

## Leeds University Business School – Research and Innovation Podcast

**Episode 46:** Fashion supply chains, modern slavery, and the Covid-19 pandemic.

**Speakers:** Dr Matthew Davis, Dr Mark Sumner, Dr Divya Singhal and Dr Hinrich Voss

[00:00:00] **Matt:** Welcome to the latest episode of Leeds University Business School's Research and Innovation podcast. I'm Dr Matthew Davis, and today we're going to be talking about the impact of the COVID-19 pandemic on the management of risk of modern slavery and on ethical practices within global supply chains. And in particular, thinking about fashion supply chains.

Now I'm delighted to say that today I'm welcomed by three colleagues. Up first – Divya.

[00:00:35] **Divya:** Namaste. My name is Divya Singhal and I'm a Professor at the Goa Institute of Management, India.

[00:00:42] **Mark:** Hi. My name is Dr Mark Sumner. I'm a lecturer in sustainable fashion here at the School of Design at the University of Leeds.

[00:00:51] **Hinrich:** Hello. I'm Hinrich Voss, I'm the Lallemand-Marcel et Roland-Chagnon Professor in International Business at HEC Montreal in Canada.

[00:00:58] **Matt:** Fantastic. Thank you all for joining today. I'm delighted to be back on a call with you, being working together on this topic for a number of years. And it's great to have a conversation today. A lot of what we're going to talk about today, our findings and research evidence, coming out of a project we recently completed that was looking at the impact of COVID-19 on the management to eradicate modern slavery from global supply chains, looking into a case study of Indian fashion supply chains, which we're very grateful to say was commissioned by the Policy and Evidence Centre and funded by the Arts and Humanities Research Council. We're looking particularly at what the impact of the COVID 19 pandemic was for how UK-based fashion, brands were able to manage their supply chains, interact with suppliers, particularly in India, and think about the challenges and the risks of the pandemic brought into working practices and management practices that time.

So as part of our project then, we were working closely with UK-based fashion brands, and manufacturers and suppliers across various tiers of the supply chain in India. And we were doing this both in the current project and also a few years ago in a British Academy funded piece of recent. So in our current project, we revisited the same supply chain suppliers and fashion buyers.

And we conducted a whole series of in-depth interviews with people within the industry and also others outside as well. So experts in non-governmental organizations and other industry bodies as well, to really try and understand what was going on in the industry at this time.

Hinrich, can you maybe talk us through both the scale and the scope that the COVID-19 pandemic has had on the fashion industry that we were looking at?

[00:03:06] **Hinrich:** Certainly Matt. The pandemic had severe impact on the fashion supply chain and global value trends, but those impacts have been spatially and temporarily very uneven, hitting businesses and workers in firms at different times in a different intensity. And I'd like to break this down by giving you a few like a macro picture first, and then a micro picture.

The macro picture - the fashion and textile value chain consists, generally speaking, of six different tiers and each of these tiers had very different experiences across the pandemic at different points in time.

The first garment, or the first businesses in the value chain that were affected in India, were those that were receiving supplies from China, because China was the first country to go into lockdown and stop exporting certain products.

And that affected the producers in India. As they came out of the challenges they faced from not having imports from China, they then felt the problems from lockdowns in the export markets. Countries like the UK, going into lockdown, non-essential shops being closed, retailers being shut, had a significant impact on suppliers across India.

One of the problems, raised through the pandemic was that those suppliers didn't have, alternative markets, right? Because it wasn't just the UK closing down, but all the export markets going into a lockdown. And while you normally see that local value chains help businesses to diversify bits because they can supply into different markets at the same time. As in this case, it happened that all the markets closed, now at the same, more or less the same point. There is no diversification, possibly longer. And therefore it tremendously strongly affects supplies across the whole value chain.

Now, some of these impacts, kind of if you like, trickled down as garment manufacturers didn't receive orders any longer, and there's some indication that orders were reduced by the order of 25 to 35% across all tiers.

Another impact that especially Indian manufacturers had experienced was domestic lockdown within India. The domestic lockdown led to a mass migration of millions of workers within India, back to the home regions where they normally came from. Now that particular lockdown and the mass migration within India, then had an immediate impact on the ability of the remaining manufacturers to produce goods. And later on, to restart the manufacturing engine, as orders picked up again from potential export markets, because there was a lack of workers. And that had a knock-on effect that we'll talk about in a moment as well. But that in particular was felt when online shopping picked up in export markets. As essential shops closed, shopping moved from bricks and mortars retailers to online shopping, but then orders started to get difficult to get supplies in, because in places like India, manufacturers couldn't produce because the workers went back home.

So that's some of the impact that Indian side experienced. And of course, in the UK itself, after many years of severe price competition amongst retailers, the lockdowns that were enforced by the government, had a disproportionate impact on clothing sales and they fell strongly by retailers, which led to close off a large number of the retail shops across the UK in the aftermath of that, because not everybody had an up-and-running online shopping system in place, nor the logistics in place, to cope with an increased online shopping demand and serve the consumer as well.

So the macro picture - we had suppliers operate in the India based value chain being severely effected from four different sides. So as a consequence of that, at the micro level implications indicated that millions of workers went back to the home regions because of lack of work in the manufacturing sector across the value chain in the fashion industry.

And that in itself increased the risk for modern slavery because suddenly workers were out of jobs, out of money. They had to cope with the costs of getting back home to the home regions as well, potentially having to pay to get back into jobs. And when we say they had to go back to the home regions - that means they had to travel hundreds and thousands of kilometers to get to the home region. It's not something around the corner. It is a long journey for them.

A survey by the Worker Rights Consortium indicates quite nicely the impact this has had on some of the workers. Because the survey by the Consortium found that even though 60% of workers were still employed at the pre-COVID factories in 2020, they experienced a monthly benchdrop drop of 21%. At the same time 75% of informants reported that they had to borrow money and or accumulate debt in order to pay for food, even though a large number of them were still employed.

So that indicates some of the predicaments these workers were facing, and as a consequence of that, the higher risks they were exposed to, to move into a situation of modern slavery. Especially the last point, indicating in terms of increased debt accumulation, having to borrow money to pay for food, can lead into debt bondage types of modern slavery.

Debt bondage means that a worker has a significant amount of debt they have to repay to potentially the employer, to potentially recruitment agency, to potentially a loan shark, wherever they're getting money from.

[00:09:21] **Matt:** That's a really interesting summary. Thanks very much Hinrich. A really difficult time. Everybody, I think during the COVID 19 pandemic, has been adversely effected in different ways.

And I guess one of the things we also heard in the project was from the UK side, a lot of the people working in the big brands who got furloughed in ethical trade teams in supply teams and so on. And I wonder, Divya, just thinking about your experience working particularly on the project, gathering data from these extended supply chains, mapping these supply chains - a really complex task - what sense did you get of the common challenges maybe between people within different parts of the industry within India, and also those in the UK that maybe were buying from them or interacting with them?

[00:10:10] **Divya:** Thank you Matt for this question. Of course there were challenges which buyers also faced, suppliers also faced. But you know, this pandemic being a joint experience was something that everyone experienced, everyone was affected. And because everyone affected, because it was a universal impact, people were able to relate across the industry, across suppliers or brands.

And interestingly, this contrasted strongly with past events, such as Rana Plaza factory collapse, or the financial crisis of 2008/9. The global financial crisis appeared to affect demand more than supply, while the Rana Plaza disaster had implications mainly for the supply side. These crises were considered as distant or disconnected experiences between suppliers and buyers.

However, the scale and characteristics of the pandemic impacts on buyers and suppliers appeared very, very similar. And this created a sense of joint experience. Of course, there were challenges. There were cancellations, there were delays, loss of sales, reduced turnover, managing employees was a problem, uncertainty when business would return to normalcy – all were part of this joint experience.

One supplier commented, and I quote “this is like an extraordinary condition, right? Unnatural act. Pandemic is not a human act” and I end quote. So what is needed? We need to understand from different perspectives.

So pandemic lockdown, impacted everyone, each and everyone is impacted in one or the way. So the sense of shared crisis possibly was the reason for the shared sense of understanding and acceptance of the reasons for the difficult decisions being taken across the industry.

As I mentioned about the challenges - delays in payment, cancellation of orders, challenges, uncertainty due to lockdown, but interestingly suppliers understood the need for brands to cut orders and brands understood the need to support workers in the supply chain. When we talk about empathy, empathy is what - empathy is other orientated-ness. And then suppliers are understanding brands and brands are trying to understand suppliers. I think this definitely displays empathy.

Another important finding was increased communication. Many of our interviewees expressed that there is an increased interaction with the brands, especially where the ethical trading teams were working there were constant communication and that constant communication also instilled confidence.

The brands had regular communications with the suppliers, because there were situations changing on a day-to-day basis. And video conferencing, new technology was used. So this universal impact, this shared experience, brings out the ability of perspective-taking.

And this perspective-taking made the pandemic different from other global crises, which I mentioned earlier. It was able to put everyone in the same place, which helped people open up to their innate tendency of showing empathy in a crisis situation. I think that was something which we found unique in this project.

[00:13:32] **Matt:** Great. Thank you, Divya. I think it's such a positive to hear you talk around that increased empathy, the understanding, and I think particularly coming off the back of what was such a difficult, upsetting and devastating experience for so many people. I think that that kind of positive reflection is really welcome. I wonder Mark, given your industry experience here in the UK as well as your ongoing research, what would you pull out as another key finding then from this research?

[00:14:01] **Mark:** It's really interesting to actually start to see some of the underpinning foundations of the research, and what we've actually found in the project and in the previous BA project that we talked about earlier, fashion supply chains are really complex, and in many places, are very, very opaque.

So it's very difficult to get an understanding from one end of the supply chain to the other, irrespective of whether you are a brand at the demand end of the supply chain or whether you're a spinning mill at the production end of that supply chain. It's a very complicated supply chain. It's very difficult to see what the connections are.

And when Divya talks about this empathy and this understanding, this ability to communicate that actually started to facilitate some of the mitigation around the pandemic, what we can see from those brands that had an established, ethical trading team - those brands who pre-pandemic actually had relationships with their suppliers, even if it was only tier one or maybe tier two

suppliers, those brands had the opportunity to start to communicate and start to understand what was happening in the supply chain.

But at the same time, also be able to communicate with the supply chain to explain some of the challenges that were occurring within a UK based brand or retailer. So that historic structure of having ethical trading teams, really helped to facilitate the development of that empathy that Divya talked about because all the brands and retailers and the suppliers were working with communication channels that were well-established.

And actually what we were starting to see with the research were those with established supply chain connections were expanded to go further upstream from tier one, to tier two and pushing all the way through to material suppliers, such as cotton traders and even cotton farmers. So those connections allowed that communication through the ethical trading teams in general, they tended to be a focus area.

And one of the interesting findings that we also got from the project around this, that the initial responses for many brands and retailers, right at the very start of the pandemic, tended to be very commercially-orientated decisions made by the core commercial team. And actually on reflection, a lot of people talked about this idea that if the ethical trading teams had been involved in some of those discussions, that may be what we saw as a direct impact to some of those decisions on workers may have been modulated.

Now, I'm not saying here that the interaction with the ethical trading team would have absolutely avoided all of the issues of the pandemic, not at all. But what we're talking about here is having that level of understanding, having that engagement with the ethical trading team in some of those decisions early on, may have helped to reduce the impact of the pandemic for workers at certain levels of the supply chain. Because what we've seen, after the initial tsunami of the pandemic here in the UK and in countries like India, is people started to talk to each other and started to understand the direct impacts that were occurring. As I said, most of the communication was coming through the ethical trading teams, it was reflecting on what was happening further upstream.

And what we saw is those brands and retailers that had that historic connection were starting to come out of the panic of the pandemic earlier than brands who didn't have that historic connection, because those brands that didn't have ethical trading teams didn't have the ability, didn't have the foundation, didn't have those communication channels, to work out exactly what was going on on the ground.

And, as Divya said, the suppliers were also able to understand much more quickly what was going on within the brand. So they could also mitigate what they were doing in terms of their order books. So that complexity of the supply chain and that opaqueness was unpicked by having that sort of historic ethical trading built into the brands.

And I think for the first time, what we see here is the monetary value of ethical trading teams, not in a defensive position of, are you trying to make your supply chain as hygiene as possible, but what we were seeing here was the ethical trading teams having the ability to make direct impact on commercial decisions that were valuable both to the brand and to the suppliers and not just the tier one suppliers, but further upstream.

[00:18:55] **Matt:** That's great. Thank you, Mark. It's really interesting to hear that reflection of, I guess, that shifting view of the value of ethical trade, because as you're saying, not being defensive, not being reputational risk management, but actually something that's valuable for those business decisions and looking forward, being proactive in terms of how it could work.

Hinrich - we worked together a number of years ago on a British Academy funded project, to understand the impact that the UK Modern Slavery Act had had around brand and supplier relationships. What can we take from the latest research around what might've changed?

[00:19:30] **Hinrich:** We were published in 2019 an article in the journal of the British Academy in which we critiqued the Modern Slavery Act of the UK, by saying it's fairly ineffective. It doesn't really achieve its objectives in the way it's structured and organized. One of the problems we identified back then was that suppliers across the value chain are not really aware of the Modern Slavery Act and are not really working towards its objectives.

Now, going back to the same informants a few years later with this current project we found that basically awareness of the Modern Slavery Act hasn't increased at all. So two, three years on the suppliers were as unaware about Modern Slavery Act's objectives as they were previously suggesting that even over time, as brands try to work and train suppliers, some aspects of the communication or the message doesn't seem to get through to the suppliers, suggesting they are, first of all, there's a structural problem around how the actors working are trying to achieve the objectives. And it doesn't really reach the suppliers.

Now there might be a silver lining with the Act, however, in a sense that the spirit of the Act might be incorporated by some of the businesses. Along the lines of what Mark just said, in terms of the ethical trading teams working very well with suppliers, the ethical trading teams having a strong engagement towards transparency, understanding what's happening on the ground. And that aspect of transparency comes through in the, when I say the Act as well, it's an important aspect of Modern Slavery Act. But it comes to the supply chain provision in the Act. But that level of transparency and engagement with the spirit of the Act is only, we only found to be true for businesses that are engaging with it anyways, for a number of years, and have a history of being more concerned about the ethical implications of their trade.

While businesses that have track record on this have less engagement in terms of having a dedicated, ethical trading team are found to be less engaged with the Act as well. Suggesting that the Act, the Modern Slavery Act itself, is not pushing businesses to be more engaged with ethical trading.

[00:22:00] **Matt:** Brilliant. Thanks Hinrich. We've heard then around how the scale and scope of the impacts of the COVID-19 pandemic was uneven across the fashion industry, thinking particularly the differences for UK brands, for Indian suppliers, for workers in both the UK and India and that raised challenges.

We've seen that actually the COVID-19 pandemic was different to other shocks in the fashion industries than experienced before. And in some ways that might've driven more of a sense of common challenge, more empathy, and more actual communication between brands and suppliers. It might be a positive coming through there.

We've also heard about the potential dividend that brands who'd invested in ethical trade teams before had reaped from this. So they had greater understanding of their complex supply chains, and actually maybe enhanced resilience as well when they started to try to ramp back up their production.

And we've also heard that in terms of the UK Modern Slavery Act. So piece of legislation has really focused the minds of, particularly UK brands, around conditions within their supply chains. We've seen limited impact of that within the supply chains we've seen.

What I would like us to do now, is really think about some very short and sharp recommendations we can offer to you, to businesses, people in the industry, based on our research. I'm going to take Chair's prerogative and go first with one that I take from the work we've been doing.

And that really is I think the opportunity that brands in particular have to capitalize on new technologies to strengthen worker voice, really to hear much more about frontline experiences of people, wherever they are in the supply chain. And we know from what Mark said, how complex and long that that might be. How that might compliment audits. So not just relying on spot checks in factories or kind of written contracts. And I think we've seen evidence through the pandemic where we've been using video calling, instant messaging, and the opportunities we have for other ways of engaging workers directly, where we don't have to have middlemen or people visiting physically. How else can we get that kind of first-hand experience.

Divya, what would you offer as a recommendation?

[00:24:08] **Divya:** Yeah. So, Matt, you talked about how the new technology can be used. I would talk about collaboration. The brands that collaborated with other stakeholders, they were able to gain from common understanding. And they were also able to gain from the best practices. So I think going forward, it's very important to have that kind of collaboration multi-stakeholder approach.

[00:24:32] **Matt:** Thank you. Hinrich - what would you suggest?

[00:24:36] **Hinrich:** Building on my previous comment around the Modern Slavery Act, I think it was clear that the Act needs to become much tougher with clearer obligations for every business, even if it is every business above a certain threshold, as it is currently, to be way more transparent about how they engage with the Modern Slavery Act - what they do across the complete global value chain, not just the first tiers, but also have clearer obligations about where and how much is published about the activities that any consumer can easily find on those provisions. And have clear penalties involved for businesses that are not engaging with the Act itself. Not penalties for finding potentially modern slavery yet, because if we want businesses to report on, we shouldn't necessarily penalize businesses if they say we found a problem without the time to solve it, but businesses that are not really engaging with the Act and the provisions about transparency and training should face clear penalties.

[00:25:39] **Matt:** So trying to level that playing field then I guess, with the Act. Thanks Hinrich. Mark - what would you suggest?

[00:25:47] **Mark:** In many ways, it's a quite a simple recommendation of really understanding what that value chain actually looks like and what the connections are. But having said that, I know it's

really complex to be able to do that, but without actually understanding the value chain, the connections, the interdependencies throughout that value chain, and I'm using value chain very specifically, as opposed to supply chain to bring into the discussion this idea of the brands and retailers having a role to play in all this. If we have that understanding, we understand what those connections are, we can then start thinking about what the implications are of our decisions and what are the implications of some of these macro shocks to the system. And of course we know that from a sustainability point of view, there are going to be more and more shocks to the system as a result of climate change, as a result of water shortages, as a result of changes in the labour market, as well as more and more than legislation comes in.

So really having that greater understanding of that value chain is critical. But I would say, to get that understanding, it's not about investing in things like blockchain or traceability platforms. It's actually about talking to people. It's about engaging in conversations about realizing that that value change is made up of people who make decisions based on the information they've got.

[00:27:17] **Matt:** So Mark, it sounds like you're calling for better resourcing of ethical trade teams and an investment in people I think to help deliver on that. I guess another area to think about then is potentially for the UK government, in particular, and Hinrich mentioned the strengthening of the Modern Slavery Act in the UK, so Section 54 around reporting and so on, also think about sanctions, but we might also consider whether introducing something like a garment adjudicator might help strengthen things here as well in terms of standards and taking action.

Now, Mark - I wonder if you're maybe a fashion consumer listening to this podcast, your interested in this topic - are there ways that they can find out more and is there any exciting research happening at the moment that could connect them with that?

[00:27:57] **Mark:** Yeah, thanks for that, Matt. So, so obviously from this project, there's a whole series of reports and podcasts like this one that anyone can engage in. We've been able to engage with the Arts and Humanities Research Council and their follow-on funding for impact and engagement.

So we're very excited about this follow-on project, which is called "Cotton - hidden voices - stories from the makers of your clothes" and what we're doing with that project is trying to build that connection with the wearers of those clothes here in the UK and build that connection with the makers of the clothes, particularly in India. And again, just thinking about the upstream supply chain all the way through to the cotton farmers. So I'm hoping that we'll have more and more of these stories that we can bring through, both from an academic perspective, but also to have that wider engagement with the broader UK public.

[00:28:55] **Matt:** These will be videos, interviews, blogs. It's very visual isn't it, to try and connect people with, as you say, how these clothes are made. What it might be like to actually work within the supply chains. And we're partnering with museums, galleries and running online events as well to make it really engaging.

Well Divya, Hinrich, Mark. Thank you so much for joining us on the podcast today for sharing your experiences and the findings from the research.



As Mark said, if you are interested in finding out more about the research we've done or what is still to come, check out the show notes. There's links to the report, to our project website, and details around the follow-on project that Mark mentioned, if you'd like to see more of what's coming.

Thank you for listening.