



## **Submission from Ethical Clothing Australia (ECA), to the inquiry into the implications of the COVID-19 pandemic for Australia's foreign affairs, defence and trade, being held by the Joint Standing Committee on Foreign Affairs, Defence and Trade.**

### **Ethical Clothing Australia Background**

1. This submission is made on behalf of the Homeworkers Code Committee which trades as Ethical Clothing Australia (ECA) – a not for profit with ABN registration 88997259919.
2. Membership of the Homeworkers Code Committee includes the Australian Industry Group (Ai Group), the NSW Business Chamber, manufacturers and union representatives from the Textile, Clothing and Footwear Union, which is part of the Manufacturing Division of the CFMEU.
3. ECA has been protecting and advocating for the rights of Australian garment workers and helping local businesses to comply with local workplace laws for 20 years.
4. The organisation was created in response to rising concern about the exploitation of Australian garment workers, particularly of outworkers (otherwise known as homeworkers) in local supply chains. Businesses that were doing the right thing were being tarnished by the poor practices of other operators and local retailers and manufacturers were seeking a solution to recognise those that were adopting ethical practices.
5. ECA independently accredits businesses that produce Textiles, Clothing or Footwear (TCF) in Australia, ensuring that their workers are being paid appropriately, receiving all the legal minimum conditions and working in safe workplace, throughout the entire supply chain. The auditing, compliance and outreach work is undertaken by specialists from the Textile, Clothing and Footwear Union as part of a signed agreement with ECA.
6. The accreditation and labelling system that ECA oversee assists businesses seeking to have an ethical and transparent local supply chain by independently ensuring they are compliant through their supply chain. Businesses must pay an accreditation fee (sliding scale) when lodging their application, and with each renewal (due every 12 months).
7. Once compliant, accredited brands can display the ECA trademark on their Australian made products, providing consumers and major purchasers with a way to identify and support ethical and locally made products.
8. The work of Ethical Clothing Australia is governed by a Code of Practice which has authorisation from the Australian Competition and Consumer Commission. In 2018, the Code of Practice was re-authorised by the ACCC for another 10 years.

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## **Ethical Clothing Australia's contribution to ethical, local supply chains**

9. The Australian textile, clothing and footwear industry is not a level playing field as businesses gain an unfair competitive advantage when they operate exploitative supply chains, including the exploitation of outworkers. The TCF industry reforms Fair Work Amendment (Textile, Clothing and Footwear Industry) Act 2012 and the Fair Work Act 2009, passed in 2012, demonstrated that the Parliament accepted the necessity for specific legislation and regulation for TCF outwork.
10. Although the TCF reforms to the Fair Work Act have resulted in improvement in compliance across the industry, sham contracting, outworkers receiving below award and legislative wages and conditions, and TCF sweat shops continue. Sham contracting, although unlawful, means that 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, superannuation.
11. Outworkers are particularly vulnerable in the TCF industry as they often work in isolation and can be unregulated. They can face unrealistic deadlines, long hours, irregular flows of work and occupational health and safety issues. Other issues include lack of awareness of legal rights and entitlements, and powerlessness to speak out about problems in fear of losing work altogether.
12. ECA's accreditation program maps a business's Australian supply chain throughout design, pattern making, cut, make, trim and dispatch, including all value adding services and outworkers. This is done via annual third-party compliance audits conducted by the TCF Union. By encouraging companies to view supply chain management as an integral part of business, ECA protects the rights of both local factory-based workers and outworkers. To remain accredited, businesses must rectify any issues identified in their supply chains and businesses must undergo yearly audits.
13. ECA is an example of how industry, employers and unions can work together to create and deliver a robust program that supports an ethical, local industry. The accreditation program's history shows that it has been a trail blazer in developing a response protecting and advocating for the rights of garment workers – there is no equivalent accreditation program that applies the same level of rigour and utilises the trade union as part of the process nationally or internationally.
14. The need for accreditation program and auditing remains as strong as the day it was created as non-compliance, exploitation and unsafe work practices continue in the local industry. The program continues to provide a platform to profile and showcase businesses that are doing the right thing by the workers in their local supply chains.
15. Government reports attest to issues in the industry. In the report released by the Fair Work Ombudsman (FWO) in 2019, audits found that only 52% of Australian textile, clothing and footwear businesses were compliant with all of their legal requirements (and the audits undertaken by the FWO did not even include occupational, health and safety reviews). The audits undertaken by the FWO found the most common issues were record-keeping breaches, underpayment and pay slip breaches. It should be noted that even the low levels of non-compliance is considered to be an under-estimate because the FWO also did not look at outsourcing arrangements and if the company was meeting their legal obligations as required under the local Award.

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16. ECA asks that members of the Joint Standing Committee on Foreign Affairs, Defence view ethical supply chains as non-negotiable post COVID-19. It is not only critical to support our local industry, but due to the unique nature and complexity of supply chains in the TCF industry – which includes the utilisation of vulnerable outworkers - the government should put in place parameters to ensure it is working with businesses that are operating according to Australian workplace laws.
17. In this industry, requiring ECA accreditation for local textile, clothing and footwear manufacturers provides a way of ensuring that the government is working with ethical suppliers.

### **The impact of COVID-19 on TCF manufacturing and supply chains**

18. The local TCF manufacturing industry has been extremely negatively impacted by COVID-19 and ECA has written representations to the Commonwealth Government's Department of Industry, Science, Energy and Resources in this regard. The impact on the local industry was immediate due to a collapse in demand for retail sales - driven by store closures and record low consumer confidence. The impact was further exacerbated by the cancellation of orders for local manufacturers. COVID-19 has impacted negatively on domestic fashion brands and manufacturers, and these businesses are now doing it tough as the uncertainty surrounding their future remains.
19. A supply chain crisis presented by COVID-19 was the supply of Personal Protective Equipment (PPE) including the provision of masks, gowns and scrubs. In the first instance this PPE was required for health workers, emergency service personnel, cleaners and other essential workers. Initially there were significant shortages of PPE when COVID-19 became a major health issue in Australia resulting in a safety risks for essential workers and ongoing concern about the availability of these items.
20. While the health impacts of COVID-19 have been to date relatively contained in Australia, resulting in a smaller need for these items than originally foreseen, the fact that Australia was heavily reliant on overseas supply chains in the first instance to respond to PPE needs presented a significant risk and it will do so in the future if this matter is not addressed locally.
21. A secondary risk in this space was quality surrounding PPE imports, and the importation of products that were not fit for purpose and did not meet the required standards. Globally and in Australia there were reports of fraudulently-produced and PPE being produced and sold that was not fit for purpose. The impact of poor quality imports not only puts pressure on Australia's border controls and resources but it also puts those needing this specialist clothing and protection at a significant risk.
22. After the pandemic hit, ECA witnessed how our local industry responded with speed and capability in being able to adapt, to design and produce some of these goods, however, to date these opportunities have been extremely limited and greater support is required from government. Businesses that were previously focussing on fashion rapidly changed their in-house production to focus on PPE and they demonstrated their capabilities to work with different fabrics and materials, to create new patterns and designs and to change the products being produced in their local supply chain. These businesses have wanted to respond to calls for assistance from government but to date the majority of arrangements to supply PPE have been made with the private sector.



23. The pandemic exposed that more attention is needed in this area so that Australia can source, produce and ensure the standards of PPE products in the future. To protect Australia's interest going forward, this inquiry is urged to consider the minimum TCF PPE products that should be produced and supplied locally. This is critical in the event that the health risks from COVID-19 increase or in the event of another similar health crisis or other security threats or major events.
24. This would be similar to the Commonwealth Procurement Rules exemptions that are in place for the Standard Combat Uniform worn by the Australian Defence Force (ADF) members. This exemption allows for the local manufacture of the Standard Combat Uniform and it specifies how the fabric must be woven, dyed, printed and finished in Australia, and that the garment cut, sew and trim undertaken in Australia. It was noted that exemption was identified as necessary for the protection of essential security interests. The Government should seek similar exemptions across a range of PPE areas in order to maintain and secure our country's essential security and health needs post COVID-19. The opportunity is here to secure the local capabilities, skills and supply chains on-shore to provide essential protective clothing.
25. The Committee should consider that the government must also look to the ethical supply of these products and to not be supporting oversea production that may involve cases of modern slavery or worker exploitation. Having these products made locally and by an ECA accredited manufacturer would minimise any such risks for the government.
26. By way of example the Victorian Government introduced a policy to support local TCF procurement in August 2018. The Victorian Government released its Guide to procuring uniforms and personal protective equipment (PPE) which mandates all government buyers to procure locally manufactured uniforms and PPE, wherever possible, from 1 August that year. The government's guide also includes ethical considerations noting that "the TCF sector globally is considered to be high risk in ethical labour, modern slavery and environmental practices. These risks need to be assessed and mitigated. There are a range of accreditations and international standards that suppliers may adopt to ensure ethical supply chains." The government guide includes the requirement that Australian manufacturers of TCF goods must be accredited, or in the process of seeking accreditation, with ECA. In addition, the manufacturers must maintain their accreditation throughout the term of contract with the Victorian Government. The inclusion of similar requirements are crucial with the introduction of any Commonwealth Government exemptions in support of local PPE manufacturing.
27. Further to ensuring our security and health needs, the local manufacturing of PPE through the use of ethical suppliers would, by default, bring additional economic benefits to many SMEs that operate in the local industry, as well as their employees. Procurement provides businesses with the confidence to invest in their equipment, their operations, their employees and their supply chains. It allows for long-term planning and gives economic security. Government investment in this area is also an investment for other agencies and private sectors that seek such PPE (such as private hospitals, aged care homes and cleaning agencies).
28. Simultaneously local manufacturing provides the government with many benefits such as: a stronger visibility of your supply chain, faster delivery times; faster turn-around times, greater trust and ethical suppliers.



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### **Securing local TCF capabilities and supply chains**

29. More than 100 manufacturers, with about 500 supply chain participants, are presently accredited with Ethical Clothing Australia. 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, and Workwear and Uniforms and Personal Protective Equipment.
30. The accredited manufacturers range from major, well-known household names to leading Australian designer labels, to traditional manufacturers, to new and emerging businesses that are basing their entire practices on ethical and sustainable foundations. The business structures range from sole traders to companies, to social enterprises.
31. The businesses that work with ECA are committed to local, ethical manufacturing despite moves by many of their competitors to move 100% of their production offshore. Through this local production, these businesses are providing quality, local jobs and providing work to other businesses associated with the industry. It is our belief that the industry and its capabilities has been under-valued as became evident in the initial days and weeks of the pandemic.
32. COVID-19 has presented an opportunity to secure the supply of important PPE products by recognising the role that our local TCF industry can perform and by recognising the value of local supply chains. It will not just provide a powerful economic recovery for local manufacturers but it will improve the quality of Australian supply chains.

ENDS

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