

**Lessons for Purchasing Practices & Local Social Dialogue.  
What contribution can the textile alliance make?**

**German Partnership for Sustainable Textiles**

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# Introduction

- Business models in fast fashion industry
- Impact of purchasing practices on working conditions
- Poor sourcing and purchasing practices = negative impact on decent work in apparel factories

## Power structures in Global Value Chains (GVCs)

- Apparel industry is buyer-driven
- Inter-firm relationships are controlled by brands
- Brands can choose to enter and exit value chain
- Power asymmetry among firms impact workers
- Rent-seeking by brands sets off a domino effect

# Purchasing practices and impact on working conditions

- Hyper-flexible market and low-cost products
- Brands pay low purchasing prices
- Plan short lead times with frequent, last-minute order changes
- Extend or delay payment terms
- Do not accept price increases to cover wage rise
- Do not accept other costs to improve working conditions

- Suppliers forced to capture surplus value for themselves
- Capacity to capture value declines further down the value chain
- Profit can be generated by firms down the value chain by saving on labour costs
- Exacerbate risks for precarious working conditions in factories

- Risks are passed on to workers by paying low wages, unpaid overtime work, casual employment, unauthorized subcontracting, work intensification, and by curbing unionization
- Workers lack structural or associational power
- Unable to effect change
- Economic upgrading does not necessarily lead to social upgrading

## Impact of COVID-19

- Workers in supply chains were already exposed to precarious conditions
- Vulnerabilities have been exacerbated
- Cancellation of existing orders or upcoming orders; refusal to pay for produced goods; reduction in prices etc.
- Ability of factories to pay wages and maintain employment curtailed
- Lack of social security net

# Contribution of the Textile Alliance

- Acknowledge certain business models contribute to massive labour risks
- Supply chain mapping and transparency
- Long-term relationships with suppliers
- Align sourcing decisions with improving working conditions
- Pay for total cost of sustainable production
- Promote FOA and unionization
- Create level-playing field for companies

**Thank you**