



# Sustainability in the textile and clothing value chain – a SECO commitment

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# **In order to thrive, and not just survive, businesses, governments, innovators and citizens need to join forces to rethink the textile and clothing industry globally, particularly in the context of the Covid-19 pandemic.**

The global clothing industry is undergoing a profound change, not only because of the Covid-19 pandemic, but also because of more fundamental and long-term factors, such as the digital transformation of the industry, shifting supply routes, changing consumer behaviour and climate change. The pandemic has exacerbated the structural weaknesses of the sector. Since many years, SECO has been engaging in this sector by supporting various programmes tackling the textile and clothing value chain. Now is the time for all actors across the sector to come together to build a better future and revive ongoing efforts to promote a more sustainable clothing industry.

## **Background**

The textile and clothing sector has great potential to contribute significantly towards industrialisation and inclusive growth, and to provide employment opportunities, especially for young women. About 80% of garment workers worldwide are female, typically between the ages of 18-35, and many have migrated from rural areas into their first formal employment in order to support themselves and their families.

A fragmented and complex value chain, geographically dispersed production and rapid market-driven changes characterise the sector. As one of the largest and most creative industries, the industry comprises mainly three sub-sectors: household, technical and fashion, with the clothing and footwear industry representing 65% of the total. Globally, the USD 1.3 trillion clothing industry employs more than 300 million people along the value chain. The production of cotton accounts for almost 7% of all employment in some low-income countries<sup>1</sup>.

In the last 15 years, clothing production has doubled, driven by a growing middle-class population. This rise is mainly due to the 'fast fashion' phenomenon, with quicker turnaround of new styles, increased number of collections yearly and lower prices. High volumes of non-renewable resources are extracted to produce clothes that are often used for only a short period, with a weak rate of recycling. The clothing production faces a number of challenges, but offers also significant opportunities that require collective action:

## **Challenges and Opportunities**

The clothing production faces a number of challenges, but offers also significant opportunities that require collective action:

### *Challenges*

- The clothing sector is a price-sensitive business, which outsources production mostly to low-cost countries. High cost and time pressures are often imposed on all parts of the supply chain.
- The garment sector is affecting climate change: The clothing and footwear industry accounts for an estimated 8% of the world's greenhouse gas emissions. Within the clothing sector in particular, the dyeing and finishing stages are the biggest contributors to climate impacts. The growing demand for cheaper and lower quality good (fast fashion trend), together with an increasing trend in the use of more synthetic materials and less natural fibres has meant that the fashion sector's impacts on climate change are on the rise.
- The violation of fundamental rights at work, the lack of established industry standards and transparency along the supply chains, which undermines effective due diligence, as well as the lack of agreed purchasing practices.
- In the context of the Covid-19 pandemic, the viability of the textile and clothing industry is unravelling, as workers are told to stay at home, factories close, and global supply chains grind to a halt. The cancellation of orders has hit thousands of firms and millions of workers particularly

<sup>1</sup> <https://www.worldwildlife.org/industries/cotton>, 2017

hard. Small and medium-sized enterprises, a vital source of employment and growth in the industry, are likely to suffer the greatest impact of this global crisis.

### *Opportunities*

- Public awareness and consumer demand for sustainability is increasing, as are societal expectations towards the clothing industry.
- New ideas are emerging, such as: research & development and innovation to create more sustainable fabric, boost investment in fabric recycling facilities to create a more circular economy, support the industry to create clearer information about the sustainability of clothes, helping to educate consumers.
- The sector remains among the most labour-intensive industries, despite advances in technology and workplace practices. This represents a clear leverage for decent jobs creation.
- Increased harmonisation and alignment of standards and regulations to foster responsible sourcing and production practices, enabled, among others, by the OECD Due Diligence Guidance Responsible Supply Chains in the Garment and Footwear Sector.
- There is increasing multi-stakeholder engagement to address the systematic constraints in the sector, particularly in the aftermath of the Covid-19 crisis. A stronger coordination between multi-stakeholders initiatives will help the sector to thrive. For example, the Call to Action "Covid-19: Action in the Global Garment Industry<sup>2</sup>", launched by the International Organisation of Employers (IOE) and the International Trade Union Confederation (ITUC) with support from the ILO is supported by many brands and initiatives. In close alignment, the "Multi-stakeholder Initiative (MSI) Coalition Call to Action<sup>3</sup>", supported by 14 organisations.

The textile and clothing value chain, including brands and producers, but also consumers, textile associations and governments have a joint responsibility to further improve the environmental and social performances of the sector, and develop new ways of doing business.

### **SECO's approach to tackling challenges and harnessing opportunities**

The global clothing production represents an unrivalled opportunity to fight poverty by providing decent jobs that offer a perspective for millions of people at the "bottom 40 percent". In many least developed and emerging markets, garment factories are the only viable option for first-time formal employment, particularly for young women. However, unless garment sector jobs are quality jobs, the impacts on economic growth and worker well-being will not be fully realized.

→ SECO is convinced that a *holistic approach is needed to address global supply chain pressures*.

Sourcing pressures create inherent challenges in achieving decent work in supplier factories. They affect worker wellbeing directly by adversely impacting working hours and pay. They also influence supervisor stress and behaviour by creating unpredictability in production schedules. There is strong evidence demonstrating that improving working conditions is not a financial burden for a factory. On the contrary, it is a critical component of its success. Factories where workers report better working conditions, where compliance is higher, and where supervisors are well equipped for their jobs are more productive and more profitable. Abusive treatment such as verbal abuse or sexual harassment are not only morally deplorable but also associated with poor business performance. All stakeholders – brands, retailers, factories, policymakers, NGOs and workers – need to work together for finding solutions across the global supply chain and establishing a "business case" for high quality jobs.

→ SECO is convinced that *improving working conditions is an investment, not a cost*.

By using and re-using resources as water, materials or energy in an efficient way, companies strengthen their productivity, their overall competitiveness and reduce their environmental footprint. A widespread dissemination of resource efficient and cleaner production (RECP) methods, as well as recycling technologies is not only beneficial to climate and environment but enhances also the market position of enterprises and entire textile sector.

→ SECO is convinced that *sustainable use of resources is no longer a choice, but an evidence*.

<sup>2</sup> [https://www.ilo.org/global/topics/coronavirus/sectoral/WCMS\\_742343/lang--en/index.htm](https://www.ilo.org/global/topics/coronavirus/sectoral/WCMS_742343/lang--en/index.htm).

<sup>3</sup> <https://www.fairwear.org/covid-19-dossier/covid-19-garment-industry-coalition-statement/>.

## SECO objectives and examples of interventions

Programmes financed by SECO aim at different and in many cases interlinked objectives. Main objectives in projects include: a) improving working and safety conditions for employees, b) enhancing competitiveness of clothing enterprises, c) strengthening skills of trade support institutions (TSI), and d) supporting transparency for consumers and responsible business conduct for dealing with negative spill-over effects (e.g. on climate change). They provide relevant training, services and technical assistance, as well as policy advice. By ensuring a better management of resources and more clarity of responsibilities and roles along the textiles value chain, it should be possible to build more sustainable consumption and production patterns, promote circularity and ensure more inclusiveness, in line with the 2030 Agenda and its Sustainable Development Goals (SDG).

How SECO pursues these different objectives is illustrated through the following programmes:

### 1. Improving working and safety conditions for employees through a human centered approach for decent work: the **Better Work Programme**

Better Work – A collaboration between the United Nation’s International Labour Organization (ILO) and the International Finance Corporation (IFC), World Bank Group – is a comprehensive programme bringing together all levels of the clothing industry to improve working conditions and respect of labor rights for workers, and boost the competitiveness of clothing businesses.

As a result of their participation with Better Work, factories have steadily improved compliance with international core labour standards and national legislation covering compensation, contracts, occupational safety and health and working time. This has significantly improved working conditions and, at the same time enhanced factories’ productivity and profitability.

Currently, the programme is active in 1,700 factories employing more than 2.4 million workers in nine countries. As well as advising factories, Better Work collaborates with governments to improve labour laws, and with brands to ensure progress is sustained. It also advises unions on how to give workers a greater say in their lives.

### 2. Enhancing competitiveness by working with SME along the value chain: the **GTEX Programme**

The main goal of the GTEX Programme is to increase export competitiveness of SME in the textile and clothing sector. It is presently implemented in seven countries (MO, TU, EG, KG, TJ) in two regions (North Africa and Central Asia). Final objectives are to ensure greater employment and income along the textile value chain.

To achieve this, the programme has developed two directions in the textile and clothing sector: 1) Improve business environment and Trade Support Institutions performance and 2) Increase competitiveness of SMEs. It brings technical assistance to SME beneficiaries, including environmental and social standards, working closely with trade and business associations. It also look at the learning processes (TVET, curricula), filling the gap between skills and needs by enterprises. Thanks to a global module, synergies and linkages take place between countries and with other international programmes. GTEX is implemented by the International Trade Center (ITC).

### 3. Strengthening Trade Support Organisations in the textile sector: **Sustainable Textiles Switzerland 2030 (STS 2030)**

The STS 2030 is a multi-stakeholder programme with the aim to develop common targets for 2030 related to SDG 8, 12, 13, 15 and 17. It will support companies, stakeholders as well as public entities in the Swiss textile and clothing sector to act in a socially and environmentally responsible manner, to implement sustainable sourcing practices based on credible standards and to remain competitive and future proof. With the majority of textile and clothing production being carried-out outside of Switzerland, the programme will closely align with the Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector and strengthen international coordination with leading sustainability initiatives in the sector.

Three associations - Swiss Textiles, amfori and Swiss Fair Trade - are the responsible bodies, while the office is run by the firm ecos. SECO financially supports STS 2030 and provides strategic support together with the Federal Office for the Environment (FOEN).

### 4. Supporting transparency and responsible business conduct: **SECO initiatives on sustainable purchasing practices and responsible business conduct**

Switzerland's revised public procurement legislation, which enters into force in 2021, sets an economic use of public funds that has sustainable economic, ecological and social effects as one of its main objectives. The new legislation has broadened sustainability considerations in procurement processes. The government publishes recommendations on sustainable public procurement in order to support public buyers. SECO will contribute to two tools: 1) recommendations on sustainable public procurement, which will apply to all sectors and 2) recommendations on the sustainable public procurement of textile and clothing, which will rely on credible standards. For further guidance to public and private procurers on the use of sustainable sourcing tools and standards, SECO has been supporting the transparency portal [Sustainability Map](#), managed by ITC, and the [Swiss Kompass Nachhaltigkeit](#) maintained by PUSCH and Öbu.

In addition, according to the [Swiss Action Plans 2020-2023](#) of the Federal Council on Corporate Social Responsibility and on Business and Human Rights, the Swiss government expects business enterprises to implement responsible business conduct in their operations and those of their supply chain. These action plans back multi-stakeholder initiatives that focus on human rights and environmental issues in specific sectors such as textile and clothing, promote OECD Guidance on Due Diligence and support projects to combat exploitation in the textile sector in specific countries.

### Main SECO activities with a direct link to the textiles and clothing industry

SECO's activities with direct link to the textiles and clothing industry in the context of economic development cooperation (trade promotion) are complemented through further activities addressing indirectly the opportunities and challenges discussed before. The following table provides an overview of both types of interventions:

Project name	Objectives related to the textile and clothing (T&C) industry	SECO contribution	Country / region	Project duration	Website / comments
Programmes directly targeting the textile and clothing sector					
<b>Better Work (ILO)</b>	A two-fold strategy to promote compliance with national law and international core labour standards in global garment and footwear supply chains and to bolster a more stable and profitability sector that can influence supply chains beyond the garment industry	CHF 12 million	Multi-country	2017-2021 (Phase III)	<a href="http://www.betterwork.org/">www.betterwork.org/</a>
<b>SCORE (ILO)</b>	Sustaining Competitive and Responsible Enterprises (SCORE) improves productivity and working conditions in small and medium enterprises (SMEs)	CHF 13 million (20% for T&C)	Multi-country	2017-2021 (Phase III)	<a href="http://www.ilo.org/empent/Projects/score/lang-en/index.htm">www.ilo.org/empent/Projects/score/lang-en/index.htm</a>
<b>GTEX Global Textile Programme (ITC)</b>	Strengthening competitiveness along the value chain and promoting sustainable practices at SME and meso level	CHF 9.5 million	Morocco, Tunisia, Egypt, Kirghizstan, Tajikistan	2018-2022	<a href="http://www.intracen.org/projects/Global-Textiles-and-Clothing-Programme-GTEX/">www.intracen.org/projects/Global-Textiles-and-Clothing-Programme-GTEX/</a>
<b>STS 2030 Sustainable Textile Switzerland (ecos)</b>	Private sector driven initiative to promote sustainable practices in the Swiss textile and clothing sector, in coordination with the international agenda.	CHF 200,000	Switzerland	2020-2022	<a href="http://www.sts2030.ch">www.sts2030.ch</a> STS 2030 total duration: 2020-2030
Global programmes or initiatives with indirect linkages to the textile and clothing sector					
<b>T4SD Trade for sustainable development (ITC)</b>	Through its frontend Sustainability Map, ITC provides transparency and guidance to actors along global value chains on the use of sustainability standards, labels and equivalent tools.	CHF 3.0 million (10% for T&C)	Globally	2016-2021	<a href="http://www.intracen.org/t4sd/">http://www.intracen.org/t4sd/</a> <a href="https://www.sustainabilitymap.org/home">https://www.sustainabilitymap.org/home</a>  co-funded by SECO & GIZ (and UE, USAID, SIDA)
<b>Kompass Nachhaltigkeit and Labelinfo</b>	In Switzerland, the frontends Kompass Nachhaltigkeit and Labelinfo make use of the T4SD database to inform Swiss stakeholder on the use of sustainability standards and labels.				
<b>NAP National Action Plan (coordinated by SECO and FDFA)</b>	Swiss National Action Plan on Business and Human Rights ; Measures to support the implementation of the UN Guiding Principles	n.a.	Switzerland	2020-2023	<a href="https://www.nap-bhr.admin.ch">https://www.nap-bhr.admin.ch</a>

<b>Sustainable Public Procurement</b>	1) Recommendations on sustainable public procurement 2) Recommendations on the sustainable public procurement of textile and garment	n.a.	Switzerland	2020-2021	www.woeb.swiss 1) Federal Office for Buildings and Logistics (FOBL), in collaboration with SECO 2) Federal Office for the Environment (FOEN), in collaboration with SECO
<b>Corporate Social Responsibility (CSR) Action Plan</b> of the Federal Council	CSR-Actionplan 2020-2023 of Federal Council: Commitment, Measures and Expectations from Federal Council towards enterprises regarding Responsible Business Conduct	n.a.	Switzerland	2020-2023	www.csr.admin.ch Links with UN Global compact
<b>OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector</b>	National Contact Point of the OECD Guidelines for Multinational Enterprises	n.a.	Global		<a href="http://mneguidelines.oecd.org/duediligence/">http://mneguidelines.oecd.org/duediligence/</a> <a href="http://mneguidelines.oecd.org/responsible-supply-chains-textile-garment-sector.htm">http://mneguidelines.oecd.org/responsible-supply-chains-textile-garment-sector.htm</a>

### Further information and contact details

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Photo:

ITC (cover: GTEX program in Central Asia – Company worker)

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