



Supply-chain Relief Contribution (SRC)

Fact Sheet

May 2020

Brands committed to responsible business conduct have an obligation to ensure that workers at their supplier factories have wage relief during COVID-19, which they should fulfill by paying a Supply-chain Relief Contribution (SRC) to each supplier factory.

During COVID-19, what are fashion brands obligated to do as part of their commitments to responsible business practices?

In response to COVID-19, millions of fashion manufacturing workers are now out of work -- either fired or indefinitely suspended from their jobs making apparel and footwear for fast fashion brands. The reason is simple: fast fashion brands are disengaging from supply chains at an unprecedented scale. Sales for the global fashion industry are estimated to drop 27-30% in 2020.¹ Brands have stopped orders to suppliers indefinitely, forcing suppliers to close and leaving millions of fast fashion manufacturing workers without wages.²

As part of their obligations to mitigate the harm from their disengagement from manufacturing, experts and industry groups say that fast fashion brands should be providing wage relief to workers in their supply chains.³ Many brands have committed to engaging with relevant actors in order to secure funds for wage relief, and also committed to considering direct support to suppliers.⁴

What is a Supply-chain Relief Contribution (SRC)?

The Supply-chain Relief Contribution (SRC) is a simple measure of one-time wage relief that fast fashion brands should pay to their suppliers impacted by COVID-19 to be passed along to workers.

¹ Business of Fashion & McKinsey & Co., *The State of Fashion 2020: Coronavirus Update 7* (2020).

² See e.g., Mark Anner, *Abandoned? The Impact of Covid-19 on Workers and Businesses at the Bottom of Global Garment Supply Chains 2* (2020) (showing that 98.1% of buyers refused to contribute to the cost of paying partial wages to furloughed workers, as per law, according to surveyed Bangladeshi suppliers).

³ ECCHR, *Garment supply chains in intensive care? Human rights due diligence in times of (economic) crisis 7* (2020), SOMO, ECCHR & PAX, *Responsible disengagement in the time of Corona 3* (2020), Submission from OECD Watch to the OECD Working Party on Responsible Business Conduct 3 (Apr. 9, 2020), Amfori, Ethical Trade Norway, Ethical Trading Initiative, Fair Labor Association, Fair Wear, Partnership for Sustainable Textiles, IRBC Agreements, Better Buying, The Sustainable Trade Initiative, & Solidaridad, *Responding Responsibly to the COVID-19 Crisis: Joint Priorities for the Garment Sector* (Apr. 21, 2020), Clean Clothes Campaign, *COVID-19 Short Term Demands in defense of Garment Workers in Global Supply Chains* (Apr. 9, 2020).

⁴ IOE, ITUC, & IndustriALL, *COVID-19: Action in the Global Garment Industry* (Apr. 22, 2020).

How much should brands pay as their SRC?

The SRC is calculated through a simple formula: brands should pay each supplier factory 2% of the brand's total sourcing from that supplier in the past twelve months.

What is the methodology behind the SRC?

The SRC estimates 60 days of wages as a percentage of brands' total sourcing, as follows:

STEP 1: We know workers need 60 days of wage relief to cover lost wages due to COVID-19.

By the end of June 2020, the average fast fashion manufacturing worker will need 60 days of wages to make up for lost wages due to the impact of COVID-19 since March. If major brands pay their SRCs to supplier factories, suppliers that have suspended or fired workers due to COVID-19 can pay 60 days of wage relief to workers.

STEP 2: We estimate wages are 12% of the wholesale price at which brands source clothes.

For calculation purposes, we assume wages are 12% of the wholesale price of goods, based on previous studies of labor costs.⁵ When brands source products from suppliers, 12% of their total sourcing from the supplier goes to wages. Therefore, 60 days of wages is 12% of their total sourcing for 60 days.

STEP 3: We calculate 60 days of wages equals 2% of brands' total sourcing for 12 months.

On our calculation: 60 days of wages = 12% of total sourcing for 60 days = 2% of total sourcing for 12 months. Therefore, 60 days of wages is equivalent to 2% of a brand's total sourcing from a supplier factory for the past 12 months.

How does the SRC support existing demands for businesses to act responsibly in response to COVID-19?

GLJ supports all demands for governments, financiers, international organizers, fast fashion brands and manufacturers to act responsibly in light of COVID-19. Brands should pay for all completed and in-process orders and manufacturers should pay workers all applicable payments under the relevant labor law.

In light of widespread demands for wage relief for workers, SRC creates a simple measure of how much brands' contribution to suppliers should be in order to cover immediate needs for workers' wage relief.

Who developed the SRC?

[Asia Floor Wage Alliance \(AFWA\) developed the SRC.](#) AFWA is a global coalition of unions, workers rights and human rights organizations working for living wages for garment workers in Asia.

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⁵ See Oxfam Australia, *Made in Poverty: The true price of fashion* 11, 25 (2017).