



Toolkit: Helping suppliers and their workers through COVID-19

Introduction: Society will judge how your business responds to the crisis

Amidst the COVID-19 pandemic, procurement functions are under incredible pressure to navigate supply disruption whilst maintaining cash flow. Buyers are [urged to cut costs](#), sometimes cancelling orders or lengthening payment terms. However, these short-term strategies will come at a high economic and human cost.

Due to COVID-19, almost a [fifth of the UK's small businesses](#) are at risk of collapsing within April 2020 (more details in this [Opinium report](#)). In other countries lacking social safety nets, the repercussions on vulnerable workers will lead to a humanitarian catastrophe. For example, as per the latest [BGMEA report](#), 1,092 garment factories in Bangladesh reported the cancellation of 943 million units, worth over \$3 billion. Order cancellations will translate into job losses and extreme poverty for millions of low-income workers and their families. Businesses and buyers must think about the long-term impact of their purchasing decisions if they do not want to risk their social license to operate.

Purpose

This factsheet offers reflections on how businesses can support suppliers and vulnerable workers in their supply chain during the crisis. We outline four steps responsible businesses and procurement teams can take to strengthen the resilience of their supply networks. Whilst it has been written with UK buyers in mind, its principles are applicable globally. We also included a handy guide on the types of questions to ask your suppliers.

Step 1: Investigate

There is still time to enhance visibility

Whether it is to embed sustainability or increase resilience, visibility across your supply chain is an essential step. Do you know your suppliers and the challenges they face? Companies which have invested resources in understanding suppliers, especially beyond tier-one, are better prepared to respond to the crisis. For [those abruptly awakening](#) to the gaps in their sourcing strategies, digital solutions can help to map supply networks quickly. As part of their response to the COVID-19 crisis, some online platforms offer free supply chain assessment to help businesses understand the impact of the virus across lower tiers.



Step 2: Prioritise

Do not overlook societal and human risks when prioritising

With greater visibility through your supply chain, you can start prioritising. During a period of crisis, it may not be possible to extend support and communicate with all suppliers. Experts advise to [segment and prioritise suppliers](#) based on criticality. Businesses should evaluate whether suppliers are essential to short-term objectives or long-term competitive advantage – or whether they could easily be replaced. Whilst sensible, this approach overlooks the risks posed to small businesses and vulnerable workers in your supply chain. As part of your prioritisation exercise, we also recommend identifying:

- **Sourcing countries** where human rights abuse is prevalent and where government response is more likely to be insufficient to support workers affected by the COVID-19 crisis
- **Categories of spend** that rely on vulnerable workers (e.g. low-income, seasonal, migrant, women, zero-hour and minimum-hour contract)
- **Suppliers** with a low-cash reserve and little access to credits, at high risk of bankruptcy, and highly reliant on your business to survive.

Supplier engagement should be an integral part of this exercise. You could survey suppliers to better understand their situation, possibly in collaboration with the rest of your industry (see suggested questions at the end of the document).

Step 3: Act & Support

Support small suppliers and vulnerable workers

You now understand where the biggest risks and impacts occur in your supply chain and can start tackling them. Buyers can take several actions to support small and medium-sized businesses with their cash flow (see [Sedex latest guidance](#)):

- Offering better payment terms
- Offering financial facility/low-interest loans
- Allowing delays in delivery dates
- Suspending penalties for not meeting contractual obligations.

UNILEVER offered €500m of cash flow relief through early payment to small and medium-sized suppliers and extended credit lines for small-scale retail customers. The business will also protect the pay of employees and contractors for a period of up to 3 months.

This flexibility will help suppliers stay afloat and in return, continue paying workers their wages and statutory benefits (e.g. sick pay, social security contributions, etc.). Large businesses can also support supply chain workers directly by:

- **Sharing tools and resources with suppliers.** Large business can easily share resources developed to protect the physical and mental health of their own employees. This could include extending their *Employee Assistance Programme* and other employee benefits schemes to supply chain workers.
- **Communicating with supply chain workers.** Engaging directly with vulnerable workers will help prevent an expected rise in human rights abuse. Businesses should leverage existing grievance mechanisms and connections with Trade Unions. Trade Union Advisory Committee (TUAC) has recently released a [list of social partners and trade unions](#) responses to the COVID-19 crisis.
- **Pursuing due diligence activities.** Sustainability audits and other ethical trading activities may need to be postponed in some countries. Businesses can explore alternatives such as remote or virtual audits. The COVID-19 crisis is likely to negatively impact human rights across the world and businesses should maintain their efforts in protecting workers and continuously engaging with local NGOs.
- **Developing compensation packages.** Some vulnerable supply chain workers (e.g. gig workers) may not be recognised as employees and eligible for benefits. Large businesses can explore ways to support workers with no alternative resources, possibly working with their charitable funds or philanthropic arm.

MORRISONS temporarily scrapped its 14-day payment terms and pay small suppliers as soon as an invoice is received. The business also reclassified a smaller supplier from those with turnover of £100,000 to those with £1m, meaning an extra 1,000 businesses benefit from the new payment terms. 3,000 small suppliers including 1,750 farmers that will benefit.

Step 4: Collaborate

Work with your industry to find solutions

The COVID-19 crisis forces competitors and industries to collaborate in new and innovative ways. Collaboration is proving crucial to:

- **Support common suppliers.** Some industries are coming together to support common suppliers and enhance resilience across their extended supply chains. Established platforms are used to survey all suppliers in a consistent way and share data across the industry. Large businesses work together to keep all suppliers afloat, planning for different industry-wide scenarios and widening their supplier base.

As fashion retailers across the globe are cancelling or delaying orders, **H&M** informed suppliers that the business will pay suppliers for the orders they have already fulfilled or started. H&M confirmed it would pay suppliers under the original terms agreed, without seeking additional discounts.



- **Develop much needed products.** Hospitals around the globe lack medical equipment to adequately respond to the crisis. Governments are calling manufacturers from all industries to help increase the production of ventilators and protective equipment. [Buyers have a critical role](#) to play in enabling businesses to pivot to new production processes, as they have a unique insight in the capabilities of their suppliers.
- **Advocate for better social safety net.** In many countries, workers being made redundant overnight will not receive enough state support to feed their families. Businesses can collectively advocate to press governments to strengthen local safety nets, ensuring workers in their supply chain do not end up in extreme poverty. Businesses can also lobby to make sick and carer's leave mandatory.

Main construction contractors have tasked **ConstructionLine** to assess the impact of the COVID-19 pandemic across the industry. Originally created as a government department, ConstructionLine is a well-established platform connecting construction buyers and suppliers.

ConstructionLine is surveying construction suppliers and sharing data with main contractors, the wider industry and public health bodies. The collaborative approach reduces the burden on suppliers and gives all stakeholders greater insight on how the industry is coping and what actions are required to keep suppliers afloat.

Primark has created a fund to cover the wages of supply chain workers in sourcing countries after it cancelled orders due to the pandemic. The business will consider the varying government aid in each country to allocate support. It will work locally to ensure that workers receive the cash. Primark has been also working closely with the United Nation's International Labour Organisation (ILO) in order to collaborate with governments and international institutions to make available medium and longer-term financing to pay wages and benefits.



Question Guide: What to Ask Your Suppliers

Impact on operations and supply

- Have you suspended operations due to the pandemic? If so, what percentage?
- Do you have shortages of products or services?
- Have your lead times increased?
- Do you foresee immediate supply issues?

Impact on workforce

- How has the pandemic affected your workforce?
- How have you trained employees to work safely during the pandemic?
- What percentage of your workforce is on zero or minimum-hour contracts?
- How do you support workers on zero or minimum-hour contracts through the pandemic?

Impact on cash-flow and solvability

- Do you expect financial difficulties as a result of the pandemic?
- Are you eligible for any local government assistance programmes?
If so, will you take up any? Which and when?
- What percentage of your income does our business account for?
- How can we help you to mitigate impacts and financial difficulties?
- What else can we do to support you and your workers?

If you have more questions, please get in touch with your BITC relationship manager or with globalgoals@bitc.org.uk.