



ethical  
clothing  
AUSTRALIA

## 2022-23 PRE-BUDGET SUBMISSION



**To the Minister for Housing and Assistant Treasurer  
The Hon Michael Sukkar MP**



**From the Homeworker Code Committee, trading as  
Ethical Clothing Australia (ECA)**



**January 28, 2022**

## **Ethical Clothing Australia Introduction**

**Who we are:** Ethical Clothing Australia (ECA) is an accreditation body. We work collaboratively with local textile, clothing and footwear (TCF) businesses to protect and uphold the rights of Australian garment workers.

**What we do:** To be ECA accredited, a business's manufacturing operations are audited from design to dispatch to ensure that local TCF workers, including any outworkers, are being paid appropriately, receiving all their legal entitlements and working in safe conditions. Once accredited, a manufacturer can access use of ECA's certification trademark and the accreditation and labelling system provides consumers and buyers with a simple way to identify and support ethically made Australian TCF products.

**How we do it:** Our accreditation program maps a business's Australian supply chain from design to dispatch including initial design, pattern making, cut, make, trim and all value adding services. This crucial work is done via annual compliance audits conducted by Compliance and Outreach Officers through an agreement with the TCF Union.

**Why we do it:** We were created 20 years ago in response to rising concerns about the exploitation of Australian garment workers, particularly of outworkers (otherwise known as homeworkers) in local supply chains. The accreditation program was established under the leadership and collaborative efforts of the local union and businesses and employer groups from the local industry.

## Ethical Clothing Australia Budget Request

1. This submission is made by the Homeworkers Code Committee which is made up of employer, business and union representatives from the Textile Clothing and Footwear Sector and 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, (ECA) accredited businesses Cue Clothing Co, Bluegum and ADA (Australian Defence Apparel) and union representatives from the TCF Union which is part of the Textile, Clothing and Footwear Sector of the Manufacturing Division of the CFMEU.
3. The Homeworker Code Committee has made pre-budget submissions in 2020-2021 and 2021-2022 and the details outlined in these submissions in terms of ECA's remit, industry conditions and the impacts and opportunities presented by COVID-19, as well as the benefits of the ECA trade mark remain current.
4. The Committee is again calling for the reinstatement and expansion of Commonwealth Government Budgetary measures in support of Ethical Clothing Australia as a key pillar of a growth strategy for the industry. Funding of the accreditation program would assist in growing the local TCF industry and job creation.
5. Modest budget support (\$2 million in the first year) for the next three years would form the basis of an industry led plan across four broad areas: the delivery of ECA's accreditation program; Industry education and employee outreach; promotions and marketing of ECA's certification trademark, and research.
6. Without Commonwealth funding soon the sustainability of the program is at risk and in turn the value of the accreditation program to the local manufacturing industry is also at risk.
7. The Committee does not intend on re-presenting the details of its two previous submissions which outline the value and importance of the program and how it intersects with the local manufacturing business and workers and instead refers Treasury to those submissions for background.
8. The Committee instead intends to provide updated information about the accreditation program and continued growth as outlined below.
  - I. At the time of the last pre-budget submission, 130 businesses were accredited by ECA. Twelve months on there are now 158 businesses accredited. ECA has been experiencing continued growth in recent years, in part due to the interest in ethical fashion and the introduction of a local TCF procurement policy by the Victorian Government. In the past six months alone ECA has had 20 new manufacturers become accredited through the program.

- II. A recent independent evaluation of the accreditation program was undertaken by the Victorian Government. The evaluation, which was completed by Deloitte in December 2021 found that “There is a case for a public funding contribution to ECA given the significant social benefit it delivers, and the likely need for this funding to continue if such a service is to continue. In the absence of ECA, the responsibility for compliance would fall to the regulator or to industry self-regulation, each of which have limitations. The ECA accreditation and compliance model is based on working constructively with businesses in a non-punitive approach.”
- III. The evaluation analysis work undertaken by Deloitte also identified that “ECA delivers value for money for the funding it receives from DJPR (Department of Jobs, Precincts and Regions) given that it delivers considerable benefits to workers and consumers relative to the funding received. The SROI demonstrated that funding towards ECA returns an SROI ratio of 2.0 for Australia and 1.4 for Victoria, and a net present value of \$4.6 million to Australia and \$1.7 million for Victoria.”
- IV. Compliance audits continue to uncover breaches across wages, entitlements, and occupational health and safety.
- V. In December 2021 alone, Of the 66 compliance checks conducted in the area of occupational, health and safety, 19 were found to be non-compliant. The same number were non-compliant when checks were undertaken that month on their legal obligations for reporting on their Supply Chain Relationships.
- VI. Of the 55 compliance checks on employees entitlements 14 businesses were found to be in breach. When it came to superannuation, 25 were in breach. And 23 were non-compliant audits for their legal responsibilities when it comes to wage records.
- VII. Three case studies have been included with this report giving examples of breaches across manufacturers, supply chains and the employment of outworkers.
- VIII. Since the last submission ECA has launched a new website and expanded its manufacturer database on the website to provide an even greater level of information to potential buyers and to shoppers about the accredited manufacturers products, capabilities, expertise and information about their locations. This is a valuable tool for the Australian public.
- IX. Recent ministerial changes covering the Industry portfolio has made it difficult to have an ongoing relationships with the most relevant Minister, since Karen Andrews MP left the portfolio, however the Committee seeks to establish its connection to the government.

9. As outlined in previous submissions, funding will support the delivery of ECA's accreditation program, industry education and employee outreach, promotions and marketing of ECA's certification trademark and research.

10. The outcomes of funding will include:

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

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

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

### **Case Study One**

A business that received its first accreditation in 2020, was found to have a significant number of workers employed since the last compliance audit and an additional shift had been introduced.

The following issues were found during the 2021 compliance audit process:

- There were no part-time agreements in place with the workers being employed as casuals working irregular hours and days.
- The shift workers working the afternoon shift were being underpaid as their rate was incorrect.
- Many skill level 2 workers were misclassified as skill level 1 and were therefore being underpaid.

All areas of concern have been rectified as follows:

- a. Part-time agreements have been provided and consultation was undertaken with the workers affected.
- b. Shift allowance has been rectified and back paid
- c. Misclassified skill level workers have been moved to skill level 2 and the backpay has been paid.

The compliance officer also provided the supporting award/legislation relating to these particular issues the business for reference.

### **Case Study Two**

A principal business applying for accreditation was found to have provided incorrect Work Records to Supply Chain members within their supply chain. Work Records are used to provide information on time taken to make a garment / product and cost paid per garment / product. The paperwork provided by the principal did not comply with the Award.

On further inspection, the Compliance Officer found that the minute rate and dollar value were incorrect. The flow on effect meant that the Supply Chain member was not receiving the correct amount of money for work, which in turn meant that they were underpaying workers in wages and superannuation. The business was also operating at a loss.

It was found that this issue had been occurring for more than 14 months. The principal business made the required amendments to ensure that the making time and the price paid for the garment/product were an acceptable rate.

The makers involved were pleased that the compliance team were able to rectify this issue as it had become a major issue due to operating at a loss. The Compliance team will ensure payments stay in line with amended rate and time during the coming months.

### **Outworker Case Study Three**

During a homeworker visit for a business within an ECA-accredited businesses' supply chain, the Outworker Outreach Officer found that the Outworker had not been receiving any superannuation payments. This had been the case for approximately 12 months.

The Outworker, a very skilled maker of complex and detailed ladies and children's wear, was not aware of their legal rights to superannuation entitlements.

To resolve the problem, the Compliance Officer contacted the employer to rectify the issue. All superannuation was back paid by the supply chain member. The Outworker was able to confirm with the Outwork Outreach Officer that the payments had been made. The employer also provided the Outworker Outreach Officer with proof of the superannuation payment.

The Outworker was very surprised and pleased with the outcome.

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SUBMISSION ENDS

For more information contact the Homeworker Code Committee

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