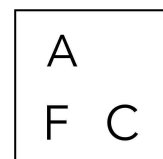


## **INQUIRY INTO ETHICAL CLOTHING EXTENDED RESPONSIBILITIES SCHEME 2005 (NSW)**

**Organisation:** Australian Fashion Council

**Date Received:** 12 June 2024

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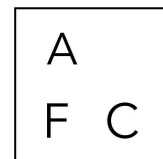


# **AUSTRALIAN FASHION COUNCIL**

Submission to the

INQUIRY INTO ETHICAL CLOTHING EXTENDED  
RESPONSIBILITIES SCHEME 2005 (NSW)

June 2024



## **About the Australian Fashion Council**

The Australian Fashion Council (AFC) is the peak body for the Australian fashion and textile industry. The AFC has represented and served the Australian Fashion & Textile industry for over 65 years. The AFC is a not-for-profit membership organisation that connects critical stakeholders across the industry, and effectively champions an innovative, resilient and sustainable legacy. Our members are drawn from across the clothing and textile supply chain, from fibre producers to manufacturers, brands and textile recyclers. Textile, Clothing and Footwear (TCF) manufacturers represent 15% of the total AFC membership.

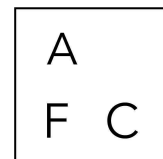
The AFC has a strong history of working with local, state and federal governments to deliver industry-leading and impactful programs:

- In 2023, the AFC launched Seamless, Australia's first national clothing product stewardship scheme, funded by the Federal Government Department of Climate Change, Environment and Water.
- In 2022, the AFC delivered the Australian Fashion certified trademark, a national marketing campaign to drive demand for Australian fashion nationally and globally. The trademark was funded by the Federal Government Department of Industry, Science and Resources.
- The AFC has worked in close partnership with the City of Sydney to deliver two series of AFC FashTech Lab via their Innovation and Ideas Grant. FashTech Lab is a pilot program supporting brands to transition from physical samples to digital samples to reduce cost, time and textile waste. The AFC has also worked with the City of Sydney to develop a set of social and environmental toolkits for AFC members, building capability in the fashion industry to better manage its sustainability impacts.

**Terms of reference**

1. That the Modern Slavery Committee inquire into and report on the Ethical Clothing Extended Responsibilities Scheme 2005 (NSW) (the Scheme) and its potential to mitigate the risks of modern slavery in the clothing manufacturing industry in New South Wales, and in particular:
  - a. the characteristics of the textiles, clothing and footwear (TCF) manufacturing industry in New South Wales, in particular:
    - i. the size of the TCF industry including numbers of outworkers
    - ii. the number of workers in the TCF industry and their employment status
    - iii. the demographic profile of workers in the TCF industry, including their gender, migration status, and the language spoken at home and in their workplace
    - iv. the lived experience of workers in the TCF industry
    - v. the nature and complexity of supply chains in the TCF industry
    - vi. the risks of modern slavery present in the TCF industry
    - vii. the extent of participation by different parts of the TCF industry in alternative voluntary codes
    - viii. the nature and pattern of reporting of exploitation, abuse or modern slavery in the TCF industry
  - b. the current application of the Scheme in New South Wales
  - c. the conformance of the Scheme with Australia's commitment to relevant international standards and frameworks such as the United Nations Guiding Principles on Business and Human Rights and the Organisation for Economic Co-operation and Development Due Diligence Guidance for Responsible Business Conduct
  - d. if changes are required to the current scheme to better mitigate the risks of modern slavery in the TCF industry in New South Wales
  - e. the enforceability of the Scheme in New South Wales, including methods for promoting compliance, such as incorporation by reference through exercise of the Anti-slavery Commissioner's power under section 27 of the Modern Slavery Act 2018 (NSW)

- f. other industries that are vulnerable to the risks of modern slavery due to their supply chain characteristics, such as primary industries and construction, and the characteristics of those industries in New South Wales
- g. the merits of extending the Scheme to other industries that are vulnerable due to their supply chain characteristics to mitigate the risks of modern slavery
- h. any other related matters.



### **The current state of the NSW textile, clothing and footwear industry**

In 2021, the AFC conducted an industry-first study of the entire Australian textile, clothing and footwear (TCF) sector to understand its economic profile, including total value and jobs, current challenges and the future potential of the industry.

The report revealed the following:

- The Australian TCF industry contributes \$27.2 billion to the economy
- The NSW TCF sector is the largest of all states, with a total value of \$9.7 billion and employs 174,000 workers
- Women make up 77% of the total TCF workforce

Beyond this AFC report, there is currently no public data available on the size and characteristics of the NSW TCF manufacturing industry in NSW. This means there are significant gaps in data on the number of workers and outworkers employed in manufacturing, the demographic profile of workers and the extent to which modern slavery issues occur in the industry. To more meaningfully understand and positively impact the NSW TCF manufacturing sector, there is a need for more comprehensive data to understand its current economic profile and the social impacts upon the workers within the sector. The AFC recommends this as the first step to propose improvements or suggestions to strengthen the Ethical Clothing Extended Responsibilities Scheme (Scheme).

The following sections of the submission will identify opportunities and recommendations to:

- Report on the the current state of the NSW TCF industry, including TCF worker demographics, skills gaps and manufacturing capabilities
- Utilise the Scheme to map TCF supply chains and create a supplier network to drive connectivity and visibility of the industry

### **The critical need for data to understand and quantify the NSW TCF industry**

In Victoria, the AFC has commissioned RMIT to produce a report into the current and future state of local clothing and textile manufacturing. This study includes a primary research component with 200 manufacturers and will gather information about their business profiles and capabilities as well as their perspectives on industry challenges and opportunities. When this research is released later in 2024, we will collectively hold a detailed understanding of the growth levers for Victorian manufacturing and the key interventions government and

industry can make to generate further economic and social value for the state. The AFC sees significant value in similar work being undertaken in NSW to understand the characteristics of the industry, its workers and the social impacts of the local NSW TCF manufacturing industry. Given the high concentration of women working in the industry and in TCF manufacturing specifically, addressing the social impacts is important to ensure the economic advancement of women in the NSW TCF industry.

It is worth noting that the disruption of the pandemic upon global supply chains has reinvigorated the demand for Australia's sovereign manufacturing capabilities. With the federal government's recent policy announcement to establish the Future Made in Australia Act, it is now more critical than ever to ensure that NSW has an effective Scheme in place to ensure the rights of all TCF workers are protected.

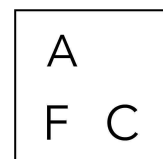
The AFC recommends funding to undertake a quantitative report into the:

- The size of the TCF industry including numbers of outworkers
- The number of workers in the TCF industry and their employment status
- The demographic profile of workers in the TCF industry, including their gender, migration status, and the language spoken at home and in their workplace
- The nature and complexity of supply chains in the TCF industry

As well as qualitative research to report on:

- The lived experience of workers in the TCF industry
- The risks of modern slavery present in the TCF industry
- The extent of participation by different parts of the TCF industry in alternative voluntary codes
- The nature and pattern of reporting of exploitation, abuse or modern slavery in the TCF industry

The AFC recommends that the Scheme is incorporated into NSW government procurement policies. The AFC's recent submission to the NSW inquiry into the procurement practices of agencies included a recommendation to establish a social framework specific to TCF manufacturing. The AFC recommends that the Scheme should be included in this framework as a requirement for government procurement.



### **Utilise the Scheme to map TCF supply chains and create a supplier network to drive connectivity and visibility of the industry**

Because the TCF manufacturing industry has been in a state of decline since the removal of trade tariffs in the 1980s, the industry in NSW and broadly Australia is fragmented with little visibility of the full clothing supply chain. It is difficult to connect suppliers from fibre to textile and clothing manufacturing, retail and end of life solutions. Brands and government procurement departments also find it challenging to engage with local manufacturers with limited information available publicly to locate suppliers and understand their manufacturing capabilities.

ECA has reported there are currently 17 businesses accredited by ECA in NSW, however we anecdotally know there are many more operators. Without reliable data on total number of NSW TCF businesses, it is difficult to equate what this represents as a portion of the industry but it can be assumed there are a lot of businesses that are not compliant with either the Scheme or the ECA accreditation. The AFC believes there has been little engagement overall with industry in terms of monitoring or enforcing of the Scheme since its launch in 2005.

The AFC recommends the report into the NSW TCF industry also include a comprehensive mapping of TCF supply chains in NSW. This supply chain assessment would help to identify potential modern slavery risks by mapping smaller sized manufacturers as well as identifying the location and number of outworkers. The AFC currently hosts a national TCF supplier database on the AFC website, the AFC Fashion and Textile Directory, however further outreach is required to accurately reflect the full supplier network, particularly in NSW. This database could then be utilised as a resource for both industry and government and enable for greater connectivity with and amongst TCF manufacturers. In building such a business network, there becomes a means to channel information about manufacturer responsibilities and ensure they have the tools to enable compliance.

The outsourcing of manufacturing to developing countries is often associated with poor working conditions for garment workers. Distance, combined with lower regulatory enforcement, are key reasons for exploitation to flourish. As such, retaining a vibrant TCF manufacturing sector in NSW is in the interests of both industry and government and engaging with local manufacturers increases visibility over the supply chain and can reduce the risk of labour exploitation.

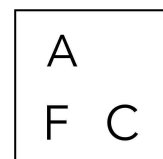


## SUMMARY OF RECOMMENDATIONS

### **1. The NSW Government should provide funding to the AFC to quantify the NSW TCF manufacturing industry to understand its current economic and social value and the future potential of the sector:**

- Similar to the work of the AFC in Victoria, such a report will include an analysis on the characteristics of the NSW TCF manufacturing industry. The report will include:
  - i. The size of the TCF industry including numbers of outworkers
  - ii. The number of workers in the TCF industry and their employment status
  - iii. The demographic profile of workers in the TCF industry, including their gender, migration status, and the language spoken at home and in their workplace
  - iv. The nature and complexity of supply chains in the TCF industry
  - v. The economic and social benefits gained by increasing local manufacturing
  - vi. The lived experience of workers in the TCF industry
  - vii. The risks of modern slavery present in the TCF industry
  - viii. The extent of participation by different parts of the TCF industry in alternative voluntary codes
  - ix. The nature and pattern of reporting of exploitation, abuse or modern slavery in the TCF industry
- This report will then form the basis to assess the conformance of the Scheme with international standards and frameworks, recommend any required changes to the Scheme and evaluate methods for promoting compliance.
- Incorporate the Scheme into NSW government procurement policy.

### **2. The NSW Government should provide funding to the AFC to map TCF supply chains in NSW and develop a supplier network to drive industry connectivity and visibility:**



- This supply chain assessment will identify potential modern slavery risks by mapping manufacturers as well as identifying the location and number of outworkers.
- This assessment will produce a database of suppliers for both industry and government to drive greater connectivity and visibility of the industry, unlocking the ability to share information about their legal obligations.
- Through the assessment a business network of manufacturers can be developed to channel information about legal responsibilities in relation to employing workers in the NSW TCF industry.