

Friday, 30 May 2008

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Dear Professor Green,

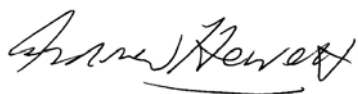
Oxfam Australia values the opportunity to make this submission to the Department of Innovation Industry, Science and Research Review of the Textile Clothing and Footwear Industry.

Oxfam Australia has worked in support of the human rights of workers in global supply chains since 1995. We believe that supporting workers' rights can make an important contribution to poverty alleviation, the Millennium Development Goals and gender equality.

In Oxfam Australia's view, both Government and Australian companies have an important role to play in ensuring human rights are upheld within global supply chains. We are pleased to be able to put forward our rationale and recommendations to this enquiry.

We would be happy to elaborate further or provide more detailed policy on any of these recommendations. Thank you for considering this submission.

Yours sincerely,



Andrew Hewett
Executive Director

**SUBMISSION TO THE DEPARTMENT OF INNOVATION, INDUSTRY, SCIENCE
AND RESEARCH: REVIEW OF THE TCF INDUSTRY**

May 2008

Organisation: Oxfam Australia

Type of organisation: International Non Government Organisation

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Declaration of Interest

Oxfam Australia provides a small amount of funding support to the FairWear Victoria and New South Wales organisations. Oxfam Australia has no pecuniary interest in the outcome of this Review.

1. Summary

- 1.1 Oxfam Australia urges this Government Review to consider the relationship between the Australian textile clothing and footwear industry and global supply chains.
- 1.2 Oxfam Australia recommends the Federal Government:
 - a) Accede to the International Labour Organisation - C177 Home Work Convention, 1996, *Convention Concerning Home Work*.
 - b) Adopt a stringent government procurement policy which ensures ethical procurement and supply chain transparency.
 - c) Explores options for regulating the conduct of Australian companies operating overseas to ensure that they do not violate labour and other human rights, including by requiring companies to uphold international standards and norms, and requiring supply chain transparency.
 - d) Provides technical support to foreign government departments and to local inspectorates and labour law enforcement authorities for the enforcement of labour rights in Asia.
 - e) Internationally and in the case of non Australian transnational companies, takes steps to:
 - i. Strengthen the ILO;
 - ii. Promote the ratification and application of ILO Conventions;
 - iii. Promote respect for workers' rights through international organisations;
 - iv. Implement policies promoting responsible corporate behaviour and respect for human rights in international business activity, including the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and, where relevant, full implementation and strengthening of the OECD Guidelines for Multinational enterprises.
 - f) Fund research into the feasibility of ratings schemes.

2. About Oxfam Australia

- 2.1 Oxfam Australia has worked with local communities around the world to combat poverty and injustice for over 50 years. Our organisation undertakes long-term development projects, provides emergency response during disaster and conflict, and conducts campaigning and advocacy for policy and practice changes which promote human rights and justice. We support over 400 long-term development projects in 30 countries across Africa, Asia, the Pacific and Indigenous Australia.
- 2.2 Oxfam Australia works to promote the human rights of workers in the textile, clothing and footwear industry in Asia because the concept of decent work, as defined by the ILO, is fundamental to combating poverty. Our focus is on workers producing branded sports goods. Oxfam Australia, with international labour rights advocates, has been undertaking advocacy and public campaigning in this area for more than a decade. Our work has included the NikeWatch Campaign and producing evidence-based reports into labour rights and the production of sportswear in Asia.¹ Through this work, Oxfam Australia aims to raise awareness of labour rights violations in the supply chains of high-profile brand companies and put forward solutions and policy recommendations to various stakeholders on how these violations can be remedied.

3. The Australian TCF industry

- 3.1 Oxfam Australia is aware that various organisations and unions including FairWear, the Brotherhood of St Laurence, the Uniting Church of Australia and the Textile Clothing and Footwear Union (TCFUA) have submitted recommendations to this review. Oxfam Australia supports their recommendations for improvements in the Australian TCF industry that will benefit both workers and the industry through developing an ethical and sustainable industry where the rights of all workers, including those of home workers are respected.

4. Australia's reliance on the Asian TCF industry

- 4.1 The Textile Footwear Industry Association (TFI) estimates that approximately 80% of clothing and footwear sold in Australia is produced overseas with the majority (around 90%) coming from Asia.² According to the ILO, 23% of workers in Asia are employed in the 'industry' category, and women account for 34% of the total number of industrial workers.³ The ILO estimates that 84% of working poor in Asia live on less than the US\$2.00 (\$AU2.18) per day poverty line, which is the poverty line set by the World Bank.
- 4.2 The minimum wage, if implemented, in many Asian garment and footwear producing countries is less than the \$US2.00 a day poverty line and significantly less than what is necessary for basic living requirements. For

¹ See for example, the most recent report, Oxfam International, *Offside!* (2007) summary available at <http://www.oxfam.org.au/campaigns/labour/06report/docs/5904oxflrrsummaryDR41.pdf>. The full report is at: <http://www.oxfam.org.au/campaigns/labour/06report/docs/5792oxflrrweb.pdf>. Oxfam Australia's earlier reports on labour rights are also available at <http://www.oxfam.org.au/campaigns/labour/reports/oxfam.html>

² TFIA 2006, TFIA Market Report 2006 – Australian Textiles, Clothing and Footwear Sector, TFIA, Melbourne

³ ILO *Global employment trends: January 2008*, Geneva, International Labour Office, 2008. Statistic for Asia combines statistics for East Asia, South Asia and South East Asia and the Pacific.

example in Sri Lanka the mandated minimum wage for a sewing machine operator is LKR 5,000 per month (US\$42.00/AU\$50.00) or just US\$1.70 per day. Basic monthly groceries take up more than 50% of this wage. The ALaRM coalition of Sri Lankan unions and NGOs estimates the living wage is more than double this minimum amount at LKR 12,504 (US\$120) per month per worker for an 8-hour work day inside free trade zones, and a living wage of LKR 10,183 (US\$98) for those outside trade zones. Living costs are higher for workers in trade zones because they are not living at home or nearby.

5. Decent work, poverty reduction and equality

- 5.1 Decent work and the rights of waged workers are recognised in the Millennium Development Goals (MDGs) as key issues for global poverty reduction, gender equality and development. This is particularly evident in Asia where rural-urban migration and the growing feminisation of the waged workforce have left workers vulnerable to exploitation. These factors mean workers in Asian manufacturing industries experience poor living and working conditions that leave them impoverished. According to the ILO:

Global Employment Trends show that the decent work deficit in the world is still enormous. With five out of ten people in the world in vulnerable employment situations and four out of ten living with their families in poverty, despite working, the challenges ahead remain daunting.⁴

- 5.2 The great majority of these workers are women, who face additional difficulties when compared with their male co-workers. These additional problems include sexual harassment, being expected to bear a greater share of domestic and caring work in addition to their waged work and often being discouraged from speaking out against violations at work.
- 5.3 Oxfam Australia recognises the importance of these issues for workers and works with labour, fair trade, campaign organisations and encouraging innovative business models both in Australia and overseas which prove that alternative ways of doing business ethically are possible. For example, Oxfam Australia was instrumental in encouraging Rise Up Productions to become NoSweatshop accredited so that its Fair Trade cotton garments would be fairly made (see also par 5.4 below). Oxfam Australia draws the attention of the committee to the need to consider the role of Australian companies in global supply chains.

5.4 Made with Dignity: An example of an innovative business model in Thailand

At the former Bed and Bath factory, which produced goods for Nike, Reebok, Levi and adidas, workers reported that during peak periods they were given amphetamines in drink containers so they could work through the night. Because workers earn so little, they do not have any savings, so if they lose their jobs they rely on severance pay for the livelihood of themselves and their families.

⁴ Ibid, (ILO 2008) page 5.

In 2002, all these workers lost their jobs and livelihoods after the factory owner fled the country, owing them back-wages and severance pay. Together with other international organisations, Oxfam Australia campaigned in support of the workers. After successfully fighting for compensation from the Thai government, 35 former Bed and Bath workers formed their own cooperative, called Solidarity.

In 2005, Oxfam Australia supported Solidarity cooperative to market their business to gain better client exposure. More recently and in collaboration with Oxfam Trading we have worked extensively with the cooperative to design and develop a new product - the *I am not a sweatshop bag*, which will help the cooperative remain a sustainable business. The *I am not a sweatshop bag* is now being sold in Oxfam Trading shops around Australia.

“In this place, there is no boss hanging over [us] or taking advantage of us. There is no threat and insult. Most importantly, we are in a factory of our own.”

– Manop Kaewpaga, Solidarity cooperative member

6. Supporting an end to systemic violations in company supply chains

- 6.1 Our work supporting workers in Asia to obtain their rights, is the “tip of the iceberg”. Many branded sportswear companies have become better at remedying violations in their supply chain in the small number of cases where these violations are brought to their attention. However, systemic problems in companies’ supply chains have generally not been remedied.
- 6.2 Nike, the sports brand with the largest market share of the sportswear industry admits that systemic change, not just the resolution of incidents of code violations, is needed. For example, Nike's *FY05-06 Corporate Responsibility Report*, highlights that, in fiscal years 2005 and 2006, the company secured more than 6.53 million RMB (US\$900,000) in back wages owed to workers in their Chinese supplier factories. In 2007, they secured back pay totaling more than RMB 500,000. Nike acknowledges that, in some cases, unpaid wages reflected a lack of commitment to ethical behaviour by their supplier factories. In many other cases, they reflected poor systems for tracking wage payments or poor understanding of local law. In this same report Nike admits that excessive overtime is endemic across its supply chain and that excessive overtime is not only a violation of workers’ rights it also reduces productivity.
- 6.3 According to Professor John Ruggie, Special Representative of the United Nations Secretary General on human rights and transnational corporations and other business enterprises, the root cause of the business and human rights predicament today lies in governance gaps created by globalisation - between the scope and impact of economic forces and actors, and the capacity of societies to manage their adverse consequences.⁵ These governance gaps provide the permissive environment for wrongful acts by companies of all kinds without adequate sanctioning or reparation. Effective responses must aim to reduce those gaps and according to the Special Representative, an “urgent priority of governments” should be to “foster a corporate culture respectful of

⁵ Ruggie J, Report of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises, *Protect, Respect and Remedy: a Framework for Business and Human Rights, Advance Edited Version*, A/HRC/8/5, 7 April 2008, par 3.

human rights at home and abroad.”⁶ Professor Ruggie specifically notes the important role that all states need play - not just the host states in which the activity is occurring. Australia, as a developed nation reliant on the Asian TCF industry, has an important role to play in respect of addressing human rights issues occurring in Asia and globally.

7 Recommendations and Rationale

7.1 This section outlines the recommendations of Oxfam Australia to the Department of Innovation, Industry, Science and Research and a brief rationale for each of these recommendations.

7.2 Oxfam Australia believes the Australian Government can play an important role in contributing to poverty alleviation. At the same time we recognise that the role of others is also crucial, including: governments in the country where the goods are manufactured (often referred to as the host country); international institutions; multi-stakeholder initiatives and the private sector itself, including investors. These recommendations relate to the role government can play in respect of these actors.

7.3 Oxfam urges the Federal Government to:

(a) Accede to the International Labour Organisation - C177 Home Work Convention, 1996, *Convention Concerning Home Work*

Home workers in Australia are mostly migrant women. These women are recognised as being amongst the most vulnerable and marginalised workers in Australia. This Government and previous governments have recognised the importance of protecting Australian home workers. Ratifying the Home Work Convention should be the next important step towards ensuring continued protection of outworkers.

(b) Adopt a stringent government procurement policy

In the lead up to the election of the Labour Government the Hon. Julia Gillard, now Deputy Prime Minister, publicly announced a commitment to develop a government clothing purchasing policy ensuring clothing has been produced ethically.⁷ According to the Deputy Prime Minister the policy would require disclosure of details of contracts for government departments and agencies. Oxfam Australia welcomes the stated commitment to such a policy and awaits implementation of the policy. We also believe this policy can be enhanced and strengthened by:

(i) Ethical procurement.

(A) Ensuring clothing and footwear, procured for government, from overseas (whether produced by Australian companies, their suppliers and or factories producing the goods, if they are different to suppliers) is produced ethically. This should include, as a minimum, ensuring they are produced in compliance with core ILO conventions,

⁶ Ibid, par 27.

⁷ Media statement made by the Australia Labour Party on 1 June, 2007, *Labor Supports 'no Sweat Shops' Campaign*, <http://www.alp.org.au/media/0607/msir010.php>

international norms and conventions and legal minimum wages and conditions (whichever affords the greater protection of labour rights), and from countries and zones where these rights have legal effect.

(B) Not procuring goods from companies, suppliers or factories who violate workers human rights.

(ii) Supply Chain Transparency

Requiring mandatory disclosure of the Australian companies' suppliers and factories where their goods are produced until there is regulation to require supply chain transparency of Australian companies. This disclosure should include: names and addresses of suppliers (and factories that produce goods); length of relationship with supplier; percentage of production with each supplier; evidence that the company and/or their supplier complies with labour rights (this can be in the form of verified audits). Research shows that stable business relationships with suppliers, factories and reasonable prices and delivery times are crucial for ensuring workers basic human rights are respected. Following sustained public pressure, several leading brand companies have recognised the need to publicly disclose their supply chain and have documented that such transparency is consistent with competitive business practice.⁸

(c) Explore options for regulating the conduct of Australian companies operating overseas to ensure that they do not violate labour and other human rights. Regulations should specify that:

(i) Companies uphold international standards and norms.

Australian companies, and/or their suppliers and factories producing clothing and footwear for the Australia market should be required, as a minimum to comply with international standards and norms, along with the relevant laws of the country, whichever offers the greater protection to workers' rights. Such regulation could consider outlining a process that requires Australian companies to act responsibly in the event they, their suppliers and factories producing the goods, if they are different to suppliers, are forced to close. There are several possible avenues to enforce such regulation. Oxfam Australia would be willing to explore further these avenues. Supply chain transparency, as detailed below, would be useful step.

(ii) Supply chain transparency.

Legislation should include: names and addresses of suppliers and factories producing the goods; length of relationship with supplier; percentage of production with each supplier; evidence that the company and/or their supplier complies with labour rights (this can be

⁸ Large global companies such as Nike and Levis Strauss were among the first companies to publicly disclose their supply chain. Smaller global companies such as Puma followed suit. Mountain Equipment Co-operative, a small Canadian cooperative has made a public commitment in its 2005 accountability report to disclose factory locations in 2008. Nike in its 05-06 CSR report says that disclosure of its supply chain has led to successes "as a result of collaboration – shared information, shared best practices, leveraged resources and more effective coverage of supply chains within our industry." Two years later Nike stated, "we have realized no competitive disadvantage from bringing greater transparency to our supply chain." Nike, *FY05-06 Corporate Responsibility Report*, p 18.

in the form of verified audits). Currently, Australian companies that voluntarily join the Homeworkers Code of Practice (HWCP) agree to open up their Australian supply chains to scrutiny, however their overseas supply chains are not scrutinized. At present there is no scrutiny of the global supply chains of any Australian company and we believe this needs to change through regulation that requires transparent global supply chains. Independent monitoring and verification, is at the heart of the HWCP in Australia and should form a crucial part of any scrutiny of Australian companies' global supply chains. Independent monitoring and verification is also an important part of voluntary overseas multi stakeholder initiatives such as the Fair Labor Association (FLA) or the Ethical Trading Initiative (ETI).

(d) Provide technical support to other governments

Government through its aid program could offer to provide technical support to foreign government departments and to local inspectorates and labour law enforcement authorities for the enforcement of labour rights in Asia.

(e) Internationally and in the case of non-Australian transnational companies, the Australian Federal Government should add its voice and influence to:

- (i) **Strengthen the ILO** by supporting measures to strengthen the ILO and the development of ILO enforcement mechanisms. Democratic Presidential candidates Hillary Clinton and Barack Obama have been referring in their speeches to the need to strengthen the ILO generally and implement enforcement mechanisms. If either of these candidates are elected this would signal a substantial shift in US policy.
- (ii) **Promote the ratification and application of ILO Conventions**, using any available combined diplomatic pressure to persuade countries who have not signed and who do not give effect to core ILO (International Labour Organisation) Conventions on basic human rights such as the right to form and join unions and collectively bargain to ratify and give full application to all relevant ILO Conventions.
- (iii) **Promote respect for workers' rights** through international organisations such as the International Labour Organisation as well as other relevant UN bodies and intergovernmental organisations.
- (iv) **Implement policies promoting responsible corporate behaviour** and respect for human rights in international business activity, including the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and, where relevant, full implementation and strengthening of the OECD Guidelines for Multinational enterprises.

(f) Fund research into the feasibility of ratings schemes

Ratings schemes could assess the labour practices of TNCs in their global supply chains. Credible ratings schemes could: assess the labour rights performance of TNCs; build the political will to regulate the global supply chains of companies and exert pressure on companies to improve labour practices throughout their supply chain.