, will not have the resources to withstand the economic and public health crisis brought on by the COVID-19 pandemic and will shut down or be bought out, leading to consolidation of manufacturers within the industry. The immediate economic shocks of order cancellations and delayed payment schedules, as well as reduced demand for new garments in the short-term are estimated to reduce the industry's business by 30 per cent in 2020.⁵¹ Already factories and workers are experiencing the fallout. In Cambodia alone, for instance, over 400 factories employing 150,000 workers had suspended operations as of July 2020, according to a joint statement released by the Garment Manufacturers Association in Cambodia, the Cambodia Footwear Association and the European Chamber of Commerce in Cambodia.⁵² In Bangladesh, one million workers are reported to be dismissed or furloughed.⁵³

Participating experts proposed that while barriers to entry into garment manufacturing are relatively low in some countries, the COVID-19 pandemic highlighted and heightened the risks and costs borne by suppliers in the garment manufacturing sector which may discourage smaller, less professionalized suppliers from entering the market in the shorter term. However, consensus was not reached on this topic as it was also suggested in the study that the potential need for larger manufacturers to subcontract orders to smaller units as a result of reduced workforces may incentivize smaller production units to (re-)join the industry.

50 UN, 2019.

51 BCG, SAC & Higg Co., 2020; BOF & McKinsey, 2020.

52 Khmer Times, 2020.

53 The Financial Express, 2020.

 If we want to be competitive we have to enhance our strengths and our own capabilities. This includes our financial performance, also the strength of our people and other resources. For that reason, we also need to invest in automation and advanced technology.

► Catherine Chiu, General Manager, Corporate Quality & Sustainability, Crystal group

According to participating experts, we will see a deepening divide between Asian garment manufacturers. Study experts agreed that there may be an increasing divide between Asian manufacturers operating in the garment industry as a result of COVID-19. On the one hand, larger and more professionalized manufacturers that continue to invest in advancing their production systems and technological capabilities are likely to grow. On the other hand, factories that continue to focus on low-skilled and even-cheaper production will also likely benefit from the pandemic. The combination of consolidation as well as the growth of factories on both ends of the spectrum will likely lead to a reduction of factories considered to be 'in the middle' and further deepen the divide between suppliers who primarily offer lowest-cost benefits versus suppliers who offer more professionalized production.

Study findings indicate that the COVID-19 pandemic may accelerate existing trends towards consolidation of suppliers amongst buyers seeking partners capable of optimizing their supply chains. While this development was already part of some buyers' strategy to improve speed-to-market timelines, strengthen social and environmental sustainability, and increase the agility of their supply chains, the pandemic has confirmed the benefits of this strategy. Indeed, according to a survey conducted by McKinsey & Co. together with the industry magazine 'Sourcing Journal', 79 per cent of the international sourcing community believe that COVID-19 will accelerate flexibility and speed over the next year.⁵⁴ As buyers feel compelled to make choices about which suppliers can meet their needs both now and in the future, they will increasingly consider suppliers' long-term competitive advantages such as digital capabilities, speed, agility, professionalization of the workplace (including adherence to OSH standards), and sustainability.

Meanwhile, Asian manufacturers may seek to diversify or alter their customer base to a higher extent in the future. This includes being more selective with who they work with based on how buyers have acted during the COVID-19 pandemic. According to some participating experts, suppliers may start exercising more agency when choosing commercial partners. For example, in a recent webinar organized by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), a Director from the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) suggested that suppliers will more seriously consider how brands interacted with suppliers during this time, and that they will do more due diligence in the future.⁵⁵

This will be possible for the previously mentioned large and more professionalized manufacturers, as fewer actors remain in the industry and as they continue to invest in building capacities to attract buyers and remain in this strong position.

Indeed, both buyers and suppliers will look to minimize risk during this time. The COVID-19 pandemic has both increased risks undertaken in production (ability to meet production deadlines, possible outbreaks in the factory, etc.) and emphasized the importance of planning for future shocks. Accordingly, capable and resilient factories considered to be low risk suppliers may increase their market share, fuelling a larger segment of these types of factories.

 We will see a consolidation of the supplier base going forward and much stronger partnerships. We saw this trend coming before.

► Payal Jain, Social Sustainability Manager, H&M

⁵⁴ Berg et al., 2020a.

⁵⁵ GIZ, 2020.

In the immediate aftershock of trying to survive the economic impact of COVID-19 on the garment industry, manufacturers who offer the cheapest prices will also likely strengthen their positions, thus contributing to the proposed deepening divide between two types of manufacturers operating in the industry. Some buyers and manufacturers are likely to place or accept orders that enable them to sustain operations and meet their minimum expenses, with minimal or no profit. Accordingly, suppliers who are able to offer buyers the highest discounts may attract a larger share of business and could increase their market share.

This will likely result in the reduction of other manufacturers who are unable to meet the same levels of discounted pricing, including those who comply with codes of conduct and regulations with financial costs such as minimum wage requirements and worker benefits. Accepting or producing orders below cost is already a common practice within the garment sector, with 52 per cent of participants in an ILO survey conducted in 2017 reporting that they do so regularly, and of those, 81 per cent stating they do so in order to secure future orders.⁵⁶

While these factories will help sustain the industry and support the continuation of livelihoods for workers during the COVID-19 pandemic, in the long run they could contribute towards a further ‘race to the bottom’ in terms of pricing and labour standards. Previously cited ILO research has identified order placements and lead times, as well as prices and market power, among the major practices that influence wages and working conditions in global supply chains.⁵⁷ With these factors being under further stress due to the social and economic consequences of the COVID-19 pandemic, and other concerns with financial implications such as social or environmental sustainability potentially taking a less prominent role, it is possible that the COVID-19 pandemic could increase decent work deficits within factories. Furthermore, the lack of investment into other competitive advantages may lead to an overall loss of competitiveness in the long-run, especially when compared to the increasingly advanced operations and faster timelines offered through larger and more professionalized manufacturers.

 It's not cheap to operate in compliance.

▶ Ian Spaulding, CEO, Elevate

The deepening of buyer-supplier relationships among manufacturers offering more advanced production. According to study participants, as large and more professionalized factories will be in higher demand, manufacturers with advanced capabilities will be more likely to consider buyers reputation, such as payment histories and financial health, before agreeing to work with them. This may potentially shift some of the power dynamics within the industry, driving more equal partnerships, and creating incentives for both manufacturers and buyers to forge closer partnerships with partners that meet their demands. The ability to make more informed and transparent partnership decisions could be aided by digital tools that are gaining in prevalence amongst these buyers and manufacturers, such as the Better Buying Initiative⁵⁸ and the Higg Index⁵⁹.

Furthermore, deeper partnerships between buyers and suppliers may be necessary in order to offset risks associated with increased cost of investing in digitalization, training and overall factory upgrading. As a result, as part of the industry advances to smarter, more technology enabled and sustainable production, relationships between this group of buyers and suppliers will likely strengthen.

⁵⁶ ILO, 2017c.

⁵⁷ Ibid.

⁵⁸ <https://betterbuying.org>

⁵⁹ <https://apparelcoalition.org/the-higg-index>

Both buyers and sellers will be picking partners. They don't want to do business with people who can't pay. And on the other hand, buyers want to do business with people who have more flexibility and can provide more services.

▶ Edwin Keh, CEO, Hong Kong Research Institute of Textiles and Apparel

The way to get things faster and cheaper is to work together... [You] have got to really have a strong partnership with suppliers to be able to deliver and to do so quickly.

▶ Marsha Dickson, President and Co-Founder, Better Buying

The reason why PT Pan Brothers can make it and others might not is because we don't work with buyers that only offer a win-lose situation. So we have actually stopped working with some buyers who only consider things from their own perspective.

▶ Anne Sutanto, Vice-CEO, PT Pan Brothers

In the beginning of the crisis, the prevalence of order cancellations and delayed shipments challenged traditional relationships and trust between buyers and suppliers. Many buyers initially sought to secure their financial solvency by invoking force majeure clauses, requesting discounts, and cancelling orders. In response, some suppliers, governments, and activists challenged such practices, including by threatening to blacklist companies who did not pay. Many garment stakeholders have since worked together to access emergency loans and establish systems of support. As the industry is under increased scrutiny, purely transactional relationships between buyers and suppliers might be less advantageous to some as they could constitute a heightened level of risk for both parties.

Other studies have suggested that the COVID-19 pandemic will lead the industry to increasingly move away from purely transactional relationships. Instead, sourcing stakeholders expect closer relationships with suppliers to improve end-to-end processes, find new investment models and make progress towards social and environmental sustainability.⁶⁰ However, as previously indicated, experts participating in this study proposed that large and more professionalized manufacturers that have direct relationships with buyers will benefit from these stronger partnerships, whereas another group of factories will operate in the sector and continue to rely primarily on transactional relationships and subcontracting.

Now I do think the game is changing and we really need much more collaboration between the two sides. So there are some suppliers looking upstream to understand exactly what the situation of the brand is, and looking for how to add value and for new ways to collaborate. ... Essentially you can think about the current state supply chain as a series of handoffs. That image is the way it's been working. But it's actually not efficient. What's better is when functions overlap and work in parallel, where one is already beginning to hand off something which is further down, and you're reaching upstream to be able to communicate with your partner to tell them what's coming - and that does require a more sophisticated mind-set.

► Duncan Scott, Senior Vice President Strategic Sourcing & Quality, New Balance

The fashion industry needs to become more agile. Therefore, we need to discuss with our suppliers how we work together to cater to our common customer. We need to keep them involved in our processes and we also need to understand each other's business models to come up with win-win propositions.

► Payal Jain, Social Sustainability Manager, H&M

4.3 Impact on workers

Experts agree that COVID-19 will further challenge working conditions and place workers in a more precarious position. Already garment workers are experiencing a job crisis of unprecedented proportions, with millions of workers being furloughed or laid off to date with limited or no income.⁶¹ In a recent survey conducted by Care International on garment workers in Cambodia, for instance, workers who had been suspended or laid-off reported a 70 per cent decrease in income, leaving approximately 50 per cent of laid off workers below the international poverty line of US\$ 1.90 per day (2020). For workers who were still employed, 88 per cent reported an average income reduction of 42 per cent due to COVID-19.

Our members are also facing difficulties because of this pandemic. Buyers are cancelling orders, which has forced suppliers to ask workers to stay at home or to lay off workers without any salary.

► Elly Rosita Silaban, President, All Indonesian Trade Union Confederation (KSBSI)

Significant temporary and permanent job loss, increased usage of short-term contracts, decreased wages and unpredictable income will likely continue to impact workers as a global economic recession will lead to lower than pre-pandemic levels of demand in the near-term. For some workers, this will lead to prolonged difficulties in being able to afford basic goods such as rent, food, and other essential supplies, and may place some workers in an increasingly precarious situation both inside and outside of the workplace. These impacts will likely be exacerbated by a lack of adequate social protection measures.

As competition for jobs in the garment industry during the economic crisis will remain high, compliance with labour laws and codes of conducts may fall and decent work deficits may rise. For example, instances of union-busting, whereby workers belonging to unions are disproportionately laid off compared to non-unionised workers, have been reported in several countries.⁶² Furthermore, reduced profit margins and unstable production demands resulting from the pandemic may lower wages for workers and increase rush orders, further exacerbating pressures linked to verbal abuse in garment factories.⁶³ Despite the increased occurrence of such practices, experts interviewed as part of this study agreed that concerns such as violence and harassment as well as gender equality will likely receive less attention in the near-term due to COVID-19, as industry stakeholders will be preoccupied with other pressing topics such as occupational health and safety and have less resources to spend on programmes to support workers.

 Anytime a crisis like this happens you have to assume that people who have the power will push as much of the risk down the supply chain as they can. Workers are obviously at the bottom end of that supply chain power dynamic. So they're going to suffer as a result.

▶ Ian Spaulding, CEO, Elevate

A deepening economic crisis and fight for survival will push the industry to focus on other worker impacts directly linked with profit-margins. Indeed, given the health-specific nature of the crisis, occupational safety and health in the workplace are more likely to be a focus in the immediate term as workers' health is a key component of their factory's survival and an outbreak could lead to closures and production delays that have steep financial implications. However, though social distancing measures and PPE requirements are being implemented in some factories, such measures have a financial cost and there are reports of factories adopting only some or none of the health and safety guidelines. In Bangladesh, for instance, a significant number of workers have reported no changes to workplaces, with sewing machines remaining closely positioned to one another and no additional handwashing or temperature screens offered.⁶⁴ Furthermore, many workers face difficulties observing social distancing outside of the factory as they may use public transportation to get to and from work or live in crowded accommodations, including in employer-sponsored dormitories in which workers share rooms and common spaces. This places workers at a heightened risk of being exposed to the coronavirus.

Conversely, given the health-specific nature of the crisis, some experts interviewed as part of this study suggested that the focus on occupational safety and health for workers as a means to staying open in the near term could give precedence to an improved focus on worker health, and ultimately working conditions in the long run. The strong tie between worker health and economic return during this period, along with increasing pressure on both buyer and suppliers to ensure improved social standards may lead to improved conditions for workers, particularly in factories that are already optimizing and investing in upgraded production and technological capabilities.

62 Khambay & Narayanasamy, 2020; Paton, 2020.

63 Rourke, 2014.

64 Ellis-Petersen & Ahmed, 2020.

▶ I think one key opportunity is around worker well-being if you are able to convince suppliers that prioritizing the health of workers is really a paramount goal. Instead of thinking about worker health as kind of a nuisance or like something that you've got to tick off in an audit list, you prioritize it as a primary input into production and something that you are working to proactively invest in to build up a stock of healthy workers that can be productive and sustain you through potentially uncertain times.

▶ Achyuta Adhvaryu, Associate Professor of Business Economics and Public Policy, University of Michigan

▶ To the extent that there will be fewer buyers because of this consolidation, and to the extent that we see increased push towards coordination among the buyers, then the bargaining power of those buyers will actually increase even more. That might actually result in better working conditions because they can pressure the factories to improve.

▶ Raymond Robertson, Director of the Mosbacher Institute for Trade, Economics, and Public Policy, Texas A&M University

Women's share of employment within the garment sector may decrease. While women currently account for approximately 80 per cent of the sector's workforce, ILO research finds that one of the largest drivers of de-feminization, whereby women's share of employment decreases, is technological upgrading, which could accelerate in some factories due to COVID-19 as some more professionalized factories aim to technologically upgrade.⁶⁵ This is due to women workers mainly working as operators or in other positions at the factory floor which are more likely to be replaced with automation. Combined with the reduction of jobs due to the poor economic situation in garment-exporting countries, which in the study was suggested to further increase competition over jobs, women's share of employment in the industry may decrease.

The garment sector has been a key stepping-stone in providing millions of women workers with their first entry-point into formal employment, particularly as women tend to have less access to good-quality jobs in the formal sector than men do.⁶⁶ While decent work deficits, such as violence and harassment and low wages, have been documented throughout the sector, research in Better Work factories reveals that women's employment in the garment sector has increased women's agency over their resources and decreased some of their financial vulnerability.⁶⁷ This in turn can contribute to women's empowerment in society as a whole.

However, gender-based discrimination and stereotypes, as well as disproportionate care obligations in the home, are already key factors preventing women from accessing training or better-paid and more highly-skilled positions throughout the garment sector, and the COVID-19 pandemic may exacerbate these factors. This could reverse progress made in women's job prospects, as women's share of employment in the garment sector has been shown to lead to increases in women's overall employment.

65 Kucera & Tejani, 2014.

66 UN, 2011.

67 Pike & English, 2020.

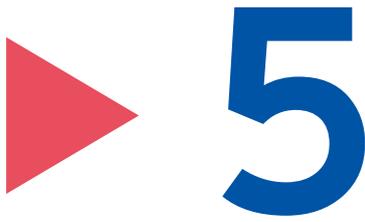


As jobs in garments and other sectors become more scarce, the remaining jobs may become more attractive. We might see women start to get more and more crowded out of regaining access to jobs because once those jobs become more attractive, men tend to go for them and generally they have a better chance of getting employed.

▶ Joe Sutcliffe, Senior Dignified Work Advisor, CARE

Upskilling will be necessary to ensure that some workers can access better jobs in more professionalized factories. As a result of some manufacturers' further investments in their capabilities in the long run, it is likely that over time some garment sector jobs will become increasingly professionalized and higher in quality in the factories moving in this direction. Workers with skills such as being able to operate machinery, computer literacy and process engineering will likely rise in demand. In the longer-term, increasing professionalization and advanced skill sets could improve the quality of jobs, lead to increased retention and productivity of employees, and improve pay – although may reduce the number of jobs available. However, as the skills required become increasingly complex, existing low-skilled workers, many of whom are women and migrants, may not receive appropriate training for the skills that are increasingly required and may lose out on opportunities within the sector due to discrimination and lack of access to training opportunities. To address this, governments should work with social partners and other industry stakeholders to align technical and vocational training with industry needs.





Conclusion

The COVID-19 pandemic has had a significant impact on the garment industry. In addition to the immediate crisis that it presents to the livelihoods of workers and the financial viability of factories, our study highlighted that in the long run the industry will be impacted by the ways in which the coronavirus alters production patterns and accelerates existing and new industry trends.

While trends such as increased focus on technological advancements and speed and agility were already in motion, the COVID-19 pandemic increased the importance of these factors and therefore the rate at which these changes are expected to be adopted throughout the sector. Though there is expected to be a reduced focus on social and environmental sustainability in the near-term, in the long-run concerns related to social and environmental sustainability could be addressed through stronger partnerships in which manufacturers, buyers, social partners, governments and non-governmental organizations all have a role to play.

The study revealed that there will likely be a deepening divide between large and professionalized and non-professionalized manufacturers, which will present the industry with two more clearly defined diverging paths. On the one hand, some factories are likely to become increasingly professionalized and offer more technologically advanced production. As a result, these factories will be able to support increasing demands for transparency, flexibility and agility in production processes and enhanced social and environmental standards. This development will likely result in closer partnerships between some buyers and manufacturers and possibly in more balanced power dynamics. On the other hand, stretched margins will drive some factories and buyers to focus increasingly on cost-advantage at the expense of other considerations. In these factories there are likely to be increased decent work deficits.

With regard to workers, in the short-term and medium-term they may experience increased precariousness and competition for jobs, and standards of decent work are expected to decline. Governments together with workers and employers' organizations and other industry stakeholders have an important role to play in mitigating this impact on workers. Potential investments in social protection and more industry collaboration in the sector may improve the conditions in the industry and increase the resilience of workers over time. Governments together with workers and employers' organizations will need to play a vital role in making this happen at the national level.

In summary, the COVID-19 pandemic has had a substantial impact on the garment sector and study findings indicate that it will continue to influence developments within the sector in the coming years. While this study is suggestive and further research would be necessary in order to consider it conclusive, this preliminary analysis indicates that the garment industry is in a critical moment and that in order to transform into a stronger, more resilient sector, careful attention must be paid to the potential negative consequences, particularly on workers, in both the short and long term.

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▶ Appendix 1. List of participating industry experts

- ▶ Achyuta Adhvaryu, Associate Professor of Business Economics and Public Policy, University of Michigan
- ▶ Amanda Tucker, Vice President Global Sourcing, Nike
- ▶ Amina Razvi, Executive Director, Sustainable Apparel Coalition (SAC)
- ▶ Anne Sutanto, Vice-CEO, PT Pan Brothers
- ▶ Catherine Chiu, General Manager - Corporate Quality & Sustainability, Crystal Group
- ▶ David Kucera, Senior Economist, International Labour Organization (ILO)
- ▶ Duncan Scott, Senior Vice President Strategic Sourcing & Quality, New Balance
- ▶ Edwin Keh, CEO, Hong Kong Research Institute of Textiles and Apparel (HKRITA)
- ▶ Elly Rosita Silaban, President, All Indonesian Trade Union Confederation (KSBSI - Konfederasi Serikat Buruh Seluruh Indonesia)
- ▶ Ian Spaulding, CEO, Elevate
- ▶ Joe Sutcliffe, Senior Dignified Work Advisor, Care International
- ▶ Liang Xiaohui, Deputy Director & Chief Researcher, Office for Social Responsibility of China National Textile and Apparel Council (CNTAC)
- ▶ Marsha Dickson, President and Co-Founder, Better Buying
- ▶ Payal Jain, Social Sustainability Manager, H&M
- ▶ Raymond Robertson, Director, Mosbacher Institute for Trade, Economics, and Public Policy and Helen and Roy Ryu Professor of Economics and Government, Texas A&M University
- ▶ Thai Quynh Mai Dung, Director, Vietnam General Confederation of Labour (VGCL)

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