



## OECD Feasibility Study

**MEASURING THE UPTAKE AND THE IMPACT  
OF DUE DILIGENCE IN THE GARMENT AND  
FOOTWEAR SECTOR SUPPLY CHAIN**



# OECD Feasibility Study

Measuring the Uptake and Impact of Due Diligence in the  
Garment and Footwear Sector Supply Chain: Highlights



**Read the full report:**

OECD (2020): OECD Feasibility Study: Measuring the Uptake and Impact of Due Diligence in the Garment and Footwear Sector Supply Chain

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## Better Data for Better Outcomes

With the growth of fragmented global supply chains in recent decades, how to conduct international business more responsibly has become a pressing global concern. Actors seeking to promote responsible business have spanned intergovernmental organisations, national governments, trade unions, civil society, multi-stakeholder initiatives (MSIs) and investors. Consequently, many multinational enterprises operate within an environment characterised by a patchwork of pressures arising from different sources in their home countries and the other countries in which they operate or where they have business counterparts.

Facing high levels of scrutiny, the garment and footwear sector has been one of the most active sectors in developing and adopting new standards and approaches to responsible business conduct. Despite the proliferation of private standards, problematic practices remain rampant in this sector. In recent years, several OECD member governments have enacted policies and legislation seeking to promote more responsible practices by enterprises involved in the sector, spurred by tragic incidents, notably the Rana Plaza disaster in 2013. Such incidents in producing countries have also highlighted the importance of a whole-of-supply chain approach to responsible business conduct and sourcing.

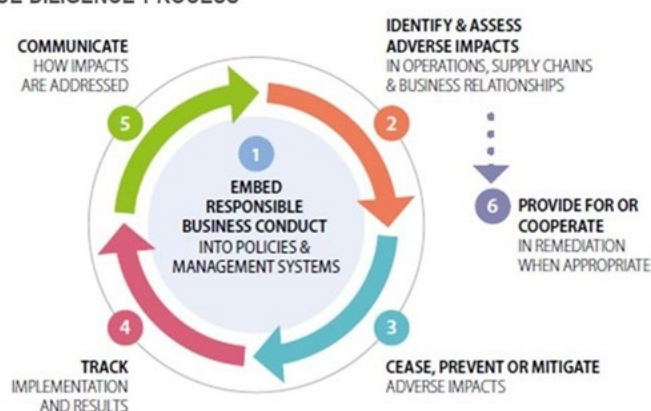
In this context, the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector (“OECD Garment and Footwear Guidance”) was developed and launched in 2017 to help enterprises implement the due diligence recommendations contained in the OECD Guidelines for Multinational Enterprises (“OECD MNE Guidelines”) with the support of OECD member countries and other Adherents to the OECD MNE Guidelines. The OECD Garment and Footwear Guidance has been approved by 48 governments and endorsed by business, trade unions and civil society. While awareness raising and implementation of the OECD Garment and Footwear Guidance are underway, there is a growing recognition that the degree of uptake and outcomes of due diligence in the sector needs to be measured and monitored.

### Figure 1: The Due Diligence Process

More than three years after the adoption of the Garment and Footwear Guidance, stakeholders are indeed generating increasing amounts of data on how implementation is evolving and maturing. The OECD has sought to tap into the interest and investment in better data in order to channel such efforts into a coherent body of research, a resource for understanding what works, what doesn't and how to

What is due diligence and how does it differ from traditional code of conduct compliance?

#### DUE DILIGENCE PROCESS



#### DUE DILIGENCE:

1. Looks **beyond tier 1**, including to sub-contractors
2. Is **risk-based** (i.e. focuses on where impacts are most severe)
3. Involves **workers** at each stage of the process
4. Measures the effectiveness of a company's approach
5. Includes processes to **provide remedy** to those impacted

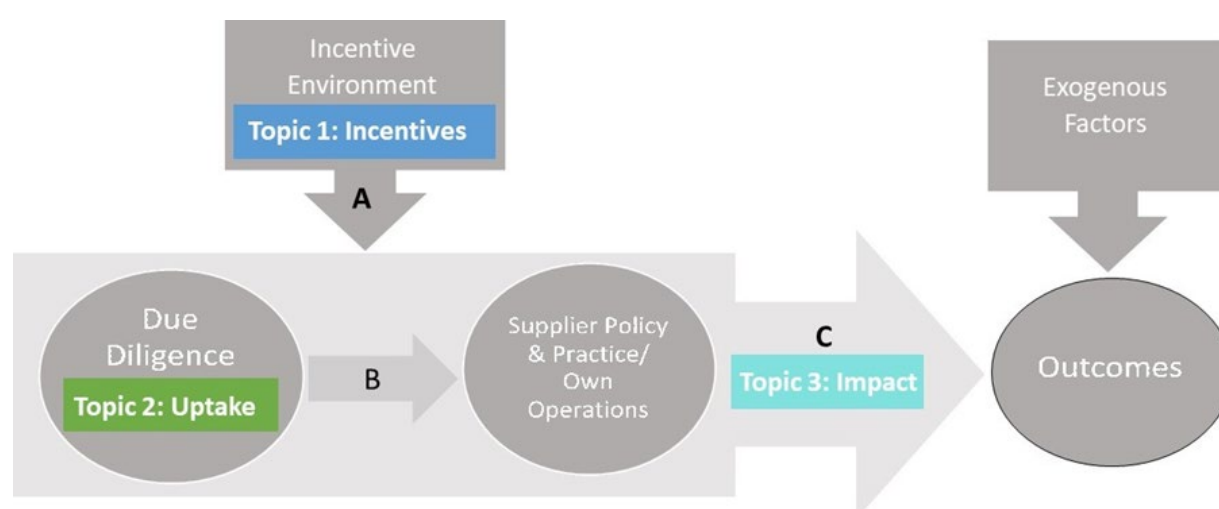
foster—and reach—better outcomes in practice. The feasibility study the OECD has carried out provides an overview of different strategies for developing such a resource. It was designed to identify and assess potential methodological approaches for measuring the uptake, incentives and outcomes of enterprises' due diligence practices as presented in the MNE Guidelines and elaborated upon in the OECD Garment and Footwear Guidance. The findings of the study provide a range of different monitoring options for use by the OECD and member countries with the support of relevant stakeholders. This document comprises highlights of the full study, which readers and practitioners are encouraged to consult, and can be found on the OECD website for implementation of due diligence in the garment and footwear supply chain at <http://mneguidelines.oecd.org/responsible-supply-chains-textile-garment-sector.htm>.

## Identified Approaches

The study is based on a process model connecting the incentive environment, enterprises' due diligence practices, and outcomes as shown in Figure 2. First, the incentive environment at the sector and national levels is likely to shape the degree of due diligence uptake among enterprises. Second, uptake can lead to changes in the enterprise's own behaviour or its suppliers' behaviour. Third, these changes, in turn, can lead to changes in outcomes related to labour, human rights, environment and integrity. There are multiple challenges in making causal linkages between uptake and outcomes, not least due to exogenous factors affecting outcomes.

Approaches for evaluating “Incentives” seek to identify factors that induce enterprises to adopt policies and practices in line with the OECD Garment and Footwear Guidance. Approaches for measuring “Uptake” seek to assess the extent to which enterprises adopt practices in line with the OECD Garment and Footwear Guidance. Approaches for monitoring “Outcomes” seek to evaluate the impact that enterprises' due diligence practices may have on ceasing, preventing, mitigating or remediating adverse impacts on people, the environment, and integrity.

**Figure 2: Process model linking incentives, uptake, and outcomes of due diligence**



## Incentives

Methodological approaches proposed for evaluating incentives include:

- |  |  |
|--|--|
| 1) National Incentive Benchmark:                             | Map and score or categorise key national institutions shaping incentives to conduct due diligence        |
| 2) Linking Incentives & Uptake through Mining Existing Data: | Analyse existing datasets covering incentive environments and enterprise-level data                      |
| 3) Incentive Enterprise Survey:                              | Identify enterprise perspectives on drivers for due diligence uptake through a survey                    |
| 4) Exploratory Incentive Case Study:                         | Focus on a handful of enterprises to examine processes of how incentives may affect enterprise behaviour |

When considering specific research objectives, each methodological approach for measuring incentives has different strengths.

- To compare the effectiveness of different incentives: (2)
- To compare incentives across countries: (1)
- To explore how enterprises react to incentives: (3), (4)

## Uptake

Methodological approaches proposed for measuring and monitoring enterprises' uptake of due diligence practices include:

- |  |   |
|--|---|
| 1) Light Benchmark:                        | Score a sample of enterprises on selected due diligence measures                                  |
| 2) Uptake-Focused Mining of Existing Data: | Analyse existing datasets covering enterprises' uptake of due diligence practices                 |
| 3) Uptake Enterprise Survey:               | Identify enterprises' due diligence practices through a survey                                    |
| 4) Exploratory Uptake Case Study:          | Focus on a handful of enterprises and examine processes of how due diligence has been implemented |

When considering specific research objectives, each methodological approach for measuring uptake has different strengths.

- To measure uptake among a representative sample of enterprises: (3)
- To compare uptake across countries: (1)
- To monitor over time: (1), (2)
- To identify best practices: (4)

## Outcomes

Methodological approaches proposed for evaluating outcomes include:

- |   |  |
|---|--|
| 1) Linking Uptake and Outcomes through Mining of Existing Data: | Analyse existing data covering enterprises' due diligence practices and related outcomes                             |
| 2) Quantitative Impact Assessment:                              | Conducting impact assessment of selected due diligence intervention(s)   |
| 3) Exploratory Impact Case Study                                | Explore how a few enterprises' due diligence practices affect outcomes or explore contributing factors to an outcome |

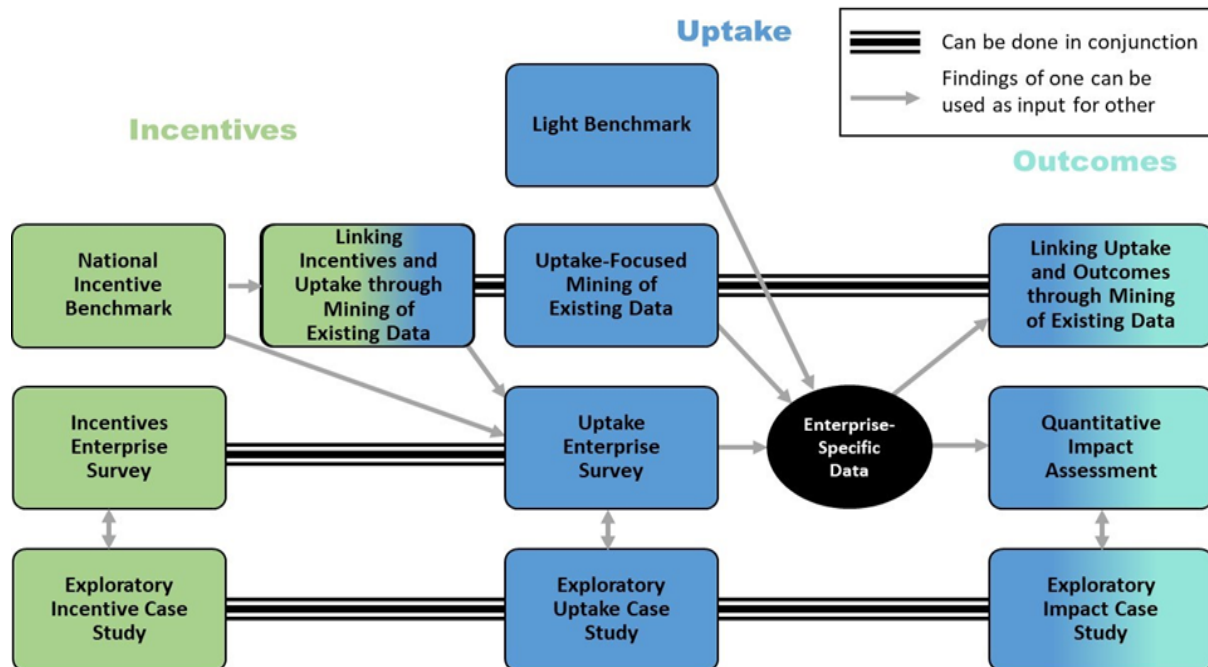
When considering specific research objectives, each methodological approach for measuring outcomes has different strengths.

- To identify links between overall uptake practices and outcomes: (1)
- To compare the impact of different due diligence practices: (1)
- To assess the impact of a selected intervention: (2), (3)
- To identify best practices: (3)

## Choosing Monitoring Approaches

Each of the methodological approaches presented in this report serves different purposes. The choice of an approach should be based on the objectives for carrying out the study, while synergies and complementarities of different approaches should also be taken into account. For example, multiple approaches can be combined to take advantage of synergies and to complement each other to achieve a set objectives. Figure 3 outlines connections between the proposed methodological approaches. One key consideration is efficient use of resources. For instance, the approaches based on mining of existing data can be done in conjunction as they use a similar set of data. Similarly, given the resource intensity of conducting enterprise surveys, the same survey can cover both incentive and uptake questions. As for the case study approaches, their feasibility hinges upon enterprises' willingness to participate and make their staff and materials available. Given the difficulty of obtaining access, it would make sense to cover incentive, uptake, and impact studies for the same enterprises, whenever possible. Hence, those approaches that can or should be done in conjunction are highlighted in the example objectives below.

Figure 3: Connections between Evaluation Approaches



Another key consideration is complementarity. While quantitative studies (e.g. mining of existing data) can establish statistical relationships between variables, they are not suited to all types of outcomes and they do not provide information on causal mechanisms. Here, qualitative, in-depth process tracing can be complementary. Also, qualitative case studies can illustrate different practices (e.g. profiling a best, medium and worst performer). Case studies can look at outcomes with varying impacts including unintended consequences, which may be more informative for providing guidance to enterprises. Thus, a good practice is to combine quantitative and qualitative approaches where possible.

The following considers different potential objectives and identifies sets of approaches that may be useful for each objective.

### ***Objective 1: To Design an Incentive to Adopt Due Diligence***

- A country's existing incentive environment can be understood through using 'National Incentive Benchmark'.
- Existing levels of uptake of due diligence practices could be explored through 'Uptake-Focused Mining of Organisational Data', 'Uptake Enterprise Survey', or 'Light Benchmark'.
- The design of the intervention could be shaped through the findings of an 'Incentive Enterprise Survey' and/or 'Exploratory Incentive Case Study'.
- To identify which incentives are connected to higher or lower levels of uptake, 'Linking Incentives and Uptake through Mining of Existing Data' could be carried out.

### ***Objective 2: To Identify Best Practices for Enterprises***

- Due diligence practices linked to best outcomes could be identified through 'Linking Uptake and Outcomes through Mining of Existing Data'.



- To understand how enterprises implement due diligence practices and how these practices impact themselves or supply chain partners, 'Exploratory Uptake Case Study' and 'Exploratory Impact Case Study' could be used.
- The impact of practices being considered could be explored through a 'Quantitative Impact Assessment'.

### ***Objective 3: To Identify Ways to Alleviate an Adverse Impact***

- Due diligence practices that are associated with lower occurrences of the outcome of concern could be identified through 'Linking Uptake and Outcomes through Mining of Existing Data'.
- Experiences related to the outcome of concern could be explored using an 'Exploratory Impact Case Study'.

In terms of efficient use of resources, mining of existing data (through 'Linking Incentives and Uptake', 'Uptake-Focused Mining of Existing Data', or 'Linking Uptake and Outcomes through Mining of Existing Data') is a preferred option as it leverages existing data and serves multiple purposes. However, this approach is contingent upon obtaining access to relevant datasets and limited in terms of the countries, enterprises, and topics covered by the datasets. The quality of existing data will likely vary significantly, though efforts coordinated by the OECD to collect and interpret data on implementation may also provide scope for driving progressive improvements to data quality.

## **Stakeholder Consultation and Other Methodological Considerations**

### **Stakeholder Preferences**

The OECD Centre for Responsible Business Conduct held a consultation on the Feasibility Study through a webinar and written feedback during July-September 2020 to introduce the study to select stakeholders with expertise in the garment and footwear sector, spanning governments, companies, multi-stakeholder initiatives, civil society organisations and trade unions. As part of the written feedback process, the group was invited to assign a numerical score to each approach based its perceived effectiveness. Consulted stakeholders were largely in agreement regarding the advantages of prioritising the preferred approaches outlined above related to linking uptake to incentives and outcomes through the mining of existing data. On average, stakeholders assigned the preferred approaches a score of 4.2 compared to 3 for other approaches on a scale of 1 to 5. Stakeholders' comments referred to the prospect of identifying relationships between overall uptake of due diligence and outcomes as an appealing feature of the preferred approaches which set them apart from others.

### **Challenges Identified by Stakeholders**

Stakeholders also voiced concerns about potential gaps in and limitations to existing data that will be important to consider when carrying out any project making use of the Feasibility Study. The following points summarise the issues raised as well as some promising strategies for addressing them.

**Data gaps for producing countries and impacts on rights holders** - A recurring theme in stakeholder comments was the perception that detailed corporate self-reporting on due diligence does not always translate to improved conditions for garment workers. Select verification of company claims through triangulation of sources and data-sharing agreements may help provide nuance. Studying the outcomes of due diligence, including through quantitative impact assessments, may provide more empirical precision on the relationship between specific due diligence interventions and results for rights holders, and be complementary to the preferred approaches. This may be especially useful in high-risk geographies and supply chains.

**Revealing the quality of due diligence systems** – Underlying the inconsistency stakeholders have observed between company disclosures and changes in conditions for rights holders may be the often superficial nature of such self-reporting. The ways companies identify and mitigate risks, provide access to remediation, use leverage, build their suppliers' capacity, and consider such information in their purchasing decisions can be difficult to discern from company disclosures or from data published by multi-stakeholder initiatives (MSIs), despite the OECD Garment Guidance clearly calling for companies to publish such information and engaging with affected stakeholders on the basis of it (see Sections 5.1 and 5.2 of the Guidance). Cooperation between the OECD and stakeholders seeking more data (such as governments, CSOs, trade unions and investors) on the one hand, and companies, multi-stakeholder initiatives (MSIs) and audit programmes that collect data on the other - could help address this challenge both through the sharing of existing non-public data for research purposes and engaging in dialogue on increasing the quality and comprehensiveness of disclosures in line with the Guidance. The development of relevant indicators could also signal priorities for how to close such gaps to companies, MSIs and other stakeholders through improved reporting and new research.

**Understanding due diligence implementation among different kinds of companies** – Avoiding selection bias and skewing results towards high performing companies may be a challenge due to the sometimes homogeneous profile of MSI members and fewer data being available on small and medium-sized enterprises (SMEs). Building diverse samples, studying incentives for adopting due diligence, and carrying out case studies of different types of companies could provide insight into how distinct circumstances shape due diligence practices.

## Next steps

### Putting the Feasibility Study to Work

Collecting data on the incentives, uptake and outcomes of due diligence in the garment and footwear sector provides an unparalleled opportunity to take stock of how companies are implementing due diligence and build a sturdier empirical basis for policy advice. Whether managed by the OECD Secretariat or governments, a coordinated approach will be important for promoting coherence, leveraging stakeholders' expertise, and ensuring that whatever approach is selected remains anchored in the text of the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector.

A first step for applying the findings of the study and establishing the basis for such coordination would be the development of a monitoring and evaluation framework. This is the approach the Secretariat has taken in the minerals sector, and which has been validated by an informal advisory group of academics and researchers. A framework would situate the content and objectives of the OECD Garment Guidance along a theory of change to test the relationships between incentives, uptake and outcomes with supporting studies hoovering up existing data at each node. It would also provide guidance on carrying out such studies so that stakeholders working independently on this topic adhere to shared principles

and contribute to a coherent body of research. Whilst the preferred approaches would be central to the design of the framework, one of its advantages is that it would be versatile enough to leave scope for further strengthening the links between incentives, uptake, and outcomes as necessary to fill in data gaps by showing where other approaches like case studies, surveys and quantitative impact assessments fit and how they could feed into and complement the rest of the framework.

Developing a monitoring and evaluation framework, however, is by no means a dependency for acting on the findings of this study, let alone a stand-alone outcome of it. As stakeholders supporting and promoting supply chain due diligence, there are several other actions we can take immediately and in parallel to the development of a framework. We should move without delay to convene and collaborate around addressing the data gaps we're already aware of. The OECD and responsible garment supply chain stakeholders could also begin work on complementary approaches presented in the study that could later be assembled in modular fashion to form a framework. For example, this could entail the development of uptake indicators or benchmarking of incentives and company performance, including by drawing on or carrying out a gap analysis with existing benchmarking work in the field and its alignment with the OECD Garment Guidance.

### **Broader Considerations for Acting on the Study**

Regardless of the approach we take, there is a clear rationale for stakeholders to remain engaged in and contribute to this work. With emerging regulatory developments, empirical research on due diligence implementation may be able to help track how legislation influences due diligence practices, in addition to promoting enhanced transparency necessary for compliance with such legislation. More coordination and harmonisation of data generation and collection, including through the adoption of shared principles, may ease cross-recognition of industry schemes and MSIs. Enhanced transparency brought about through higher-quality data should also enable responsible investors to direct financing with greater precision and, on the other end of the supply chain, inform and empower rights holders to hold companies accountable for their conduct and commitment

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<https://mneguidelines.oecd.org>

