

Fair Trade Workshop

*Evidence from Brotherhood of St Laurence
research*

Emer Diviney & Serena Lillywhite
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Abstract

This paper explores understandings within the Australian garment sector of labour conditions in both Australia and low-wage countries. It also discusses the industries awareness and understanding of corporate social responsibility mechanisms and regulatory frameworks and their willingness and capacity to implement responsible supply chain management through their sourcing practices. The paper also documents what the industry perceives as the barriers, opportunities and risks related to both, operationalising or not adhering to national or state laws and voluntary mechanisms. Finally the paper draws on industry recommendations for enhancing the sectors support for and compliance with state and national laws, international standards and voluntary mechanisms. The environmental performance of companies was outside the scope of the study.

The paper is based on research conducted in 2007 by the Brotherhood of St Laurence entitled Ethical Threads¹. This study was the first Australian report on corporate social responsibility in the garment sector that draws on all stakeholders – companies, unions, workers, non-government organisations, peak industry groups, government and universities.

This research confirms our organisation’s view that responsible supply chain management and transparency are an essential aspect of Corporate Social Responsibility. The issue is complex and no single organisation has all the answers, particularly with regard to ensuring labour rights are part of negotiations and practices. The best results are achieved through innovative incremental improvements and global and local collaboration among enterprises, trade unions, industry associations, NGOs and governments.

Introduction -The industry in context

Since the 1970s there has been significant restructuring of the garment industry in Australia. Through the progressive 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. As a consequence of the labour-intensive nature of garment production, cut-make-trim processes have moved to competitive locations where labour is plentiful and inexpensive. According to Raworth (2004, p.48), ‘today, at least 50 countries look to garments for export success, and thousands of manufacturers—both local owners and foreign investors—are vying for a place in big companies’ and retailers’ supply chains’.

Australia has followed worldwide trends of offshoring and outsourcing. Up to 50 per cent of clothes now sold in Australia are manufactured overseas (ANZ 2005), mainly in low-wage countries. Clothes manufacturing is also outsourced within Australia. Of production which continues to occur in Australia, the TCFUA estimate that up to 40% of garments manufactured onshore are made by outworkers who are mainly migrant workers who work from home. (Productivity Commission 2003). Garments are now rarely produced by the retailer or fashion wholesaler in a company owned factory.

This research has found that most Australian garment companies are struggling with this new level of complexity, particularly in relation to monitoring worker conditions. Many principal companies – the retailers or fashion houses that outsource production - had little knowledge of the labour

rights issues in their supply chain, and some consider that labour rights are the responsibility of their suppliers.

The research also found that Australian companies had been slow to embrace both mandatory and voluntary mechanisms to protect workers in both their international and local supply chains. Companies had little awareness of either local laws or international mechanisms for monitoring labour rights in their supply chains. Many companies, especially smaller ones, believed it was difficult to comply with Australian law and the Homeworkers Code of Practice, or to implement corporate social responsibility (CSR) strategies in either their Australian or international supply chains, citing issues of access to suppliers, small manufacturing bases and limited organisational capacity. Further, smaller companies generally believed that consumers did not care about the conditions under which garments were manufactured, and that no business case existed for developing CSR strategies.

Methodology

The research relates to the sourcing and /or producing garments and apparel products for the Australian market either on or offshore by Australian companies. The study focused on the ‘cut make and trim’ processes in companies’ garment supply chains. Sourcing and/or producing fabrics, trims, accessories and knitwear was outside the scope of the study.

The study explored companies’ awareness of and adherence to the following Laws, regulations and CSR initiatives. In Australia the Workplace Relations Act 1996, Federal and State Clothing Trades Awards; The State and Federal Board of Reference and the Homeworkers Code of Practice. The CSR initiatives explored included the Global Reporting Initiative, SA8000, Fair Labour Association, and relevant international laws such as the ILO Conventions.

The study focussed on labour rights in company supply chains and did not look at a companies CSR performance in relation to environmental issues.

In depth interviews were conducted with 37 organisations including 23 companies and 14 industry stakeholders, including business organisations, labour rights organisations and government employees. We also interviewed 13 outworkers in two focus groups. Industry constraints and limited engagement with CSR resulted in selected company participation rather than a random sample approach. Many companies invited to participate in the research declined. The sample of companies were chosen to reflect the industries diversity, this included; large retail brands, sportswear labels, ready –to-wear labels and fashion companies, uniform and workwear manufacturers and small independent fashion labels.

The research was supported by an advisory committee with representatives from companies, industry peak bodies, the textile clothing and footwear union, government departments, the CSR sector and NGOs. This group assisted in the recruitment of participants, the design and methodology of the research project and gave feedback on the final document. The advisory committee and researchers formulated the research recommendations collaboratively.

Working conditions

It is widely recognised that internationally and in Australia garment workers are some of the most vulnerable workers. 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.

In Australia, 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 this 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. The 13 outworkers interviewed indicated that they received as little as \$2.50 an hour for a detailed shirt which took one hour to sew.

Company representatives interviewed for our study showed an overwhelming lack 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. 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. There was also a strong view that 'sweatshops' existed but not in supply chains from which they procure clothing. This part of the paper now explores these views in greater depth.

Australia

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. Respondents from other companies and two business organisations queried whether conditions were as bad as labour rights organisations claimed. For example:

People make claims that ... can't be supported with real data. I'm not naïve enough to say that every home worker is doing OK, but I'm not naïve enough to say that every home worker isn't. So people that turn around and say home workers are paid \$3 an hour ... there may be a home worker out there being paid \$3 an hour, or a number, or quite a few. But I don't think it's all home workers.

Conservative estimates suggest that outworkers account for 40 per cent of total employment in the textile clothing and footwear (TCF) sector (Productivity Commission 2003). One of the reasons for the lack of appreciation by company respondents of the scale of production being conducted by outworkers is that their views of working conditions were often based on their experience of direct contractors' workplaces; not those further down the supply chain. Of the 19 company representatives interviewed who manufactured in Australia, 16 indicated that they had visited a workplace where their garments had been made. Seven noted that they were commenting on conditions in factories, not for outworkers, and five indicated that conditions for outworkers were probably worse than in factories. Most company representatives were aware that outworkers were employed 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 residence.

There's just stuff everywhere, its fluffy and messy and they've got their kids running around ... I think conditions are pretty bad out there. In relation to harassment, my feeling is it's probably not that much different to many other workplaces, but I can't say it would be as well governed. Who knows?

Asked to compare their conditions with factory workers, outworkers said:

At the factory you work with other people and ... if the company do something wrong you can get other people to help. But if you [are an] outworker [you] don't know enough, if the boss wants to do something you can't complain because you won't get work. [You] don't know who to turn to. They rip you off because you work at home. They think you need the job more than the worker in the factory. So if you work at home they think you don't know the language or the rules.

Most smaller company representatives felt that, because they were paying handsomely, machinists must be receiving award wages. Two large company representatives indicated that they had well-developed compliance systems, expressing confidence that all workers in their supply chains were employed under award conditions:

I'm not on a supply chain that is cheap and nasty. We have to get quality so they have to pay the workers a decent wage to get a decent product.

Low-wage countries

Most company representatives interviewed had a limited understanding of conditions in their international contracting chains, and based impressions on personal opinion and brief factory visits, rather than 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.

Most of the 15 representatives of companies sourcing overseas had visited the factories where their garments were produced. Those who had not were most likely ordering 'off the rack' garments they had not designed, from catalogues or trade shows. 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 reflected the technical capacity and quality of goods produced by the factory:

We put orders in that are going to be substantial, so they have to have manufacturing processes in place; and if they've got good-quality manufacturing processes, that normally leads on to being a reasonably good and effective place to work as well.

This view is likely to be ill-founded, however. Research conducted by the BSL (Lillywhite 2003) into the optical sector in China showed clean, modern, high-tech factories could mask serious human rights abuses. Labour rights spokespeople agreed:

The conditions can look good on the surface—clean, light, modern—but the problems can be hours, hourly rate entitlements, overtime, sexual harassment, or being timed in the toilet.

Australian law and regulation

Companies manufacturing in Australia are governed by a regulatory framework covering both factory workers and outworkers. This framework does not address companies' responsibilities to overseas workers involved in garment production.

Australia's regulatory framework, according to Marshall (forthcoming), appears to be a model of regulatory design, 'incorporating a combination of voluntary mechanisms and punitive options'. It attempts to address the garment industry's fragmented and complex manufacturing supply chains. Regardless of the design of the regulation, the Senate Economic References Committee (1996) noted that non-compliance with award wages and conditions was so widespread it was considered normal; and according to outworkers interviewed for this research, conditions have worsened over the past 10 years.

Our findings may provide some insights into why widespread non-compliance is the norm. 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 were aware of the need to be award-compliant. All respondents from small and medium companies felt they lacked the organisational capacity to manage such complex legislation, and that there was nowhere to get advice and information. In contrast, interviewees from both companies and labour rights organisations felt that the government and educational institutions teaching fashion design and business were not doing enough to educate the industry, and that government was not providing adequate support for companies to adhere to the regulatory framework.

Two business organisations with membership across multiple industries confirmed that, given the shrinking garment sector, they could not give priority to tracking changes in its regulatory and voluntary frameworks. Such assistance to members would not reach many companies, as small businesses were often not members of industry organisations, relying on their accountants to provide advice on regulation.

Some larger company representatives expressed confidence that bad or illegal practices were not taking place, citing their contractual arrangements and long term working relationships with suppliers, who were anxious to keep their business. A bureaucrat noted that the absence of large company prosecutions supported this claim. Outworkers, however, indicated that they had encountered problems when sewing garments for one large retailer interviewed:

We do the sewing; the factory then gives it to [company name] and they say it is all wrong and they don't pay the money. Then the factory does not pay me.

Voluntary regulation in Australia

Companies manufacturing in Australia can demonstrate their commitment to fair and decent working conditions by signing the Homeworkers Code of Practice (HWCP)². However the research findings indicate that there is little company support for the code.

Fifteen company respondents were aware of the HWCP. Only three companies had signed Part 2 of the HWCP and just two others were considering signing in the next 12 months. Many interviewees seemed confused about the difference between the award requirement to register with the board of reference and the voluntary commitment of signing the code.

Generally, the impressions of respondents from business organisation and companies of the code were not favourable. They did not consider it a multi-stakeholder initiative that promoted best practice, and felt there was little support for it within the sector. Even though the code is managed by a committee comprising industry and TCFUA members, most business organisation respondents considered it a union and Fairwear initiative and felt that the TCFUA did not manage it adequately

Does someone go back and inspect the factories? People just sign the stat decs [sic] and then never do anything.

Small and medium company representatives stated that they did not have the organisational capacity to manage the process; and small companies could not afford the \$2000+GST

accreditation fee. Some were also unsure whether their contractors could meet the code requirements, and were not prepared to jeopardise their supply. A business organisation representative indicated a need for a different approach for monitoring:

I don't understand why they [the union] don't just say to designers, 'OK, you give us all the lists of your makers—that is all you need to do. We are not going to fine you if they are not award-compliant because we realise it is so difficult to find one that is award-compliant'. Then that is when you can start following the chain. I think the problem is that designers are all working in breach; they are all using unregistered factories.

A further code barrier was the perceived reluctance of factory contractors to disclose their suppliers, out of concern that retailers and labels might cut out the contracting factory from the supply chain.

There was a general feeling from smaller companies that the code was oriented towards larger businesses; however, small companies were more likely to see the advantages of trading as a 'No SweatShop' manufacturer.

Corporate social responsibility

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. In this context there is a need for companies to recognise their social obligations regarding international supply chains. Corporate social responsibility (CSR) provides a framework for companies to voluntarily integrate social and environmental and governance practices into their business operations. Corporate responsibility issues are entering a new phase of prominence in Australia and internationally. However, this trend needs to be put into perspective: for example, of the world's 65,000 transnational corporations (TNCs), only an estimated 4000 companies produce reports dealing with social and/or environmental performance (Holliday et al. 2002).

In the garment sector these include large multinationals such as Nike, Adidas and GAP. The adoption of CSR by smaller companies is far more rare. For instance, internationally, and in Australia the level of reporting from SME's is almost non-existent. This presents a problem for the Australian TCF industry, where 87 per cent is comprised of small to medium enterprises. Internationally there is considerable debate as to whether voluntary CSR mechanisms benefit workers in a company's supply chain (Bendell 2004). The debate was reflected in respondents' views: overwhelmingly, however, business organisations and companies felt that voluntary approaches were the way forward.

You know ... half the time we try to regulate too much, then people are bucking the trend and they try to do all sorts of things to break the rules because it becomes too rigid and inflexible.

By contrast, the labour rights advocates believed that voluntary mechanisms were useful; but to 'have teeth' they need to be underpinned by both national and international law. According to one respondent:

So I think it would be great if the Australian government required all Australian companies sourcing overseas, and indeed any company exporting to Australia, to source from places where ILO Conventions are respected; but I think we're a long, long way from that.

Putting aside the respondent's views, for a moment, it is increasingly apparent that Australia is lagging behind Europe and the US in developing a regulatory CSR framework for international supply chains. In the EU, there have been changes to the Companies Bill in the UK and a resolution by the European Parliament entitled Corporate social responsibility: a new partnership, which both 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.

Australia currently has no such broad requirements. Recently the Australian Government has conducted two inquiries into mandatory corporate responsibility, one by the Corporations and Markets Advisory Committee (CAMAC) and the other by the Parliamentary Joint Committee on Corporations and Financial Services. Both inquiries recommended voluntary mechanisms, rejecting calls to introduce mandatory regulation that would increase directors' duties to ensure the interests of stakeholders other than shareholders are considered and require social and environmental reporting. State and federal governments could also be encouraging ethical practices through state procurement and government assistance programmes. 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.

One positive commitment the Australian Government has made to encourage CSR is the adoption of the OECD Guidelines for Multinational Enterprises. Although the guidelines are non-binding, they prescribe a role for government to ensure that they are respected wherever a company does business. Our research suggests that greater efforts need to go into promoting the OECD Guidelines as awareness is low. Apart from the labour rights organisations who were respondent to our study, only four companies, one business organisation, and one bureaucrat interviewed were aware of the guidelines.

Not only does Australia's lack of mandatory regulation suggest a lack of commitment to ethical principals, it also poses a potential threat to its export markets. Australian companies have little experience and expertise in practices which are quickly becoming the international industry norm. As a consequence of US and UK legislation, as well as shifting mainstream expectations, Australian businesses 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. Low awareness of and compliance with voluntary mechanisms such as the OECD Guidelines creates a further potential risk for the sector, as a growing number of NGOs have used the complaint mechanism of the guidelines to raise issues related to various companies' international activities (Lillywhite 2007).

Attitudes to CSR

Six of the seven large companies interviewed had developed a voluntary CSR strategy to monitor conditions overseas. Companies which had CSR strategies were those with greater organisational capability, or those perceiving greatest risk through inaction. Most organisations interviewed identified an 'in-principle' responsibility to ensure fair and decent working conditions because it was morally right, contributed to good business practice and assisted with risk management. A business organisation representative noted:

Reflecting on the competitive nature of the industry, the decisions always come down to what benefit are we going to get in terms of efficiency, quality, production, versus the cost.

Despite this, only half of the 23 company respondents said their company had adopted strategies to promote ethical conduct, and only a few identified working conditions as a criterion for selecting manufacturers. 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.

Asked about the international trends in CSR, most smaller company representatives could not see opportunities or benefits from developing such a process, due to the following barriers:

- mechanisms only designed for larger companies
- consumers indifferent, and unwilling to pay for 'ethical' garments
- financial sustainability more important than ethical supply
- lack of organisational resources and expertise
- lack of influence due to small size
- difficulty taking responsibility for workers other than direct company employees.

Larger companies and some sportswear/workwear companies, however, were more inclined to see the benefits of a CSR process, for reasons of:

- demonstrable risk mitigation
- building community confidence in their brand
- positioning the company as an industry leader.

The barriers identified by larger company representatives related more to the difficulties of implementing a CSR process, including:

- driving the process internally
- creating an environment to embed CSR in organisational processes
- influencing suppliers when Australia is a small market relative to Europe and the US
- mapping and understanding complex supply chains.

Interestingly, of the four publicly listed companies, only two representatives indicated that shareholder demand moved them to develop a CSR process; and only one business stakeholder said it would motivate companies.

International CSR mechanisms

In the absence of binding regulations for international sourcing, the past decade has seen a proliferation of initiatives (many based on ILO standards) designed to guide the development of companies' ethical strategies³.

Apart from a few larger company representatives, most were unaware of these international mechanisms or did not believe they were applicable to the Australian industry or to their particular business.

Asked about signing on to or adhering to international CSR mechanisms, respondents indicated a range of barriers such as:

- identifying those which suited their business
- mechanisms inappropriate for Australia
- preference for managing social compliance in-house or through their sourcing agents.

They also reiterated the lack of organisational capacity and the lack of a clear business case or customer demand. One company employee who had worked in England, however, was surprised that there was no multi-stakeholder initiative such as ETI 4 in Australia.

Company CSR Processes

Our study found that apart from some larger companies, the garment sector in Australia showed little understanding, engagement, implementation, or reporting in relation to CSR. Only two medium company representatives claimed they had an ethical strategy relating to their international supply chains. Only one company used a factory that was SA8000⁵ accredited, yet other factories in its supply chain were not audited. Another representative indicated that its sourcing agent had a process for social auditing but did not have a code of conduct. One small company owner felt that, because their overseas factory fed the staff and provided schooling for employees' children, the factory was 'reputable'.

Only one company had an employee specifically responsible for CSR. In other companies which mapped and monitored their supply chains, this work was usually undertaken by sourcing and procurement staff.

Codes of conduct

In line with international trends (Utting 2001; Kolk et al. 2005), the CSR mechanism most commonly adopted by larger companies was a code of conduct. Five large company representatives indicated that they had a code of conduct; and one medium-sized sportswear company, a licensee for a large brand, was required to refer to its parent company's code.

The OECD broadly defines codes of conduct as 'commitments voluntarily made by companies, associations or other entities which put forward standards and principles for the conduct of business activities in the marketplace' (Gordon & Miyake 2000, p.31). The apparel and footwear sector is often described as one of the leading industries in the development and implementation of such codes (Global Reporting Initiative 2006).

Representatives of labour rights organisations we spoke to felt that, in the absence of a regulatory framework, individual company codes were useful internally but not across supply chains. However, to have an impact on labour conditions both in Australia and overseas, there needed to be skilled labour rights practitioners auditing and advising on the development and implementation of codes.

Large company representatives gave the following reasons for developing their codes:

- reputation risk and international examples of companies being exposed for bad practice
- company strategy, values and desire to be seen as industry leader
- consumer, shareholder or client demand and staff satisfaction.

Five company representatives provided copies of their codes. All codes addressed the minimum standards in the ILO Fundamental Principles and Rights at Work, with the exception of one company not including freedom of association and the right to collective bargaining. Most expanded on the elimination of discrimination by specifically addressing wages and hours of work, both considered key issues in the garment sector. Further, three codes addressed issues such as accommodation, toilets, and amenities; and two codes mentioned a minimum wage.

Despite all codes referring to the ILO Conventions, no code suggested a way of resolving the barriers to freedom of association and collective bargaining in countries such as China.

Making commitments public

Another observation relating to the CSR practices adopted by respondent companies was the fact that they don't appear to open the company to greater public accountability. According to an OECD study:

A major advantage of the corporate code movement is that it brings corporate responsibility issues out into the open and into the arena of public debate. It does this by increasing the transparency of private commitments. Once in the public domain, the commitments can be evaluated, debated, and at least for the most successful codes, imitated. (Gordon & Miyake 2000, p.29)

Most of the companies studied which had adopted codes, however, did not make their processes entirely transparent. Only three companies had statements regarding ethical supply in the public domain. Just one company provided a link to its code of conduct on its website. This was also the only company to produce a sustainability report including information about ethical supply and auditing—though only the number of audits undertaken, not the results of the auditing process. Nor was the sustainability report 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.

Some companies that had implemented processes to monitor supply chain labour rights did not publicise this, stating that they did not want to draw attention to the issue in order to avoid creating an expectation from consumers and NGOs.

Consultation with stakeholders and capacity building

Studies of code content have overwhelmingly stated that CSR 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). Our research found that all but one respondent company with CSR strategies had developed and implemented their codes without involvement from process workers, suppliers, unions, or NGOs, suggesting that the CSR strategies may be weaker as a result. The exception was one large company whose sustainability report stated that it had conducted supplier consultations.

Company representatives explained that their codes were produced internally or through consultation with a private company with expertise in inspection, verification, and certification. Most stated, however, that they had also referred to intergovernmental standards and multi-stakeholder initiatives. No company had a committee with external stakeholders to advise on their ethical procurement strategies.

Another issue was the way in which codes were communicated to workers in their supply chain. Most companies indicated that, as part of their monitoring process, they interviewed workers in private about conditions; and companies had their codes translated and distributed to workers. Two companies had a hotline that employees could anonymously call to report breaches of the code; however, it was unclear whether this service was available to workers in their contracting chains. No company representative mentioned any in-factory training about code requirements.

Auditing, monitoring and certification

Both labour rights organisations and companies involved in CSR agree that audits alone do not improve the conditions for workers. A recent review of Britain's Ethical Trading Initiative (Barrientos et al. 2006) found that audits have some positive impacts, generally limited to more visible issues such as health and safety, but research teams found many problems of non-compliance; and the Clean Clothes Campaign (2005, p.74) stated that 'an audit, used alone, can never produce change—it can only produce a "shopping list" of items to be remedied'.

The head of Sears Holdings Corporation, a large global brand, stated at the 'Supply Chain Talks Back' Conference in China in 2005:

We have conducted in excess of 8000 audits, but all they show is conditions on the day—either pass or fail. Audits themselves don't improve factory conditions.

Most interviewees whose companies conducted factory audits believed that these ensured satisfactory conditions: this suggested unrealistic expectations. The one exception was the representative of a large brand who recognised that with a complex supply chain, change would be incremental:

We've got 11,000 suppliers. It's not going to be something that is done overnight.

Transparency and disclosure

An Oxfam report noted calls for transnational corporations to publish and list their suppliers:

This kind of transparency makes it easier for civil society organisations to investigate and report on working conditions in company supply chains (Connor et al., p.55).

Only two small and one medium company representatives said they would be willing to publicly list their suppliers; two other medium company representatives said they would, but only if there were assurances that competitors could not access their suppliers; the rest said no.

Most company representatives indicated that the market in Australia was too competitive and that their supplier base was an important part of their intellectual property and brand success. Disclosing where they manufactured their goods was perceived as too big a risk for 18 of the 23 companies:

There is an inherent risk in publishing your factories. For Nike it is slightly different because they are a global player ...so their suppliers would be less likely to take work from their competitors.

Consumer demand

A major barrier to adopting CSR strategies is the overriding view that most consumers do not care where and how their garments are sourced, or about the labour conditions under which products are manufactured. Trends in Europe, however, indicate that consumers elsewhere are becoming more concerned about the social and environmental impact of their purchases. Recent EU and British polls demonstrate community interest in ethical supply and increased spending on 'ethical' clothing (Cooperative Bank 2006; CSR Europe/ MOR 2000). One company respondent to our survey noted:

England has had a strong advocacy platform around sweated labour and conditions in China because NGOs have been huge on this issue ...I don't think this has quite happened in Australia.

Interviewing Australian consumers was outside the scope of this research. Research exploring consumer attitudes in New South Wales in 1999 indicated that there was no strong awareness of outworker exploitation. However, once participants were given information about working conditions, most indicated they would pay 5 per cent more for ethically produced garments (NSW DIR 1999).

A case for change

The research has confirmed that conditions for outworkers have worsened in the last 10 years and Australia lags behind Europe and the US in the development of meaningful CSR practices. This is despite growing global recognition by both business & consumers that Fair Trade & CSR are a necessary requirement for sustainable business practice.

One of the most positive outcomes of this research is that nearly all participants affirmed the need for a new model for dealing with labour rights in Australian garment industry local and international supply chains. This would require a sectoral approach supported by reliable data, and designed to foster trust between labour rights organisations, workers, and companies.

Respondents also stated that government needs to be more actively involved in promoting and monitoring both voluntary and regulatory frameworks in Australia, and in assisting companies in meeting their regulatory obligations by providing training and information. Communication strategies should be tailored to suit a creative industry largely consisting of small to medium enterprises. Industry events such as fashion weeks and trade fairs should be targeted, and educational institutions should prepare graduates to understand not only technical, design and business skills, but also labour rights in the industry and its global context. Government should support a strong CSR framework, to ensure companies can compete in the global marketplace, attract investment and create decent employment.

Larger companies and business organisation representatives indicated that CSR strategies needed to recognise Australia as a small player in the international market. Small and medium company respondents believed that large companies could play a stronger role in mentoring about CSR frameworks. Labour rights organisations, companies and some business organisations indicated that industry associations and peak bodies should be more involved in educating companies and understanding CSR. Smaller companies and some business organisations believed the present agenda was driven by union and labour rights campaigners through prosecution processes and 'name and shame campaigns'. There was a general view that no satisfactory mechanism for multistakeholder dialogue exists.

Outworkers wanted to be able to talk directly to companies about their situation. They also commented that companies needed to ensure adequate timeframes and price per unit.

Conclusion

The research has identified that the Australian garment industry has a long way to go in the development and implementation of CSR. Significant opportunities have been identified to address these issues including the establishment of a multi-stakeholder CSR platform for the Australian garment industry and a production hub where smaller companies can have their garments manufactured by outworkers under ethical conditions.

The research also recommends that companies could improve their CSR performance by consulting individuals and organisations representing both supplier and worker perspectives and by making public their CSR processes and results.

The research confirms the value of increasing the industry's awareness of worker conditions, relevant state and federal legislation and awards, and international regulatory mechanisms. Industry events including fashion festivals and trade shows should be targeted for awareness-raising activities. There is also a need to raise consumer awareness about the working conditions and ethical sourcing in the garment sector and present evidence of community concern to the industry.

For a full list of recommendations please refer to the Brotherhood of St Laurence's ethical threads research.

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1 Diviney, E & Lillywhite, S 2007, Ethical Threads - Corporate Social Responsibility in the Australian Garment Industry, Brotherhood of St Laurence viewed November 2007 http://www.bsl.org.au/pdfs/Diviney&Lillywhite_ethical_threads.pdf

2 The Homeworkers Code of Practice has two parts. Part 1 relates to retailers and is mandatory only in NSW, requiring signatories to detail where they source Australian-made goods. Part 2 is an accreditation process for companies manufacturing in Australia. Accredited companies are required to provide evidence that their suppliers meet legal minimum standards. Companies are responsible for maintaining records of their production chain, as well as providing evidence that workers are receiving the correct rates and conditions. If employing home-based workers, they also must provide evidence of superannuation and WorkCover. Re-accreditation is annual and costs \$2000 (+GST). Fees go towards promotion and administration costs. Companies which meet the code requirements can use the 'No SweatShop' label on their garments. The HWCP is a multi-stakeholder initiative,

3 ILO Declaration on Fundamental Rights at Work The UN Universal Declaration of Human Rights; the Global Reporting Initiative; The Fairwear Fairwork Standard; SA 8000; Fair Labour Association

4 The ethical trading initiative is a British based Multi-stakeholder initiative with a goal to ensure that the working conditions of workers producing for the UK market meet or exceed international labour standards It is an alliance of companies, non-governmental organisations (NGOs) and trade union organisations that promotes and improves the implementation of corporate codes of practice which cover supply chain working conditions. Viewed Nov 2007 <http://www.ethicaltrade.org/>

5 SA8000 is a global social accountability certification process that has been designed by a multi-stakeholder advisory board. The standard is applied by manufacturers. Social Accountability International (SAI) developed and oversees SA8000.