



Crafting a Future: Compliance & Workforce Issues in NYC's Garment District

Issued February 2024



NEST

Introduction

Nest is a non-profit organization unlocking the power of craft to advance economic opportunity and gender equity in the United States and around the world. We support a global network of 2,000+ small- and micro-business leaders leveraging craft to drive financial and social impact in their communities. In the United States, our Makers United program is building a more inclusive community of U.S. maker-entrepreneurs and craftspeople by co-creating an ecosystem where BIPOC and low-income makers feel recognized and represented, and they have the tools they need to grow their businesses – and thrive.

In partnership and support from the Garment District Alliance, Nest launched its proven Makers United program in the Garment District in 2020, bringing much-needed attention and resources to the District's manufacturing and artisan businesses. Nest supports the industry in realizing this economic opportunity by implementing programs that develop the fashion supply chain both from the producer and brand sourcing sides. In our first two years of programming within the District, Nest delivered two comprehensive Landscape Mapping reports that drew upon data and information gathered from surveys, individual, and group conversations with District businesses owners; conducted a series of educational workshops and events, developed marketing materials and recruited three businesses into our Ethical Handcraft Program.

For the most recent scope of programming, Nest collected insights on the various workforce challenges and needs of Garment District businesses to illuminate viable solutions to strengthening the labor landscape. Additionally, we gathered information on businesses' compliance challenges and created resources and tools to facilitate the adoption of ethical compliance practices within the District. This report includes three sections that highlight our findings and recommendations on workforce and compliance issues, as well as an examination of the impact of industry trends on the Garment District.

The Garment District is the heart of American manufacturing, and innovative partnerships like this one between Nest and GDA ensure that safe and equitable American manufacturing jobs and businesses can continue to grow for decades to come.

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Meet Our Team



Chris van Bergen, Nest's CFO/COO, oversees all programming, including direct-to-artisan business training and mentorship for 2000+ artisan businesses across 125+ countries, strategic initiatives to address sector challenges and manages partnerships with innovative brands. Chris also directs Nest's financial activities. He holds an Executive MBA from the Leonard N. Stern School of Business at NYU, specializing in Global Business, Strategy, and Leadership, along with music degrees from the Eastman School of Music and Northwestern University, and a degree in Psychology from the University of Rochester.



Nicole Franklin, Nest's Director of Makers United, connects maker-entrepreneurs to business development resources, educational programming, market access opportunities, and community to help their businesses grow and thrive. Nicole brings over a decade of experience in the nonprofit sector — domestically and internationally. Nicole received her B.A. in African American Studies from Oberlin College and her Master's degree in Public Health, with a concentration in International Health and Development, from Tulane University.



Rosie Avolio-Toly, Nest's Director of Compliance, is committed to improving transparency, worker well-being, and environmental sustainability in artisan and handworker supply chains. With a background spanning diverse artisan supply chains, including her role at fair trade and B-corp Noonday Collection managing artisan jewelry supply chains across continents, Rosie brings extensive experience to her work. She holds a Master's in Local Economic Development from The London School of Economics and a Bachelor's in Diplomacy and World Affairs from Occidental College.

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Meet Our Project Managers



Andy Lustig is a fashion industry professional focusing on social and environmental sustainability. Leveraging fifteen years of experience as a designer at numerous firms such as Rubgy, Free People, American Eagle, BCBG, and Gap Kids, she specializes in fostering collaboration among cross-functional stakeholders in both domestic and international contexts. As a member and coordinator of the New York Fashion Workforce Development Coalition (NYFWDC), Andy works to support the NYC Garment District and its makers. Her involvement in the coalition contributes to initiatives aimed at promoting district sustainability and workforce development within the industry.



Tessa Maffucci is a teacher, researcher and organizer advocating for ethical fashion economies. She teaches fashion history and theory focusing on the intersections of fashion and labor, with an emphasis on sustainability, technology and material culture. She has taught at Parsons School of Design and Pratt Institute, where she is currently the Assistant Chair of the Fashion Department. She coordinates the New York Fashion Workforce Development Coalition (NYFWDC), an advocacy collaborative of New York's fashion community, including many manufacturers and designers in the Garment District. Tessa is a recipient of the Made in NYC Fellowship and has written for publications including Architectural Digest, Bloomsbury Fashion and The Fashion Studies Journal.

Section 1: Garment District Workforce Findings and Recommendations



New York City's Garment District is the birthplace of the American fashion industry, serving both established brands and emerging designers for over a century. Today, the Garment District is a vibrant ecosystem that supports not only fashion, but also film, tv, and theater – providing a suite of services from design development to final production.

Within less than one square mile in Midtown Manhattan there are over 400 fashion production businesses employing at least 5,000 individuals[1]. This diverse network of highly-specialized artisans creates an “innovation lab” that underpins New York City's fashion industry, which employs nearly 200,000 people and generates \$10.9 billion in wages annually[2]. Despite New York City's role as a global fashion capital, offshoring of garment production in past decades has eroded the Garment District workforce and led to a shortage in skilled labor. With renewed interest in domestic manufacturing following COVID-19 supply chain disruptions, there is greater demand for local production, but a lack of precise data to guide policy and workforce development.

This section of the report aims to shed light on the various factors affecting the labor landscape in the Garment District by highlighting the workforce needs, challenges, dynamics and opportunities that are at play—and offer possible solutions.

[1] Agence France-Press. (2020, February 08). “Future of New York's Garment District in Doubt.” Retrieved January 12, 2023 from <https://www.scmp.com/lifestyle/fashion-beauty/article/3049329/future-new-yorks-garment-district-doubt-manufacturers>

[2] NYC.gov. "Fashion Industry." Accessed on January 28, 2024. NYC.gov <https://www.nyc.gov/site/internationalbusiness/industries/fashion-industry.page>

Approach & Methodology

Nest included two primary data sources in this report to help us understand the workforce issues Garment District businesses are encountering. A survey was administered digitally using Qualtrics survey software, with responses aggregated to analyze experiences and thoughts on various workforce topics, including current employee profiles, hiring needs, compliance, benefits, and training. Additionally, qualitative data was collected through structured one-on-one interviews with eight business owners. This method was used to gain a deep and nuanced understanding of individuals' experiences, perceptions, and attitudes about workforce challenges and opportunities in the Garment District.

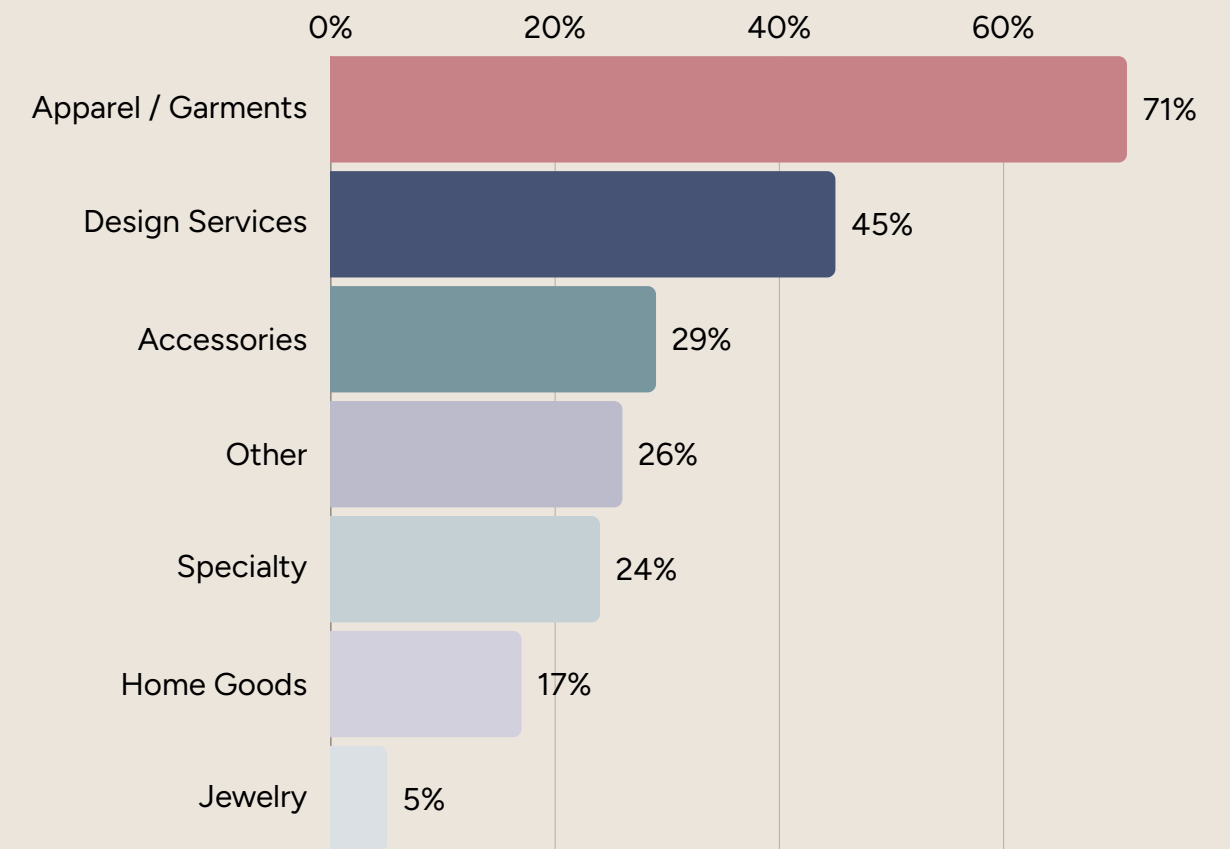
In March 2023, Nest conducted a survey to gather information regarding businesses' interest in social compliance programs and their perspectives on workforce issues in the District. Recognizing the need to adjust our approach to implementing the Ethical Handcraft program in the District, we modified our survey to concentrate primarily on workforce-related aspects. Consequently, this report incorporates insights from seven businesses that participated in the initial survey and 35 businesses that responded to the revised version. Throughout the report, data points derived from 42 responses versus 35 responses will be indicated.

Current Workforce Landscape

Surveyed businesses have been in operation between 2-105 years, representing a mix of newer, start-up businesses and long-standing legacy businesses. Based on this, they each bring a nuanced perspective and experience with building and maintaining a strong pool of employees.

While 92% of businesses currently have full-time employees, 77% also employ freelancers and contractors to support their operations. The reasons they work with freelancers and contractors vary, but include needing someone to focus on specialized work for a limited time (i.e. the task/position would not require a full-time schedule), the seasonality of work (e.g. a higher demand for output in the lead up to fashion weeks, etc.) and budgetary constraints of hiring a full-time, salaried employee.

Percent of Businesses Producing Within Each Product Category



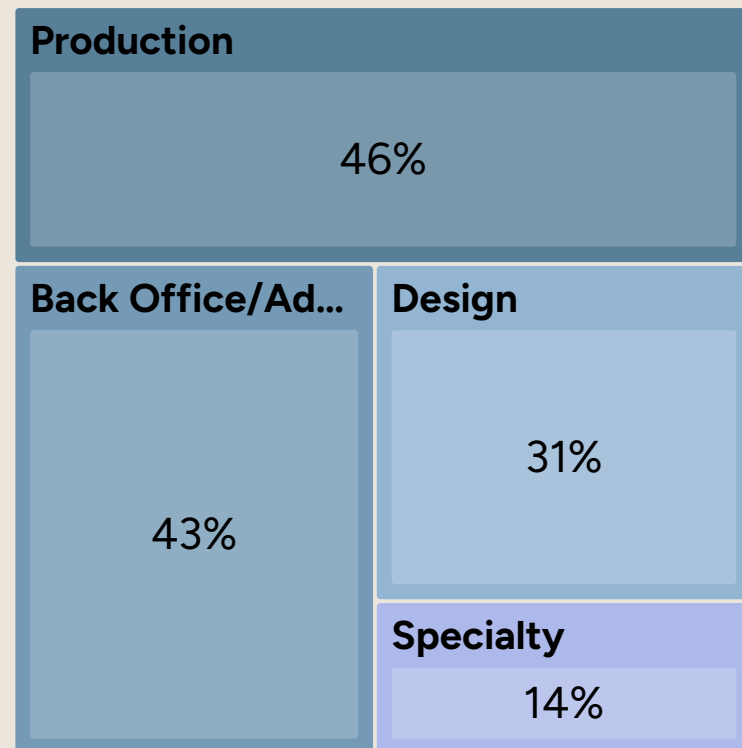
"I always think that the garment centre could benefit from a talent agency for freelancers, similar to a modelling agency where price is set, invoices are collected on behalf of the contractor and there is benefits offered. For my business what is so challenging for me is training and simultaneously running the business. The learning curve is just so massive because we are so niche" - Laura Weber, LW Pearl

Workforce Recruitment: Challenges and Opportunities

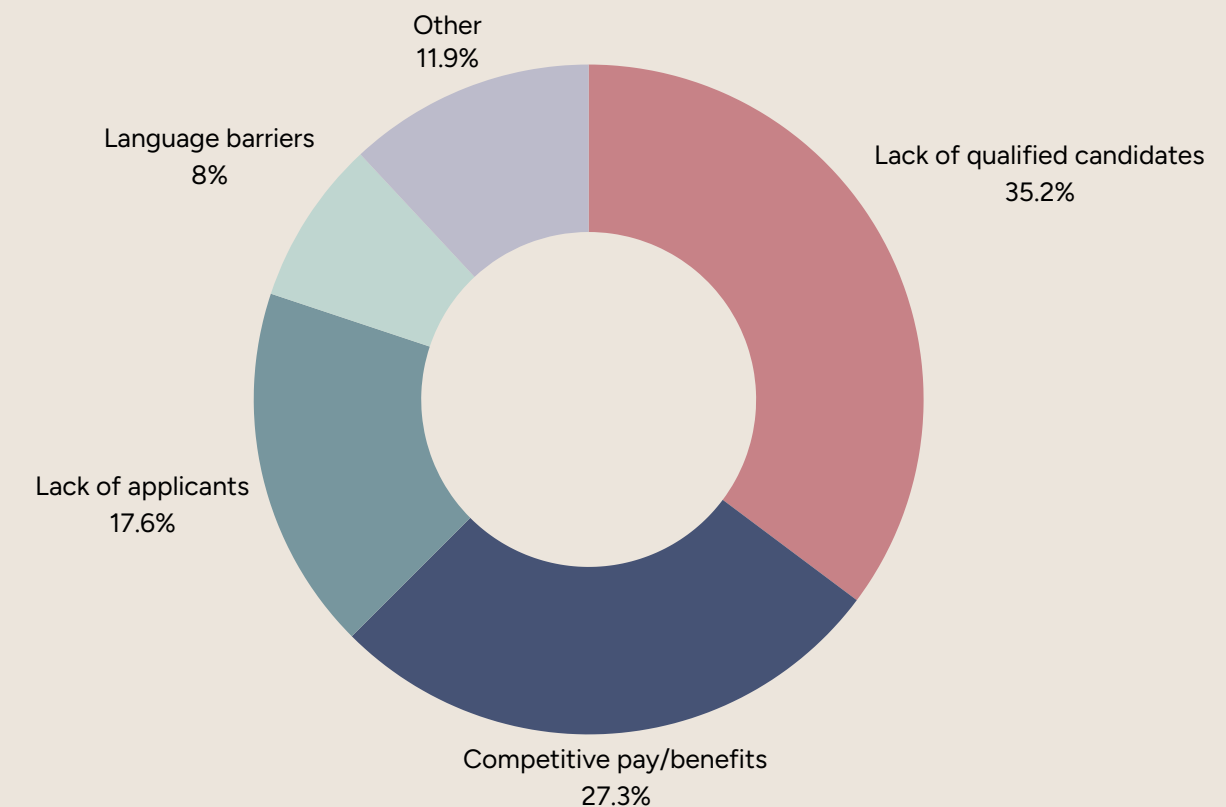
While there is a demand to hire skilled, professional, and specialized employees, 69% of respondents said they have challenges finding and hiring qualified workers.

Within production, administration, design and specialty work areas, business owners identified which skills would be most valuable for a potential employee to possess. Within production and business administration—the two biggest areas where businesses identified they would like to have more staff support—production and sample sewing, and marketing/sales, accounting and social media, are the most sought-after skill sets.

BUSINESS AREAS THAT NEED THE MOST SUPPORT



CHALLENGES TO HIRING WORKERS

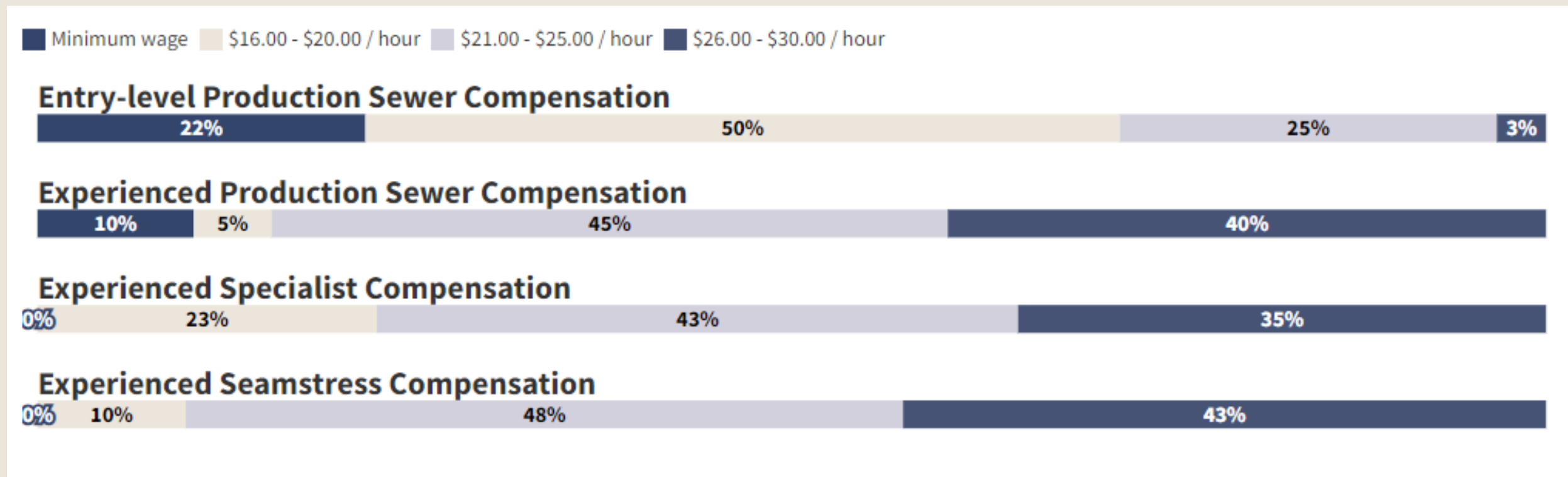


Benefits and Compensation

Offering a comprehensive benefits package to employees is a crucial component to attracting and retaining a strong workforce and ensuring the overall well-being of employees and the business. Benefits such as health insurance, paid time off, and retirement contributions enhance employee satisfaction and morale—and are a key investment that should be made when possible.

Almost a quarter of surveyed businesses (23%) do not offer benefits to their employees. Of those who do provide benefits, the top three that are offered include flexible work hours, paid time off and opportunities to participate in trainings. Only 20% offered health insurance and 9% offered retirement benefits. The associated cost of providing employee benefits was cited as the biggest barrier.

With production being the most sought after category to fill with skill workers, it is important to capture compensation for various roles. Transparency in wage information not only ensures existing and potential employees are aware of compensation structures, but it is also critical factor for District-wide transparency and compliance measures. Further collection and externalization of compensation data would also highlight wage challenges and risks within the Garment District businesses regarding below market rates, in order to successfully address.



Workshop Models & Collaboration

To combat rising rent and high costs of doing business in Midtown, several of the Garment District companies have joined forces to collaborate on innovative solutions.

Some factories have begun subletting parts of their space to emerging designers -- this is a mutually beneficial arrangement where manufacturers with extra space can offset their rental costs and start-up brands can access the resources of being located in the Garment District without the significant capital that would otherwise be required. An example of this workshop model is InStyle USA, a garment development and production factory, which sublets a studio to Bach Mai, an emerging designer whose work is regularly shown at New York Fashion Week.

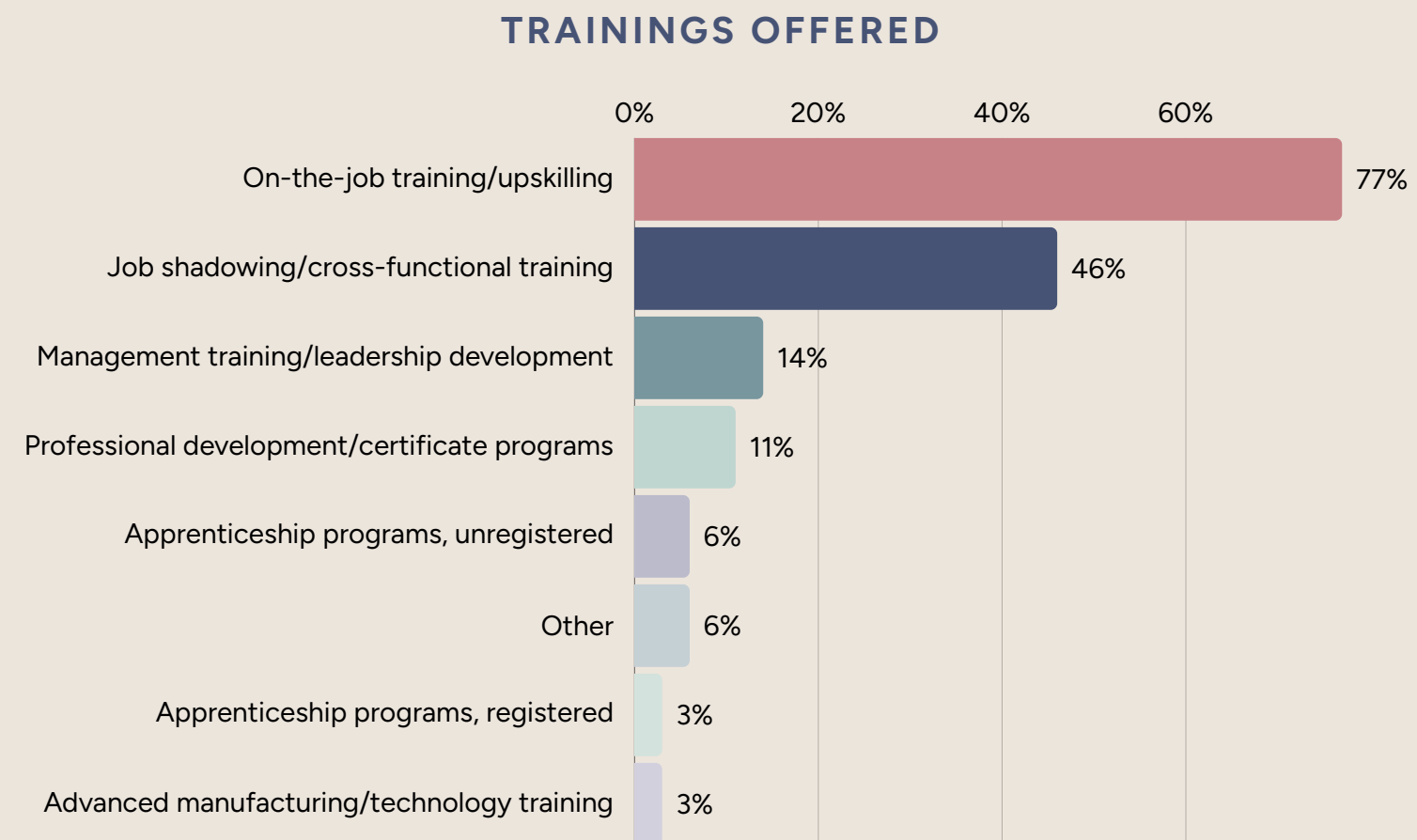
Factories and designers also have found creative ways to share the limited talent pool of skilled fashion workers. During busy periods it is not uncommon for a factory to “loan” an employee to a peer factory or lend specialized equipment needed for a specific project. Similarly, designers share the expertise of a finite number of patternmakers, technical designers, markers and graders, who are necessary for a design concept to become a finished garment.



Workforce Retention

Employee Training

Offering training opportunities has implications for employee retention the workforce pipeline. The majority of business owners (83%) provide training for their employees, with 77% of those offering on-the-job training and upskilling. Training can teach employees more efficient ways to perform their tasks, use technology and equipment, streamline processes to improve the quality of products and increase product output—all of which improves the business health. Training employees also demonstrates a commitment to their growth in their role and/or in the business. Issues: can be a low return on investment (i.e., employers spend a lot of time training an employee without a guarantee that they will stay) and also requires time and effort on the employer's part that is already in short supply.



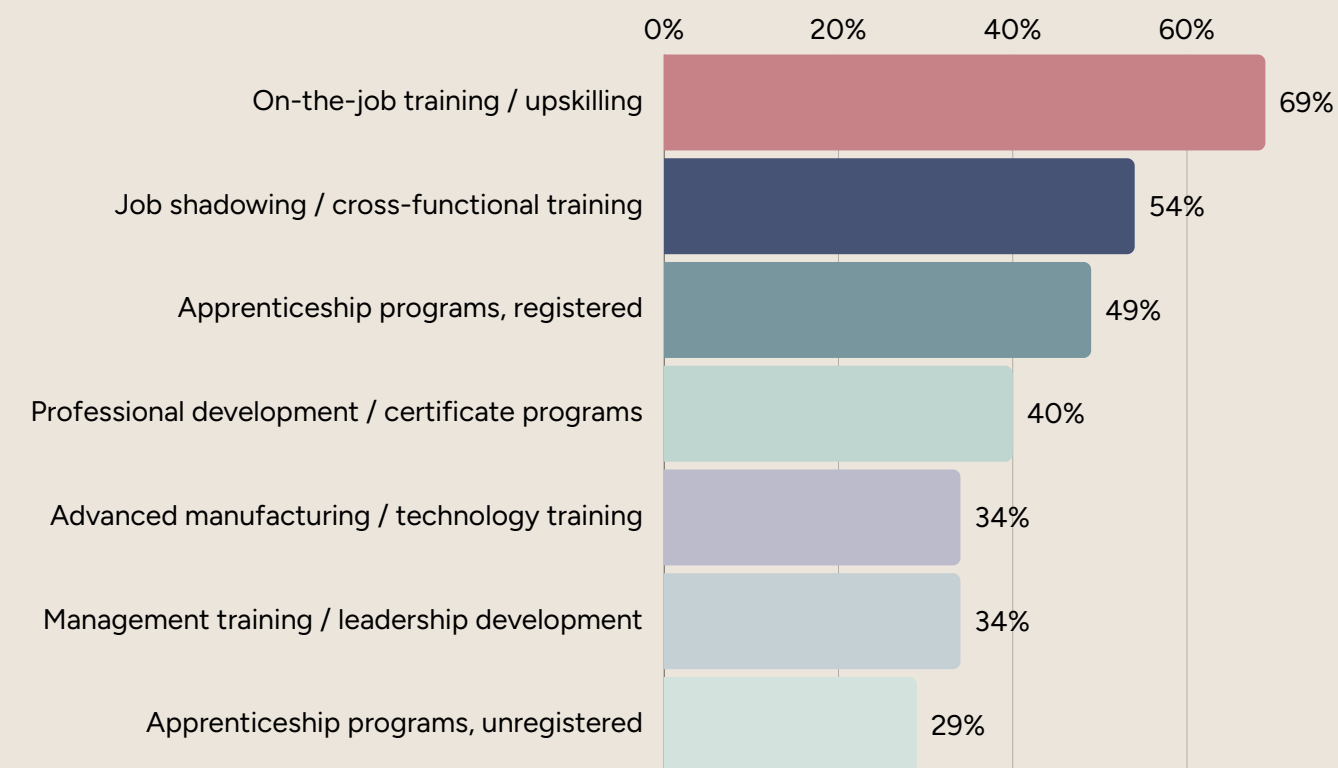
"My barrier is having time to train. And specifically with this business, I am the trainer. I can't hire someone to come in and train. They don't know. It's our techniques, it's our trade secrets."

- Katie Sue Nicklos, Wing & Weft Gloves (Interviewee)

Employee Training

The greatest challenge employers mention related to training is the threefold burden that out-of-pocket training places on the business. There is the cost of the trainee's wages, the cost of the trainer's wages, and the cost of lost work during the time the trainer spends training. Due to the shortage of highly-skilled workers remaining in the workforce, this need to train is especially urgent and a heavy burden on the small businesses that rely on these workers for essential responsibilities within the business.

IF EXTERNAL FUNDING WERE AVAILABLE, WHAT TYPES OF TRAINING WOULD YOU BE INTERESTED IN OFFERING



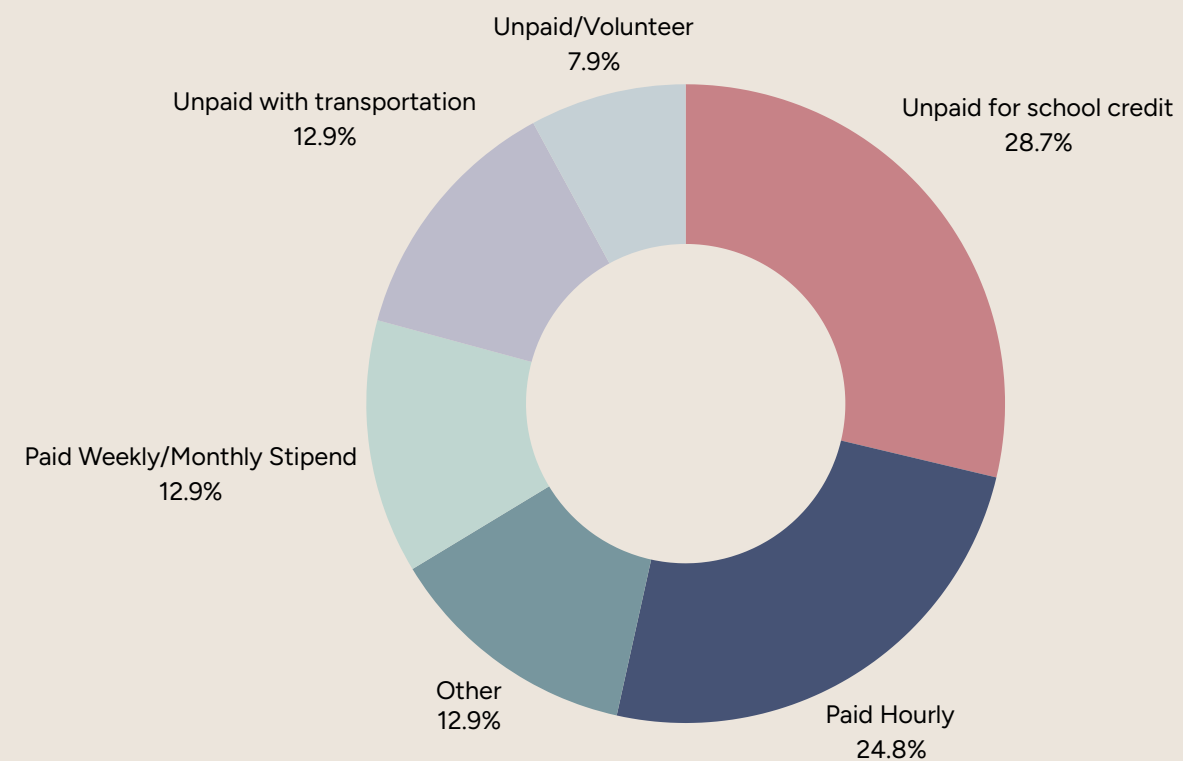
"It would be great to get some financial assistance in all the training I provide to my staff. I spend a lot of time and money to train them."

- George Kalajian, Tom's Sons International Pleating

Internships

69% of businesses offer paid or unpaid internships which can be beneficial for both college students and employers. For students it can offer exposure and experience working in the fashion manufacturing sector and for businesses it can create a pipeline for potential future employees. For businesses who don't work with interns, one hesitation is that interns are unlikely to have the skills to perform needed tasks and responsibilities.

HOW DO YOU STRUCTURE INTERNSHIPS?



"I like to give them full exposure to the entire industry. So basically everything from following paper trails, preparing, cutting tickets, preparing cutters must, shadowing our sewers, shadowing our pattern makers to just basic business practices."

- Pauline Lock, InStyle USA

Teaching

To enhance the workforce within the District, existing business owners can significantly contribute by sharing their expertise with prospective employees—71% expressed a keen interest in this endeavor. This holds particular importance for those who have amassed distinctive skills or trade expertise, as well as those possessing highly technical and transferable skill sets. As owners contemplate the future of their business or plan for succession, the assurance that someone else possesses a profound understanding of their trade becomes indispensable. A business owner shared the sentiment of exploring avenues to pass on their unique craft to younger generations, safeguarding the preservation of valuable knowledge.

Of those who expressed interest in teaching, some of the skills they would be interested in teaching include:

- Production management
- Business and financial management
- Technical design, sketching and management
- Product development
- Sewing techniques
- Patternmaking and grading

"There's a specific type of embroidery that I would love to teach called Tambor beading. Only very, very, very few people know how to use it in America."

- Laura Weber, LW Pearl

"She's taught me. I know how to do everything she knows how to do, but the knowledge that is in her and what she sees—what her eyes see—when that leaves here that will be sad. That will be a sad day."

- Katie Sue Nicklos, Wing & Weft Gloves, (Interviewee)

I went to Venice with my daughter. We were in a museum and there were a group of young men and women and a very old person teaching them how to make Venetian lace by hand. And these people, they wanted to know. Otherwise, it's gone another generation or two—no more handmade Venetian lace."

-Jon Coles. Dersh Feather & Trading

Team Culture

Business owners spoke about the need to create and foster a supportive, collaborative and warm workplace culture so their employees feel valued. Employees are also more likely to stay when they are part of an inclusive and positive work culture. This is also necessary when a work environment is highly cross-functional and team members are expected to contribute to various aspects and areas of the business.

Surveyed Garment District factories are small to mid-sized businesses with an average of 9 full-time and 4 part-time employees, most have several long-tenured employees who have built their careers over decades at the same company.

Despite, or perhaps because of, the fast-paced nature of the work, many individuals spoke about the highly collaborative and inclusive nature of these workplaces. The warm and supportive environment is seen by the business owners as a vital part of the creative output and successful operations of their business.



"I asked, my director of sales point blank, with your brain power, you could be in any company and in any executive role, why are you here? [...] and her answer was really interesting. She said, because my voice is heard and what I contribute, I feel makes a difference." - Mi Jong Lee, Mi Jong Lee Atelier

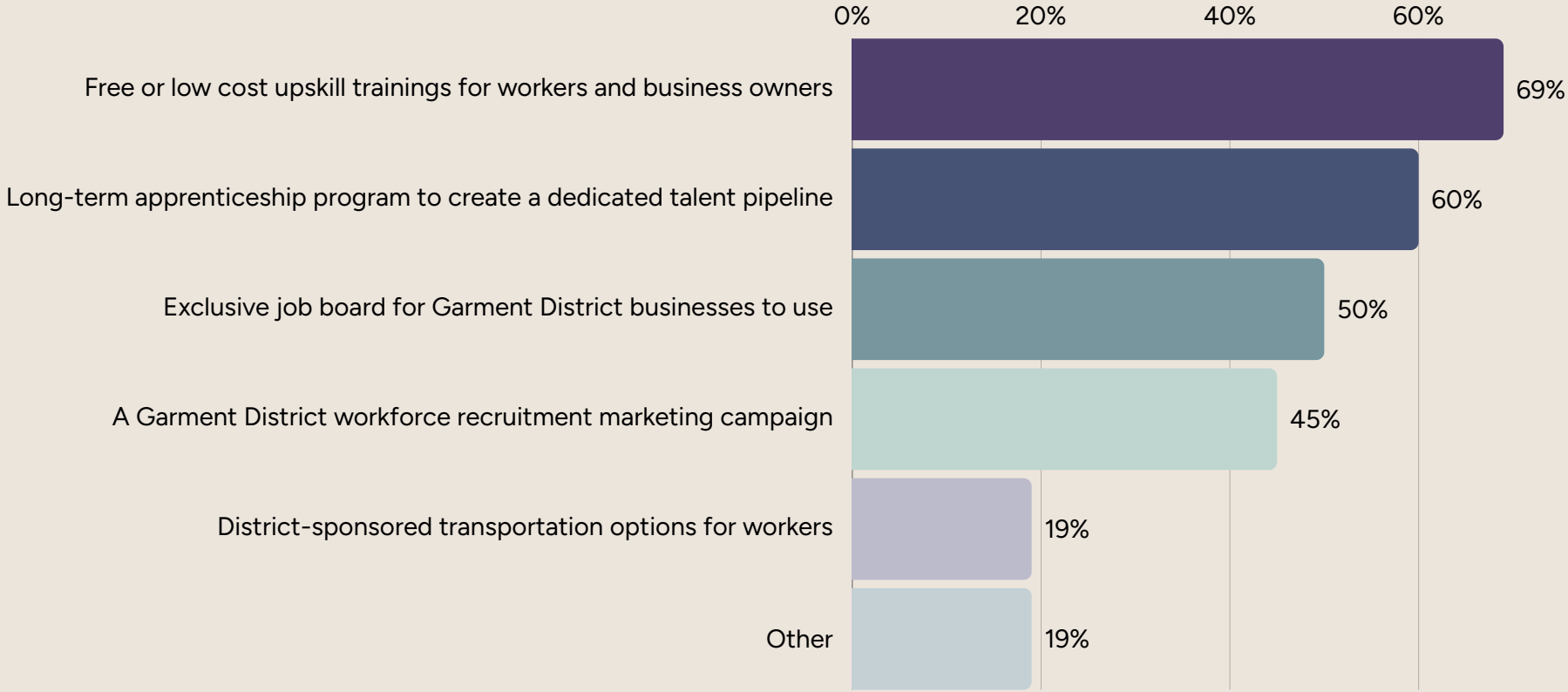
"We're professional, but we're very playful. We have fun. I think that's part of work that has creativity imbued in it is there's something that is also really beyond just the work in the paycheck. You're like, oh, I'm challenging myself with a new project or I'm trying some technique." - Adam Brand, M&S Schmalberg

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Where To Go From Here

To build a stronger, more resilient and sustainable workforce several measures can be taken into consideration. Based on survey responses, 50% or more respondents believe that having access to affordable upskill trainings, establishing a long-term formal apprenticeship program and the creation of a Garment District-only job board would be possible solutions.

REPORTED SUPPORTIVE MEASURES TO HELP STRENGTHEN GARMENT DISTRICT WORKFORCE



While these ideas would take a concerted effort to actualize, there are existing tools, programs and services that can be utilized to support any implementation efforts. Many of them are city and state government initiatives that can provide short and long-term resolutions to the challenges that Garment District businesses are facing.

Funding for Training

The NYC Department of Small Business Services (SBS) offers federally funded grants to NYC-based businesses aiming to enhance their workforce through training programs through its Customized Training Grant Program. Businesses can address specific challenges by choosing relevant trainings, with the SBS reimbursing up to 60% of the total training costs. The program covers areas such as using new equipment or software, expanding services/products, advancing current staff into in-demand roles, and updating outdated skills. Grants range from \$30,000 to \$400,000 for eligible NYC businesses that have at least 10 employees. Those with less than 10 employees can apply as a consortium.

Area of Opportunity:

The New York Workforce Fashion Development Coalition (NYFWDC)—a multi-stakeholder working group comprised of individuals in or adjacent to the fashion industry—is in the process of coordinating a consortium application with its members; some of whom are owners of Garment District factories. Beyond that effort, the Customized Training Grant, which has been around since 2007, should be more broadly shared with Garment District businesses as a funding option for workforce development.

“It would be amazing if the GDA could find a way to collaborate with local, State or Federal government in bringing a small program of their government contracts (police/army/navy uniforms/PPE) to the garment district”

- Ibrahim Ndoye, HD Perfect Design

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Creating a Workforce Pipeline

Investing in the development of a workforce pipeline is another way to respond to the challenges of the labor landscape in the District. The pipeline could include various initiatives to prepare individuals for employment, provide them with relevant skills and experiences, and facilitate their transition into jobs in the Garment District.

Engaging the next generation

Designing learning opportunities, training established specifically for the District or tapping into existing ones, like the New York City Department of Youth and Community Development (DYCD), is a way to harness the potential of students and young people to work in the District eventually. While DYCD has many youth employment programs that could be leveraged, their Summer Youth Employment Program, might be of particular interest to some businesses. Interns would work up to 25 hours a week at no cost to their employer, which removes the monetary barrier. This could be an on-ramp to establishing a longer-term, future working relationship.

Another viable route would be establishing registered apprenticeship programs. The New York State Department of Labor (DOL) Register an Apprenticeship Program already has this program in place and works with businesses to develop a program within their specific trade. For type of apprenticeship, there is an option to create “group non-joint programs” which would be sponsored by an association that has a Board of Directors (i.e. the Garment District Alliance) that would act as the program sponsor. This would allow several businesses to participate and apprentices to rotate between businesses. Business owners who expressed interest in teaching, can serve as instructors if funding support is provided.

Engaging Newcomer Populations

As the number of asylum-seekers and migrants in NYC grows, so does the call to provide job opportunities for them. Between the spring of 2022 and the end of 2023, more than 150,000[1] have arrived in New York, many of them eager to find jobs and become financially secure and independent. With the hiring needs of the Garment District, there is an ideal opportunity to job-match candidates who have production and design skills with the support of the city and state. For those who have obtained work authorization, the New York State Department of Labor is actively seeking employers who have job openings.

While job placement is important, it is also imperative that the state and city work with social service agencies and organizations to provide personal skills development (e.g. ESL classes, legal assistance, mental health services, etc.) to ensure a smoother transition for asylum seekers and migrants.

Area of Opportunity:

Custom Collaborative, a NYC-based non-profit, has acquired a new 10,000-square-foot facility in the District, which will act as a training facility and business incubator. This new space will allow them to continue delivering fashion workforce development services and career-readiness skills for women who are immigrants and no/low income at a larger scale.

“NYC needs to provide social services to incoming migrants to allow them to be hired and trained legally, this is the only way we can keep the industry alive”

- Asha Singh, Four Seasons Fashion Manufacturing

[1] The New York Times (2023, December 06) “What to Know About Migrants Coming to NYC From the Border.” Retrieved January 12, 2024 from <https://www.nytimes.com/article/nyc-migrant-crisis-explained.html>.


Job Board for the Garment District

50% of surveyed businesses expressed interest in the development of a job board exclusively for Garment District businesses. A dedicated job board would be a centralized place to view all open positions across the fashion manufacturing spectrum, ensuring that job seekers and employers have a platform tailored to their unique needs—making it easier for businesses in the district to find qualified candidates and for professionals to discover opportunities. This board could live on the Garment District Alliance’s website, be a standalone site, or be built out on an existing job site. For those without computer access or with limited digital literacy, creating an in-person job preparation option (similar to NYC’s Department of Small Business Services [Workforce1 Career Centers](#)) should also be a consideration.

Action in Progress:

In 2023, the New York Fashion Workforce Development Coalition launched a [jobs bulletin board](#) to aggregate open jobs for fashion professionals, allowing employers to post their open positions and job seekers to explore roles. While this board is not Garment District-specific, there is an opportunity for it to further support District hiring efforts with funding assistance for development and maintenance.





"I am so proud of the Garment District. I'm so proud of our place in the Garment District. I shout from the rooftops about how cool it is to have this business and to know so many creative people who run their businesses out of the Garment District. I'm really excited about the future. Nothing about it scares me. I don't regret for one minute taking this chance on this small business in the Garment District."

- Katie Sue Nicklos, Wing & Weft Gloves

Section 2: Implementing Compliance System Solutions in the Garment District Opportunities, Challenges and Future Prospects

Throughout 2023, Nest implemented an ethical handcraft compliance program in the Garment District. Initially, Nest intended to enroll new businesses in the full ethical compliance program encompassing training, consultation, and an audit. Recruitment for the full program was difficult, so Nest pivoted its work to focus on training businesses and providing tools tailored to the district's needs. Throughout the year, Nest conducted in-person and email outreach, surveys, and one-on-one interviews with 18 businesses and stakeholders to understand the compliance needs in the district. Additional data was also gathered via the Workforce Development Survey.

Based on business feedback, Nest created a robust online Ethical Compliance Resource Guide with video training webinars, compliance tools from Nest, OSHA, and New York City, and a workbook. to guide businesses through how to implement compliance changes. Nest also engaged in ongoing training and re-assessments with two businesses that underwent assessments as part of last year's program. Throughout this report section, Nest will link our qualitative and quantitative compliance findings to greater understanding and areas of opportunity for the district.



Current Compliance Landscape

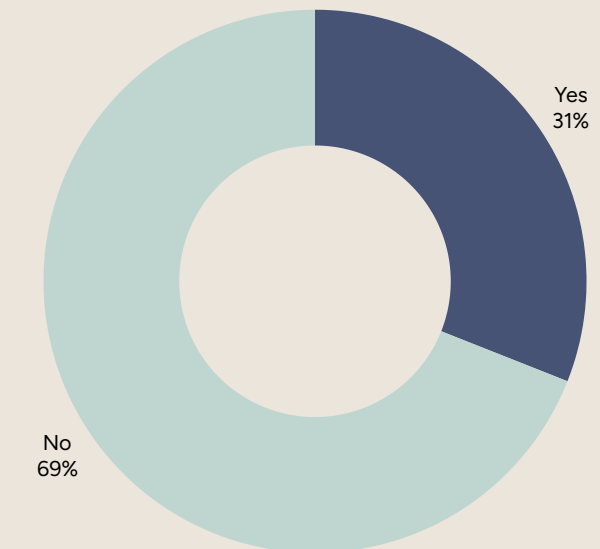
69% of businesses were not engaged in compliance programs and did not want to engage in compliance programs. The **31%** of businesses engaged in compliance programs were almost always doing so at the request of a buyer, although a few underwent compliance programs with the hope that certification would give them a competitive advantage. Many businesses were unfamiliar with the term compliance in a general sense or how it applies to them in the US. The power dynamic currently motivating compliance lies with the designer/customer regardless of scale. The fear of time loss, hassle, and expenses associated with compliance certification discourages many from pursuing it unless required, and **only 19%** of businesses have clients that require social audits.

Businesses expressed the sentiment that all in the Garment District should be compliant for fairness. Further, longstanding business owners have concerns about the District's longevity, discouraging investment in compliance measures. Those who have undergone previous certifications acknowledge the associated expenses but recognize the end benefits.

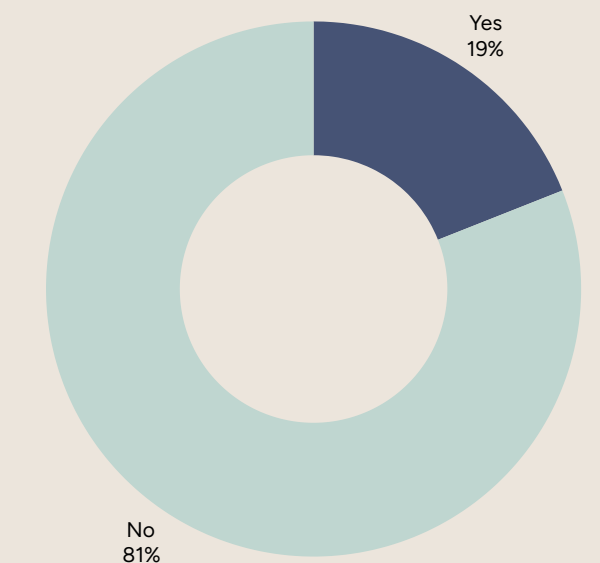
COMPLIANCE METRICS

Source: Makers United | 2023 Garment District Survey Data

DO YOU PARTICIPATE IN ANY SOCIAL COMPLIANCE PROGRAMS, AUDITS, OR CERTIFICATIONS?



DO YOUR CLIENTS REQUIRE OR ASK FOR SOCIAL COMPLIANCE ASSURANCE?



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Current Compliance Landscape - Areas for Oversight

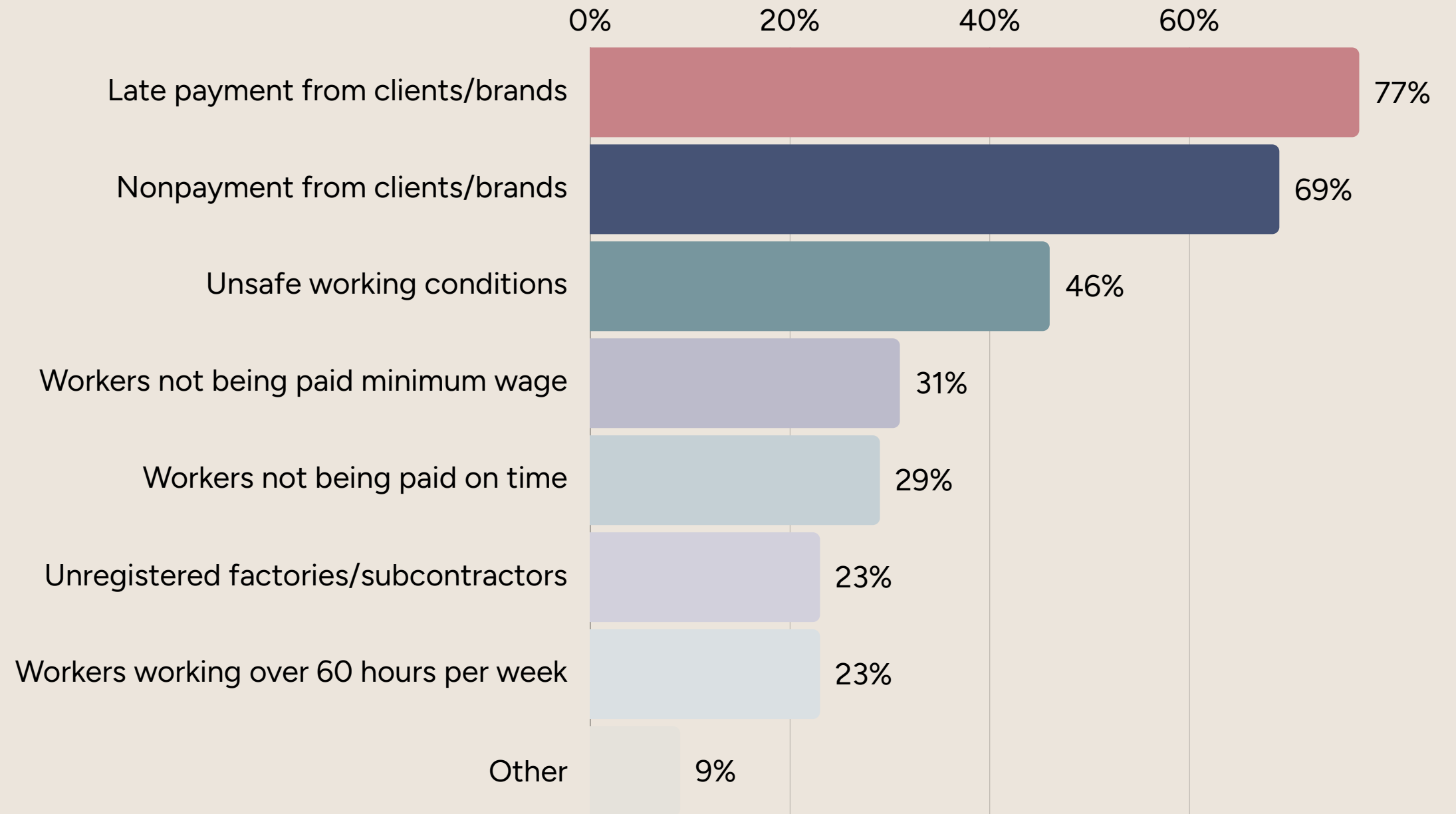
Current Situation

While businesses are reluctant to engage in compliance programs, they quickly disclosed that the Garment District collectively faces significant compliance issues needing attention and change. In the Workforce Development Survey, Nest asked businesses what the biggest compliance concerns were in the Garment District. Key concerns include poor working conditions, delayed or non-payment to workers, overwork, and lack of minimum wage payments.

Unsafe working conditions within the immediate workspaces and entire buildings are critical issues. Immediate work environment issues include a lack of health and safety training, insufficient safety measures around heavy machinery and sharp objects, and insufficient access to necessary personal protective equipment (PPE). Building-wide concerns about safety code compliance and addressing cramped conditions and lack of adequate emergency exits and plans. Most businesses within the district are renters, so business owners feel they cannot modify their workspaces to improve safety and do not feel comfortable raising compliance issues for fear of eviction.

Most Garment District businesses are small and do not have dedicated administrative staff. Human Resources responsibilities fall on well-intentioned makers, leading to gaps in knowledge regarding local legal requirements for hiring, workers' rights, NYC employee benefits, and OSHA-mandated health and safety standards. There is a significant risk that businesses are not meeting local and federal hiring and workers' rights, and health and safety requirements. The absence of local compliance checks exacerbates these oversights, making it challenging to educate employers and employees.

REPORTED AREAS THAT NEED COMPLIANCE/OVERSIGHT



Current Compliance Landscape - Late and Non Payment

Current Situation

In the Workforce Development Survey, Nest asked businesses what the biggest compliance concerns were in the Garment District. 77% of the businesses we interviewed faced late client payments, and 69% had non-payment from clients. Interviews with businesses further detailed the problem. Many businesses felt they could not get their money when clients did not pay on time. A lack of written contracts, a desire to maintain good relationships with buyers (even if they pay late), and the high cost of legal counsel all factor into businesses feeling like they have no recourse to combat late payment.

The interviewed businesses exhibited a wide range of work agreements and payment terms. These agreements varied from informal verbal contracts to meticulously detailed written agreements. Payment terms also spanned a broad spectrum, ranging from immediate cash transactions to payments deferred for 60 or 90 days after delivery. Additionally, businesses occasionally accepted unfavorable payment terms due to their need for the business.

Late or nonpayments can be catastrophic in an industry characterized with narrow margins, particularly during periods of economic uncertainty. Such delays disrupt businesses' cash flow, impacting their ability to pay suppliers, workers, landlords, etc., and jeopardizing their ability to meet financial obligations. Recurrent instances of late or nonpayment can lead businesses to seek alternative funding sources, often resorting to high-interest loans.

Areas of Opportunity

- Provide businesses with template contract agreements
- Provide financial readiness training to businesses
- Connect businesses to low cost legal aid

Current Compliance Landscape - Compliance Resources

Current Situation

While businesses did not want to engage in a comprehensive compliance program, they consistently voiced a need for help accessing business development resources, compliance professionals, and relevant tools. Many expressed a keen desire to “do the right thing” but a lack of time and understanding of what they should be doing about various issues, including human resources, worker training, health and safety, and financial accounting.

Specifically, businesses expressed the need for guidance and resources related to:

- Accessing affordable legal advice
- Understanding and implementing OSHA regulations
- Understanding New York City and New York State hiring laws
- Accessing accountants or accounting software
- Finding an insurance agent and obtaining affordable insurance
- Creating a worker manual

Areas of Opportunity

- Create a shared board/resource guide that refers businesses to legal and financial professionals
- Create an online board where businesses can ask one another for professional references
- Implement yearly district-wide training programs to support health and safety training specifically for first aid, fire safety, and emergency plans
- Engage OSHA for yearly district-wide training
- Engage NYC local officials for yearly district-wide training



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Future of Compliance - Opportunities

Despite the reluctance among Garment District businesses to implement compliance programs, global trends indicate that supply chain transparency and other social compliance practices are becoming increasingly important to buyers and customers.

Areas of Opportunities

- Businesses should be educated on the various aspects of compliance (health and safety, HR, environmental, ethical, etc.). Businesses must understand their legal obligations to mitigate the risk of legal issues and fines.
- Garment District businesses can distinguish themselves from non-certified counterparts by participating in compliance and certification programs covering social, ethical, and environmental standards. This differentiation enhances their appeal to both buyers and customers.
- Clients and customers demand more transparency regarding social compliance, so businesses implementing social compliance now will be better equipped to take on new buyers quickly in the future.

Next Steps

- Training on New York City, New York State, and Federal compliance ensures that all businesses are aware of the minimum requirements necessary to avoid fines
- Stakeholders should collaborate in encouraging major buyers or buyer coalitions to enforce social compliance certification among all vendors. Prominent events like the Met Gala, Broadway, and New York Fashion Week could be prime examples.
- Conduct thorough research to identify the compliance program(s) most suited to the risks and requirements of the Garment District and how they can potentially yield increased business opportunities.

Lessons Learned: Accessing Businesses

Current Situation

Recruiting for the ethical compliance program proved challenging due to difficulties in finding, communicating with, and engaging businesses. These challenges are shared by designers, buyers, and other stakeholders attempting to work within the District. The primary challenge faced by Nest was access. Most businesses are tucked away within larger buildings and lack street-level or storefront exposure. Additionally, many are not easily found online, and if they have a web presence, the information is often outdated. Finding phone numbers, addresses, or email contacts can be difficult. It is not uncommon for smaller businesses without heavy machinery to relocate within the same building to accommodate growing or shrinking business needs, further complicating locating them.

The second challenge was communication. There is no one-size-fits-all regarding communication preferences within the District. Many business owners communicate by phone initially, and once relationships are established, some transition to text messaging. Other businesses prefer emails for various reasons, including language barriers, which make conversations over the phone very difficult. For some, relationships are best established by walking through the door before any other kind of communication, while other businesses will only talk with you with an appointment. Finally, some had locked doors during daytime hours and unanswered calls, making contact impossible. Navigating these diverse communication preferences requires buyers or clients be flexible and open-minded, and an acceptance of informality when approaching this business.

Area of Opportunity

To capitalize on the anticipated trend of near-shoring, as businesses seek to mitigate supply chain risks, it is essential to ensure that these potential new buyers can readily locate and communicate with businesses in the District. Large buyers are likely to engage with suppliers if communication is efficient. Therefore, businesses should be encouraged to have an online presence through social media, web pages, or job boards. They must maintain current contact information and specify their preferred communication method and language.

Lessons Learned: Creating Programs and Resources



Throughout the implementation of the 2023 ethical compliance program in the Garment District, Nest gained a better understanding of how to provide programming and resources to the community.

Tips!

- Patience - some businesses are quite private and require you to be introduced by a mutual acquaintances or multiple follow-ups
- Ideally, all resources should be translated into Spanish and Simplified Chinese, with further translations into Korean and Russian being even more beneficial.
- Resources should be viewable on phones and computers - but not take too much tech savvy to access
- When possible, programming should be implemented by a person well-known to the district or in collaboration with a well-known person
- As there are various communication preferences within the District, expect to call, text, email, and go in person to distribute resources or recruit participants.
- Word of mouth works. - ask businesses to share with their friends and neighbors
- Many businesses requested self-paced programming that they can do at their convenience.
- Be flexible; business owners' schedules often vary, and very few adhere to a typical 9- 5
- Ask what businesses need, and be willing to adapt your programming often as there is no one one-size-fits-all approach for Garment District businesses.

Lessons Learned: Additional Business Feedback

In the process of conducting outreach and interviews, businesses consistently brought up a few non-compliance-related areas of opportunity,

Public and Government Support

Businesses were disappointed with a lack of public and government support; many felt that only the businesses operating in the district cared about keeping the district alive.

- Government support could include:
 - Rent control
 - Support in getting loans or grants for equipment or raw materials
 - Training on health and safety topics

Collaboration

Businesses consistently brought up the need for greater collaboration within the District so that designers and clients understand all the types of businesses available, from pattern making to grading to sewing, embellishment, etc. Ideally, clients can always create their entire product without leaving the District. Collaboration could come from a Garment District Sourcing Guide, pop-ups, or trade shows for buyers to see and meet many businesses at once, or organized gatherings of similar businesses to share resources and solutions to common problems. Many businesses specialize in one part of production requiring a buyer or designer to work harder to source different business for each stage of production. Finding a solution to have one point of contact or a set group of businesses for a specific type of manufacturing would streamline the process.



Section 3: Industry Trends with Local Impacts

Overview

Nest's engagement with Garment District businesses has enabled an unprecedented view of how overarching industry trends and uncertainty have impacted the District, offering explanations as to why engagement on some aspects of the program (compliance, for example) felt like a lower priority or a heavier lift for business owners given the current business climate.

The following slides outline key themes as discussed in McKinsey's *"The State of Fashion 2024"* report. They are supplemented with Nest's experience and expertise with brand clients and global handcraft businesses. Together, these insights shed light on local level impacts and present opportunities to advance the market positioning of the Garment District and encourage deeper engagement with resources and programming offered by the Garment District Alliance and Nest.



Industry Trends with Local Impacts: Market Uncertainty / Belt Tightening

Current Situation

Of a survey of fashion industry executives in September 2023, 38% expected business conditions to worsen, 37% expected conditions remain the same, and only 26% expected conditions to improve.

- We have seen this lead to the restriction of budgets, particularly as it relates to new programs designed to provide positive impacts within the supply chain
- Additionally, this uncertainty has led to cost cutting measures and downward pricing pressure.
- As a result, it has been increasingly difficult for Garment District businesses to compete on price
- Garment District businesses face high and steadily increasing costs of labor, rent, and utilities
- Garment District businesses compete with lower prices both in the US (such as across the river in New Jersey) and abroad

Area of Opportunity

However, there are some positive trends predicted that the Garment District may be able to take advantage of.

- There is a fading concern about rising inflation impacts, which should lead to less pressure related to cost of goods sold (COGS) metrics
- There is an active interest in expanded business footprints, with North America being the biggest investment destination -- 48% of executives declared expansion plans in the region for 2024
- Interest in innovation continues to rise, particularly around artificial intelligence and robotics

The Garment District could be well-positioned to make the business case that a lowered cost of transportation, easier access to end-to-end production facilities, and partnerships with technology firms could enable fashion brands to take advantage of these opportunities as a lower risk potential if brands remain concerned about ongoing business headwinds.

Industry Trends with Local Impacts: Expectation of Further Climate-related Disasters



Current Situation

- By 2030, it is predicted that \$65 billion of apparel exports will be at risk of being wiped out by climate events such as flooding and extreme heat
- It is also predicted that these climate disasters will wind up eliminating nearly one million jobs in the global economies most central to fashion industry production

Area of Opportunity

- Given the concern, the Garment District has the opportunity to shift the narrative away from lower-cost production (taking place in emerging economies) and towards lower-risk production (taking place here in the US), justifying the higher labor cost through greater assurances of on time and high-quality product delivery
- Just as COVID-19 emphasized the importance of supply chain resiliency, climate concerns will continue to emphasize that the problem is not just the responsibility of manufacturers but also of the brands themselves

The Garment District can position itself as the solution for de-risking supply chains, thereby opening up new opportunities and decreasing the emphasis on the higher labor cost.

Industry Trends with Local Impacts: Geo-Political Risk

Current Situation

- Global conflicts and terrorist activities have significantly disrupted supply chains and shipping routes, leading to uncertainty on the arrival of finished goods and the increase in shipping cost due to diverted routes
- In 2023 this led to concerns on increasing COGS, but moving forward could be leveraged as an advantage for the Garment District

Area of Opportunity

- The Garment District can continue to emphasize the benefits of near-shoring production, providing businesses with a cost analysis of the overall COGS when considering these added costs and added risks.
- This could serve to strengthen the District's position as a safer option, and ideally would demonstrate that the overall cost would be comparable.



Industry Trends with Local Impacts: Environmental Footprint

Current Situation

- Increased attention on supply chain environmental footprint, driven by both consumer interest and ESG reporting requirements
- Continued difficulty in full mapping of global supply chains, given the complexity
- The use of small-batch, reactive production as been positioned as part of a “zero-waste” sustainability strategy

Area of Opportunity

- The Garment District can lean into the small batch, customized production that sets it apart from larger production operations abroad
- The District can position itself as a supply chain that is easier to understand and map, for those businesses focused on carbon footprint and other data metrics
- The US has stronger regulations regarding the disposal of waste chemicals already, whereas some parts of the world are still catching up and have less oversight. Emphasize how the pending New York Fashion Sustainability and Social Accountability Act can provide clearer transparency and greater opportunities for brands to track and demonstrate positive impacts.
- There are already active partnerships with locally-based waste collection / upcycling organizations such as FabScrap within the Garment District

Industry Trends with Local Impacts: Shift In Consumer Interest



Current Situation

- Between the rise in purchasing power of the Millennial and Gen Z population, combined with economic uncertainty felt by the general public (both due to lasting COVID impacts as well as an election year), consumers increasingly are being more selective with their purchasing decisions, asking how their purchases positively (or negatively) impact society and are becoming increasingly loyal to brands that align with their values.

Area of Opportunity

- Given its history, the Garment District could invest in assets for use by brands that tell the story of small business manufacturing, the storied history of the District, and the powerful stories of the people behind the manufacturing of the products, creating a romanticism of the Garment District that can be leveraged in marketing and branding by brands looking to connect their consumers with locally made, impactful purchasing.

Industry Trends with Local Impacts: Increased Supply Chain Regulations

Current Situation

- Increased regulations have either already been adopted in the EU as well as the US ([Uyghur Forced Labor Prevention Act](#), for example) are beginning to require greater accountability by brands throughout their supply chain, all the way down to the end mile worker.
- More regulations are expected to be finalized In 2024 and beyond

Area of Opportunity

- Given the various areas of specialization located within the Garment District, the District could have the ability to have readily available mapping of the flow of every garment, from cut and sew to embellishment, all located within the confines of the District itself.
- Combined with a greater emphasis on compliance and certified production locations, the Garment District could differentiate itself from global production opportunities by providing greater assurances related to transparent and ethical production practices. From a brand perspective, it should be understood that this risk mitigation would come at an increased cost.

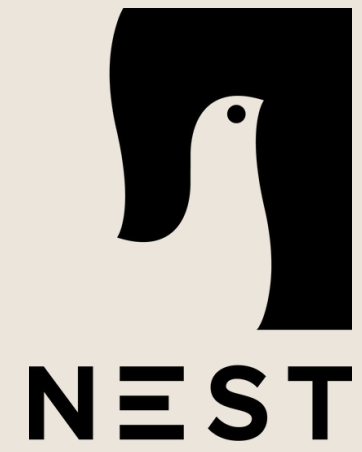


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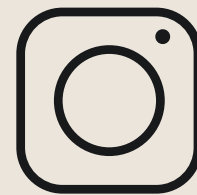
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