

## **Inquiry into the strategic effectiveness and outcomes of Australia's aid program in the Indo-Pacific and its role in supporting Australia's regional interests.**

6 June 2018

Dear Committee Secretary,

### **Introduction**

Outland Denim, Australia's own ethical denim brand - established for the purpose of creating sustainable training and employment opportunities to help alleviate poverty and its effects - welcomes the inquiry into Australia's aid programs and seeks to advise based on its own experiences. We at Outland Denim believe that ethical business/social enterprise is key to creating sustainable, lasting change in the world. We also believe that the Australian government can use its financial resources most efficiently and to best effect through supporting social enterprise.

### **Outland Denim - Overarching Recommendation**

Government support and investment in social enterprise would provide an excellent vehicle to create real, lasting and sustainable change for areas of need in the indo-pacific region. Providing skills training, sustainable employment and paying a living wage are key components in lifting individuals out of the cycle of poverty and placing them on the road to independence, thereby not only impacting the individuals but also their families, communities and subsequent generations.

### **Outland Denim - Company Profile**

Outland Denim crafts premium quality denim jeans designed to bring the worlds of our sewers and customers closer together. We source the finest raw materials from around the world while offering sustainable employment and training opportunities to women rescued from human trafficking and sexual exploitation.

Our business headquarters are in Queensland, Australia and our production house, fully owned and operated by Outland Denim is in Kampong Cham, Cambodia.

Unlike other denim brands, we have full control over our product from start to finish to ensure its integrity. We own our production house (i.e. we do not outsource manufacturing), personally source our raw materials, and are deeply invested in the wellbeing of each of our seamstresses who, in turn, contribute to the social change that Outland Denim seeks to create. Our

environmental credentials complement this broader brand outlook, as we believe the most vulnerable in the world are also the most likely to suffer the consequences of environmental damage.

We work to ensure we have a transparent and exploitation free supply chain. All our suppliers adhere to an ethical code of conduct based on the International Labour Organisation (ILO) fundamental principles and Ethical Trading Initiative (ETI) base code.

## **Outland Denim Business Model**

Outland's ability to have real, sustainable, lasting social impact is based on 4 key elements.

1. Opportunity
2. Training
3. Living Wage
4. Education

### **Opportunity**

Outland Denim work with non-profit Organisations (NGO's) in Cambodia to provide training and employment opportunity to women who have been victims of exploitation. The opportunity is for those who want to pursue this avenue of employment.

### **Training**

We pay our workers to train with us. This training starts with the simplest of tasks - sewing in straight lines. Our workers then progress to learn how to make different aspects of the jean. They are never 'stuck' on one aspect for a long period of time, but rotated to master different parts of the process. Unlike conventional factory operations, our staff learn how to make an entire product, thus enabling them to have adequate skills to start their own business and become fully independent should they ever wish to do so. Our willingness to train has also enabled career progression within our workforce with women rising within internal ranks to positions of leadership.

### **Living wage**

Our workers are paid above the legal minimum. We pay a living wage enabling our workers to lift themselves out of the cycle of poverty, provide for themselves and their families and contribute to the economy of their local communities. This will also have an impact on the next generation, their education and employment opportunities.

### **Education**

Outland Denim educates its workers more broadly than simply skilling them as seamstresses. It is essential to do this to ensure its social impact aims are achieved. Paying a living wage is of little benefit if individuals are not schooled in basic money management. Fighting modern slavery by helping victims is worthy - but even better to prevent slavery in the first place therefore awareness/prevention training is also key. Outland Denim offers -

- First Aid Training
- Budgeting
- Women's health
- English
- Self Defence
- Anti-trafficking
- Fire Safety

It is the interrelationship of all of these four elements that helps develop the whole person as one of independence rather than dependence, able to be a positive functioning member of their community - thus creating lasting, sustainable social change.

## **How Outland Denim fulfils the priority areas for Australia's Aid program**

### **Promoting prosperity, Reducing Poverty and Enhancing Stability**

Outland Denim's unique business model seeks the best for individuals and the wider community. Our primary aim is to see an end to human rights violations and the poverty that so easily leads to that. Paying a living wage and providing education in financial management is a highly effective way of promoting prosperity for individuals, families and the communities they live in. Due to employment with Outland Denim women who were once victims of exploitation have subsequently been able to lift themselves out of the cycle of poverty, purchase property for themselves and their families as well as purchase family members out of slavery.

Once Outland Denim's business model has proven profitable, and giving changing consumer demands towards that which is sustainable and ethical, it can be assumed that other business will choose to adopt similar models - thus the effects of this enterprise on general industry practice could be substantial, and the potential for changed lives and communities could very easily run into the millions.

### **Infrastructure, trade facilitation and International Competitiveness**

Outland Denim is already offering a greener alternative within the denim industry as well as working to create a state of the art environmentally sustainable production facility in rural

Cambodia. Our Environmental Systems Engineer's brief is to make the cleanest and greenest facility possible.

Our facility would be not only for our own brand to produce our own products, but also for other brands to make use of in order to clean up their own supply chains. A key problem for today's fashion brands is the difficulty securing an exploitation free supply chain. We are able to take the hard work out of ethical sourcing. The growth potential for this is exponential given new market trends towards sustainability, particularly amongst millennials.

Our understanding of the fashion industry and competitive market placement ensures a strong position for Cambodian manufacturing. Our product being at the forefront of sustainable practise means Cambodia will benefit from a cutting edge product and business model. This model can be then replicated in other locations in the indo-pacific region.

In terms of international competitiveness we have already found ourselves at the absolute forefront of social and environmental sustainability within our industry. We have global interest in our business model, its economic viability and ability to create significant social impact as well as produce a desirable product in a growing market. To create a globally recognised brand synonymous with not only best social and environmental practise - but also crafting positive social change/ helping to solve age old humanitarian problems is certainly where we would want Australian enterprise to be.

### **Agriculture, fisheries and water**

The fashion industry is a key polluter of water sources, particularly in vulnerable/impoverished areas. Our business model has at its core sustainable environmental impact. Key to the manufacturing of our product is the use of water. Currently we only use organic or Better Cotton Initiative (BCI™) cotton to ensure the most efficient use of water in our denim. We are involved in ongoing research to help us create the most water efficient denim product on the market.

We have embarked on development of our own wash house that will increase employment opportunities for at risk locals as well as ensure we use the cleanest and most water efficient processes. This is a service we can also offer to other manufacturers so that they will also be able to harness our green technology.

### **Effective governance: policies, institutions and functioning economies**

Written into the very fabric of our business model are our social and environmental objectives. It is of paramount importance that checks and balances are in place to ensure the founding objectives of the enterprise are met. It is for this reason we seek authentication from third parties. As a Certified B Corporation®, we are legally required to consider the impact of our decisions on all stakeholders. Outland Denim was also rated A+ in the 2018 Ethical Fashion report by Baptist World Aid. We have bi-annual external audits as well as regular checks on our workers conducted by relevant NGO partners in Cambodia. We also support the UN Global Sustainable Business Goals.

### **Education and Health**

Foundational to our business model is education - not only of our own workers, but the local community also. We run regular workshops in budgeting, English, First Aid Training, Anti-trafficking, self-defence and women's health. Our records indicate significant improvements in participants knowledge and understanding pre and post session. We also open some of these opportunities to the wider community.

All our workers receive external health insurance and we ensure they are registered with Cambodia's National Social Security Fund.

### **Building Resilience: humanitarian assistance, disaster risk reduction and social protection**

Outland provides safety for 'at risk' individuals. Providing well paid employment, education and a safe working environment monitored by NGO's means the likelihood of their rights being violated in any way are substantially reduced. The provision of a living wage and education in financial management means the potential effects of disaster on the individual are greatly reduced.

### **Gender equality and empowering women and girls**

Providing employment opportunities and avenues of progression within the workplace for marginalised women is core to our business. 100% of our seamstresses are women and 35% of the workforce were victims of exploitation from NGO's.

We provide opportunity for progression and upskilling within the workplace. All our seamstresses are given training in every aspect of jean creation. By the end of 24 months seamstresses are proficient in nearly all aspects of crafting the jean, aiding job satisfaction and career progression as well as enabling them to start their own business (should they desire to do so). Our workers are also promoted internally and many who have started with us without skill are now working as supervisors and team leaders.

## **Outland Denim - Social Impact**

From our seamstresses.

*'Now I work at Outland Denim, I think I can do anything. I don't feel bad about my body even though I can only use one leg on the sewing machine.'* Neary

*'It's not about the wage. I'm happy to work here because people help each other and they understand me.'* Srey Malis

*'When I come to work, I feel happy, like I have another family. Thank you for buying these jeans - it has changed my life.'* Neary

*'Outland Denim has helped me a lot. When people buy jeans, it helps us and gives us more work, and when they say good things about our work, it makes us happy.'* Leakena

*'Now I can see a bright future ahead of me. I want to thank you for buying my jeans.'* Srey Malis

*'In the Outland Denim sewing room, I have a lot of people encouraging me. They empower me.'* Srey Malis

### **Outland Denim - potential impact of business model**

Currently Outland Denim have directly impacted the lives of 42 women, their families and subsequent generations that will proceed them, helping them to lift themselves out of the cycle of poverty. Since our launch to the market our **employment growth rate has been 950%**. It is possible with this continued rate of growth, Outland's ability to directly impact the lives of individuals through sustainable employment, training and education **within 6 years could be over 3,000,000**.

Our indirect influence on industry is immeasurable. The global fashion industry is worth over \$3 trillion USD (Global Fashion Index 2017), it is also where a significant portion of environmental and human exploitation occurs - reformation of this industry alone would undoubtedly be a superhuman step towards solving major humanitarian problems.

### **Observations from some of our NGO partners.**

"To rescue a child or women from the grasp of trafficking is an intense but short lived operation. Thereafter the work begins, with the two greatest barriers to assisting recovery and breaking the cycle being education and access to employment. Non-government organisations operating in countries such as Cambodia are constantly struggling to achieve true recovery, and/or activate meaningful change, due to the lack of available services, resources and opportunities for victims to effectively reintegrate into community as independent, self-sustaining adults.

Educate a girl, and you break the cycle of, and reduce the risk to, trafficking.

Employ a woman and you give her the tools to be financially independent, significantly reducing the risk of trafficking and allowing choice and meaningful contributions to society.

Greater support and awareness is required to break the cycle and it needs to start at the top".

Clare Pearson

Project Futures CEO

“The most pressing issues for post recovery for survivors of human trafficking is access to safe accommodation that is affordable, psychological assistance, vocational training and life skills. Many survivors lack basic life skills eg. banking and understanding government assistance. They want to get on with their life and earn money and want independence so getting jobs is a priority for them.

Survivors also need to learn how to live in the community so that is also a difficulty as they have not been making their own decisions for some time while they were being exploited.”

Aftercare Clinical Advisor

The A21Campaign

'...the private sector has a huge role to play here in terms of both offering safe placements for survivors, but also for creating a culture change in exploitative practices in general - offering more humane, dignified options that mitigate the need to decide between things like migrating dangerously or working in a dangerous factory or working on the street.'

'I honestly think the Outland model is the way forward for taking positive action against modern slavery...'

Prue Allen,

Liberty Aisa

“ ...we see ethical, value-driven businesses like Outland to be really important partners – focused on transforming lives through providing employment in a successful business, while partnering with NGOs that have expertise in recovery from trauma.”

Jo Pride

CEO Hagar

“The people we meet in developing countries not only lack many of the resources for sustaining life, they also lack the personal dignity of being able to provide for their families and communities. Social enterprise initiatives have allowed everyday people to be empowered to make change which brings healing to individuals, their families and their communities which in-turn will have a generational economic impact in their world.”

Dave Marrett

Global Advocacy Ambassador

The ARK Initiative - Thailand/Myanmar

‘After years of development experience in the field it became clear to me that entrepreneurship was often a faster and more effective way to make change than ‘charity’ approaches.’

Aaron Tait,

CoFounder and Impact officer Ygap



There is a pressing need to assist individuals after the NGO's/Charities have provided their initial response and rehabilitation. All too often individuals are rescued from their immediate situation of need but continuous, unending support cannot be given. Provision for the individual to progress and become financially, mentally and emotionally independent is required. Some NGO's do help to skill survivors after rescue and rehabilitation but unfortunately they are often skilling them to enter another industry that is rife with exploitation. Here is where a social enterprise (in our case Outland Denim) uniquely addresses a desperate need - providing both the skills training and secure, dignified employment in a safe setting. The benefits of such organisations are manifold - a model for social and environmental salvation without the sacrifices so often required with traditional charity organisations.

<b>TRADITIONAL APPROACH TO HUMANITARIAN AID/CHARITY</b> Relying on giving/sacrifice <i>*generalised summary based on information from interviews from numerous NGO's and government bodies.</i>	<b>OUTLAND DENIM/SOCIAL ENTERPRISE</b>
<b>Cost/sacrifice required</b> from philanthropists. Giving with no financial return. Financial investment tends not have financial return.	Good <b>financial return</b> on investment. Consistent building on financial gain, able to be reinvested into current or new project.
<b>Reliance on voluntary or low paid workers</b> from wealthier nations. Often workers need to subsidise incomes with alternative employment splitting focus and energy. Burn out common from tasks too large for small workforce.	<b>Well paid employment</b> rather than reliance on volunteers. Greater focus and specialisation on tasks increasing proficiency and skill development. High job satisfaction and potential longevity within industry. Paid employment can draw from a larger and more highly skilled pool.
Victims can become <b>dependent</b> on the NGO without sufficient skill development for the workplace. Where skills for the workplace have been developed there is a great lack of fairly paid/non exploitative employment opportunities. Solutions provided are not always sustainable long term.	Facilitation of <b>independence</b> . Initial skilling and subsequent upskilling for specific industry and employment. Secure, well paid, fairly treated, satisfying job opportunity provided. Long term solution.



Difficult to break the cycle of poverty - often the underlying problem	Provides a very real solution to the problem of poverty enabling individuals to <b>break out of the poverty cycle</b> and create long term generational change.
Lack of access to continued education post-program completion.	Continuous access to basic education whilst employed. Health, English, Finance, Anti-trafficking - this education passed on to wider family and local community.
Budget constraints often mean most cost effective forms of procurement are prioritised without consideration of environmental or humanitarian concerns.	Procurement of supplies from the highest quality, exploitation free and most eco-friendly sources compounding the positive effect and support of responsible business.

## New Consumer Attitudes

Consumer attitudes are changing and there is an increased expectation that the products they buy are have some sort of positive impact on people or the planet. Currently there is a \$3.5US trillion market for sustainable goods and that market is growing <https://www.unilever.com/news/press-releases/2017/report-shows-a-third-of-consumers-prefer-sustainable-brands.html>. One third of consumers say they choose to buy from brands that they believe are doing social or environmental good. 66% of consumers are willing to spend more on brands that are sustainable and that figure rises to 73% of millennials. <http://www.nielsen.com/us/en/press-room/2015/consumer-goods-brands-that-demonstrate-commitment-to-sustainability-outperform.html>.

Social enterprise fits well into this expanding market, servicing the needs of both consumers and workers.

## How might the Australian Government through its Australian foreign Aid budget support Social Enterprise? Key Recommendations from Outland Denim's experience.

1. Create a **strong and effective support mechanism** to help start up enterprise through the early stages. From experience we would recommend this take the form of **longer term mentorship** rather than simply consultancy. Startups often need help walking through the process. Some key areas of support would be - a) setting up business

structure/foundations b) securing IP c) trade marking d) both Australian and international legal advice e) market share f) importing/exporting g) submitting for grants and funding h) getting funding through to managing funding i) creating a pitch deck and presenting j) preparing for a managing auditing

2. **Underwrite 0% loans for social enterprise startups.** Cashflow is one of the greatest hurdles for any business startup. Access to finance would mean more social enterprise are likely to survive the initial stages when most fail.
3. **Government sponsored advertising campaigns and education.** Educating consumers on the power of their purchases to create positive social and environmental change. This will help facilitate consumer culture change and strongly encourage business to act responsibly towards people and the planet. It will also help to create a more level playing field for those companies who are doing the right thing and operating ethically with those who cut corners at the huge expense of people and the planet.

Given our experience and impact we would recommend the Australian government give serious consideration to the support of Social Enterprise as part of its Foreign Aid Program to secure long term solutions to problems of poverty and injustice in the Indo-Pacific region.

Thank you kindly,  
**Outland Denim**