



Sedex Insights Report

COVID-19 Impacts on Businesses

Publication date: 26 May 2020

In April 2020, Sedex undertook research and asked 60,000 businesses from its membership base to answer a survey to understand:

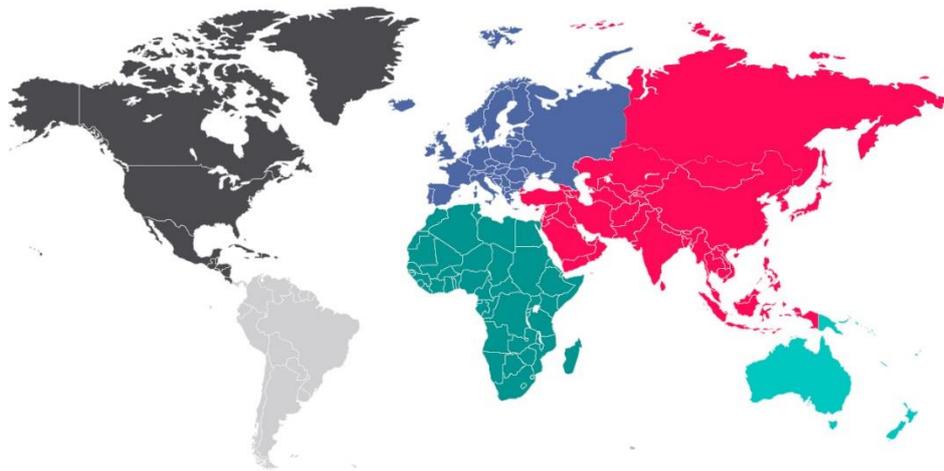
- How COVID-19 is impacting their business
- How businesses are supporting their workforce to be safe in terms of health impacts and financial impacts
- How businesses are supporting their suppliers by adapting purchasing practices and offering support
- What support supplier businesses would find useful from their buyers and Sedex.

We received responses from 3,346 businesses in 118 countries.

Key research findings

3,346 businesses took part in the survey

Located across **118** countries



Top responding countries



67% of respondents expect decreases in revenue as a result of COVID-19, with **34%** of members stating this will be significant or critical

99% of respondents are taking actions to protect the health and safety of their workforce during the pandemic

The **garment and footwear sector and construction** sectors are being hit the hardest economically.

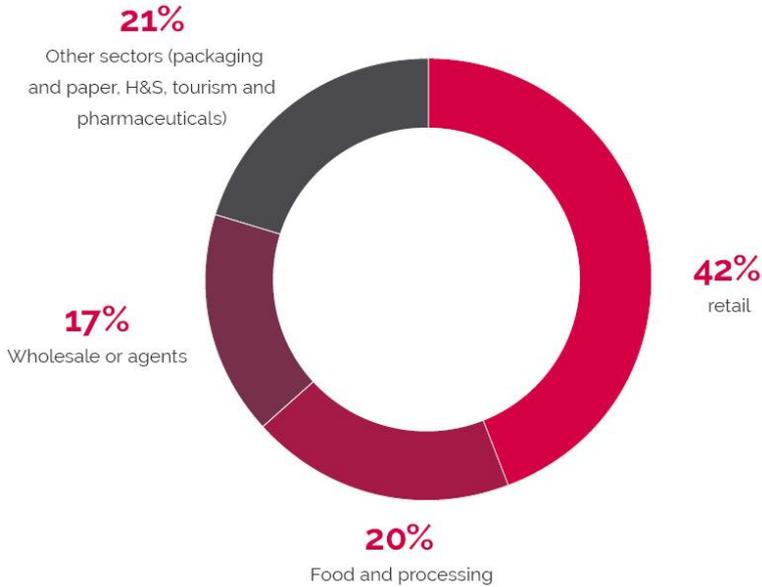
Most common challenge is supply chain disruption and inability to get input or raw materials, felt by 43% of businesses. 20% of businesses have had orders cancelled by customers and 4% have experienced delayed payment terms.

56% of suppliers state that their customers are taking supportive actions - particularly in services such as cleaning and transport and logistics

37% of respondents have too many workers employed with less work and have needed to take actions to lay off workers, reduce hours or furlough their workforce.

Sector and Buyer/Supplier overview

96 Buyer organisations (Sedex Buyer members) responded from the following sectors



3,250 Supplier businesses (Buyer/Supplier and Supplier Members) responded from the following sectors

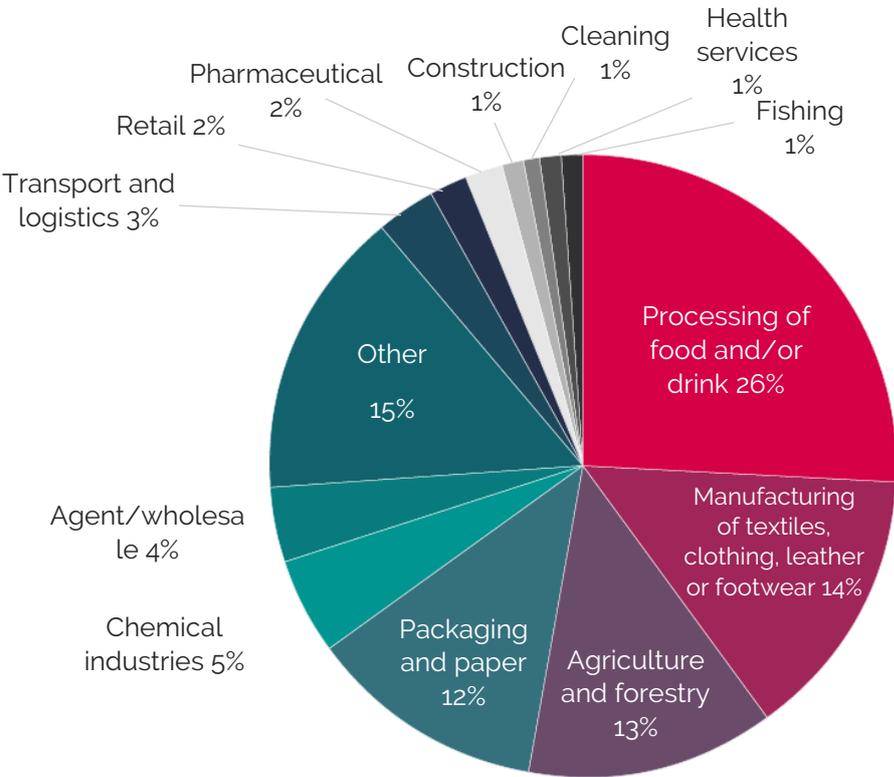


Figure 1. Sectors represented in the supplier survey. "Other" includes sectors such as labour providers, heavy industry, security and utilities

How COVID-19 is impacting businesses

The impact of COVID-19 on business and workers has been severe and created a significant split for businesses and workers in different sectors. In one group are those businesses where demand has plummeted and are fighting for survival. On the other are those where demand has continued or increased, and businesses must manage operations amid COVID-19 related restrictions and changes to working conditions. Both bring clear but very different challenges:

- Those with continuing demand face challenges with access to labour, raw materials and infrastructure.
- Those with significantly reduced demand are focusing on business survival with many forced to stop or reduce operations with the difficult decisions around employees and the resulting financial and humanitarian issues that this may entail.

The impacts on factories and workers in either situation varies depending on the circumstances within the company. Our research finds that there are key variables, which will determine impacts on workers. These are:

- The challenges faced by businesses
- Whether buyers are supportive/can be negotiated with
- Whether a company is facing a labour shortage, or an excess of workers compared with demand
- The actions a company is taking to support their workers.

Below is an overview of our findings. The analysis provides you with:

- A global overview of the impact of COVID-19 on businesses and workers
- Detailed findings for the following sectors:
 - Manufacturing of textiles, clothing, leather or footwear (garments and footwear)
 - Agriculture
 - Food and drink processing
 - Service provider overview including cleaning, construction and transport and logistics
- Recommendations for shaping post-COVID-19 responsible businesses practices
- Links to useful tools and guidance from Sedex to help manage this.

Methodological notes:

- The percentages are calculated based on the number of respondents to each question
- Respondents self-reported the information, so we encourage readers to treat the findings as strong indications of trend and sentiments rather than facts
- The responses can describe the actions taken by companies e.g. provision of PPE, but it cannot describe the effectiveness of the action e.g. whether the PPE is fit for purpose, available and worn by all workers.

Revenue and business challenges resulting from COVID-19

The COVID-19 pandemic has strongly impacted Sedex member businesses and revenue. 67% of respondents expect decreases in revenue as a result of COVID-19, with 34% of members stating this will be significant or critical. The garment and footwear and construction sectors are being hit the hardest, according to our respondents (figure 2 below).

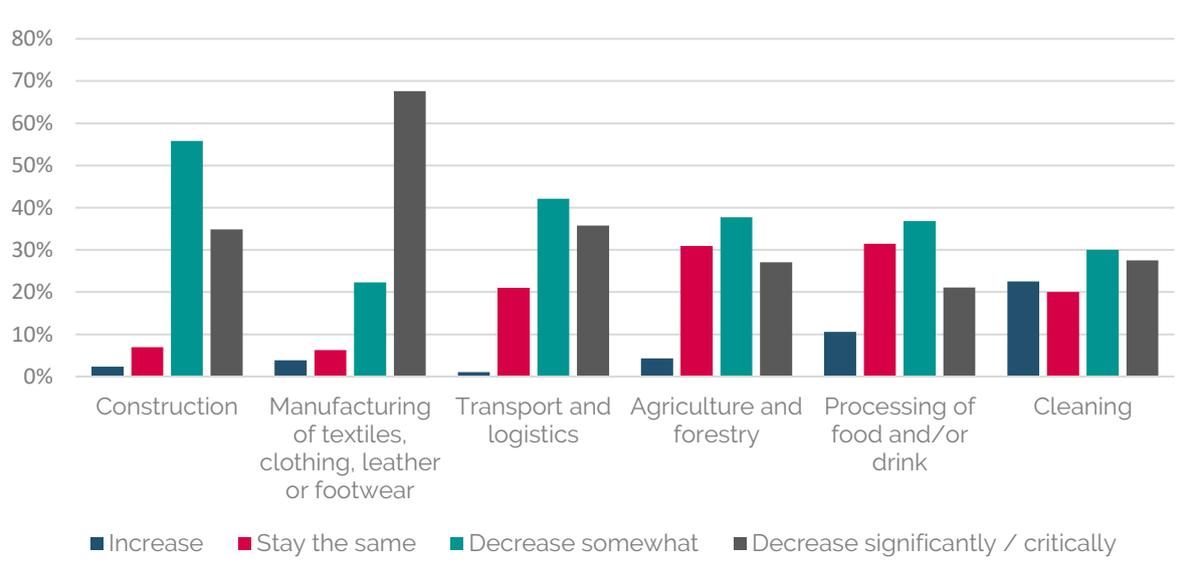


Figure 2. How the pandemic is impacting or expected to impact revenue, showing stark differences between “essential” vs “non-essential” sectors.

Within this extremely challenging business environment, Sedex and organisations such as Better Buying, the ILO and the OECD have called for businesses to act responsibly towards their suppliers and their workers (both in their companies and their supply chains) in order to minimise business collapse and impacts on employees across supply chains.

Respondents were asked to highlight what other challenges are facing their business. 2,500 comments were received. Figure 3 outlines the top 10 challenges that were raised.

Top 10 challenges faced by business



Figure 3. Other challenges respondents are facing during the pandemic.

Disruption to supply chains and inability to get input or raw materials was the most commonly reported challenge, felt by 1,084 respondents (43%). Reasons for this included delay in raw material delivery, suppliers stopping production, and higher prices of raw materials or transport. On the other hand, 20% respondents have had orders cancelled by customers and 4% experienced delayed payment terms. The combination of squeezed production times and poor purchasing practices puts significant additional pressure on suppliers and workers, increasing the likelihood of poor working conditions.

Buyer support

A positive finding from the survey was that that 56% of supplier respondents state that their customers are taking supportive actions - particularly in services such as cleaning and transport and logistics, where 72% say customers are supportive, and in essential sectors food and drinks processing (60%).

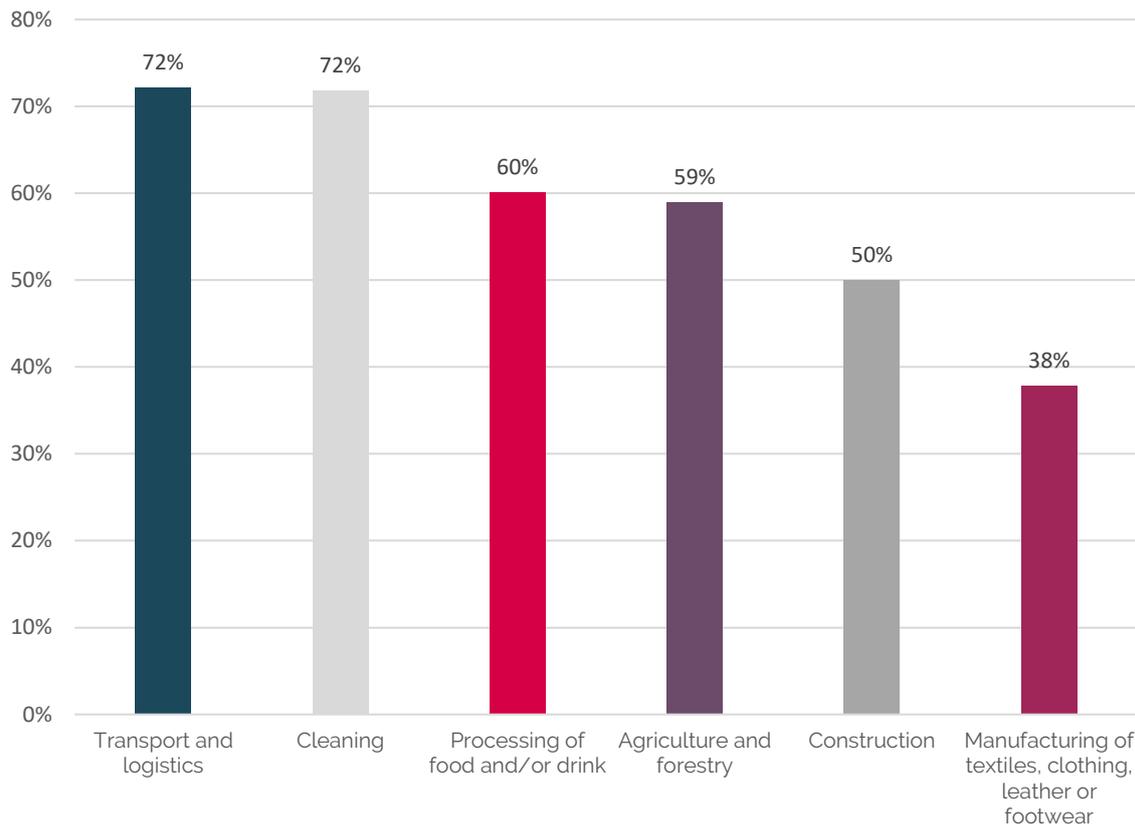


Figure 4. Percentage of respondents who answered “yes” to the question “are your customers being supportive to your business during the COVID-19 pandemic?” across 6 sectors

Worryingly, only **38%** of respondents in the garment sector state their customers are being supportive over this time. This reflects the picture we are seeing in factories worldwide, where many companies are closing and hundreds of thousands of jobs are being lost resulting in vulnerable situations and health risks for those affected. This is particularly the case in apparel and footwear where whole regions and countries depend on international retailers for income, and where state support to provide safety nets for workers who lose their jobs are close to non-existent, pushing workers into poverty and heightened risk of contracting COVID-19.

A joint approach to addressing the challenges facing businesses is critical and communication and fair negotiation is key. When answering questions about managing delivery times for suppliers experiencing a shortage of labour due to COVID-19, it is promising to see that many suppliers can agree timelines that enable them to meet orders with current workforce, however, there is a mixed picture in this regard.

In the UK for example, over 60% of suppliers don't consider communicating with buyers as an option. Buyers must focus on understanding supplier capacity and challenges, and agree workable timelines to ensure they are buying goods and services made and delivered in a safe and ethical way.

79% of buyers that completed this survey have taken action to support their suppliers. An overview of actions taken are detailed in Figure 5 below.

Actions taken by buyers to support their suppliers

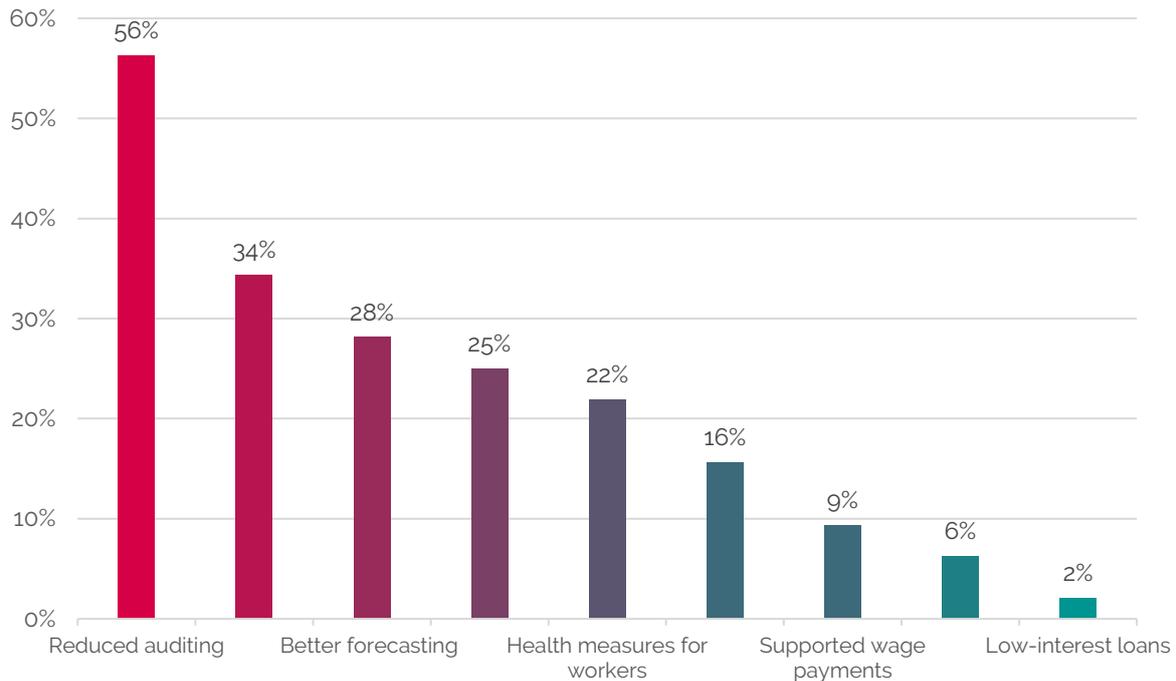


Figure 5. The percentage of buyers supporting suppliers and their workers at this time.

The vast majority of Sedex buyer members are taking some positive action to support suppliers. 28% of buyers are improving their forecast/delivery timeline, and 16% are providing better payment terms and 9% supporting wage payments to workers. Those supportive actions towards suppliers and workers will help mitigate the impact of the crisis on people health and finances. These positive steps towards better purchasing practices are very encouraging and Sedex recommends members to consider extending those practices beyond the pandemic.

Labour surplus and shortages

The impact of COVID-19 is dividing businesses in respect to labour. Global supply chains rely on a workforce that tend to be low-cost, easily accessible and flexible across geographies. The low costs mean that workers out of work are at higher risk of poverty, while restrictions on movement mean easy access to migrant labour is no longer an option.

Our survey shows that businesses are split into thirds, with 1/3 experiencing shortages, 1/3 experiencing surplus labour and 1/3 staying the same.

Impact on labour

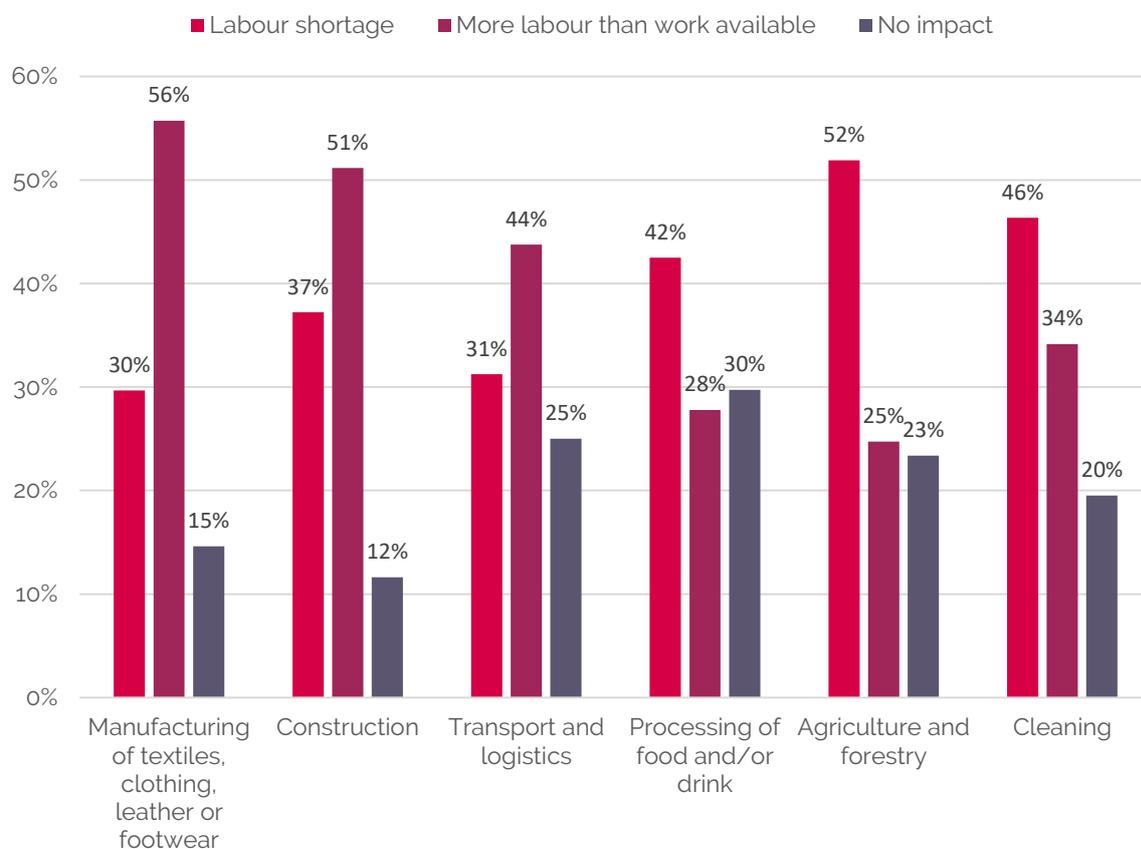


Figure 6. Impact of the pandemic on labour supply across 6 sectors

More labour than demand (labour surplus)

Many companies have had to stop or reduce their operations in regard to the pandemic – either as a direct impact of reduced customer demand or because of related challenges in creating safe workspaces where social distancing and other measures can be implemented. This has resulted in 37% of respondents having too many workers employed with less work and having to take action to lay off workers, reduce hours and furlough their workforce among other measures.

As we can see from Figure 6, this is particularly acute in the garment sector (56%), followed by construction (51%) and transport and logistics (44%). It is also interesting to note that, while less affected than the previous sectors, essential sectors in the food industry are also experiencing a surplus of labour, possibly indicating a “tightening of the belt” in crisis time as well as an uneven impact of the crisis on the industry. The combination of decreases in revenue, temporary closure of businesses and restricted ability to move for work raises critical questions of how those businesses will survive the crisis and how the livelihoods of workers in these sectors can be protected during this time.

Figure 7 (below) highlights how the most impacted sectors will manage this imbalance, with the most popular actions across all three sectors being reducing headcount (particularly high percentage in transport of logistics) and shifts.

Actions taken by suppliers who have a labour surplus

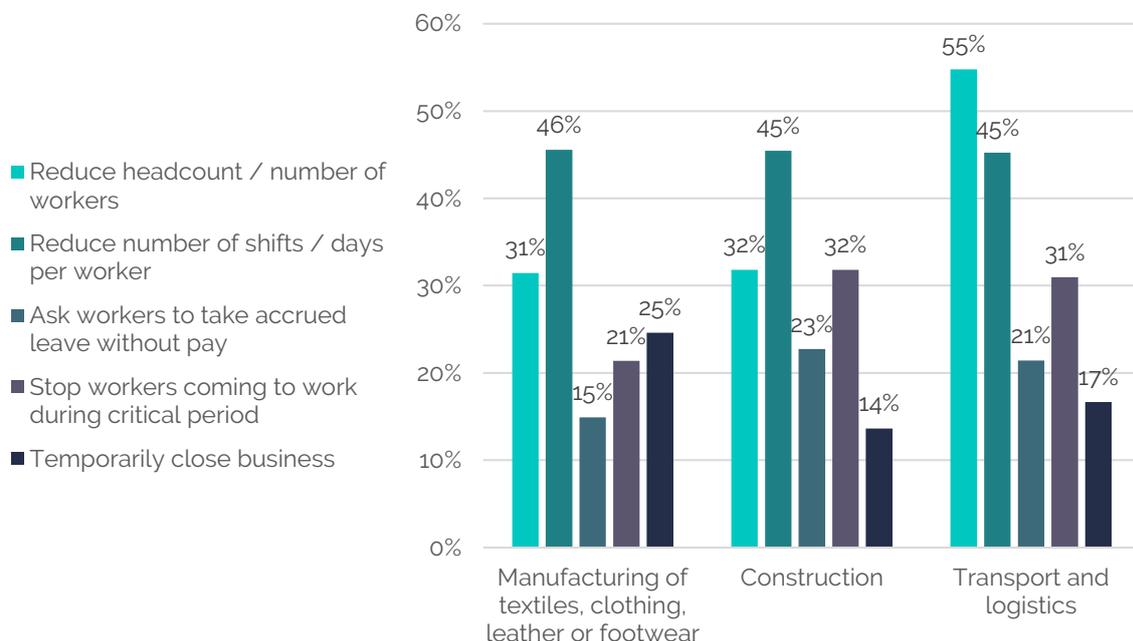


Figure 7. Actions that suppliers who have more labour than demand have or will take to manage this

When reducing headcount, there is particular risk among workers on less secure contracts. As stated earlier, the risk of pushing people into poverty is real and high. This is exacerbated when workers who are laid off are on non-permanent contracts. Workers that have been hired under alternative contract types or employment arrangements are

likely to have less rights than permanently hired employees and be more likely to have contracts terminated. They may also struggle to access any state provided benefits.

From a positive aspect, 44% of our respondents said that any actions taken to mitigate financial impacts on workers would cover all contract types.

Across our respondents, over half (53%) had hired workers either through labour providers or on some form of temporary contract¹. Of all our respondents, 1 in 5 hired workers on non-permanent contracts, and had more labour than demand.

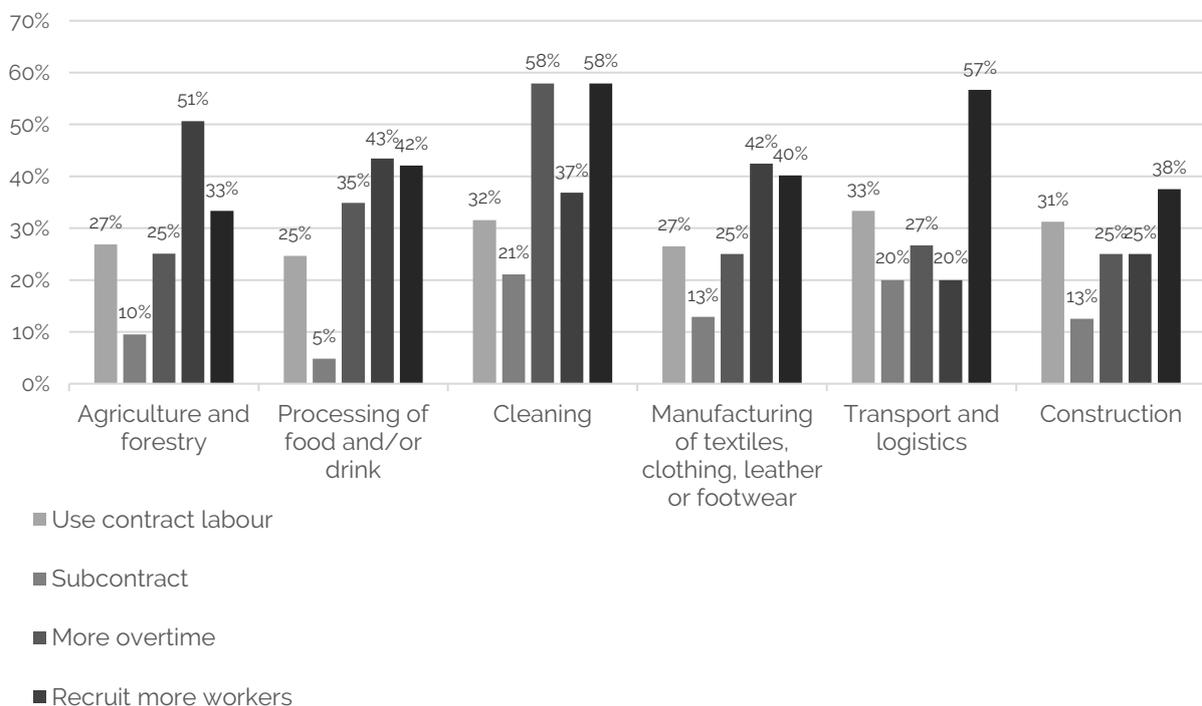
Managing labour shortage

Many companies face the reverse challenge and are struggling to find enough workers. This is the case in essential sectors, such as agriculture and the processing of food and drink, as well as in cleaning. Half of the respondents from agriculture and forestry and 42% of processing of food and drink sectors are experiencing labour shortages (Figure 7 above).

The below figure shows the actions taken by suppliers to address labour shortage.

Across all sectors and countries, the most common ways to manage labour shortages are agreeing timelines that will enable meeting orders with current workforce (42%), recruiting more workers (39%) and use of overtime (29%).

Actions taken by suppliers to address labour shortages



¹ This includes respondents who stated they used “temporary”, “Agency workers / workers hired through a labour provider”, “Self-employed and/or Freelance contractors” and/or “Other contracts e.g. casual day labour, Zero Hours contracts, On call or At Will contracts”

Figure 8. *Actions taken by suppliers to address labour shortage*

The pandemic is challenging the idea that the labour market can reach a natural equilibrium where workers move freely across borders to meet business needs. The matching of supply and demand cannot occur where workers are unable to move. Those with a lack of workers find themselves in a difficult situation trying to find labour within the context of strict restrictions in movement both within and across international borders.

Recruitment: How workers are recruited is of central importance with restricted movement and stark sectoral differences in available work. Illegal channels of recruitment – such as bonded labour – may increase by businesses looking to quickly hire. The potential for exploitation will be further exacerbated as rising unemployment makes people desperate for any job available. Where businesses are still able to bring in workers from different regions, there are difficult questions around how to best prevent spread of the virus amongst new workers, original workforce and the local community. Migrant workers moving for jobs and placed in quarantine must have their human rights upheld. Understanding the context in which workers are finding and accepting work will be critical to ensure that recruitment is responsible and fair.

Additional overtime: More overtime was the most common option for respondents from the UK and Japan, and second most common in the US. All sectors had at least 25% of respondents using additional overtime. This should be managed very carefully, particularly in sectors and businesses already heavily reliant on overtime to achieve timelines. There is a danger that excessive overtime, when coupled with further labour violations and a “crisis” mode mentality to cope with COVID-19 may result in increases in sickness, injuries and situations of forced overtime and forced labour.

Managing health and safety

It is clear from our survey results that most member businesses are implementing actions to mitigate the spread of the virus among their workforce. The below chart shows that 99% of respondents are taking actions to protect the health and safety of their workforce during the pandemic (Figure 9). The most popular measures are physical distancing, training, policy development and additional personal protective equipment (PPE). 85% of respondents stated that these measures apply to all workers, regardless of contract type.

Health and safety measures being taken to protect workers

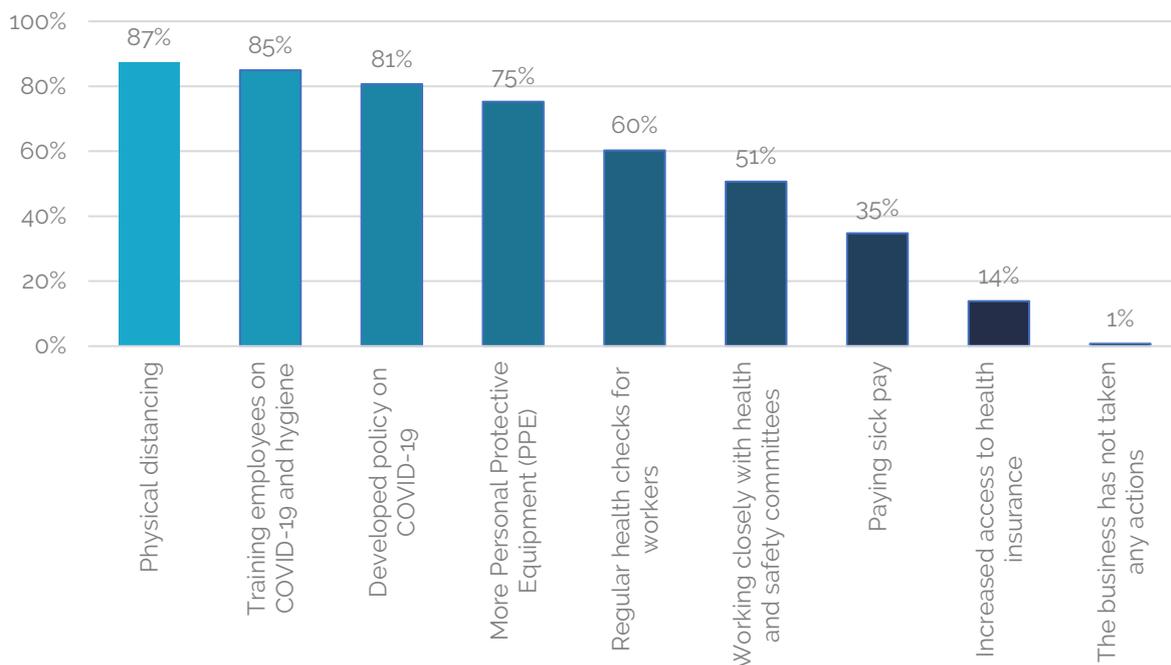


Figure 9. Additional health and safety measures taken by businesses to protect their workforce

There is high variation in countries providing additional PPE. Those with the highest proportion of respondents taking this action are Spain, Italy, France and China. The UK and Japan indicated the lowest proportion of businesses with increased access to PPE. This could indicate the ability of businesses to source PPE in these regions coupled with measures promoted by the state. It is also worth noting that 75% of respondents from China are working closely with health and safety committees, the highest proportion when compared to other countries.

It is good to see that health and safety measures are being taken by members and we applaud the efforts being made to keep their workers safe. It must be noted that the survey shows that awareness and action on safety measures is high. Whilst we did not assess the effectiveness of the measures implemented, media exposés and NGO reports paint a concerning picture across many essential industries of workers not feeling safe at work, lacking PPE, and unable to ensure physical distancing. This highlights a clear need to maintain an open dialogue between management and workers and possibly the need to further verify that workers are working safely.

Management of worker safety in accommodation

471 respondents (15%) provide workers with accommodation and these are predominantly in the agriculture, processing of food and drink, and garment and footwear sectors.

97% of respondents are taking action to protect worker safety, but as shown in Figure 10 below the safety measures taken in accommodation vary widely. No single measure was taken by more than a third of respondents. This is very different to in the workplace where most organisations are taking the same measures (e.g. 95% are implementing social distancing in the workplace) This could indicate a lack of clarity around effective accommodation measures. Regular cleaning and physical distancing are just as applicable in accommodation as the workplace and there are a number of issues to consider e.g. access to washing facilities, food, access to communal areas, isolation for vulnerable workers or family members etc.

Actions being taken for onsite accommodation

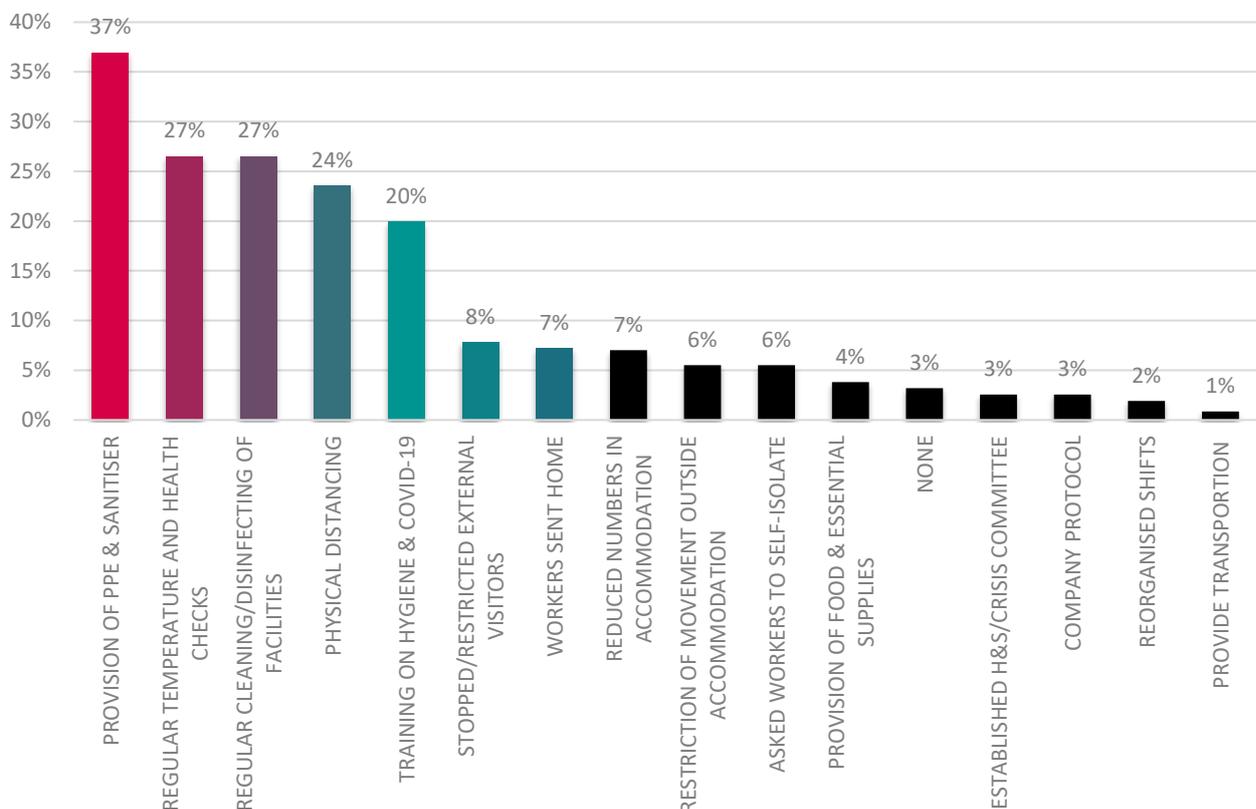


Figure 10. Most common actions taken by respondents who provide company accommodation to protect worker health and safety.

Requests for support

We asked suppliers what actions buyers could undertake to help them manage COVID-19. Overwhelmingly, suppliers requested improved purchasing practices, with 51% suggesting better forecasting and planning, and 49% of respondents wanting buyers to avoid cancelling orders. 40% requested longer production timeline/no late delivery fees, and 39% stated stopped or delayed audits.

In the garment and footwear sector and construction, two sectors heavily hit by order and contract cancellations, avoiding cancelling orders was the key request by suppliers, with 67% requesting this in garments and footwear, and 57% in construction.

The request for better forecasting and planning was particularly strong within the cleaning (57%) and the processing of food and drink (56%).

The request to stop or delay auditing was selected by a higher percentage of garment and footwear suppliers (47%) than any other, perhaps reflecting the heavy use of social audits to assess sites in this sector, combined with the particularly challenging business environment felt by this sector.

While these are general trends by respondents and industry, we strongly recommend that buyers communicate with their suppliers to understand what they can do to help support at this time and implement solutions where possible. Working together to address the impacts of COVID-19 is critically important both from a human rights perspective but also to ensure that businesses survive and that functioning supply chains still exist on the other side of the pandemic.

Finally, as a membership organisation, Sedex aims to support members as best we can. We asked what our members wanted from us and have prioritised our activities according to what would bring most benefit to members.

The 2 most popular requests are:

- Guidance on managing impacts of COVID-19 on workers (60% suppliers and 65% buyers). Sedex have developed this and it can be found here: <https://www.sedex.com/sedex-guidance-on-covid-19/>
- Remote assessment products (26% buyers and 18% suppliers). Sedex will be launching a Sedex Virtual Assessment this month to meet this demand.

Sector Breakdown

All sectors and countries have experienced COVID-19 and its impacts differently. Here we focus on the sectors with the highest numbers of respondents: garments and footwear, agriculture and forestry, and food and drink processing. We also consider cleaning, transport and logistics and construction as a sample of service industries.

Each section looks at how the pandemic is affecting member respondents in the sector and actions being taken to mitigate the worst impacts on their employees. We consider the support requested from buyers and Sedex, and make recommendations for further support and action that must be taken to protect workers.

Garments and Footwear²

Summary: A sector in significant trouble, with workers likely to face extreme poverty and health impacts due to the systemic issues within the sector and reliance on low wages leaving workers without an economic safety net when faced with reduced work or unemployment.

469 supplier (Buyer/Supplier or Supplier member) respondents from this sector completed this survey, across 51 countries with most sites in China (107), India (77) Bangladesh (46) and Turkey (30).

- 68% members report that their revenue has decreased significantly or critically
- Only 38% vs 55% on average for the survey, report that customers are being supportive during the pandemic.

Countries such as India (88%) and Bangladesh (77%) have been particularly impacted.

Only 10% of respondents have seen an increase in or steady revenue (Figure 11).

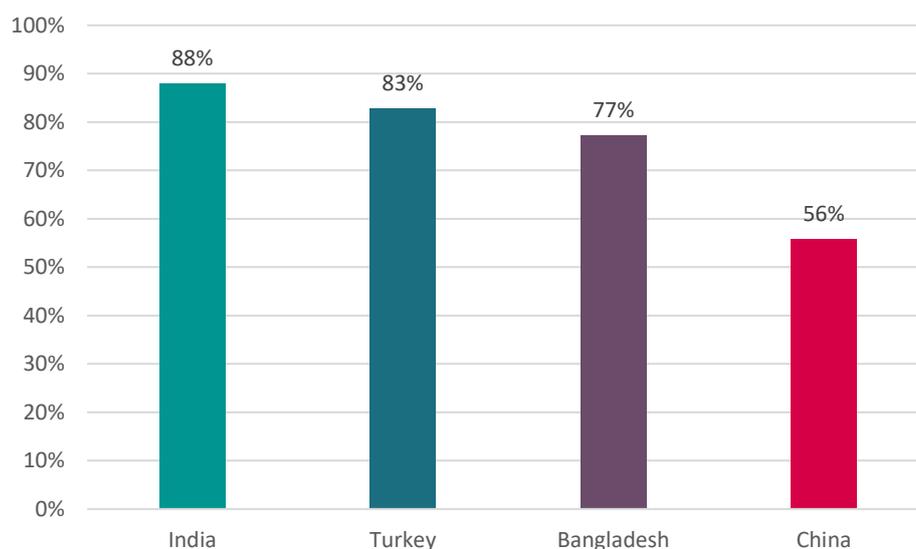


Figure 11. The percentage of respondents in China, India, Bangladesh and Turkey with significantly/critically decreased revenue

² The full description is the “Manufacture of textiles, clothing, leather and footwear”

With many factories struggling to stay afloat, closures and reduced work has a devastating impact on jobs and income for the majority of workers in these sectors.

Of those with more labour than work (56%) the most common option for managing this was reducing the number of shifts per worker (46% implementing this option) with 31% of suppliers reducing headcount. 25% of businesses will temporarily close and 21% will stop workers coming in to work during this period.³ This makes for particularly grim reading, in an industry where workers earn extremely low incomes. With little to no margin for savings, many garment and footwear workers look set to face extreme poverty. Timely collaboration between retailers and governments is critical for managing the impacts of COVID-19 on the millions of people affected.

Of those experiencing labour shortage (30%), companies are taking proactive steps to try and resolve the situation, with the recruitment of more workers (42%) and use of contract labour (27%) popular options. With almost 70% of those experiencing labour shortage looking for new workers, the likelihood of poor recruitment practices is exacerbated in times of crisis and hiring child or forced labour may increase. We urge brands to work collaboratively with suppliers to deliver products to agreed and workable timelines to avoid possible critical issues.

A quarter plan to increase overtime, which may pose significant health problems for workers in an industry already characterised by extremely long working hours, and 27% plan to use contract labour.

Negotiation with buyers on extending timelines so that orders can be met with existing workers was a key option for 40% of respondents. Sedex strongly advises buyer organisations to allow for flexibility, and additionally provide fair prices.

The data provides a stark picture of incredibly challenging conditions for suppliers, and a much lower level of support from their customers than in any other industry. Buyers must pay attention to these figures and realise that they must improve their practices urgently to minimise adverse impacts on human rights and ensure the functioning supply chains essential to business and sectoral recovery.

Health impacts

We see more respondents reporting positive actions taken around health measures. For example, 78% have trained employees and 72% sites have implemented physical distancing measures. Equally, there have been some positive examples with 15% of respondents increasing access to health insurance for workers.

However, 10% of respondents said that health measures only applied to permanently hired workers. All workers require protection and safety measures from COVID-19. In the case of this virus, workers cannot be safe unless everyone is equally protected to ensure unwell workers do not come to work and that safety precautions are implemented. Additionally, many workers live in overcrowded urban areas where physical distancing is impossible. This must be taken into account when considering how companies can support workers at work and through the COVID-19 crisis.⁴

³ Sum of the answers are greater than 100% because answers were multi-select. Some suppliers chose more than one option, while others selected only one.

⁴ https://www.wiego.org/sites/default/files/resources/file/Impact_on_livelihoods_COVID-19_final_EN_1.pdf

While it is clear that actions have been taken, much more needs to be done to ensure worker safety. For workers with low wages and little job security (common characteristics of garment and footwear jobs), it is unaffordable to stay away from work due to health concerns. In addition, with only 30% of respondents paying sick leave it is likely that many workers will continue to work with COVID-19 because it isn't financially feasible to take the time off work.

This, combined with densely populated factories with a focus on efficient production, means that buyers and suppliers must be vigilant to ensure workers are protected from the virus within garment and footwear factories. This will require careful consideration of what current practices can be continued, and which practices exacerbate risk. In the short term, much more needs to be done to protect workers while at work from the health impacts of COVID-19 (and this includes removing incentives to work when sick) and protect those out of work from the financial impacts of unemployment.

When asked about the **measures that would be most helpful actions from buyers** to support suppliers, respondents stated:

- Avoiding cancelling contracts (67%)
- Better payment terms (56%)
- Improved forecasting and planning (49%)
- Longer production timelines and no late delivery fees during this period (48%).

It should also be noted that 31% suppliers requested delays to auditing and this recommendation has been adopted in Sedex audit guidance, which can be found [here](#).

Agriculture and forestry

The agriculture and forestry sector are highly seasonal and heavily reliant on migrant labour, particularly during peak season. Labour shortage is a significant concern for this sector. A focus on labour provision, responsible purchasing practices, ethical recruitment and forced labour are key to manage human rights impacts on workers during this period.

449 respondents across 63 countries were from the agriculture and forestry sector. The highest number of respondents in this sector were from Spain (64), Australia (53), Mexico (37) and the UK (33).

Agriculture is experiencing extremes in demand; supermarket and online food sales remain open and have experienced periods of surging sales. Whereas the food service sector (e.g. catering, pubs and restaurants) has been hit by restrictions on movement, forced to diversify their business e.g. launching delivery services, or close.

Despite it being an "essential" service, over a quarter of respondents (27%) expect their revenue to decrease significantly or critically and 38% expect some decrease in revenue over this period. Furthermore, respondents reported disruptions to supply chains, transport and availability of workers.

59% of respondents in agriculture said that customers are being supportive of their business in the pandemic. In situations of high market and labour uncertainty, many will be conscious of meeting demand and not compromising business relationship. Buyers can help by maintaining good communication and allowing lead times that enable suppliers to meet orders at current workforce capacity.

Labour shortage

The availability of workers is a critical issue in agriculture. More than half of respondents stated that they are experiencing or will expect labour shortages. 51% of these respondents stated that they will recruit more workers to manage this. Figure 12 below shows that recruitment is by far most common action that businesses are taking to address labour shortages.

Actions to manage labour shortages by the Agriculture and Forestry sector

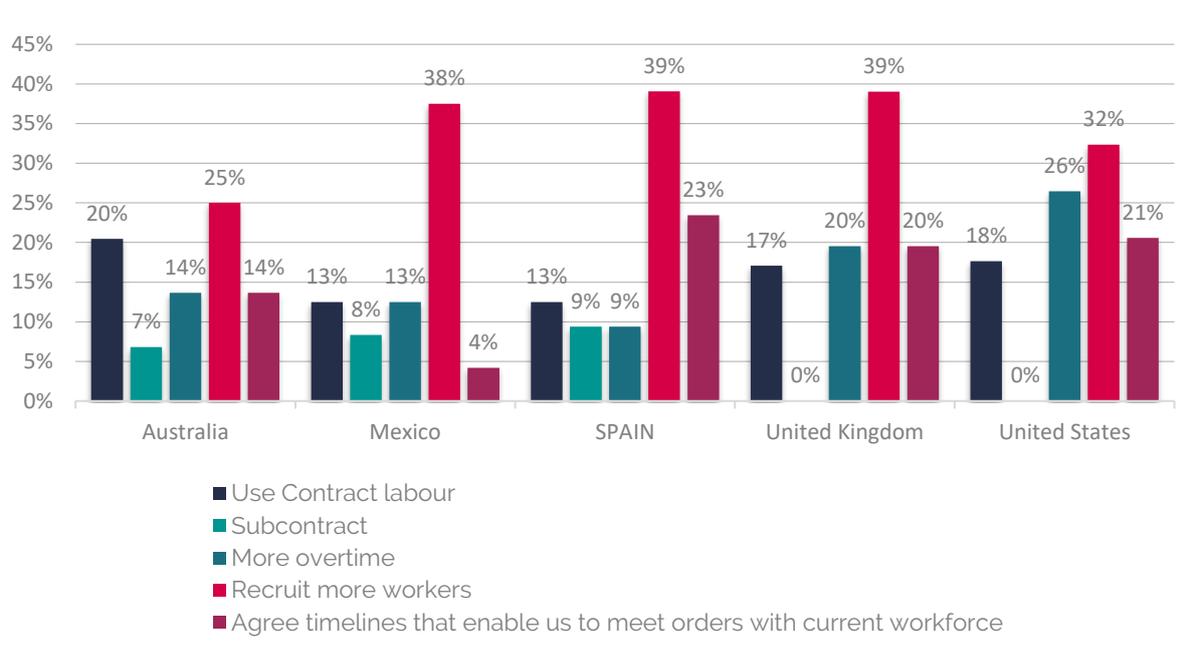


Figure 12. Country comparison of actions taken to manage labour shortages by those in the Agriculture and Forestry sector.

Agriculture typically relies on migrant workers. But restrictions on movement, particularly across borders, coupled with increased risk that workers are either ill, in self-isolation or caring for others, is challenging this recruitment model. Many migrant workers will be unable to travel to work for the usual peak season. Since many workers return year on year, this means a loss of skilled workers and businesses need to additionally spend time and money on recruitment and training.

Innovative approaches, collaboration between business and governments and a focus on responsible recruitment practices will need to be put in place to be able to access the migrant workers that the industry so heavily relies on. However, in the hurry to find the workers needed to feed populations and ensure that crops do not go to waste, recruitment must be done in a way that protects workers' health, safety and rights.

Our findings show that overtime is used by 25% of respondents to manage labour shortages, showing this as a common method for this sector. Where businesses are unable to recruit more workers, this may be the only viable option in order to meet production capacity and fulfil orders.

The low proportion of respondents communicating with buyers on timelines (4% in Mexico and 14% in Australia) suggests there is opportunity to improve in this area. Buyers must also be proactive on this front and work closely with suppliers to understand needs.

Processing of food and/or drink

The negative financial impact on this sector is not as severe as for others, partly because this is an essential industry that continues during the pandemic. However, there is still concern around loss in revenue and recruitment of workers.

There were 900 respondents (31% of total) respondents in this sector, with the majority based in the UK (125), Spain (81), Mexico (70) and the US (47).

More than 56% of respondents in the processing of food/drink sector have experienced or expect a decrease in revenue. 20% state this is or will be critical, much lower than the average of 32% and the garment and footwear sector's 68%. However, this varies significantly by country, with 58% of those in India expecting a significant or critical decrease in revenue compared to only 9% in the US. This could reflect the differences in export or import businesses, where those reliant on international trade will be affected by disruption to international transport and logistics, compared to those who sell predominantly to the domestic market.

As with the agriculture and forestry sector, retail continues while catering have had to close operations. A narrowing in the customer base will significantly impact processor businesses. Processors with a diverse customer base might see healthy, if somewhat fluctuating, demand from retail. However, this may not cover the lack of orders from the catering sector.

While this tier of the supply chain might not have the high risks faced by those at the primary production stage (e.g. through crop wastage), supplier challenges will impact their ability to meet customer orders with the efficiency that the food and drink supply chain requires.

Positively, 56% of respondents in this sector said their customers are being supportive of their business. A comparison of four countries from this sector is given in Figure 13 below. This positive response may well reflect the fact that food and drink is an essential industry rather than one hitting unprecedented drops in demand. When asked what measures buyers can take to support their business, 56% of respondents stated better forecasting and planning, 47% said avoiding cancelling contracts and 43% asked for longer production timelines.

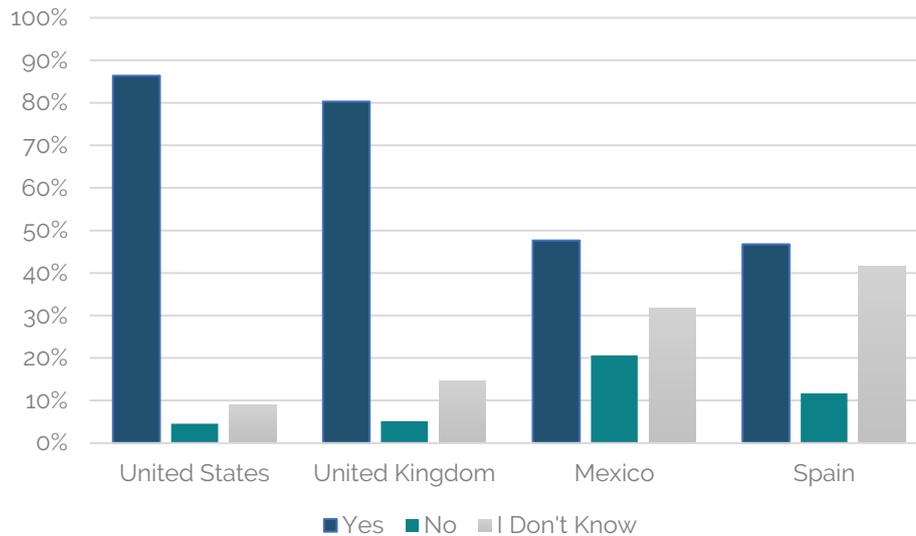


Figure 13. Proportion of suppliers who state their customers are being supportive during the pandemic.

As with all sectors in this analysis, labour imbalances are a key challenge; 42% of respondents are struggling with labour shortages, while 28% stated they have more labour than demand.

Other sectors

This section looks at insights gained into three service provider sectors: cleaning, transport and logistics, and construction. Although respondents from these sectors make up between 1.3% to 2.9% of total surveyed, they are of key interest due to the impact of COVID-19 on demand for their business and their role during this time.

Cleaning

This sector plays a key role in mitigating the spread of COVID-19. At work, there is high exposure to the virus, especially in essential facilities such as retail, hospitals and factories. Additionally, as a sector characterised by insecure employment, low wages and migrant workers, cleaners are at high risk of losing hours and work, particularly in sectors deemed as non-essential and may not have access to social insurance and state benefits.

Transport and logistics

These sectors are largely part of the “essential” workers in many countries continuing to work during lockdown, particularly as global consumers increasingly rely on online deliveries. Warehouse workers have been among the most visible in recent strikes and protests highlighting that workers feel unsafe in their workplaces and the need for better protection, sick pay and social distancing measures for workers.

Construction

Projects have been shut down in many regions, but work continues in some countries, such as the UK. Non-permanent working arrangements, which are more insecure and likely to be terminated, are often used in the industry. Where work is ongoing, there are concerns about worker safety as social distancing is challenging to implement, both during travel to work and on construction sites, and calls to stop operations.

The table below summarises the key risks and insights we identified from the survey.

| | Risk Factors | Survey Insights |
|-------------------------|--|---|
| Cleaning | Insecure employment | 2/3 of respondents used non-permanent contract types or workers hired through an agency. |
| | High workplace exposure to COVID-19 | 86% of respondents provide training, 83% implement social distancing and 76% provide PPE |
| | Low wages | Of the respondents with more labour than work, 50% will pay full or part salary payments |
| Transport and logistics | Managing surges in demand | 57% of respondents are agreeing timelines with their customers, 33% using contract labour and 27% more overtime. 72% say their customers being supportive |
| | Unsafe working conditions | A significant proportion implement physical distancing (93%). 85% conduct training for workers and 83% provide PPE. |
| Construction | Insecure employment | 48% of construction sector respondents employed non-permanent workers through agencies, freelancers or self-employed or temporary workers. These workers may be more likely to have their contracts terminated. |
| | Lack of customer support threatens business continuity | Only 50% of respondents in construction felt that customers were supportive, with 1 in 5 reporting that customers were not being supportive. |
| | Unsafe working conditions | While 84% implemented physical distancing, only 3/4 implemented training for workers and 2/3 (66%) provided more PPE. |

Conclusion and recommendations

The majority of businesses across multiple sectors and countries are experiencing a total change in business realities. In all businesses, worker health and/or economic security will be impacted.

Businesses and governments have important roles to play in protecting workers. Sedex has released guidance for employers and buyers for managing impacts on employees and supply chains here: <https://www.sedex.com/sedex-guidance-on-covid-19/>. We recommend all our members read and adhere to this guidance to minimise impacts on workers.

However, alongside the recommendations in this guidance we see there are 3 major changes required to help suppliers and their workers:

1. Businesses must improve their purchasing practices and support suppliers in their supply chains to remain viable where possible and pay workers sufficient income to manage the impacts of this crisis
2. Sectors must work together to tackle the impacts on workers as a result of the crisis. This may be around responsible recruitment in agriculture or ensuring sufficient income to survive for garment workers – what is clear is that these are sectoral challenges and must be tackled as such. They cannot all be addressed at individual supplier level.
3. Governments must do more to support worker safety measures for those at work and economic safety measures for those that aren't.

We outline our recommendations in more detail below:

Recommendation 1: Purchasing Practices

Buyers must review their purchasing practices and demands placed on suppliers to ensure that, where possible, suppliers have the ability to continue operations and provide decent and safe jobs for workers. This particularly applies to garment and footwear retailers.

Some actions to consider include:

- Agree lead times to allow for slower/disrupted production resulting from physical distancing and other COVID-19 measures and impact
- Maintaining regular orders
- Ensuring the price of goods covers additional transport costs
- Removing penalties for shipment delays
- Ensuring clear forecasting so that suppliers can plan their workforce to ensure that working hours meet income needs but are not excessive.
- Limit the use of audit to avoid further strain on suppliers where possible. You can also use the Sedex Virtual Assessment to avoid having auditors on site at supplier businesses.

Recommendation 2: Strategic Sectorial Collaboration

Much more needs to be done collectively to address industry wide challenges. These findings show a high degree of consistency within sectors, and many problems cannot be addressed by individual businesses alone. We urge buyers, supplying companies and governments to collaborate and develop common solutions to critical challenges.

In agriculture, food and drink processing and cleaning: Action must be taken on enabling responsible recruitment and preventing forced labour and other forms of exploitation. Work must be conducted in a way that prioritises the health and safety of workers on site. It is critical that all members open up lines of communication with their employees and listen and act on health and safety concerns. Industries and businesses must train workers, do risk assessments, ensure functioning and effective grievance mechanisms are in place and that workers are not penalised for raising grievances or for calling in sick. We must ensure that the actions being taken to protect workers are effective.

- Use registered labour providers and follow responsible sourcing principles. You can find further information here: <https://responsiblerecruitmenttoolkit.org/> and <https://www.ihrb.org/employerpays/leadership-group-for-responsible-recruitment>
- Sedex is supporting a series of training for the food sector to help suppliers manage their workforces and impacts on workers during the crisis. This initiative is led by 10 retailers (Aldi, ASDA, Co-op, Lidl, Morrisons, M&S, Ocado, Sainsburys, Tesco and Waitrose & Partners). Recordings of the **COVID-19-management capability building webinar series**, to hear from expert guidance and experience from suppliers globally who are managing the impact of the pandemic:
 - **On managing labour responsibly**, watch here: <https://attendee.gotowebinar.com/recording/4252659594177847043>
 - **On on-site health and safety management, accommodation and transport**, watch here: <https://register.gotowebinar.com/recording/1634374962790926606>
 - **On Furloughing Staff Responsibly and Managing Absence during the Crisis**, watch here: <https://register.gotowebinar.com/recording/5006941063838379024>
 - **On Engaging and Supporting workers during the COVID-19 crisis**
 - watch here **for UK:** <https://register.gotowebinar.com/recording/7250045939858715152>
 - Watch here **for global:** <https://register.gotowebinar.com/recording/6773771587588715277>
- We welcome member feedback and suggestions on how Sedex can further help during this time and if members would like to share resources such as the above throughout the membership do get in touch. Please contact communications@sedex.com.

In the garment and footwear sector: Sedex is part of the Garment Sector "Responding responsibly to the COVID-19 crisis" collaboration with amfori, Better Buying, ETI, ETI Norway, Fair Wear, FLA, GIZ, IDH, IRBC, Partnership for Sustainable Textiles, SAC,

Solidaridad and SLCP. This calls for retailers in the garment sector to protect worker income and health and to future proof supply chains and enables suppliers to raise complaints on retailers that are not adhering to decent purchasing practices. More information can be found here <https://www.sedex.com/sedex-joins-a-coalition-calling-for-action-responding-to-covid-19s-impact-on-businesses/>.

In addition, Sedex has developed practical support to help buyers identify suppliers who may need support. You can find Sedex guidance and links to the relevant tools here: <https://www.sedex.com/covid19-further-reading/guidance-for-buyers-managing-impacts-of-covid-19-in-your-supply-chain/>

Recommendation 3: Working with governments

As part of our collaboration within the garment sector, Sedex will be lobbying the EU to take action to:

- Protect worker income and health
- Future proof garment supply chains

We will continue to add support where our members and workers need it to help facilitate government and business collaboration on protecting workers during the COVID-19 crisis and in the future.

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