

Hidden cost of fashion

Textile, Clothing & Footwear Union of Australia The hidden cost of Fashion - Report on the National Outwork Information Campaign Sydney, TCFUA, 1995, pp 15-21.

Outworkers: are mainly migrant women of non-English speaking background who sew garments, in their own homes, or someone else's home, for the clothing industry.

How outwork works and the influence of major retailers

The high concentration of major retailers in Australia is well documented. For example, Australian companies have been ranked highly among the world's retailers as measured by sales per head of population per year.

Dominance of the retail sector allows major retailers to dictate pricing policy for the manufacture of garments. By asserting control over the market, major retailers are effectively being supplied with local products - bearing the 'Made in Australia' tag - for wages as low as those in China, Indonesia or Vietnam.

The frequent threat by large retailers to turn to imported goods has been used as the big stick against clothing firms. This leaves manufacturers in a weakened bargaining position, unable to assert any control over pricing and production time.

Wholesale prices have been held down despite labour and other cost rises, and manufacturers are required to work with shorter lead and production times.

Clothing firms have responded by looking for cost savings through an increasingly flexible work force and contracting work out to the unregulated labour market - that is, sweatshops and outworkers. In this way the unrealistic

prices and turnaround times are passed on to the group with the least bargaining power: outworkers.

Outworkers, sub-contractors and manufacturers have all expressed their concerns about the pricing policies of warehouse distributors and large retailers.

Pricing

The price paid for garments has little relation to the skill and experience required to make it, or the quality of the end result. Prices are negotiated by warehouse distributors once they have taken on the work for a retailer. The retailers - particularly those with high volume orders - dictate the price they are willing to pay per unit. The warehouse then allocates the work to the lowest bidder, distributing it through a network of contractors.

Warehouses have been known to pressure manufacturers with a factory based work force to shift to using outworkers in order to secure lower wholesale prices.

Not just the cheaper labels

It has been commonly thought that it is the high volume, cheaper sector of the clothing industry which is mainly responsible for using outworkers and paying below-minimum wages.

But one thing the campaign phone-in highlighted was the incidence of high-end fashion houses, labels and retail companies engaging outworkers via contractors for rates only marginally higher than the cheaper end of the market.

A significant number of clothing and manchester companies in Australia have not maintained direct manufacturing. That is, they

no longer operate their own factories and have eliminated direct labour costs. They depend upon their distribution centres to contract to manufacturers who operate from factories and through outwork. Alternatively they hand responsibility over to warehouse distributors who in turn use contractors who subcontract to outworkers.

Many retailers must be aware of where their garments are being made up, since they send their own quality control personnel out to check on the work. Others, however, leave it up to the contractors to monitor quality.

How the pricing and contracting system works: an example

One Australian company contracts its garment production to large manufacturers and a number of smaller contractors. Of their total work being contracted out, up to a third is currently being produced by outworkers.

Campaign workers visited three contractors in Victoria after receiving several requests from outworkers who were sewing this label for the company. The contractors visited stated that this particular company was paying good prices compared to others they have worked for. They also said the demands for a higher quality of work meant that greater care and time were required.

One contractor showed us two garments being made by outworkers. One was a vest for which he/she received \$21. Of this the outworker was paid \$9. The contractor also told the union that it took the outworker two hours to complete the garment. The contractor estimated the retail value of the vest to be approximately \$150.

The second garment was a shirt for which the contractor received \$17 and paid the outworker \$6. This shirt he/she estimated could be completed within an hour, and would retail for up to \$100.

This contractor dealt directly with the retail company with no middle people involved.

The TCFUA campaign worker who had visited a number of outworkers sewing this company's label said "some of the outworkers sewing these garments were very nervous that they would not get paid for the work, as it was not uncommon for their work to be rejected due to quality requirements. Others were happy with the prices because they were better than what they could get sewing for other labels."

Closing down production In favour of contracting out

There has been a trend for companies to close down or state their intention to move offshore in order to move away from factory based production.

However, the benefits of keeping production in Australia are many. Quality control, stock levels and seasonal changes can be better monitored with local production; and lead times are shorter.

Where companies shift from factory production to contracting, the work is very likely to end up being done in private homes. In this way companies achieve all the gains from local production for very low costs.

Some examples from around Australia

A shrinking factory work force

One clothing company has gradually reduced its factory based work force by approximately 80% since 1991. The company recently announced that due to the reduction in tariffs it could no longer compete with imports.

This company has maintained its cutting section. Of the work produced by the cutting section only 20% is sewn in the factory. The rest of the work is passed on to contractors. The majority of their production now takes place in private homes.

No in-house production

A large producer of mid-price women's clothing

has no in-house production facilities. All work is contracted out, including cutting, sewing, pressing and finishing. The work is passed on to outworkers through contractors.

Intention to relocate offshore

One company operating as an importer, exporter and distributor closed down its factory in the early 1990s. They were then employing 100 staff.

The stated intention at the time was to relocate offshore due to the increased competition brought about by the reduction in tariffs and the recession. In 1995 this company - with a new name - is still operating in Australia, but with no direct manufacturing. Their work is carried out in private homes through contractors or imported.

Response from companies to the campaign

The TCFUA has had discussions with individual companies over improvements to pay and conditions of outworkers making their products. This will involve them getting undertakings from contractors that they will pay award rates. They have agreed to assist the union with information to monitor this.

In particular, a well-known upmarket fashion label has made an undertaking to obtain assurances from their contractors that award rates will be paid.

Another major fashion brand has also responded favourably after hearing that children and underpaid adults might be involved in the manufacture of its garments. That company initiated discussions with the TCFUA and has agreed to enter into negotiations regarding contractor's agreements to ensure that all workers making clothes for the company's labels receive award conditions.

A number of other individual employers have co-operated with the union and supported the campaign. Many employers acknowledge the

unfair competition brought about by companies which exploit workers to produce goods at a lower cost. During the campaign the union received calls from a number of employers supporting the exposure of companies using outworkers, and agreeing that something needs to be done to clean up the industry.

Not much good news

The union has approached a number of major retailers to ask for their co-operation in ensuring that garments produced for them are done so with labour that is paid according to the relevant industrial award. The above examples aside, we have had little success.

A complex issue - How a range of factors can trap outworkers and keep them from moving into other employment

A number of factors indirectly related to pay and conditions were highlighted during the campaign. These point at the complexity of the outwork issue, and illustrate that a broad approach from government, unions and the community is what is required to improve the situation of outworkers, and make Australia's clothing industry fairer for all players.

Taxation

Tax is a major concern for many outworkers. As most outworkers are engaged under a contract of service (as employees), their employer is required by law to deduct PAYE tax from wages earned.

There is often a complicated arrangement for passing on work from contractor to outworker which can mean that the identity of an employer and his or her obligations to their employees, is lost, confused or denied.

We have been advised by some community representatives that outworkers are frequently worried about their status where taxation is concerned. We have been told that these

outworkers want to have their status legalised without incurring penalties for past breaches.

The union appreciates the complex arrangements some outworkers find themselves in. We believe that if outworkers can be brought into the formal economy without being penalised, this would have advantages for all concerned.

Social security

Many outworkers receive social security benefits at the coercion of their employers. According to our information, outworkers are often required to obtain social security benefits before they are given work. If this is a requirement for obtaining work, then the outworkers are certainly reluctant to declare their income to the taxation department because of the link between their tax file number and the Department of Social Security.

From our discussions with outworkers, the TCFUA believes that outworkers would come out and declare themselves if there was an assurance that they would not be penalised for past breaches of the law. The circumstances of individual outworkers should be considered on a case-by-case basis, having penalties for any breaches waived in return for compliance with all statutory requirements in the future.

The TCFUA has made representations to the Ministers for Social Security and Taxation regarding those employers who effectively trap outworkers into these arrangements. The Minister for Social Security, Peter Baldwin, has responded favourably and is expected to seek amendments to the legislation to allow for prosecutions to be waived on a case-by-case basis.

Working children

One disturbing fact about outwork in Australia is the incidence of children working.

While it is rare to find children directly employed by contractors, we have found

children working long hours alongside their parents or other siblings.

Visiting TCFUA Officers have found children working on industrial sewing machines after school, until late at night and during school holidays.

We have witnessed one child about 8 years old, sewing because his mother was suffering severe stress and overuse syndrome from working 18 hour days.

The use of child labour in outwork appears to be directly related to the high pressure of tight deadlines and low prices imposed by contractors. Many families have no choice but to involve their children in the production process to get the work done.

Child-care

The majority of outworkers contacted during the campaign were aged between 25 and 35 years, most had children and held the main responsibility for care of those children and for the housework.

The cost of child-care is, they claim, prohibitive to low waged workers.

If quality child-care was readily available at affordable rates, many of these workers would have more employment options open to them. They would not be restricted to work they can do at home.

Misinformation

Outworkers are often fed misinformation by the people who engage them. Through a range of ploys they are encouraged to think of themselves as contractors rather than employees. For example, a contractor might insist that outworkers register a business name before being given work. In this way a contractor attempts to avoid the obligations of being an employer by arguing that he or she is not employing individuals.

Some employers also insist that outworkers claim social security benefits before they take on work.

These, and other strategies effectively place outworkers and their families in a powerless position. This powerlessness is reinforced by the fear of losing work. Outworkers in this situation tend to believe information provided to them by their employer. They have no choice.

Access to labour market programs

One of the ways for outworkers to improve their work situation is to retrain for employment in other industries. English language classes would have to be offered as a part of this training.

Retraining is particularly relevant for outworkers today as they generally represent a much younger group than workers in clothing factories, and they are eager to be free to make choices about their working lives.

However, there is a fear among outworkers which prevents them from applying for training under the Labour Market Program for the TCF industries. This stems from the fact that many are currently not part of the formal economy and fear reprisals for past breaches of the law.