

## FACTSHEET:

# Enhancing Social and Labor Compliance through Responsible Purchasing Practices

Jointly developed by:  
**The Social Labor  
Convergence Program  
& Solidaridad**

In the complex landscape of global supply chains, non-compliances within facilities often stem from systemic issues that are challenging for suppliers to address independently. A critical factor in these challenges is the purchasing practices of brands, which can either worsen or mitigate legal non-compliances. Understanding how these practices impact compliance is essential for driving sustainable improvements in working conditions.

When brands set unrealistic lead times or demand unsustainable pricing, they may unintentionally drive facilities to cut corners on compliance, such as wage violations or excessive overtime. However, brands that take a more responsible and collaborative approach can play a key role in supporting suppliers to meet social and labor standards. **Active stakeholder engagement**, especially from brands, is critical in addressing these compliance challenges, as it promotes stronger partnerships that support responsible purchasing practices.

## Impact of stakeholder involvement on compliance

Data from the SLCP demonstrates that **6 percentage points** more facilities had at least one legal non-compliance when they did not involve stakeholders, such as customers, in setting social and labor performance goals compared to those that did, highlighting the value of stakeholder engagement and shared responsibility in providing better working conditions.\*.

### Average number of legal non-compliances



### Most impacted area:



## WAGES AND BENEFITS

Among various areas of legal non-compliance, wages and benefits stand out as the **most impacted when stakeholder engagement is absent**.

Facilities that do not involve stakeholders in their objective-setting strategy had **43% more legal non-compliances in wages and benefits** compared to facilities that include stakeholders.

\*This is based on a total of 2200 facilities that completed Step 3 of the CAF in 2023.



According to 2023 SLCP data, the top 5 topics in Wages and Benefits where non-compliance is most prominent are:

1. Contributions to unemployment insurance
2. Forwarding workers' contributions to pension funds
3. Payment of full wages as required
4. Salary payment methods
5. Providing sufficient time off in annual leave

## Responsible Purchasing Practices

Responsible purchasing practices are fundamental in driving decent working conditions. The **Common Framework for Responsible Purchasing Practices** (CFRPP) outlines five principles for companies working to improve their purchasing practices:

- 1: Integration and Reporting,
- 2: Equal Partnership,
- 3: Collaborative Production Planning,
- 4: Fair Payment Terms, and
- 5: Sustainable Costing.

Of these principles, Principles 2 (Equal Partnership), 4 (Fair Payment Terms), and 5 (Sustainable Costing) are particularly linked to **improvements in wages and benefits**. Brands that prioritize these principles can positively influence the legal compliance of their suppliers, particularly in the critical area of wages and benefits.

Looking at the SLCP data, Solidaridad makes the following recommendations to brands to enhance social and labor compliance and more importantly improve working conditions:

- Implement **responsible purchasing practices** in your daily operations; you can start by reading the [CFRPP](#). Make sure you get top leadership commitment.
- Focus on building an **equal business relationship** with your suppliers, engage in respectful sourcing dialogue and pursue win-win situations, with a shared responsibility to improve working conditions.
- Adopt **sustainable costing** strategies that cover all production costs, support wage increases, and ensure fair supplier profit margins.