

# Resizing Fashion

## Building fair and equitable value chains

### Key Messages

- Low wages and poor working conditions along garment supply chains allow fashion brands to mass produce garments at low costs.
- Labour rights issues remain severely under addressed in existing fashion legislation.
- Addressing low wages and poor working conditions is key to achieving just transition goals and addressing overproduction.
- Power imbalances across garment value chains allow dominant actors to shift costs and risks onto suppliers, contributing to unfair trading practices, excessive production pressure, and environmental and social harm.
- In addition to the injustice and human rights abuse this represents, it also damages Europe 's competitiveness and serves as a major barrier to a more circular and sustainable fashion sector in Europe.

### Policy Recommendations

- Use corporate due diligence frameworks to empower collective bargaining and promote fair and dignified living wages in garment producing countries.
- Ban and penalise specific Unfair Trading Practices (UTPs).
- Expand eco-design frameworks to include minimum criteria for the design process itself, increasing lead times and reducing pressures on garment workers.
- Explore how antitrust policies can be used to address asymmetric power relations in fashion supply chains.
- Reform corporate governance to address highly unequal wage ratios within the fashion sector.
- Reform global trading system so that it is more aligned with the principles of sustainable development.



### Current Status and Trends

A key driver of growth in the output of garments in the last 50 years has resulted from international apparel brands outsourcing production to low-wage countries with low environmental standards/regulation. (Fletcher, 2010; Fletcher & Tham, 2019; Gossen & Niessen, 2024; International Labour Organization, 2021). This has allowed multi-national firms to profit from lower wages, reducing production costs and enabling the production of large volumes of low-cost garments.

Many garment-producing countries have seen nominal increases in minimum wages and average pay over the last

two decades. However, wages remain well below living wage thresholds (as shown in Figure 2 and 3). In 2025 workers in 28 key garment-producing countries earned only on average 41% of a living wage (Wage Indicator Foundation, 2025).

Workers' rights violations in the garment sector are well documented including child labour, precarious employment conditions, informal contracts, excessive overtime work, absence of social security benefits, infringements on the right to freedom of association, gender-based violence and harassment, and systemic barriers to participation in leadership and decision-making at all levels. (International Labour Organization, 2021; Asia Floor Wage Alliance; 2023)

Clothing import Value to EU (million \$)

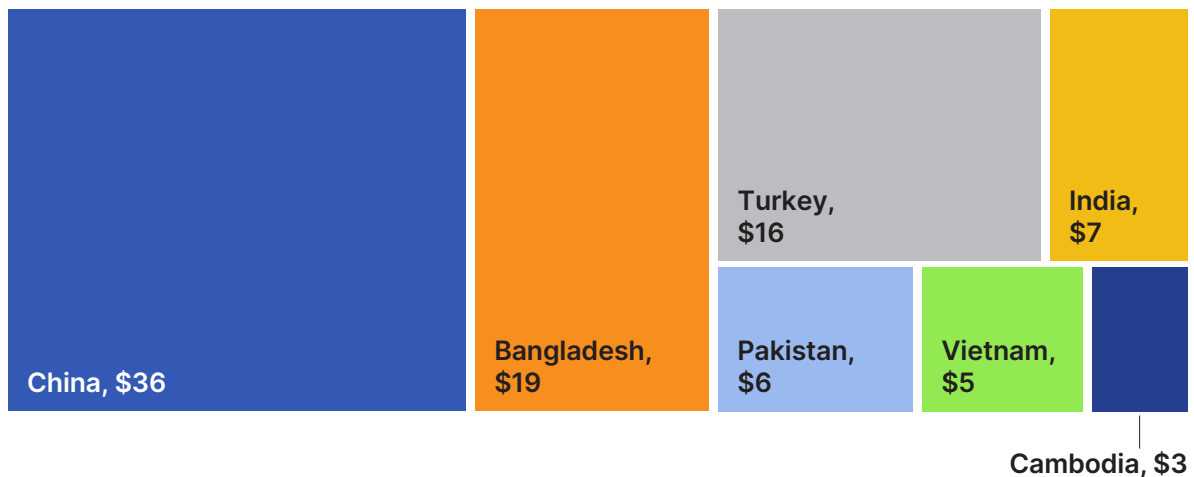


Figure 1. Clothing Import Value to EU (in Million \$)

Source: World Integrated Trade Solution

Wages vs Living wages in Vietnam

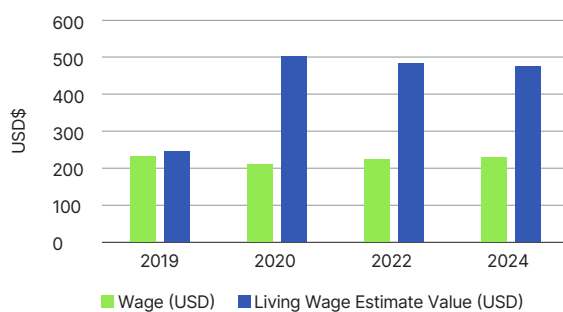


Figure 2. Wages vs Living Wage in Vietnam

Source: Asia Floor Wage Alliance, Fair Labour Association

Wages vs Living wages in Bangladesh

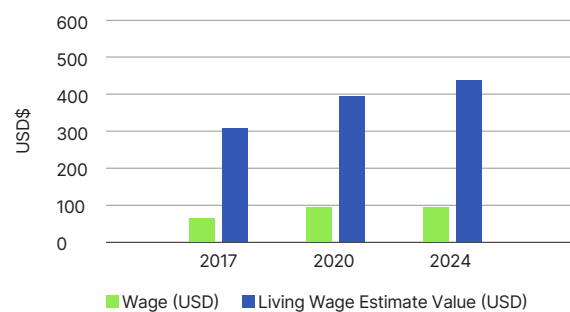


Figure 3. Wages vs Living Wage in Bangladesh

Source: Asia Floor Wage Alliance, Fair Labour Association

## Impacts

### Wellbeing Impacts

- Estimates show that average wages across the garment sector are half what is needed to reach a decent standard of living (Wage Indicator Foundation, 2025).
- Studies conducted by the Asia Floor Wage Alliance have highlighted that most garment workers experience nutritional deficits, consuming significantly below the levels of international poverty standards due to the current wage structures (Asia Floor Wage Alliance, 2023).
- When workers' rights are violated, fear of job loss prevents workers from objecting to substandard conditions and excessive overtime. (Overeem et al., 2021) This lack of bargaining power often results from a lack of/weak enforcement of labour laws and barriers to unionisation (Swedwatch, 2024).
- Low wages and poor working conditions disproportionately affect women, as they account for 80% of the global garment workforce. (Sajn, 2022) Moreover, women's labour is concentrated in the lowest-skilled and lowest-paid tasks such as weaving and sewing, while men tend to be employed in higher-skilled positions within management structures (ILO, 2021).

### Environmental Impacts

- Textile consumption in the EU, in 2020, had the 4th highest impact on the environment and climate change from a global life cycle perspective, after food, housing, and mobility (EEA, 2022).
- Low wages and poor working conditions are the core components of what makes the fast fashion business model possible: leading to the production of vast quantities of low-cost garments. These large volumes drive environmental impacts across the entire life cycle: from production through to end-of-life (Fletcher, 2010; Fletcher & Tham, 2019).
- These exploitative working conditions in producer countries also serve as a major barrier to advancing a circular economy within Europe and globally, as reuse and repair offerings struggle to compete with the artificially low prices of fast fashion garments (Geyer, 2022).



## What is driving the trends?

### Unpacking Structural Lock-ins: The Low-Cost Engine

Together with domain experts we mapped two key reinforcing dynamics which explain the trends and impacts observed in relation to labour standards and overproduction.

As shown in Figure 4 (R1), the relocation of garment production since the 1980s to countries with lower wages has allowed for a significant reduction in production costs of garments and the subsequent expansion in production volumes, reduction in retail prices and an explosion in demand for garments (Fletcher, 2010; Fletcher & Tham, 2019; Gossen & Niessen, 2024; International Labour Organization, 2021). This transition was enabled in part by the dismantling of Multi Fibre Agreement and quota system under the WTO Uruguay round, which led to the significant relocation of garment production to the global South and downward pressure on global retail prices (World Bank, 2008).

Brands predominantly headquartered in wealthy countries in the global North, almost never own the factories that make their products (Katalyst Initiative, 2022). Instead, they rely on outsourcing production via highly flexible, volatile and cost sensitive sub-contracting (Anner et al., 2013), with factories fulfilling orders for multiple brands. The fact that brands have direct access to the consumer markets in the global North and split their production across multiple suppliers, gives them significant power within supply chains. This asymmetric power allows brands to dictate prices and terms to suppliers, resulting in unfair trading practices and further downward pressure on working conditions and wages (see Figure 4).

As demonstrated by R2, owing to unfair purchasing practices, small SME producers which form the backbone of the fashion industry, are often required to engage in excessive overtime to keep up with the lead times set out in contracts (Asia Floor Wage Alliance, 2021; Islam et al., 2023; ILO, 2021; Swedwatch, 2024). This increases the speed of production further contributing to the growth

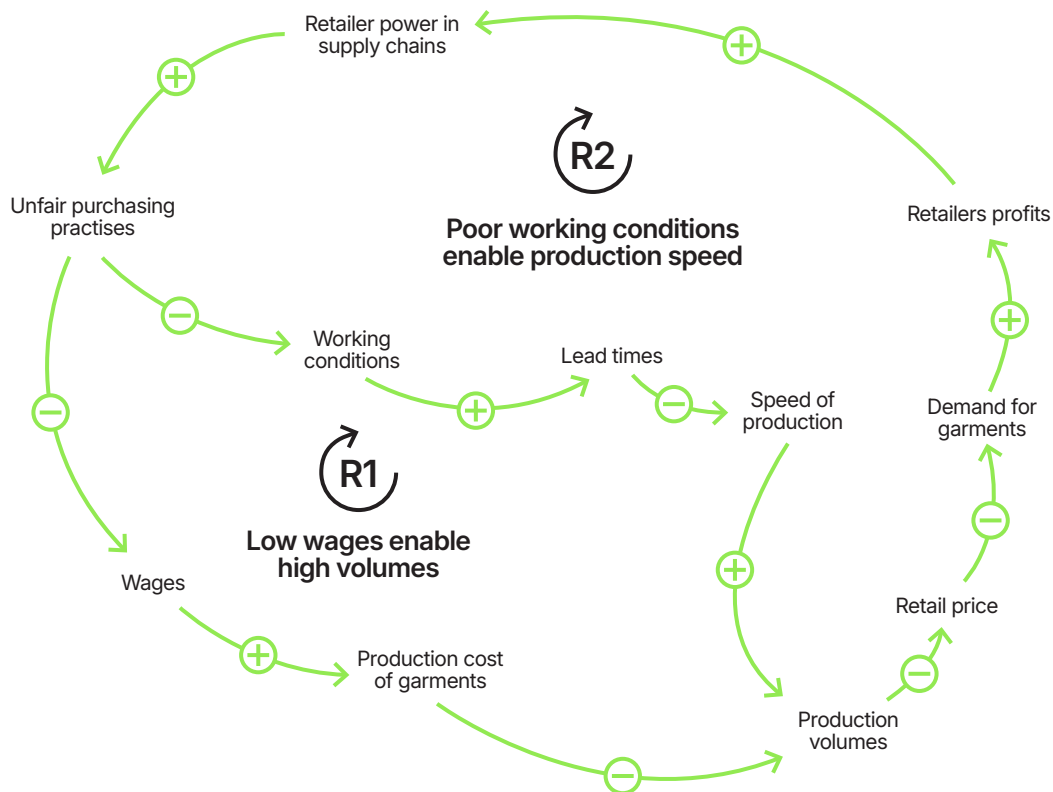


Figure 4. The Low Cost Input: Systemic Mapping of labour standards and overproduction

A causal loop diagram defines the relationship between different parts of the system. In this diagram, "+" arrows indicate that two variables move in the same direction. In contrast, "-" arrows indicate that two variables move in opposite directions.

Reinforcing Loop (R): A reinforcing loop is a feedback loop that amplifies change. Whatever direction the system is moving in growth or decline, it will continue accelerating in that same direction becoming a systemic lock-in.

in volumes of garment produced. An ILO study found that when less than 50% of orders have sufficient lead times - time from when a brand places an order with a supplier to when the garments are produced and delivered - workers work on average 2.74% more (approx. 25,000 hours more per year per supplier) (ILO,2021).

As shown in Figure 4, wages and working conditions are intimately connected. In recent years where efforts

have been made to increase wages, this is often accompanied with a worsening of **working conditions**, so that factories can maintain **production volumes** and protect **profits**. In Asia, the world's largest garment manufacturer, while wages across the sector have increased in recent years, working conditions remain poor, and are characterised by widespread informality and vulnerability (ILO, 2022).

## Current Progress in Fashion Policy

### GAPS AND CHALLENGES

To date, the systemic interconnections between conditions for garment workers and the environmental challenges posed by the fashion sector remain unaddressed.

Under the Corporate Social Responsibility Directive (CSRD) and Corporate Supply chain Due Diligence (CSDD) rules that made steps towards greater transparency and accountability of companies in identifying and mitigating supply chain risks and human rights violations and report on this process. However, these policies fail to address underlying power dynamics (as shown in Figure 4). Moreover, progress has now stalled, and obligations weakened in scope under the 2025 omnibus simplification process.

In Systems Thinking "**Shifting the Burden**" describes a pattern where policy makers embrace *symptomatic solutions*, such as information-based interventions which improve visibility and monitoring of environmental and social harms but do not alter the structural incentives that cause those harms. Because reporting creates the appearance of action and responsibility, it can reduce political and market pressure for harder, structural interventions.



## A Transformative Policy Framework

The Iceberg Model illustrates that the most influential drivers of fashion's impacts lie beneath the surface in the system's structures and mental models. Addressing these root causes requires policies that go beyond symptom-focused measures (REACT and ANTICIPATE) and instead target the incentives, power structures and mental models that lock in overproduction and overconsumption (REDESIGN and DISRUPT).

While REACT and ANTICIPATE measures alone cannot transform the system, they nonetheless serve an important role within the policy mix—particularly in the short run—while the deeper structural and cultural changes needed for long-term transformation are being mobilised. That said, policy makers must not delay action and need to act with urgency to ensure that transformative measures (REDESIGN and DISRUPT) are included within the policy mix. Without them, incremental improvements will be consistently outpaced by the growth in production, consumption, and environmental pressure.

The next section presents a non-exhaustive analysis of co-created policies operating at various levels of transformation and, where appropriate, provides recommendations on how to adapt existing processes to support effective implementation.

## REACT

**Fixes immediate harms with enforcement and technical adjustments that keep the system running without shifting trends.**

**Corporate Responsibility Directives:** As EU member states transpose the Corporate Supply chain Due Diligence (CSDD) requirements they must ensure businesses identify, report and mitigate human rights abuses in their supply chains. A particular focus should be paid to mandating a legal requirement for retailers/brand to engage directly with trade unions in producer countries to negotiate fair pay. This would bolster worker bargaining power in relation to big brands through collective bargaining. Negotiations should take place on a regional basis to avoid relocation to lower wage countries (Asia Floor Wage Alliance, 2023). Adequate worker representation particularly from workers in garment producing countries is needed in all legislative developments to ensure they are just and equitable.

**Addressing Unfair Trading Practices (UTPs):** The EU can take a regulatory approach to ensure that big brands are held accountable for unfair purchasing practices (as detailed in Figure 4). Inspiration can be taken from the 2019 Directive on agri-food Unfair Trading Practices

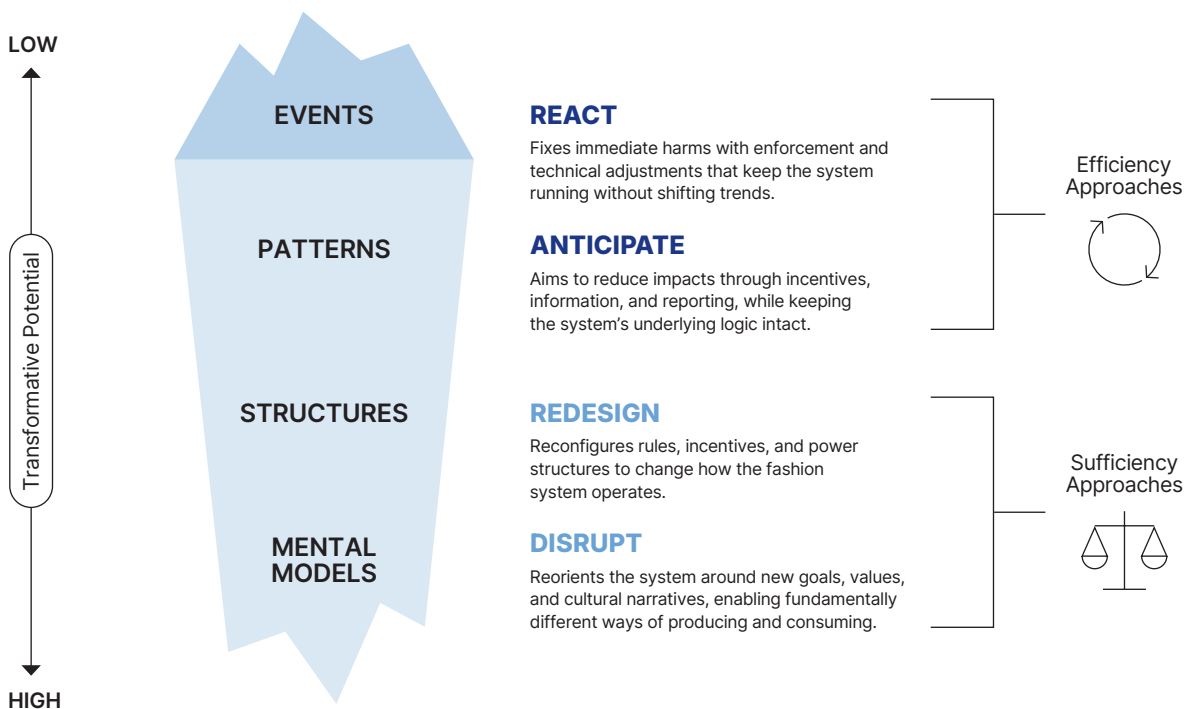


Figure 5. The Iceberg Model: A Systems Approach for Policy Making based on Donella Meadows leverage framework. (Hot or Cool)

(UTPs), which banned 16 practices. The directive also set up a complainant's mechanism, where producer can report companies that do not comply with the regulation, bolstering supplier power within value chains. This would reduce the downward pressure on wages and working conditions, making the fast and high-volume business model less economically viable.

These interventions are needed to curb the most harmful behaviours within existing supply-chain relationships by addressing immediate power imbalances and wage pressures through enforcement and procedural requirements.

## ANTICIPATE

**Aims to reduce impacts through incentives, information, and reporting, while keeping the system's underlying logic intact.**

**Eco-design:** As part of future revisions to the Eco Design for Sustainable Products Regulation, policy makers must move beyond product criteria and explore introducing minimum requirements for the design process itself, requiring for example, mandatory product testing for functionality and prototyping assessments (which cannot be pushed as a requirement on to suppliers). This would help to slow down the speed of production and increase lead times, reducing pressure on workers to do overtime and encouraging more thoughtful, sustainable, and ethically aligned practices. However, due to the complexity of today's global fashion system, such measures would be difficult to enforce, thus businesses would likely find ways to comply on paper without fundamentally changing their business models.

## REDESIGN

**Reconfigures rules, incentives, and power structures to change how the fashion system operates.**

**Antitrust policies:** While the global fashion market is fragmented with many brands competing for market share, profit concentration is nonetheless extremely high. McKinsey (2017) shows that the top 20% of companies captured all positive economic profit over a decade, while the Business of Fashion (2022) reports that the top twenty listed firms earned 85% of total industry profits in 2021. This disproportionate capture of economic value creates significant buyer power over suppliers. The resulting purchasing-practice asymmetries (highlighted in Figure 4) are well documented to drive underpayment, excessive production pressure, and environmen-

tal and social harm. In this sense, profit concentration, even without high market share concentration, is a structural driver of the sector's negative impacts. To address this, antitrust legislation (a cornerstone of the EU mandate) should be explored to address power dynamics and promote fair competition.

## DISRUPT

**Reorients the system around new goals, values, and cultural narratives, enabling fundamentally different ways of producing and consuming.**

**Redistributing Value:** Given the extreme disparity in power and the distribution of value within garment supply chains, there is an urgent need to consider reform to corporate governance structures. This would help to counteract the asymmetric power relations within supply chains, empower workers and ultimately shift the goal which fuels the fast fashion machine: profit maximisation.

Mandating worker representation on company boards, would allow for greater worker input into company decisions allowing them to bargain for higher wages and working conditions, ultimately challenging the viability of current high-volume business models. Such interventions are increasingly relevant in the context of the risk of automation and the uptake of AI technologies across the industry (Ferrerias, 2026; TLD, 2025).

In the long run, to support sustainable and equitable outcomes there is a need to move away from the publicly traded shareholder companies that are oriented towards profit maximizing, and towards cooperative structures which support wider stakeholder value (Dietz & O'Neill, 2013; Johannisova & Wolf, 2012). To support this transition, policy makers could also explore minimum thresholds for employee ownership (up to 10% for the largest

Fashion's CEOs earn millions annually. Nike's head earns 33 million, Skechers 19 million, Gap 14 million (Clean Clothes Campaign).

Annual minimum wage for garment workers in Bangladesh is approx 1,319 USD (Swedwatch 2024).

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companies) or tax incentives, to ensure workers receive a percentage of company stock (Ferrerias, 2026). Evidence suggests that these models help to move away from short-term volume-driven growth and towards better environmental outcomes compared with traditional business structures (Lee et al., 2025).

Building on the EU Pay Transparency Rules for mandatory disclosure of wage ratios, policy makers could also explore the introduction of maximum pay ratios within the fashion sector, to ensure fair compensation between highest and lowest paid workers (Carr et al., 2025), again this would challenge the viability of the current high-volume business models. Campaigners are calling for a 10:1 wage ratio, meaning top executives should not be paid more than 10 times the salary of the lowest paid worker. (HighPayCentre, 2025).

Companies which can evidence the adoption of these new corporate governance practices should receive privileged access to public procurement, lower fees within Extended Producer Responsibility Frameworks and other fiscal benefits to further incentivise the shift across the industry (Miles et al., 2025).

**A New Trade Order:** The global dynamics of the textiles supply chains require us to rethink some of the fundamental aspects of today's global trade system. Proposals

have been put forward to reform the free trade order such that it is better aligned with the principles of sustainable development (Felber et al., 2024). This would allow countries more scope to use quotas and restrictions to limit trade with actors that are not compliant with minimum labour standards (both in terms of wages and working conditions). This would help to counteract the downward pressure on production costs and the race to the bottom in terms of wages and working conditions which is currently observed across the sector. It would also allow less economically developed countries more freedom to protect domestic industries and localise garment production to meet domestic demand. (Felber et al., 2024).

Within their textile strategy the Netherlands are exploring the use of import quotas on textiles to help limit overproduction.



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