



Brotherhood  
of St Laurence

Working for an Australia free of poverty

*Submission to the  
Review of the Australian  
Textile Clothing and  
Footwear Industries*

Brotherhood of St Laurence  
May 2008

## Declaration of interest

The Brotherhood of St Laurence (BSL) is a Melbourne-based community organisation that has been working to reduce poverty in Australia since the 1930s. Our vision is ‘an Australia free of poverty’. Our work includes direct service provision to people in need, the development of social enterprises to address inequality, research to better understand the causes and effects of poverty in Australia, and the development of policy solutions at both national and local levels.

The BSL has a small Australian-based garment manufacturing business, Hunter Gatherer, which is an accredited No Sweat Shop manufacturer and retailer. In addition, we operate a wholesale optical frames business importing frames from China which gives us direct experience of overseas manufacturing supply chains. Our organisation also operates a donated goods business, which sorts, re-sells, and disposes of large quantities of second-hand clothing.

Through our experience managing businesses and our organisation’s strong research credentials, we have been consulted widely on the issues faced by small to medium enterprises (SMEs) in developing and implementing corporate social responsibility practice. The BSL is represented on the Homeworkers Code of Practice Committee and the RMIT Fashions Program Advisory Committee; we are the convenor of OECD Watch in Australia; and we have extensive research experience in the areas of CSR in the Australian garment sector, voluntary and mandatory CSR frameworks, and standards and labour rights issues in Australian and Chinese manufacturing supply chains.

The findings from the BSL report *Ethical threads: corporate social responsibility in the Australian garment sector* (Diviney & Lillywhite 2007) have informed this submission. This study was the first Australian report on corporate responsibility in the garment sector that involved all stakeholders—companies, unions, workers, non-government organisations (NGOs), peak industry groups, government, and universities. A copy of the report is attached to this submission. This submission will focus on the social and environmental performance of Australian garment companies, on how these issues impact on both innovation and competitiveness, and on how they should be addressed in government programs and regulation and education and training.

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## Summary

The Australian garment sector is at a critical point in ensuring that it remains innovative, competitive and sustainable. This review creates a timely opportunity to consider mechanisms to facilitate this. The Brotherhood of St Laurence submission has confirmed five key areas for consideration:

1. Developing and maintaining a well-trained, technologically advanced, TCF industry in Australia. This is despite a high proportion of manufacturing in the Australian TCF sector now occurring offshore. The industry needs to be supported to ensure it can foster niche markets, innovative design and market responsiveness.
2. Supporting the industry to improve its performance in relation to ethical supply issues, and keeping abreast of international trends in both mandatory and voluntary corporate responsibility. This will foster ongoing access to international markets and allow Australian companies to capitalise on the growing market for 'ethical' goods.
3. Increasing industry collaboration to ensure that initiatives developed to assist the TCF sector reflect the needs of the industry's diverse stakeholders, including companies, contractors, educators, workers, unions, NGOs and government.
4. Improving corporate responsibility both overseas and in Australia through raising industry and community awareness of labour rights and environmental issues and regulatory frameworks, and improving enforcement of laws and regulations.
5. Making a commitment to ethical sourcing in local and overseas supply chains a requirement for government programs, subsidies and tenders.

## Evidence for this submission

This submission makes use of recent BSL research findings published in *Ethical threads: corporate social responsibility in the Australian garment sector*. Researchers spoke to 37 organisations—23 companies and 14 industry stakeholders, including business organisations, labour rights organisations, and government employees—and 13 outworkers in two focus groups. (A copy of the report is attached to this submission.)

## The changing nature of the Australian garment sector

Reflecting international trends, there has been significant restructuring of the garment industry in Australia since the 1970s. Through the opening of markets to imports and the reduction of trade quotas and tariffs, a global business model has emerged ‘based on companies outsourcing production through global supply chains that demand low-cost and “flexible” labour’ (Raworth 2004, p.17). Foreign investment has contributed to enhanced integration of developing and emerging countries, particularly China, in the global economy. With garment production being very labour-intensive, cut-make-trim processes have moved to competitive locations where labour is plentiful and inexpensive.

Complex production chains also exist within Australia, and manufacturing processes are commonly outsourced to wholesalers and home-based outworkers. The Textile Clothing and Footwear Union of Australia (TCFUA) estimates that up to 70 per cent of garments manufactured onshore are made by outworkers, mainly migrants working from home.

The benefits of outsourcing both in Australia and overseas are that it reduces companies’ workforces and allows greater production flexibility; however, the downside is that it weakens the capacity of businesses, unions and NGOs to monitor labour rights (Hale & Shaw 2001). Further, outsourcing does not encourage a systematic and sustainable industry investment in human capital and skills development in Australia.

## Production capability in Australia

All respondents to the *Ethical threads* research indicated that the changes described above had resulted in industry fragmentation and factory closures in Australia. They repeatedly described a loss of local manufacturing capability and technology and a shortage of skilled workers. Large and medium companies interviewed commented that it was getting harder to find contractors who could produce goods of equal quality to those manufactured overseas.

Respondents were concerned about sourcing trims and fabrics; producing certain garments, such as fully fashioned knits and shirts; and the capacity of local manufacturers to work with some fabrics. Company representatives also spoke of the shortage of skilled patternmakers and sample machinists in Australia and felt that governments and educational institutions were not addressing this deficit. Most of the business and government stakeholders and some company representatives believed that garment companies could only survive if they could capture a niche market (for example, specialist workwear).

## Manufacturing offshore

Companies interviewed for *Ethical threads* identified the pressure from cheap imports from low-wage countries (compared with the cost of goods made in Australia) as one of the main reasons for manufacturing offshore. Many companies and business stakeholders felt it was difficult to ‘grow your business’ unless they moved at least some manufacturing offshore. Fifteen of the participating companies were sourcing overseas, mainly in China (13 companies) and India (6). Although they gave cost as the major reason, many companies’ representatives indicated that foreign investment in countries like China and India had resulted in factories with state-of-the-art technology and highly skilled workforces. They consistently commented on greater choice and better production

quality overseas. Respondents from large companies said there was a greater capacity to produce volume, and noted that access to markets in US and Europe was logistically easier from China than Australia. By engaging sourcing agents in the region, they could access trims, fabric, factories, logistics solutions, quality control, and social and environmental auditing. By contrast, industry fragmentation in Australia meant that they needed access to different suppliers for each component.

## **Fostering innovative design and market competitiveness through supporting a garment manufacturing base in Australia**

The majority of respondents to the *Ethical threads* research stated a need to maintain manufacturing capability in Australia. Eighteen companies were manufacturing in Australia. Only five of the twenty-three participating companies had moved all their production to low-wage countries. Most small company respondents said that they did not have the economies of scale to source overseas, and some medium companies only sourced offshore if they were producing enough garments to meet overseas quotas, but otherwise had garments locally produced.

Overall, 27 industry respondents, including labour rights organisations, stated that for Australia to foster an innovative design industry, small and independent labels needed access to manufacturers willing to produce small runs. Respondents from designer label companies also saw advantages in manufacturing onshore, enabling their designers to work more closely with the production process to ensure quality.

Two major Australian retail brands manufactured in Australia so they could minimise risk from changing fashion trends and weather patterns. Another company with a large portfolio of brands indicated that it was important to support Australian manufacturing because problems could arise in offshore supply, and because manufacturing costs were rising in China.

Labour rights organisations felt that it was advantageous to the economy to utilise the skills of retrenched workers and underemployed home-based workers who have not been able to find work in other sectors. Opportunities should be provided for further training in areas of the garment industry that have recognised skills shortages such as patternmaking and sample machining. Such additional training, combined with the workers' extensive industry experience, would provide an excellent skills base for the local industry.

## **Social concerns**

An overwhelming finding of the *Ethical threads* research is that companies interviewed lacked awareness of, and in some cases a feeling of responsibility for, the difficult working conditions faced by many garment workers in Australia and overseas. Company perceptions were formed without consultation with workers and, with the exception of a few larger companies, without a process to monitor and evaluate factory conditions.

## **Working conditions in Australia**

Garment manufacturing in Australia is predominantly structured around outsourcing, with sewing commonly performed by outworkers—mainly migrant women with low English proficiency.

It is difficult to ascertain the number of outworkers in Australia, as data is both varied and out of date. Figures range between 23,650 (Industry Commission 1997) and 329,000 (TCFUA 1995). However, labour rights organisations interviewed for *Ethical threads* indicated that these discrepancies are most likely due to the informal and hidden nature of the work, the reticence of workers to be identified, the outworkers' limited English and the practice of extended family helping to meet deadlines. The outworkers that we spoke to confirmed that family and friends assisted with production.

Over the past decade, state and federal inquiries have consistently found that outworkers receive payment and conditions significantly lower than their award and statutory entitlements. These include inquiries by the Productivity Commission (2003) and the Industry Commission (1997).

Cregan (2001) found that outworkers' average rate of pay was \$3.60 per hour. Most of the participants averaged 12 hours per day, with 62 per cent stating they worked seven days a week.

Outworkers interviewed for the *Ethical threads* research indicated that conditions had worsened in the last five years. A shortage of work had left them with very little bargaining power with contractors. One group said they were paid \$2.50 for a detailed shirt which took one hour to sew. Another group said they were paid between \$2 and \$3 an hour. When asked about hours worked, most indicated that they often went weeks without a job but when the work was available they worked long hours.

These outworkers also said that, compared with ten years ago, companies increasingly demanded quicker turnaround times. The scarcity of work and precarious nature of employment left outworkers with little choice but to accept the job.

When asked about Australian conditions for workers in cut-make-trim processes, most company representatives did not identify poor conditions in their supply chains. Of the 23 interviewed, 14 thought conditions were good, four indicated that they varied and four companies expressed concern. The other company and two business organisations queried whether conditions were as bad and the problem as big as labour rights organisations claimed.

Even though, according to the TCFUA, outworkers account for 70 per cent of total employment in the textile clothing and footwear sector, company representatives' views of working conditions were often based on their direct contractors' workplaces and did not include those further down the supply chain.

Most company representatives were aware that outworkers were involved in their production chains, but only five large company and sportswear representatives gathered information about the outworkers' employment conditions, many other respondents stating that this was their contractors' responsibility. Only two had ever met an outworker or been to an outworker's home.

## **Working conditions in low-wage countries**

The vulnerability of garment workers is not confined to Australia. Garment workers in low-wage countries work long hours at high speed, frequently with wages and conditions that do not comply with their own labour laws. Many such workers are located in countries like China that do not allow freedom of association, or in factories that actively discourage trade unions.

Most company representatives interviewed had a limited understanding of conditions in their international contracting chains, and based their impressions on personal opinion and brief factory visits rather than on formal monitoring. The exceptions were the six companies which had developed CSR processes for their international sourcing.

Respondents from medium-sized companies were inclined to view conditions in their offshore factories as good. Larger company representatives were more likely to comment on the huge variability of conditions overseas, admitting that sweatshop conditions did exist. However, representatives from companies with auditing processes felt that suppliers' factory conditions were good, and were confident that breaches of their code were quickly rectified.

As in the Australian context, company respondents generally commented on the physical environment in which workers were employed: 'From first sight it is clean, organised, efficient,

and streamlined'. Some felt that the working conditions were relative to the technical capacity and quality of goods produced by the factory.

However, as BSL research (Lillywhite 2003) into the optical sector in China showed, clean, modern, high-tech factories could mask serious human rights abuses.

To help improve outworker conditions it is important that garment company employees and students undertaking fashion and design programs are made aware of the labour rights issues in their manufacturing supply chains.

## Climate change and the environment

Clothes in Australia are getting cheaper and we are buying more of them. A t-shirt can be purchased for as little as \$10 to \$20, worn a couple of times and then discarded. According to the TFIA (2006), household expenditure on clothing and footwear has seen strong growth. In 2004–2005 alone, expenditure rose by 7.5% to reach over A\$20 billion. A study by the Australia Institute (Hamilton et al. 2005) estimates that Australians spend \$1.56 billion every year on clothes and accessories that are not worn. Yet the environmental impact of this level of consumption is not fully considered by consumers, governments, or companies.

Studies in Britain (Allwood et al. 2006; Draper et al. 2007) have found that garment production and consumption have significant environmental impacts. For example:

- It takes 10 times the energy to produce a tonne of textiles as it does to produce a tonne of glass, yet industry and government support for the recycling of glass is a lot more widespread.
- Synthetic fabrics such as polyester and nylon are often championed as an easy-care, more durable alternative to natural fabrics. Although these fabrics are more durable and can be washed at lower temperatures, they are generally made from non-renewable by-products of the oil industry and take a long time to degrade, and are therefore difficult to dispose of. For example, it takes 30–40 years for nylon fabric to biodegrade, compared with 1–5 months for cotton. Textiles generally undergo many separate processing steps, usually carried out by different companies, with each step affecting the environmental impact, and product performance, of the next. For example, the choice of fabric type determines the types of dye and dye processes to be used. In turn, the dye quality affects the useful life of the garment (RMIT Centre for Design 2001).
- Depending on the garment, energy consumed in the washing and care of clothing can constitute up to 80 per cent of the carbon 'footprint' of clothing. Energy consumption can be reduced through: washing clothes on lower temperatures; not using tumble dryers and avoiding dry cleaning; improving labelling of care instructions and investing in research and development into textiles that require less washing and care.

As the volume of clothing discards rises, the resulting disposal of clothing and textiles in landfill is increasingly unsustainable. Recycling in the clothing industry relies heavily on not-for-profit organisations selling through charity stores and exporting to developing countries. Yet charity stores are increasingly finding that only a proportion of what is donated is of sufficient quality to be re-sold, or on-sold to markets in developing countries. As a result, garments donated to charities are also increasingly ending up in landfill.

One way to reduce the amount of textiles not being re-used would be to support charities involved in garment recycling to build their capacity to recycle donated goods that cannot be re-sold through their stores. This should include technology development for sorting used clothing and research into fibre reclamation and recycling technology. Another initiative could be an industry product responsibility policy whereby customers can take used clothing back to where they bought it to be disposed of in the most appropriate way. Such a policy should involve charity run recycling businesses so that it has both environmental and social benefits



The government should also raise consumer awareness of the environmental impacts of individual purchasing decisions, and fund research and innovation in textile technology, to improve environmental performance in all stages of a garment's lifecycle. Finally, since around 80 per cent of garments sold in Australia are produced overseas, any initiatives to reduce the environmental impact of the Australian garment industry need to consider the impacts both in Australia and in overseas supply chains.

## **Government programs and voluntary and mandatory regulation**

### **Regulation to protect Australian workers**

The BSL commends both the federal and some state governments for recognising garment workers as vulnerable employees and developing legislation that requires companies manufacturing in Australia to comply with a regulatory framework that covers both factory workers and outworkers. According to Marshall (forthcoming), Australia's framework appears to be a model of regulatory design, 'incorporating a combination of voluntary mechanisms, the Homeworkers Code of Practice and punitive options'. It attempts to address the garment industry's fragmented and complex manufacturing supply chains.

However, although the regulation is rigorous, the Senate Economic References Committee (1996) noted that non-compliance with award wages and conditions was so widespread it was considered normal. One of the main reasons that enforcement is difficult is due to manufacturing being increasingly performed in unregistered workplaces such as people's homes.

The issue of non-compliance was reflected in the BSL *Ethical threads* findings. Only just over a third of the 23 company representatives interviewed knew of their legal obligation to register with either the state or federal Board of Reference, and none of the small-company representatives was aware of the need to be award-compliant. Companies consistently brought up the need for better industry education regarding regulation and compliance requirements.

Small and medium-sized enterprises in particular felt that the regulation was onerous and confusing, and that they lacked the organisational capacity to manage the legislation when supply chains were so complex. Many of the smaller companies also indicated that due to small production runs they could not exert influence on their supply chains; and most noted how difficult it was to find a manufacturer for small runs, let alone an award-compliant manufacturer.

Small and medium label representatives said that if they were provided with a list of ethical manufacturers they would use them. Two people commented that there was not even a general register of manufacturers, and certainly none that listed award-compliant ones.

At the other end of the supply chain, outworkers also lacked knowledge about the regulatory environment. Only a third of the 13 outworkers interviewed knew of their legal status as employees rather than as contractors. They also felt they had no power to exercise their rights, for fear of losing work.

The Brotherhood of St Laurence commends the Australian Government for its recent A\$4 million funding commitment to the Homeworkers' Code of Practice Code and No Sweat Shop label. However, there is still considerable work to be done educating enterprises about their legal obligations and assisting them to find manufacturers that produce ethically. There is also a need to educate homeworkers in the garment industry about their rights and responsibilities and to create innovative workplace models which address the needs of both workers and companies. The Appendices include an outline of a proposal by industry stakeholders for a digital supply chain

project that addresses these concerns. Also included is an example of a program in New York City designed to assist garment companies to respond to structural adjustment changes.

Another way that the Australian government could demonstrate international leadership in protection for outworkers is through acceding to the International Labour Organisation's Home Work Convention (C177). This instrument, if acceded to, could be an effective means to end discrimination between enterprise and home-based workers.

## **Corporate responsibility**

As previously described, Australian garment companies now manufacture goods through complex production networks both on and offshore, with the majority of goods now sourced overseas. Although labour laws exist in most low-wage countries (including China), enforcement is patchy. In the absence of binding international law, workers producing garments for global networks lack protection from exploitation. Companies need to recognise their social obligations by developing and implementing credible corporate responsibility (CR) policy and practice.

Internationally, there has been a trend towards both voluntary and mandatory regulation designed to ensure companies meet both their social and environmental obligations. In relation to mandatory reporting, in the EU there have been changes to the Companies Bill in the UK and a resolution by the European Parliament ('Corporate Social Responsibility: a new partnership'), both of which require corporations to monitor and report on their performance in respect to human and worker rights and the environment. In the US, the Decent Working Conditions and Fair Competition Act (S.3485), a bill to amend the Tariff Act of 1930, was introduced; if passed, this would prohibit the import, export and sale of goods made with sweatshop labour. In addition, the Government of Sweden (Ministry of Enterprise, Energy and Communications) recently adopted the Guidelines for External Reporting by State-Owned Companies. These guidelines require state-owned enterprises to produce a sustainability report in accordance with the Global Reporting Initiative (GRI).<sup>1</sup> Reports include issues relating to the environment, human rights, sustainable development, gender equality and diversity.

It is increasingly apparent that Australia is lagging behind Europe and the US in developing a mandatory CR framework for international supply chain management and disclosure. Recently, the Australian Government conducted two inquiries into corporate responsibility, one by the Corporations and Markets Advisory Committee and the other by the Parliamentary Joint Committee on Corporations and Financial Services. Both inquiries supported voluntary mechanisms, rejecting calls for mandatory regulation that would require directors to consider the interests of stakeholders other than shareholders and to report on their organisation's social and environmental performance.

As described in the ALP National Platform and Constitution (2007), many leading businesses have embraced voluntary corporate responsibility mechanisms. A study conducted for the Australian Department of Environment and Heritage (DEH 2005) documents the number of sustainability reports produced by the top 500 companies in Australia as follows:

- 1995: 6 companies (1%)
- 2000: 65 companies (13%)
- 2005: 119 companies (24%)

However, another study (Kolk et al. 2005) comparing trends in sustainability reporting found that, the Australian rate remains low relative to other OECD countries; for example:

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<sup>1</sup> The GRI is a process for reporting on a company's social, environmental and economic performance that was developed through an international multi-stakeholder initiative.

- Australia: 23%
- Japan: 81%
- UK: 71%
- average (16 countries): 41%

Internationally the apparel and footwear sector is often described as one of the leading industries in the development and implementation of CR and in particular of codes of conduct (Global Reporting Initiative 2006). Yet the *Ethical threads* research found there was limited understanding and implementation of CR practices, including reporting, among the Australian garment companies interviewed.

When company representatives were asked about their CR practices, only six of the twenty-three had processes in place to map and monitor their supply chains. Further, only five gathered information on outworkers' employment conditions in their company's Australian supply chains. With the exception of companies producing in excess of one million units annually, most representatives felt that their companies lacked the capacity to implement an ethical supply chain process.

The *Ethical threads* research also found that even companies which are implementing CR strategies are not adhering to international best practice. For example, there are no industry-wide mechanisms and no consultation with stakeholders such as NGOs and labour rights organisations, and companies are not yet making their supply chains transparent. Only one company interviewed produced a sustainability report including information about ethical supply and auditing. This report was not developed using the GRI Guidelines, which are internationally recognised as the best existing reporting framework. The other companies interviewed reported progress internally to their boards and/or committees, and via their intranets.

Apart from the ethical implications of the Australian garment industry's limited CR practice, the lack of mandatory and voluntary regulation also poses a potential threat to its export markets. Australian companies can expect more US and EU retailers to require them to report on social and environmental performance. They could be disadvantaged in international trade through not addressing these issues in their supply chains. A further risk from not addressing ethical supply issues is growing consumer concern for environmental and labour rights issues. Trends in Europe indicate that consumers are becoming more concerned about the social and environmental impact of their purchases. Recent European Union and British polls demonstrate growing community interest in ethical supply and increased spending on 'ethical' clothing (Cooperative Bank 2007; CSR Europe/MOR 2000).

The BSL commends the commitment to greater take-up of corporate responsibility in the ALP National Platform and Constitution. However, to ensure that business leaders understand community expectations, it is important that any CR initiative includes consultation with stakeholders, including workers, unions, suppliers and NGOs. Studies have overwhelmingly stated that CR mechanisms developed through multi-stakeholder initiatives are far more comprehensive than those developed unilaterally or through business associations or employer initiatives (Barrientos et al. 2006; Gordon et al. 2005; Wick 2005). The *Ethical threads* research identified a need for considerable work in this area.

The *Ethical threads* research also identified a lack of trust between workers, suppliers, labour rights organisations and principal companies, who do not work collaboratively and often fail to understand each other's circumstances. Further, as previously outlined, an overwhelming finding is the respondent companies' lack of awareness of, and in some cases the lack of a feeling of responsibility for, the difficult working conditions faced by many garment workers in Australia and overseas. Labour rights organisations were also found to be not fully aware of many of the business realities relating to ethical supply.

One way to foster dialogue is to create mechanisms that allow the exchange of ideas. The Appendices include an outline of a proposed model for ethical supply for the Australian garment industry and a case study of the British Ethical Trading Initiative. Both are examples of how to address some of the stated concerns.

One positive commitment the Australian Government has made to encourage CSR is the adoption of the OECD Guidelines for Multinational Enterprises. Although these guidelines are non-binding, they prescribe a role for government to ensure that they are respected wherever a company does business. Unfortunately, apart from the labour rights organisations interviewed for *Ethical threads*, only four companies, one business organisation, and one bureaucrat were aware of the guidelines. This is a potential risk for the sector, as a growing number of NGOs have used the complaints mechanism to raise issues related to various companies' international activities (Lillywhite 2007).

Finally the BSL believes that corporate accountability that combines binding legal regulation with mechanisms for corporate self-regulation should be the end goal. By providing a platform for collaboration, a focal point for education and information, and an industry-wide mechanism that is transparent and can be evaluated, the industry will have more opportunity to mature. A multi-stakeholder initiative will not answer all the problems experienced by the Australian garment industry, but it could provide an important initial step towards finding collaborative solutions. Ultimately, the international CR community is likely to adopt mandatory norms and reporting and Australia should ensure that mechanisms for dealing with social and environmental performance keep abreast of these changes.

### **TCF – SIP & SAP funding**

The TCF (SIP) and TCF (SAP) programs are designed to assist the TCF sector address issues related to its long-term viability, industry innovation and future development, and support for retrenched workers. They appear to have benefited companies, but failed to effectively support the TCF workforce. Further, the programs do not support Australian minimum labour standards, transparency in a company's contracting chain or responsible overseas supply chain management.

The TCF (SIP) scheme, designed to promote and increase investment in the industry, appears to have greatly assisted companies dealing with structural adjustments. The TFIA strongly supports the continuation of SIP, arguing that SIP has been applied by many Australian firms with very significant effects on strategic directions and longer term viability. The program has however had limited uptake from smaller enterprises and should be reviewed to explore how it can better service this significant subgroup.

In contrast, the TCF (SAP) program appears to have been less successful in meeting its stated objectives. The TCFUA's *Empty promises* report (TCFUA Victorian Branch 2006) argues that to date, spending on this program has benefited employers rather than retrenched workers. The study tracked over 700 retrenchments in Victoria in the first 13 months of the SAP. The report reveals that the majority of retrenched workers received little or no support and the program had failed to address the long-term negative impact of retrenchment on TCF workers. The study also found that delivery of the funding through the Job Network system had been ineffective. Further, some Job Network staff were unaware of the TCF (SAP) program and details of its implementation, resulting in much of the budget for training remaining unspent. Job Network staff also lacked in-depth knowledge of retraining options for TCF workers and as a result were not providing effective job search support.

The BSL recommends that the SAP model be reconfigured to ensure that a full assessment of individual skills, prior learning and training needs is undertaken as part of an integrated support package. The support package would utilise Job Network providers to provide job search assistance, with flexible, individualised training provided by local TAFEs. This model should ensure that individuals' training needs are identified and their prior learning recognised. It should

also ensure that organisations with a sound understanding of labour rights issues and the specific needs of garment workers, such as the TCFUA and Asian Women at Work, are involved to ensure workers understand their legal entitlements and programs are accessible to all.

Further, companies applying for the TCF (SIP) and TCF (SAP) or any government schemes should be required to demonstrate that they are at least meeting legal minimum requirements in both Australia and overseas. The BSL further recommends that companies demonstrate a commitment to corporate responsibility through being signatories to the Homeworkers Code of Practice if manufacturing in Australia and through having an ethical supply chain process for their offshore manufacturing. While the Australian Fashion Council (2007) lists 28 federal and state government assistance programs available to the Australian garment industry, not one addresses ethical trading in its criteria.

## **Government purchasing**

Respondents to the *Ethical threads* research also raised the issue of government procurement, particularly the importance of ethical requirements relating to international supply chains. Two business organisations and three companies manufacturing workwear and uniforms in Australia believed that state and federal governments were not supporting legislation to protect vulnerable workers through their purchasing. Two HWCP-accredited companies felt that the government tender criteria ranked price above support for local and ethical producers.

Indeed, Governments of Queensland, New South Wales and Victoria all have clauses in their tender documents requiring companies to demonstrate that garments are made under ethical conditions in Australia. However, these requirements only apply once a company has been short-listed and proved to be competitive on 'cost of goods'; and there is no requirement to demonstrate that goods manufactured overseas are made under ethical conditions. Another issue is the lack of monitoring and effective penalties for companies which win a contract but are later found not to have met the ethical requirements.

The Brotherhood of St Laurence recommends the adoption of the ethical procurement policy outlined in the ALP National Platform and Constitution (2007). However, in the proposed policy it is unclear whether the requirements of companies manufacturing and sourcing goods in Australia will also apply to those manufacturing and sourcing overseas. Given the high proportion of Australian TCF goods produced offshore, it is important that companies sourcing overseas do not gain advantage in the tendering process through accessing markets where labour standards are low. The BSL recommends that the policy includes clauses which require suppliers to demonstrate a process for monitoring and improving conditions under which goods are produced overseas.

## **Free trade agreements (FTAs)**

The background paper for the review notes that there are currently six FTAs under negotiation and three at the feasibility study stage. When negotiating these agreements it is important that Australian recognises our human rights obligations. Consideration needs to be given, for example, to what benefits a FTA will bring for the low-skilled, vulnerable, migrant workers in manufacturing zones.

## **A way forward for the Australian TCF sector**

An opportunity exists for the Australian TCF sector to build on Australia's existing robust legal framework for the protection of both the environment and garment workers in the TCF industries, and leverage our international reputation for innovative designer fashions. We should develop an international niche market for products that are exceptionally designed and ethically produced.

In order to capitalise on this opportunity, however, the industry and government need to give greater consideration of the global dimensions of corporate responsibility, as around 80 per cent of

garments sold in Australia are produced overseas. The terms of reference of this review unfortunately overlooked the environmental and social impacts of the TCF sector's international supply chains. It will be important for both the industry and government to address this oversight if it is to foster an industry built on ethical foundations.

## Recommendations

**Developing and maintaining a well-trained, technologically advanced, TCF industry in Australia.** This is despite a high proportion of manufacturing in the Australian TCF sector now occurring offshore. The industry needs to be supported to ensure it can foster niche markets, innovative design and market responsiveness.

- Ensure that a high value-added manufacturing base is supported in Australia while monitoring adherence to Australian regulatory frameworks.
- Fund research to identify current and future industry training needs, such as patternmaking and sample machining.
- Audit the skills of home-based, factory and retrenched garment workers, and provide training opportunities to these workers to ensure their skills are recognised and utilised.
- Ensure universities and training institutions develop curriculum that meets garment industry training needs and skills shortages.
- Retain the TCF (SIP) funding at its current levels post 2010 and review the program to identify how it could better assist small and medium enterprises (SMEs).
- Review and amend the TCF (SAP) program to ensure that a full assessment of individuals' skills, prior learning and training needs is undertaken as part of an integrated support package that involves worker advocates and training organisations.

**Supporting the industry to improve its performance in relation to ethical supply issues, and keeping abreast of international trends in both mandatory and voluntary corporate responsibility.** This will foster ongoing access to international markets and allow Australian companies to capitalise on the growing market for 'ethical' goods.

- Monitor trends in the EU and US around voluntary and mandatory CSR practices and reporting and ensure that Australian companies and government implement best practice.
- Introduce regulations in line with the EU, Britain and Denmark which require large corporations to demonstrate a process for monitoring and improving conditions in their local and international contracting chain.
- Promote the OECD Guidelines for Multinational Enterprises to the sector.
- Advise Australian garment companies exporting to Europe and the US on global sourcing practices and mandatory international reporting requirements.
- Enforce existing regulations and support the TCF industry to develop responsible supply chain management processes in both their Australian and international supply chains.
- Support the development and promotion of a database of ethical manufacturers, in conjunction with the HWCP committee, TCFUA and industry associations.
- Fund research and innovation in the area of new textile technology with a view to improving environmental performance in all stages of a garment lifecycle.
- Support charities involved in the garment recycling industry to build their capacity to recycle donated goods that cannot be re-sold through charity stores. This support should include technology development for sorting used clothing and research into fibre reclamation and recycling technology.

- Develop an industry product responsibility policy where customers can take used clothing back to where they bought it to be disposed of in the most appropriate way. Such a policy should involve charity-run recycling businesses so the model developed has both environmental and social benefits.
- Fund research to provide up-to-date data on working conditions and numbers of outworkers in Australia.
- Accede to the ILO Homework Convention (C177).

**Increasing industry collaboration to ensure that initiatives developed to assist the TCF sector reflect the needs of the industry's diverse stakeholders, including companies, contractors, educators, workers, unions, NGOs and government.**

- Support the establishment of a multi-stakeholder platform to promote and implement the uptake of the global dimensions of CSR in the Australian garment sector. Membership should include small and large companies, NGOs, industry associations, unions, suppliers, sourcing agents and workers.
- Support the industry proposal for a production hub involving SMEs and outworkers to address supply, technology, employment and labour rights issues in Australian-based garment manufacturing. The project should aim to:
  - improve work flow and provide legal minimum conditions for outworkers
  - create training and employment opportunities for outworkers
  - respond to identified industry labour shortages and technology limitations.

**Improving corporate responsibility both overseas and in Australia through raising industry and community awareness of labour rights and environmental issues and regulatory frameworks, and improving enforcement of laws and regulations.**

- Develop resource materials and guidelines, in consultation with industry associations, NGOs and the TCFUA, to help companies (especially SMEs) to adhere to relevant state and federal legislation and awards, and international regulatory mechanisms.
- Target industry publications and events (including trade shows, conferences, and design and fashion festivals) to raise awareness and educate companies about relevant state and federal legislation, awards and ethical production models.
- Ensure universities and training institutions develop curriculum that addresses legal and ethical responsibilities.
- Educate outworkers regarding their rights under Australian law.
- Raise consumer and community awareness of the social and environmental impacts of their individual purchasing decisions.

**Making a commitment to ethical sourcing in local and overseas supply chains a requirement for government programs, subsidies and tenders.**

- Post 2010, following a further review of CSR uptake by industry, consider, in consultation with all stakeholders, linking tax incentives, government subsidies and assistance schemes to companies that demonstrate a commitment to ethical sourcing and production.
- Adopt the government procurement policy outlined in the ALP National Platform and Constitution including clauses which require suppliers to demonstrate a process for monitoring and improving the conditions under which goods are produced both locally and overseas.
- Consideration should be given to Australia's human rights obligations, including protecting labour rights and promoting decent working conditions, when negotiating free trade agreements.

## Appendices

### **Industry collaboration to develop a state-of-the-art digital supply-chain project in Victoria**

The Council of Textile and Fashion Industries Australia (TFIA), Textile Clothing and Footwear Union of Australia (TCFUA), Fashion Technicians Association Australia (FTAA), RMIT University Design and Technology Specialist Centre, University of Melbourne, Total Measurement Solutions and the Brotherhood of St Laurence are proposing an innovative digital supply-chain project for the Australian garment industry. The aim is to develop an innovative production and training facility that will link small independent designers and technicians with garment outworkers. The facility will benchmark short-run production, sample machining and patternmaking using automated garment development tools, and will also incorporate state-of-the-art digital supply-chain technology.

The project will address:

- the need for innovative, high-tech collaborative supply chain models in the Australian garment industry
- prototyping of one piece flow manufacturing cells which can be utilised for SMEs
- employment and labour rights issues in Australian-based garment manufacturing
- barriers to outworker access to mainstream labour markets
- identified labour shortages in sample machining and patternmaking
- advanced training needs of fashion technicians, retrenched and home-based garment workers
- workflow issues for designers, technicians and outworkers
- the shortage of employment opportunities for outworkers with reputable employers and at least legal minimum conditions. These include either part-time or full-time employment with pay and conditions that include minimum rate of pay at skill level 3–4 or above and all entitlements.
- issues faced by small independent designers in accessing Australian manufacturers who are prepared to produce their small production runs under ethical conditions
- attractiveness of pre-production/production jobs by improving working environment and equipment.

This program will build on the success of a patternmaking project for outworkers delivered at RMIT's School of Fashion and Textiles in conjunction with English language classes run by the TCFUA. The project was a partnership between RMIT, TFIA, TCFUA and Industrial Relations Victoria. Twelve outworkers completed the 36-hour pilot program in 2007 and four succeeded in finding full-time ongoing employment. In 2008, an extended 12-month program was offered: 13 participants are due to complete in June. It is envisaged that the outworkers will be engaged together with designers and technicians in the development of the state-of-the-art digital supply-chain model.

### **A similar model in New York: the Garment Industry Development Corporation**

The Garment Industry Development Corporation (GIDC) is a New York City example of an established industry initiative similar to what is proposed in Victoria. The GIDC was established in 1984 to strengthen, support, and protect the New York City's apparel industry, and to retain and



improve manufacturing jobs in the industry. It is a partnership between government, business and union organisations.

Initially, GIDC focused on worker education, which over the years has responded to technological advancement in the industry and now includes training in computer-based apparel technologies. The education program expanded further to run programs to help factory management improve quality, safety and efficiency in the workplace.

As in Australia, the New York local apparel industry has experienced massive restructuring. In response, GIDC realised that it would have to expand its programs to create new markets for local factories. A sourcing department was established to connect retailers and brands with New York factories, generating orders for local producers. The sourcing department also works closely with New York's emerging designer community. They have also developed a program to place more government and military uniform production in New York City factories.

According to the GIDC (2008) website, the organisation has the following plans:

- Developing a program to provide fashion companies with comprehensive 'one-stop shopping' for production.
- Developing an expanded Young Designer Program to capitalise on the city's long-standing designer base, nurture young designers, and help them develop relationships with New York City factories.
- Developing and expanding its job placement program, connecting more workers with the factories that need them and targeting the types of jobs that are more likely to stay in New York.
- Developing the downtown New York Fashion Space, where designers and manufacturers can be assured of access to affordable space.

### **Proposal for a multi-stakeholder corporate responsibility mechanism for the Australian garment industry and example of international practice**

The Brotherhood of St Laurence is working with industry stakeholders to establish a multi-stakeholder platform to promote and implement Corporate Responsibility (CR) practice in the Australian garment sectors international supply chains. Membership should include small and large companies, NGOs, industry associations, unions, government, suppliers, sourcing agents and workers.

This initiative would respond to the following barriers to the development of a robust CR framework, as identified by companies and industry stakeholders interviewed for the BSL's *Ethical threads* research:

- the lack of trust between workers, suppliers, labour rights organisations and principal companies, who do not work collaboratively and often fail to understand each other's circumstances.
- the need for companies to develop their CR processes in consultation with organisations representing both suppliers and garment workers.
- the need for companies to develop ethical sourcing strategies which are documented for all stakeholders and the public and integrated into their mainstream business operations.
- the lack of resources, support, and information available to Australian companies about developing ethical supply chain processes.
- a perceived lack of organisational resources, expertise and capacity to influence international supply chains when Australia is such a small market.

## **A model in the United Kingdom: the Ethical Trading Initiative**

The British Ethical Trading Initiative (ETI) is an alliance of companies, NGOs and trade union organisations working to promote and improve the implementation of corporate codes of practice that cover supply chain working conditions.

The initiative was established in the late 1990s in response to food and clothing companies coming under increasing pressure from consumers, NGOs and unions about the conditions under which their goods were produced in their overseas supply chains.

According to the ETI website, companies responding to this community pressure would commonly adopt a code of practice setting out minimum labour standards that they expected their suppliers to comply with. However, many soon realised that they did not have the mechanisms, nor the necessary experience and skills, to address these issues alone. They realised they needed the backing of civil society organisations, in particular of trade unions and NGOs with expertise in labour issues and overseas development.

Underpinning all of ETI's work are the Base Code and the accompanying Principles of Implementation. When corporate members join ETI they commit to progressively adopt the ETI Base Code throughout their supply chains. The Code is based on ILO conventions and as such is widely acknowledged as a model code of labour practice. It contains nine clauses that reflect the most relevant international standards. The Principles of Implementation set out general principles governing the implementation of the Base Code. These two documents provide member organisations with a basic platform for good practice and a generic standard for company performance.

According to the ETI (2008) website, in addition to supporting implementation of the Base Code, ETI undertakes the following:

- carries out activities to identify and promote good practice in the implementation of the code
- runs experimental projects working collectively with partners to tackle areas of code implementation that are particularly challenging to members
- conducts and makes publicly available impact assessments
- builds the capacity of relevant organizations to implement codes effectively
- builds strategic alliances with other organisations working on ethical trade
- and shares learning through seminars, publications, and training materials.

The Ethical Trading Initiative has 40 corporate members, including companies such as Marks & Spencer, The Gap and The Body Shop.

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