

Impact of Global Clothing Retailers' Unfair Practices on Bangladeshi Suppliers During COVID-19

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Background

This research investigated the impact of global fashion retailers and brands unfair practices on Bangladeshi suppliers during the Covid-19 pandemic. Research in 2020-21 on the impact of Covid-19 on garment workers in Bangladesh found that workers, particularly women workers, suffered economic and social vulnerabilities (Islam et al., 2022)[4]. While workers' vulnerabilities during the Covid pandemic were arguably fuelled by unethical/unfair global clothing and fashion retailers (buyers) practices, these practices have not been adequately investigated. Early reports on the impact of the pandemic on the garment industry indicated that retailers had cancelled orders, were refusing to pay for work in process and demanded lower prices when placing new orders[5]. For example, The Worker's Rights Consortium's tracker shows that out of 46 brands included in the tracker, 21 were reported not to have committed to paying for orders completed or in production in March 2020 (Worker Rights Consortium and Center for Global Workers' Rights at Pennsylvania State University, 2021)[6]. Such reports and the continued Covid pandemic (from March 2020 until late 2021) emphasise the importance of further research to document and analyse how the practices of global retailers impact the industry actors, manufacturers (suppliers) and the workers employed. There is a lack of research into the impact of the buying practices[7] of global clothing retailers on suppliers during Covid-19 and how these directly impacted suppliers' employment practices, such as workers' turnover, loss of jobs and minimum legal wages. Our study addressed such research gaps. In particular, we aimed to investigate unfair trading practices[8] by the global retailers with suppliers in Bangladesh, including (but not limited to) sudden cancellation of orders, price reduction, refusal to pay for goods dispatched/in production and delaying payment of invoices during Covid-19.

The main driver of Bangladesh's growth and development has been the clothing industry which has enjoyed preferential access to the major Global Northern markets, especially in

Western Europe and North America. When Bangladesh started exporting ready-made garments in the late 1970s, the clothing sector accounted for less than 4% of total exports, and by 2018-19 this had increased to 84%. It is Bangladesh's most important manufacturing sector accounting for about 20% of gross domestic product (GDP). It employs around four million workers, who make up about 43% of workers in the formal sector⁹ and about 50% of whom are migrants from rural areas. More than 12 million people are dependent on the sector for their livelihood. The industry also provides large-scale employment for women who traditionally have not worked in the formal sector.

However, Bangladesh is caught up in a race to the bottom with exploitation in the sector linked to an increasingly competitive international market, with retailers in the Global North using their market power to push their suppliers for discounts even before Covid-19. When Covid-19 started spreading in the Global North in early 2020, there was a perceived risk by brands and retailers of a decline in demand for ready-made clothes, caused in part by government-mandated lockdowns of bricks-and-mortar stores and people working from home. By March 24, 2020, the clothing industry in Bangladesh faced deferrals and cancellations of nearly \$2 bn (£1.6bn) in export orders, mainly destined for Europe and North America[10]. By June, this was reported to have increased to as much as \$3.7bn (£3.0bn)[11].

Research Method

The field survey of 1,000 factories producing clothes for global fashion brands and retailers was carried out in December 2021. Face-to-face interviews were carried out by trained interviewers in Bengali with factory owners or senior managers in the workplace using a structured questionnaire. The stratified probability sample was selected from the Mapped in Bangladesh (MiB) database, a comprehensive list of export-facing ready-made garment factories in Bangladesh[12]. The method used for sampling means that the findings can be generalised to all export-facing garment factories in Bangladesh. All the respondents gave informed consent to taking part in the research. The data were analysed using SPSS. This report uses descriptive statistics to provide an understanding of the impact of Covid-19 on factories as reported by the factories.

Research Findings

In this section, we discuss the findings from our survey. We examine the challenges the factories reported facing due to the trading practices of brands and retailers purchasing goods during the Covid-19 pandemic and the impact of these on factory workers.

In the sample of 1,000 factories, 19.6% were small (1-120 employees), 57.9% were medium (121-1,000 employees) and 22.5% (above 1,000 employees) were large. Most factories produced knitwear, namely 59.1%, while 30.2% produced woven and 10.7% produced both. In March 2020, the 1,000 factories in the sample employed 789,302 workers; this declined to 589,302 when the factories reopened after the April 2020 lockdown. It had increased to 719,966 by December 2021. A total of 60% cent of the workers employed in the factories at all three times were women.

Based on our survey data, in March 2020, our sample factories supplied apparel globally to

around 1,100 brands/retailers, with their head offices in more than 40 countries[13]. The most frequently mentioned locations of head offices of the brands/retailers our sample factories exported to were in North America and Western and Central Europe. The USA was mentioned by 66.5% of factories, the EU by 45.8%, the UK by 33.1%, Canada by 29.5%, and Australia by 15%.

The mean and median number of brands/retailers factories supplied was three. The number of brands/retailers that factories supplied correlated with size[14], with small factories supplying one brand/retailer on average, medium factories to two, and large factories to three. Factories selling to only one brand/retailer were especially vulnerable to the market power of the brands/retailers, and thus also their unfair practices where applicable.

Key challenges suppliers faced during the Covid-19 pandemic

Using a structured survey questionnaire, we asked 1,000 factory owners/suppliers/senior managers about various challenges they faced during the pandemic. Some of the challenges suppliers faced were directly related to the buyers' unfair practices, such as cancellation of orders and price reductions. The factory representatives reported that 50% of factories experienced one or more unfair practice by retailers (Table 1). More than 30% of factories said they faced cancellation of orders, 20% claimed they were paid less than the contractually agreed price, and 11% of factories reported that buyers had refused to pay for goods dispatched/in production. Twenty five per cent of factories reported that payments were delayed for more than three months following the delivery of goods. The factories began to reopen following the government-mandated lockdown in April 2020, but they continued to face challenges. Nearly one in five found it challenging to pay the legally mandated minimum wage for workers in the garment industry. Small factories found it significantly more challenging to pay the minimum wage, a third, compared to 16% of medium and 12% of large factories ($\chi^2 p < 0.001$). In addition, 38% of factories reported a reduction in demand, and nearly a quarter said they had to reduce their price to secure buyers. In December 2021, 76% of factories reported they were selling at the same price as in March 2020, and 8% were producing at less than the cost of production. The factories had apparently not been able to pass on additional production costs to buyers, including increases in the cost of raw materials and Covid-19 mitigation measures. Interestingly there were no significant differences by factory size except for affording to pay the minimum wage.

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