Thematic brief:

Recommendations for Asian garment manufacturers on how to address the COVID-19 pandemic

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This thematic brief sheds light on how the COVID-19 pandemic is impacting Asian garment manufacturers, while outlining key recommendations for factories to overcome the crisis.

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The Decent Work in the Garment Sector Supply Chains in Asia project
The pandemic is affecting both supply and demand

The Asian garment industry is facing severe impacts from the COVID-19 global pandemic. Garment factories are struggling to sustain business operations, and a large number of workers risk losing their jobs in the coming weeks.

The novel coronavirus (COVID-19) has presented the world with an unprecedented global health emergency. As of April 13, the global pandemic has infected more than 1,773,084 people, resulting in more than 111,652 deaths (WHO, 2020a). The crisis has shocked markets around the world and will likely have a growing and potentially long-lasting impact on the world economy. In Asia, garment manufacturers in multiple countries have been forced to stop production or reduce capacity due to the major disruption of end-to-end global supply chains and the emerging health crisis, which has resulted in national restrictions on people as well as economic activity. What makes this current situation particularly challenging - and extraordinary - is that both the demand and supply side of operations are being affected.

As China halted upstream garment and textiles production after the Lunar New Year and transportation restrictions were put in to place to avoid any further spread of the virus, a chain-reaction resulted in raw material shortages in Asian garment-exporting countries, many of which source material inputs from China. In 2018, as much as 53.7 percent and 60.6 percent of East Asian and Southeast Asian countries’ textile imports came from China, demonstrating how highly integrated Chinese manufactures are in global supply chains (WTO, 2019). In addition, many countries source trims and accessories from the country. While the COVID-19 outbreak was basically curbed in China by end of February, it has
been estimated that it will take time before Chinese factories are able to increase their manufacturing capacity so that supply levels return to normal. Lack of workers – caused by travel restrictions, cost increases and lack of raw materials – is the reason cited by manufacturers as hindering them from fully resuming operations (Lu, 2020). Further, strict transportation restrictions are still in place hindering raw materials exports from reaching other garment-producing countries in the region.

On the demand side, many Asian garment factories are also facing considerable difficulties. In March, COVID-19 outbreak turned into a global pandemic, significantly disrupting the global economy. With consumers staying at home and many physical stores being closed, European and US-based buyers began cancelling and suspending orders from suppliers. Asian garment manufacturers outside of China, who initially may have considered COVID-19 an opportunity in terms of increasing orders, as buyers were looking for alternative sourcing destinations, also started to face the negative economic impact of the virus.

The economic impact of COVID-19, in addition to the tragic human consequences, is expected to be significant. Working hours could decline by 6.7 percent in the second quarter of 2020, equivalent to 195 million full-time workers, according to recent estimates (ILO, 2020a). According to UNCTAD, the uncertainty caused by the pandemic is likely to cost the global economy $1 trillion in 2020. Further, the organization has predicted that the COVID-19 outbreak could cost global value chains $50 billion in exports (UNCTAD, 2020).

**Reports from garment-producing countries**

Reports from garment-producing countries in the region have emphasized the gravity of the situation, for garment factories as well as for workers. The following section outlines the situation in some major garment-exporting countries in Asia.
In **Bangladesh**, as of April 14, most factories have closed their operations after the government declared a general holiday until April 25 to prevent the spread of COVID-19. Exceptions are made for factories that still have orders or that are producing Personal Protective Equipment (PPE) (Better Work, 2020). Buyers have either suspended or cancelled purchase orders worth more than $US 3.15 billion due to COVID-19, affecting 1,136 factories according to the Bangladesh Garment Manufacturers and Exporters Association (BGMEA). In 2019, Bangladesh exported ready-made garments worth $US 40.5 billion, comprising 84 percent of the country's total exports. The drop in demand is affecting 2.26 million workers (BGMEA, 2020). More than one million garment workers in Bangladesh have already been fired or furloughed (Anner, 2020). According to the Solidarity Center, tens of thousands of garment workers have through their unions negotiated to ensure they receive wages during factory closures, and proper PPE while at work (Connell, 2020).

In **Cambodia**, as of April 14, 91 Cambodian factories have partially or fully suspended their production for one to two months according to the latest official figures from the Ministry of Labour and Vocational Training. Many more factories are anticipated to be suspended in the next weeks (Better Work, 2020). Trade unions in Cambodia, such as the National Trade Union Confederation (NTUC) and the Collective Union of Movement of Workers (CUMW) have, according to an article published on March 24, encouraged the Cambodian government to temporarily suspend garment production to mitigate the risk of spreading COVID-19 (Kimmarita, 2020).

In **India**, the Clothing Manufacturers Association of India (CMAI) is predicting that garment manufacturers in the country could face a 30 percent drop in sales, ultimately resulting in the industry's unemployment level rising to 10-15 percent (Fibre2Fashion, 2020). As of March 25, the entire country, including factories, is in a nationwide lockdown for 21 days (Saini, 2020).

In **Indonesia**, as of April 14, 45 factories that are part of the Better Work Indonesia programme have a stoppage, temporary closure, or have
significantly decreased operations. 14 factories have adapted their production lines since March to produce PPE for prevention and handling of COVID-19. There are currently issues with factories that are applying a “no work-no pay” scheme. In certain districts, trade unions have engaged in collective bargaining to set up a minimum threshold on wages during stoppages. (Better Work, 2020).

*In Myanmar*, as of April 9, more than 120 factories, equivalent to about 20 percent of all garment factories in the country, have halted their production (Clean Clothes Campaign, 2020). Myanmar factories are particularly impacted as European buyers, which account for 70 percent of the country’s garment exports, have been cancelling orders (Htwe, 2020). Representatives of unions, employers and government are meeting to discuss the impact on workers. The Industrial Workers Federation of Myanmar (IWFM), was also planning to approach buyers sourcing from the country, according to an article published on March 13 (Barrie, 2020a).

*In Sri Lanka*, apparel suppliers are claiming they have lost orders worth $US 5 billion, as reported by the Clean Clothes Campaign on April 8. This hinders them from paying wages to workers during the month of May and forces them to retrench at least 30 percent of their workforce. According to the Sri Lanka Apparel Exporters’ Association, at least 50 factories were being threatened with temporary closure as early as March 2 (Ladduwahetty, 2020). In some regions, factories have shut down under government directives (Barrie, 2020b).

*In Vietnam*, it was estimated in early March that the sector could lose as much as US$ 2 billion if materials from China were further delayed (The Star, 2020). Since then, garment manufacturers have also started to face cancelled or suspended orders from Western buyers. The government has implemented strict social distancing rules nationwide from 1-15 April to curb the spread of COVID-19 (Better Work, 2020).
Impact on garment manufacturers

Garment factories are negatively affected by the COVID-19 situation and will continue to be so in the near future in several ways:

- **Lack of supply:** Considering how closely China is integrated in global supply chains, it is likely that the initial outbreak in China will continue to affect garment factories in the short-term (Barrie, 2020c). Finding alternative sources for textile and accessories inputs will take time and could delay production further. Further, restrictions when it comes to transportation by sea, road or air will continue to limit the availability of raw materials.

- **Lack of demand:** The economic impact of the COVID-19 virus is already resulting in a decline in consumer spending and consumption (Craven et al., 2020). Consumers’ loss of income, social distancing, and fear of spending money in a time of recession will result in a reduction in global demand for products, including apparel. At this point in time, it is not clear how long it will take for the global economy to recover.

- **Labour shortages:** Garment factories may find themselves in a situation where they will lack workers. In some countries, where it is common for factories to employ migrant workers, they may find that workers have gone back to their countries of origin. Workers could be unavailable as they are unwell, out of fear or because they need to take care of family. The latter may be especially likely for women garment workers who are often left with the disproportionate share of care and domestic responsibilities.

- **Compulsory temporary closures:** Governments’ measures to curb the virus may include temporary lockdowns. This has been the case in several countries already, including Bangladesh, India and Jordan (Al Jazeera, 2020).
Garment workers are among the most vulnerable

From a labour perspective, the consequences of the COVID-19 are severe. The ILO has estimated that the pandemic could result in a decline in working hours globally equivalent to 195 million full-time workers, in the second quarter of 2020 (ILO, 2020a). Further, the decline in economic activity is also estimated to result in working poverty increasing significantly. Those who will be most affected by the situation are those already vulnerable.

Indeed, the garment sector in Asia is likely to face widespread job cuts or see a reduction in working hours and overtime. The highly labour intensive sector currently provides employment opportunities for more than 43 million workers in Asia (ILO, 2017). For many garment workers, predominantly young women and workers with limited skills and education, the sector has provided them with a first opportunity to transition into formal manufacturing jobs with regular wages. While wages in the sector are low, they are critical to the livelihoods of the workers and their families. A reduction in working hours or layoffs could therefore potentially have devastating effects on millions of workers and their families. Workers will have a difficult time to cover their basic needs and will find themselves in a highly precarious situation. Women workers are likely to be more adversely impacted by the pandemic, facing higher risk of violence and harassment due to confinement as well as the increased burden of care (including caring for the sick).

In addition to women workers, migrant workers in the sector are particularly at risk because of the COVID-19 situation (ILO, 2020a). Rarely covered by social security schemes and lacking a strong established social network in the recipient countries, the situation for migrant workers is particularly challenging as they also may face difficulties when attempting to return to their countries of origin or in understanding and availing their legal rights.
Further, garment workers are especially exposed to the health risks that COVID-19 constitutes, working in dense settings, potentially in close proximity to thousands of other workers. Due to the nature of the current pandemic and the structure of the garment industry, both workers and employers and their families lack adequate protection from the health risks of COVID-19.

**Recommendations for garment manufacturers**

In this current situation, it is important for garment manufacturers to stay resilient and to prepare for the possibility that the COVID-19 pandemic will have a long-lasting impact on their businesses. For factories that have previously developed a Business Continuity or Business Resiliency plan, they should make sure to use the information available and the measures outlined, adjusting based on the specific nature of the pandemic. The following section will outline six broader key measures for factories responding to the COVID-19 situation.

1. **Factories should take care of workers**

   As an employer, a factory’s number one priority should be to protect the health of its employees. If it remains open, factory management should make sure that they involve all employees, including women and migrant workers, who tend to be underrepresented in decision-making within the factory, in preventing the further spread of COVID-19. This will ensure a safer, healthier and more productive workplace.

   Getting people involved requires factory workers to have adequate and correct information about how the COVID-19 virus transmits from person to person, and what they can do to prevent the spread, at work as well as at home and in their
community. Some of the measures that factories can take to improve awareness and ensure everyone has sufficient information include:

- Organizing meetings with factory staff to brief them about the COVID-19. Consider organizing virtual meetings on how to ensure sufficient social distancing. Recommendations should give special consideration of how women may be more exposed to the virus through their care duties (shopping, cleaning and taking care of sick persons).
- Having the occupational health and safety officers offering guidance to workers.
- Putting up signs and posters in the factory that promote good practices on social distancing as well as hygiene and personal protection.

Such information sharing and communication should take place in collaboration with bipartite (worker-management) factory committees such as social dialogue and health and safety committees.

Factories should also make sure that the factory is clean and hygienic. Surfaces in the factory should be disinfected on a regular basis. Remember, contamination on surfaces touched by employees is one of the main ways that COVID-19 spreads in factory settings.

Factory workers should also have access to clean facilities where they can wash their hands with soap and water. Sanitizing hand rub dispensers should be available in the factory, so that workers can easily access them frequently. Factories should also provide workers with facemasks and make it mandatory that they be worn at work.

For workers who are sick or who are caring for others who are sick, factories should ensure that they stay at home to avoid contaminating other workers in the factory. It should be made clear that workers will be able to count the time at home as sick leave. (WHO, 2020b). Otherwise, fearing a loss of income, they will be inclined to work if possible, potentially infecting co-workers.
If factories are forced to reduce working hours or terminate employment for some of their workers, they should do so in a non-discriminatory way that results in as little harm as possible to those workers. Workers should be prepared for a potential lockdown in advance. The factory should consider how they could mitigate the economic impact for their workers and help them manage financial stress. In several countries, governments have introduced various financial support measures, to assist enterprises in paying wages to workers. For example in Cambodia, the government has announced a plan for garment workers to receive 60 percent of the minimum wage if their factories close, with 40 percent coming from the factory owners and 20 percent provided by the government (Clean Clothes Campaign, 2020). Factories should ensure they align with regulations and make use of available support for this purpose.

For more information about how to protect your workers during the COVID-19 pandemic, the ILO's Better Work programme has published a number of useful guidelines on their website under ‘Better Work and COVID-19’. 
COVID-19 and relevant International Labour Standards:

- **Occupational Safety and Health Convention, 1981 (No. 155):** Employers have the responsibility of minimizing occupational risks. This includes providing adequate protective clothing and protective equipment, at no cost to the worker.
- **The Medical Care and Sickness Benefits Recommendation, 1969 (No. 134):** Workers who are absent from work due to quarantine or for undergoing medical care and whose salary is suspended should be granted a cash benefit.
- **The Workers with Family Responsibilities Recommendation, 1981 (No. 165):** Workers with immediate family who needs that worker's care or support should be able to obtain leave of absence.
- **Holidays with Pay Convention (Revised), 1970 (No. 132):** Employers should not require workers to use their annual holiday. The timing of holidays is to be determined by employers after consultation with the worker.
- **Employment Promotion and Protection against Unemployment Convention, 1988 (No. 168):** Workers whose employment is suspended, reduced or terminated due to COVID-19 should be entitled to unemployment benefits or assistance to compensate for the loss of earnings.
- **The Protection of Wages Convention, 1949 (No. 95):** Wages shall be paid regularly. Upon the termination of an employment contract, a final settlement of wages due shall be effected as prescribed, or within a reasonable period of time.
- **The Employment and Decent Work for Peace and Resilience Recommendation, 2017 (No. 205):** Social dialogue and tripartism will be essential in the effective implementation of measures to address the COVID19 outbreak and its impacts.

For more information about the ILO Standards and COVID-19, the ILO has developed a guide with frequently asked questions. Alternatively, businesses can contact the ILO Helpdesk for Business on International Labour Standards.

2. Factories should stay informed

Factories should also make sure to stay updated regarding the COVID-19 situation. This will enable them to make sound decisions based on how the virus may affect their business. Currently, the situation is evolving rapidly so management must update themselves frequently. When analysing information available, they should consider how it will potentially affect factory operations and to what extent. Important information includes the spread of the COVID-19 virus and what different countries are doing to manage the situation. This will
give them an indication of how it may affect e.g. supply of raw materials, customer orders, availability of workers etc.

In addition, factories should keep themselves updated regarding their own government's response plan. In many countries, governments are announcing plans to stimulate the economy and protect businesses to mitigate the impact of COVID-19. Measures include financial support, waiving or deferring social security contributions, deferring payments of customs and tax reliefs (ILO, 2020b; OECD, 2020). For example, the Cambodian government has provided tax holidays of six months to one year for factories (Johnson, 2020). In Myanmar, the government has announced a US $70 million stimulus package for factories (Abdulla, 2020). Similarly, in Bangladesh, the Prime Minister has announced a stimulus package for export-oriented industries to fight the impact of coronavirus on the country's economy. Funds distributed can only be disbursed in the form of salaries and wages for workers (The Daily Star, 2020).

This type of support from governments and financial institutions may be available to factories and could be the measure that enables them to keep operations going throughout the crisis – but only if they are aware of it.

3. Factories should secure their cash flow

The lack of financial liquidity or cash flow difficulties is often what forces enterprises to close down operations, especially in difficult times. It is likely that factories, even those that before the virus outbreak were in a good financial condition, will be forced to take action to ensure a sufficient cash flow as the situation progresses, depending on how long it will take for global supply chains to return to normal. Managing the cash flow therefore needs to be a key priority for factories so that they can continue with factory operations despite the disruptions in the global supply chains.
There are some key steps to be taken to mitigate this immediate financial challenge. First of all, factories should consider how they can lower their costs in the near future. The COVID-19 situation provides an opportunity to review operations and make them more lean. Focus should be initially on their variable costs, which should be lowered as much as possible. Focusing on variable costs is more often a faster way to reduce the outflow of cash than focusing on fixed costs (Kilpatrick et al., 2020).

Factories should also consider how they can reduce costs on labour to avoid a situation where layoffs ultimately are required. For example, they may encourage workers to use available leave balances. Worst-case scenario, they can offer leave with reduced pay if this is necessary to save the factory from going out of business. Ensure that national labour law and regulations are adhered to. Factories should also make use of available government support to ensure their financial liquidity throughout the crisis. They can use loans or other types of financial support to cover labour wage costs (which will enable them to retain workers), cover rent or other costs during the virus outbreak. Lastly, factories should talk to their bank and find out how they have adjusted their services to accommodate for clients’ needs during the crisis.

4. Factories should communicate with their key stakeholders

In a time of crisis, communication is key. No factory acts alone, each depends on internal and external stakeholders to operate successfully. During the COVID-19 outbreak, factories should stay in touch with stakeholders and ensure that they maintain a good relationship with them.

Factories’ employees are their most important stakeholder group. They should not take them for granted as workers have an important role to play for the factory in the coming months. Factories should make sure that they are transparent and convey all the information that workers need in order to
understand the crisis and what it means for the factory – and therefore for the workers themselves. Factories should also actively involve a diverse group of workers and their representatives in the discussion and encourage them to come up with ideas on how to keep the factory operational and productive until business returns to normal.

Maintaining a good relationship with buyers is especially important for factories. Factories should communicate commitment and dedication to keeping their operations going. While orders will be less in the coming months and no matter how frustrating that may be for the factory at this point in time, eventually demand will pick up again. By then, factories would want to make sure that they are the natural choice for their existing buyers, and that they can resume business again together. Meanwhile, some buyers might be interested in ordering other types of products as a response to the COVID-19 outbreak. For example, a number of Western buyers have asked garment factories to produce face masks and other personal protective equipment (Just-Style, 2020).

5. Factories should use available hours to upgrade their workforce

The COVID-19 pandemic has resulted in factories being temporarily closed or operating with reduced capacity. The excess time could be used to enhance the skills of workers, as this is normally something that is neglected under the pressures of day-to-day operations. Considering the labour-intensive nature of the sector, upskilling the workforce can substantially reduce costs while increasing efficiency, in turn leading to increased profits over time (Andersson et al., 2019). Thus, focusing available time on upgrading the factory's workforce, in an inclusive manner, can help factories become more competitive over time as demand returns and markets stabilize.

Factories can get in touch with their local garment association to receive advice on suitable training materials and organizations to receive support from. The ILO
also has materials available to support garment factories and their workers through the Better Work programme and other projects. This includes e.g. the Better Work's Supervisory Skills Training and the Factory Improvement Toolset (FIT), developed specifically to support garment manufacturers in global supply chains to improve productivity, competitiveness and working conditions by upgrading production systems and factory practices.

6. Factories should set out their objective(s) and develop a business resilience plan

While the situation may seem unclear at this point in time, it is important that factories try to determine what will be the key objective(s) during the coming months. Are they determined to keep the factory operational or are they considering potentially suspending operations while waiting for the situation to improve and they can return to normal operations? No matter what the ultimate decision may be, factories need to work out a plan for the near future. This plan will assist with how to deal with the situation and how to stay resilient.

Some of the things to consider when developing a business resilience plan include identifying the factory's priorities as well as considering what are some of the critical activities that are necessary to keep their factory going (and what is required to maintain such activities). In addition, factories need to assess more in-depth the potential impact of COVID-19 on their operations, as well as on their market. This includes also considering the circumstances under which factories might decide to scale back or suspend operations due to COVID-19.

The ILO and other organizations have a lot of materials available that can assist factories in this effort. Below is a list of ILO materials that may assist factories in developing a resilience plan for how to manage the COVID-19 situation:

- Sustainable and Resilient Enterprise – SRE
• Multi-hazard Business Continuity Management. Guide for small and medium enterprises
• Protecting your employees and business from pandemic human influenza: Action manual for small and medium-sized enterprises
• Business continuity planning: guidelines for small and medium-sized enterprises
• Ten Keys for Gender-sensitive OSH Practices
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