

Keeping Workers in the Loop

Preparing for a Just, Fair, and Inclusive
Transition to Circular Fashion

EXECUTIVE SUMMARY | DECEMBER 2021

Executive Summary



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The circular economy offers a compelling vision for decoupling growth from resource use, designing waste out of the system, and extending the value of products. However, while the environmental and commercial benefits are clear, the implications for people and society are not as well understood.

In the garment and textile industry, circularity is rapidly gaining momentum given its environmental benefits, commercial promise, and rising consumer interest. Clothing resale, for example, is expected to grow 11 times faster than traditional retail by 2025.

The industry, which employs an estimated 60-70 million people in its value chain, must now grapple with the following questions: how will circular fashion impact job opportunities and job quality? And how can we ensure that the transition to a circular fashion system is just, fair, and inclusive?

Keeping Workers in the Loop (KWIL)¹ convened industry leaders and stakeholders to explore these questions with the aim of advancing a circular fashion industry that works for all, and particularly workers. Participants explored the potential social impacts of a shift to circularity and then co-created recommendations designed to advance circular business models that offer dignified, inclusive, and resilient employment opportunities.

Research methodology

The KWIL team investigated the job impacts of a shift to circularity, using foresight methodologies to account for macro forces reshaping the industry, such as automation and climate disruption. The research focused on the US, Europe, and India and included the following workstreams:



Primary and secondary research

To understand how the shift to circular fashion might impact job opportunities, quality, and skill requirements. This considered the different dynamics across “consumption” and “production” countries, and by gender. Our research included interviews with stakeholders regarding the social implications of circularity. We also gathered the perspectives of almost 200 workers in India, the US, Spain, and Romania to understand their perceptions of job quality and alternative economic opportunities.



Economic modeling

To estimate the potential scale of the potential impacts on employment linked to the anticipated growth of circular fashion. Our project partners at the University of Lincoln developed a Computable General Equilibrium² model to project job impacts, with wages and gender analyzed as core variables of the model. The model was also used to generate illustrative quantitative data for KWIL’s future scenarios.



Scenario planning

To identify and explore how macro forces will reshape the industry and to stress-test project recommendations against different plausible futures, KWIL developed three scenarios exploring how the global context for fashion might evolve over the next decade.

Chasing the Low Cost describes a future of ongoing supply chain disruptions, poor working conditions, and the diversification of production to new regions. **Faster and Greener** imagines a world of high-tech decarbonization with blind spots around key social impacts. **Rise of the Regions** explores a future where nationalist politics has exacerbated geopolitical tensions and trade wars.

1 The project has been supported by Laudes Foundation and Sida (the Swedish International Development Cooperation Agency) and led by BSR, in partnership with Catalyst Management Services, India, and economists from the University of Lincoln, and includes H&M Group, Shahi Exports, The Renewal Workshop, Target, and VF Corporation as industry partners.

2 CGE models are a tool commonly used to evaluate policy decisions, conduct cost-benefit analyses, and simulate the development of “what-if” scenarios.

Key findings

Our research informed three key findings:

1. Marginalized and disenfranchised groups including informal, women, and migrant workers are overrepresented in those value chain segments likely to expand in a more circular system (e.g., recycling and logistics). There is a strong risk of perpetuating existing job quality concerns in circular roles (e.g., low wages, excessive overtime, and harassment).
2. Circularity offers an important opportunity for entrepreneurship and upskilling. However, new circular roles will require soft skills³ and technical competencies that are currently lacking, and skilling efforts at present are insufficient.
3. The transition will take place amid a backdrop of growing precarity and economic inequality throughout the global fashion system.

Informal workers, women, and migrants are key to circularity, but are especially vulnerable to negative social impacts

Informality in the garment and textile industry poses a major challenge to a just, fair, and inclusive transition to circularity. Many parts of the value chain expected to expand under a circular system, such as waste-picking, are the most likely to rely on informal workers. Furthermore, marginalized populations including informal workers, women, and migrants are often “invisible” in the system and are more likely to be excluded from legal protections, corporate frameworks, and other formal channels for worker rights and social protections.

Circularity will amplify parts of the global fashion value chain with job quality concerns

Our interviews in India and online surveys in Europe and the US with workers performing circular jobs,⁴ found that the parts of the industry that are already circular today, such as waste-picking for recycling or sorting for resale, have some of the worst labor conditions, high levels of informality, and negative social impacts on communities. For example, the secondhand clothing market in Africa often entails dangerous working conditions and degradation of the natural environment. Harassment, long working hours, and low levels of association of and representation for workers are also key concerns among today’s circular workers.

³ Character traits and interpersonal skills that characterize a person’s relationships with other people (e.g., flexibility, learning ability, tolerance for ambiguity).

⁴ In India, we interviewed factory workers, home-based workers, recyclers, waste pickers and cotton farmers; In Europe, we surveyed garment collectors, sorters, sew-techs/finishers, workers in packaging, logistics, retail, and quality control.

Circularity offers an important opportunity to catalyze entrepreneurship

Circularity provides a unique opportunity to spur entrepreneurship in the industry, especially in combination with digitalization. Small enterprises can play a key role providing services such as repair, resale, and waste aggregation. This also offers a particularly valuable prospect for women’s entrepreneurship.

New circular roles⁵ will require greater soft skills and technical competencies

Although roles throughout the value chain will vary widely, circularity will generally reduce standardization and require greater creativity. For instance, repair workers must be able to inspect a garment, identify the fault, and carry out non-standardized sewing operations. Workers across the value chain will need increased agility, flexibility, tolerance for ambiguity, problem-solving, and learning ability. Greater digital literacy will also be essential for circular roles. From production to retail, fluency in digital skills and machine management were consistently listed as critical by our key informants.

Current skilling efforts are insufficient

KWIL’s research has highlighted gaps across a broad spectrum of skills. Survey respondents believe that current training is insufficient in most skills categories to prepare for the future of work and that these training gaps exist right through the value chain, across organizational functions and at all levels. Forty percent of respondents in Europe and the US and 62 percent in India have never received training at their work facilities.

The global fashion industry is at high risk of job disruption over the next decade

KWIL’s economic modeling suggests that circularity, automation, and other macro factors could significantly disrupt job growth across the fashion industry by 2030. Each of the economic scenarios results in significantly fewer jobs by 2030 than a business-as-usual scenario. The variation between the number of jobs today and what we see in the scenarios is a range of 6.72 million jobs, which is over 11 percent of the fashion value chain jobs included in the model. Regional variance in job losses and/or gains across our economic scenarios is significant, with China, India, and the “rest of the world”⁶ seeing the biggest shifts.

5 For example, in repair, quality assurance and merchandising for resale, managing take back programs. An initial mapping of emerging circular roles is provided in [Section 11](#) of KWIL’s report.

6 Countries outside China, India, US, and EU.

Industry wages are likely to be volatile and increasingly unequal

KWIL's economic modeling also finds that wages in the garment and textile industry are likely to be highly volatile relative to the rest of the economy. Projected wage change patterns in the fashion sector parallel the changes in the wider economy but with a magnitude up to twice as large. However, most scenarios⁷ see a decline in wages for low-skill⁸ jobs across geographies.

Top-line recommendations for business and policymakers

Although the challenges to creating a just, fair, and inclusive circular fashion system are significant, the transition now underway offers a critical opportunity to deliberately design a better future. The following recommendations outline actions we believe businesses and policymakers must take today, paying special attention to the needs and aspirations of marginalized groups, to create a circular fashion system that works for all. A more detailed version of these recommendations is available in [Section 12](#) of the KWIL report.



1

Develop and disseminate information about the impacts on workers of changing industry dynamics, including a shift to circularity



2

Prepare and equip workers and organizations for the transition



3

Adapt industry processes and relationships to fit a changing context

⁷ Our economic results ([Section 8](#), and [Appendix, Section 3](#)) shows wage impacts per combination of region, scenario and fashion sub-sector. In some exceptional cases (e.g., one region and in one sub-sector) there were increases in wages for low-skill roles, however the general trend is declining low-skill wages.

⁸ While we discuss skill levels in this report, we recognize having a low income job does not mean that a worker has a low-skill level. In order to explore the impacts of the circular transition on workers and wages etc., our economic modelling used the occupational comparison from the International Standard Classification of Occupations 2008. This groups various skill levels into high and low-skill categories to facilitate international comparisons of occupational statistics and to serve as a model to countries developing their national occupational classifications. It is supported by the international community as an accepted standard of international labor statistics. Details on the ISCO08 classification and the corresponding skill linkages and definitions are provided in the [Appendix, Section 3](#).

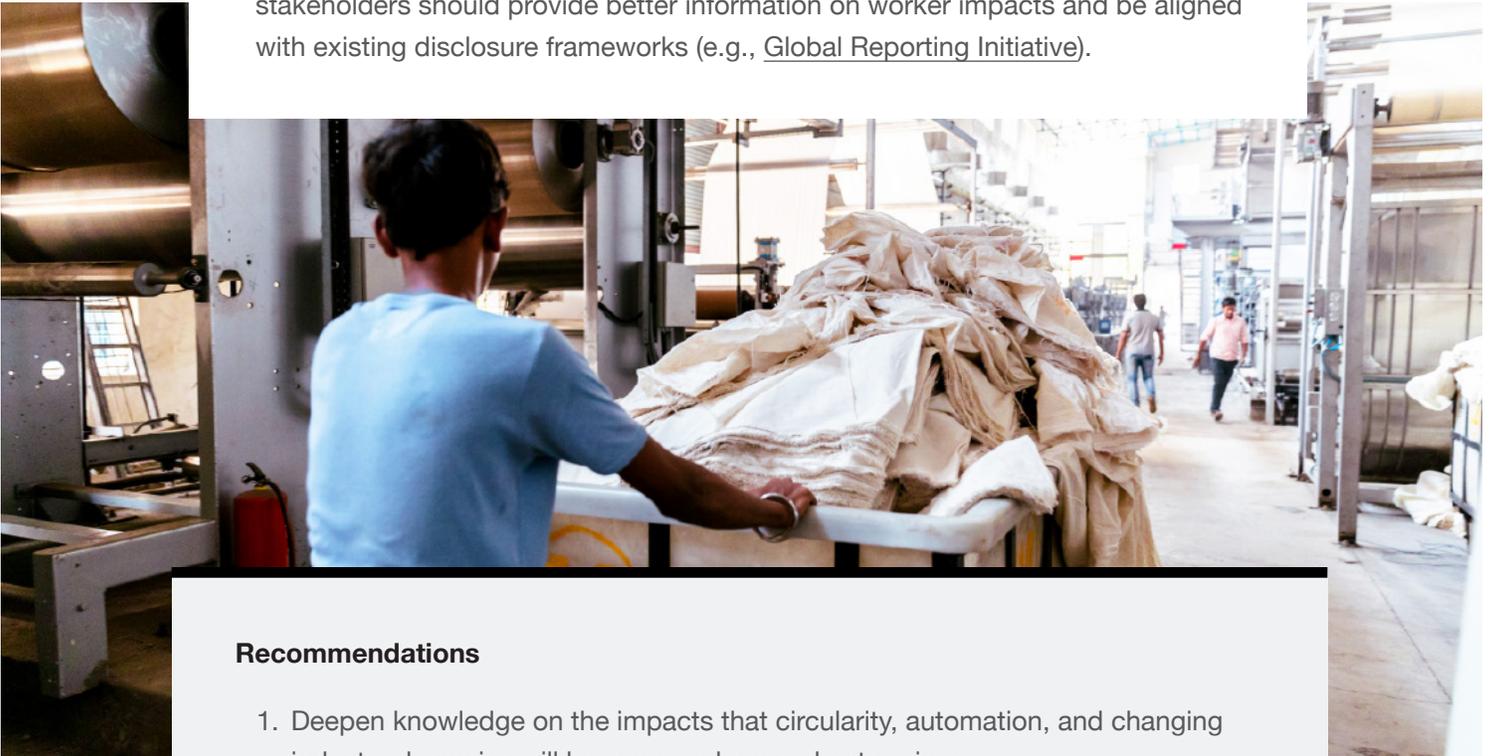
1

Develop and disseminate information about the impacts on workers of changing industry dynamics, including a shift to circularity

A truly circular fashion system will be drastically different from today, entailing significant investments and an overhaul of current business models. The global fashion value chain will need to expand upstream and downstream—for example, to include new sources of raw materials as well as to expand recovery of post-consumer textiles.

Furthermore, this shift will take place within a dynamic operating context in which other drivers, such as rapidly growing automation, will also disrupt the global fashion value chain. Against this changing backdrop there are different models for what circular fashion might look like. For example, a brand or retailer has several options to offer repair to consumers. These different circular models will have varied impacts on workers.

The sustainability risks and benefits of diverse models need to be mapped and analyzed alongside commercial dimensions in policy and strategy development to prioritize pathways that enable prosperity and well-being for workers. This analysis must consider an expanded global value chain that will include new segments and activities and that will also be transformed by macro disruptors like automation. Supply chain disclosures mandated by governments and other stakeholders should provide better information on worker impacts and be aligned with existing disclosure frameworks (e.g., [Global Reporting Initiative](#)).



Recommendations

1. Deepen knowledge on the impacts that circularity, automation, and changing industry dynamics will have on workers and enterprises.
2. Assess the consequences of alternative circular models and prioritize pathways that enable prosperity and well-being for workers.
3. Increase targeted disclosure of information pertinent to improving worker outcomes in the circular fashion transition.

2

Prepare and equip workers and organizations for the transition

The circular transition will require new and upgraded skills, across diverse functions, at all levels and throughout the value chain. Circular roles are likely to be more multifunctional and technology-intensive, but current training is insufficient in most skills categories to prepare workers for future roles. To do so successfully will require mapping out future roles and requirements, using these insights to guide upskilling, equipping workers with transferable skills to address potential job market disruption, and taking special care to include currently marginalized groups like women, informal workers, and migrants.

At the same time, KWIL's economic scenario analysis suggests that other macro drivers of change such as automation and geopolitical shifts could significantly disrupt the number of jobs available in the garment and textile industry by 2030. Policymakers and industry may not be sufficiently accounting for these sorts of disruptive forces in their labor outlook. This highlights the need for proactive planning around potential jobs shifts in the fashion value chain that includes social dialogue and takes a systemic approach to worker protection.

Beyond planning, different ways of thinking will be required to navigate the complex and uncertain changes ahead. Organizations will need to develop better strategic foresight capabilities to detect emerging issues, navigate the macro forces reshaping the industry's operative context, and use scenarios to develop resilient strategies in the face of future uncertainties. They should also adopt more intersectional perspectives and use systems thinking to develop solutions that do not pit social against environmental imperatives in a zero-sum game.

Recommendations

4. Invest in understanding and building the skills needed for a future sustainable fashion system, with supports geared around diverse needs (e.g., for formal vs. informal workers, migrant vs. local, and male vs. female workers).
5. Engage in proactive collaborative planning around potential job reductions linked to automation and production changes. Social dialogue should be central to this process.
6. Build organizational capacity to manage greater complexity, disruption, and uncertainty and to develop strategies and solutions that serve multiple purposes.



3

Adapt industry processes and relationships to fit a changing context

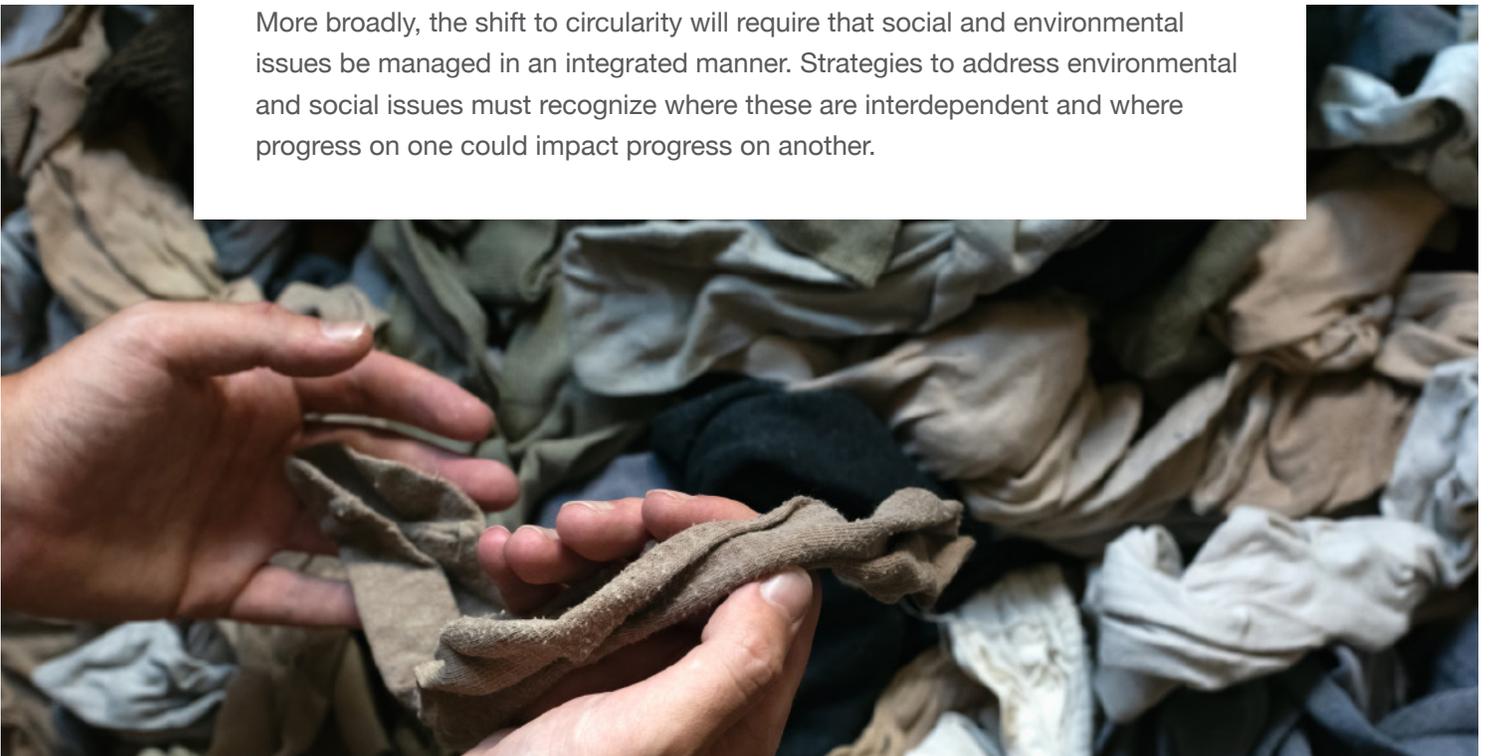
A shift to circularity will, by definition, entail radically different sourcing and product end-of-life strategies—along with new value chain segments, players, and activities. New policies and practices will be needed to ensure these are both socially inclusive and environmentally beneficial.

Responsible sourcing policies will need to be updated to account for new value chain segments and activities such as take-back and the use of recycled inputs. It will be necessary to understand the actors, processes, flows, and employment models, and their associated environmental and social issues. Policy development should be informed by worker representatives, NGOs, and community organizations, marginalized and with informal workers as a key focus.

Various arrangements are possible to deliver circular products and product service models (e.g., vertical integration, working with external service providers, integrating decentralized and informal systems). There is an opportunity for business and policymakers to support diverse supplier networks and better integrate SMEs into circular systems—maintaining their sustainability benefits (e.g., flexibility for workers) while working with them to address challenges (e.g., social protection and compliance) in their specific context.

Changes to material flows and ownership also present a vital opportunity to transform legacy industry norms that have traditionally disadvantaged workers. Circular models, such as re-commerce and rental, with multiple transactions and increased value per piece, can enable payment systems that share value more widely with suppliers, workers, and input producers, and reward them for the higher quality necessary for more durable products.

More broadly, the shift to circularity will require that social and environmental issues be managed in an integrated manner. Strategies to address environmental and social issues must recognize where these are interdependent and where progress on one could impact progress on another.



Recommendations

7. Develop principles for responsible reuse, repair, and recycling models, and the use of recycled inputs.
8. Create sustainable sourcing models that enable responsible procurement and resilience building across diverse supply networks.
9. Reimagine established industry norms to put people at the center.
10. Integrate environmental and social approaches to ensure plans serve holistic sustainability objectives.

Finally, it is important to acknowledge that persistent industry challenges will pose substantial obstacles to creating a just, fair, and inclusive circular fashion system. Our findings underscore the need to achieve living wages in the value chain, for wages to be revised amid changing economic conditions, and for workers to have freedom of association and collective bargaining to improve their negotiating power. We therefore urge business leaders and policymakers to address these well-known issues with a heightened sense of urgency. In particular, worker involvement and representation must be deepened and made central to governance, policy, and strategy development at all levels. We must also strengthen regulatory frameworks and rebalance value chain relationships across the fashion system.

Conclusion

The global fashion industry is at an inflection point. Circularity’s momentum and transformative potential present a unique opportunity to redesign the global fashion system so it works for all. However, a just, fair, and inclusive future will only be possible if we make the creation of good jobs a core tenet of the emerging circular fashion economy. Failure to design in positive social outcomes now risks perpetuating—and even worsening—job quality concerns that have plagued the industry.

Failure to design in positive social outcomes now risks perpetuating—and even worsening—job quality concerns that have plagued the industry.

This report aims to inspire and inform a conversation about how we might reimagine and intentionally design a truly just and sustainable fashion system.

For the complete report, please visit this link.

<https://www.bsr.org/en/our-insights/report-view/circular-fashion-keeping-workers-in-the-loop>

KWIL was led by BSR with expert project partners CMS and University of Lincoln



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