



Federal Ministry  
for Economic Cooperation  
and Development

# Conference on Living Wages

From ambition to implementation: Scaling successful approaches  
to living wages in textile supply chains

# Conference on Living Wages: From ambition to implementation

## Introduction

On Tuesday, 27 September 2022, the German Federal Ministry for Economic Cooperation and Development (BMZ) hosted the virtual conference “From ambition to implementation: Scaling successful approaches to living wages in textile supply chains” and convened over 100 participants from politics, business, and civil society to strengthen international cooperation on the way towards living wages.

In her keynote speech, Parliamentary State Secretary Dr. Bärbel Kofler stressed the importance of living wages, especially for women who make up around 70 per cent of the workers in the textile supply chain and laid out BMZ’s efforts to support living wages.

“We have a responsibility towards the people working in the textiles supply chain. The vast majority of the employees are women. They are particularly affected by low wages and precarious working conditions. Let us continue to pool our efforts and let us take the next step towards achieving living wages worldwide.”

Dr. Bärbel Kofler, Parliamentary State Secretary

## Panel Discussion

**During the high-level panel session, speakers from different stakeholder groups discussed the various challenges and key drivers that promote living wages for textile workers in producing countries.**

## Speakers

**Dr. Bärbel Kofler**, Parliamentary State Secretary in the Federal Ministry for Economic Cooperation and Development (BMZ)

**Christina Hajagos-Clausen**, Director, Textile and Garment Industry, IndustriALL

**Khalid Mahmood**, Executive Director, Labour Education Foundation, Pakistan

**Allan Jørgensen**, Head of Responsible Business Conduct Centre, OECD

**Marco Hühn**, Head of Quality Management, CSR, Deuter Sport GmbH



Watch the whole opening speech and panel discussion [here](#)

## Key messages

- There is a growing realization that living wages and living income are an essential element of the concept and standards of responsible business conduct (e.g., UN Guiding Principles, OECD Guidelines for Responsible Business Conduct)
- A smart mix of voluntary and mandatory measures is relevant to support textile brands, retailers and producers to respond to sustainability challenges and pay a living wage to workers.
- Legal frameworks are necessary to enable a level playing field in which responsible and sustainable business conduct is not a competitive disadvantage.
- Responsible purchasing practices (RPP) reduce the risks that lie disproportionately with the supplier due to long payment terms, sharp production peaks and prices that neither cover production costs nor allow for the payment of a living wage. Hence RPP are crucial to ensure that manufacturers can pay living wages to their workers.
- Industry-wide collective bargaining is necessary to realize living wages in the economically volatile and rapidly changing textile sector and to give a voice to concerned workers.

## Discussion in Working Groups: Key Takeaways

Following the high-level panel participants discussed what is needed to advance progress on living wages in four working groups:

**Working Group 1:** Enabling living wages through responsible purchasing practices

**Working Group 2:** How can collective bargaining lead to the payment of living wages?

**Working Group 3:** Living wage cases: How retailers, civil society and standards organizations are working together towards living wages

**Working Group 4:** The role of the financial sector in advancing living wages

## Collaboration is key

- A collaborative approach is a key prerequisite to address the challenges to achieve living wages. No actor will be able to solve all the obstacles alone. To bring about systemic change and move beyond a pilot approach, collaboration and knowledge sharing between actors is indispensable.
- This includes purchasing companies that work in direct collaboration with their supplier, standard organizations, government actors, unions and civil society organizations.
- Multi-stakeholder initiatives (MSIs) like the German Partnership for Sustainable Textiles play an important role in bringing the parties to the table, building trust between actors and supporting joint action.

## Closing the information gap

An important enabler for making progress on living wages is to improve availability of reliable wage data.

- Also, supply chain transparency is an important prerequisite for progress on living wages. Transparency also means more disclosure. Only a marginal number of companies currently disclose any information about their payment of living wages.
- Digital tools to collect and monitor wages and sharing the available data between brands, suppliers and other organizations can strengthen transparency and social compliance.
- To achieve this transparency, building trust among and between stakeholder groups is crucial.
- It is also essential to gain information from rightsholders themselves to integrate into the benchmarking process.



## Responsible purchasing practices

- Long payment terms, sharp production peaks and low prices put pressure on suppliers. Responsible purchasing practices can help reduce these negative impacts and have a positive effect on wages – e.g. through fair prices, long-term supply relationships or reasonable delivery times.
- Expectations and roles of each actor in the value chain need to be clearly defined. By establishing an equal partnership between buyers and suppliers, sustainable and transparent production planning and open costing becomes possible.
- A common definition of what responsible purchasing practices look like is needed to mainstream efforts and move towards a systemic change. The Common Framework for Responsible Purchasing Practices (see below) can be a reference document for the garment industry.

## Right to freedom of association (FOA) and collective bargaining are a key avenue to achieve systemic change on wages

- Dialogue between employers and trade unions is needed. Workers should have a saying when it comes to discussions about wage level.
- Brands should engage in creating structures for and supporting dialogue between employers and trade unions.
- Social dialogue should be used to give employers a better understanding of the rights of FOA and collective bargaining and to highlight the benefits of collective bargaining also for the employer side.
- There needs to be zero tolerance for FOA violation and access to remedy on such violations. In case of a dispute, remediation and any other corrective action should be supported by brand response.

## Summary and next steps

The conference was a great opportunity to take stock, determine where the biggest obstacles still lie ahead and discuss approaches on how they can be overcome.

With upcoming binding legislation such as the German Act on Corporate Due Diligence in Supply Chains and the EU Corporate Sustainability Due Diligence Directive, it is important that the crucial role played by civil society and MSIs in the implementation is recognized and promoted.

Businesses, civil society, unions, and governments are encouraged to:

- Join MSIs that are working on achieving living wages and actively engage
- Enhance transparency and build trust between buyers and suppliers by e.g. actively working together with partners, sharing learnings and data
- Enable responsible purchasing practices by using the Common framework as a guidance (see below)
- Strengthen labor unions and support freedom of association and collective bargaining in producing countries
- Promote national minimum wages that secure a decent standard of living

## Related Activities

**BMZ and its partners, many of which were present at the event, will continually work on advancing efforts towards living wages in the textile industry and beyond:**

- A group of MSIs have worked together to develop the ‘**Common Framework for Responsible Purchasing Practices**’ ([CFRPP](#)), as an aligned reference document for the garment

industry. The Framework provides a common language and alignment on what constitutes responsible purchasing practices. In five principles the framework formulates practices that enable companies to purchase responsibly. Conversely the **Sustainable Terms of Trade Initiative** (STTI) has published a [White paper](#) on the core principles manufacturers want the garment and apparel companies who buy from them to comply with. In a Learning and Implementation Community ([LIC](#)), supported by the BMZ, companies wanting to take new steps towards progress in their purchasing practices, develop solutions and share learnings with peers, experts and supply chain partners over the next two years. Please contact [info@cfrpp.org](mailto:info@cfrpp.org) if you want to know more or get involved.

- Financed by the BMZ, the **OECD** is developing a **practical-action handbook** on living wages and income to guide companies in their efforts in global supply chains at the example of the agricultural and textile sector. The handbook will be based on the OECD due diligence framework and will refer to the current legislation on corporate due diligence at national and EU level. An informal expert group including experts from various regions and stakeholder groups is overseeing the drafting process. A public consultation on the draft handbook and the release of the handbook are planned for the first half of 2023.
- As a multi-stakeholder initiative, the **Partnership for Sustainable Textiles** ([PST](#)) that was initiated by BMZ is a platform for learning and dialogue. It initiates joint projects such as the Living Wage Lab with the aim to support members in developing and implementing individual living wage strategies and to develop scalable solutions together with their suppliers. Find out more about becoming a PST member [here](#).
- The **Green Button**, a certification label for sustainable textiles run by BMZ, aims to ensure that producers will be paying living wages in the future. For the new version, the Green Button 2.0, companies are required to carry out a wage gap analysis as part of their risk analysis, develop a strategy to promote living wages at the manufacturing level, begin with its imple-

mentation and show concrete progress after two years. Find out more about the certification process and get involved [here](#).

- Under the umbrella of the **Platform on Living Wage Financials** (PLWF), financial institutions come together to encourage, support, assess, and monitor investee companies with regard to their commitment to enable living wages and incomes for workers in their supply chains. A guidance document was last updated in 2022 and can be found [here](#). Additionally, the PLWF has published its [annual report](#), which includes the 2022 assessment results for the garment and footwear sector on Oct 17, 2022.
- [ACT](#) is an agreement between trade unions and both global brands and retailers to transform the garment, textile and footwear industry. The actors work together to achieve living wages for workers through collective bargaining at industry level, freedom of association and responsible purchasing practices. Brands that are interested in getting involved can find more information and get in touch with ACT [here](#).
- The **Good Clothes Fair Pay campaign**, a European Citizens' Initiative, calls on the European Commission to introduce legislation requiring that brands and retailers in the garment sector conduct specific due diligence in their supply chain to ensure workers are paid living wages. It builds on the Commission's proposal for a European due diligence law. You can sign the campaign [here](#).
- The [IDH Living Wage Summit](#) in Brussels on December 7, 2022 is another opportunity for companies and organizations to exchange and discuss how to accelerate and scale up their action on living wages. Register [here](#).
- Fair Wear Foundation has launched the [Fair-price App](#), which allows fact-based costing as a methodology to support factories and brands to calculate the purchasing price that needs to be paid in order to allow the payment of a living wage. Fair Wear is also offering seminars for suppliers in different producing countries.

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