International Labour Organization

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Just Transition Toolkit for the Textile and Garment Sector

Just Transition in the Textile and Garment Sector in China

International Summit and Capacity Building Workshop on Green Development and Responsible Transformation of Sustainable Fashion Industry

17 November 2022 - Humen Township, Dongguan City, Guangdong Province, China

Background information

▶ Opportunities for a Just Transition to environmental sustainability in the textile and garment sector in China

A Just Transition for the garment industry will be part of a critical decade of action for achieving the Paris Agreement and the Sustainable Development Goals, both of which will also alter the future of work in the sector. Carbon emissions are not distributed equally across the supply chain, with emissions concentrating in specific production activities, and these activities geographically concentrated in certain hot-spots – areas that are both highly reliant on the textile and garment sector, but also highly vulnerable to supply chain disruptions and impacts on the sector. This creates a strong spatial dimension to the need for planning for a Just Transition in the industry; hot spots in local areas can be turned into opportunities for accelerated community action.

Just Transition planning actively brings employment and job creation goals into the structuring of actions and investments for a sustainable textile and garment sector. The process of Just Transition involves a policy framework that places dialogue at the centre of activities (ILO 2015[1]). It also requires focus both on inclusive and quality employment (decent work), including for women and other marginalized groups; social protection systems; and poverty reduction alongside reducing carbon emissions and protecting and restoring ecosystems (Sharpe and Martinez-Fernandez 2021[2]). The dominant historical patterns and models of development have been carbon-intensive, and have included persistent inequality, environmental degradation and failures in many other areas, such as decent work, gender-based violence and harassment, and discrimination. There is a need to create new development pathways that are also net zero carbon and environmentally restorative.

1 https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/publication/wcms_432859.pdf

2 https://www.mdpi.com/2071-1050/13/13/7389

▶ Just Transition guidelines

The ILO's 2015 Guidelines for a Just Transition towards Environmentally Sustainable Economies and Societies for All highlights that the greening of economies and work will require "a country-specific mix of macroeconomic, industrial, sectoral and labour policies that create an enabling environment for sustainable enterprises to prosper and create decent work opportunities by mobilizing and directing public and private investment towards environmentally sustainable activities" (ILO 2015, p:6[3]). The Guidelines identify the following nine interrelated policy areas that will each provide critical elements for achieving a Just Transition:

- **macroeconomic and growth policies;**
- **industrial and sectoral policies;**
- **enterprise policies;**
- **skills development;**
- **occupational safety and health;**
- **social protection;**
- **active labour market policies;**
- **labour rights; and**
- **social dialogue and tripartism.**

Just Transition planning is a new skill set for policymakers (ILO and ASEAN 2021[4]). Identifying and implementing a context-specific policy mix for sustainable supply chains, enterprises and decent work is an emerging challenge for nations. In globalized supply chains the challenges are multiplied in coordinating action, ambition and policy across multiple jurisdictions that encompass the supply chain, and ensuring the aligned incentives exist for communities and nations in planning and implementing a Just Transition.

Evidence suggests that implementing strategies for decarbonization alone will not necessarily bring about more work or work that is decent[5] (ILO 2018[6]). Similarly, there are also no guarantees that a transition will be "just" where existing inequalities are addressed and reduced, and no person or community is left behind in the transition, if the issue of sustainability is not adequately addressed.

3 https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/publication/wcms_432859.pdf

4 https://www.ilo.org/asia/publications/WCMS_810078/lang--en/index.htm

5 Decent work refers to work that meets the ILO decent work standard; that is, work that is fairly remunerated, safe, free of discrimination, and with freedom of association.

6 https://www.ilo.org/global/research/global-reports/weso/greening-with-jobs/lang--en/index.htm

▶ Just Transition in the textile and garment sector

Just Transition planning in the textile and garment sector will map how the sector accomplishes decarbonization and achieves the SDGs. The planning processes identifies the workers, enterprises and communities that will be impacted. Analysis shows that carbon emissions occur along the value chain but are most significant in the yarn and fabric production phase, which is also consistent with other environmental impacts, such as water consumption and chemicals use (ILO 2021[7]). The scale and pace of system wide change in garment manufacturing required to meet targets for climate action means that there will also be significant impacts on the world of work in these components of the supply chain. Reducing carbon emission will require changes to business models alongside technological and process innovation.

Enabling a Just Transition, and planning for this transition, means that the opportunity offered by sustainable development and green job creation from decarbonization and adaptation also results in better jobs and more decent jobs for women and men. It also means that those workers, firms, communities and sectors affected by the need to decarbonize and the need to adapt to the changes receive the support, information, training and capacity they need to successfully transition. Green jobs and decent jobs need to be planned for, as they will not necessarily occur automatically or in the volume required unless Just Transition planning takes place.

Any direct investment specifically targeting decarbonization and changes in the textile and garment sector also needs to explicitly consider the employment dimension, including the potential differing impacts on specific groups based on gender, migration status and disability. Changes and innovations include: investments in energy efficiency and renewable energy infrastructure; improved technologies and processes for textile processing; the phasing out of hazardous chemicals, micro-plastics, textile waste and untreated waste water being released into waterways; and behavioural and business model changes associated with more sustainable production and consumption systems, including the circular economy and other sustainable and regenerative business models.

▶ Critical factors for Just Transition in the textile and garment sector

A significant challenge to the sustainable transformation of the textile industry in Asia is the limited awareness, competence and technical knowledge of environmental sustainability. This holds true for many factories, workers, communities, technical consultants, training organizations, agencies and local to national governments – the whole industry ecosystem (Tyler, Hall et al. 2018, ILO 2021[8]). To avoid overshoot of critical planetary boundaries and to address global commitments to climate change action, collective, purposeful and just social transformation is needed, but what are the specific elements of a Just Transition in the textile and garment sector? Critical contributing factors include:

- **National environmental and regulatory frameworks** and the necessary monitoring and enforcement to encourage transformative investment in long-term environmental sustainability (ILO 2021a). Transformative environmental policy addresses on-going processes of societal change and

7 https://www.ilo.org/asia/publications/WCMS_781938/lang--en/index.htm

8 Tyler, David, and Nicholas Hall. 2018. "Eco-system Services and the Circular Economy for Textiles", paper presented at the 91st Textile Institute World Conference, Leeds, 23–26 July.

utilizes them for achieving environmental sustainability. It assumes that governments and public policy play a key role in societal change towards sustainability and that there is a need for the policy to support the development and implementation of innovation that encourage the sector towards sustainability.

- **Processes for gender-responsive social dialogue**, co-creation and use of knowledge of environmental sustainability and eco-innovations alongside strengthened labour and social rights for workers, which includes environmental sustainability elements such as knowledge co-creation. This is an effective way to educate and train workers, enabling them to improve basic environmental issues such as dripping taps in factories, as well as to transfer environmentally sustainable practices between their workplace and community, and vice versa.

- Workers and management working collectively, together with other stakeholders, provide a promising avenue for initiating and promoting local transitions and transformative adaptation. One example of this collaboration is in the form of **multi-stakeholder platforms (MSPs)**.

- **Strengthening the role and voice of women** in the textile and garment sector to achieve transformational changes and meet development objectives. Gender equality and environmental sustainability are intrinsically linked. Women make up most of the workforce in the sector, and they are also the most vulnerable to environmental damage caused by the sector and the broader impacts of climate change. Therefore, developing and implementing mechanisms and actions that address barriers and challenges to women's equal participation and success alongside achieving environmental sustainability will increase the overall sustainability of the sector

- Sustainable development requires knowledge that strikes a balance between scientific and other forms of knowledge to meet the needs of society more effectively and to inform sustainable policy directions. The involvement of a **range of research actors in knowledge creation for governance and sustainability transformation** within the textile and garment industry is required because these actors bring new technical, organizational and behavioural insights into the collaborative process. Co-production of knowledge on the role of sustainability in the textile supply chain needs to engage the full range of stakeholders – including workers, management, practitioners, scientists, the private sector, civil society and policymakers – in stakeholder dialogues and collaborations to develop a common understanding and to clarify actions through shared insights within an interactive process.

▶ Changing roles for actors in the Just Transition

▶Government

Using recovery to help green industry, support innovation and collaboration; use regulatory and other incentives to strengthen sustainability

▶Industry and firms

Exploring and implementing innovation at all levels of the supply chain and developing capacities for collaboration

▶Workers

Enhanced role in protecting workers in recovery and transition and recognising the key role workers play in innovation and sustainability adoption

A Just Transition will require system level change. It is hard for individual actors to achieve impact alone – no matter how good they are. Public policy will be critical in to creating an enabling environment for Just Transition – both through regulation – providing the minimum standards and rules for the game, but also to encourage innovation and incentives for change, such as funding procurement, financing, but also supply side issues such as training and skill development, and encouraging markets for environmental goods and services.

Many environmental sustainability actions depend on actions and activities beyond the factory gate - therefore collaboration and dialogue are central in achieving these. There will be a need to build capacity, triggers and space for these collaboration and dialogues across the supply chain – local, regional, and global scales.

Also there are many existing tools and services available for enterprises to enhance their environmental sustainability – but individual enterprises need absorptive capacity to utilise these – this means the ability to understand and implement the knowledge and learning from these initiatives. For example the HIGG Index is very comprehensive and complex – and many firms especially SMEs are not able to utilise the index because they lack the internal capacity and skills to be able to do so – how do we provide pathways to these more advanced initiatives such as the HIGG Index, that enables firms especially SMES to build their internal absorptive capacity, to be able to adopt these innovative environmental management systems?

Similar absorptive capacity issues exist in compliance with environmental regulations – impact assessments and developing ways to mitigate impacts also requires an understanding of what options exist and how they might be employed.

Workers will play a key role in increased environmental sustainability – as it will be the workers who will design and implement new processes and products. Protecting and empowering these workers – the majority of whom are women, will be an essential strategy in strengthening and creating resilience in the garment supply chain.

▶ Green recovery and just transition of the textile and garment sector in China

China is the largest textile and garment producer in the world. The textile value chain in China provides an illustrative example of how new business models such as those using circular economy principles require additional support for development and Just Transition planning to manage employment implications. The textile and garment industry in China employs a huge workforce (20 million workers) particularly women (60 per cent of textile workers are female). Employment in the sector has low skills requirement and low entry requirements. The textile value chain provides a critical pathway to industrial upgrading and transition to inclusive green economy.

Historically, the main competitive advantage of the textile industry in China has been its low labour cost and high availability of labour. Industrial output is characterized by high volume, but low value-added manufacturing for export, especially for low-end overseas markets. However, with increasing labour costs in China, manufacturing and the associated jobs that are dependent on this low cost, low skill model are relocating to other countries (e.g. Southeast Asia). The remaining textile enterprises in the country are now re-focusing on high-value added export markets, which requires higher levels of skill and technological intensity, and where compliance with environmental standards and sustainable production methods need to be part of competitive offering, especially for European markets.

China's textile and garment industry is facing a complex and challenging international situation, including managing risk factors derived from COVID-19. It is undergoing in-depth adjustment and transformation, and has established a new industrial positioning as "pillar industry for national economic and social development, basic industry for providing people's livelihood and beautifying people's lives, and priority industry for international cooperation and integration"[9].

The China Textile and Apparel Council (CNTAC) established its Social Responsibility Office in 2005 and issued CSC9000T in 2006, the first industry management system incorporating relevant international and national standards. In July 2021, CNTAC issued the "Guiding Opinions on Green Development of the Textile Industry in the 14th Five Year Plan period" (2021-2025)[10] in line with the national carbon goals to peak carbon emission by 2030 and achieve carbon neutrality by 2060. Since the 13th Five Year Plan period, the industry has made remarkable achievements in energy conservation and emission reduction, pollution prevention and control, comprehensive utilization of resources and green manufacturing system. It will be the general trend and important policy direction for the industry to promote green and low-carbon circular development and the comprehensive green transformation. Under the changing international background and the new development paradigm of "dual circulation" which allows domestic and overseas markets to reinforce each other, these guiding opinions are prepared to promote the all-round green transformation of the industry according to the relevant work deployment of the national and industrial development in the 14th Five Year Plan, and building on the green development of the industry in the 13th Five Year Plan period.

Guided by the national and industrial development plans and strategies, CNTAC is promoting a pathway to realize the sustainable development of the industry toward an "innovation-driven technology industry, a culture-led fashion industry and a responsibility-oriented green industry". This is implemented at three levels:

Macro level – including policies and standards development to reduce pollution and improve environmental protection, save resources and improve efficiency, reduce emissions and adapt to climate

9 https://www.163.com/dy/article/GCICPOS805385KCK.html

10 https://www.163.com/dy/article/GE79SJP305509P99.html

change; demonstration of green design, green production, green packaging, green distribution, green sales and green recycling across the supply chain.

- Meso level – including cooperation at industrial clusters; demonstration and exhibition/fairs, industrial research/information disclosure on sustainable development governance of local governments, improving platform construction, developing solutions, building capacity/training), and;
- Micro level - Micro level - enterprise uptake of green production and innovation, information disclosure of performance/compliance, listing of green enterprises jointly with Ministry of Industry and Information Technology (MIIT), and engagement with brands in sustainable fashion actions.

The priorities of sustainable recovery and development for the sector is focused on four aspects:

1. positioning of the industry (fashion-, green-, technology-oriented);

2. international cooperation;

3. green technology development; and

4. green consumption and production awareness raising.

▶Humen garment industrial cluster and related activities

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11 http://www.redflag.info/dongguan.htm

▶ Overview of Humen garment industrial cluster

Humen Town is located in Dongguan City, Guangdong Province, in the core region of "Guangdong Hong Kong Macao Greater Bay Area". It is a "famous town of Chinese women's clothing", "famous town of Chinese children's clothing" and "national e-commerce demonstration base". It also belongs to the first demonstration industrial clusters under the "world-class textile and garment industrial cluster pilots" jointly established with CNTAC. Since the Humen garment industrial cluster first joined the construction of social responsibility of China's textile and garment industry in 2006, the capacity of social responsibility management and the concept of sustainable development have been greatly improved and enhanced.

In 2020, Humen Town achieved a local GDP of 64.456 billion yuan (US$10 billion), ranking among the top ten of "top 100 towns in China". Among them, the total output value of the garment industry reached 45.024 billion yuan (US$7 billion). There are more than 3,100 production and processing enterprises, with an annual output of about 400 million pieces (sets) of clothing and engaging more than 200,000 employees. At present, there are 40 markets for clothing and accessories and 15,000 business operators, with annual sales of more than 90 billion yuan (US$14 billion). With more than 50,000 registered trademarks of various clothing and apparel, it is the most integrative and influential regional clothing brand center in South China.

Humen garment industry has complete supporting facilities, with more than 1,000 supporting enterprises covering fabrics, logistics, embroidery, printing and dyeing, washing as well as other supporting service institutions such as consulting and training. A national "Humen garment industry collaborative innovation center" has been established, which consists of Humen Branch of National Fabrics Museum, Humen Laboratory of CNTAC testing center, Humen garment creative design incubator, Humen garment design R & D center, Humen garment technology innovation center, Humen garment designer gallery, Humen conference and exhibition center, Vanke creative fashion commune, Humen mutual benefit fashion garment supply chain management platform, and Humen garment technology training center among others. 10 innovation service platforms have built an integrated innovation service system incorporating garment design, fabrics R & D, testing and procurement, e-commerce, supply chain innovation, business incubation and talent cultivation, and improved the industrial ecological chain, promoting the high-end intelligent development of the industry.

▶ Next steps: Just Transition in the textile and Garment Sector in China – capacity building for industrial cluster enterprises

In partnership with the ILO-SIDA project *Decent Work in Garment Supply Chains Asia* (DWGSCA) and the UN joint Programme on *Partnership for Action on Green Economy* (PAGE), a series of discussion on Just Transition in the Textile & Garment Sector in Asia are in progress. These discussions adopt a bottom-up approach, building from a country-level focus, but also providing inputs into regional dialogues and forums, as well as contributing to global discussions (COP 26, Fashion Charter, Sustainable Fashion Alliance).

The first dialogue was held in November 2020 in China, co-hosted by ILO and CNTAC. The session offered participants a forum for identifying and prioritising actions and interventions for recovery and re-structuring in the sector. The discussion analysed the impact of COVID-19 on the textile and garment sector in China (within the broader global and regional context) and put forward the development visions of the sector's green transition toward environmental sustainability and circularity.

To further facilitate the application of the Just Transition guidelines, ILO is developing a T*oolkit for the Textile and Garment sector & the Factory of the Future*. The Toolkit consists of reports, briefs, highlights, videos and infographics to showcase: best practice of environmental regulation and policy settings; eco-innovation processes and barriers to uptake; multi-stakeholder initiatives; and just transition in the sector.

Building on the on-going cooperation between ILO and CNTAC in promoting a just transition of the textile and garment sector in China and in collaboration with the Human Township Government, an International Summit and Capacity Building Workshop on Green Development and Responsible Transformation of Sustainable Fashion Industry will be conducted in Humen, Dongguan City, Guangdong Province on 17 November 2022.

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Seizing the opportunity of the national, local and industrial momentum for decarbonization and sustainable development, as well as the need and trend of industrial upgrading toward higher value added supply chain with increased social and environmental sustainability, the workshop will build the capacity of local government and industrial players through social dialogue approach on Just Transition planning of the textile and garment sector in China. The workshop will introduce the Just Transition guidelines and its application (e.g. through the Just Transition Toolkit) and analyze the specific opportunities for accelerated action by government, enterprises, workers and communities for a just and green transition. Particular attention will be given to the unique spatial dimension of the just transition planning at industrial clusters as "hot spots" of local areas highly dependent on the industry for its local socio-economic development.

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