



Pre-Budget Submission

Prepared by the Homeworkers Code Committee

Introduction

Thank you for the opportunity to present a pre-budget submission promoting the need for the Government to support our industry plan for the Australian textile clothing and footwear (TCF) manufacturing industry.

This submission comes from the Homeworkers Code Committee which is made up of employer, business and union representatives from the TCF Sector and trades as Ethical Clothing Australia (ECA) – a not for profit with ABN registration 88997259919.

Membership of the Homeworkers Code Committee includes the Australian Industry Group (Ai Group), the NSW Business Chamber, (ECA) accredited businesses Cue Clothing Co, Nobody Denim and ADA (formerly Australian Defence Apparel) and union representatives from the Textile, Clothing and Footwear Sector of the Manufacturing Division of the CFMEU.

The Committee is calling for the reinstatement and expansion of Commonwealth Government Budgetary measures in support of Ethical Clothing Australia as a key pillar of a growth strategy for the industry. ECA independently accredits businesses that manufacture TCF products in Australia. The ECA accreditation scheme's intent is to ensure that businesses are able to demonstrate to the market, procurers and consumers, that workers are being paid appropriately, receiving all of the legal minimum conditions and working in safe workplaces throughout the business' supply chain (including but not limited to the design, entire cut, make and trim processes and all value adding processes and dispatch).

ECA operates on a voluntary opt-in scheme which means there are companies manufacturing TCF products in Australia who are not ECA-accredited where sham contracting (homeworkers/outworkers receiving below award and legislated wages and conditions) is used and TCF sweat shops continue in Australia. Sham contracting, although unlawful, means that homeworkers/outworkers are not treated as employees by those who engage them and therefore do not receive employee benefits such as minimum award wages, paid leave and superannuation. Ongoing monitoring, compliance, and education activities are key to ensuring that gains made in improving the position of homeworkers/outworkers are not lost. The role of ECA and its Code of Practice remains critical for this function and funding is sought to aid the industry and to continue to bolster the work undertaken by ECA.

While challenges continue to impact on local manufacturing and the retail sector, there are new opportunities. The Australian TCF industry is being affected by low barriers to entry for imports into the Australia, but opportunities in markets abroad for local industry. Under these conditions, the ability to demonstrate ethical products as a key market differentiation point is a growth opportunity for manufacturers in the industry to capitalise upon. Increasing consumer awareness at home and abroad, around ethical purchasing and quality, means that ethically accredited, Australian Made TCF products are a premium choice for procurers, purchasers and consumers. The importance of ethical supply chains was demonstrated with the recent introduction of the Modern Slavery Act by your government. It is no longer enough to be recognised as locally made as consumers and major procurers are increasingly seeking to purchase from businesses that can demonstrate ethical supply chains.

Modest budget support for ECA would assist Australian manufacturers which have transparent and ethical supply chains to capitalise on a comparative advantage and strengthen the vehicle for other firms to become accredited. This would deliver positive social and economic outcomes for workers, business and the country at large. We look forward to discussions with Government about these opportunities, and the support required for the initiatives outlined below.

Funding recommendation is for the following outlays:

2020-2021	2021-2022	2022-2023	2023-2024
\$2m	\$2.25m	\$2.5m	\$2.75m

Industry Conditions

Although the local industry has faced a significant transition period due to numerous challenges presented by globalisation and increased international competition benefiting from falling barriers to access to domestic markets, many manufacturers have remained committed to maintaining Australian manufacturing operations and have taken advantage of the opportunity to adapt and innovate.

There are new and emerging markets that value locally made, ethically accredited products, as well as sustainably made, high quality products and unique design innovations. This rising consumer sentiment provides Australian TCF businesses which comply with Australian workplace laws with a unique opportunity to meet this increased demand, expand their businesses and generate new employment opportunities and to contribute to our nation's economic growth.

Employment

The TCF industry remains an important provider of jobs across many Australian cities and regional communities. In particular, the industry provides employment for thousands of women, many who face language barriers and cultural challenges which may impede them from obtaining alternative employment, yet who have unique and specific skills of great value to the industry.

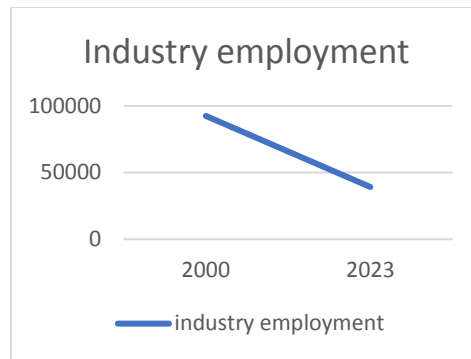
As a manufacturing industry, the industry provides and will continue to provide, important flow on jobs. The Industry Capability Network estimated back in 2012 that for every \$1 million that is invested in new or retained manufacturing business for Australia, the following effects flow through the economy:

- \$713,400 worth of gross value added (GVA) generated
- 6 full-time equivalent jobs created
- \$64,900 worth of welfare expenditure saved
- \$225,300 worth of tax revenue generated.¹

Employment in the Textiles, Leather, Clothing and Footwear manufacturing sector has been trending downwards over time, however the Committee believes an investment in ECA is an important investment in the future of the industry. Official employment numbers have dropped from around 92,600 in 2000 to around 41,300 in 2018. By 2023 employment in the industry is predicted to have approximately 39,200, however we believe there is an opportunity to turn the tide, if there is support for a local, ethical industry.² The committee does not see the predicted loss of jobs predicted between now and 2023 as an inevitable *fait accompli* if opportunities outlined in this submission are grasped and capitalised on.

¹ Industry Capability Network, 'Economic impacts of the manufacturing and services sectors 2012' available online @ https://icn.org.au/sites/default/files/AEC_Report_2012%20summary%20flyer.pdf

² Australian Industry and Skills Committee, 'Textiles Clothing and Footwear- Overview', available online @ <https://nationalindustryinsights.aisc.net.au/industries/manufacturing-and-related-services/textiles-clothing-and-footwear>



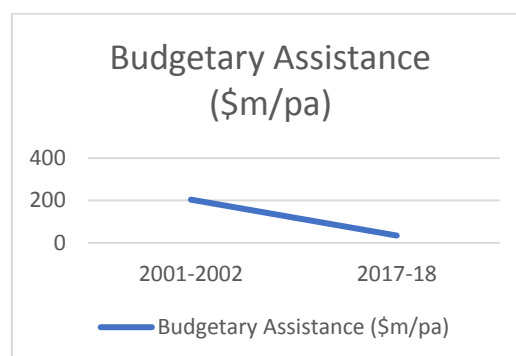
Source: Australian Industries and Skills Committee

Official figures around employment in, and economic contribution of, the industry is deflated by the fact that there remain problems with an unregulated homeworker/outworker sector. Increasing take up of ECA accreditation by businesses and their supply chains will ensure increased visibility and formalisation of this currently informal sector. This will improve the lives of workers across supply chains, strengthen the reputation and quality of the Australian industry and enhance the economic contribution of the industry by ensuring that this sector is properly constituted and functioning in accordance with the relevant Australian workplace laws. In addition, there are further potential savings for Government with the industry self-regulating through such voluntary accreditation schemes taking pressure off Government regulators and freeing up scarce resources to allow Government to focus on unaccredited parts of industries which do not have robust voluntary compliance mechanisms.

Government Support

In this period where jobs in the industry have contracted, Government support for the industry has reduced dramatically both in terms of tariff assistance and direct assistance.

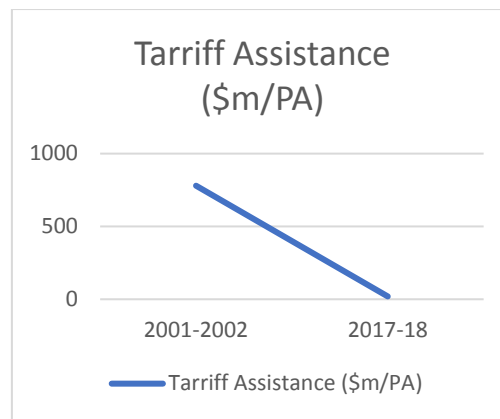
Budgetary Assistance



Source: The Productivity Commission³

Tariff Assistance

³ See Productivity Commission, 'Trade and Assistance Review' *Annual Reports* 2001-2002, 2017-2018, available online @ <https://www.pc.gov.au/research/ongoing/trade-assistance>



Source: The Productivity Commission⁴

The last remnants of the Australian TCF industry's tariff protection from our major international competitors in domestic markets will cease in 2020 when the full force of the Australia/ New Zealand/ ASEAN Free Trade Agreement (FTA) come into effect. Tariff reductions have contributed to low-cost imports entering the domestic market. Limited disposable income growth and volatile consumer sentiment have contributed to the industry's challenges in the face of this low-cost competition.

Other challenges to the Australian TCF manufacturing industry have included the tumultuous time for the manufacturing industry across Australia, brought about by the Global Financial Crisis (GFC), the high Australian dollar and high energy costs.

As observed by the Fair Work Ombudsman (FWO), there has been a significant shift within the Australian TCF industry in the past few decades. The industry has reduced in size and production volume. The effect of globalization and access to overseas competition has changed the landscape for local producers. There is pressure on the price of local production which has rendered those at the lower levels of the varied and fragmented supply chains particularly vulnerable.⁵

This funding proposal is not for a reinstatement of the sort of quantum of support which has been provided by Government to the industry in the past, which has seen hundreds of millions of dollars per annum in the form of tariff support and direct Budgetary assistance. It is a proposal for a modest outlay which will help the Australian industry to grow, compete internationally and continue to adapt and innovate by capitalising on the opportunities presented by globalisation, as outlined below.

⁴ Ibid.

⁵ Fair Work Ombudsman, 'Designed to Fit; Insights and outcomes from the Fair Work Ombudsman's education phase of the National Textile, Clothing and Footwear Campaign 2015', p 3, available online @ <https://www.fairwork.gov.au/ArticleDocuments/557/TCF-campaign-report.docx.aspx>

Exploitation

Globally, the industry is notorious for the exploitation of the predominately female workforce. By way of example, poor labour standards, health and safety standards and environmental standards in the large global TCF producers, are well documented and are of serious concern. It is the low cost of labour and exploitative conditions, which underpins the inequity in the cost of production between Australia and many competitors. The rise of garment manufacturing in countries in developing economies have seen commensurate rises in exploitation, unfair labour practices and serious health and safety breaches resulting in injuries and death of many thousands of workers.’ By way of just one example a 2014 report on the garment industry in Eastern Europe found endemic exploitation of workers, dangerous working conditions and wages far short of a subsistence (let alone living) minimum.

Australia based TCF workers has not been immune from exploitation and there are some distinctive features of the industry which makes exploitation more likely compared to others industry and sectors. These factors include often complex labour supply chains, including engagement of homeworkers/outworkers, as most businesses in the sector are small to medium sized, with many “microbusinesses”, legal non-compliance can often go more unnoticed than in larger enterprises, and due to wages constituting between 15-32% of annual operating costs (consistently higher as a proportion of business costs than for manufacturing as a whole), Award non-compliance is common.

Other factors identified by the FWO, which make Australian TCF workers especially vulnerable to exploitation, include:

- a high proportion are mature-aged migrant women, who face cultural and linguistic barriers to understanding and inquiring about their workplace entitlements
- difficulty in identifying homeworkers/outworkers in manufacturing supply chains
- a lack of familiarity of the homeworker/outworker-related provisions of the *Textile, Clothing, Footwear and Associated Industries Award 2010* (the TCF Award).⁶
an unverified number of workers are homeworkers/outworkers, who work away from business premises (often at home) at the end of long and complex production supply chains, and therefore, are difficult to identify, and
- limited record keeping, compounding the risk of worker exploitation.

The FWO said the interactions undertaken as part of their campaign ‘revealed limited understanding or observation among business operators of their obligations under workplace laws, including minimum pay rates that apply to workers involved in the manufacturing process. Further, in another worrying finding the FWO said that ‘the interactions also revealed confusion about how compliance and regulation interacts with different levels of the supply chain’.

All of these factors determine that a compliance system based on the ECA model for this sector of the economy is necessary. While FWO’s intervention is welcomed, it is unlikely to bring long term change in isolation and as such regular and ongoing monitoring is required. It is a testament to the integrity of the ECA accreditation program that it is not a ‘set and forget’ style program but it requires a demonstration of ongoing compliance through annual renewals.

⁶ The provisions are discussed in detail on page 13 of this report. The TCF Award can be accessed on the FWO website at: <http://awardviewer.fwo.gov.au/award/show/MA000017>

Opportunities

Drivers of change to the TCF industry and TCF markets in Australia have seen increasing adaptation and the entrance of specialised and niche product manufacturing with design and quality becoming a key area of competitive advantage. Several local businesses have effectively pursued niche and specialty markets locally and abroad, trading on the strong branding and reputation of Australian-made products.⁷

Coinciding with these changes has been an increasing trend toward ethical consumerism, particularly for products manufactured in high-risk industries like TCF. Alongside this increase in awareness is a growing sensitivity of companies which may be motivated to engage in “green washing” (claiming that their product is sustainably and ethically produced but not having a robust system in place demonstrating that this is the case when these claims are scrutinised).

Once accredited, manufacturers are able to sign a licence agreement to use the ECA trademark on these local products. The existence of ECA, and its associated trademark, gives Australian manufacturers which use it a comparative advantage because of its maturity and robustness. Dr Shelley Marshall, the Vice Chancellor’s Senior Research Fellow at RMIT University and the co-coordinator of the Corporate Accountability Research project outlines that “the ECA trade mark is the most credible of its type”⁸.

The distinctive and distinguishing feature of ECA which gives it its robustness and credibility in the market is the fact that it is a collaborative, joint business and union initiative. ECA will celebrate 20 years since the accreditation program accepted its first application, in 2020. The fact that this organisation remains in operation after 20 years and that it has gone on to gain a reputation as an important and credible program for the local industry is testament to the fact that it has been a strong, industry and union collaboration.

The independent third-party compliance is undertaken by Compliance Officers from the TCF Sector of the Manufacturing Division of the CFMEU through a Service Level Agreement. An expert of understanding of the Textile, Clothing, Footwear and Associated Industries Award 2010 (TCF Award), as well as relevant Workplace Health and Safety legislation, the National Employment Standards (NES) and the Fair Work Act (FW Act) is crucial for the success of the accreditation scheme.

Communicating directly with the workers is also an important part of the accreditation process for several reasons. For example, it may be necessary to ascertain the number and type of workers at the workplace, including employment status; to clarify shift structures (relevant to the payment of shift loadings and overtime); to confirm which tasks and skills are being used (relevant to determination of skill level classifications and wage rates); to confirm that annual, personal and carer’s leave is being accrued and paid correctly; to rectify health and safety non-compliances.

⁷ Ibis World, Footwear Manufacturing in Australia - Market Research Report, available online @ <https://www.ibisworld.com.au/industry-trends/market-research-reports/manufacturing/textile-leather-clothing-footwear/footwear-manufacturing.html>

⁸ Dr Shelley Marshall, “Submission”, Homeworker Code Committee Incorporated application to the ACCC for reauthorisation, available online @ <https://www.accc.gov.au/system/files/public-registers/documents/AA1000418%20%E2%80%93%20Homeworker%20Code%20Committee%20%E2%80%93%20Application%20for%20re-authorisation%20of%20Homeworkers%20Code%20of%20Conduct%20-%20Submission%20by%20RMIT%20-%202021.05.18%20-%20PR.pdf>

Unfortunately, it is not uncommon for incomplete or incorrect employee records to be provided during the compliance process and direct verbal communication with workers is a key tool to confirm whether correct wages and conditions are being provided as required by the TCF Award, the NES and FW Act.

ECA has been an essential element in many success stories across the industry. The work of ECA is governed by a Code of Practice which has authorisation from the Australian Competition and Consumer Commission (ACCC). In 2018, the Code of Practice was re-authorised by the ACCC for another 10 years. As observed by the ACCC in their reauthorisation decision:

“A number of accredited businesses advise that they value the Ethical CTM (Certification Trade Mark) series as a means of conveying to customers that their products are ethically produced or Australian made...The use of the Ethical CTM series by businesses allows these businesses to differentiate their products from those of competitors, who may not observe the same standards, and communicates this information to consumers.”⁹

The ACCC acknowledged that business identified that they used the Ethical CTM series in social media, on swing tags, websites, and promotional materials and knew that the accreditation was important to their customers, and that significant use of these trademarks has been observed.¹⁰



ECA registered trademarks

By way of example one company observed:

“I value this accreditation program because it assists my brand in creating a truly ethical product, guides my brand to find other brands to work with and resources to keep me educated in this sphere, and also celebrates and gives my brand exposure.”¹¹

Another observed:

“[T]oo many businesses in this industry make claims without any evidence or validation as pure marketing ploy. Despite being in a busy space where the term ‘Ethical’ is used along

⁹ ACCC. Determination: Application for revocation of A91354-A91357 and the substitution of authorisation AA1000418 lodged by Homeworker Code Committee Incorporated in respect of the Homeworkers Code of Practice (to be renamed ‘Ethical Clothing Australia’s Code of Practice incorporating Homeworkers’) Date: 30 August 2018, available online @ https://www.accc.gov.au/system/files/public_registers/documents/AA1000418%20-%20Homeworkers%20Code%20Committee%20Incorporated%20-%20Final%20Determination%20-%2030.08.18%20-%20PR.pdf

¹⁰ Ibid

¹¹ to BARWYN and back, “Submission”, Homeworker Code Committee Incorporated application to the ACCC for reauthorisation, available online @ https://www.accc.gov.au/system/files/public_registers/documents/AA%201000418%20%E2%80%93%20Homeworker%20Code%20Committee%20%E2%80%93%20Application%20for%20re-authorisation%20of%20Homeworkers%20Code%20of%20Conduct%20-%20Submission%20by%20to%20Barwyn%20and%20back%20-%202023.05.18%20-%20PR.pdf

with many others, it's good to have a certified trademark that differentiates our businesses that have actually taken real steps to be audited and accredited."¹²

ECA accreditation can assist accredited brands in mature, new and emerging markets. In March 2017, inclusions to the *Commonwealth Procurement Rules* were implemented including new requirements around legal and ethical procurement. Departmental and agency Government procurement officials are now required to comply with the following clause when making all TCF purchases:

"10.19 Officials must make reasonable enquiries that the procurement is carried out considering relevant regulations and / or regulatory frameworks, including but not limited to tenderer' practices regarding:

- a. labour regulations, including ethical employment practices;
- b. occupational, health and safety; and
- c. environmental impacts."¹³

Officials responsible for procurement can be satisfied that labour regulations (including ethical employment practices and occupational, health and safety) are complied with by tenderers which demonstrate ECA accreditation and in addition, that their supply chain participants also conduct their workplace relations in a lawful manner. This is because ECA certifies compliance, not just of the tenderer regarding their direct employment relationships, but throughout their entire supply chain (whether that includes work in factories and/or homeworkers/outworkers).

ECA presently has about 100 accredited manufacturers, with about 500 supply chain participants. Accredited businesses produce a wide range of products with the major categories being: Babies and Children, Basics and Underwear, Bags and Accessories, Branded Apparel, Corporate Wear, Fashion, Footwear and Hats, Manufacturers, Menswear, Outdoor and Activewear, Schoolwear, Sleepwear, Swimwear, Weddings and Formal Wear, Workwear, Personal Protective Equipment and Uniforms.

The accredited manufacturers range from major, well-known household names, leading Australian designer labels, leaders in emergency services uniform production, to new and emerging businesses that are developing their business on ethical and sustainable foundations, as well as small, owner-operated businesses and social enterprises.

Despite the broad coverage of the Code to include the entire industry, auditing under the Code only applies to accredited manufacturers and their outsourced supply chains. There is a large opportunity for more parts of the industry to be accredited and capitalise on the advantages that accreditation brings. This outcome would improve the lives of workers in the TCF industry and enhance the business opportunities for Australian manufacturers and their contracting supply chain who do the right thing by their workers.

¹² thinksideways, "Submission", Homeworker Code Committee Incorporated application to the ACCC for reauthorisation, available online @ https://www.accc.gov.au/system/files/public_registers/documents/AA1000418%20-%20Homeworker%20Code%20Committee%20-%20Submission%20by%20Thinksideways%20-%202016.05.18%20-%20PR.pdf

¹³ Commonwealth Procurement Rules, Commonwealth Procurement Rules 20 April 2019 Achieving value for money, p 25, available online @ https://www.finance.gov.au/sites/default/files/2019-11/CPRs-20-April-2019_1.pdf

Funding request

Background

ECA was originally known as the 'No Sweat Shop Label' and was re-branded to Ethical Clothing Australia in 2010. Commonwealth Funding commenced in 2008 and was administered by the Department of Education, Employment and Workplace Relations (DEEWR) prior to funding ceasing in 2014. The Budget papers stated that amongst the reasons for the termination was that the savings from the decision would be redirected by the Government to repair the Budget and fund policy priorities.

ECA's main funding source since 2014 has been from the Victorian Government. However, ECA is a national program with companies and their supply chains spread across Australia. ECA requires national, as well as State, Government support. It should be noted that TCF manufacturing supply chains cross state borders and a national approach is needed to support the industry's further expansion

Funding Will Support ECA's Core Functions

- The delivery of ECA's accreditation program

ECA is an accreditation program that maps a company's Australian supply chain throughout the whole supply chain, including, but not limited to, the entire design, cut, make and trim process, including all value adding processes and dispatch.

The accreditation program is designed to ensure that workers, especially homeworkers/outworkers, are not exploited in relation to the Award wages and conditions they are entitled to receive. The program also ensures that workplaces meet the relevant occupational, health and safety standards. As described above, the independent third-party compliance is undertaken by Compliance Officers from the TCF Sector of the Manufacturing Division of the CFMEU and the administration and promotional and education activities are undertaken by ECA employees.

As observed by Dr Marshall:

"The work conducted by Compliance Officers is highly labour intensive. Compliance Officers methodically organise data collected about middle people and homeworkers that are lodged by companies. They then contact homeworkers, using the registered information, to check their conditions of work and inform them of their rights. Because workers are in their homes, this contact must be made individually, instead of collectively (as it can be in a factory). The work is slow and costly. It is the backbone of the mechanism and it provides the strongest signal to consumers that the ECA trade mark is credible."¹⁴

- Industry and employee events and activities

Industry and employee events and activities are focussed on the promotion and education of ECA's Code of Practice. ECA has a range of resources available to support businesses in understanding their legal obligations but is currently restricted by funding constraints in its ability to provide education and training nationally.

¹⁴ Dr Sally Marshall, Submission

- Public events, presentations and online (website and social media) activities

Commonwealth Government funding would aid increased public events, presentations and online (website and social media) activities that educate and encourage consumers, purchasers and procurers to buy TCF products which have been produced by local manufacturers accredited by ECA.

During the year ECA attends or hosts a range of events that are focussed on the people who make the clothes, labour rights and other ethical and sustainable TCF practices. To date much of this work and activity has been restricted due to limited funding and again there is an opportunity to increase work in this area, which will ultimately benefit local manufacturers, suppliers and workers.

Additional funding outcomes

- The funding that ECA require which would form the basis of an industry led plan would support four broad areas:

(1) The continued delivery of ECA's core accreditation program

(2) Industry and TCF employee events and activities

(3) Enhanced industry and advocacy research on compliance issues in the industry; information on skills, training and capabilities in the local industry to support growth and how the Australian accreditation program and supply chain mapping program compares to global programs and TCF industry trends to ensure that Australia's industry remains competitive.

(4) Public events, presentations and online (website and social media) promotions.

The outcomes of funding will include:

- Increased support for the local TCF industry, which includes many Small to Medium Sized Enterprises (SMEs) leading to industry growth;
- Job creation and retention associated with the above-mentioned industry growth;
- Increased numbers of businesses accredited with ECA leading to opportunities to capitalise on emerging markets which value robust and ethical accreditation and certification and jobs that are compliant with the relevant Australian workplace laws;
- Increased industry awareness, understanding and compliance with the TCF Award and other legal obligations;
- Improved working conditions for people working in the local TCF industry, particularly for homeworkers/outworkers; and
- Increased consumer and general awareness of the ECA trade mark, leading to the purchase of products that have been locally and ethically manufactured which in turn supports business and jobs in the industry.

ECA has a proven record in executing contracts with governments and achieving agreed Key Performance Indicators.

Funding will help secure and expand ECA's work with Australian TCF makers, supporting the industry to adapt and grow. As outlined above this will support local manufacturing in a highly competitive environment and boost local manufacturers who want to compete globally in a world where local and ethical production is increasingly import to the consumer.

We would be happy to coordinate and engage in discussions with the Government about the program and how the funding will be used. Attached is a series of letters of support from businesses for this pre-budget submission.

For further information please contact

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