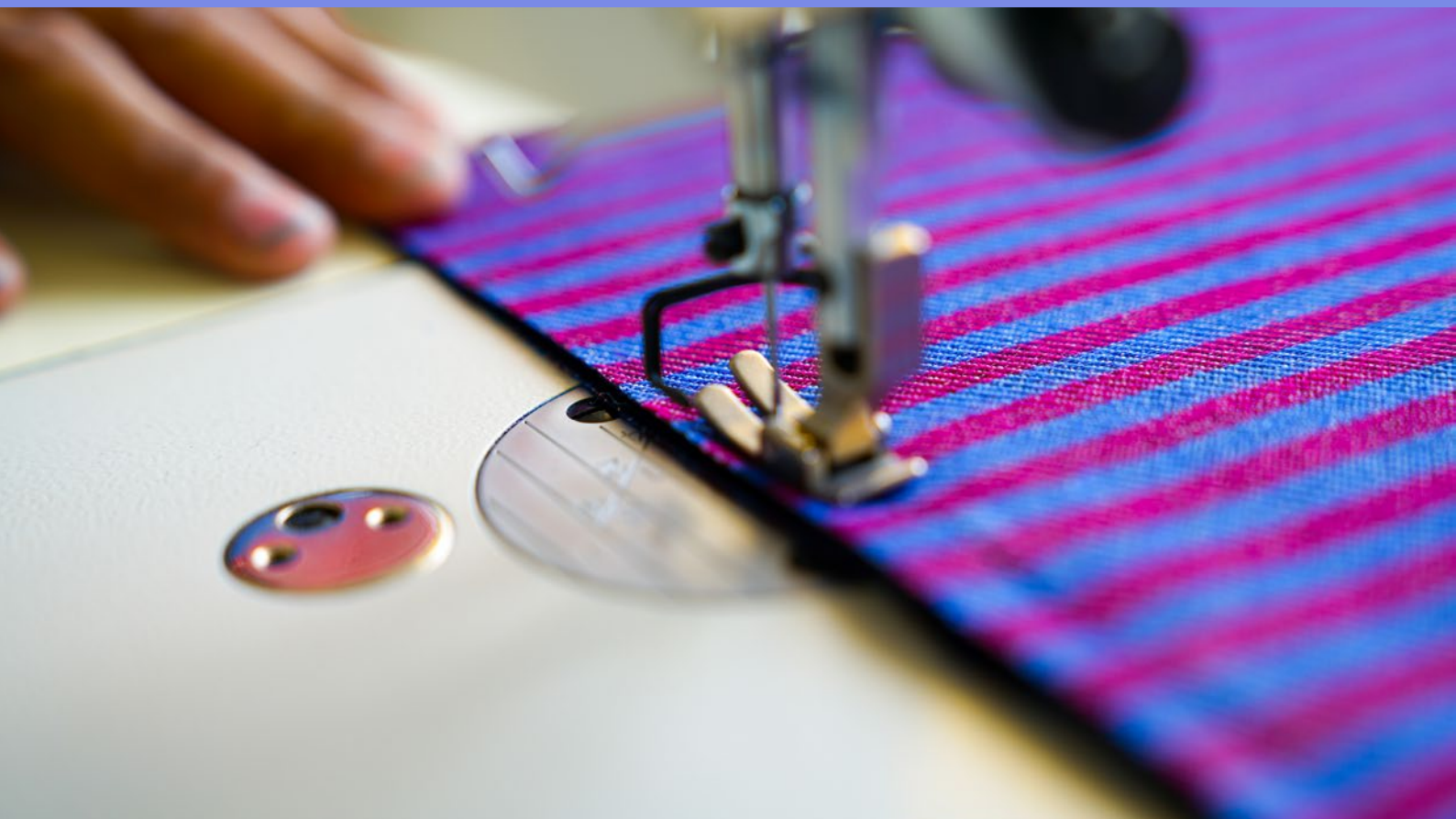


# Impact of Covid-19 on Indian fashion supply chains

## Research Summary

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Research by:

This is a summary of the report: *Fashion Supply Chains, Modern Slavery and the COVID-19 Pandemic: Impacts, Empathy and Resilience*, a Modern Slavery and Human Rights Policy and Evidence Centre (the Modern Slavery PEC) research project, funded by the UK Arts and Humanities Research Council. The research was conducted by **Dr Mark Sumner, University of Leeds; Professor Divya Singhal, Goa Institute of Management, India; Dr Matthew Davis, University of Leeds; Professor Hinrich Voss, HEC Montreal, Canada.**

The full report can be accessed on the Modern Slavery PEC website at [modernslaverypec.org/resources/india-fashion-supply-chains](https://modernslaverypec.org/resources/india-fashion-supply-chains).

The views expressed in this report are those of the authors and not necessarily of the Modern Slavery PEC. This project was funded through an open call for proposals to examine the impacts of the COVID-19 pandemic on modern slavery.

## Findings

- The impact of Covid-19 on brands and their suppliers was felt strongly across all tiers of supply chains in the sector. However, it was not evenly felt across all tiers and affected different parts of supply chains at different times. Unpredictable demand was suspected of contributing to increased likelihood of unauthorised subcontracting, with its associated risks of unethical practices.
- Where brands and their suppliers had stronger existing relationships, there was a sense of both experiencing common challenges during the pandemic, along with a degree of empathy that in many cases had not existed before. This improved brand-supplier relationships.
- Brands with an established commitment to ethical trading experienced a higher level of resilience, partly through stronger supplier relationships, that was beneficial to both brands and their suppliers, and ultimately workers.
- Those brands who felt they positively engaged with the transparency in supply chains provisions in the UK Modern Slavery Act 2015, and their responsibilities towards their suppliers, tended to understand the impacts of the pandemic better, and were therefore better able to mitigate those impacts.



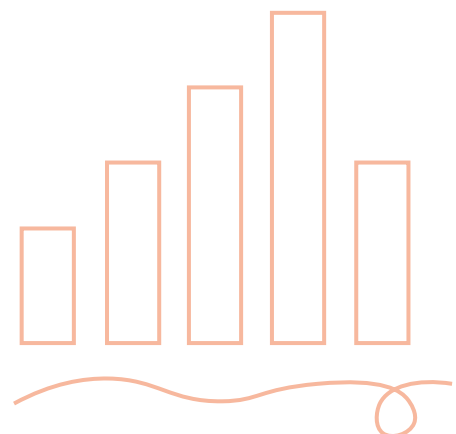
## Background

The fashion industry has historically been exposed to ethical and modern slavery issues. Yet, the Covid-19 pandemic has had a big impact on the sector for export and manufacturing countries. This research explored the impact of the pandemic on the management of modern slavery risk in Indian fashion supply chains. 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.

## Methodology

The study 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.

The research 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 risks within the supply chain. Using a critical incident approach, the study 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.



## Findings

### 1. The scale and scope of the impacts of the pandemic were uneven.

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, which consisted of six generalised tiers, each tier had different experiences of the pandemic at different times. Garment makers, due to their 'contractual' proximity to the demand side of the industry, felt the repercussions of pandemic more immediately than those suppliers further up the supply chain. Fabric mills, spinner and cotton growers further up the supply chain felt the consequences of the pandemic later as it cascaded up the supply chain from Tier 1.

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. For the demand side, the unpredictability of the size and timing of orders meant it was difficult for factories to plan production rotas. This contributed to the increased likelihood of subcontracting orders, and the associated risks to workers this entails.

**"The pandemic's impact has not been evenly spread across the fashion industry – supplier tiers have experienced different problems at different times."**

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With relaxation of lockdowns and the increase in orders, particularly for on-line brands, pressures on the supply chain to deliver increased. In some cases, where the relationships between brand and supply chain were weak, workers were exposed to increased modern slavery risks. Brands with better communication and supply chain awareness were able to mitigate some of these risks.



## 2. Sense of common challenges, increased empathy and improved brand-supplier relationships.

Buyers and suppliers reported how different the pandemic was from previous global crises. For example, the global financial crash appeared to affect the demand side more than supply, while the Rana Plaza disaster had implications mainly for the supply side.

Despite the uneven impacts of the pandemic across the fashion value chain, one common experience of both brands and suppliers was increased levels of uncertainty. Loss of sales, reduced turnover, and managing staff were difficult to control, as the uncertainty of when business would return to normal was a shared experience for all in the value chain. Although details varied, this sense of going through the same challenges developed a level of empathy that had not existed for many brand-supplier relationships before, particularly where strong relationships already existed. Suppliers understood the need for brands to cut orders, and brands understood the need to support workers in the supply chain.

“The pandemic was something very different to previous crises the industry has felt – it was global, it was personal, buyers and suppliers had shared experience and empathy with one another.”

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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, leading to improved levels of trust.

## 3. Past ethical trading experience and enhanced resilience.

The level of empathy between brands and suppliers was stronger for those brands who had historically engaged in ethical trading practices with their suppliers and continued to do so during the pandemic. The historic commitment to ethical trading, such as having dedicated teams working with suppliers, and in-country ethical personnel, developed strong relationships between the demand and supply sides of the value chain and these were important during the pandemic, as brands and suppliers attempted to deal with the repercussions of the pandemic rippling through the supply chain.

These relationships were strengthened by the joint experience of the pandemic, which in turn developed improved resilience of the connections between both parties. Improved visibility between brands and their suppliers, greater collaboration and a higher level of communication across the supply chain tiers increased trust and instilled 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.

“Longstanding investment in ethical trade paid off – relationships strengthened, problem solving and openness increased”

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#### 4. The UK Modern Slavery Act 2015.

Long-term commitment to ethical trading practices and strategic and operational engagement with the transparency in supply chains provisions in Modern Slavery Act had a positive impact for resilience and a pathway for recovery from the pandemic. Brands with strong ethical trading infrastructures tended to approach the pandemic in a more collaborative manner, working with their suppliers to find solutions to constantly changing landscapes in ways that were mutually beneficial.

These brands did make mistakes early in pandemic, and they were not able to resolve all the issues within the supply chain. However, compared with the brands without an ethical trading infrastructure, or limited engagement with the principles of the Modern Slavery Act, these brands were better positioned to make a positive impact as the pandemic developed. More engaged brands had established ethical trade teams, invested in supplier communications and training, worked to map and understand their extended supply chains.

“Brands with strong ethical trading infrastructures and engagement with modern slavery reporting were more collaborative in problem solving and had the tools to counter the challenges that COVID-19 presented.”

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## Recommendations

### For Businesses.

Businesses should resource dedicated ethical trading teams and view them as an investment to reduce risk and increase resilience, rather than a function that is expendable when costs need to be cut. Brands with strong ethical trading teams that are integrated into key commercial decisions have developed direct relationships with their supply base. This has resulted in issues being reported faster, allowing more time to respond, and improving overall resilience to the impacts of the pandemic. It has allowed for two-way communication and appreciation on both sides of the issues facing brand and suppliers, reducing risk to both parties and lessening the impact of the pandemic on workers.

Businesses should integrate ethical trading teams into commercial decision-making structures. Businesses should consider the implications of buying decisions on suppliers and workers – integrating ethical trading teams would help them ensure that during crises supplier intelligence is shared and alternative solutions are considered (for example, negotiating delays to orders rather than cancelling them). 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 in turn on company reputation were not considered.

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. The pandemic spurred innovation 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 to which these approaches can replace face-to-face activities.

Collaborate with other stakeholders and build upon the common understanding that the shared Covid-19 disruption has produced. Addressing modern slavery requires collaboration. Brands that have collaborated with each other, with their suppliers and more widely with other stakeholders, have benefitted from understanding what challenges others have faced, and what solutions have worked. From our cross-industry roundtable it was also recommended that increased utilisation of cross-industry education and training is important.

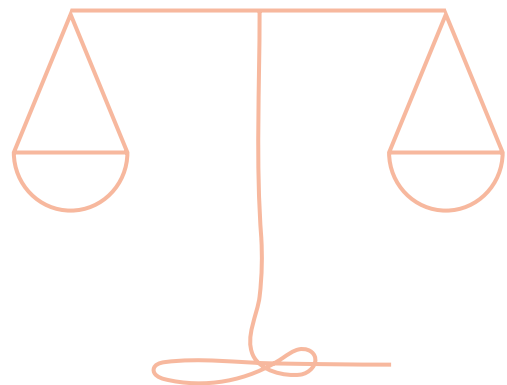
## For the UK Government.

Mandate engagement with Section 54 of the Modern Slavery Act. The consensus among participants was that lack of engagement with section 54 of the Modern Slavery Act is strongly related to the lack of significant enforcement of the Act. Stronger enforcement is needed. However, care should be taken to avoid incentivising a tick-box approach to compliance, which could lead to simplified modern slavery statements, reducing their potential information value.

Consider introduction of a Garment Adjudicator. There was support from brands and the wider industry for the calls made by the Environmental Audit Committee for a Garment Adjudicator (GA), similar to the Groceries Code Adjudicator. The GA would be able to regulate the industry and develop a level playing field for brands, which would 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.

## For other Governments.

International labour laws. Governments should uphold labour laws that provide the framework for brands and suppliers across the global fashion value chain. With the highly globalised nature of the fashion industry, closer collaboration between governments under the leadership of the ILO and with support from the OECD is vital to supporting productive business relationships and protecting the human rights of workers.

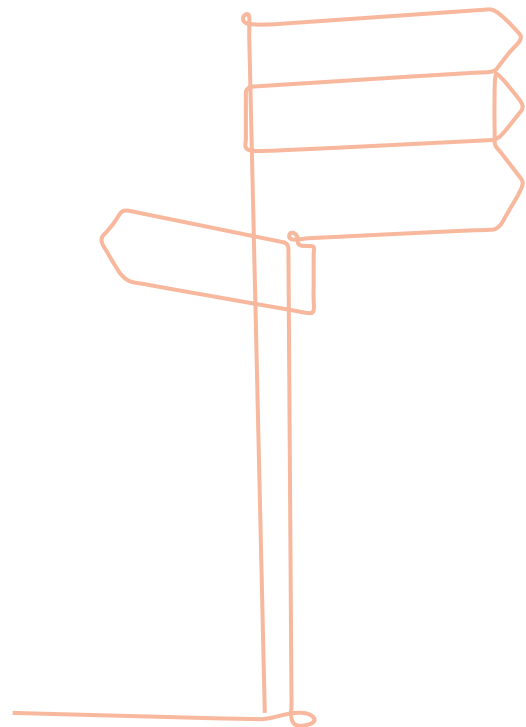




## Areas for further research

Further research is required to explore the interdependence across the demand and supply sides of the value chain to map the effects of decisions by brands and retailers on different tiers of the supply chain. Understanding the linkages between supply and demand would help identify the risks and opportunities of action taken by brands to achieve the United Nation's SDGs (Sustainable Development Goals). Of particular interest is the need for brands to support decent work and economic growth (SDG 8) while addressing key issues for responsible consumption and production (SDG 12).

The travel lockdowns lead to the development of new innovations for brands to connect workers and understand their issues in real time. Further research into the efficacy of these innovations in capturing the voices of workers as complementary tool to traditional auditing, or even as a replacement for current practices with the ethical trade community is required. These innovation may provide an opportunity for brands and other stakeholders to engage with more suppliers and more tiers in the supply chain by using less resource intensive methods than physical face to face interventions.



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The Centre is a consortium of six academic organisations led by the Bingham Centre for the Rule of Law and is funded by the Arts and Humanities Research Council on behalf of UK Research and Innovation (UKRI).

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